

CITY OF PERKINS

Perkins, Oklahoma

FINANCIAL STATEMENTS

For the Year Ended June 30, 2011

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CITY OF PERKINS PERKINS, OKLAHOMA

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To the City Commission
City of Perkins, Oklahoma

INDEPENDENT AUDITOR'S REPORT

I 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 Perkins, Oklahoma, as of and for the year ended June 30, 2011, which collectively comprise the City's basic financial statements as listed in the table of contents. These financial statements are the responsibility of the City of Perkins, Oklahoma's, management. My responsibility is to express an opinion on these financial statements based on my audit.

I conducted my audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that I 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. I believe that my audit provides a reasonable basis for my opinion.

Management has not included the Perkins Industrial Development Authority in the City of Perkins, Oklahoma's, financial statements. Accounting principles generally accepted in the United States of America require the Perkins Industrial Development Authority to be presented as a major enterprise fund and financial information about the Perkins Industrial Development Authority to be part of the business-type activities, thus increasing that activity's assets, liabilities, revenues, and expenses, and changing its net assets. The amount by which this departure would affect the assets, liabilities, net assets, revenues, and expenses of the business-type activities and the omitted major fund is not reasonably determinable.

In my opinion, because of the effects of the matter discussed in the preceding paragraph, the financial statements referred to above do not present fairly, in conformity with accounting principles generally accepted in the United States of America, the financial position of the business-type activities of the City of Perkins, Oklahoma, as of June 30, 2011, or the changes in financial position and, where applicable, cash flows thereof for the year then ended.

In addition, in my opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, each major fund, and the aggregate remaining fund information of the City of Perkins, Oklahoma, as of June 30, 2011, and the respective changes in financial position 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*, I have also issued a report dated December 13, 2011, on my consideration of the City of Perkins, Oklahoma's, internal control over financial reporting and my tests of its compliance with certain provisions of laws, regulations, contracts, grant agreements and other matters. The purpose of that report is to describe the scope of my 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 my audit.

Accounting principles generally accepted in the United States of America require that the budgetary comparison information, on pages 38 through 40, be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. I 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 my inquiries, the basic financial statements, and other knowledge I obtained during my audit of the basic financial statements. I do not express an opinion or provide any assurance on the information because the limited procedures do not provide me with sufficient evidence to express an opinion or provide any assurance.

The City of Perkins, Oklahoma, has not presented the Management's Discussion and Analysis that the Governmental Accounting Standards Board has determined is necessary to supplement, although not required to be part of, the basic financial statements.

My audit was made for the purpose of forming opinions on the financial statements that collectively comprise the City of Perkins, Oklahoma's, financial statements as a whole. The accompanying Schedule of Grant Funds, on pages 49 and 50, is presented for purposes of additional analysis and is not a required part of the basic financial statements. The accompanying Schedule of Expenditures of Federal Awards and the Schedule of Findings and Questioned Costs, on pages 46 through 48, are presented for purposes of 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 are also not a required part of the basic financial statements of the City of Perkins, Oklahoma. The Schedule of Grant Funds, the Schedule of Expenditures of Federal Awards, and the Schedule of Findings and Questioned Costs 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 my opinion, the information is fairly stated in all material respects in relation to the financial statements as a whole.



Bruce G. Luttrell, CPA, PC

December 13, 2011

GOVERNMENT-WIDE FINANCIAL STATEMENTS

**CITY OF PERKINS
STATEMENT OF NET ASSETS
JUNE 30, 2011**

Statement 1

	Government Activities	Business-Type Activities	Totals
Assets			
Current assets			
Cash and cash equivalents	\$ 845,493.01	\$ 515,427.31	\$ 1,360,920.32
Restricted cash and cash equivalents	23,854.38	42,326.65	66,181.03
Investments	212,015.83	73,205.44	285,221.27
Accounts receivable	-	108,910.61	108,910.61
Receivables from other governments	109,827.42	-	109,827.42
Total current assets	<u>1,191,190.64</u>	<u>739,870.01</u>	<u>1,931,060.65</u>
Noncurrent assets			
Debt issue costs (net of amortization)	-	218,566.25	218,566.25
Capital assets:			
Equipment	646,456.02	137,983.73	784,439.75
Vehicles	492,539.51	42,251.04	534,790.55
Land & Improvements	822,689.15	64,300.00	886,989.15
Construction in progress	-	5,787,591.36	5,787,591.36
Buildings & Infrastructure	4,724,454.93	5,820,401.70	10,544,856.63
Less accumulated depreciation	<u>(3,905,336.44)</u>	<u>(4,987,939.43)</u>	<u>(8,893,275.87)</u>
Total noncurrent assets	<u>2,780,803.17</u>	<u>7,083,154.65</u>	<u>9,863,957.82</u>
Total assets	<u>3,971,993.81</u>	<u>7,823,024.66</u>	<u>11,795,018.47</u>
Liabilities			
Current liabilities			
Accounts payable	51,301.89	1,184.26	52,486.15
Accrued interest payable	-	33,842.66	33,842.66
Accrued compensated absences	17,135.49	4,065.71	21,201.20
Notes payable - current portion	-	324,127.51	324,127.51
Total current liabilities	<u>68,437.38</u>	<u>363,220.14</u>	<u>431,657.52</u>
Noncurrent liabilities			
Accrued compensated absences	14,168.52	10,256.43	24,424.95
Refundable deposits	-	99,528.73	99,528.73
Settlement payable (Note 4.C.)	-	57,000.00	57,000.00
Notes payable	-	4,251,076.85	4,251,076.85
Less: current portion	-	<u>(324,127.51)</u>	<u>(324,127.51)</u>
Total noncurrent liabilities	<u>14,168.52</u>	<u>4,093,734.50</u>	<u>4,107,903.02</u>
Total liabilities	<u>82,605.90</u>	<u>4,456,954.64</u>	<u>4,539,560.54</u>
Net assets (Note 1.D.)			
Invested in capital assets, net of related debt	2,780,803.17	2,613,511.55	5,394,314.72
Restricted	8,478.32	42,326.65	50,804.97
Committed	876,897.92	332,849.89	1,209,747.81
Assigned	104,062.05	-	104,062.05
Unassigned	119,146.45	377,381.93	496,528.38
Total net assets	<u>\$ 3,889,387.91</u>	<u>\$ 3,366,070.02</u>	<u>7,255,457.93</u>

The accompanying notes to the basic financial statements are an integral part of this statement.

**CITY OF PERKINS
STATEMENT OF ACTIVITIES AND CHANGES IN NET ASSETS
YEAR ENDED JUNE 30, 2011**

Statement 2

Functions/programs	Program Revenues					Net (Expenses) Revenue and Changes in Net Assets	
	Expenses	Charges for Services	Operating Grants and Contracts	Capital Grants and Contracts	Governmental Activities	Primary Government	
						Business-type Activities	Totals
Governmental activities							
General Government	\$ 328,885.08	\$ 17,667.70	\$ -	\$ -	\$ (311,217.38)	\$ -	\$ (311,217.38)
Public Safety	700,831.54	95,940.59	5,533.72	123,452.71	(475,904.52)	-	(475,904.52)
Streets	98,989.03	-	-	-	(98,989.03)	-	(98,989.03)
Culture and Recreation	223,108.37	22,640.00	5,288.00	25,044.71	(170,135.66)	-	(170,135.66)
Capital Outlay	1,960.69	-	-	-	(1,960.69)	-	(1,960.69)
Total government activities	1,353,774.71	136,248.29	10,821.72	148,497.42	(1,058,207.28)	-	(1,058,207.28)
Business-type activities							
Water	111,954.91	390,142.98	-	-	-	278,188.07	278,188.07
Sewer	98,899.22	542,812.39	-	-	-	443,913.17	443,913.17
Sanitation	186,059.65	258,763.01	-	-	-	72,703.36	72,703.36
Administrative and general	144,208.93	-	-	-	-	(144,208.93)	(144,208.93)
Total business-type activities	541,122.71	1,191,718.38	-	-	-	650,595.67	650,595.67
Totals	\$ 1,894,897.42	\$ 1,327,966.67	\$ 10,821.72	\$ 148,497.42	\$ (1,058,207.28)	650,595.67	(407,611.61)
General revenues							
Sales tax					671,968.59	-	671,968.59
Use tax					33,947.74	-	33,947.74
Intergovernmental revenue not restricted to specific programs					19,084.66	-	19,084.66
Intergovernmental revenue restricted for streets & alleys					18,561.33	-	18,561.33
Franchise fees					88,580.48	-	88,580.48
Donations					74,413.61	-	74,413.61
Sales of capital assets					(16,921.55)	500.00	16,421.55
Miscellaneous					63,805.30	10,080.78	73,886.08
Investment earnings					14,471.59	4,621.68	19,093.27
Interest expense					-	(97,694.92)	(97,694.92)
Transfers: In					388,074.02	77,189.95	465,263.97
Transfers: Out					(132,798.64)	(335,000.00)	(467,798.64)
Total general revenues and transfers					1,223,187.13	(340,302.51)	882,884.62
Change in net assets					164,979.85	310,293.16	475,273.01
Net assets, beginning of year					3,724,408.06	3,055,776.86	6,780,184.92
Net assets, end of year					\$ 3,889,387.91	\$ 3,366,070.02	\$ 7,255,457.93

The accompanying notes to the basic financial statements are an integral part of this statement.

FUND FINANCIAL STATEMENTS

**CITY OF PERKINS
BALANCE SHEET
GOVERNMENTAL FUNDS
JUNE 30, 2011**

Statement 3

	General Fund	Capital Improvements Fund	Oklahoma Territorial Plaza Fund	Total Governmental Funds
Assets				
Cash and cash equivalents	\$ 105,147.16	\$ 683,778.66	\$ 56,567.19	\$ 845,493.01
Restricted cash and cash equivalents	23,854.38	-	-	23,854.38
Investments	33,458.44	178,557.39	-	212,015.83
Receivables from other governments	95,004.34	14,823.08	-	109,827.42
Total assets	\$ 257,464.32	\$ 877,159.13	\$ 56,567.19	\$ 1,191,190.64
Liabilities				
Accounts payable	\$ 49,772.14	\$ 261.21	\$ 1,268.54	\$ 51,301.89
Total liabilities	49,772.14	261.21	1,268.54	51,301.89
Fund Balance (Note 1.D.)				
Restricted	8,478.32	-	-	8,478.32
Committed	-	876,897.92	-	876,897.92
Assigned	48,763.40	-	55,298.65	104,062.05
Unassigned	150,450.46	-	-	150,450.46
Total fund balances	207,692.18	876,897.92	55,298.65	1,139,888.75
Total liabilities and fund balances	\$ 257,464.32	\$ 877,159.13	\$ 56,567.19	

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

Capital assets used in governmental activities are not financial resources and therefore are not reported as assets in governmental funds. The cost of the assets is \$ 6,686,139.61

The accumulated depreciation is \$ 3,905,336.44

Net effect for reconciliation

2,780,803.17

Other long-term liabilities are not due and payable in the current-period and therefore are not reported in the funds.

Accrued compensated absences

(31,304.01)

Net assets of governmental activities

\$ 3,889,387.91

The accompanying notes to the basic financial statements are an integral part of this statement.

