

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

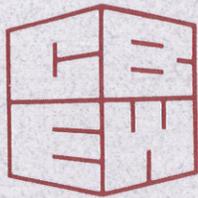
**ANNUAL FINANCIAL STATEMENTS  
AND ACCOMPANYING  
INDEPENDENT AUDITOR'S REPORT**

**FOR THE YEAR ENDED  
JUNE 30, 2014**

**CITY OF PERRY, OKLAHOMA**  
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**For the fiscal year ended JUNE 30, 2014**

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## INDEPENDENT AUDITOR'S REPORT

October 8, 2014

Honorable City Council  
City of Perry  
Perry, Oklahoma

### ***Report on the Financial Statements***

We have audited the accompanying financial statements of the governmental activities, the business-type activities, the aggregate discretely presented component units, each major fund, and the aggregate remaining fund information of the City of Perry, Oklahoma, (City) as of and for the year ended June 30, 2014, and the related notes to the financial statements, which collectively comprise the City's basic financial statements as listed in the table of contents.

### ***Management's Responsibility for the Financial Statements***

Management is responsible for the preparation and fair presentation of these financial statements in accordance with accounting principles generally accepted in the United States of America; this includes the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

### ***Auditor's Responsibility***

Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinions.

**Opinions**

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, the aggregate discretely presented component units, each major fund and the aggregate remaining fund information of the City of Perry, Oklahoma, as of June 30, 2014, and the respective changes in financial position, thereof for the year then ended in conformity with accounting principles generally accepted in the United States of America.

**Other Matters**

*Required Supplementary Information*

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis and budgetary comparison information on pages 3 – 10 and 35 – 37 be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance

**Other Reporting Required by Government Auditing Standards**

In accordance with *Government Auditing Standards*, we have also issued our report dated October 8, 2014, on our consideration of the City's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the City's internal control over financial reporting and compliance.

*CBEW Professional Group, LLP*

CBEW Professional Group, LLP  
Certified Public Accountants

Our discussion and analysis of the City of Perry's ("City") financial performance provides an overview of the City's financial activities for the fiscal year ended June 30, 2014. The City's performance is discussed and analyzed within the context of the accompanying financial statements and disclosures following this section. This discussion focuses on the City's primary government, and unless otherwise noted, component units reported separately from the primary government are not included. Please read it in conjunction with the City's financial statements, which follow this section.

## FINANCIAL HIGHLIGHTS

- At June 30, 2014, the assets of the City exceeded its liabilities by \$17,296,267 (net position) compared to \$18,245,322 in prior year. Of this amount \$4,950,390 (unrestricted net position) may be used to meet the City's ongoing obligations to citizens and creditors.
- The City's total net assets are comprised of the following:
  - (1) Invested in capital assets, net of related debt of \$7,128,832 include property and equipment, net of accumulated depreciation, and reduced for outstanding debt related to the purchase of construction of capital assets.
  - (2) Restricted net position of \$5,217,045 which consist mainly of restricted investment accounts related to the outstanding debt held by the City.
  - (3) Unrestricted net position of \$4,950,390 represent the portion available to maintain the City's continuing obligations to citizens and creditors.
- After transfers of \$1,525,013 from business-type activities to governmental activities, net position of governmental activities increased \$930,393 or 12%, and net position of business-type activities increased \$185,552 or 2%, excluding the residual equity transfer of the 2013 bond issuance. Overall the health of the City improved when compared to prior year by \$1,115,945 or 6% over prior year.
- At the end of the current fiscal year, unassigned fund balance for the General Fund was \$2,866,522, up 13% from prior year of \$2,671,275.

## OVERVIEW OF THE FINANCIAL STATEMENTS

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

### ***Government-wide Financial Statements***

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

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

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

Both government-wide financial statements distinctively report governmental activities of the City that are principally supported by taxes and intergovernmental revenues, such as grants, and business-type activities that are intended to recover all or a significant portion of their costs through user fees and

charges. Governmental activities includes general government; public safety and judiciary; transportation; and cultural, parks, and recreation. Business-types activities include utility services, including electricity, water, and sanitation, provided by the City.

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

### ***Fund Financial Statements***

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

The City has two kinds of funds:

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

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

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

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

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

### ***Notes to the financial statements***

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

**Other information**

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

**A FINANCIAL ANALYSIS OF THE CITY AS A WHOLE**

**Net Assets**

The City's combined net assets remained consistent between fiscal years 2013 and 2014, noting a \$1,115,945 or 6% increase excluding residual equity transfers. The following table provides a summary of the City's net assets at June 30:

	Governmental Activities		Business-Type Activities		Total		\$ Change	% Change
	2014	2013	2014	2013	2014	2013		
Current assets	\$ 4,013,127	\$ 3,521,102	\$ 7,423,272	\$ 6,926,466	\$ 11,436,399	\$ 10,447,568	\$ 988,831	9%
Non-current assets	-	-	-	91,089	-	91,089	(91,089)	-100%
Capital assets, net	6,365,301	6,052,429	10,619,373	11,547,075	16,984,674	17,599,504	(614,830)	-3%
<b>Total assets</b>	<b>10,378,428</b>	<b>9,573,531</b>	<b>18,042,645</b>	<b>18,564,630</b>	<b>28,421,073</b>	<b>28,138,161</b>	<b>282,912</b>	<b>1%</b>
Current liabilities	259,523	251,613	2,325,196	1,850,396	2,584,719	2,102,009	482,710	23%
Non-current liabilities	55,684	41,090	8,484,403	7,749,741	8,540,087	7,790,831	749,256	10%
<b>Total liabilities</b>	<b>315,207</b>	<b>292,703</b>	<b>10,809,599</b>	<b>9,600,137</b>	<b>11,124,806</b>	<b>9,892,840</b>	<b>1,231,966</b>	<b>12%</b>
Net assets								
Invested in capital assets, net of related debt	6,324,201	5,961,339	804,631	2,866,233	7,128,832	8,827,572	(1,698,740)	-19%
Restricted	2,124,696	1,835,828	2,944,349	2,836,555	5,069,045	4,672,383	396,662	8%
Unrestricted	1,614,324	1,483,661	3,484,066	3,261,705	5,098,390	4,745,366	353,024	7%
<b>Total net assets</b>	<b>\$ 10,063,221</b>	<b>\$ 9,280,828</b>	<b>\$ 7,233,046</b>	<b>\$ 8,964,493</b>	<b>\$ 17,296,267</b>	<b>\$ 18,245,321</b>	<b>\$ (949,054)</b>	<b>-5%</b>

The City reported positive balances in net assets for both governmental and business-type activities. Governmental activities noted an increase in net assets of \$782,393, whereas net assets for business-type activities increased \$333,552 excluding equity transfers. Overall, the City's financial position improved 6% year over year.

**Changes in Net Assets**

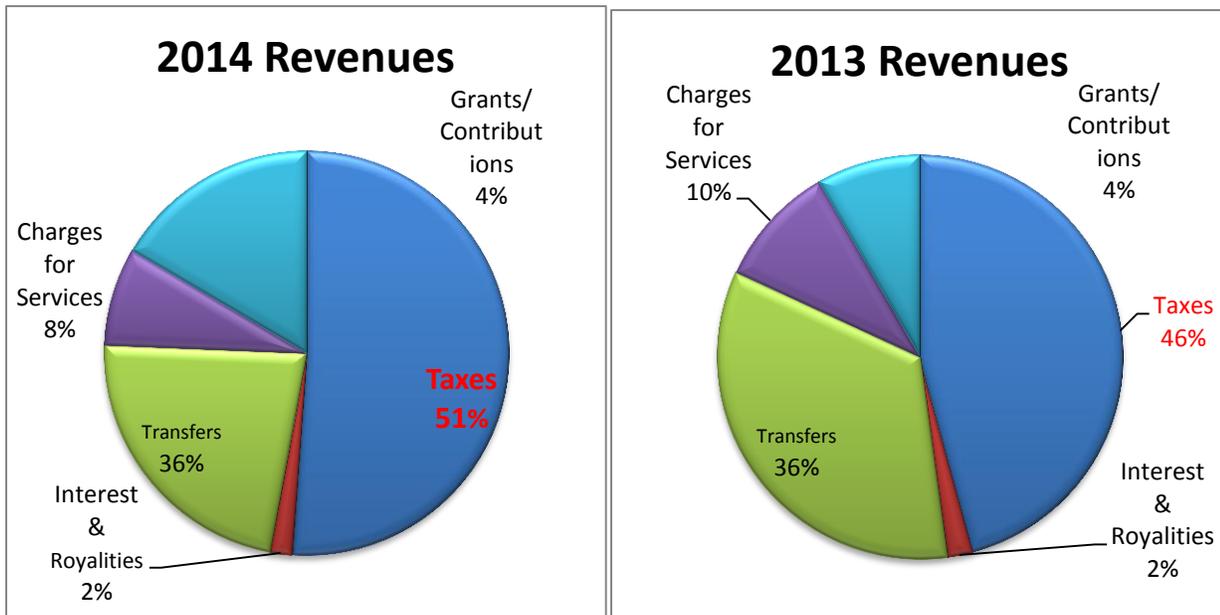
For the year ended June 30, 2014, net assets of the primary government changed as follows:

	Governmental Activities		Business-type Activities		Total		\$ Change	% Change
	2014	2013	2014	2013	2014	2013		
<b>Revenues</b>								
Program revenues	\$ 1,476,145	\$ 1,010,719	\$ 11,298,907	\$ 11,867,970	\$ 12,775,052	\$ 12,878,689	\$ (103,637)	-1%
Taxes and other general revenues	3,204,695	2,737,481	110,864	178,536	3,315,559	2,916,017	399,542	14%
<b>Total revenues</b>	<b>4,680,840</b>	<b>3,748,200</b>	<b>11,409,771</b>	<b>12,046,506</b>	<b>16,090,611</b>	<b>15,794,706</b>	<b>295,905</b>	<b>13%</b>
<b>Expenses</b>								
General government	801,934	798,976	-	-	801,934	798,976	2,958	0%
Public safety and judiciary	1,802,275	1,770,598	-	-	1,802,275	1,770,598	31,677	2%
Transportation	991,822	947,080	-	-	991,822	947,080	44,742	5%
Cultural, parks, and recreation	597,758	607,144	-	-	597,758	607,144	(9,386)	-2%
Cemetery	195,525	160,221	-	-	195,525	160,221	35,304	22%
Ambulance	611,168	812,181	-	-	611,168	812,181	(201,013)	-25%
Economic development	274,978	269,530	-	-	274,978	269,530	5,448	2%
Electric	-	-	5,552,222	5,418,695	5,552,222	5,418,695	133,527	2%
Water	-	-	1,817,803	1,710,021	1,817,803	1,710,021	107,782	6%
Sewer	-	-	464,904	392,462	464,904	392,462	72,442	18%
Sanitation	-	-	462,221	450,219	462,221	450,219	12,002	3%
Airport	-	-	509,758	452,649	509,758	452,649	57,109	13%
Customer service	-	-	892,298	582,616	892,298	582,616	309,682	53%
<b>Total expenses</b>	<b>5,275,460</b>	<b>5,365,730</b>	<b>9,699,206</b>	<b>9,006,662</b>	<b>14,974,666</b>	<b>14,372,392</b>	<b>602,274</b>	<b>4%</b>
Excess (deficiency) before transfers	\$ (594,620)	\$ (1,617,530)	\$ 1,710,565	\$ 3,039,844	\$ 1,115,945	\$ 1,422,314	\$ (306,369)	-22%
Transfers	1,525,013	1,896,493	(1,525,013)	(1,896,493)	-	-	-	0%
Residual equity transfer	-	2,873,334	(2,065,000)	-	(2,065,000)	2,873,334	(4,938,334)	0%
<b>Increase (decrease) in net assets</b>	<b>\$ 930,393</b>	<b>\$ 3,152,297</b>	<b>\$ (1,879,448)</b>	<b>\$ 1,143,351</b>	<b>\$ (949,055)</b>	<b>\$ 4,295,648</b>	<b>\$ (5,244,703)</b>	<b>-122%</b>

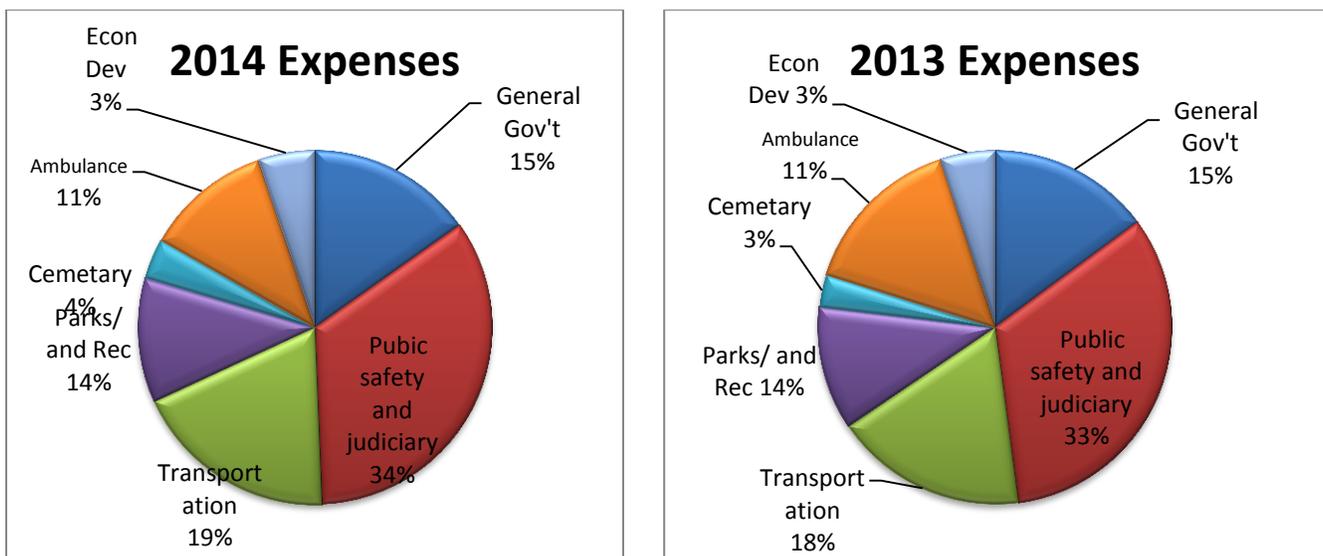
Total revenues for the City increased 13% year over year. This increase in revenues is attributable to an increase in general revenues, specially sales tax and hotel/motel occupancy tax. Program revenues in the governmental activities continued to benefit from Noble County's ambulance support tax as well as the donation of a fire truck. Program revenues for business-type activities declined slightly when compared to prior year due to the receipt of airport grant funds in fiscal year 2013.

Operating expenses remained consistent between fiscal years, noting a 4% change over prior year. The consistent in expenses for the City is a function of strict budgeting and adherence to established management goals during the fiscal year and increase in interest expenses and financing charges associated with the refunding debt during the fiscal year.

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



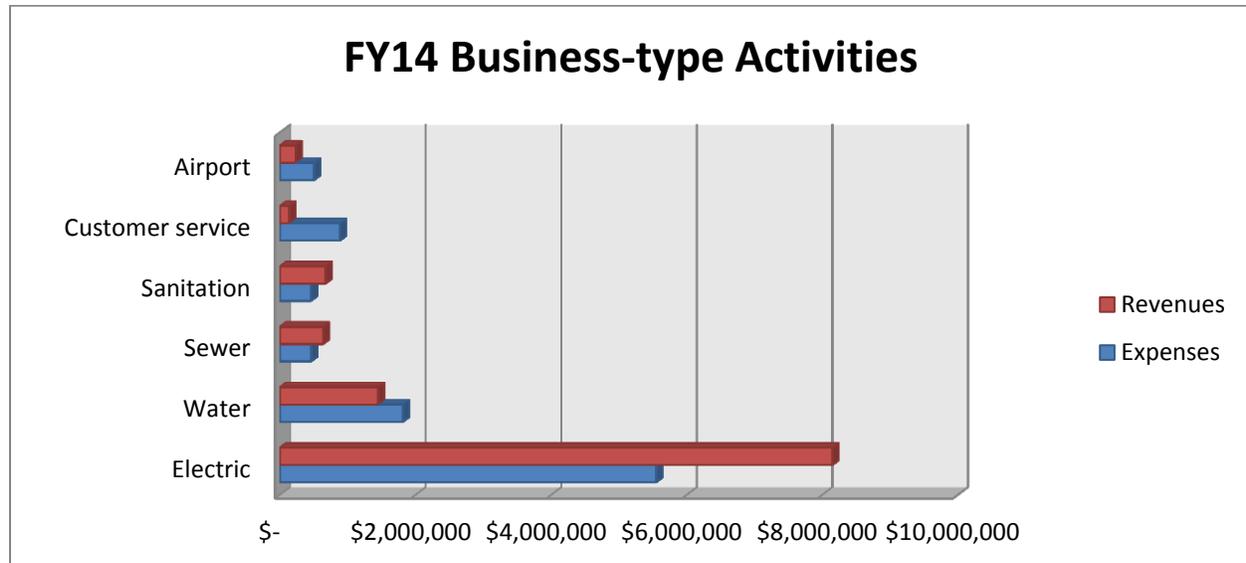
Taxes provided for 51% of the City's governmental revenues in fiscal year 2014 as compared to 46% in 2013. All other revenue sources remained consistent between years.



For the year ended June 30, 2014, total expenses for governmental activities amounted to \$5,275,460. Of this amount, public safety and judiciary with \$1,802,275, was the largest operating service department at 34% of the total cost of services for the City government, which is consistent with prior year. These costs, as well as all other governmental activity expenses, were primarily funded by tax revenues and transfers in from the Perry Municipal Authority.

It should be noted that governmental expenses are adjusted from the fund statements to the government-wide statements for the purchase and construction of capital assets. Government-wide statement is full accrual; capital outlay expenses are eliminated and capital assets are reported.

**Business-type Activities**



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

For the fiscal year ended June 30, 2014, revenues from electric, sewer, and sanitation services covered the cost of operating their respective departments.

**General Fund Budgetary Highlights**

The original adopted General Fund budget for fiscal year 2014 was \$4,917,436, a 4% increase of prior year's budget. Budget amendments were approved during the fiscal year increasing the budget by \$471,460, for a final amended budget of \$5,388,896 prior to transfers. The General Fund budget complied with financial policies approved by the City.

**CAPITAL ASSET AND DEBT ADMINISTRATION**

**Capital Assets**

At the end of June 30, 2014, the City had \$7,128,832 invested in capital assets, net of related debt, including vehicles and equipment for police and fire operations, street improvements, and park facilities, in governmental activities and electric lines, water lines and sewer lines in business-type activities. Refer to the table below.

Primary Government Capital Assets (net of accumulated depreciation)

	Governmental		Business-type		Total	
	Activities		Activities			
	2014	2013	2014	2013	2014	2012
Land	\$ 619,944	\$ 364,944	\$ 500,000	\$ 500,000	\$ 1,119,944	\$ 864,944
Construction in process	288,827	14,088	3,800	-	292,627	14,088
Buildings	382,802	415,350	395,750	463,086	778,552	878,436
Machinery & equipment	896,038	744,598	185,389	177,658	1,081,427	922,256
Utility property & improvements	4,177,690	4,513,449	9,534,485	10,406,331	13,712,175	14,919,780
Totals	<u>\$ 6,365,301</u>	<u>\$ 6,052,429</u>	<u>\$ 10,619,424</u>	<u>\$ 11,547,075</u>	<u>\$ 16,984,725</u>	<u>\$ 17,599,504</u>

- In Governmental Activities, the most significant additions included work on the commercial park, infrastructure of the new sports complex, 2 new police vehicles, a loader for the street department, and ambulance equipment .
- In Business-type activities, capital additions included a hangar at the Airport and other equipment, as well as electric infrastructure improvements.

