CITY OF PERKINS

Perkins, Oklahoma

FINANCIAL STATEMENTS

For the Year Ended June 30, 2012

Bruce G. Luttrell, CPA, PC
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CITY OF PERKINS
PERKINS, OKLAHOMA

CONTENTS

		Page
	INDEPENDENT AUDITOR'S REPORT	1-2
Statement		
	BASIC FINANCIAL STATEMENTS:	
	Government-wide Financial Statements:	
1	Statement of Net Assets	3
2	Statement of Activities	4
	Fund Financial Statements:	
3	Balance Sheet – Governmental Funds	5
4	Statement of Revenues, Expenditures, and Changes In Fund Balance – Governmental Funds	6-7
5	Statement of Net Assets – Proprietary Fund	8
6	Statement of Revenues, Expenses, and Changes in Fund Net Assets – Proprietary Fund	9
7	Statement of Cash Flows – Proprietary Fund	10
	Notes to Basic Financial Statements	11-37
Exhibit		
	REQUIRED SUPPLEMENTARY INFORMATION:	
1	Budgetary Comparison Schedule – General Fund	38-40
	Notes to Budgetary Comparison Schedule	41
	OTHER SUPPLEMENTARY INFORMATION:	
	Auditor's Report on Internal Control Over Financial Reporting and on Compliance and Other Matters Based on an Audit of Financial Statements Performed in Accordance with Government Auditing Standards	42-43
2	Schedule of Grant Funds	44-45

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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, 2012, which collectively comprise the City's basic financial statements as listed in the table of contents. These financial statements are the responsibility of the City 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 opinions.

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, 2012, 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, 2012, and the respective changes in financial position, and cash flows, where applicable, thereof for the year then ended in conformity with accounting principles generally accepted in the United States of America.

In accordance with *Government Auditing Standards,* I have also issued my report dated December 11, 2012, on my consideration of the City of Perkins, Oklahoma's, internal control over financial reporting and on my tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of my testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be considered in assessing the results of my audit.

Member of the American Institute of Certified Public Accountants and the Oklahoma Society of Certified Public Accountants

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 conducted 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 44 and 45, is presented for purposes of additional analysis and is not a required part of the basic financial statements. The schedule of grant funds is the responsibility of management and is 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 Luttrell, CPA, PC

December 11, 2012

GOVERNMENT-WIDE FINANCIAL STATEMENTS

CITY OF PERKINS
STATEMENT OF NET ASSETS
JUNE 30, 2012

Statement 1

	Government Activities	Business-Type Activities	Totals
Assets			
Current assets			
Cash and cash equivalents	$ 677,089.78	$ 363,284.83	$ 1,040,374.61
Restricted cash and cash equivalents	17,234.79	43,096.76	60,331.55
Investments	530,677.27	73,914.06	604,591.33
Accounts receivable	-	104,496.67	104,496.67
Receivables from other governments	118,984.09	-	118,984.09
Total current assets	1,343,985.93	584,792.32	1,928,778.25
Noncurrent assets			
Debt issue costs (net of amortization)	-	209,409.38	209,409.38
Capital assets:			
Equipment	697,719.10	154,681.62	852,400.72
Vehicles	447,187.37	42,251.04	489,438.41
Land & Improvements	822,689.15	64,300.00	886,989.15
Construction in progress	-	6,562,945.05	6,562,945.05
Buildings & Infrastructure	4,786,256.12	5,862,265.97	10,648,522.09
Less accumulated depreciation	(3,999,749.02)	(5,037,915.95)	(9,037,664.97)
Total noncurrent assets	2,754,102.72	7,857,937.11	10,612,039.83
Total assets	4,098,088.65	8,442,729.43	12,540,818.08
Liabilites			
Current liabilities			
Accounts payable	37,278.52	964.82	38,243.34
Accrued interest payable	-	39,083.00	39,083.00
Accrued compensated absences	16,301.19	3,969.70	20,270.89
Notes payable - current portion	-	324,962.08	324,962.08
Total current liabilities	53,579.71	368,979.60	422,559.31
Noncurrent liabilities			
Accrued compensated absences	14,054.15	5,684.92	19,739.07
Refundable deposits	-	104,048.51	104,048.51
Settlement payable (Note 4.C.)	-	39,000.00	39,000.00
Notes payable	-	4,720,320.52	4,720,320.52
Less: current portion	-	(324,962.08)	(324,962.08)
Total noncurrent liabilities	14,054.15	4,544,091.87	4,558,146.02
Total liabilities	67,633.86	4,913,071.47	4,980,705.33
Net assets (Note 1.D.)			
Invested in capital assets, net of related debt	2,754,102.72	2,928,207.21	5,682,309.93
Restricted	6,131.14	43,096.76	49,227.90
Committed	998,629.87	282,196.39	1,280,826.26
Assigned	92,588.71	-	92,588.71
Unassigned	179,002.35	276,157.60	455,159.95
Total net assets	$ 4,030,454.79	$ 3,529,657.96	7,560,112.75