CITY OF PERKINS
STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE
GOVERNMENT FUNDS
YEAR ENDED JUNE 30, 2011

Statement 4

	General Fund	Capital Improvements Fund	Oklahoma Territorial Plaza Fund	Total Governmental Funds
Revenues:				
Sales tax	\$ 447,979.07	\$ 223,989.52	\$ -	\$ 671,968.59
Use tax	33,947.74	-	-	33,947.74
Franchise fees	88,580.48	-	-	88,580.48
License and permits	17,667.70	-	-	17,667.70
Intergovernmental	37,645.99	-	-	37,645.99
Fines and forfeitures	69,324.47	-	-	69,324.47
Charges for services	49,256.12	-	-	49,256.12
Grants	140,455.21	-	18,863.93	159,319.14
Donations	9,833.61	-	10,000.00	19,833.61
Miscellaneous	56,245.51	610.00	6,949.79	63,805.30
Investment income	11,589.20	2,882.39	-	14,471.59
Sale of Capital Assets	(16,921.55)	-	-	(16,921.55)
Total revenues	<u>945,603.55</u>	<u>227,481.91</u>	<u>35,813.72</u>	<u>1,208,899.18</u>
Expenditures:				
General government:				
Municipal court	63,967.72	-	-	63,967.72
City clerk	5,212.54	-	-	5,212.54
Attorney	4,059.16	-	-	4,059.16
City manager	68,484.19	-	-	68,484.19
General government	159,927.25	-	-	159,927.25
Board members	4,255.09	-	-	4,255.09
Public safety:				
Police	410,570.46	-	-	410,570.46
Fire	140,838.59	-	-	140,838.59
Emergency management	61,330.18	-	-	61,330.18
Animal control	57,967.68	-	-	57,967.68
Permit/Inspection	20,177.55	-	-	20,177.55
Streets:				
Streets	71,020.69	-	-	71,020.69
Culture and recreation:				
Library	104,821.73	-	-	104,821.73
City church	615.56	-	-	615.56
Parks and recreation	87,713.56	-	22,955.02	110,668.58
Capital outlay	-	1,960.69	-	1,960.69
Total expenditures paid	<u>1,260,961.95</u>	<u>1,960.69</u>	<u>22,955.02</u>	<u>1,285,877.66</u>
Excess of revenues collected over (under) expenditures	(315,358.40)	225,521.22	12,858.70	(76,978.48)
Other financing sources (uses)				
Operating transfers in	314,146.27	-	3,000.00	317,146.27
Operating transfer out	-	(131,641.64)	(1,157.00)	(132,798.64)
Total other financing sources (uses)	<u>314,146.27</u>	<u>(131,641.64)</u>	<u>1,843.00</u>	<u>184,347.63</u>
Excess (deficiency) of revenues and other resources over expenditures and other uses	(1,212.13)	93,879.58	14,701.70	107,369.15
Fund balances, beginning of year	208,904.31	783,018.34	40,596.95	1,032,519.60
Fund balances, end of year	<u>\$ 207,692.18</u>	<u>\$ 876,897.92</u>	<u>\$ 55,298.65</u>	<u>\$ 1,139,888.75</u>

(Continued)

The accompanying notes to the basic financial statements are an integral part of this statement.

**CITY OF PERKINS
STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE
GOVERNMENT FUNDS
YEAR ENDED JUNE 30, 2011**

Statement 4 (cont.)

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	\$	107,369.15
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Amounts reported for governmental activities in the Statement of Activities are different because:

Governmental funds report capital outlays as expenditures while governmental activities report depreciation expense to allocate those expenditures over the life of the assets:

Capital asset purchases capitalized		196,208.35
Depreciation		(141,934.93)

Some expenses reported in the Statement of Activities do not require the use of current financial resources and therefore are not reported as expenditures in governmental funds:

Change in accrued compensated absences		3,337.28
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Change in net assets of governmental activities	\$	164,979.85
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The accompanying notes to the basic financial statements are an integral part of this statement.

**CITY OF PERKINS
STATEMENT OF NET ASSETS
PROPRIETARY FUND
JUNE 30, 2011**

Statement 5

	Public Works Authority
	Enterprise Fund
Assets	
Current assets	
Cash and cash equivalents	\$ 515,427.31
Restricted cash and cash equivalents	42,326.65
Investments	73,205.44
Accounts receivable	108,910.61
Total current assets	739,870.01
Noncurrent assets	
Debt issue costs (net of amortization)	218,566.25
Capital assets:	
Equipment	137,983.73
Vehicles	42,251.04
Land & Improvements	64,300.00
Buildings & Infrastructure	5,820,401.70
Construction in progress	5,787,591.36
Less accumulated depreciation	(4,987,939.43)
Total noncurrent assets	7,083,154.65
Total assets	7,823,024.66
Liabilities	
Current liabilities	
Accounts payable	1,184.26
Accrued interest payable	33,842.66
Accrued compensated absences	4,065.71
Notes payable - current portion	324,127.51
Total current liabilities	363,220.14
Noncurrent liabilities	
Refundable deposits	99,528.73
Accrued compensated absences	10,256.43
Settlement payable (Note 4.C.)	57,000.00
Notes payable	4,251,076.85
Less: current portion	(324,127.51)
Total noncurrent liabilities	4,093,734.50
Total liabilities	4,456,954.64
Net assets	
Invested in capital assets, net of related debt	2,613,511.55
Restricted for debt service	42,326.65
Committed to debt service	332,849.89
Unassigned	377,381.93
Total net assets	\$ 3,366,070.02

The accompanying notes to the basic financial statements are an integral part of this statement.

**CITY OF PERKINS
STATEMENT OF REVENUES, EXPENSES, AND CHANGES IN NET ASSETS
PROPRIETARY FUNDS
YEAR ENDED JUNE 30, 2011**

Statement 6

	Public Works Authority Enterprise Fund
Operating revenue	
Charges for services:	
Water	\$ 356,018.91
Sewer	542,812.39
Sanitation	258,763.01
Penalties	25,874.07
Other	8,250.00
Total operating revenue	1,191,718.38
 Operating expenses:	
Water	78,363.07
Sewer	83,146.88
Sanitation	186,059.65
Administration and general	143,272.45
Depreciation	50,280.66
Total operating expenses	541,122.71
 Net operating income	650,595.67
 Nonoperating revenue (expense)	
Investment income	4,621.68
Interest expense	(97,694.92)
Other income	10,080.78
Grant income	-
Sale of capital assets	500.00
Total nonoperating revenue	(82,492.46)
 Net income (loss) before transfers	568,103.21
Operating transfers: In	77,189.95
Operating transfers: Out	(335,000.00)
 Change in net assets	310,293.16
 Net assets beginning of year	3,055,776.86
 Net asset end of year	\$ 3,366,070.02

The accompanying notes to the basic financial statements are an integral part of this statement.

**CITY OF PERKINS
STATEMENT OF CASH FLOWS
PROPRIETARY FUNDS
YEAR ENDED JUNE 30, 2011**

Statement 7

	Public Works Authority
	Enterprise Fund
Cash flows from operating activities	
Receipts from customers	\$ 1,219,572.94
Payments to suppliers	(353,916.81)
Payments to employees	(115,213.35)
Receipts of customer utility deposits	23,795.06
Refunds of customer utility deposits	(18,890.06)
Net cash provided (used) by operating activities	755,347.78
Cash flows from noncapital financing activities	
Transfers to other funds	(335,000.00)
Transfers from other funds	77,189.95
Grant income	-
Other income	10,080.78
Net cash provided (used) by noncapital financing activities	(247,729.27)
Cash flows from capital and related financing activities	
Purchase of capital assets	(2,619,333.03)
Sales of capital assets	(11,000.00)
Amortization of debt issue costs	9,156.87
Issue new capital debt	2,553,611.65
Principal paid on capital debt	(178,841.38)
Interest paid on capital debt	(97,694.92)
Net cash provided (used) by capital and related financing activities	(344,100.81)
Cash flows from investing activities	
Interest income	4,621.68
Net increase (decrease) in cash and cash equivalents	168,139.38
Cash balance beginning of year	462,820.02
Cash balance end of year	\$ 630,959.40
Reconciliation of operating income (loss) to net cash provided (used) by operating activities	
Operating income (loss)	\$ 650,595.67
Adjustments to reconcile operating income to net cash provided (used) by operating activities:	
Cash flows reported in other categories:	
Depreciation expense	50,280.66
Change in assets and liabilities:	
Accounts receivable	27,854.56
Refundable deposits	5,080.00
Accounts payable	(419.23)
Accrued compensated absences	(1,075.15)
Accrued interest payable	23,031.27
Net cash provided by operating activities	\$ 755,347.78

The accompanying notes to the basic financial statements are an integral part of this statement.

NOTES TO BASIC FINANCIAL STATEMENTS

CITY OF PERKINS
Perkins, Oklahoma

NOTES TO THE FINANCIAL STATEMENTS
For the year ended June 30, 2011

NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The City complies with generally accepted accounting principles (GAAP.) GAAP includes all relevant Governmental Accounting Standards Board (GASB) pronouncements. In the government-wide financial statements and the fund financial statements for the proprietary funds, Financial Accounting Standards Board (FASB) pronouncements and Accounting Principles Board (APB) opinions issued on or before November 30, 1989, have been applied, unless those pronouncements conflict with or contradict GASB pronouncements, in which case, GASB prevails. For enterprise funds, GASB Statement Nos. 20 and 34 provide the City the option of electing to apply FASB pronouncements issued after November 30, 1989. The City has elected not to apply those pronouncements. The accounting and reporting framework and the more significant accounting policies are discussed in subsequent subsections of this Note.

1.A. FINANCIAL REPORTING ENTITY

In evaluating how to define the reporting entity, management has considered all potential component units. The decision to include a potential component unit in the reporting entity was made by applying the criteria established by the Governmental Accounting Standards Board (GASB), GASB Statement No. 14, *The Financial Reporting Entity*. The basic (but not the only) criterion for including a potential component unit within the reporting entity is the governing body's ability to exercise oversight responsibility. The most significant manifestation of this ability is financial interdependency. Other manifestations of the ability to exercise oversight responsibility included, but are not limited to, the selection of governing authority, the designation of management, the ability to significantly influence operations, and accountability for fiscal matters. A second criterion used in evaluating potential component units is the scope of public service. Application of this criterion involves considering whether the activity benefits the City and/or its citizens, or whether the activity is conducted within the geographic boundaries of the City and is generally available to its patrons. A third criterion used to evaluate potential component units for inclusion or exclusion from the reporting entity is the existence of special financial relationships, regardless of whether the City is able to exercise oversight responsibilities.

Based upon the application of these criteria, the City's financial reporting entity is composed of the following:

Primary Government:	City of Perkins
Blended Component Unit:	Perkins Public Works Authority Oklahoma Territorial Plaza Trust
Omitted Component Unit:	Perkins Industrial Development Authority

BLENDED COMPONENT UNITS

A blended component unit is a separate legal entity that meets the component unit criteria. In addition, the blended component unit's governing body is the same or substantially the same as the City Commission, or the component unit provides services entirely to the City. The component unit's funds are blended into those of the City by appropriate fund type to constitute the primary government presentation. The blended component units are presented below:

CITY OF PERKINS
Perkins, Oklahoma

NOTES TO THE FINANCIAL STATEMENTS
For the year ended June 30, 2011

1.A. FINANCIAL REPORTING ENTITY (continued)

<u>Component Unit</u>	<u>Brief Description / Inclusion Criteria</u>	<u>Fund Included In</u>
Public Works Authority (PPWA)	Created November 6, 1967, to finance, develop, and operate the water, wastewater, and sanitation activities of the City. Current City Commission serves as entire governing body (trustees). The City of Perkins is the beneficiary of the trust.	PWA Enterprise Fund
Oklahoma Territorial Plaza Trust	Created February 7, 2008, to establish, develop, acquire, construct, purchase, install, repair, enlarge, improve, maintain, equip, operate and manage the Oklahoma Territorial Plaza, for cultural, recreational and educational purposes, located on or near the plaza area. The Mayor of the City of Perkins along with eight other individuals from various organizations serve as the governing body (trustees.) The duration of the trust is the same as the duration of the City of Perkins, and the City of Perkins is the beneficiary of the trust.	Separate Fund

OMITTED COMPONENT UNIT

Based upon the application of these criteria, the Perkins Industrial Development Authority is considered a component unit of the City of Perkins. However, management has not included the Perkins Industrial Development Authority in the City of Perkins, Oklahoma's, financial statements. Accounting principals generally accepted in the United States of America require the Perkins Industrial Development Authority to be presented as a major enterprise fund and financial information about the Perkins Industrial Development Authority to be part of the business-type activities, thus increasing that activity's assets, liabilities, revenues, and expenses, and changing its net assets. The amount by which this departure would affect the assets, liabilities, net assets, revenues, and expenses of the business-type activities and the omitted major fund is not reasonably determinable.

DISCRETELY PRESENTED COMPONENT UNIT

Discretely presented component units are separate legal entities that meet the component unit criteria but do not meet the criteria for blending. The City of Perkins does not have any discretely presented component units.

The Perkins Public Works Authority, and the Oklahoma Territorial Plaza Trust, do not issue separately audited component unit financial statements. The Perkins Industrial Development Authority does issue separately audited component unit financial statements.

GOVERNMENT-WIDE FINANCIAL STATEMENTS

The Statement of Net Assets and Statement of Activities display information about the reporting government as a whole. They include all funds of the reporting entity except for fiduciary funds. The statements distinguish between governmental and business-type activities. 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 services.

