CITY OF PERRY, OKLAHOMA
PERRY, OKLAHOMA

ANNUAL FINANCIAL STATEMENTS
AND ACCOMPANYING
INDEPENDENT AUDITOR'S REPORT

FOR THE YEAR ENDED
JUNE 30, 2013

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INDEPENDENT AUDITOR'S REPORT

October 7, 2013

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, 2013, 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.

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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, 2013, 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 36 – 38 be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting 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 Information

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the City's basic financial statements. The combining statements are presented for purposes of additional analysis and are not a required part of the basic financial statements. The schedule of expenditures of federal awards is presented for purposes of additional analysis as required by U.S. Office of Management and Budget Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*, and is also not a required part of the basic financial statements.

The combining statements and the schedule of expenditures of federal awards are the responsibility of management and were derived from and relate directly to the underlying accounting and other records used to prepare the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the combining statements and the schedule of expenditures of federal awards are fairly stated in all material respects in relation to the basic financial statements as a whole.

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated October 7, 2013, 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, 2013. 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, 2013, the assets of the City exceeded its liabilities by $18,245,321 (net position) compared to $14,128,380 in prior year. Of this amount $4,745,366 (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 $8,827,572 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 $4,672,383
  (3) Unrestricted net position of $4,745,366 represent the portion available to maintain the City's continuing obligations to citizens and creditors.
- After transfers of $4,769,827 from business-type activities to governmental activities, net position of governmental activities increased $3,152,297 or 51%, and net position of business-type activities increased $1,143,351 or 14%. Overall the health of the City improved when compared to prior year by $4,295,648 or 30% over prior year.
- At the end of the current fiscal year, unassigned fund balance for the General Fund was $1,433,661.

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 direly to the citizens though the City remains accountable for their actions. As such, the Perry Municipal Hospital Authority is reported separately from the primary government through included in the City's overall reporting entity. More comprehensive information about the City's component units can be found in footnotes.

Fund Financial Statements

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

The City has 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 noted, 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 2012 and 2013, noting a $4,295,648 or 30% increase after an adjustment of $178,707 due to adopting GASB 65. The following table provides a summary of the City's net assets at June 30:

	Governmental Activities		Business-Type Activities		Total			
	2013	2012	2013	2012	2013	2012	$ Change	% Change
Current assets	$ 3,521,102	$ 2,864,629	$ 6,926,466	$ 4,505,245	$ 10,447,568	$ 7,369,874	$ 3,077,694	42%
Non-current assets	-	-	91,089	3,078,853	91,089	3,078,853	(2,987,764)	-97%
Capital assets, net	6,052,429	6,366,643	11,547,075	10,863,581	17,599,504	17,230,224	369,280	2%
Total assets	9,573,531	9,231,272	18,564,630	18,447,679	28,138,161	27,678,951	459,210	2%
Current liabilities	251,613	1,188,389	1,850,396	1,926,987	2,102,009	3,115,376	(1,013,367)	-33%
Non-current liabilities	41,090	1,914,352	7,749,741	8,520,843	7,790,831	10,435,195	(2,644,364)	-25%
Total liabilities	292,703	3,102,741	9,600,137	10,447,830	9,892,840	13,550,571	(3,657,731)	-27%
Net assets								
Invested in capital assets, net of related debt	5,961,339	3,402,220	2,866,233	4,219,818	8,827,572	7,622,038	1,205,534	16%
Restricted	1,835,828	1,676,240	2,836,555	305,536	4,672,383	1,981,776	2,690,607	136%
Unrestricted	1,483,661	1,050,071	3,261,705	3,474,495	4,745,366	4,524,566	220,800	5%
Total net assets	$ 9,280,828	$ 6,128,531	$ 8,964,493	$ 7,999,849	$ 18,245,321	$ 14,128,380	$ 4,116,941	29%

The City reported positive balances in net assets for both governmental and business-type activities. Governmental activities noted an increase in net assets of $3,152,297, whereas net assets for business-type activities increased $964,644 after prior period adjustment. Overall, the City's financial position improved 29% year over year.

Changes in Net Assets

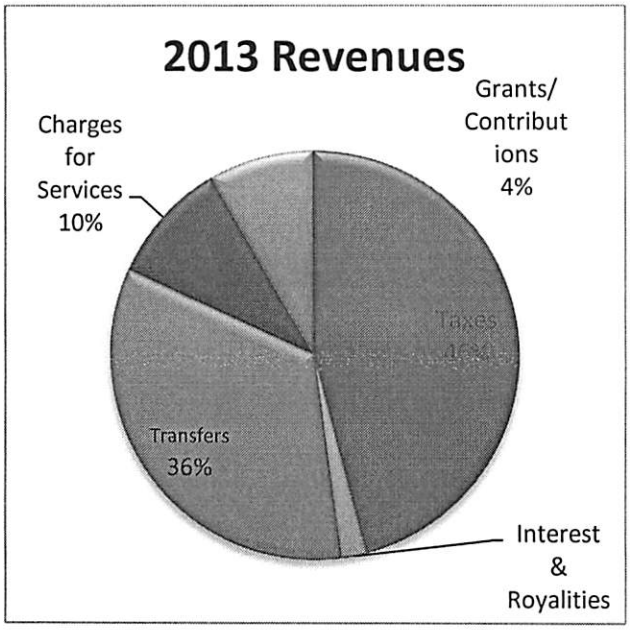
For the year ended June 30, 2013, net assets of the primary government changed as follows:

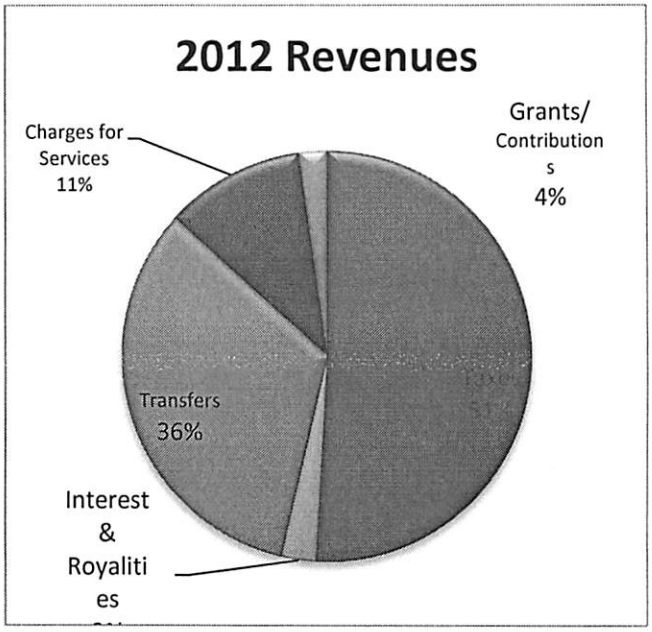
	Governmental Activities		Business-type Activities		Total			
	2013	2012	2013	2012	2013	2012	$ Change	% Change
Revenues								
Program revenues	$ 1,010,719	$ 595,595	$ 11,867,970	$ 11,115,680	$ 12,878,689	$ 11,711,275	$ 1,167,414	10%
Taxes and other general revenues	2,737,481	2,507,873	178,536	112,622	2,916,017	2,620,495	295,522	11%
Total revenues	3,748,200	3,103,468	12,046,506	11,228,302	15,794,706	14,331,770	1,462,936	21%
Expenses								
General government	798,976	677,562	-	-	798,976	677,562	121,414	18%
Public safety and judiciary	1,770,598	1,746,831	-	-	1,770,598	1,746,831	23,767	1%
Transportation	947,080	893,446	-	-	947,080	893,446	53,634	6%
Cultural, parks, and recreation	607,144	602,512	-	-	607,144	602,512	4,632	1%
Cemetary	160,221	167,252	-	-	160,221	167,252	(7,031)	-4%
Ambulance	812,181	837,964	-	-	812,181	837,964	(25,783)	-3%
Economic development	269,530	176,823	-	-	269,530	176,823	92,707	52%
Electric	-	-	5,418,695	5,132,423	5,418,695	5,132,423	286,272	6%
Water	-	-	1,710,021	1,687,730	1,710,021	1,687,730	22,291	1%
Sewer	-	-	392,462	404,513	392,462	404,513	(12,051)	-3%
Sanitation	-	-	450,219	403,221	450,219	403,221	46,998	12%
Airport	-	-	452,649	314,814	452,649	314,814	137,835	44%
Customer service	-	-	582,616	162,518	582,616	162,518	420,098	258%
Total expenses	5,365,730	5,102,390	9,006,662	8,105,219	14,372,392	13,207,609	1,164,783	9%
Excess (deficiency) before transfers	$ (1,617,530)	$ (1,998,922)	$ 3,039,844	$ 3,123,083	$ 1,422,314	$ 1,124,161	$ 298,153	27%
Transfers	1,896,493	1,488,514	(1,896,493)	(1,488,514)	-	-	-	0%
Residual equity transfer	2,873,334	-	-	-	2,873,334.00	-	2,873,334	0%
Increase (decrease) in net assets	$ 3,152,297	$ (510,408)	$ 1,143,351	$ 1,634,569	$ 4,295,648	$ 1,124,161	$ 3,171,487	282%

Total revenues for the City increased 21% year over year. This increase in revenues is attributable to an increase in program revenues, specifically revenues generated from Noble County's ambulance support tax and airport grant revenues. The county's ambulance support was a new revenue source for fiscal year 2013 resulting from the ambulance district election, which increased sales tax and levied a property tax to supplement ambulance service in the county.

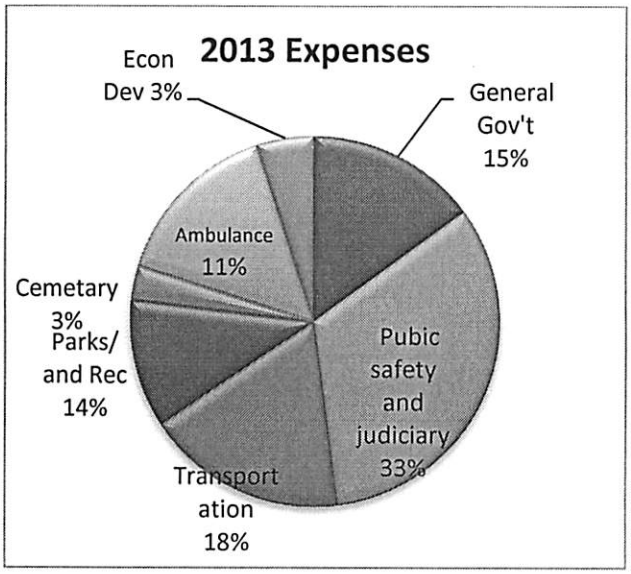
Operating expenses remained consistent between fiscal years, noting a 9% increase over prior year. The consistent in expenses for the City is a function of strict budgeting and adherence to established management goals during the fiscal year and increase in interest expenses and financing charges associated with the refunding debt during the fiscal year.