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, 2012

Statement 2

Functions/programs	Expenses	Program Revenues: Charges for Services	Program Revenues: Operating Grants and Contracts	Program Revenues: Capital Grants and Contracts	Net (Expenses) Revenue and Changes in Net Assets, Primary Government: Governmental Activities	Business-type Activities	Totals
Governmental activities							
General Government	$ 314,725.50	$ 16,035.90	$ -	$ 29,900.00	$ (268,789.60)	$ -	$ (268,789.60)
Public Safety	709,025.48	78,273.86	14,412.77	57,916.48	(558,422.37)	-	(558,422.37)
Streets	112,125.15	-	-	-	(112,125.15)	-	(112,125.15)
Culture and Recreation	227,596.38	24,045.97	3,613.60	-	(199,936.81)	-	(199,936.81)
Capital Outlay	26,166.12	-	-	-	(26,166.12)	-	(26,166.12)
Total government activities	1,389,638.63	118,355.73	18,026.37	87,816.48	(1,165,440.05)	-	(1,165,440.05)
Business-type activities							
Water	113,320.82	423,766.77	-	-	-	310,445.95	310,445.95
Sewer	124,945.66	547,380.48	-	-	-	422,434.82	422,434.82
Sanitation	190,442.49	264,826.99	-	-	-	74,384.50	74,384.50
Administrative and general	172,063.39	-	-	-	-	(172,063.39)	(172,063.39)
Total business-type activities	600,772.36	1,235,974.24	-	-	-	635,201.88	635,201.88
Totals	$ 1,990,410.99	$ 1,354,329.97	$ 18,026.37	$ 87,816.48	$ (1,165,440.05)	635,201.88	(530,238.17)
General revenues							
Sales tax					737,630.67	-	737,630.67
Use tax					40,927.76	-	40,927.76
Intergovernmental revenue not restricted to specific programs					18,967.56	-	18,967.56
Intergovernmental revenue restricted for streets & alleys					24,324.96	-	24,324.96
Franchise fees					87,759.82	-	87,759.82
Donations					31,144.48	-	31,144.48
Sales of capital assets					300.00	-	(300.00)
Miscellaneous					39,457.74	9,002.88	48,460.62
Investment earnings					12,186.28	3,282.31	15,468.59
Interest expense					-	(135,091.47)	(135,091.47)
Transfers: In					437,150.29	56,192.34	493,342.63
Transfers: Out					(123,342.63)	(405,000.00)	(528,342.63)
Total general revenues and transfers					1,306,506.93	(471,613.94)	834,892.99
Change in net assets					141,066.88	163,587.94	304,654.82
Net assets, beginning of year					3,889,387.91	3,366,070.02	7,255,457.93
Net assets, end of year					$ 4,030,454.79	$ 3,529,657.96	$ 7,560,112.75

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, 2012

Statement 3

	General Fund	Capital Improvements Fund	Oklahoma Territorial Plaza Fund	Total Governmental Funds
Assets				
Cash and cash equivalents	$ 148,874.58	$ 480,485.12	$ 47,730.08	$ 677,089.78
Restricted cash and cash equivalents	17,234.79	-	-	17,234.79
Investments	34,098.81	496,578.46	-	530,677.27
Receivables from other governments	93,661.01	25,323.08	-	118,984.09
Total assets	$ 293,869.19	$ 1,002,386.66	$ 47,730.08	$ 1,343,985.93
Liabilites				
Accounts payable	$ 33,457.87	$ 3,756.79	$ 63.86	$ 37,278.52
Total liabilities	33,457.87	3,756.79	63.86	37,278.52
Fund Balance (Note 1.D.)				
Restricted	17,234.79	-	-	17,234.79
Committed	-	998,629.87	-	998,629.87
Assigned	44,922.49	-	47,666.22	92,588.71
Unassigned	198,254.04	-	-	198,254.04
Total fund balances	260,411.32	998,629.87	47,666.22	1,306,707.41
Total liabilities and fund balances	$ 293,869.19	$ 1,002,386.66	$ 47,730.08	

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 $ 6,753,851.74 The accumulated depreciation is $ 3,999,749.02	
Net effect for reconciliation	2,754,102.72
Other long-term liabilities are not due and payable in the current-period and therefore are not reported in the funds.	
Accrued compensated absences	(30,355.34)
Net assets of governmental activities	$ 4,030,454.79

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, 2012

Statement 4

	General Fund	Capital Improvements Fund	Oklahoma Territorial Plaza Fund	Total Governmental Funds
Revenues:				
Sales tax	$ 488,220.46	$ 249,410.21	$ -	$ 737,630.67
Use tax	40,927.76	-	-	40,927.76
Franchise fees	87,759.82	-	-	87,759.82
License and permits	16,035.90	-	-	16,035.90
Intergovernmental	43,292.52	-	-	43,292.52
Fines and forfeitures	53,631.73	-	-	53,631.73
Charges for services	48,688.10	-	-	48,688.10
Grants	105,842.85	-	-	105,842.85
Donations	21,074.48	-	10,070.00	31,144.48
Miscellaneous	32,161.24	-	7,296.50	39,457.74
Investment income	7,209.29	4,976.99	-	12,186.28
Sale of Capital Assets	300.00	-	-	300.00
Total revenues	945,144.15	254,387.20	17,366.50	1,216,897.85
Expenditures:				
General government:				
Municipal court	64,309.85	-	-	64,309.85
City clerk	4,881.34	-	-	4,881.34
Attorney	7,499.75	-	-	7,499.75
City manager	74,712.40	-	-	74,712.40
General government	155,592.29	-	-	155,592.29
Board members	4,811.06	-	-	4,811.06
Public safety:				
Police	383,421.80	-	-	383,421.80
Fire	105,940.35	-	-	105,940.35
Emergency management	53,054.16	-	-	53,054.16
Animal control	50,691.59	-	-	50,691.59
Permit/Inspection	37,581.79	-	-	37,581.79
Streets:				
Streets	80,253.57	-	-	80,253.57
Culture and recreation:				
Library	102,822.47	-	-	102,822.47
City church	-	-	-	-
Parks and recreation	122,103.34	-	33,643.93	155,747.27
Capital outlay	-	26,166.12	-	26,166.12
Total expenditures paid	1,247,675.76	26,166.12	33,643.93	1,307,485.81
Excess of revenues collected over (under) expenditures	(302,531.61)	228,221.08	(16,277.43)	(90,587.96)
Other financing sources (uses)				
Operating transfers in	366,000.00	6,104.25	8,645.00	380,749.25
Operating transfer out	(10,749.25)	(112,593.38)	-	(123,342.63)
Total other financing sources (uses)	355,250.75	(106,489.13)	8,645.00	257,406.62
Excess (deficiency) of revenues and other resources over expenditures and other uses	52,719.14	121,731.95	(7,632.43)	166,818.66
Fund balances, beginning of year	207,692.18	876,897.92	55,298.65	1,139,888.75
Fund balances, end of year	$ 260,411.32	$ 998,629.87	$ 47,666.22	$ 1,306,707.41