CITY OF PERKINS
Perkins, Oklahoma

NOTES TO THE FINANCIAL STATEMENTS
For the year ended June 30, 2011

1.B. BASIS OF PRESENTATION

FUND FINANCIAL STATEMENTS

Fund financial statements of the reporting entity are organized into funds, each of which is considered to be a separate accounting entity. Each fund is accounted for by providing a separate set of self-balancing accounts that constitutes its assets, liabilities, fund equity, revenues, and expenditures/expenses. Funds are organized into three major categories: governmental, proprietary, and fiduciary. The City presently has no fiduciary funds. An emphasis is placed on major funds within the governmental and proprietary categories. A fund is considered major if it is the primary operating fund of the City or meets the following criteria:

- a. Total assets, liabilities, revenues, or expenditures/expenses of that individual governmental or enterprise fund are at least 10 percent of the corresponding total for all funds of that category or type, and
- b. Total assets, liabilities, revenues, or expenditures/expenses of the individual governmental fund or enterprise fund are at least 5 percent of the corresponding total for all governmental and enterprise funds combined.

The funds of the financial reporting entity are described below:

Governmental Funds

Governmental funds are those through which most governmental functions are financed. Governmental fund reporting focuses on the sources, uses, and balances of current financial resources. Expendable assets are assigned to the various governmental funds according to the purpose for which they may or must be used. Current liabilities are assigned to the fund from which they will be paid. The difference between governmental fund assets and liabilities is reported as fund balance.

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 other funds.

Special Revenue Funds

Special Revenue Funds are used to account for the proceeds of the specific revenue sources that are either legally restricted to expenditures for specified purposes or designated to finance particular functions or activities of the City. Currently, the City does not have any special revenue funds.

Capital Project Funds

Capital project funds are used to account for resources restricted for the acquisition or construction of specific capital projects or items. The reporting entity includes the following capital project fund that is reported as a major fund:

CITY OF PERKINS
Perkins, Oklahoma

NOTES TO THE FINANCIAL STATEMENTS
For the year ended June 30, 2011

1.B. BASIS OF PRESENTATION (continued)

Capital Improvement Fund	Accounts for specific revenues and transfers from other City funds and expenditures for various capital projects. The City is currently allocating one third of its sales tax to the Capital Improvement Fund, to be used for remodeling, renovating, maintaining, and constructing the City's library facilities, repairing and extending the water supply and distribution system, constructing additional water storage facilities, improving and extending the sanitary sewer system, acquiring, remodeling, renovating, maintaining, and constructing the City fire department's facilities and/or equipment, and resurfacing, repairing, paving and improving limited access facilities of the City.
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Proprietary Funds

Enterprise Fund

Enterprise funds are used to account for business-like 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 enterprise fund that is reported as a major fund:

Fund	Brief Description
Public Works Authority	Accounts for the activities of the public trust in providing water, wastewater, and sanitation services to the public.

1.C. MEASUREMENT FOCUS AND BASIS OF ACCOUNTING

Measurement focus is a term used to describe "how" transactions are recorded within the various financial statements. Basis of accounting refers to "when" transactions are recorded regardless of the measurement focus applied.

MEASUREMENT FOCUS

In the government-wide Statement of Net Assets and the Statement of Activities, both governmental and business-like activities are presented using the economic resources measurement focus, as defined in item b below.

In the fund financial statements, the "current financial resources" measurement focus or the "economic resources" measurement focus is used as appropriate:

- a. All governmental funds utilize a "current financial resources" measurement focus. Only current financial assets and liabilities are generally included on their balance sheets. Their operating statements present sources and uses of available spendable financial resources during a given period. These funds use fund balance as their measure of available spendable financial resources at the end of the period.

CITY OF PERKINS
Perkins, Oklahoma

NOTES TO THE FINANCIAL STATEMENTS
For the year ended June 30, 2011

1.C. MEASUREMENT FOCUS AND BASIS OF ACCOUNTING (continued)

- b. The proprietary fund utilizes an "economic resources" measurement focus. The accounting objectives of this measurement focus are the determination of operating income, changes in net assets (or cost recovery), financial position, and cash flows. All assets and liabilities (whether current or noncurrent, financial, or nonfinancial) associated with their activities are reported. Proprietary fund equity is classified as net assets.

BASIS OF ACCOUNTING

In the government-wide Statement of Net Assets and Statement of Activities and the fund financial statements, governmental and business-like activities, and component unit activities, are presented using the accrual basis of accounting. Under the accrual basis of accounting, revenues are recognized when earned and expenses are recorded when the liability is incurred or economic asset used. Revenues, expenses, gains, losses, assets, and liabilities resulting from exchange and exchange-like transactions are recognized when the exchange takes place.

In the fund financial statements, governmental funds and agency funds are presented on the modified accrual basis of accounting. Under this modified accrual basis of accounting, revenues are recognized when "measurable and available." Measurable means knowing or being able to reasonably estimate the amount. Available means collectible within the current period or within sixty days after year end. Expenditures (including capital outlay) are recorded when the related fund liability is incurred, except for general obligation bond principal and interest which are reported when due.

All proprietary funds utilize the accrual basis of accounting. Under the accrual basis of accounting, revenues are recognized when earned and expenses are recorded when the liability is incurred or economic asset used.

1.D. ASSETS, LIABILITIES, AND EQUITY

CASH AND CASH EQUIVALENTS

For the purpose of financial reporting, "cash and cash equivalents" include all demand and savings accounts and certificates of deposit or short-term investments with an original maturity of three months or less.

INVESTMENTS

Investments classified in the financial statements, consist entirely of certificates of deposit whose original maturity term exceeds three months. Investments are carried at cost, which approximates fair value.

RECEIVABLES

In the government-wide statements, receivables consist of all revenues earned at year-end and not yet received. Uncollectible accounts receivable, based upon historical trends, are very minimal and thus immaterial to the financial statements. Thus, no allowance for uncollectible accounts receivable has been recorded. Major receivable balances for the governmental activities include sales and use taxes, franchise taxes, alcoholic beverage tax, motor vehicle taxes, and police fines. Business-type activities report utilities and interest earnings as their major receivables.

CITY OF PERKINS
Perkins, Oklahoma

NOTES TO THE FINANCIAL STATEMENTS
For the year ended June 30, 2011

1.D. ASSETS, LIABILITIES, AND EQUITY (continued)

In the fund financial statements, material receivables in governmental funds include revenue accruals such as sales tax, franchise tax, and grants and other similar intergovernmental revenues since they are usually both measurable and available. Nonexchange transactions collectible but not available are deferred in the fund financial statements in accordance with modified accrual, but not deferred in the government-wide financial statements in accordance with the accrual basis. Interest and investment earnings are recorded when earned only if paid within 60 days since they would be considered both measurable and available. Proprietary fund material receivables consist of all revenues earned at year-end and not yet received. Utility accounts receivable and interest earnings compose the majority of proprietary fund receivables. Uncollectible accounts receivable, based upon historical trends, are very minimal and thus immaterial to the financial statements. Thus, no allowance for uncollectible accounts receivable has been recorded.

INTERFUND RECEIVABLES AND PAYABLES

During the course of operations, numerous transactions occur between individual funds that may result in amounts owed between funds. Those related to goods and services type transactions are classified as "due to and from other funds." Short-term interfund loans are reported as "interfund receivables and payables." Long-term interfund loans (noncurrent portion) are reported as "advances from and to other funds." Interfund receivables and payables between funds within governmental activities are eliminated in the Statement of Net Assets. See Note 3.H. for details of interfund transactions, including receivables and payables at year-end.

INVENTORIES

The cost of consumable materials and supplies on hand are immaterial to the financial statements, and the City has therefore chosen to report these items as expenditures at the time of purchase.

CAPITAL ASSETS

The accounting treatment of property, plant, and equipment (capital assets) depends on whether the assets are used in governmental fund operations or proprietary fund and similar discretely presented component unit 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 capital assets are valued at historical cost, or estimated historical cost if actual is unavailable. Estimated historical cost was used to value the majority of the assets acquired prior to July 1, 2003. Prior to July 1, 2003, governmental funds' infrastructure assets were not capitalized. Infrastructure assets acquired since July 1, 2003, are recorded at cost.

Depreciation of all exhaustible capital assets is recorded as an allocated expense in the Statement of Activities, with accumulated depreciation reflected in the Statement of Net Assets. Depreciation is provided over the assets' estimated useful lives using the straight-line method of depreciation. A capitalization threshold of \$ 2,000 is used to report capital assets. The range of estimated useful lives by type of asset is as follows:

Buildings

40 years

CITY OF PERKINS
Perkins, Oklahoma

NOTES TO THE FINANCIAL STATEMENTS
For the year ended June 30, 2011

1.D. ASSETS, LIABILITIES, AND EQUITY (continued)

Improvements other than buildings	20-30 years
Machinery, furniture, and equipment	5-20 years
Vehicles	3-15 years
Utility property and improvements	10-40 years
Infrastructure	50 years

Fund Financial Statements

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

RESTRICTED ASSETS

Restricted assets include cash and investments that are legally restricted as to their use. The primary restricted assets, of the proprietary fund, are related to promissory note trustee accounts and utility meter deposits. The primary restricted assets of the governmental funds are the sales tax amounts of the Capital Improvement Fund, and the grant and other restricted bank accounts of the General Fund.

LONG-TERM DEBT

The accounting treatment of long-term debt 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.

All long-term debt to be repaid from governmental and business-type resources are reported as liabilities in the government-wide statements. The long-term debt consists primarily of notes payable and accrued compensated absences.

Long-term debt for governmental funds is not reported as liabilities in the fund financial statements. The debt proceeds are reported as other financing sources and payment of principle and interest reported as expenditures. The accounting for proprietary funds is the same in the fund statements as it is in the government-wide statements.

COMPENSATED ABSENCES

The City's policies regarding vacation time permit employees to accumulate earned but unused vacation and sick leave. Vacation pay vests for full time employees, depending upon length of service, as follows: 1-9 years – 80 hours, 10-15 years – 120 hours, over 15 years – 160 hours. Sick leave accrues for full time employees at 3.7 hours bi-weekly, although it is not vested. Employees may accrue a maximum of 1,000 hours. Any employee with 5 years service who resigns or retires receives 10 % of the accumulated unused sick leave at the retirement date pay rate. The liability for these compensated absences is recorded as long-

CITY OF PERKINS
Perkins, Oklahoma

NOTES TO THE FINANCIAL STATEMENTS
For the year ended June 30, 2011

1.D. ASSETS, LIABILITIES, AND EQUITY (continued)

term debt in the government-wide statements. The current portion of this debt is estimated based on historical trends. In the fund financial statements, governmental funds report only the compensated absence liability payable from expendable available financial resources, while the proprietary funds report the liability as it is incurred.

EQUITY CLASSIFICATION

Net Assets

Net assets represent the difference between assets and liabilities. Net assets invested in capital assets, net of related debt consists of capital assets, net of accumulated depreciation, reduced by the outstanding balances of any borrowings used for the acquisition, construction or improvement of those assets. Net assets are reported as restricted when there are limitations imposed on their use either through the enabling legislation adopted by the City or through external restrictions imposed by creditors, grantors or laws or regulations of other governments.

The City applies restricted resources when an expense is incurred for purposes for which both restricted and unrestricted net assets are available.

Fund Balance

Fund Balance is divided into five classifications based primarily on the extent to which the City is bound to observe constraints imposed upon the use of the resources in the governmental funds. The classifications are as follows:

Nonspendable – The nonspendable fund balance category includes amounts that cannot be spent because they are not in spendable form, or legally or contractually required to be maintained intact. The “not in spendable form” criterion includes items that are not expected to be converted to cash. It also includes the long-term amount of interfund loans.

Restricted – Fund balance is reported as restricted when constraints placed on the use of resources are either externally imposed by creditors (such as through debt covenants), grantors, contributors, or laws or regulations of other governments or is imposed by law through constitutional provisions or enabling legislation (City ordinances).

Enabling legislation authorizes the City to assess, levy, charge, or otherwise mandate payment of resources (from external resource providers) and includes a legally enforceable requirement that those resources be used only for the specific purposes stipulated in the legislation. Legal enforceability means that the City can be compelled by an external party – such as citizens, public interest groups, or the judiciary to use resources created by enabling legislation only for the purposes specified by the legislation.

Committed - The committed fund balance classification includes amounts that can be used only for the specific purposes imposed by formal action (ordinance or resolution) of the City Council. Those committed amounts cannot be used for any other purpose unless the City Council removes or changes the specified use by taking the same type of action (ordinance or resolution) it employed to previously commit those amounts. In contrast to fund balance that is restricted by enabling legislation, committed fund balance

CITY OF PERKINS
Perkins, Oklahoma

NOTES TO THE FINANCIAL STATEMENTS
For the year ended June 30, 2011

1.D. ASSETS, LIABILITIES, AND EQUITY (continued)

classification may be redeployed for other purposes with appropriate due process. Constraints imposed on the use of committed amounts are imposed by the City Council, separate from the authorization to raise the underlying revenue; therefore, compliance with these constraints are not considered to be legally enforceable. Committed fund balance also incorporates contractual obligations to the extent that existing resources in the fund have been specifically committed for use in satisfying those contractual requirements.