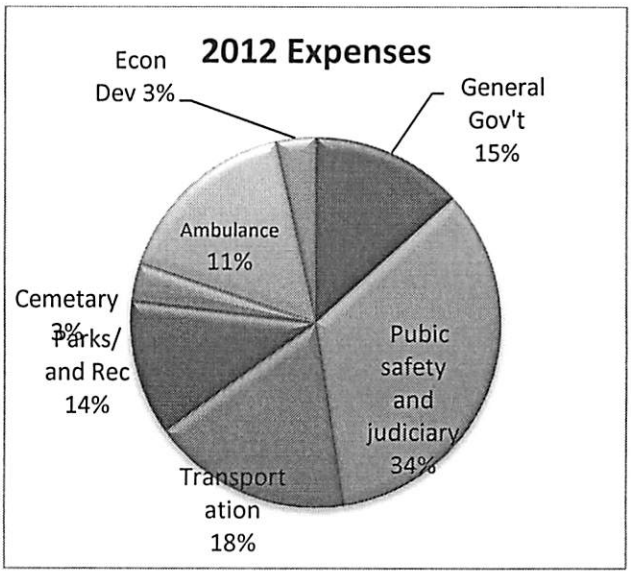
Graphic presentations of selected date from the summary table follow to assist in the analysis of the City's activities.





Taxes provided for 46% of the City's governmental revenues in fiscal year 2013 as compared to 51% in 2012. All other revenue sources remained consistent between years.

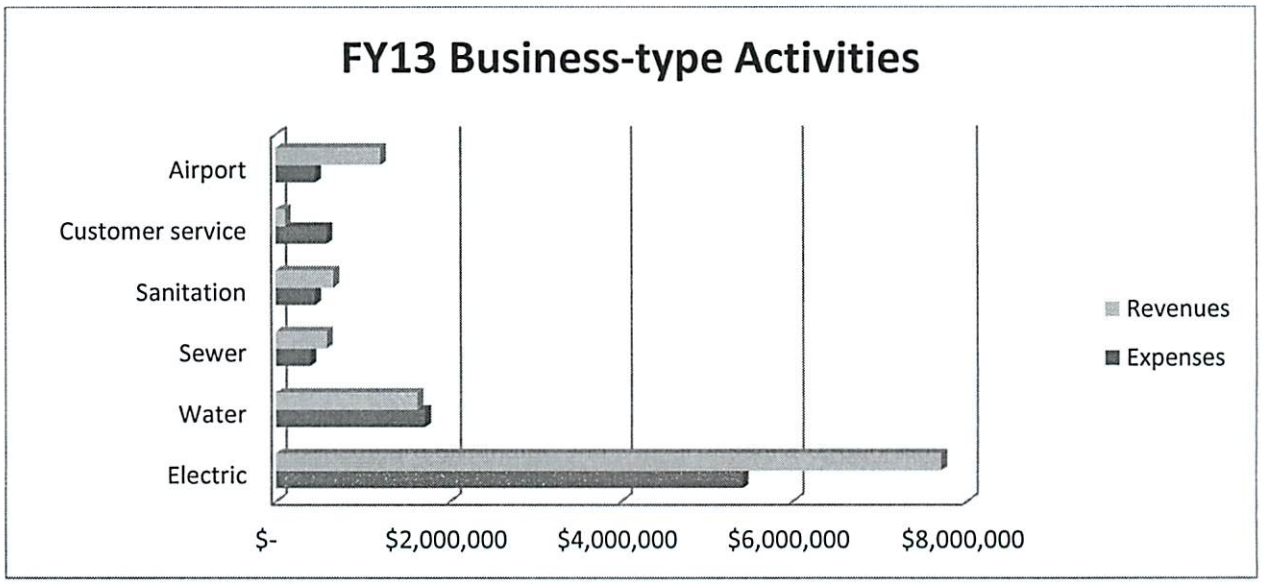




For the year ended June 30, 2013, total expenses for governmental activities amounted to $5,365,730. Of this amount, public safety and judiciary with $1,770,598, was the largest operating service department at 33% of the total cost of services for the City government, which is consistent with prior year. 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, 2013, revenues from electric, sewer, and sanitation services covered the cost of operating their respective departments. Customer service noted revenues in excess of expenses due to expenses associated with refunding debt held by the Authority during the fiscal year.

General Fund Budgetary Highlights

The original adopted General Fund budget for fiscal year 2013 was $4,693,750. Budget amendments were approved during the fiscal year increasing the budget by $188,600, for a final amended budget of $4,882,350 prior to transfers. This was an increase of $400,540 over the previous year's budget attributable to capital projects and increasing cost of department expenses. The General Fund budget complied with financial policies approved by the City.

CAPITAL ASSET AND DEBT ADMINISTRATION

Capital Assets

At the end of June 30, 2013, the City had $8,827,572 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 Activities		Business-type Activities		Total	
	2013	2012	2013	2012	2013	2012
Land	$ 364,944	$ 364,944	$ 500,000	$ 500,000	$ 864,944	$ 864,944
Construction in process	14,088	2,100	-	1,039,566	14,088	1,041,666
Buildings	415,350	450,412	463,086	571,767	878,436	1,022,179
Machinery & equipment	744,598	898,487	177,658	71,988	922,256	970,475
Utility property & improvements	4,513,449	4,650,700	10,406,331	8,680,260	14,919,780	13,330,960
Totals	$ 6,052,429	$ 6,366,643	$ 11,547,075	$ 10,863,581	$ 17,599,504	$ 17,230,224

- In Governmental Activities, the most significant additions included $107,980 for a 2013 ambulance, $36,750 in street improvements, and $25,750 for a grinder in the Street department.
- In Business-type activities, capital additions included continued work on the sidewalks of the City, runway improvements at the Airport, and $213,250 in water and sewer infrastructure improvements.

Long-Term Debt

At year-end, the City had $7,749,741 in long-term debt outstanding which represents a $160,000 or 2% increase from the prior year. This change is attributable to refinancing the 2007 street improvement bonds during the fiscal year. The City's changes in long-term debt by type of debt are as follows:

Primary Government Long-Term Debt

	Business-type Activities	
	2013	2012
Notes payable	6,205,842	6,643,763
Bonds payable	2,475,000	2,725,000
less current portion	(931,101)	(847,920)
Totals	$ 7,749,741	$ 8,520,843

ECONOMIC FACTORS AND NEXT YEARS'S BUDGET AND RATES

Economic Environment

According to the Oklahoma Economic Report, the state's twelve-month gross receipts have reached an all time high, surpassing the previous record set in December 2008. State Treasurer, Ken Miller, Oklahoma has "regained and moved past the ground it lost during the Great Recession". Although the national economy has been sluggish, Oklahoma has shown significant improvement. The economic environment of the state sheds light on that local economy, as the City has also seen improvement.