(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, 2012

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	$	166,818.66
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		116,402.41
Depreciation		(141,205.52)
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		(948.67)
Change in net assets of governmental activities	$	141,066.88

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, 2012

Statement 5

	Public Works Authority Enterprise Fund
Assets	
Current assets	
Cash and cash equivalents	$ 363,284.83
Restricted cash and cash equivalents	43,096.76
Investments	73,914.06
Accounts receivable	104,496.67
Total current assets	584,792.32
Noncurrent assets	
Debt issue costs (net of amortization)	209,409.38
Capital assets:	
Equipment	154,681.62
Vehicles	42,251.04
Land & Improvements	64,300.00
Buildings & Infrastructure	5,862,265.97
Construction in progress	6,562,945.05
Less accumulated depreciation	(5,037,915.95)
Total noncurrent assets	7,857,937.11
Total assets	8,442,729.43
Liabilities	
Current liabilities	
Accounts payable	964.82
Accrued interest payable	39,083.00
Accrued compensated absences	3,969.70
Notes payable - current portion	324,962.08
Total current liabilities	368,979.60
Noncurrent liabilities	
Refundable deposits	104,048.51
Accrued compensated absences	5,684.92
Settlement payable (Note 4.C.)	39,000.00
Notes payable	4,720,320.52
Less: current portion	(324,962.08)
Total noncurrent liabilities	4,544,091.87
Total liabilities	4,913,071.47
Net assets	
Invested in capital assets, net of related debt	2,928,207.21
Restricted for debt service	43,096.76
Committed to debt service	282,196.39
Unassigned	276,157.60
Total net assets	$ 3,529,657.96

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, 2012

Statement 6

	Public Works Authority Enterprise Fund
Operating revenue	
Charges for services:	
Water	$ 393,645.58
Sewer	547,380.48
Sanitation	264,826.99
Penalties	25,721.19
Other	4,400.00
Total operating revenue	1,235,974.24
Operating expenses:	
Water	79,850.70
Sewer	109,375.86
Sanitation	190,442.49
Administration and general	171,126.79
Depreciation	49,976.52
Total operating expenses	600,772.36
Net operating income	635,201.88
Nonoperating revenue (expense)	
Investment income	3,282.31
Interest expense	(135,091.47)
Other income	9,002.88
Grant income	-
Sale of capital assets	-
Total nonoperating revenue	(122,806.28)
Net income (loss) before transfers	512,395.60
Operating transfers: In	56,192.34
Operating transfers: Out	(405,000.00)
Change in net assets	163,587.94
Net assets beginning of year	3,366,070.02
Net asset end of year	$ 3,529,657.96

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, 2012

Statement 7

	Public Works Authority Enterprise Fund
Cash flows from operating activities	
Receipts from customers	$ 1,240,388.18
Payments to suppliers	(414,654.18)
Payments to employees	(135,763.28)
Receipts of customer utility deposits	24,800.25
Refunds of customer utility deposits	(20,305.47)
Net cash provided (used) by operating activities	694,465.50
Cash flows from noncapital financing activities	
Transfers to other funds	(405,000.00)
Transfers from other funds	56,192.34
Grant income	-
Other income	9,002.88
Net cash provided (used) by noncapital financing activities	(339,804.78)
Cash flows from capital and related financing activities	
Purchase of capital assets	(833,915.85)
Sales of capital assets	-
Amortization of debt issue costs	9,156.87
Issue new capital debt	775,353.72
Principal paid on capital debt	(324,110.05)
Interest paid on capital debt	(135,091.47)
Net cash provided (used) by capital and related financing activities	(508,606.78)
Cash flows from investing activities	
Interest income	3,282.31
Net increase (decrease) in cash and cash equivalents	(150,663.75)
Cash balance beginning of year	630,959.40
Cash balance end of year	$ 480,295.65
Reconciliation of operating income (loss) to net cash provided (used) by operating activities	
Operating income (loss)	$ 635,201.88
Adjustments to reconcile operating income to net cash provided (used) by operating activities:	
Cash flows reported in other categories:	
Depreciation expense	49,976.52
Change in assets and liabilities:	
Accounts receivable	4,413.94
Refundable deposits	4,519.78
Accounts payable	(219.44)
Accrued compensated absences	(4,667.52)
Accrued interest payable	5,240.34
Net cash provided by operating activities	$ 694,465.50

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

NOTES TO BASIC FINANCIAL STATEMENTS

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:

1.A. FINANCIAL REPORTING ENTITY (continued)

Component Unit	Brief Description / Inclusion Criteria	Fund Included In
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.

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:

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.

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.

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

DEPOSITS AND INVESTMENTS

The City's cash and cash equivalents are considered to be cash on hand, demand deposits, and short-term investments with original maturities of three months or less from the date of acquisition.