Assigned – Amounts in the assigned fund balance classification are intended to be used by the City for specific purposes but do not meet the criteria to be classified as restricted or committed. In governmental funds other than the General Fund, assigned fund balance represents the remaining amount that is not restricted or committed. In the General Fund, assigned amounts represent intended uses established by the City Council or a City official delegated that authority by City Charter or ordinance.

Unassigned – Unassigned fund balance is the residual classification for the General Fund and includes all spendable amounts not contained in the other classifications. In other governmental funds, the unassigned classification is used only to report a deficit balance resulting from overspending for specific purposes for which amounts had been restricted, committed, or assigned.

The City applies restricted resources first when expenditures are incurred for purposes for which either restricted or unrestricted (committed, assigned, and unassigned) amounts are available. Similarly, within unrestricted fund balance, committed amounts are reduced first followed by assigned, and then unassigned amounts when expenditures are incurred for purposes for which amounts in any of the unrestricted fund balance classifications could be used.

Fund balances at June 30, 2011, for the governmental funds are as follows:

	<u>General Fund</u>	<u>Capital Imp. Fund</u>	<u>Oklahoma Territorial Plaza Fund</u>	<u>Total</u>
Fund balances:				
Invested in capital assets, net of related depreciation	1,788,084.08		992,719.09	2,780,803.17
Restricted for:				
Drug and Alcohol Enforcement	63.46			63.46
Bond Fund / CLEET	<u>8,414.86</u>			<u>8,414.86</u>
Total Restricted	8,478.32			8,478.32
Committed to:				
Capital Improvement Projects		876,897.92		876,897.92
Assigned to:				
Highways	33,458.44			33,458.44
City Church Savings	5,448.41			5,448.41
Thomas Wilhite Library Savings	9,856.55			9,856.55
Oklahoma Territorial Plaza			<u>55,298.65</u>	<u>55,298.65</u>
Total Assigned	<u>48,763.40</u>		55,298.65	104,062.05
Unassigned	<u>119,146.45</u>	-	-	<u>119,146.45</u>
Total Fund Balances	<u><u>1,964,472.25</u></u>	<u><u>876,897.92</u></u>	<u><u>1,048,017.74</u></u>	<u><u>3,889,387.91</u></u>

CITY OF PERKINS
Perkins, Oklahoma

NOTES TO THE FINANCIAL STATEMENTS
For the year ended June 30, 2011

1.E. REVENUES, EXPENDITURES, AND EXPENSES

SALES TAX

The City presently levies a three-cent 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. The Tax Commission receives the sales tax approximately one month after collection by vendors. The sales tax is allocated two-thirds to the General Fund, and one-third to the Capital Improvement Fund. Sales tax collected by the State in June and received by the City in July has been accrued and is included under the caption "Receivable from other governments."

In accordance with a Sales Tax Agreement between the City and the Perkins Industrial Development Authority, dated May 1, 2008, the City agreed to pledge 2 % of the sales tax, allocated to the General Fund, to secure the payment of a \$ 2,940,000 Sales Tax Revenue Note and a \$ 325,000 Sales Tax Revenue Note issued by the Perkins Industrial Development Authority to finance the construction of an assisted living center in the City of Perkins. The sales tax is to be deposited in a special account established in the General Fund of the City. The City agrees to appropriate that money each year, to be paid over as received for immediate deposit in a bank designated by the Authority, in an account to be established entitled the Perkins Industrial Development Authority Sales Tax Fund. The Authority has pledged the Sales Tax Revenue to the trustee (Bank of Oklahoma, National Association) for the purpose of paying debt service on the notes. In the event there is sufficient money in the Note Fund (of the Note Indenture) on or before the last day of each month as required by the Note Indenture and there is no Event of Default as defined in the Indenture, then any remaining Sales Tax Revenue in the Sales Tax Fund shall be transferred back to the special account established in the General Fund of the City and shall be available on the last day of the month for any lawful purpose.

In accordance with a Sales Tax Agreement between the City and the Perkins Public Works Authority, dated May 1, 2009, the City agreed to pledge the 1 % sales tax allocated to funding the City's library, water supply system, sanitary sewer system, fire department facilities, road system, or debt service on G.O. bonds issued by the City for any such purposes, to secure the payment of a \$ 7,225,000 Clean Water SRF Promissory Note issued by the Oklahoma Water Resources Board for the purpose of financing wastewater system improvements serving the City. The sales tax is to be deposited in a special account established in the General Fund of the City. The City agrees to appropriate that money each year, to be paid over as received for immediate deposit in a bank designated by the Authority, in an account to be established entitled the Perkins Public Works Authority Sales Tax Account. The Authority has pledged the Sales Tax Revenue to the Oklahoma Water Resources Board for the purpose of paying debt service on the note. In the event the Authority is current on its debt service payments as required by the loan agreement and there is no event of default as defined in the loan agreement, then any remaining Sales Tax Revenue in the Sales Tax Account shall be transferred back to the special account established in the General Fund of the City and shall be available on the last day of the month for any lawful purpose.

USE TAX

The City levies a three-cent use tax on personal property purchased outside the city limits but stored, used, or consumed within the city. The use tax is collected by the Oklahoma Tax Commission and remitted to the City in the month following receipt by the Tax Commission, which is one month after the tax is received from the vendors. The use tax is allocated entirely to the General Fund. Use tax collected by the State in June and received by the City in July has been accrued and is included under the caption "Receivable from other governments."

CITY OF PERKINS
Perkins, Oklahoma

NOTES TO THE FINANCIAL STATEMENTS
For the year ended June 30, 2011

1.E. REVENUES, EXPENDITURES, AND EXPENSES (continued)

PROGRAM REVENUES

In the Statement of Activities, revenues that are derived directly from each activity or from parties outside the City's taxpayers are reported as program revenues. The City has the following program revenues in each activity:

General Government	Permit fees
Public Safety	Fine revenue, fire protection, operating and capital grants including State Department of Agriculture grants
Culture and Recreation	Sign up fees, gate fees, use fees, operating and capital grants include an Oklahoma Department of Libraries grant

All other governmental revenues are reported as general. All taxes are classified as general revenue even if restricted for a specific purpose, except for the commercial vehicle tax and the gasoline excise tax, both of which are restricted for street and alley purposes.

OPERATING REVENUE AND EXPENSES

Operating revenues and expenses for proprietary funds result from providing services and producing and delivering goods and/or services. They also include all revenues and expenses not related to capital and related financing, noncapital financing, or investing activities.

1.F. INTERNAL AND INTERFUND BALANCES AND ACTIVITIES

In the process of aggregating the financial information for the government-wide Statement of Net Assets and Statement of Activities, some amounts reported as interfund activity and balances in the fund financial statements have been eliminated or reclassified.

FUND FINANCIAL STATEMENTS

Interfund activity, if any, within and among the governmental and proprietary fund categories is reported as follows in the fund financial statements:

1. Interfund loans – Amounts provided with a requirement for repayment are reported as interfund receivables and payables.
2. Interfund services – Sales or purchases of goods and services between funds are reported as revenues and expenditures/expenses.
3. Interfund reimbursements – Repayments from funds responsible for certain expenditures/expenses to the funds that initially paid for them are not reported as reimbursements but as adjustments to expenditure/expenses in the respective funds.
4. Interfund transfers – Flow of assets from one fund to another where repayment is not expected is reported as transfers in and out.

CITY OF PERKINS
Perkins, Oklahoma

NOTES TO THE FINANCIAL STATEMENTS
For the year ended June 30, 2011

1.E. REVENUES, EXPENDITURES, AND EXPENSES (continued)

GOVERNMENT-WIDE FINANCIAL STATEMENTS

Interfund activity and balances, if any, are eliminated or reclassified in the government-wide financial statements as follows:

1. Internal balances – Amounts reported in the fund financial statements as interfund receivables and payables are eliminated in the governmental and business-type activities columns of the Statement of Net Assets, except for the net residual amounts due between governmental and business-type activities, which are reported as Internal Balances.
2. Internal activities – Amounts reported as interfund transfers in the fund financial statements are eliminated in the government-wide Statement of Activities except for the net amount of transfers between governmental and business-type activities, which are reported as Transfers – Internal Activities. The effects of interfund services between funds, if any, are not eliminated in the Statement of Activities.
3. Primary government and component unit activity and balances – Resource flows between the primary government (the City and Public Works Authority) and the discretely-presented component unit (if any) are reported as if they were external transactions and are classified separately from internal balances and activities within the primary government.

1.G. USE OF ESTIMATES

The preparation of financial statements requires management to make estimates and assumptions that affect certain reported amounts and disclosures (such as estimated useful lives in determining depreciation expense); accordingly, actual results could differ from those estimates.

NOTE 2. STEWARDSHIP, COMPLIANCE, AND ACCOUNTABILITY

By its nature as a 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.

2.A. UNINSURED AND UNCOLLATERALIZED DEPOSITS

In accordance with State law, all uninsured deposits of municipal funds in financial institutions must be secured with acceptable collateral. Acceptable collateral includes certain U.S. Government or Government Agency securities, certain State or political subdivision debt obligations, surety bonds, or certain letters of credit. As reflected in Note 3.A., all deposits were fully insured or collateralized.

NOTE 3. DETAIL NOTES – TRANSACTION CLASSES/ACCOUNTS

3.A. DEPOSITS AND INVESTMENTS

DEPOSITS

All the deposits of the City are either insured by the Federal Deposit Insurance Corporation (FDIC) or

CITY OF PERKINS
Perkins, Oklahoma

NOTES TO THE FINANCIAL STATEMENTS
For the year ended June 30, 2011

3.A. DEPOSITS AND INVESTMENTS (continued)

collateralized with securities held by the City (or public trusts) or by its agent in its name.

At June 30, 2011, the City's (and public trusts) deposits had a carrying amount of \$ 1,712,322.62 and a bank balance of \$ 1,712,322.62. Of the bank balance, \$ 775,147.92 was covered by federal depository insurance and the remainder was covered by collateral held by the City's agent in the City's name. At June 30, 2011, the City's petty cash funds totaled \$ 1,350.00.

INVESTMENTS

Investments of the City (excluding Public Trusts) are limited by State law to the following:

- a. Direct obligations of the U.S. Government, its agencies, and instrumentalities to which the full faith and credit of the U.S. Government is pledged, or obligations to the payment of which the full faith and credit of the State is pledged.
- b. Certificates of deposit or savings accounts that are either insured or secured with acceptable collateral with in-state financial institutions, and fully insured certificates of deposit or savings accounts in out-of-state financial institutions.
- c. With certain limitation, negotiable certificates of deposit, prime bankers acceptances, prime commercial paper, and repurchase agreements with certain limitations.
- d. County, municipal, or school district tax-supported debt obligations, bond or revenue anticipation notes, money judgments, or bond or revenue anticipation notes of public trusts whose beneficiary is a county, municipality, or school district.
- e. Notes or bonds secured by mortgage or trust deed insured by the Federal Housing Administrator and debentures issued by the Federal Housing Administrator, and in obligations of the National Mortgage Association.
- f. Money market funds regulated by the Securities and Exchange Commission and in which investments consist of the investments mentioned in the previous paragraphs a,b,c, and d.

Public trusts created under O.S. Title 60 are not subject to the above noted investment limitations and are primarily governed by any restrictions in their trust or bond indentures. For the year ended June 30, 2011, the City and its public trusts complied, in all material respects, with these investment restrictions.

At June 30, 2011, the City's investments consisted solely of certificates of deposit whose original maturity terms exceeded three months. At June 30, 2011, the carrying value and fair value of the certificates of deposit totaled \$ 212,015.83. The Perkins Public Works Authority's investments consisted solely of certificates of deposit whose original maturity terms exceeded three months. At June 30, 2011, the carrying value and fair value of the certificates of deposit totaled \$ 73,205.44. For purposes of the Statement of Net Assets and the Statement of Cash Flows, the certificates of deposit are classified as investments.

Interest Rate Risk: The City does not have a formal investment policy.

Credit Risk: The City has no policy regarding credit risk.

Concentration of Credit Risk: The City places no limit on the amount that the City may invest in any one issuer.