The City of Perry has noted increase in sales and other tax revenues when compared to prior year. Utility billing has remained strong due to an increasing customer base. Continued improvement in the City's economic position is cautiously projected.

Fess 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 2013 actual collections. Other revenue sources are budgeted consistent with fiscal year 2013 collections, including the ambulance supplemental support.

The Perry Municipal Authority increased utility rates effective for fiscal year 2014 to cover the cost of inflation incurred by the City.

Operating and Capital Expenses

Operating expenses for the General Fund and PMA are expected to remain consistent with fiscal year 2013. The Council has considered several capital projects for fiscal year 2014 including economic development of the industrial park. 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, 2013

ASSETS	Governmental Activities	Business-type Activities	Total	Component Unit
Current Assets:				
Cash and cash equivalents	$ 620,578	$ 1,042,455	$ 1,663,033	$ 291,407
Investments	901,930	418,713	1,320,643	775,532
Accounts receivable (net)	197,644	994,420	1,192,064	2,088,593
Other receivables	205,509	149,062	354,571	-
Inventory	-	20,771	20,771	202,533
Total current assets	1,925,661	2,625,421	4,551,082	3,358,065
Restricted assets:				
Cash and cash equivalents	1,595,441	3,120,437	4,715,878	-
Investments	-	1,180,608	1,180,608	3,721,281
Total restricted assets	1,595,441	4,301,045	5,896,486	3,721,281
Noncurrent Assets:				
Other assets	-	-	-	132,662
Land and construction in progress	379,032	500,000	879,032	-
Other capital assets (net of accumulated depreciation)	5,673,397	11,047,075	16,720,472	6,961,899
Total noncurrent assets	6,052,429	11,547,075	17,599,504	7,094,561
Total assets	$ 9,573,531	$ 18,473,541	$ 28,047,072	$ 14,173,907
LIABILITIES				
Current liabilities:				
Accounts payable	$ 82,936	$ 534,769	$ 617,705	$ 343,569
Other accrued liabilities	-	21,450	21,450	-
Due to other funds	50,000	(50,000)	-	-
Accrued salary and vacation payable	86,419	33,039	119,458	-
Payroll taxes payable	32,258	-	32,258	-
Other liabilities	-	-	-	724,397
Notes payable, current	-	456,101	456,101	76,973
Total current liabilities	251,613	995,359	1,246,972	1,144,939
Liabilities payable from restricted assets:				
Accrued payables	-	24,001	24,001	-
Customer deposits payable	-	306,036	306,036	-
Bonds payable, current	-	475,000	475,000	-
Total liabilities payable from restricted assets	-	805,037	805,037	-
Noncurrent liabilities:				
Due to other funds	41,090	(41,090)	-	-
Notes payable, non-current	-	5,749,741	5,749,741	43,241
Bonds payable, non-current	-	2,000,000	2,000,000	-
Total noncurrent liabilities	41,090	7,708,651	7,749,741	43,241
Total liabilities	292,703	9,509,047	9,801,750	1,188,180
NET POSITION				
Invested in capital assets, net of related debt	5,961,339	2,866,233	8,827,572	6,841,685
Reserved for restricted purposes	1,835,828	2,836,555	4,672,383	51,390
Unrestricted	1,483,661	3,261,706	4,745,367	6,092,652
Total net position	$ 9,280,828	$ 8,964,494	$ 18,245,322	$ 12,985,727

See accompanying notes to financial statements.

City of Perry, Oklahoma
Statement of Activities
Year Ended June 30, 2013

Functions/Programs	Expenses	Program Revenues: Charges for Services	Program Revenues: Operating Grants and Contributions	Program Revenues: Capital Grants & Contributions	Net (Expense)/ Revenue
Governmental activities:					
General government:					
General government	$ 798,976	$ 49,185	$ 1,015	$ -	$ (748,776)
Total general government	798,976	49,185	1,015	-	(748,776)
Public safety and judiciary:					
Police	1,281,774	145,790	2,100	-	(1,133,884)
Code enforcement	24,447	6,007	-	-	(18,440)
Animal control	45,799	820	-	-	(44,979)
Fire	288,857	-	20,285	-	(268,572)
Municipal court	129,721	26,771	-	-	(102,950)
Total public safety and judiciary	1,770,598	179,388	22,385	-	(1,568,825)
Transportation:					
Street	947,080	-	51,263	-	(895,817)
Total transportation	947,080	-	51,263	-	(895,817)
Cultural, parks and recreation:					
Park	291,031	15,297	1,351	-	(274,383)
Library	240,302	2,407	6,745	13,080	(218,070)
Public access	75,811	3,021	-	-	(72,790)
Total cultural, parks and recreation	607,144	20,725	8,096	13,080	(565,243)
Cemetery:					
Cemetery	160,221	38,950	-	-	(121,271)
Total cemetery	160,221	38,950	-	-	(121,271)
Ambulance					
Ambulance	812,181	258,765	327,867	-	(225,549)
Total ambulance	812,181	258,765	327,867	-	(225,549)
Economic development:					
Economic development	269,530	-	40,000	-	(229,530)
Total economic development	269,530	-	40,000	-	(229,530)
Total governmental activities	5,365,730	547,013	450,626	13,080	(4,355,011)
Business-type activities:					
Utility services:					
Electric	5,418,695	7,681,073	20,000	-	2,282,378
Water	1,710,021	1,463,580	-	154,919	(91,522)
Sewer	392,462	584,567	-	-	192,105
Sanitation	450,219	659,738	-	-	209,519
Customer service	582,616	107,006	-	-	(475,610)
Airport	452,649	255,026	-	942,061	744,438
Total business-type activities	9,006,662	10,750,990	20,000	1,096,980	2,861,308
Component Unit:					
Patient services	8,402,861	6,754,958	1,108,882	-	(539,021)
Total component unit activities	8,402,861	6,754,958	1,108,882	-	(539,021)
Total	$ 22,775,253	$ 18,052,961	$ 1,579,508	$ 1,110,060	$ (2,032,724)

See accompanying notes to financial statements.