State statutes authorize the City to invest in obligations of the U.S. Treasury; time deposits with financial institutions, if such deposits are fully insured by federal depository insurance or pledged collateral; and debt securities issued by the State of Oklahoma, an Oklahoma County, school district, or municipality.

Investments for the City, as well as for its component units, are reported at 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

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

taxes, alcoholic beverage tax, motor vehicle taxes, and police fines. Business-type activities report utilities and interest earnings as their major receivables. 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:

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

Buildings	40 years
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:

1-2 years	40 hours
2-7 years	80 hours
7-12 years	120 hours
12-20 years	160 hours
➢ 20 years	200 hours

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

Sick leave accrues for full time employees at 3.7 hours bi-weekly, although it is not vested. Employees may accrue a maximum of 480 hours. Any employee with more than 15 years' service, upon retirement or separation, the City may buy back sick leave at 40 % of their hours. The liability for these compensated absences is recorded as long-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

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

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 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, 2012, for the governmental funds are as follows:

Fund Balances:	General Fund	Capital Imp. Fund	OK Territorial Plaza Fund	Total
Invested in capital assets, net of related depreciation	1,775,583.44		978,519.28	2,754,102.72
Restricted for:				
Drug and Alcohol Enforcement	63.59			63.59
Bond Fund / CLEET	6,067.55			6,067.55
Total Restricted	6,131.14	0.00	0.00	6,131.14
Committed to:				
Capital Improvement Projects		998,629.87		998,629.87
Assigned to:				
Highways	34,098.81			34,098.81
City Church Savings	814.06			814.06
Thomas Wilhite Library Savings	10,009.62			10,009.62
Oklahoma Territorial Plaza			47,666.22	47,666.22
Total Assigned	44,922.49	0.00	47,666.22	92,588.71
Unassigned	179,002.35			179,002.35
Total Fund Balances	2,005,639.42	998,629.87	1,026,185.50	4,030,454.79

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."

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.

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

The City's carrying amount of deposits was $ 1,703,947.49 as of June 30, 2012, and the bank balances

3.A. DEPOSITS AND INVESTMENTS (continued)

totaled $ 1,703,947.49. Deposits are carried at cost.

Custodial Credit Risk – Deposits - Custodial credit risk is the risk that in the event of a bank failure, the City's deposits may not be returned to it. The City's investment policy for custodial credit risk for deposits states, "Safety of principal is the foremost objective of the investment program. All collateral pledged to secure public funds shall be valued at no more than market value. The collateralization level will be 110 % of market value of principal and accrued interest. Collateral will be held by the City Finance Director of the City of Perkins or by an independent third party with whom the entity has a current custodial agreement." As of June 30, 2012, $ 756,619.26 of the City's bank balances of $ 1,703,947.49 was exposed to custodial credit risk as follows:

Collateralized with securities held by the banks' trust departments but not in the City's name	$ 756,619.26

INVESTMENTS

As of June 30, 2012, the City had investments in certificates of deposit with maturities of less than three years, diversified over two financial institutions as follows:

Investments	Maturities	Fair Value
Certificates of deposit	< 1 year	$ 1,085,076.45

Interest Rate Risk - The City of Perkins' investment policy limits investment maturities as a means of managing its exposure to fair value losses arising from increasing interest rates. Reserve funds may be invested with maturities exceeding three years from date of purchase if the maturity is made to coincide with the expected use of the funds. All other funds maturities will be no more than three years from date of purchase.

Credit Risk - The City's investment policy limits investments to any securities authorized in the Oklahoma State Statutes, as follows:

a) obligations of the U.S. Government, its agencies or instrumentalities;
b) collateralized or insured certificates of deposit and other evidences of deposit at banks, savings banks, savings and loan associations and credit unions located in this state, or fully insured certificates of deposit at banks, savings banks, savings and loan associations and credit unions located out of state;
c) Negotiable certificates of deposit issued by a nationally or state-chartered bank, a savings bank, a savings and loan association or a state-licensed branch of a foreign bank. Purchases of negotiable certificates of deposit shall not exceed ten percent (10 %) of the surplus funds of the city which may be invested pursuant to this section;
d) Prime bankers' acceptances which are eligible for purchase by the Federal Reserve System and which do not exceed 270 days' maturity. Purchases of prime banker's acceptances shall not exceed ten percent (10 %) of the surplus funds of the City which may be invested pursuant to this section. Not more than one-half (1/2) of the ten percent (10 %) shall be invested in any one commercial bank pursuant to this paragraph;

3.A. DEPOSITS AND INVESTMENTS (continued)

e) Prime commercial paper which shall not have a maturity that exceeds one hundred eighty (180) days nor represent more than ten percent (10 %) of the outstanding paper of an issuing corporation;
f) Repurchase agreements that have underlying collateral consisting of those items specified in paragraphs a through e of this subsection; and
g) Money market mutual funds regulated by the Securities and Exchange Commission and which investments consist of those items and those restrictions specified in paragraphs a through f of this subsection.

As of June 30, 2012, the City's investments in certificates of deposit were all federally insured or adequately collateralized by pledges of securities owned by the various financial institutions.

Concentration of Credit Risk – The City of Perkins' investment policy has no limit on the amount of the City's investment portfolio that may be invested in a single financial institution, with the exception of investment in prime bankers acceptances shall not exceed 10 % of the surplus funds of the City, and investment in prime commercial paper shall not be more than 10 % of the outstanding paper of the issuing corporation. Of the City's investments, all were in certificates of deposit with 78 % invested with one financial institution. For the Perkins Public Works Authority, 100 % of its total investments were with the same financial institution.