CITY OF PERKINS
Perkins, Oklahoma

NOTES TO THE FINANCIAL STATEMENTS
For the year ended June 30, 2011

3.B. RESTRICTED ASSETS

The amounts reported as restricted assets are composed of amounts held by the Public Works Authority for utility deposits (refunded upon termination of service or applied to final bill) of \$ 99,528.73; loan proceeds held in the trustee accounts of \$ 25,076.74; amounts held by the Authority for debt service on the Oklahoma Water Resources Board loan of \$ 332,849.89; amounts held in trustee accounts on behalf of the promissory note in the amount of \$ 17,249.91; sales tax amounts held in the Capital Improvement Fund account for capital improvements of \$ 862,336.05; and amounts held by the City in various grant and other checking accounts of \$ 23,819.09.

3.C. RESTRICTED REVENUES

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

Revenue Source	Legal Restrictions of Use
Sales Tax	See Note 1.E.
Gasoline Excise & Commercial Vehicle Tax	Street & Alley purposes
Grant proceeds	Grant expenditures

In June, 2009, the Perkins Industrial Development Authority entered into an economic development incentive grant with a local grocery store, wherein the Perkins Industrial Development Authority will pay the grocery company an amount equal to 33 % of the City's sales tax generated by the company, on a quarterly basis. The grant runs for a period of 60 months from the date the company is open for business. The following payments were made during the current year:

September 13, 2010	\$ 7,739.01
December 14, 2010	8,489.93
March 8, 2011	8,174.18
June 14, 2011	8,262.80

3.D. ACCOUNTS RECEIVABLE

Accounts receivable of the business-type activities consist of utilities receivable. Accounts receivable of the governmental activities consist of sales tax (45.8 %), use tax (4.5 %), tobacco tax (0.9 %), alcoholic beverage tax (0.5 %), motor vehicle tax (1.3 %), gasoline excise tax (0.5 %), fines and court costs (18.8 %), and fire runs (14.5 %), insurance claim (10.6 %), and other (2.6 %). Receivables detail at June 30, 2011, is as follows:

	Governmental Activities	Business-type Activities	Total
Accounts receivable	\$ 109,827.42	108,910.61	218,738.03
	\$ 109,827.42	108,910.61	218,738.03

CITY OF PERKINS
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NOTES TO THE FINANCIAL STATEMENTS
For the year ended June 30, 2011

3.E. CAPITAL ASSETS

Capital asset activity for the fiscal year ended June 30, 2011, was as follows:

	Balance at July 1, 2010	Additions	Deductions	Balance at June 30, 2011
<i>Governmental activities:</i>				
Capital assets not being depreciated:				
Land	\$ 697,689.15	\$ _____	\$ _____	\$ 697,689.15
Total capital assets not being depreciated	<u>697,689.15</u>	<u>_____</u>	<u>_____</u>	<u>697,689.15</u>
Other capital assets:				
Machinery, furniture and equipment	629,943.17	6,052.85		635,996.02
Vehicles	509,805.51	6,500.00	23,766.00	492,539.51
Buildings & Infrastructure	<u>3,686,207.87</u>	<u>150,949.06</u>	<u>_____</u>	<u>3,837,156.93</u>
Total other capital assets at historical cost	<u>4,825,956.55</u>	<u>163,501.91</u>	<u>23,766.00</u>	<u>4,965,692.46</u>
Less accumulated depreciation for:				
Machinery, furniture and equipment	342,101.82	29,521.60		371,623.42
Vehicles	345,314.93	64,168.11	27,343.05	382,139.99
Buildings & Infrastructure	<u>3,073,288.90</u>	<u>48,245.22</u>	<u>_____</u>	<u>3,121,534.12</u>
Total accumulated depreciation	<u>3,760,705.65</u>	<u>141,934.93</u>	<u>27,343.05</u>	<u>3,875,297.53</u>
Other capital assets, net	<u>1,065,250.90</u>	<u>21,566.98</u>	<u>3,577.05</u>	<u>1,090,394.93</u>
Government activities capital assets, net	<u>\$ 1,762,940.05</u>	<u>\$ 21,566.98</u>	<u>\$ 3,577.05</u>	<u>\$ 1,788,084.08</u>
<i>Business-type activities:</i>				
Capital assets not being depreciated:				
Land	\$ 64,300.00	\$ _____	\$ _____	\$ 64,300.00
Total capital assets not being depreciated	<u>64,300.00</u>	<u>_____</u>	<u>_____</u>	<u>64,300.00</u>
Other capital assets:				
Machinery, furniture and equipment	149,483.73		11,500.00	137,983.73
Vehicles	42,251.04			42,251.04
Buildings & utility property	<u>8,977,160.03</u>	<u>2,630,833.03</u>	<u>_____</u>	<u>11,607,993.06</u>
Total other capital assets at historical cost	<u>9,168,894.80</u>	<u>2,630,833.03</u>	<u>11,500.00</u>	<u>11,788,227.83</u>
Less accumulated depreciation for:				
Machinery, furniture and equipment	102,507.67	6,656.76	11,500.00	97,664.43
Vehicles	38,976.31	450.00		39,426.31
Buildings & utility property	<u>4,807,674.79</u>	<u>43,173.90</u>	<u>_____</u>	<u>4,850,848.69</u>
Total accumulated depreciation	<u>4,949,158.77</u>	<u>50,280.66</u>	<u>11,500.00</u>	<u>4,987,939.43</u>
Other capital assets, net	<u>4,219,736.03</u>	<u>2,580,552.37</u>	<u>_____</u>	<u>6,800,288.40</u>
Business-type activities capital assets, net	<u>\$ 4,284,036.03</u>	<u>\$ 2,580,552.37</u>	<u>\$ -</u>	<u>\$ 6,864,588.40</u>

Depreciation expense was charged to functions as follows in the Statement of Activities:

Primary Government:	
Governmental Activities:	
General Government	\$ 10,089.36
Public Safety	87,912.42
Streets	27,968.34
Culture and Recreation	<u>15,964.81</u>
Total depreciation expense for governmental activities	<u>\$ 141,934.93</u>

CITY OF PERKINS
Perkins, Oklahoma

NOTES TO THE FINANCIAL STATEMENTS
For the year ended June 30, 2011

3.E. CAPITAL ASSETS

Business-Type Activities:	
Water	\$ 33,591.84
Sewer	15,752.34
Admin and general	<u>936.48</u>
Total depreciation expense for business-type activities	<u><u>\$ 50,280.66</u></u>

3.F. ACCOUNTS PAYABLE

Payables in the General Fund and nonmajor governmental funds are composed entirely of payables to vendors. Payables of Utilities Enterprise Fund are also composed entirely of payables to vendors.

3.G. LONG-TERM DEBT

The reporting entity's long-term debt is segregated between the amounts to be repaid from governmental activities and amounts to be repaid from business-type activities.

GOVERNMENTAL ACTIVITIES

As of June 30, 2011, the governmental long-term debt of the financial reporting entity consisted of the following:

Accrued Compensated Absences:

• Current Portion	\$ 17,135.49
• Noncurrent portion	<u>14,168.52</u>
•	
Total Governmental activity debt	<u><u>\$ 31,304.01</u></u>

BUSINESS-TYPE ACTIVITIES

As of June 30, 2011, the long-term debt payable from proprietary fund resources consisted of the following:

Notes Payable:

- In September 2005, the Authority entered into a loan with a local bank for \$ 160,000, for the purchase of the Community Center Building. The Authority made a \$ 50,000 down payment on the purchase. The loan is for five years, with monthly payments of principal and interest (at 4.25 %) beginning October 14, 2005, of \$ 1,208.75. 110,416.46
- In April 2004, the Authority entered into a loan agreement with the Oklahoma Water Resources Board for \$ 180,000. The loan is for a period of 20 years, with monthly payments of principal and interest beginning April 15, 2004. The loan includes interest based on the

CITY OF PERKINS
Perkins, Oklahoma

NOTES TO THE FINANCIAL STATEMENTS
For the year ended June 30, 2011

3.G. LONG-TERM DEBT (continued)

OWRB's State Loan Program Revenue Bonds, currently 1.45 %. The monthly payments are made to a debt service fund maintained by a trustee. Bank of Oklahoma NA serves as the trustee under the loan.	139,200.00
• In May 2009, the Authority entered into a loan agreement with the Oklahoma Water Resources Board, as part of the wastewater project discussed below, for a maximum amount of \$ 7,225,000. The loan is for a period of 20 years, with semi-annual payments of principal beginning March 15, 2011, and interest beginning September 15, 2009. The loan includes interest based on the OWRB's State Loan Program Revenue Bonds, currently 2.91 %	<u>4,001,460.39</u>
Total Notes Payable	<u><u>\$ 4,251,076.85</u></u>

In May 2009, the Perkins Public Works Authority entered into a \$ 7,225,000 loan with the Oklahoma Water Resources Board, through the Clean Water SRF (State Revolving Fund) Loan Program, for improvements to the wastewater system. The total cost of the project is estimated at \$ 7,225,000. However, part of the funding (\$ 2,000,000) is from a grant from EPA (Environmental Protection Agency) to the OWRB, under the Clean Water State Revolving Fund – American Recovery and Reinvestment Act of 2009 (ARRA.) Through June 30, 2011, a total of \$ 6,145,960.39 was drawn under the loan agreement, and expended, and \$ 144,500.00 had been paid on the principal. And, in accordance with the agreement with the Oklahoma Water Resources Board, \$ 2,000,000.00 of those proceeds were funded through the American Recovery and Reinvestment Act of 2009, and that amount of the loan principal has been forgiven, pending compliance with all ARRA regulations.

In connection with the loan to purchase the Community Center Building, the City entered into a lease agreement with the Perkins Public Works Authority for a term of 100 years and continuing for so long as any indebtedness of the Authority secured by a pledge of the City's lease payments is outstanding. The City's lease is automatically renewed each July 1 until such time as the principal and interest on the note has been paid.

Settlement Payable:

• During a previous year, the suit by Rural Water District # 3 was settled through mediation (see Note 4.C.) The settlement requires the Perkins Public Works Authority to pay the water district \$ 1,500.00 per month for ten years	<u>\$ 57,000.00</u>
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Refundable Deposits:

- Refundable deposits reported as a liability within the Statement of Net Assets are composed of the following:

Utility Deposits – Refundable	<u>\$ 99,528.73</u>
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Accrued Compensated Absences:

• Current portion	\$ 4,065.71
• Noncurrent portion	<u>10,256.43</u>
	<u>\$ 14,322.14</u>

CITY OF PERKINS
Perkins, Oklahoma

NOTES TO THE FINANCIAL STATEMENTS
For the year ended June 30, 2011

3.G. LONG-TERM DEBT (continued)

CHANGES IN LONG-TERM DEBT

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

Type of Debt	Balance July 1, 2010	Additions	Reductions	Balance June 30, 2011	Amount Due Within One Year
Governmental Activities:					
Accrued compensated absences	27,966.73	3,337.28		31,304.01	17,135.49
Business-Type Activities:					
Notes payable	1,858,306.58	2,553,611.65	160,841.38	4,251,076.85	306,127.51
Settlement payable	75,000.00		18,000.00	57,000.00	18,000.00
Accrued compensated absences	15,397.29		1,075.15	14,322.14	4,065.71
Refundable deposits	94,448.73	23,795.06	18,715.06	99,528.73	99,528.73
Total Business-Type Activities	2,043,152.60	2,577,406.71	198,631.59	4,421,927.72	427,721.95

DEBT SERVICE REQUIREMENTS TO MATURITY

The annual debt service requirements to maturity, including principal and interest, for long-term debt, except for refundable deposits, as of June 30, 2011, are as follows:

Year Ended June 30,	\$ 180,000 Settlement Payable		OWRB \$ 7,225,000 Loan	
	Principal	Interest	Principal	Interest
2012	18,000	-	289,000	32,349
2013	18,000	-	289,000	30,667
2014	18,000	-	289,000	28,985
2015	3,000	-	289,000	27,303
2016	-	-	289,000	25,621
2017-2021	-	-	1,445,000	102,874
2022-2026	-	-	1,111,460	96,564
2027-2031	-	-	-	-
Total	57,000	-	4,001,460	344,363

CITY OF PERKINS
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NOTES TO THE FINANCIAL STATEMENTS
For the year ended June 30, 2011

3.G. LONG-TERM DEBT (continued)

Year Ended June 30,	OWRB \$ 180,000 Loan		Bank Loan \$ 160,000 Loan	
	Principal	Interest	Principal	Interest
2012	7,100	3,589	10,027	4,477
2013	7,500	3,390	10,462	4,043
2014	8,100	3,177	10,915	3,590
2015	8,500	2,952	11,389	3,116
2016	8,900	2,331	11,882	2,623
2017-2021	52,700	8,800	55,741	5,126
2022-2026	46,400	2,127	-	-
2027-2031	-	-	-	-
Total	139,200	26,366	110,416	22,975

OPERATING LEASE

On August 6, 2008, the City entered into a lease agreement, to fund the purchase of two police cars, with Ford Motor Credit Company. The total price of the cars was \$ 62,646. The City entered into a 36 month lease, which included a section that terminated the lease if funding was not appropriated by the City for the lease's succeeding years. The lease called for three annual payments of \$ 21,898.60 beginning August 6, 2008, which include interest at 4.95 %. The final payment under the lease was made during the current year.