**Long-Term Debt**

At year-end, the City had \$8,540,087 in long-term debt outstanding which represents a \$790,346 increase from the prior year. This change is attributable to the issuance of the 2013 Utility Revenue bonds offset by regular payments made on existing debt held by the City. The City's changes in long-term debt by type of debt are as follows:

**Primary Government Long-Term Debt**

	Business-type	
	2014	2013
Notes payable	5,821,906	6,205,842
Bonds payable	4,065,000	2,475,000
less current portion	(1,346,819)	(931,101)
Totals	<u>\$ 8,540,087</u>	<u>\$ 7,749,741</u>

**ECONOMIC FACTORS AND NEXT YEARS'S BUDGET AND RATES**

**Economic Environment**

According to the Oklahoma Economic Report, the state's gross receipts are higher than ever before. State Treasurer, Ken Miller, stated when talking about July 2014 sales tax "collections have been higher than the same month of the prior year in 45 of the past 51 months, which indicates a steady economic expansion". Unemployment numbers from June 2014 reflect Oklahoma's relative economic strength compared to the nation as a whole, reporting 4.5% statewide compared to 6.1% nationally. The economic environment of the state sheds light on the local economy.

The financial position of the City continues to show a moderate growth pattern. The year-to-year progress of revenue exceeding expenses is leading to financial stability and improvement to the City's cash position.

**Fees and Rates**

Sales tax collections have shown improvement over prior year; however, future increases are not guaranteed. As such, the City has budgeted recurring revenues, including sales and use tax, at 90% of fiscal year 2014 actual collections. This difference represents approximately \$135,000. Utility rates

increases were included in the budget for water, sewer, and garbage services generating an estimated \$53,000, which help offset the increasing cost of providing services to citizens. Other revenue sources are budgeted consistent with fiscal year 2014 collections, including the ambulance supplemental support.

Operating and Capital Expenses

Operating expenses for the General Fund and PMA are expected to increase marginally in fiscal year 2015. The Council has considered several capital projects for fiscal year 2015 including \$404,500 in utility improvements. As management continues to navigate the fiscal changes of state and local economy, capital funding decisions will be made and approved by the Council.

**CONTACTING THE CITY'S FINANCIAL MANAGEMENT**

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

**City of Perry, Oklahoma**  
**Statement of Net Position**  
**June 30, 2014**

<b>ASSETS</b>	<b>Governmental Activities</b>	<b>Business-type Activities</b>	<b>Total</b>	<b>Component Unit</b>
<b>Current Assets:</b>				
Cash and cash equivalents	\$ 880,407	\$ 1,816,084	\$ 2,696,491	\$ 916,407
Investments	901,930	418,715	1,320,645	193,046
Accounts receivable (net)	47,376	1,021,598	1,068,974	1,706,147
Other receivables	230,121	-	230,121	-
Inventory	-	26,228	26,228	190,065
<b>Total current assets</b>	<b>2,059,834</b>	<b>3,282,625</b>	<b>5,342,459</b>	<b>3,005,665</b>
<b>Restricted assets:</b>				
Cash and cash equivalents	1,859,941	2,812,039	4,671,980	-
Investments	241,352	1,180,608	1,421,960	3,742,292
<b>Total restricted assets</b>	<b>2,101,293</b>	<b>3,992,647</b>	<b>6,093,940</b>	<b>3,742,292</b>
<b>Noncurrent Assets:</b>				
Other assets	-	-	-	167,763
Land and construction in progress	908,770	503,800	1,412,570	281,238
Other capital assets (net of accumulated depreciation)	5,456,531	10,115,573	15,572,104	6,051,069
<b>Total noncurrent assets</b>	<b>6,365,301</b>	<b>10,619,373</b>	<b>16,984,674</b>	<b>6,500,070</b>
<b>Total assets</b>	<b>\$ 10,526,428</b>	<b>\$ 17,894,645</b>	<b>\$ 28,421,073</b>	<b>\$ 13,248,027</b>
<b>LIABILITIES</b>				
<b>Current liabilities:</b>				
Accounts payable	\$ 71,059	\$ 572,343	\$ 643,402	\$ 395,431
Other accrued liabilities	-	24,849	24,849	-
Due to other funds	41,100	(41,100)	-	-
Accrued salary and vacation payable	96,722	35,861	132,583	-
Payroll taxes payable	34,162	-	34,162	-
Other liabilities	-	-	-	338,131
Notes payable, current	16,480	349,591	366,071	-
<b>Total current liabilities</b>	<b>259,523</b>	<b>941,544</b>	<b>1,201,067</b>	<b>733,562</b>
<b>Liabilities payable from restricted assets:</b>				
Accrued payables	-	79,137	79,137	274,766
Customer deposits payable	-	323,767	323,767	-
Bonds payable, current	-	645,000	645,000	-
<b>Total liabilities payable from restricted assets</b>	<b>-</b>	<b>1,047,904</b>	<b>1,047,904</b>	<b>274,766</b>
<b>Noncurrent liabilities:</b>				
Lease payable, non-current	55,684	-	55,684	-
Notes payable, non-current	-	5,400,151	5,400,151	-
Bonds payable, non-current	-	3,420,000	3,420,000	-
<b>Total noncurrent liabilities</b>	<b>55,684</b>	<b>8,820,151</b>	<b>8,875,835</b>	<b>-</b>
<b>Total liabilities</b>	<b>315,207</b>	<b>10,809,599</b>	<b>11,124,806</b>	<b>1,008,328</b>
<b>NET POSITION</b>				
Invested in capital assets, net of related debt	6,324,201	804,631	7,128,832	6,332,307
Reserved for restricted purposes	2,272,696	2,944,349	5,217,045	51,417
Unrestricted	1,614,324	3,336,066	4,950,390	5,855,975
<b>Total net position</b>	<b>\$ 10,211,221</b>	<b>\$ 7,085,046</b>	<b>\$ 17,296,267</b>	<b>\$ 12,239,699</b>

**City of Perry, Oklahoma**  
**Statement of Activities**  
**Year Ended June 30, 2014**

Functions/Programs	Expenses	Program Revenues			Net (Expense)/ Revenue
		Charges for Services	Operating Grants and Contributions	Capital Grants & Contributions	
Governmental activities:					
General government:					
General government	\$ 801,934	\$ 42,304	\$ 60,314	\$ -	\$ (699,316)
Total general government	801,934	42,304	60,314	-	(699,316)
Public safety and judiciary:					
Police	1,250,081	127,281	1,300	-	(1,121,500)
Code enforcement	39,053	17,077	-	-	(21,976)
Animal control	48,436	435	-	-	(48,001)
Fire	331,830	-	54,974	214,500	(62,356)
Municipal court	132,875	22,645	-	-	(110,230)
Total public safety and judiciary	1,802,275	167,438	56,274	214,500	(1,364,063)
Transportation:					
Street	991,822	355	50,581	-	(940,886)
Total transportation	991,822	355	50,581	-	(940,886)
Cultural, parks and recreation:					
Park	289,630	56,208	-	5,000	(228,422)
Library	241,694	2,941	9,355	11,974	(217,424)
Public access	66,434	-	-	-	(66,434)
Total cultural, parks and recreation	597,758	59,149	9,355	16,974	(512,280)
Cemetery:					
Cemetery	195,525	43,549	-	-	(151,976)
Total cemetery	195,525	43,549	-	-	(151,976)
Ambulance					
Ambulance	611,168	161,206	514,146	-	64,184
Total ambulance	611,168	161,206	514,146	-	64,184
Economic development:					
Economic development	274,978	-	80,000	-	(194,978)
Total economic development	274,978	-	80,000	-	(194,978)
Total governmental activities	5,275,460	474,001	770,670	231,474	(3,799,315)
Business-type activities:					
Utility services:					
Electric	5,552,222	8,135,025	20,000	-	2,602,803
Water	1,817,803	1,451,158	-	-	(366,645)
Sewer	464,904	640,664	-	-	175,760
Sanitation	462,221	676,579	-	-	214,358
Customer service	892,298	140,988	-	-	(751,310)
Airport	509,758	234,493	-	-	(275,265)
Total business-type activities	9,699,206	11,278,907	20,000	-	1,599,701
Component Unit:					
Patient services	8,081,599	5,788,131	1,161,912	-	(1,131,556)
Total component unit activities	8,081,599	5,788,131	1,161,912	-	(1,131,556)
Total	\$ 23,056,265	\$ 17,541,039	\$ 1,952,582	\$ 231,474	\$ (3,331,170)

**City of Perry, Oklahoma**  
**Statement of Activities (continued)**  
**Year Ended June 30, 2014**

**Changes in Net Position:**

	<b>Governmental Activities</b>	<b>Business-type Activities</b>	<b>Total</b>	<b>Component Unit</b>
Net (expense)/revenue	\$ (3,799,315)	\$ 1,599,701	\$ (2,199,614)	(1,131,556)
General revenues:				
Taxes:				
Sales and use tax	2,366,606	-	2,366,606	-
Franchise taxes	88,981	-	88,981	-
911 tax	82,932	-	82,932	-
Hotel/Motel tax	468,307	-	468,307	-
Alcohol beverage tax	64,401	-	64,401	-
Tobacco tax	26,277	-	26,277	-
Investment income	8,529	22,662	31,191	65,792
Royalties	98,662	88,202	186,864	-
Transfers-Internal activity	1,525,013	(1,525,013)	-	-
Residual equity transfer	-	(2,065,000)	(2,065,000)	-
Other income	-	-	-	16,869
Total general revenues and transfers	<u>4,729,708</u>	<u>(3,479,149)</u>	<u>1,250,559</u>	<u>82,661</u>
Change in net position	930,393	(1,879,448)	(949,055)	(1,048,895)
Net position-beginning	9,280,828	8,964,494	18,245,322	13,288,594
Net position-ending	<u>\$ 10,211,221</u>	<u>\$ 7,085,046</u>	<u>\$ 17,296,267</u>	<u>\$ 12,239,699</u>