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 $ 104,048.51; loan proceeds held in the trustee accounts of $ 25,094.16; amounts held by the Authority for debt service on the Oklahoma Water Resources Board loan of $ 282,196.39; amounts held in trustee accounts on behalf of the promissory note in the amount of $ 18,002.60; sales tax amounts held in the Capital Improvement Fund account for capital improvements of $ 977,063.58; and amounts held by the City in various grant and other checking accounts of $ 17,234.79.

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:

3.C. RESTRICTED REVENUES (continued)

September 12, 2011	$ 8,589.95
December 12, 2011	8,690.94
March 12, 2012	8,864.14
May 29, 2012	8,333.48

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 (54.4 %), use tax (2.6 %), tobacco tax (1.0 %), alcoholic beverage tax (0.5 %), motor vehicle tax (1.8 %), gasoline excise tax (0.5 %), fines and court costs (18.1 %), and fire runs (21 %), and other (0.1 %.) Receivables detail at June 30, 2012, is as follows:

	Governmental Activities	Business-type Activities	Total
Accounts receivable	$ 93,661.01	104,496.67	198,157.68

3.E. CAPITAL ASSETS

Capital asset activity for the fiscal year ended June 30, 2012, was as follows:

Governmental activities:	Balance at July 1, 2011	Additions	Deductions	Balance at June 30, 2012
Capital assets not being depreciated:				
Land	$ 697,689.15	$	$	$ 697,689.15
Total capital assets not being depreciated	697,689.15			697,689.15
Other capital assets:				
Machinery, furniture and equipment	635,996.02	69,913.08	18,650.00	687,259.10
Vehicles	492,539.51	5,400.00	50,752.14	447,187.37
Buildings & Infrastructure	3,837,156.93	56,401.04		3,893,557.97
Total other capital assets at historical cost	4,965,692.46	131,714.12	69,402.14	5,028,004.44
Less accumulated depreciation for:				
Machinery, furniture and equipment	371,623.42	25,430.57	18,650.00	378,403.99
Vehicles	382,139.99	62,523.33	47,742.90	396,920.42
Buildings & Infrastructure	3,121,534.12	53,251.62		3,174,785.74
Total accumulated depreciation	3,875,297.53	141,205.52	66,392.90	3,950,110.15
Other capital assets, net	1,090,394.93	<9,491.40>	<3,009.24>	1,077,894.29
Government activities capital assets, net	$ 1,788,084.08	$ <9,491.40>	$ <3,009.24>	$ 1,775,583.44

3.E. CAPITAL ASSETS (continued)

Business-type activities:				
Capital assets not being depreciated:				
Land	$ 64,300.00	$	$	$ 64,300.00
Total capital assets not being depreciated	64,300.00			64,300.00
Other capital assets:				
Machinery, furniture and equipment	137,983.73	16,697.89		154,681.62
Vehicles	42,251.04			42,251.04
Buildings & utility property	11,607,993.06	817,217.96		12,425,211.02
Total other capital assets at historical cost	11,788,227.83	833,915.85		12,622,143.68
Business-type activities:				
Less accumulated depreciation for:				
Machinery, furniture and equipment	97,664.43	5,553.46		103,217.89
Vehicles	39,426.31			39,426.31
Buildings & utility property	4,850,848.69	44,423.06		4,895,271.75
Total accumulated depreciation	4,987,939.43	49,976.52		5,037,915.95
Other capital assets, net	6,800,288.40	783,939.33		7,584,227.73
Business-type activities capital assets, net	$ 6,864,588.40	$ 783,939.33	$ -	$ 7,648,527.73

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

Primary Government:	
Governmental Activities:	
General Government	$ 8,258.28
Public Safety	84,917.54
Streets	31,871.58
Culture and Recreation	16,158.12
Total depreciation expense for governmental activities	$ 141,205.52
Business-Type Activities:	
Water	$ 33,470.12
Sewer	15,569.80
Admin and general	936.60
Total depreciation expense for business-type activities	$ 49,976.52

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.

3.G. LONG-TERM DEBT (continued)

GOVERNMENTAL ACTIVITIES

As of June 30, 2012, the governmental long-term debt of the financial reporting entity consisted of the following:

Accrued Compensated Absences:

• Current Portion	$ 16,301.19
• Noncurrent portion	14,054.15
•	
Total Governmental activity debt	$ 30,355.34

BUSINESS-TYPE ACTIVITIES

As of June 30, 2012, 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.	100,506.41
• 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 OWRB's State Loan Program Revenue Bonds, currently 1.23 %. 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.	132,000.00
• 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 %	4,487,814.11
Total Notes Payable	$ 4,720,320.52

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

3.G. LONG-TERM DEBT (continued)

the Clean Water State Revolving Fund – American Recovery and Reinvestment Act of 2009 (ARRA.) Through June 30, 2012, a total of $ 6,921,314.11 was drawn under the loan agreement, and expended, and $ 433,500.00 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 — $ 39,000.00

Refundable Deposits:

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

Utility Deposits – Refundable	$ 104,048.51

Accrued Compensated Absences:

• Current portion	$ 3,969.70
• Noncurrent portion	5,684.92
	$ 9,654.62

CHANGES IN LONG-TERM DEBT

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

Type of Debt	Balance July 1, 2011	Additions	Reductions	Balance June 30, 2012	Amount Due Within One Year
Governmental Activities:					
Accrued compensated absences	31,304.01		948.67	30,355.34	16,301.19
Business-Type Activities:					
Notes payable	4,251,076.85	775,353.72	306,110.05	4,720,320.52	324,962.08
Settlement payable	57,000.00		18,000.00	39,000.00	18,000.00
Accrued compensated absences	14,322.14		4,667.52	9,654.62	3,969.70
Refundable deposits	99,528.73	24,800.25	20,280.47	104,048.51	104,048.51
Total Business-Type Activities	4,421,927.72	800,153.97	349,058.04	4,873,023.65	450,980.29