3.H. INTERFUND TRANSFERS AND BALANCES

INTERFUND TRANSFERS

Transfers between funds of the primary government for the year ended June 30, 2011, were as follows:

MAJOR FUNDS	Transfers In	Transfers Out
GENERAL FUND		
Public Works Authority	299,000.00	77,189.95
Oklahoma Territorial Plaza Trust		
Total General Fund	299,000.00	77,189.95
ENTERPRISE FUND		
Public Works Authority		
General Fund	77,189.95	299,000.00
Perkins Industrial Development Authority		33,000.00
Oklahoma Territorial Plaza Trust		3,000.00
Total Enterprise Fund	77,189.95	335,000.00

CITY OF PERKINS
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NOTES TO THE FINANCIAL STATEMENTS
For the year ended June 30, 2011

3.H. INTERFUND TRANSFERS AND BALANCES (continued)

	Transfers In	Transfers Out
OKLAHOMA TERRITORIAL PLAZA TRUST		
Perkins Public Works Authority	3,000.00	
Total Oklahoma Territorial Plaza Trust	3,000.00	
COMPONENT UNIT		
Perkins Industrial Development Authority		
Perkins Public Works Authority	33,000.00	
GRAND TOTALS	412,189.95	412,189.95

The City transfers one-third of its sales tax to the Capital Improvements Fund for specific capital improvement projects.

The other transfers reflected in the above schedule are used to move restricted resources collected by the General Fund to the funds authorized to spend the resources and to move capitalized assets from the Capital Improvement Fund to the appropriate fund.

NOTE 4: OTHER NOTES

4.A. EMPLOYEE PENSION AND OTHER BENEFIT PLANS

OKLAHOMA MUNICIPAL RETIREMENT FUNDS

The City provides a defined benefit plan, with the Oklahoma Municipal Retirement Fund, for all employees except the city manager. The plan is available to all full-time employees not already participating in another state plan. In a defined benefit plan, benefits are actuarially determined based on number of years of service, as determined under the plan. Benefits vest after ten years. All employees contribute to the Plan an amount equal to 4.5 per cent of annual compensation. The City contributed at the rate of 12.63 % of employee compensation for the year ended June 30, 2011.

The city manager participates in the CMO plan of the Oklahoma Municipal Retirement Fund, which is the defined contribution plan for city managers only. In a defined contribution plan, benefits depend solely on amounts contributed to the plan, investment earnings, and forfeitures of other participants' benefits that may be allocated to such participant's account. The City contributes 10 % of covered payroll, and the city manager contributes 3 %. These percentages can vary from year to year. Participants are permitted to make voluntary deductible contributions to the plan. Benefits are immediately vested.

CITY OF PERKINS
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NOTES TO THE FINANCIAL STATEMENTS
For the year ended June 30, 2011

4.A. EMPLOYEE PENSION AND OTHER BENEFIT PLANS (continued)

For the year ended June 30, 2011, the following amounts relate to the plans:

	<u>City Manager</u>	<u>All Others</u>
City total payroll	\$ 55,532	\$ 672,412
Payroll for covered employees	55,532	384,504
Employee contributions made	1,666	17,408
Employer (City) contributions made	5,553	48,726
City contributions as a % of covered payroll	10 %	12.67 %

OKLAHOMA POLICE AND FIREFIGHTER'S PENSION AND RETIREMENT SYSTEMS

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

	<u>Oklahoma Police Pension and Retirement System</u>	<u>Oklahoma Firefighter's Pension and Retirement System</u>
Eligibility to participate	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	All full-time or voluntary firefighters of a participating municipality and hired before age 45.
Authority establishing contribution obligations and benefits	State Statute	State Statute
Plan members' contribution rate	8 % of covered payroll	8 % of covered payroll
City's contribution rate	13 % of covered payroll	13 % of covered payroll \$ 60 per volunteer
Period required to vest	10 years	10 years
Benefits and eligibility for distribution (full-time)	20 years credited service, 2.5 % 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, 2.5 % 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.

CITY OF PERKINS
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NOTES TO THE FINANCIAL STATEMENTS
For the year ended June 30, 2011

4.A. EMPLOYEE PENSION AND OTHER BENEFIT PLANS (continued)

	<u>Oklahoma Police Pension and Retirement System</u>	<u>Oklahoma Firefighter's Pension and Retirement System</u>
Benefits and eligibility for distribution (volunteer)		20 years credited service equal to \$ 6.69 per month per year of service, with a maximum of 30 years considered
Deferred retirement option	Yes, 20 years credited service with additional option to participate in deferred option plan for a maximum of 5 years	Yes, 20 years credited service with continued service for 30 or more years
Provisions for:		
Cost of living adjustments (normal retirement)	Yes	Yes, if vested by 5/05
Death (duty, non-duty, post retirement)	Yes	Yes
Disability (duty, non-duty)	Yes	Yes
Cost of living allowances	Yes	Yes

Trend Information

Contributions required by State Statute:

<u>Year End</u>	<u>Oklahoma Police Pension and Retirement System</u>		<u>Oklahoma Firefighter's Pension and Retirement System</u>	
	<u>Required Contribution</u>	<u>Percentage Contributed</u>	<u>Required Contribution</u>	<u>Percentage Contributed</u>
June 30, 2011	\$ 17,494.82	100 %	\$ 3,109.60	100 %

Contributions required by State Statute and made for each of the past three fiscal years for the volunteer firefighters:

June 30, 2009	\$ 1,440.00
June 30, 2010	1,320.00
June 30, 2011	1,500.00

Trend information showing the progress of the systems in accumulating sufficient assets to pay benefits when due is presented in the annual financial reports of the respective plans. Copies of these reports may be obtained from the respective state retirement systems.

4.A.1. TERMINATION BENEFITS

At June 30, 2011, the City's reporting entity had no terminated employees participating in COBRA health care in various options available from the City. COBRA participants pay 100 % of the premium cost for continuing coverage. COBRA continuation coverage benefits are available for eligible employees for 18 months. Dependents of employees who lose coverage due to a qualifying event are eligible for 30 months. Benefits provided are not material to the financial statements.

Related-Party Investments

As of June 30, 2011, the System held no related-party investments of the City or of its component units.

CITY OF PERKINS
Perkins, Oklahoma

NOTES TO THE FINANCIAL STATEMENTS
For the year ended June 30, 2011

4.B. RISK MANAGEMENT

The City is exposed to various risks of loss related to torts; theft of, damage to, or destruction of assets; errors and omissions; injuries to employees; employees' health and life; and natural disasters.

The City manages these various risks of loss as follows:

<u>Type of Loss</u>	<u>Method Managed</u>	<u>Risk of Loss Retained</u>
a. Torts, errors, and omissions	Purchased insurance with Oklahoma Municipal Assurance Group	(1)
b. Physical property loss and natural disasters	Purchased commercial insurance, with a deductible of \$ 1,000	Deductible amount
c. Workers compensation, health and life	Workers comp is insured through State Insurance Fund with no deductible. City participates in the OMAG risk entity pool with a deductible of \$ 1,000 for each individual.	None (2)

Management believes such coverage is sufficient to preclude any significant uninsured losses to the City. Settled claims have not exceeded this insurance coverage in any of the past three fiscal years.

Risk Entity Pools

The City participates in the Oklahoma Municipal Assurance Group Liability Protection Plan and Life and Health Benefit Plan (risk entity pools.)

(1) Liability Protection Plan

The basic insurance agreements cover claims against municipalities for all government functions, utilities, and services covered in the Plan. These include bodily injury, property damage, wrongful acts, personal injury, and related torts under the State tort claims law and federal civil rights laws.

All public officials, employees, services, and municipal functions are covered unless they are specifically listed as exclusions in the Plan.

The title to all assets acquired by the Plan are vested in the Group. In the event of termination of the Group, such property shall belong to the then members of the Group in equal shares. Each participating City pays all costs, premiums, or other fees attributable to its respective participation in the Plan, and is responsible for its obligation under any contract entered into with the Plan.

Reserves for claim losses include provisions for reported claims on a case basis and an estimate of claims incurred but not reported limited by aggregate and individual loss levels as specified by the Plan's reinsurance contracts. These credits, if any, represent contingent liabilities of the Plan if the reinsurer was unable to meet its obligations under the reinsurance agreement.

CITY OF PERKINS
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NOTES TO THE FINANCIAL STATEMENTS
For the year ended June 30, 2011

4.B. RISK MANAGEMENT (continued)

The Plan's insurance agreements are reinsured for excess losses based upon the contract year. The significant components of each reinsurance contract can be obtained from the Plan's annual financial report.

(2) Life and Health Benefit Plan

The City participated in the Oklahoma Municipal Assurance Group Life and Health Benefit Plan (the Plan) as a Class II participant. The title to all assets acquired by the Plan are vested in the Plan. In the event of termination of the Plan, such property shall belong to the then members of the Plan in equal shares. Each participating City pays for all costs, contributions, or other fees attributable to its respective participation in any plan, policy or service established under this agreement, and is responsible for its obligation under any contract entered into with the Plan.

The Plan's reserves for policy and contract claims are provided on municipalities in which the Plan has insured risk and include provisions for reported claims and an estimate for claims incurred but not reported. The reserves are based on the estimated ultimate cost of settling the claims, including the effects of general economic conditions, and were determined using paid claims data for claims paid subsequent to year-end and the Plan's historical claims experience.

The Plan has excess stop-loss agreements, which cover losses in excess of specific and aggregate retention levels. Such agreements are closely connected to the Plan's underwriting process such that the coverage is provided based upon a participating municipality's classification. The plan classifies participating municipalities into three categories: Class I, Class II, and Class III. Such classification is dependent upon the number of covered employees with Class I municipalities having the most employees and Class III having the least employees.

Class II and Class III are pooled together under one excess stop-loss agreement between the Plan and the excess stop-loss carrier. This agreement is similar in nature to the Class I municipality agreements; however, no amounts are refundable to Class II and Class III municipalities for contributions collected in excess of benefits paid and the Plan is responsible for claims incurred but not paid as of June 30, 2011. If a Class II and Class III municipality renews, the renewal excess stop-loss agreement covers claims incurred before June 30, 2011, and paid in the renewal period.

4.C. COMMITMENTS AND CONTINGENCIES

COMMITMENTS

Ad Valorem Assessment

The City has settled a lawsuit by a former police officer, which alleged a violation of the Fair Labor Standards Act, for \$ 26,882. The judgment has been assigned to a third party. The assignment will be paid by the City through a levy of ad valorem tax, over a three year period, on all taxable property within the City. The first levy under the ad valorem tax will be in 2012.

Water District Settlement

During the year ended June 30, 2004, the suit by Payne County Rural Water District No. 3 was settled

CITY OF PERKINS
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NOTES TO THE FINANCIAL STATEMENTS
For the year ended June 30, 2011

4.C. COMMITMENTS AND CONTINGENCIES (continued)

through mediation. The major terms of the settlement included the payment of \$ 120,000.00 to the Water District, which was paid by the City's insurance carriers upon obtaining all releases and a monthly payment of \$ 1,500.00 to be paid to the Water District, by the Perkins Public Works Authority, for ten years. The City's boundaries, and service areas remained substantially the same as they were before the suit. The \$ 180,000 was recorded as an extraordinary item, and a judgment payable, in the June 30, 2004 government-wide financial statements. The balance of the judgment payable as of June 30, 2011, is \$ 58,000.00

Other Commitments

The City was previously approved for a \$ 108,017 grant from the Oklahoma Department of Transportation, under the provisions of the Transportation Equity Act for the 21 st Century, to develop the City's walking/biking trails. The grant calls for matching funds on the City's behalf of \$ 27,004. Through June 30, 2010, \$ 101,836.22 had been received and expended under the grant. Also, through June 30, 2010, the City provided \$ 44,650 in matching costs. During the current year, the final \$ 6,180.78 was received, as reimbursement, under the grant. See the Schedule of Grant Funds for further details.