**City of Perry, Oklahoma  
Balance Sheet  
Governmental Funds  
June 30, 2014**

	<u>General Fund</u>	<u>Limited Purpose Sales Tax</u>	<u>Street Improvement Fund</u>	<u>Non-Major Funds</u>	<u>Total Governmental Funds</u>
<b>ASSETS</b>					
Cash and cash equivalents	\$ 1,643,566	\$ -	\$ -	\$ 138,771	\$ 1,782,337
Cash and investments, restricted	1,330,079	529,946	237,302	3,966	2,101,293
Accounts receivable	66,346	-	-	-	66,346
Allowance for doubtful accounts	(18,970)	-	-	-	(18,970)
Taxes receivable	96,705	74,120	59,296	-	230,121
Total assets	<u>\$ 3,117,726</u>	<u>\$ 604,066</u>	<u>\$ 296,598</u>	<u>\$ 142,737</u>	<u>\$ 4,161,127</u>
<b>LIABILITIES</b>					
Accounts payable	\$ 70,370	\$ -	\$ -	\$ 689	\$ 71,059
Due to other funds	41,100	-	-	-	41,100
Lease payable, current portion	16,480	-	-	-	16,480
Compensated absences	89,092	-	-	7,630	96,722
Accrued payroll liabilities	34,162	-	-	-	34,162
Total liabilities	<u>251,204</u>	<u>-</u>	<u>-</u>	<u>8,319</u>	<u>259,523</u>
<b>FUND BALANCES</b>					
Restricted	-	604,066	296,598	133,359	1,034,023
Committed	403,601	-	-	1,059	404,660
Assigned	834,013	-	-	-	834,013
Unassigned	1,628,908	-	-	-	1,628,908
Total fund balances	<u>2,866,522</u>	<u>604,066</u>	<u>296,598</u>	<u>134,418</u>	<u>3,901,604</u>
Total liabilities and fund balances	<u>\$ 3,117,726</u>	<u>\$ 604,066</u>	<u>\$ 296,598</u>	<u>\$ 142,737</u>	<u>\$ 4,161,127</u>
Total fund balance- total governmental funds					\$ 3,901,604
Amounts reported for governmental activities in the Statement of Net assets are different because:					
Land and capital assets, net of accumulated depreciation, are not financial resources and, therefore, are not reported in the funds.					
			Land and construction in process	\$ 908,770	
			Capital assets	12,989,317	
			Less: Accumulated depreciation	<u>(7,532,786)</u>	6,365,301
Long-term liabilities are not due and payable in the current period and are not reported in the funds.					
			Capital lease payable	<u>(55,684)</u>	<u>(55,684)</u>
Net assets of governmental activities					<u>\$ 10,211,221</u>

**City of Perry, Oklahoma**  
**Statement of Revenues, Expenditures, and Changes in Fund Balances**  
**Governmental Funds**  
**June 30, 2014**

	General Fund	Limited Purpose Sales Tax	Street Improvement Fund	Non-Major Funds	Total Governmental Funds
<b>REVENUES</b>					
Sales tax	\$ 692,200	\$ 865,250	\$ 692,200	\$ -	\$ 2,249,650
Use tax	116,956	-	-	-	116,956
Franchise tax	39,425	-	-	49,556	88,981
Hotel/motel tax	468,307	-	-	-	468,307
Other taxes	735,583	-	-	-	735,583
Licenses and permits	62,593	-	-	-	62,593
Rents & royalties	131,660	-	-	-	131,660
Fines and forfeitures	165,212	-	-	-	165,212
Charges for services	169,666	-	-	43,549	213,215
Intergovernmental revenues	115,319	-	-	-	115,319
Donations	235,880	-	-	-	235,880
Other revenues	88,969	-	-	-	88,969
Debt issuance	79,800	-	-	-	79,800
Interest	8,529	-	-	-	8,529
Total revenues	<u>3,110,099</u>	<u>865,250</u>	<u>692,200</u>	<u>93,105</u>	<u>4,760,654</u>
<b>EXPENDITURES</b>					
Current:					
General government:					
General government	722,385	-	-	-	722,385
Total general government	<u>722,385</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>722,385</u>
Public safety and judiciary:					
Police	1,204,226	-	-	-	1,204,226
Code enforcement	39,053	-	-	-	39,053
Animal control	48,436	-	-	-	48,436
Fire	280,547	-	-	-	280,547
Municipal court	117,835	-	-	-	117,835
Total public safety and judiciary	<u>1,690,097</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>1,690,097</u>
Transportation:					
Street	734,212	-	-	-	734,212
Total transportation	<u>734,212</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>734,212</u>
Cultural, parks and recreation:					
Parks	232,319	-	-	-	232,319
Library	239,350	-	-	-	239,350
Public access	-	-	-	66,434	66,434
Total cultural, parks and recreation	<u>471,669</u>	<u>-</u>	<u>-</u>	<u>66,434</u>	<u>538,103</u>
Cemetery:					
General cemetery	-	-	-	188,625	188,625
Total cemetery	<u>-</u>	<u>-</u>	<u>-</u>	<u>188,625</u>	<u>188,625</u>
Ambulance:					
Ambulance	581,897	-	-	-	581,897
Total ambulance	<u>581,897</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>581,897</u>
Economic development:					
Economic development	218,102	-	-	-	218,102
Total economic development	<u>218,102</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>218,102</u>
Capital outlay					
Total expenditures	980,131	-	-	-	980,131
Excess (deficiency) of revenues over expenditures	5,398,493	-	-	255,059	5,653,552
Total other financing sources and uses	<u>(2,288,394)</u>	<u>865,250</u>	<u>692,200</u>	<u>(161,954)</u>	<u>(892,898)</u>
<b>OTHER FINANCING SOURCES (USES)</b>					
Transfers in	2,670,029	-	-	148,000	2,818,029
Transfers out	(186,388)	(586,360)	(520,268)	-	(1,293,016)
Total other financing sources and uses	<u>2,483,641</u>	<u>(586,360)</u>	<u>(520,268)</u>	<u>148,000</u>	<u>1,525,013</u>
Net change in fund balances	195,247	278,890	171,932	(13,954)	632,115
Fund balances - beginning	2,671,275	325,176	124,666	148,372	3,269,489
Fund balances - ending	<u>\$ 2,866,522</u>	<u>\$ 604,066</u>	<u>\$ 296,598</u>	<u>\$ 134,418</u>	<u>\$ 3,901,604</u>

**City of Perry, Oklahoma**  
**Statement of Revenues, Expenditures, and Changes in Fund Balances**  
**Governmental Funds**  
**June 30, 2014**

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Net change in fund balances - total governmental funds		\$ 632,115
Amounts reported for governmental activities in the Statement of Activities are different because:		
<p style="margin-left: 40px;">Governmental funds report capital outlays as expenditures. However, in the statement of activities, the cost of those assets is allocated over their estimated useful lives and reported as depreciation expense.</p>		
Capital asset purchases	730,131	
Depreciation expense	<u>(667,259)</u>	62,872
<p style="margin-left: 40px;">Donations of capital assets increase net position in the statement of activities, but do not appear in the governmental funds because they are not financial resources.</p>		
		(250,000)
<p style="margin-left: 40px;">The proceeds of debt issuance provides current financial resources to governmental funds, but issuing debt increases long-term liabilities in the statement of net position.</p>		
Capital lease debt issued		(79,800)
<p style="margin-left: 40px;">Repayment of debt principle is an expenditures in the governmental funds, but the repayment reduces long-term liabilities in the statement of net assets.</p>		
<p style="margin-left: 80px;">Debt activity reported in the fund statements</p>		
Debt principle and interest	513,763	
Cost of issuance of bonds	43,805	
Capital lease principle	<u>7,638</u>	<u>565,206</u>
Change in Net Assets of Governmental Activities		<u>\$ 930,393</u>

**City of Perry, Oklahoma**  
**Statement of Net Position**  
**Proprietary Funds**  
**June 30, 2014**

				<u>Component Unit</u>
	<u>Public Utility Authority</u>	<u>Airport Authority</u>	<u>Total Enterprise Funds</u>	<u>Municipal Hospital Authority</u>
<b>ASSETS</b>				
Current assets:				
Cash and cash equivalents	\$ 1,674,751	\$ 141,333	\$ 1,816,084	\$ 916,407
Investments	416,192	2,523	418,715	193,046
Accounts receivable	1,006,217	27,441	1,033,658	2,427,147
Allowance for doubtful accounts	(12,060)	-	(12,060)	(721,000)
Inventory	-	26,228	26,228	190,065
Other assets	-	-	-	167,763
Total current assets	<u>3,085,100</u>	<u>197,525</u>	<u>3,282,625</u>	<u>3,173,428</u>
Current assets:				
Restricted assets:				
Cash, including time deposits	2,812,039	-	2,812,039	-
Investments	1,180,608	-	1,180,608	3,742,292
Total restricted assets	<u>3,992,647</u>	<u>-</u>	<u>3,992,647</u>	<u>3,742,292</u>
Noncurrent assets:				
Due from other funds	41,100	-	41,100	-
Capital assets (net)	8,239,944	2,379,429	10,619,373	6,332,307
Total noncurrent assets	<u>8,281,044</u>	<u>2,379,429</u>	<u>10,660,473</u>	<u>6,332,307</u>
<b>Total assets</b>	<u>\$ 15,358,791</u>	<u>\$ 2,576,954</u>	<u>\$ 17,935,745</u>	<u>\$ 13,248,027</u>
<b>LIABILITIES</b>				
Current liabilities:				
Accounts payable	\$ 571,703	\$ 640	\$ 572,343	\$ 395,431
Sales tax payable	24,849	-	24,849	-
Compensated absences	33,170	2,691	35,861	-
Other liabilities	-	-	-	338,131
Notes payable, current	349,591	-	349,591	-
Total current liabilities	<u>979,313</u>	<u>3,331</u>	<u>982,644</u>	<u>733,562</u>
Liabilities payable from restricted assets:				
Customer deposits payable	323,767	-	323,767	-
Accrued interest payable	79,137	-	79,137	274,766
Bonds payable, current	645,000	-	645,000	-
Total liabilities payable from restricted assets	<u>1,047,904</u>	<u>-</u>	<u>1,047,904</u>	<u>274,766</u>
Noncurrent liabilities:				
Notes payable, non-current	5,400,151	-	5,400,151	-
Bonds payable, non-current	3,420,000	-	3,420,000	-
Total noncurrent liabilities	<u>8,820,151</u>	<u>-</u>	<u>8,820,151</u>	<u>-</u>
<b>Total liabilities</b>	<u>10,847,368</u>	<u>3,331</u>	<u>10,850,699</u>	<u>1,008,328</u>
<b>NET POSITION</b>				
Invested in capital assets, net of related debt	2,490,202	2,379,429	4,869,631	6,332,307
Restricted	2,944,349	-	2,944,349	51,417
Unrestricted	(923,128)	194,194	(728,934)	5,855,975
<b>Total net position</b>	<u>\$ 4,511,423</u>	<u>\$ 2,573,623</u>	<u>\$ 7,085,046</u>	<u>\$ 12,239,699</u>