3.G. LONG-TERM DEBT (continued)

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, 2012, are as follows:

Year Ended June 30,	$ 180,000 Settlement Payable		OWRB $ 7,225,000 Loan	
	Principal	Interest	Principal	Interest
2013	18,000	-	289,000	25,621
2014	18,000	-	289,000	23,939
2015	3,000	-	289,000	22,257
2016	-	-	289,000	20,575
2017	-	-	289,000	18,893
2018-2022	-	-	1,445,000	69,235
2023-2027	-	-	1,445,000	27,285
2028-2032	-	-	152,814	826
Total	39,000	-	4,487,814	208,631

Year Ended June 30,	OWRB $ 180,000 Loan		Bank Loan $ 160,000 Loan	
	Principal	Interest	Principal	Interest
2013	7,500	1,578	10,462	4,043
2014	8.100	1,482	10,915	3,590
2015	8,500	1,380	11,389	3,116
2016	8,900	1,364	11,882	2,623
2017	9,500	1,160	12,397	2,108
2018-2022	55,600	1,041	43,461	3,019
2023-2027	33,900	3,433	-	-
2028-2032	-	-	-	-
Total	132,000	11,438	100,506	18,499

OPERATING LEASE

Subsequent to year end, the City entered into a lease agreement, to fund the purchase of four police cars, with Ford Motor Credit Company. The total price of the cars was $ 116,672. 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 $ 40,951.40 beginning November 5, 2012, which include interest at 5 %.

3.H. INTERFUND TRANSFERS AND BALANCES

INTERFUND TRANSFERS

Transfers between funds of the primary government for the year ended June 30, 2012, were as follows:

	Transfers In	Transfers Out
MAJOR FUNDS		
GENERAL FUND		
Public Works Authority	366,000.00	
Oklahoma Territorial Plaza Trust		4,645.00
Capital Improvement Fund	56,401.04	6,104.25
Total General Fund	422,401.04	10,749.25
ENTERPRISE FUND		
Public Works Authority		
General Fund		366,000.00
Perkins Industrial Development Authority		35,000.00
Oklahoma Territorial Plaza Trust		4,000.00
Capital Improvement Fund	56,192.34	
Total Enterprise Fund	56,192.34	405,000.00
CAPITAL IMPROVEMENT FUND		
General Fund	6,104.25	56,401.04
Public Works Authority		56,192.34
Total Capital Improvement Fund	6,104.25	112,593.38
OKLAHOMA TERRITORIAL PLAZA TRUST		
General Fund	4,645.00	
Perkins Public Works Authority	4,000.00	
Total Oklahoma Territorial Plaza Trust	8,645.00	0.00
COMPONENT UNIT		
Perkins Industrial Development Authority		
Perkins Public Works Authority	35,000.00	
GRAND TOTALS	528,342.63	528,342.63

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 13.08 % of employee compensation for the year ended June 30, 2012.

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.

For the year ended June 30, 2012, the following amounts relate to the plans:

	City Manager	All Others
City total payroll	$ 63,258	$ 653,843
Payroll for covered employees	63,258	430,716
Employee contributions made	1,899	19,381
Employer (City) contributions made	6,329	56,095
City contributions as a % of covered payroll	10 %	13.02 %

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.

	Oklahoma Police Pension and Retirement System	Oklahoma Firefighter's Pension and Retirement System
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.

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

	Oklahoma Police Pension and Retirement System	Oklahoma Firefighter's Pension and Retirement System
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.
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:

	Oklahoma Police Pension and Retirement System		Oklahoma Firefighter's Pension and Retirement System	
Year End	Required Contribution	Percentage Contributed	Required Contribution	Percentage Contributed
June 30, 2012	$ 15,564	100 %	$ 3,475	100 %
June 30, 2011	$ 17,495	100 %	$ 3,110	100 %

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

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

June 30, 2012	$	1,320.00
June 30, 2011		1,500.00
June 30, 2010		1,320.00

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, 2012, 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, 2012, the System held no related-party investments of the City or of its component units.

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:

Type of Loss	Method Managed	Risk of Loss Retained
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.

4.B. RISK MANAGEMENT (continued)

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.

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

4.B. RISK MANAGEMENT (continued)

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, 2012. If a Class II and Class III municipality renews, the renewal excess stop-loss agreement covers claims incurred before June 30, 2012, and paid in the renewal period.

4.C. COMMITMENTS AND CONTINGENCIES

COMMITMENTS

Ad Valorem Assessment

The City settled a lawsuit by a former police officer in the previous year, which alleged a violation of the Fair Labor Standards Act, for $ 26,882. The judgment was 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 ($ 9,772.09) was collected during the current year, and $ 9,632.72 was paid to the third party.

Water District Settlement

During the year ended June 30, 2004, the suit by Payne County Rural Water District No. 3 was settled 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, 2012, is $ 39,000.00

Other Commitments

The City has been approved for a $ 27,000 Rural Economic Action Plan Grant (REAP) from the State of Oklahoma, administered through the Central Oklahoma Economic Development District (COEDD) to purchase a storm warning system. The funding period ran from July 1, 2010, through June 30, 2011. 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 was previously 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 called for matching funds on the City's behalf of $ 47,425, most of which was provided by a REAP grant. The funding period ran from May 28, 2010, through May 28, 2012.