The City was previously approved for a \$ 43,825 Rural Economic Action Plan Grant (REAP) from the State of Oklahoma, administered through the Central Oklahoma Economic Development District (COEDD) to help construct a fire station building. The CDBG grant below provides most of the remainder of the funds. The funding period ran from July 1, 2009, through June 30, 2010. During the current year, the entire amount of the grant was drawn and expended. See the Schedule of Grant Funds for further details.

The City has been approved for a \$ 43,825 Community Development Block Grant (CDBG) through the Oklahoma Department of Commerce / Division of Community Affairs and Development, funded by the U.S. Department of Housing and Urban Development, to help construct a fire station building. The grant calls for matching funds on the City's behalf of \$ 47,425, most of which will be provided by the REAP grant discussed above. The funding period runs from May 28, 2010, through May 28, 2012. During the current year, \$ 17,803.52 was drawn, and expended, under the grant. See the Schedule of Grant Funds for further details.

The City was previously approved for a \$ 100,000 grant from the National Park Service, funded through the State of Oklahoma Land and Water Conservation Fund, to help construct the Oklahoma Territorial Plaza. As of June 30, 2008, \$ 28,112.01 was expended under the grant, but had not yet been reimbursed. During the year ended June 30, 2009, \$ 81,136.07 was drawn, and \$ 53,024.06 was expended, under the grant. The City also provided \$ 96,426.99 in matching costs during the year ended June 30, 2008. During the current year, the final \$ 18,863.93 was reimbursed under the grant. See the Schedule of Grant Funds for further details.

The City has been approved for a \$ 70,253 grant from the Department of Homeland Security, funded through the Federal Emergency Management Agency, to purchase equipment under the Assistance to Firefighters Program. The grant called for matching funds on the City's behalf of \$ 3,697. The funding period ran from October 1, 2009, through September 30, 2010. During the previous year, \$ 35,200 of the grant was drawn, and expended, and the City also provided matching funds of \$ 4,350.78. During the current year, the final \$ 35,053 was drawn, and expended, under the grant. See the Schedule of Grant Funds for further details.

CITY OF PERKINS
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NOTES TO THE FINANCIAL STATEMENTS
For the year ended June 30, 2011

4.C. COMMITMENTS AND CONTINGENCIES (continued)

The City was previously approved for a \$ 9,810.37 grant from the U.S. Department of Justice, Bureau of Justice Assistance, passed through the State of Oklahoma District Attorneys Council, under the Recovery Act – Justice Assistance Grant – Local Law Enforcement program, to purchase equipment for the Mobile-Cop system. The funding period ran from April 1, 2010, through September 30, 2010. During the previous year, \$ 6,484.63 was expended, and none of those expenses were reimbursed under the grant. During the current year, \$ 6,271.19 was reimbursed under the grant. See the Schedule of Grant Funds for further details.

The City has been approved for a \$ 5,000 Oklahoma Highway Safety Office grant, funded through the National Highway Traffic Safety Administration, to purchase police department equipment. No funds were received under this grant during the current year. See the Schedule of Grant Funds for further details.

The City has been approved for a \$ 262,500 Home Investment Partnership Program grant, funded through the Oklahoma Housing Finance Agency (Department of Housing and Urban Development) to refurbish four homes for low income individuals. The grant calls for matching funds of \$ 62,500 on the City's behalf. The funding period runs from August 1, 2011, through February 1, 2013. No funds were received under this grant during the current year. See the Schedule of Grant Funds for further details.

The City has been approved for a 2010 State and Local Assistance Sub-Grant, through the Oklahoma Department of Emergency Management, funded by the Department of Homeland Security – Federal Emergency Management Agency, to provide financial and technical assistance to improve emergency management capabilities. The grant provides up to half the funding for necessary and essential state and local emergency preparedness personnel and expenses, not to exceed \$ 28,171. The funding period runs concurrently with the federal fiscal year. During the current year, a total of \$ 15,000 was received, and expended, under this grant. See the Schedule of Grant Funds for further details

The City has been approved for a 2011 State and Local Assistance Sub-Grant, through the Oklahoma Department of Emergency Management, funded by the Department of Homeland Security – Federal Emergency Management Agency, to provide financial and technical assistance to improve emergency management capabilities. The grant provides up to half the funding for necessary and essential state and local emergency preparedness personnel and expenses, not to exceed \$ 25,578.50. The funding period runs concurrently with the federal fiscal year. During the current year, a total of \$ 5,000 was received, and expended, under this grant. See the Schedule of Grant Funds for further details

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 of reimbursement that 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.

Litigation

The City is a party to various legal proceedings that normally occur in the course of governmental operations. The financial statements do not include any accruals or provisions for loss contingencies

CITY OF PERKINS
Perkins, Oklahoma

NOTES TO THE FINANCIAL STATEMENTS
For the year ended June 30, 2011

4.C. COMMITMENTS AND CONTINGENCIES (continued)

that may result from these proceedings (except for the settlement discussed in Note 4.C.) State statutes provide for the levy of an ad valorem tax over a 3-year period by a City "Sinking Fund" for the payment of any court assessed judgment rendered against the City (as discussed in Note 4.C.) While the

Litigation

outcome of the above noted proceedings cannot be predicted (except for the judgment discussed in Note 4.C.), 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.

4.D. SUBSEQUENT EVENTS

Subsequent events have been evaluated through December 13, 2011, which is the date the financial statements were available to be issued.

REQUIRED SUPPLEMENTARY INFORMATION

**CITY OF PERKINS
BUDGETARY COMPARISON SCHEDULE
GENERAL FUND
YEAR ENDED JUNE 30, 2011**

EXHIBIT 1

	Budgeted Amounts		Actual Amounts	Variance w/ Final Budget
	Original	Final		
Resources (Inflows):				
GENERAL				
Prior Yr Surplus Forward	50,000	50,000	111,674	61,674
Alcohol Beverage Tax	6,273	6,273	9,473	3,200
Cigarette Tax	8,436	8,436	9,612	1,176
Copy & Fax Fees	2,325	2,325	2,922	597
Dog Licenses	1,000	1,000	1,437	437
Donations	5,100	10,300	9,834	(466)
Fire Protection	3,500	7,350	7,350	-
Fire Rural Subscriptions	9,000	16,000	16,500	500
Franchise Fee	89,000	89,000	88,580	(420)
Gasoline Tax	4,500	4,500	4,781	281
Gain (Loss) Sale of Asset	-	-	(16,922)	(16,922)
Operating Grants	-	7,534	7,534	-
Capital Grants	500	115,602	129,633	14,032
State Aid	3,300	3,300	3,288	(12)
ILL Postage	75	75	65	(10)
Impound Fees	3,000	3,000	4,177	1,177
Interest Income	12,325	12,325	11,589	(736)
Intox Enforcement	1,000	1,000	1,484	484
Juvenile Court Fines	-	-	550	550
Miscellaneous Income	5,050	5,050	16,605	11,555
Motor Vehicle Tax	15,500	15,500	13,780	(1,720)
Ambulance Trust Revenue	-	16,000	21,635	5,635
Ordinance Violation Fees	52,000	52,000	51,032	(968)
Court Costs	15,500	15,500	17,718	2,218
Overdue / Lost Books	1,300	1,300	1,776	476
Permit Fees	7,000	7,000	8,831	1,831
Permit Fees - Oversize	100	100	250	150
Permit Fees - Miscellaneous	250	250	3,135	2,885
Rent / Lease	14,400	14,400	14,400	-
Sales Tax	400,000	400,000	447,979	47,979
Service Charges	25	25	50	25
Sign-Up Fees	16,000	16,000	22,640	6,640
Spay/Neuter Deposits	250	250	75	(175)
Tag & License Seizures	25	25	25	-
Use Tax	21,000	21,000	33,948	12,948
Transfers In	325,000	325,000	354,609	29,609
Amounts available for appropriation	1,072,734	1,227,420	1,412,048	184,628

Unaudited – See the Independent Auditor’s Report

**CITY OF PERKINS
BUDGETARY COMPARISON SCHEDULE
GENERAL FUND
YEAR ENDED JUNE 30, 2011**

EXHIBIT 1

	Budgeted Amounts		Actual Amounts	Variance w/ Final Budget
	Original	Final		
Charges to Appropriations (Outflows):				
General Government:				
Personal Services	56,635	55,327	50,171	5,156
Materials & Supplies	6,000	26,553	26,447	106
Other Services & Charges	36,336	46,399	39,972	6,427
Capital Outlay	500	44,047	43,121	926
Total General Government	<u>99,471</u>	<u>172,326</u>	<u>159,711</u>	<u>12,615</u>
Animal Control / Code Enforcement:				
Personal Services	36,975	35,983	35,106	877
Materials & Supplies	3,575	4,254	4,205	49
Other Services & Charges	8,593	7,818	7,374	444
Capital Outlay	15,850	15,283	11,283	4,000
Total Animal Control / Code Enforce	<u>64,993</u>	<u>63,338</u>	<u>57,968</u>	<u>5,370</u>
Board Members:				
Personal Services	3,895	3,895	3,896	(1)
Other Services & Charges	750	370	359	11
Total Board Members	<u>4,645</u>	<u>4,265</u>	<u>4,255</u>	<u>10</u>
City Attorney:				
Other Services & Charges	7,500	5,060	4,059	1,001
Total Church	<u>7,500</u>	<u>5,060</u>	<u>4,059</u>	<u>1,001</u>
City Clerk:				
Personal Services	2,920	2,920	2,808	112
Other Services & Charges	2,500	2,500	2,405	96
Total City Clerk	<u>5,420</u>	<u>5,420</u>	<u>5,213</u>	<u>207</u>
City Manager:				
Personal Services	66,743	65,970	65,496	474
Other Services & Charges	1,975	2,748	2,989	(241)
Total City Manager	<u>68,718</u>	<u>68,718</u>	<u>68,484</u>	<u>234</u>
Emergency Management:				
Personal Services	40,411	42,520	41,672	848
Materials & Supplies	3,005	3,331	2,916	415
Other Services & Charges	7,741	10,006	9,196	810
Capital Outlay	1,150	10,391	7,546	2,845
Total Emergency Management	<u>52,307</u>	<u>66,248</u>	<u>61,330</u>	<u>4,918</u>
Fire Department:				
Personal Services	34,896	35,121	33,529	1,592
Materials & Supplies	7,200	14,786	14,654	132
Other Services & Charges	32,050	35,215	30,966	4,248
Capital Outlay	8,500	56,955	61,688	(4,733)
Total Fire Department	<u>82,646</u>	<u>142,077</u>	<u>140,837</u>	<u>(352)</u>
Library:				
Personal Services	79,488	79,733	78,815	918
Materials & Supplies	10,100	13,595	12,597	998
Other Services & Charges	13,362	15,055	13,409	1,646
Capital Outlay	1,000	767	-	767
Total Library	<u>103,950</u>	<u>109,150</u>	<u>104,822</u>	<u>4,328</u>

Unaudited – See the Independent Auditor’s Report

**CITY OF PERKINS
BUDGETARY COMPARISON SCHEDULE
GENERAL FUND
YEAR ENDED JUNE 30, 2011**

EXHIBIT 1

	Budgeted Amounts		Actual Amounts	Variance w/ Final Budget
	Original	Final		
Municipal Court:				
Personal Services	47,555	48,965	48,960	5
Materials & Supplies	1,600	1,850	1,840	10
Other Services & Charges	12,400	12,535	11,978	557
Capital Outlay	1,500	1,350	1,190	160
Total Municipal Court	63,055	64,700	63,968	732
City Church:				
Other Services & Charges	613	616	616	-
Total City Church	613	616	616	-
Parks & Recreation:				
Personal Services	43,647	45,594	45,663	(69)
Materials & Supplies	12,275	13,916	13,424	492
Other Services & Charges	16,652	14,942	14,982	(40)
Capital Outlay	11,000	13,645	13,645	-
Total Parks & Recreation	83,574	88,097	87,714	383
Permit Inspection:				
Personal Services	20,728	17,026	16,216	810
Capital Outlay	13,000	10,454	449	10,005
Materials & Supplies	750	871	871	0
Other Services & Charges	2,840	2,928	2,641	287
Total Parks & Recreation	37,318	31,279	20,178	11,101
Planning Commission:				
Other Services & Charges	250	250	216	34
Total Planning Commission	250	250	216	34
Police:				
Personal Services	292,984	301,243	299,634	1,609
Materials & Supplies	24,650	36,219	36,198	21
Other Services & Charges	52,016	46,710	46,030	680
Capital Outlay	43,500	36,580	28,709	7,871
Total Police	413,150	420,752	410,570	10,182
Streets & Alleys:				
Personal Services	28,780	28,906	28,202	704
Materials & Supplies	2,855	2,365	2,188	177
Other Services & Charges	39,397	40,461	40,354	107
Capital Outlay	1,000	300	277	23
Total Streets & Alleys:	72,032	72,032	71,021	1,011
Total Charges to Appropriations	1,159,642	1,314,328	1,260,962	51,774
Ending Budgetary Fund Balance	(86,908)	(86,908)		

General Fund Expenditures - Statement of
Revenues, Expenditures, and
Changes in Fund Balance

1,260,962

Unaudited – See the Independent Auditor’s Report

**CITY OF PERKINS
NOTES TO BUDGETARY COMPARISON SCHEDULE
JUNE 30, 2011**

Budget Law

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

- a. Prior to June 1, the City Manager submits to the City Commission a proposed operating budget for the fiscal year commencing the following July 1.
- b. Public hearings are conducted to obtain citizen comments. At least one public hearing must be held no later than 15 days prior to July 1.
- c. Subsequent to the public hearings but no later than seven days prior to July 1, the budget is adopted by resolution of the City Commission.
- d. The adopted budget is filed with the Office of State Auditor and Inspector.