**City of Perry, Oklahoma**  
**Statement of Revenues, Expenses and Changes in Net Position**  
**Proprietary Funds**  
**Year Ended June 30, 2014**

	<b>Public Utility Authority</b>	<b>Airport Authority</b>	<b>Total Enterprise Funds</b>	<b>Component Unit Municipal Hospital Authority</b>
<b>Operating revenues:</b>				
Charges for services:				
Electric charges	\$ 8,135,025	\$ -	\$ 8,135,025	\$ -
Water charges	1,451,158	-	1,451,158	-
Sewer charges	640,664	-	640,664	-
Sanitation charges	676,579	-	676,579	-
Penalties	109,849	-	109,849	-
Net patient and service charges	-	-	-	5,788,131
Total charges for services	<u>11,013,275</u>	<u>-</u>	<u>11,013,275</u>	<u>5,788,131</u>
Lease and rental income	-	27,235	27,235	-
Other fees and charges	31,139	2,401	33,540	1,161,912
Fees & oil sales	-	204,857	204,857	-
Total operating revenues	<u>11,044,414</u>	<u>234,493</u>	<u>11,278,907</u>	<u>6,950,043</u>
<b>Operating expenses:</b>				
Personal services	1,285,807	99,447	1,385,254	2,456,641
Materials and supplies	581,541	36,072	617,613	2,213,001
Purchases for resale	4,872,832	183,406	5,056,238	-
Other services and charges	1,217,271	19,593	1,236,864	2,657,805
Depreciation	911,151	171,240	1,082,391	748,609
Total operating expenses	<u>8,868,602</u>	<u>509,758</u>	<u>9,378,360</u>	<u>8,076,056</u>
Net operating income	2,175,812	(275,265)	1,900,547	(1,126,013)
<b>Nonoperating revenue (expense):</b>				
Investment income	22,658	4	22,662	65,792
Royalty income	-	88,202	88,202	-
Interest expense	(344,534)	-	(344,534)	(5,543)
Bad debt	(17,608)	-	(17,608)	-
Contributions	-	-	-	7,797
Other revenue (expenses)	61,297	-	61,297	9,072
Total nonoperating revenue (expense)	<u>(278,187)</u>	<u>88,206</u>	<u>(189,981)</u>	<u>77,118</u>
<b>Net Income before contributions and transfers</b>	1,897,625	(187,059)	1,710,566	(1,048,895)
Transfers from other funds	1,293,016	-	1,293,016	-
Transfers to other funds	(2,818,029)	-	(2,818,029)	-
Residual equity transfer	(2,065,000)	-	(2,065,000)	-
<b>Change in net position</b>	(1,692,388)	(187,059)	(1,879,447)	(1,048,895)
Net position-beginning of year	6,203,811	2,760,682	8,964,493	13,288,594
Net position-end of year	<u>\$ 4,511,423</u>	<u>\$ 2,573,623</u>	<u>\$ 7,085,046</u>	<u>\$ 12,239,699</u>

**City of Perry, Oklahoma**  
**Statement of Cash Flows**  
**Proprietary Funds**  
**Year Ended June 30, 2014**

				<b>Component Unit</b>
	<b>Public Utility Authority</b>	<b>Airport Authority</b>	<b>Total Enterprise Funds</b>	<b>Municipal Hospital Authority</b>
<b><u>Cash flows from operating activities:</u></b>				
Receipts from customers/patients	\$ 11,040,520	\$ 372,586	\$ 11,413,106	\$ 7,647,494
Payments to suppliers	(6,627,068)	(246,190)	(6,873,258)	(2,960,464)
Payments to employees	(1,283,918)	(98,514)	(1,382,432)	(4,442,657)
<b>Net cash provided (used) by operating activities</b>	<b>3,129,534</b>	<b>27,882</b>	<b>3,157,416</b>	<b>244,373</b>
<b><u>Cash flows from non-capital financing activities:</u></b>				
Transfers from other funds	1,293,016	-	1,293,016	-
Transfers to other funds	(2,818,029)	-	(2,818,029)	-
Interfund receipts/(payments)	(2,015,009)	-	(2,015,009)	-
Receipts from nonoperating income and contributions	92,436	88,202	180,638	7,845
<b>Net cash provided (used) by non-capital financing activities</b>	<b>(3,447,586)</b>	<b>88,202</b>	<b>(3,359,384)</b>	<b>7,845</b>
<b><u>Cash flows from capital and related financing activities:</u></b>				
Purchases of capital assets	(69,686)	(85,003)	(154,689)	(178,925)
Proceeds from issuance of debt	2,065,000	-	2,065,000	-
Principal paid on capital debt	(931,101)	-	(931,101)	(70,357)
Interest paid on capital debt	(334,671)	-	(334,671)	(5,543)
<b>Net cash provided (used) by capital and related financing activities</b>	<b>729,542</b>	<b>(85,003)</b>	<b>644,539</b>	<b>(254,825)</b>
<b><u>Cash flows from investing activities:</u></b>				
Net (purchase)/sale of certificates of deposits	-	-	-	561,475
Investment income	22,658	2	22,660	66,132
<b>Net cash provided (used) by investing activities</b>	<b>22,658</b>	<b>2</b>	<b>22,660</b>	<b>627,607</b>
Net increase (decrease) in cash and cash equivalents	434,148	31,083	465,231	625,000
Cash & cash equivalents, June 30, 2013	4,052,642	110,250	4,162,892	291,407
Cash & cash equivalents, June 30, 2014	<b>\$ 4,486,790</b>	<b>\$ 141,333</b>	<b>\$ 4,628,123</b>	<b>\$ 916,407</b>
Cash, including time deposits	\$ 1,674,751	\$ 141,333	1,816,084	\$ 916,407
Restricted cash, including time deposits	2,812,039	-	2,812,039	-
Total cash and cash equivalents, end of year	<b>\$ 4,486,790</b>	<b>\$ 141,333</b>	<b>\$ 4,628,123</b>	<b>\$ 916,407</b>
<b><u>Reconciliation of operating income (loss) to net cash provided (used) by operating activities</u></b>				
Operating income (loss)	\$ 2,175,812	\$ (275,265)	\$ 1,900,547	\$ (1,126,013)
Adjustments to reconcile operating income (loss) to net cash provided (used) by operating activities:				
Depreciation	911,151	171,240	1,082,391	748,609
Provision for bad debt	-	-	-	708,795
Changes in assets and liabilities:				
(Increase) decrease in accounts receivable	(3,894)	138,093	134,199	(421,534)
(Increase) decrease in inventory	-	(5,457)	(5,457)	12,468
(Increase) decrease in other assets	-	-	-	59,744
Increase (decrease) in accounts payable	42,635	(1,662)	40,973	70,937
Increase (decrease) in deposits subject to refund	1,941	-	1,941	-
Increase (decrease) in compensated absences	1,889	933	2,822	-
Increase (decrease) in other liabilities	-	-	-	191,367
Total adjustments	953,722	303,147	1,256,869	1,370,386
<b>Net cash provided (used) by operating activities</b>	<b>\$ 3,129,534</b>	<b>\$ 27,882</b>	<b>\$ 3,157,416</b>	<b>\$ 244,373</b>

**City of Perry, Oklahoma  
Combining Balance Sheet  
Non-Major Governmental Funds  
June 30, 2014**

	<u>General Cemetery Fund</u>	<u>Cemetery Care Fund</u>	<u>Public Access Fund</u>	<u>Total Non-Major Funds</u>
<b>ASSETS</b>				
Cash and cash equivalents	\$ 5,412	\$ 19,711	\$ 3,966	\$ 29,089
Investments	-	113,648	-	113,648
Total assets	<u>\$ 5,412</u>	<u>\$ 133,359</u>	<u>\$ 3,966</u>	<u>\$ 142,737</u>
<b>LIABILITIES</b>				
Accounts payable	\$ -	\$ -	\$ 689	\$ 689
Accrued vacation payable	4,632	-	2,998	7,630
Total liabilities	<u>4,632</u>	<u>-</u>	<u>3,687</u>	<u>8,319</u>
<b>FUND BALANCES</b>				
Restricted	-	133,359	-	133,359
Committed	780	-	279	1,059
Total fund balances	<u>780</u>	<u>133,359</u>	<u>279</u>	<u>134,418</u>
Total liabilities and fund balances	<u>\$ 5,412</u>	<u>\$ 133,359</u>	<u>\$ 3,966</u>	<u>\$ 142,737</u>