4.C. COMMITMENTS AND CONTINGENCIES (continued)

During the previous year, $ 17,803.52 was drawn, and expended, under the grant and the City provided a total of $ 57,460.79 in matching funds. During the current year, the final $ 26,021.48 was drawn and expended under the grant. See the Schedule of Grant Funds for further details.

The City was previously approved for a $ 5,000 Oklahoma Highway Safety Office grant, funded through the National Highway Traffic Safety Administration, to purchase police department equipment. During the current year, $ 4,395 was drawn, and expended, under the grant. See the Schedule of Grant Funds for further details.

The City was previously 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. During the current year, $ 29,900 was drawn, and expended, under the grant. See the Schedule of Grant Funds for further details.

The City was previously 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 previous year, $ 5,000 was received, and expended, under the grant. 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

The City has been approved for a 2012 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 $ 31,396.50. 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

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 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 11, 2012, 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, 2012

EXHIBIT 1

	Budgeted Amounts		Actual	Variance w/ Final
	Original	Final	Amounts	Budget
Resources (Inflows):				
GENERAL				
Prior Yr Surplus Forward	89,770	95,490	207,692	112,202
Alcohol Beverage Tax	10,000	10,000	8,400	(1,600)
Ambulance Trust Collections	60,000	60,000	56,804	(3,197)
Cigarette Tax	9,500	9,500	10,568	1,068
Copy & Fax Fees	2,360	2,360	3,234	874
Dog Licenses	1,100	1,100	1,646	546
Donations	7,500	24,596	21,074	(3,522)
Fire Protection	3,500	8,850	9,620	770
Fire Rural Subscriptions	16,500	16,500	13,950	(2,550)
Franchise Fee	89,000	89,000	87,760	(1,240)
Gasoline Tax	4,500	4,500	5,352	852
Gain (Loss) Sale of Asset	-	-	300	300
Operating Grants	6,500	6,500	5,283	(1,217)
Capital Grants	37,000	48,499	67,916	19,417
State Aid	3,000	3,000	2,743	(257)
HOME Grant	-	1,075	29,900	28,825
ILL Postage	75	75	71	(4)
Impound Fees	4,000	4,000	3,737	(263)
Interest Income	12,060	12,060	7,209	(4,851)
Intox Enforcement	1,500	1,500	1,174	(326)
Juvenile Court Fines	-	-	950	950
Miscellaneous Income	4,050	4,050	4,448	398
Motor Vehicle Tax	14,000	17,400	18,973	1,573
Ordinance Violation Fees	59,000	59,000	39,221	(19,779)
Court Costs	17,500	17,500	13,520	(3,980)
Overdue / Lost Books	1,300	1,300	2,071	771
Settlement $ from Payne County Assessor	-	8,960	9,772	812
Permit Fees	8,125	-	-	-
Permit Fees - Oversize	100	100	-	(100)
Permit Fees - State	-	125	297	172
Permit Fees - Contractor	-	1,000	1,900	900
Permit Fees - Miscellaneous	500	7,500	8,456	956
Rent / Lease	14,400	14,400	14,400	-
Sales Tax	460,000	460,000	488,220	28,220
Service Charges	25	25	-	(25)
Sign-Up Fees	23,500	23,500	21,975	(1,525)
Spay/Neuter Deposits	100	100	75	(25)
Tag & License Seizures	25	25	-	(25)
Use Tax	23,000	23,000	40,928	17,928
Transfers In	400,000	400,000	366,000	(34,000)
Amounts available for appropriation	1,383,490	1,436,590	1,575,640	139,050

Unaudited – See the Independent Auditor's Report

CITY OF PERKINS
BUDGETARY COMPARISON SCHEDULE
GENERAL FUND
YEAR ENDED JUNE 30, 2012

EXHIBIT 1

	Budgeted Amounts		Actual	Variance w/ Final
	Original	Final	Amounts	Budget
Charges to Appropriations (Outflows):				
General Government:				
Capital Outlay	1,750	31,825	30,870	(955)
Fund Transfer	-	10,749	10,749	0
Materials & Supplies	7,000	7,000	4,869	(2,131)
Other Services & Charges	124,861	130,655	64,360	(66,295)
Personal Services	61,120	61,330	53,851	(7,479)
Total General Government	194,731	241,559	164,699	(76,860)
Animal Control / Code Enforcement:				
Capital Outlay	2,200	813	398	(415)
Materials & Supplies	5,105	5,301	5,048	(253)
Other Services & Charges	6,978	6,548	5,715	(833)
Personal Services	38,056	39,677	39,885	208
Total Animal Control / Code Enforce	52,339	52,339	51,046	(1,293)
Board Members:				
Other Services & Charges	750	922	912	(10)
Personal Services	3,890	3,890	3,899	9
Total Board Members	4,640	9,623	4,810	(1)
City Attorney:				
Other Services & Charges	7,500	7,500	7,500	
City Clerk:				
Other Services & Charges	2,500	2,500	1,965	(535)
Personal Services	2,897	2,897	2,917	20
Total City Clerk	5,397	5,397	4,881	(516)
City Manager:				
Other Services & Charges	6,974	6,974	6,918	(56)
Personal Services	69,979	69,979	67,795	(2,184)
Total City Manager	76,953	76,953	74,712	(2,241)
Emergency Management:				
Capital Outlay	11,500	11,500	3,426	(8,074)
Materials & Supplies	4,140	2,797	2,268	(529)
Other Services & Charges	7,083	7,459	5,987	(1,472)
Personal Services	41,570	42,452	41,374	(1,078)
Total Emergency Management	64,293	117,263	53,055	(11,153)
Fire Department:				
Capital Outlay	8,250	21,435	21,514	79
Materials & Supplies	32,132	33,837	15,323	(18,514)
Other Services & Charges	37,893	39,292	31,845	(7,447)
Personal Services	38,621	39,081	38,547	(535)
Total Fire Department	116,896	133,645	107,229	(26,416)
Library:				