City of Perry, Oklahoma
Statement of Activities (continued)
Year Ended June 30, 2013

Changes in Net Position:

	Governmental Activities	Business-type Activities	Total	Component Unit
Net (expense)/revenue	$ (4,355,011)	$ 2,861,308	$ (1,493,703)	(539,021)
General revenues:				
Taxes:				
Sales and use tax	2,020,917	-	2,020,917	-
Franchise taxes	89,358	-	89,358	-
911 tax	70,643	-	70,643	-
Hotel/Motel tax	288,608	-	288,608	-
Alcohol beverage tax	62,402	-	62,402	-
Tobacco tax	24,562	-	24,562	-
Investment income	21,243	12,869	34,112	74,219
Royalities	89,346	72,333	161,679	-
Transfers-Internal activity	1,896,493	(1,896,493)	-	-
Residual equity transfer	2,873,334	-	2,873,334	
Other income	70,402	93,335	163,737	19,475
Total general revenues and transfers	7,507,308	(1,717,956)	5,789,352	93,694
Change in net position	3,152,297	1,143,352	4,295,649	(445,327)
Net position-beginning	6,128,531	7,999,849	14,128,380	13,431,054
Prior period adjustment	-	(178,707)	(178,707)	-
Net position-ending	$ 9,280,828	$ 8,964,494	$ 18,245,322	$ 12,985,727

See accompanying notes to financial statements.

City of Perry, Oklahoma
Balance Sheet
Governmental Funds
June 30, 2013

	General Fund	Limited Purpose Sales Tax	Street Improvement Fund	Non-Major Funds	Total Governmental Funds
ASSETS					
Cash and cash equivalents	$ 1,368,522	$ -	$ -	$ 153,986	$ 1,522,508
Cash and investments, restricted	1,258,739	260,550	72,965	3,187	1,595,441
Accounts receivable	242,181	-	-	-	242,181
Allowance for doubtful accounts	(44,537)	-	-	-	(44,537)
Taxes receivable	89,182	64,626	51,701	-	205,509
Total assets	$ 2,914,087	$ 325,176	$ 124,666	$ 157,173	$ 3,521,102
LIABILITIES					
Accounts payable	$ 79,038	$ -	$ -	$ 3,898	$ 82,936
Due to other funds	50,000	-	-	-	50,000
Accrued vacation payable	81,516	-	-	4,903	86,419
Accrued payroll liabilities	32,258	-	-	-	32,258
Total liabilities	242,812	-	-	8,801	251,613
FUND BALANCES					
Restricted	-	325,176	124,666	147,617	597,459
Committed	403,601	-	-	755	404,356
Assigned	834,013	-	-	-	834,013
Unassigned	1,433,661	-	-	-	1,433,661
Total fund balances	2,671,275	325,176	124,666	148,372	3,269,489
Total liabilities and fund balances	$ 2,914,087	$ 325,176	$ 124,666	$ 157,173	$ 3,521,102

Total fund balance- total governmental funds		3,269,489
Amounts reported for governmental activities in the Statement of Net assets are different because:		
Land and capital assets, net of accumulated depreciation, are not financial resources and, in the funds, and therefore, are not reported		
Land and construction in process	379,032	
Capital assets	12,538,924	
Less: Accumulated depreciation	(6,865,527)	
		6,052,429
Long-term portion of intercompany liabilities are not due and payable in the current period and are not reported		(41,090)
Net assets of governmental activities		$ 9,280,828

See accompanying notes to financial statements.

City of Perry, Oklahoma
Statement of Revenues, Expenditures, and Changes in Fund Balances
Governmental Funds
June 30, 2013

	General Fund	Limited Purpose Sales Tax	Street Improvement Fund	Non-Major Funds	Total Governmental Funds
REVENUES					
Sales tax	$ 592,108	$ 740,136	$ 592,109	$ -	$ 1,924,353
Use tax	96,564	-	-	-	96,564
Franchise tax	44,679	-	-	44,679	89,358
Hotel/motel tax	288,608	-	-	-	288,608
Other taxes	203,778	-	-	-	203,778
Licenses and permits	23,257	-	-	-	23,257
Rents & royalities	121,945	-	-	-	121,945
Fines and forfeitures	177,524	-	-	-	177,524
Charges for services	599,528	-	-	41,971	641,499
Intergovernmental revenues	28,083	-	-	-	28,083
Donations	21,585	-	-	-	21,585
Other revenues	110,322	-	-	-	110,322
Debt issuance	1,000,071				1,000,071
Interest	21,243	-	-	-	21,243
Total revenues	3,329,295	740,136	592,109	86,650	4,748,190
EXPENDITURES					
Current:					
General government:					
General government	722,293	-	-	-	722,293
Total general government	722,293	-	-	-	722,293
Pubic safety and judiciary:					
Police	1,248,456	-	-	-	1,248,456
Code enforcement	24,447	-	-	-	24,447
Animal control	45,799	-	-	-	45,799
Fire	268,002	-	-	-	268,002
Municipal court	114,681	-	-	-	114,681
Total public safety and judiciary	1,701,385	-	-	-	1,701,385
Transportation:					
Street	955,336	-	-	-	955,336
Total transportation	955,336	-	-	-	955,336
Cultural, parks and recreation:					
Parks	233,770	-	-	-	233,770
Library	235,086	-	-	-	235,086
Public access	-	-	-	75,811	75,811
Total cultural, parks and recreation	468,856	-	-	75,811	544,667
Cemetery:					
General cemetery	-	-	-	153,321	153,321
Total cemetery	-	-	-	153,321	153,321
Ambulance:					
Ambulance	569,623	-	-	-	569,623
Total ambulance	569,623	-	-	-	569,623
Economic development:					
Economic development	121,553	-	-	-	121,553
Total economic development	121,553	-	-	-	121,553
Capital outlay	283,256	-	-	-	283,256
Total expenditures	4,822,302	-	-	229,132	5,051,434
Excess (deficiency) of revenues over expenditures	(1,493,007)	740,136	592,109	(142,482)	(303,244)
OTHER FINANCING SOURCES (USES)					
Transfers in	2,884,670	-	-	167,750	3,052,420
Transfers out	(49,000)	(590,140)	(516,787)	-	(1,155,927)
Total other financing sources and uses	2,835,670	(590,140)	(516,787)	167,750	1,896,493
Net change in fund balances	1,342,663	149,996	75,322	25,268	1,593,249
Fund balances - beginning	1,328,612	175,180	49,344	123,104	1,676,240
Fund balances - ending	$ 2,671,275	$ 325,176	$ 124,666	$ 148,372	$ 3,269,489