**City of Perry, Oklahoma**  
**Combining Statement of Revenues, Expenditures, and Changes in Fund Balances**  
**Non-Major Governmental Funds**  
**June 30, 2014**

	<b>General Cemetery Fund</b>	<b>Cemetery Care Fund</b>	<b>Public Access Fund</b>	<b>Total Non-Major Funds</b>
<b>REVENUES</b>				
Franchise taxes	\$ -	\$ -	\$ 49,556	\$ 49,556
Charges for services	37,807	5,742	-	43,549
Total revenues	<u>37,807</u>	<u>5,742</u>	<u>49,556</u>	<u>93,105</u>
<b>EXPENDITURES</b>				
Cultural, parks and recreation:				
General cemetery	168,625	20,000	-	188,625
Public information network	-	-	66,434	66,434
Total cultural, parks and recreation	<u>168,625</u>	<u>20,000</u>	<u>66,434</u>	<u>255,059</u>
Total expenditures	<u>168,625</u>	<u>20,000</u>	<u>66,434</u>	<u>255,059</u>
Excess (deficiency) of revenues over expenditures	<u>(130,818)</u>	<u>(14,258)</u>	<u>(16,878)</u>	<u>(161,954)</u>
<b>OTHER FINANCING SOURCES (USES)</b>				
Transfers in/(out)	131,000	-	17,000	148,000
Total other financing sources and uses	<u>131,000</u>	<u>-</u>	<u>17,000</u>	<u>148,000</u>
Net change in fund balances	182	(14,258)	122	(13,954)
Fund balances - beginning	598	147,617	157	148,372
Fund balances - ending	<u>\$ 780</u>	<u>\$ 133,359</u>	<u>\$ 279</u>	<u>\$ 134,418</u>

(1) **SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

**A. Organization**

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

***The Reporting Entity***

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

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

**Blended Component Units Reported with Primary Government**

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

**Discretely Presented Component Unit**

Perry Municipal Hospital Authority (PMH) – was established April 22, 1974 as a public trust under Title 60 Oklahoma Statute 1961 to provide a hospital and other community health facilities for the citizens of the City of Perry. PMH has a separate board of trustees, including the mayor of the City, five trustees appointed by the City, one trustee who is an active member of the hospital medial staff; and two other trusses nominated by the other trustees. PMH proves hospital, medical and residential care of the citizens of the City. PMH issues separately audited financial statements that can be obtained at City Hall. For purposes of this report, PMH is included as a discretely presented component unit.

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

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

**B. Basis of Presentation**

***Government-Wide Financial Statements:***

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

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

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

Certain reclassifications have been made to prior period balances in order to conform to the current period's presentation.

***Fund Financial Statements:***

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

***Measurement Focus and Basis of Accounting***

The financial statements of the City are prepared in accordance with accounting principles generally accepted in the United States of America, GAAP. The City's reporting entity applies all relevant Governmental Accounting Standards Board (GASB) pronouncements.

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

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

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

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

***Restricted Assets***

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

***Use of Estimates***

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

***Interfund Balances***

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

***Date of Management's Review***

Subsequent events were evaluated through November 24, 2014, which is the date the financial statements were available to be issued.

**C. Fund Types and Major Funds**

**Major Governmental Funds**

***General Fund***

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

***Street Improvement Fund***

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

***Special Revenue Funds***

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

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

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

**PROPRIETARY FUND TYPES**

***Enterprise Funds***

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

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

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

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

**D. Budgets and Budgetary Accounting**

***Budget Policy and Practice***

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

***Budgetary Control***

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

**Budget Basis of Accounting**

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

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

**E. Assets, Liabilities and Equity**

**Cash and Investments**

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

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

**Allowance for Uncollectible Accounts**

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

**Inventory**

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

**Property, Plant and Equipment**

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

**Government-Wide Statements:**

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

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

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

**Fund Financial Statement:**

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

**Long-Term Debt**

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

**Equity Classifications**

**Governmental Fund Balances**

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

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

**Nonspendable**

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

**Restricted**

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

**Committed**

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

**Assigned**

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

**Unassigned**

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

**Net Position**

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

**Invested in capital assets, net of related debt**

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

**Restricted net position**

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

**F. Revenues, Expenditures and Expenses**

**Sales Tax**

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

**Franchise Tax**

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

**Charges for Services**

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

**Grants and Contributions**

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

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

***Interfund Transfers***

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

***Compensated Absences***

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

**(2) STEWARDSHIP, COMPLIANCE AND ACCOUNTABILITY**

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

**A. Deficit Fund Net Assets/Fund Balance**

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

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

**B. Budget Requirements**

For the year ended June 30, 2014, the City did not materially overspend in any department-level category.

**C. Debt Covenants**

The long term debt held by the Perry Municipal Authority contains a number of covenants which are related to financial matters. The most significant of which is the Debt Service Coverage, whereby, pledged revenues less operating expenses shall provide Net Revenues Available for Debt Service equal to 1.25 times average annual debt service on the respective notes for the Authority. Refer to footnote 3C for discussion of long term debt.

**D. Revenue Restrictions**

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

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

**(3) DETAIL NOTES ON TRANSACTION CLASSES/ACCOUNTS**

**A. Cash and Investments**

***Deposits***

Custodial credit risk for deposits is the risk that in the event of a bank failure, the City's deposits may not be returned or the City will not be able to recover collateral securities in the possession of an outside party. The City's deposits are secured by collateral values at market or par, whichever is lower, less the amount covered by the Federal Deposit Insurance Corporation (FDIC). Deposited funds may be invested in certificates of deposit in institutions with an established record of fiscal health and service.

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

**Investments**

The City invests primarily in certificates of deposit.

<u>Types of Investments</u>	<u>Fair Value/ Carrying Amount</u>	<u>Cost</u>	<u>Average Credit Quality/ Ratings (1)</u>	<u>Weighted Average Days to Maturity (2)</u>
<b>Primary government</b>				
<b><u>INVESTMENTS:</u></b>				
Certificates of deposit, pooled	\$ 2,742,605	\$ 2,742,605	N/A	163
Total investments	2,742,605	2,742,605		
 Total primary government investments	\$ 2,742,605	\$ 2,742,605		

**RECONCILIATION TO STATEMENT OF NET ASSETS**

	<u>Governmental Activities</u>	<u>Business-type Activities</u>	<u>Total</u>
Investments, unrestricted	\$ 901,930	\$ 418,715	\$ 1,320,645
Investments, restricted	241,352	1,180,608	1,421,960
Total investments	\$ 1,143,282	\$ 1,599,323	\$ 2,742,605

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

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

It is the Perry Memorial Hospital Authority's (PMHA) policy to invest in demand and time deposit accounts and certificates of deposit. Refer to the Perry Memorial Hospital Authority and Controlled Entity June 30, 2014 audit report for further discussion of the investments held by PMHA and the related collateralization.

**B. PROPERTY, PLANT AND EQUIPMENT**

**Governmental Activities:**

A summary of the changes in the governmental activities fixed assets at June 30, 2014 follows:

	<u>Balance at July 1, 2013</u>	<u>Additions</u>	<u>Deletions</u>	<u>Balance at June 30, 2014</u>
Land	\$ 364,944	\$ 255,000	\$ -	\$ 619,944
Construction in process	14,088	274,738	-	288,826
Buildings & structures	1,652,739	-	-	1,652,739
Machinery, furniture, & equipment	3,779,036	437,393	-	4,216,429
Infrastructure & improvements	7,107,149	13,000	-	7,120,149
 Total	12,917,956	980,131	-	13,898,087
Less accumulated depreciation	6,865,527	667,259	-	7,532,786
 Fixed assets, net	\$ 6,052,429	\$ 312,872	\$ -	\$ 6,365,301

**Business-Type Activities:**

A summary of the proprietary fund types fixed assets at June 30, 2014 follows:

**CITY OF PERRY, OKLAHOMA**  
**NOTES TO FINANCIAL STATEMENTS**  
**JUNE 30, 2014**

	<b>Balance at July 1, 2013</b>	<b>Additions</b>	<b>Deletions</b>	<b>Balance at June 30, 2014</b>
Land	\$ 500,000	\$ -	\$ -	\$ 500,000
Buildings	3,416,785	63,956	-	3,480,741
Machinery, furniture, & equipment	1,392,478	36,840	-	1,429,318
Infrastructure	18,293,046	50,093	-	18,343,139
Construction in process	-	3,800	-	3,800
<b>Total</b>	<b>23,602,309</b>	<b>154,689</b>	<b>-</b>	<b>23,756,998</b>
Less accumulated depreciation	12,055,234	1,082,391	-	13,137,625
<b>Fixed assets, net</b>	<b>\$ 11,547,075</b>	<b>\$ (927,702)</b>	<b>\$ -</b>	<b>\$ 10,619,373</b>

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

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

<b>Governmental Activities</b>		<b>Business-type Activities</b>	
General government	\$ 79,549	Electric	\$ 95,779
Public safety & judiciary	112,178	Water	655,162
Transportation	281,728	Sewer	95,641
Cultural, parks & recreation	59,656	Customer service	64,569
Cemetery	6,900	Airport	171,240
Ambulance	29,271		
Economic development	97,977	Total depreciation expense	<u>\$ 1,082,391</u>
<b>Total depreciation expense</b>	<u>\$ 667,259</u>		

**C. LONG-TERM DEBT**

The City has an outstanding capital lease with Caterpillar Financial Services Corporation for the lease/purchase of a loader in the Street department. The lease agreement was originated in January 2014 for \$79,800, payable in 62 payments at an interest rate of 2.5%. The lease obligation is recorded in governmental funds and is paid by the General Fund. At June 30, 2014, the City owed \$72,164 on the lease, of that \$16,480 is the current obligation of the City.