The legal level of control at which expenditures may not legally exceed appropriations is the department level within a fund.

All transfers of appropriations between funds and supplemental appropriations require City Commission approval. The City Manager may transfer appropriations between object categories within a department, or between departments, without City Commission approval. Supplemental appropriations must also be filed with the Office of State Auditor and Inspector.

Basis of Accounting

The budget is prepared on the accrual basis of accounting.

OTHER SUPPLEMENTARY INFORMATION

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

To the City Commission
Perkins, Oklahoma

I have audited the financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the City of Perkins, Oklahoma, as of and for the year ended June 30, 2011, which collectively comprise the City of Perkins, Oklahoma's, basic financial statements and have issued my report thereon dated December 13, 2011. My report included an explanatory paragraph that stated management had not presented the Management's Discussion and Analysis to supplement the financial statements. My report on the business-type activities was qualified due to the omission of the Perkins Industrial Development Authority from the reporting entity. I conducted my audit in accordance with auditing standards generally accepted in the United States of American and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

Internal Control Over Financial Reporting

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

My consideration of internal control over financial reporting 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 financial reporting that might be deficiencies, significant deficiencies, or material weaknesses. I did not identify any deficiencies in internal control over financial reporting that I consider to be material weaknesses, as defined above.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the City of Perkins' financial statements are free of material misstatement, I 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 my audit and, accordingly, I do not express such an opinion. The results of my tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

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

A handwritten signature in black ink, appearing to read "Bruce G. Luttrell". The signature is written in a cursive style with a large initial "B" and "L".

Bruce G. Luttrell, CPA, PC

December 13, 2011

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

To the City Commission
City of Perkins, Oklahoma

Compliance

I have audited the City of Perkins, Oklahoma's, compliance with the types of compliance requirements described in the OMB Circular A-133 *Compliance Supplement* that could have a direct and material effect on each of the City of Perkins, Oklahoma's, major federal programs for the year ended June 30, 2011. The City of Perkins' 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 of Perkins' management. My responsibility is to express an opinion on the City of Perkins' compliance based on my audit.

I conducted my audit of compliance in accordance with auditing standards generally accepted in the United States of America; 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 I 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 Perkins' compliance with those requirements and performing such other procedures as I considered necessary in the circumstances. I believe that my audit provides a reasonable basis for my opinion. My audit does not provide a legal determination of the City of Perkins' compliance with those requirements.

As described in item # 2011-1, in the accompanying schedule of findings and questioned costs, the City of Perkins, Oklahoma, did not comply with requirements regarding the Buy American provision of the American Recovery and Reinvestment Act of 2009 that are applicable to its wastewater treatment project under the Clean Water State Revolving Fund. Compliance with such requirements is necessary, in my opinion, for the City of Perkins, Oklahoma, to comply with the requirements applicable to that program.

In my opinion, except for the noncompliance described in the preceding paragraph, the City of Perkins 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, 2011.

Internal Control Over Compliance

The management of the City of Perkins is responsible for establishing and maintaining effective internal control over compliance with the requirements of laws, regulations, contracts, and grants applicable to federal programs. In planning and performing my audit, I considered the City of Perkins' internal control over compliance with the requirements that could have a direct and material effect on a major federal

program to determine the auditing procedures for the purpose of expressing my 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, I do not express an opinion on the effectiveness of the City of Perkins, Oklahoma's, internal control over compliance.

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.

My 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 deficiencies in internal control over compliance that might be deficiencies, significant deficiencies, or material weaknesses. I did not identify any deficiencies in internal control over compliance that I consider to be material weaknesses, as defined above.

The City of Perkins, Oklahoma's, response to the finding identified in my audit is described in the accompanying schedule of findings and questioned costs. I did not audit the City of Perkins response and, accordingly, I express no opinion on the response.

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



Bruce G. Luttrell, CPA, PC

December 13, 2011

CITY OF PERKINS

Perkins, Oklahoma

SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS

For the Year Ended June 30, 2011

<u>Federal Grantor/Pass Through Grantor/Program Title</u>	<u>Year</u>	<u>Federal CFDA Number</u>	<u>Amount of Expenditures</u>
U.S. Environmental Protection Agency			
Passed through the Oklahoma Water Resources Board			
Cap Grants for State Revolving Fund			
ORF-09-0002-CW	6-30-11	66.458	\$ 601,734.63
U.S. Department of Homeland Security			
Passed through the Federal Emergency Management Agency			
Assistance to Firefighters Grant			
EMW-2009-FO-04204	6-30-11	97.044	35,053.00
Passed through the Oklahoma Department of Emergency Management			
Emergency Management Performance Grant			
2010 SLA Sub-Grant	6-30-11	97.042	15,000.00
2011 SLA Sub-Grant	6-30-11	97.042	5,000.00
U.S. Department of Housing and Urban Development			
Passed through the Oklahoma Department of Commerce			
CDBG-10	6-30-11	14.228	<u>17,803.52</u>
Total Expenditures of Federal Awards			\$ 674,591.15

Note A: Basis of Presentation - The Schedule of Expenditures of Federal Awards includes the federal grant activity of the City of Perkins and is presented under the accrual basis of accounting.

Note B: There were no amounts passed to subrecipients.

Note C: Grantor provides adequate insurance coverage against loss on assets purchased with Federal Awards.

CITY OF PERKINS

Perkins, Oklahoma

SCHEDULE OF FINDINGS AND QUESTIONED COSTS

For the Year Ended June 30, 2011

SECTION I - SUMMARY OF AUDITOR'S RESULTS

FINANCIAL STATEMENTS

Type of auditor's report issued:	Unqualified
Internal control over financial reporting:	
Material weakness(es) identified?	No
Reportable condition(s) identified not considered to be material weaknesses?	None reported
Noncompliance material to financial statements noted?	No

FEDERAL AWARDS

Internal control over major programs:	
Material weakness(es) identified?	No
Reportable condition(s) identified not considered to be material weaknesses?	None reported
Type of auditor's report issued on compliance for major programs:	Qualified
Any audit findings disclosed that are required to be reported in accordance with Circular A-133, Section .510(a)?	# 2011-1

Identification of major programs:

<u>CFDA Number</u>	<u>Name of Federal Program</u>	<u>Expenditures</u>
66.458	Cap Grants for State Revolving Fund	\$ 601,734.63
	Dollar threshold used to distinguish between Type A and Type B programs:	\$ 300,000
	Auditee qualified as low-risk auditee?	No

SECTION II - FINANCIAL STATEMENT FINDINGS

None

CITY OF PERKINS
Perkins, Oklahoma

SCHEDULE OF FINDINGS AND QUESTIONED COSTS
For the Year Ended June 30, 2011

SECTION III - FEDERAL AWARD FINDINGS AND QUESTIONED COSTS

Number		Amount
# 2011-1	<p><u>Finding:</u> The City's contractor purchased sluice gates from a supplier that were not compliant under the Buy American provision of the American Recovery and Reinvestment Act of 2009. The sluice gates were manufactured in Canada.</p> <p><u>Management's Response:</u> The supplier has agreed to replace the sluice gates with an item that qualifies under the Buy American provision of ARRA, at no cost to the City of Perkins.</p>	\$ 23,800.00

**CITY OF PERKINS
SCHEDULE OF GRANT FUNDS
FOR THE YEAR ENDED JUNE 30, 2011**

Exhibit 2

Federal/State Grantor/ Pass Through Grantor/ Program Title	Federal CFDA Number	Pass-Through Grantor's Number	Program or Award Amount	Cash Accrued or Deferred Revenue at July 1, 2010	Contract Receipts Revenue Recognized	Contract Disbursements Expenditures	Interest Earned Federal Funds	Match Receipts or Revenue Recognized	Match Disbursements Expenditures	Cash Accrued or Deferred Revenue at June 30, 2011
U.S. Department of Housing and Urban Development										
Passed through the Oklahoma Department of Commerce										
CDBG - 10	14.228	14136	43,825.00	-	17,803.52	17,803.52	-	57,460.79	57,460.79	-
Passed through the Oklahoma Housing Finance Agency										
HOME Investment Partnership Program	14.239	1383 HOME 11	282,500.00	-	-	-	-	-	-	-
			<u>306,325.00</u>	<u>-</u>	<u>17,803.52</u>	<u>17,803.52</u>	<u>-</u>	<u>57,460.79</u>	<u>57,460.79</u>	<u>-</u>
U.S. National Park Service										
Passed through the Oklahoma Tourism and Recreation Department										
Land and Water Conservation Fund	15.916	Proj 40-01167	100,000.00	(18,863.93)	18,863.93	-	-	-	-	-
U.S. Department of Homeland Security										
Passed through the Federal Emergency Management Agency										
Assistance to Firefighters Grant	97.044	EMW-2009-FO-04204	70,253.00	-	35,053.00	35,053.00	-	-	-	-
Passed through the Oklahoma Department of Emergency Management										
Emergency Management Performance Grant										
State and Local Assistance Sub-Grants:	97.042	2010	28,171.00	-	15,000.00	15,000.00	-	-	-	-
	97.042	2011	25,578.50	-	5,000.00	5,000.00	-	-	-	-
			<u>124,002.50</u>	<u>-</u>	<u>55,053.00</u>	<u>55,053.00</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>

(continued)

**CITY OF PERKINS
SCHEDULE OF GRANT FUNDS
FOR THE YEAR ENDED JUNE 30, 2011**

Exhibit 2

Federal/State Grantor/ Pass Through Grantor/ Program Title	Federal CFDA Number	Pass-Through Grantor's Number	Program or Award Amount	Cash Accrued or Deferred Revenue at July 1, 2010	Contract Receipts Revenue Recognized	Contract Disbursements Expenditures	Interest Earned Federal Funds	Match Receipts or Revenue Recognized	Match Disbursements Expenditures	Cash Accrued or Deferred Revenue at June 30, 2011
<u>U.S. Environmental Protection Agency</u>										
Passed through the Oklahoma Water Resources Board										
Cap Grants for State Revolving Fund	66.458	ORF-09-0002-CW	7,225,000.00	-	601,734.63	601,734.63	-	-	-	-
<u>U.S. Department of Justice, Bureau of Justice Assistance</u>										
Passed through the State of Oklahoma District Attorneys Council										
2009 Recovery Act - Justice Assistance Grant- Local Law Enforcement	16.803	JR09-081	9,810.37	(6,271.19)	6,271.19	-	-	-	-	-
<u>U.S. Department of Transportation</u>										
Passed through the National Highway Traffic Safety Administration										
Oklahoma Highway Safety Office	20.600	PT-11-03-97-00S	5,000.00	-	-	-	-	-	-	-
<u>Rural Economic Action Plan Grant</u>										
Passed through the Central Oklahoma Economic Development District:										
# 2009-2010 REAP Fund 20			43,825.00	-	43,825.00	43,825.00	-	-	-	-
<u>State of Oklahoma</u>										
Special appropriations:										
Oklahoma Department of Transportation # F. A. Project No. STP-160E(147)EH			108,017.00	(6,180.78)	6,180.78	-	-	-	-	-