See accompanying notes to financial statements.

City of Perry, Oklahoma
Statement of Revenues, Expenditures, and Changes in Fund Balances
Governmental Funds
June 30, 2013

Reconciliation of the change in fund balances - total governmental funds to the change in net assets of governmental activities:	
Net change in fund balances - total governmental funds	$ 1,593,249
Amounts reported for governmental activities in the Statement of Activities are different because:	
Governmental funds report capital outlays as expenditures. However, in the statement of activities, the cost of those assets is allocated over their estimated useful lives and reported as depreciation expense.	
Capital asset purchases capitalized	283,256
Depreciation expense	(597,472)
Repayment of debt principle is an expenditures in the governmental funds, but the repayment reductes long-term liabilites in the statement of net assets.	
Debt activity reported in the fund statements	
Debt principle and interest	873,193
Change in intercompany resulting from issuance of 2012 bonds	1,000,071
Change in Net Assets of Governmental Activities	$ 3,152,297

See accompanying notes to financial statements.

City of Perry, Oklahoma
Statement of Net Position
Proprietary Funds
June 30, 2013

	Public Utility Authority	Airport Authority	Total Enterprise Funds	Component Unit: Municipal Hospital Authority
ASSETS				
Current assets:				
Cash and cash equivalents	$ 932,205	$ 110,250	$ 1,042,455	$ 291,407
Investments	416,192	2,521	418,713	775,532
Accounts receivable	988,028	16,472	1,004,500	2,899,593
Allowance for doubtful accounts	(10,080)	-	(10,080)	(811,000)
Grant receivable	-	149,062	149,062	-
Inventory	-	20,771	20,771	202,533
Other assets	-	-	-	132,662
Total current assets	2,326,345	299,076	2,625,421	3,490,727
Current assets:				
Restricted assets:				
Cash, including time deposits	3,120,437	-	3,120,437	-
Investments	1,180,608	-	1,180,608	3,721,281
Total restricted assets	4,301,045	-	4,301,045	3,721,281
Noncurrent assets:				
Due from other funds	91,089	-	91,089	
Capital assets (net)	9,081,409	2,465,666	11,547,075	6,961,899
Total noncurrent assets	9,172,498	2,465,666	11,638,164	6,961,899
Total assets	$ 15,799,888	$ 2,764,742	$ 18,564,630	$ 14,173,907
LIABILITIES				
Current liabilities:				
Accounts payable	$ 532,467	$ 2,302	$ 534,769	$ 343,569
Sales tax payable	21,450	-	21,450	-
Compensated absences	31,281	1,758	33,039	-
Other liabilities	-	-	-	724,397
Notes payable, current	456,101	-	456,101	76,973
Total current liabilities	1,041,299	4,060	1,045,359	1,144,939
Liabilities payable from restricted assets:				
Customer deposits payable	306,036	-	306,036	-
Accrued interest payable	24,001	-	24,001	-
Bonds payable, current	475,000	-	475,000	
Total liabilities payable from restricted assets	805,037	-	805,037	-
Noncurrent liabilities:				
Notes payable, non-current	5,749,741	-	5,749,741	43,241
Bonds payable, non-current	2,000,000	-	2,000,000	-
Total noncurrent liabilities	7,749,741	-	7,749,741	43,241
Total liabilities	9,596,077	4,060	9,600,137	1,188,180
NET POSITION				
Invested in capital assets, net of related debt	2,875,567	2,465,666	5,341,233	6,841,685
Restricted	2,836,555	-	2,836,555	51,390
Unrestricted	491,689	295,016	786,705	6,092,652
Total net position	$ 6,203,811	$ 2,760,682	$ 8,964,493	$ 12,985,727

See accompanying notes to financial statements.