**CITY OF PERRY, OKLAHOMA**  
**NOTES TO FINANCIAL STATEMENTS**  
**JUNE 30, 2014**

The following is a summary of enterprise fund long-term debt for the year ended June 30, 2014:

**NOTES PAYABLE**

**Business-Type Activities:**

<p>On July 2, 1998, PMA entered into an agreement with the Oklahoma Water Resources Board for a loan in the amount of \$950,000 at a fixed interest rate of 2.757% and an additional administrative fee of .5% per year. The loan was for sewer system improvements. The loan requires monthly payments into a debt service account from which the note payments are made semi-annually. The note is scheduled to mature March 15, 2014 and is secured by a mortgage on certain real estate and sewer system revenues. Debt covenants include debt service coverage of 1.25 of net utility revenues of the sanitary sewer and wastewater treatment systems.</p>	\$ -
<p>On June 6, 2006, PMA issued the Perry Municipal Authority Utility System and Sales Tax Revenue Note, Series 2006 in the amount of \$7,735,000. The note carries an interest rate of 4.49%, maturing June 1, 2026. The loan requires monthly payments into a debt service account from which the semi-annual debt service payments are made. Debt covenants include debt service coverage of 1.25 of net utility revenues. The Note is secured by 1.25% restricted sales tax revenues, as well as water revenues and 1% general sales tax revenues. At June 30, 2014, the City met the debt service coverage requirement.</p>	5,432,175
<p>On March 5, 2010, PMA entered into agreement with the Oklahoma Water Resources Board for the Series 2010 Drinking Water SRF loan in the amount of \$469,482. The note bears an interest rate of 2.34% plus an administration fee of 0.5%. The note matures September 15, 2020. Payments are made semi-annually in March and September. Debt covenants include debt service coverage of 1.25 of net utility revenues of the water system. The Note includes a pledge and assignment of operating revenues from the water system and a year to year pledge of sales tax in addition to a mortgage on certain real estate. At June 30, 2014, the City met the debt service coverage requirement.</p>	317,567
<p>On August 1, 2012, PMA issued the Perry Municipal Authority Sales Tax Refunding Revenue Bonds, Series 2012 in the amount of \$2,915,000 for the purpose of retiring the 2007 bonds of the PMA and to provide funds for maintenance and improving streets. The bonds mature January 1, 2018 and carry interest rates ranging from 1.5% to 5.0%. The notes require monthly payments into a debt service account from which semi-annual debt service payments are made. The Note is secured by 1% restricted sales tax revenues and revenues of the electric and garbage systems. At June 30, 2014, the City met the debt service coverage requirement.</p>	2,000,000
<p>On August 1, 2013, PMA issued the Perry Municipal Authority Sales Tax Refunding Revenue Bonds, Series 2013 in the amount of \$2,065,000 for the purpose of providing capital improvements for the City. The bonds mature August 1, 2025 and carry interest rates ranging from 3% to 4.25%. The notes require monthly payments into a debt service account from which semi-annual debt service payments are made. The Note is secured with proceeds of the 8% hotel tax. At June 30, 2014, the City met the debt service coverage requirement.</p>	2,065,000
	\$ 9,814,742

**Changes in Long-Term Debt:**

The following is a summary of changes in long-term debt for the year ended June 30, 2014:

<u>Type of Debt</u>	<u>Balance at July 1, 2013</u>	<u>Amount Issued</u>	<u>Amount Retired</u>	<u>Balance at June 30, 2014</u>	<u>Due Within One Year</u>
<b>Business-type activities:</b>					
<i>Notes Payable</i>					
Sewer system	\$ 77,150	\$ -	\$ 77,150	\$ -	\$ -
Water system	6,128,693	-	378,951	5,749,742	349,591
<i>Bonds Payable</i>					
Water improvements, Series 2012	2,475,000	-	475,000	2,000,000	490,000
Capital improvements, Series 2013	-	2,065,000	-	2,065,000	155,000
Total business-type activities	\$ 8,680,843	\$ 2,065,000	\$ 931,101	\$ 9,814,742	\$ 994,591

**CITY OF PERRY, OKLAHOMA**  
**NOTES TO FINANCIAL STATEMENTS**  
**JUNE 30, 2014**

**Annual Debt Service Requirements:**

The annual debt service requirements to maturity, including principal and interest, for long-term debt held by business-type activities as of June 30, 2014 follow:

Year Ending June 30	Notes Payable		Bonds Payable	
	Principal	Interest	Principal	Interest
2015	\$ 349,591	\$ 242,483	\$ 645,000	\$ 95,327
2016	412,438	225,613	645,000	83,091
2017	430,330	207,964	660,000	68,223
2018	449,001	189,537	670,000	57,310
2019			165,000	46,113
2020-2024	2,419,770	643,583	890,000	148,064
2025-2026	1,642,864	116,916	390,000	24,600
Totals	<u>\$ 5,703,994</u>	<u>\$ 1,626,096</u>	<u>\$ 4,065,000</u>	<u>\$ 522,728</u>

**D. INTERFUND TRANSACTIONS AND BALANCES**

Operating transfers for the year ended June 30, 2014 were as follows:

	<u>Due From</u>	<u>Due To</u>
GENERAL FUND		
Utility Authority	\$ -	\$ 41,100
UTILITY AUTHORITY		
General Fund	41,100	
	<u>\$ 41,100</u>	<u>\$ 41,100</u>
	<u>Transfers In</u>	<u>Transfers Out</u>
GENERAL FUND		
Utility Authority	\$ 2,670,029	\$ 186,388
Total General Fund	<u>2,670,029</u>	<u>186,388</u>
LIMITED PURPOSE SALES TAX		
Utility Authority	-	586,360
Total Limited Purpose Sales Tax	<u>-</u>	<u>586,360</u>
STREET IMPROVEMENT FUND		
Utility Authority	-	520,268
Total Street Improvement Fund	<u>-</u>	<u>520,268</u>
Public Access Fund		
Utility Authority	17,000	-
Total Public Access Fund	<u>17,000</u>	<u>-</u>
CEMETERY FUND		
Utility Authority	131,000	-
Total Cemetery Fund	<u>131,000</u>	<u>-</u>
UTILITY AUTHORITY		
General Fund	186,388	2,670,029
Street Improvement	520,268	-
Limited Purpose Sales Tax	586,360	-
Cemetery	-	131,000
Public Access	-	17,000
Total Utility Authority	<u>1,293,016</u>	<u>2,818,029</u>
GRAND TOTAL	<u>\$ 4,111,045</u>	<u>\$ 4,111,045</u>

**(4) RETIREMENT PLANS**

The City participates in three employee pension systems as follows:

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

**A. Oklahoma Municipal Retirement Fund**

**Plan Description**

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

	<u>As of March 2014</u>
Retired participants and beneficiaries	17
Active participants	48
Total	<u>65</u>

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

<u>Provision</u>	<u>OMRF Plan</u>
a. Eligible to Participate	Full-time, employees of the City or Authority, except police, firefighters, and other employees who are covered under another approved system. The Plan has a 3 month probationary period.
b. Contributions Requirement	By City Ordinance
- Authorization	Yes
- Actuarially Determined	8.41% of covered payroll
- Employer Rate	4% of covered payroll
- Employee Rate	
c. Period Required to Vest	10 years of vesting service
d. Eligibility for Distribution	- Normal retirement at age 65 with 10 years of vesting service. - Early Retirement after age 55 with 10 years or more of vesting. - Disability retirement upon total and permanent disability with 10 years of service. - Death benefits with 10 years of vesting service, if married, 50% of accrued benefit payable to spouse until death or remarriage, if single, 50% of the accrued benefit is payable for 10 years certain.
e. Benefit Determination Base	Final average salary – the average of the five highest consecutive annual salaries out of the last 10 years of service.
f. Benefit Determination Methods:	
- Normal Retirement	2.625% of final average compensation multiplied by the number of years of credited service.
- Early Retirement	Payable starting at normal retirement or the accrued benefit reduced 5% per year for commencement prior to normal retirement age.
- Disability Retirement	Payable upon disablement without reduction for early payment
- Death Benefit	50% of employee's accrued benefit, see above
- Prior to 10 Years Service	Return of employee contributions with accrued interest.
g. Form of Benefit Payments	Normal form of payment of the accrued benefit is a monthly lifetime annuity with 10 years certain. Other retirement benefits are available under actuarially equivalent optional forms.

**CITY OF PERRY, OKLAHOMA**  
**NOTES TO FINANCIAL STATEMENTS**  
**JUNE 30, 2014**

**Funding Status and Progress**

Actuarial Valuation Date	Value of Assets (a)	Actuarial Accrued Liability (AAL) (b)	Unfunded AAL (UAAL) (b-a)	Funded Ratio (a/b)	Covered Payroll (c)	UAAL as a % of Covered Payroll (b-a/c)
01/01/14	\$3,204,792	\$3,551,595	\$ 346,803	90.2%	\$1,632,462	21.2%

- a. Date of last Actuarial Valuation March 2014
- b. Significant Actuarial Assumptions Used:
1. Rate of Return on Investments 7.5% per annum
  2. Pay increases Rates by age
  3. Retirement Age Rates by age
  4. Mortality Table UP 1994 mortality (projected)
  5. Asset Value Actuarial method
- c. Actuarial cost method Entry age normal

The City made \$140,671 in employer contributions to the Plan for fiscal year 2014; employee contributions were \$68,227.