Unaudited – See the Independent Auditor's Report

CITY OF PERKINS
BUDGETARY COMPARISON SCHEDULE
GENERAL FUND
YEAR ENDED JUNE 30, 2012

EXHIBIT 1

	Budgeted Amounts		Actual	Variance w/ Final
	Original	Final	Amounts	Budget
Capital Outlay	1,000	1,620	1,214	(406)
Materials & Supplies	13,200	13,200	8,827	(4,373)
Other Services & Charges	15,467	14,933	12,093	(2,840)
Personal Services	83,391	83,710	80,688	(3,022)
Total Library	113,058	216,285	102,822	(10,641)
Municipal Court:				
Capital Outlay	1,000	799	538	(261)
Materials & Supplies	2,150	2,150	1,239	(911)
Other Services & Charges	16,600	16,655	12,493	(4,162)
Personal Services	50,532	50,678	50,039	(639)
Total Municipal Court	70,282	70,282	64,310	(5,972)
Parks & Recreation:				
Capital Outlay	40,000	39,975	40,385	410
Materials & Supplies	13,427	22,468	22,300	(168)
Other Services & Charges	20,720	19,232	14,993	(4,239)
Personal Services	42,512	44,680	44,425	(255)
Total Parks & Recreation	116,659	126,355	122,103	(4,252)
Permit Inspection:				
Capital Outlay	1,500	1,500	125	(1,375)
Materials & Supplies	2,800	2,800	1,657	(1,143)
Other Services & Charges	3,979	3,814	2,477	(1,337)
Personal Services	32,933	33,098	33,323	225
Total Parks & Recreation	41,212	41,212	37,582	(3,630)
Planning Commission:				
Other Services & Charges	250	250	-	(250)
Total Planning Commission	250	250	-	(250)
Police:				
Capital Outlay	25,000	20,395	19,007	(1,388)
Materials & Supplies	46,240	38,657	36,323	(2,334)
Other Services & Charges	42,216	48,003	42,859	(5,144)
Personal Services	327,098	308,894	285,234	(23,660)
Total Police	440,554	415,949	383,422	(32,527)
Streets & Alleys:				
Capital Outlay	1,000	1,748	1,748	-
Materials & Supplies	3,240	2,961	2,959	(2)
Other Services & Charges	43,720	43,251	42,956	(295)
Personal Services	30,766	34,706	32,590	(2,116)
Total Streets & Alleys:	78,726	82,666	80,254	(2,412)
Total Charges to Appropriations	1,383,490	1,597,278	1,258,425	(178,164)
Ending Budgetary Fund Balance	-	(160,688)		
Fund Transfer - General Government			(10,749)	
General Fund Expenditures - Statement of Revenues, Expenditures, and Changes in Fund Balance			1,247,675	

Unaudited – See the Independent Auditor's Report

CITY OF PERKINS
NOTES TO BUDGETARY COMPARISON SCHEDULE
JUNE 30, 2012

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

Bruce G. Luttrell, CPA, PC
Certified Public Accountant

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(405) 743-1040

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, 2012, which collectively comprise the City of Perkins, Oklahoma's, basic financial statements and have issued my report thereon dated December 11, 2012. 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 America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

Internal Control Over Financial Reporting

In planning and performing 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*.

Member of the American Institute of Certified Public Accountants and the Oklahoma Society of Certified Public Accountants

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 11, 2012

CITY OF PERKINS
SCHEDULE OF GRANT FUNDS
FOR THE YEAR ENDED JUNE 30, 2012

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, 2011	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, 2012
U.S.Department of Housing and Urban Development										
Passed through the Oklahoma Department of Commerce										
CDBG - 10	14.228	14136	43,825.00	-	26,021.48	26,021.48	-	-	-	-
Passed through the Oklahoma Housing Finance Agency										
HOME Investment Partnership Program	14.239	1383 HOME 11	262,500.00	-	29,900.00	29,900.00	-	-	-	-
			306,325.00	-	55,921.48	55,921.48	-	-	-	-
U.S.Department of Homeland Security										
Passed through the Oklahoma Department of Emergency Management										
Emergency Management Performance Grant										
State and Local Assistance Sub-Grants:	97.042	2011	25,578.50	-	5,000.00	5,000.00				-
	97.042	2012	31,396.50	-	5,000.00	5,000.00	-	-	-	-
			56,975.00	-	10,000.00	10,000.00	-	-	-	-
U.S. Environmental Protection Agency										
Passed through the Oklahom Water Resources Board										
Cap Grants for State Revolving Fund	66.458	ORF-09-0002-CW	7,225,000.00	-	775,353.72	775,353.72	-	-	-	-

(continued)

CITY OF PERKINS
SCHEDULE OF GRANT FUNDS
FOR THE YEAR ENDED JUNE 30, 2012

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, 2011	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, 2012
U.S.Department of Transportation										
Passed through the National Highway Traffic Safety Administration										
Oklahoma Highway Safety Office	20.600	PT-11-03-97-00S	5,000.00	-	4,395.00	4,395.00	-	-	-	-
Rural Economic Action Plan Grant										
Passed through the Central Oklahoma Economic Development District:										
# 2010-2011 REAP Fund 24			27,000.00	-	27,000.00	27,000.00	-	1,181.75	1,181.75	-