City of Perry, Oklahoma
Statement of Revenues, Expenses and Changes in Net Position
Proprietary Funds
Year Ended June 30, 2013

	Public Utility Authority	Airport Authority	Total Enterprise Funds	Component Unit Municipal Hospital Authority
Operating revenues:				
Charges for services:				
Electric charges	$ 7,681,073	$ -	$ 7,681,073	$ -
Water charges	1,463,580	-	1,463,580	-
Sewer charges	584,567	-	584,567	-
Sanitation charges	659,738	-	659,738	-
Penalties	107,006	-	107,006	-
Net patient and service charges	-	-	-	6,754,958
Total charges for services	10,495,964	-	10,495,964	6,754,958
Lease and rental income	-	22,907	22,907	-
Other fees and charges	29,889	82,433	112,322	1,108,882
Fues & oil sales	-	149,686	149,686	-
Total operating revenues	10,525,853	255,026	10,780,879	7,863,840
Operating expenses:				
Personal services	1,277,652	77,451	1,355,103	2,724,543
Materials and supplies	343,893	28,576	372,469	21,431
Purchases for resale	4,693,231	146,515	4,839,746	-
Other services and charges	900,003	29,777	929,780	4,961,096
Depreciation and amortization	992,085	170,330	1,162,415	685,093
Total operating expenses	8,206,864	452,649	8,659,513	8,392,163
Net operating income	2,318,989	(197,623)	2,121,366	(528,323)
Nonoperating revenue (expense):				
Investment income	12,864	5	12,869	74,219
Royality income	-	72,333	72,333	-
Intergovernmental	-	942,061	942,061	-
Interest expense	(346,685)	-	(346,685)	(10,698)
Bad debt	-	-	-	-
Contributions	63,460	-	63,460	20,549
Other revenue (expenses)	174,440	-	174,440	(1,074)
Total nonoperating revenue (expense)	(95,921)	1,014,399	918,478	82,996
Net Income before contributions and transfers	2,223,068	816,776	3,039,844	(445,327)
Transfers from other funds	1,120,123	425,000	1,545,123	-
Transfers to other funds	(3,441,616)	-	(3,441,616)	-
Change in net position	(98,425)	1,241,776	1,143,351	(445,327)
Net position-beginning of year	6,480,943	1,518,906	7,999,849	13,431,054
Prior period adjustment	(178,707)	-	(178,707)	-
Net position-end of year	$ 6,203,811	$ 2,760,682	$ 8,964,493	$ 12,985,727

See accompanying notes to financial statements.

City of Perry, Oklahoma
Statement of Cash Flows
Proprietary Funds
Year Ended June 30, 2013

	Public Utility Authority	Airport Authority	Total Enterprise Funds	Component Unit: Municipal Hospital Authority
Cash flows from operating activities:				
Receipts from customers/patients	$ 11,148,104	$ 89,489	$ 11,237,593	$ 7,128,820
Payments to suppliers	(6,001,507)	(284,966)	(6,286,473)	(3,851,839)
Payments to employees	(1,323,267)	(78,166)	(1,401,433)	(3,744,723)
Net cash provided (used) by operating activities	3,823,330	(273,643)	3,549,687	(467,742)
Cash flows from non-capital financing activities:				
Transfers from other funds	1,120,123	425,000	1,545,123	-
Transfers to other funds	(3,441,616)	-	(3,441,616)	-
Interfund receipts/(payments)	2,823,333	-	2,823,333	-
Receipts from nonoperating income and contributions	204,329	72,333	276,662	16,551
Net cash provided (used) by non-capital financing activities	706,169	497,333	1,203,502	16,551
Cash flows from capital and related financing activities:				
Capital grants and contributions received	63,460	942,061	1,005,521	3,998
Purchases of capital assets	(680,968)	(1,164,939)	(1,845,907)	(1,719,091)
Proceeds from sale of assets	-	-	-	850
Principal paid on capital debt	(687,921)	-	(687,921)	(71,909)
Interest paid on capital debt	(342,409)	-	(342,409)	(10,698)
Net cash provided (used) by capital and related financing activities	(1,647,838)	(222,878)	(1,870,716)	(1,796,850)
Cash flows from investing activities:				
Net (purchase)/sale of certificates of deposits	(70,000)	-	(70,000)	1,163,618
Investment income	12,864	5	12,869	74,267
Net cash provided (used) by investing activities	(57,136)	5	(57,131)	1,237,885
Net increase (decrease) in cash and cash equivalents	2,824,525	817	2,825,342	(1,010,156)
Cash & cash equivalents, June 30, 2012	1,228,117	109,433	1,337,550	1,301,563
Cash & cash equivalents, June 30, 2013	$ 4,052,642	$ 110,250	$ 4,162,892	$ 291,407
Cash, including time deposits	$ 932,205	$ 110,250	1,042,455	$ 291,407
Restricted cash, including time deposits	3,120,437	-	3,120,437	-
Total cash and cash equivalents, end of year	$ 4,052,642	$ 110,250	$ 4,162,892	$ 291,407
Reconciliation of operating income (loss) to net cash provided (used) by operating activities				
Operating income (loss)	$ 2,318,989	$ (197,623)	$ 2,121,366	$ (528,323)
Adjustments to reconcile operating income (loss) to net cash provided (used) by operating activities:				
Depreciation	992,085	170,330	1,162,415	685,093
Provision for bad debt	-	-	-	1,088,217
Changes in assets and liabilities:				
(Increase) decrease in accounts receivable	(70,582)	(165,537)	(236,119)	(1,877,230)
(Increase) decrease in inventory	-	3,131	3,131	(9,633)
(Increase) decrease in other assets	692,833	-	692,833	(50,040)
Increase (decrease) in accounts payable	(66,321)	(83,229)	(149,550)	146,963
Increase (decrease) in deposits subject to refund	1,941	-	1,941	-
Increase (decrease) in accrued vacation payable	(45,615)	(715)	(46,330)	-
Increase (decrease) in other liabilities	-	-	-	77,211
Total adjustments	1,504,341	(76,020)	1,428,321	60,581.00
Net cash provided (used) by operating activities	$ 3,823,330	$ (273,643)	$ 3,549,687	$ (467,742)

See accompanying notes to financial statements.