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

**Plan Description**

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

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

	Oklahoma Firefighter's Pension and Retirement System	Oklahoma Police Pension and Retirement System
Eligibility to participate	All full-time or voluntary firefighters of a participating municipality hired before age 45.	All full-time officers employed by a participating municipality; not less than 21 years of age or more than 45 years of age when hired
Authority establishing contribution obligations and benefits	State Statute	State Statute
Plan member's contribution rate	0% of covered payroll	8% of covered payroll
City's contribution rate	\$60 per year, per firefighter (volunteer)	13% of covered payroll
Period required to vest	10 years	10 years
Benefits and eligibility for distribution (full time)	20 years credited service, 2 1/2% of final average salary multiplied by the years of credited service with a maximum of 30 years considered; if vested, at or after age 50, or after 10 but before 20 years of credited service, with reduced benefits.	20 years credited service, 2 1/2% of final average salary multiplied by the years of credited service with a maximum of 30 years considered; if vested, at or after age 50, or after 10 but before 20 years of credited service, with reduced benefits.
Benefits and eligibility for distribution (volunteer)	20 years credited service equal to \$7.53 per month per year of service, with a maximum of 30 years considered.	NA
Deferred retirement option	Yes, 20 years credited service with continued service for 30 or more years.	Yes, 20 years credited service with option to participate in deferred option plan for a maximum of 5 years
<i>Annual Required Contributions</i>		

Provision for:		
Cost of living adjustment	Yes, if vested by 5/83	Yes
Death (duty, non-duty, post retirement)	Yes	Yes
Disability (duty, non-duty)	Yes	Yes
Cost of living allowances	Yes	Yes
Valuation Date	7/1/12	7/1/12
Actuarial cost method	Individual entry age normal	Individual entry age
Amortization method/period	Level dollar 30 years, open	Level dollar 30 years, open
Actuarial assumptions:		
Investment rate of return	7.5%	7.5%
Projected salary increases	5.0% - 19.0%	4.0% - 10.0%
Post retirement benefit increases	2.0%	2.0%
Inflation	3.0%	3.0%
Other	1994 group annuity table set forward 1 year for men and back 2 years for women	1994 group annuity table set forward 1 year for men and 2 years for women

Employer contribution rates are determined by Oklahoma State Statute.

**(6) COMMITMENTS AND CONTINGENCIES**

**A. Litigation**

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

**B. Grant Program Involvement**

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

**City of Perry, Oklahoma**  
**General Fund**  
**Statement of Revenues, Expenditures, Encumbrances, and Changes in Fund Balance**  
**Budget and Actual (Non-GAAP Budgetary Basis)**  
**Year Ended June 30, 2014**

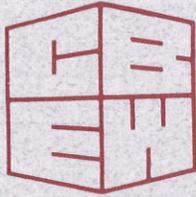
	<u>Original Budget</u>	<u>Revisions</u>	<u>Revised Budget</u>	<u>Actual</u>	<u>Variance - Favorable (Unfavorable)</u>
<b>REVENUES</b>					
Taxes	\$ 1,372,299	\$ 679,955	\$ 2,052,254	\$ 2,052,471	\$ 217
Licenses & permits	10,000	4,725	14,725	62,593	47,868
Rents & royalties	86,050	45,250	131,300	131,660	360
Fines and forfeitures	228,783	26,975	255,758	165,212	(90,546)
Charges for services	206,000	12,734	218,734	169,666	(49,068)
Intergovernmental	46,800	49,300	96,100	115,319	19,219
Interest	6,500	1,150	7,650	8,529	879
Other revenues	81,200	30,550	111,750	324,849	213,099
Total revenues	<u>2,037,632</u>	<u>850,639</u>	<u>2,888,271</u>	<u>3,030,299</u>	<u>142,028</u>
<b>EXPENDITURES</b>					
Current:					
General government:					
General government	720,244	7,000	727,244	722,385	4,859
Total general government	<u>720,244</u>	<u>7,000</u>	<u>727,244</u>	<u>722,385</u>	<u>4,859</u>
Public safety and judiciary:					
Police	1,447,500	-	1,447,500	1,319,662	127,838
Code enforcement	59,030	(8,500)	50,530	39,053	11,477
Animal control	59,500	(9,000)	50,500	48,436	2,064
Fire	290,700	-	290,700	280,547	10,153
Municipal court	72,300	-	72,300	117,835	(45,535)
Total public safety and judiciary	<u>1,929,030</u>	<u>(17,500)</u>	<u>1,911,530</u>	<u>1,805,533</u>	<u>105,997</u>
Transportation:					
Street	920,212	(35,000)	885,212	842,697	42,515
Total transportation	<u>920,212</u>	<u>(35,000)</u>	<u>885,212</u>	<u>842,697</u>	<u>42,515</u>
Cultural, parks and recreation:					
Parks	242,500	35,000	277,500	232,319	45,181
Library	193,600	43,000	236,600	239,350	(2,750)
Total cultural, parks and recreation	<u>436,100</u>	<u>78,000</u>	<u>514,100</u>	<u>471,669</u>	<u>42,431</u>
Ambulance:					
Ambulance	666,700	20,000	686,700	623,279	63,421
Total ambulance	<u>666,700</u>	<u>20,000</u>	<u>686,700</u>	<u>623,279</u>	<u>63,421</u>
Economic development					
Economic development	245,150	418,960	664,110	588,197	75,913
Total economic development	<u>245,150</u>	<u>418,960</u>	<u>664,110</u>	<u>588,197</u>	<u>75,913</u>
Total expenditures	<u>4,917,436</u>	<u>471,460</u>	<u>5,388,896</u>	<u>5,053,760</u>	<u>335,136</u>
Revenue over (under) expenditures	(2,879,804)	379,179	(2,500,625)	(2,023,461)	(193,108)
<b>OTHER FINANCING SOURCES (USES)</b>					
Operating transfers in/(out)	2,850,000	-	2,850,000	2,483,641	(366,359)
Net other financing sources (uses)	<u>2,850,000</u>	<u>-</u>	<u>2,850,000</u>	<u>2,483,641</u>	<u>(366,359)</u>
Revenues and other financing sources over (under) expenditures and other uses	(29,804)	379,179	349,375	460,180	(559,467)
Fund balance at beginning of year (Non-GAAP budgetary basis)				2,330,141	2,330,141
Fund balance at end of year (Non-GAAP budgetary basis)				\$ 2,790,321	<u>\$ 1,770,674</u>
<b>ADJUSTMENTS TO GENERALLY ACCEPTED ACCOUNTING PRINCIPLES</b>					
Revenue and transfer accruals				76,201	
Fund balance at end of year (GAAP basis)				<u>\$ 2,866,522</u>	

**City of Perry, Oklahoma**  
**Limited Purpose Sales Tax**  
**Statement of Revenues, Expenditures, Encumbrances, and Changes in Fund Balance**  
**Budget and Actual (Non-GAAP Budgetary Basis)**  
**Year Ended June 30, 2014**

	<u>Original Budget</u>	<u>Revisions</u>	<u>Revised Budget</u>	<u>Actual</u>	<u>Variance - Favorable (Unfavorable)</u>
<b><u>REVENUES</u></b>					
Taxes	\$ 658,626	\$ -	\$ 658,626	\$ 865,250	\$ 206,624
Total revenues	658,626	-	658,626	865,250	206,624
Revenue over (under) expenditures	658,626	-	658,626	865,250	206,624
<b><u>OTHER FINANCING SOURCES (USES)</u></b>					
Operating transfers in/(out)	(586,359)	-	(586,359)	(586,360)	(1)
Net other financing sources (uses)	(586,359)	-	(586,359)	(586,360)	(1)
Revenues and other financing sources over (under) expenditures and other uses	72,267	-	72,267	278,890	206,623
Fund balance at beginning of year (Non-GAAP budgetary basis)				329,845	329,845
Fund balance at end of year (Non-GAAP budgetary basis)				\$ 608,735	\$ 536,468
<b>ADJUSTMENTS TO GENERALLY ACCEPTED ACCOUNTING PRINCIPLES</b>					
Accrual adjustment				(4,669)	
Fund balance at end of year (GAAP basis)				<u>\$ 604,066</u>	

City of Perry, Oklahoma  
Street Improvement Fund  
Statement of Revenues, Expenditures, Encumbrances, and Changes in Fund Balance  
Budget and Actual (Non-GAAP Budgetary Basis)  
Year Ended June 30, 2014

	Original Budget	Revisions	Revised Budget	Actual	Variance - Favorable (Unfavorable)
<b>REVENUES</b>					
Taxes	\$ 526,901	\$ -	\$ 526,901	\$ 692,200	\$ 165,299
Total revenues	526,901	-	526,901	692,200	165,299
<b>EXPENDITURES</b>					
Street Sales Tax					
Debt Service	514,200	-	514,200	520,268	(6,068)
Transfer out	-	-	-	-	-
Total general government	514,200	-	514,200	520,268	(6,068)
Revenues and other financing sources over (under) expenditures and other uses	12,701	-	12,701	171,932	171,367
Fund balance at beginning of year (Non-GAAP budgetary basis)				120,931	120,931
Fund balance at end of year (Non-GAAP budgetary basis)				\$ 292,863	\$ 120,931
<b>ADJUSTMENTS TO GENERALLY ACCEPTED ACCOUNTING PRINCIPLES</b>					
Taxes receivable				3,735	
Fund balance at end of year (GAAP basis)				\$ 296,598	



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

October 8, 2014

Honorable City Council  
City of Perry  
Perry, Oklahoma

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the City of Perry, Oklahoma, as of and for the year ended June 30, 2014, and the related notes to the financial statements, which collectively comprise the City of Perry, Oklahoma's basic financial statements, and have issued our report thereon dated October 8, 2014

***Internal Control Over Financial Reporting***

In planning and performing our audit of the financial statements, we considered the City's internal control over financial reporting (internal control) to determine the audit procedures that are appropriate in the circumstances for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the City's internal control. Accordingly, we do not express an opinion on the effectiveness of the City's internal control.

A *deficiency in internal control* exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, misstatements on a timely basis. A *material weakness* is a deficiency, or 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. A *significant deficiency* is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or, significant deficiencies. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

City of Perry  
October 8, 2014

***Compliance and Other Matters***

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

***Purpose of this Report***

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the entity's internal control or on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the entity's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

A handwritten signature in black ink that reads "CBEW Professional Group, LLP". The signature is written in a cursive, flowing style.

CBEW Professional Group, LLP  
Certified Public Accountants