City of Perry, Oklahoma
Combining Balance Sheet
Non-Major Governmental Funds
June 30, 2013

	General Cemetary Fund	Cemetary Care Fund	Public Access Fund	Total Non-Major Funds
ASSETS				
Cash and cash equivalents	$ 6,369	$ 13,968	$ 3,187	$ 23,524
Investments	-	133,649	-	133,649
Total assets	$ 6,369	$ 147,617	$ 3,187	$ 157,173
LIABILITIES				
Accounts payable	$ 2,706	$ -	$ 1,192	$ 3,898
Accrued vacation payable	3,065	-	1,838	4,903
Total liabilities	5,771	-	3,030	8,801
FUND BALANCES				
Restricted	-	147,617	-	147,617
Committed	598	-	157	755
Total fund balances	598	147,617	157	148,372
Total liabilities and fund balances	$ 6,369	$ 147,617	$ 3,187	$ 157,173

See accompanying notes to financial statements.

City of Perry, Oklahoma
Combining Statement of Revenues, Expenditures, and Changes in Fund Balances
Non-Major Governmental Funds
June 30, 2013

	General Cemetary Fund	Cemetary Care Fund	Public Access Fund	Total Non-Major Funds
REVENUES				
Franchise taxes	$ -	$ -	$ 44,679	$ 44,679
Charges for services	33,980	4,970	3,021	41,971
Total revenues	33,980	4,970	47,700	86,650
EXPENDITURES				
Cultural, parks and recreation:				
General cemetary	153,271	50	-	153,321
Public information network	-	-	75,811	75,811
Total cultural, parks and recreation	153,271	50	75,811	229,132
Total expenditures	153,271	50	75,811	229,132
Excess (deficiency) of revenues over expenditures	(119,291)	4,920	(28,111)	(142,482)
OTHER FINANCING SOURCES (USES)				
Transfers in/(out)	119,500	20,000	28,250	167,750
Total other financing sources and uses	119,500	20,000	28,250	167,750
Net change in fund balances	209	24,920	139	25,268
Fund balances - beginning	389	122,697	18	123,104
Fund balances - ending	$ 598	$ 147,617	$ 157	$ 148,372

See accompanying notes to financial statements.

(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 October 3, 2013, 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
Limited Purpose Sales Tax*	Accounts for legally restricted sales tax proceeds
General Cemetery	Accounts for the operations of the City's cemetery
Cemetery Care	Accounts for 12 1/2% of cemetery revenue restricted by State law for cemetery capital improvements.
Public Access Fund	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
Perry Utility Fund	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.
Perry Airport Fund	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.

Prior Period Adjustment
The City adopted GASB Statement No. 65 *Items Previously Reported as Assets and Liabilities* for the year ended June 30, 2013 which resulted in a prior period adjustment of $178,707 related to deferred bond issuance costs. Previously the cost incurred for issuing bonds were capitalized on the Statement of Net Position and amortized over the life of the bond issue.

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 Statues.

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

B. Budget Requirements

For the year ended June 30, 2013, the City did not materially overspend in any department-level category.

C. Debt Covenants

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

Revenue Bond Coverage

	1997 OWRB	2006 OWRB	2010 OWRB	2012 Series
Gross revenue available for debt service:				
Operating revenues of pledged utility system(s)	$ 584,567	$ 1,463,580	$ 1,463,580	$ 8,340,811
Pledged revenues (taxes, utilities)	-	740,136	740,136	740,136
Operating expenses of utility system(s)	(392,462)	(1,710,021)	(1,710,021)	(5,868,914)
Excluding depreciation and amortization	95,673	655,995	655,995	95,685
Net revenues available for debt service	$ 287,778	$ 1,149,690	$ 1,149,690	$ 3,307,718
Average annual debt service	77,683	586,360	48,757	517,336
Computed coverage	3.70	1.96	23.58	6.39
Coverage requirement	1.25	1.25	1.25	1.25

D. Revenue Restrictions

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

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.

Types of Investments	Fair Value/ Carrying Amount	Cost	Average Credit Quality/ Ratings (1)	Weighted Average Days to Maturity (2)
Primary government				
INVESTMENTS:				
Certificates of deposit, pooled	$ 2,722,974	$ 2,722,974	N/A	212
Total investments	2,722,974	2,722,974		
Total primary government investments	$ 2,722,974	$ 2,722,974		

RECONCILATION TO STATEMENT OF NET ASSETS

	Governmental Activities	Business-type Activities	Total
Investments, unrestricted	$ 901,930	$ 418,713	$ 1,320,643
Investments, restricted	221,723	1,180,608	1,402,331
Total investments	$ 1,123,653	$ 1,599,321	$ 2,722,974

(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, 2013 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, 2013 follows:

	Balance at June 30, 2012	Additions	Deletions	Balance at June 30, 2013
Land	$ 364,944	$ -	$ -	$ 364,944
Construction in process	2,100	11,988	-	14,088
Buildings & structures	1,652,739	-	-	1,652,739
Machinery, furniture, & equipment	3,567,968	211,068	-	3,779,036
Infrastructure & improvements	7,046,949	60,200	-	7,107,149
Total	12,634,700	283,256	-	12,917,956
Less accumulated depreciation	6,268,055	597,472	-	6,865,527
Fixed assets, net	$ 6,366,645	$ (314,216)	$ -	$ 6,052,429

Business-Type Activities:

A summary of the proprietary fund types fixed assets at June 30, 2013 follows:

Perry Municipal Authority

	Balance at June 30, 2012	Additions	Deletions	Balance at June 30, 2013
Land	$ 500,000	$ -	$ -	$ 500,000
Buildings	3,416,785	-	-	3,416,785
Machinery, furniture, & equipment	1,261,478	131,000	-	1,392,478
Infrastructure	15,618,735	2,674,311	-	18,293,046
Construction in process	1,039,565	-	1,039,565	-
Total	21,836,563	2,805,311	1,039,565	23,602,309
Less accumulated depreciation	10,972,982	1,082,252	-	12,055,234
Fixed assets, net	$ 10,863,581	$ 1,723,059	$ (1,039,565)	$ 11,547,075

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

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

Governmental Activities		Business-type Activities	
General government	$ 76,683	Electric	$ 95,685
Public safety & judiciary	69,213	Water	655,995
Transportation	260,862	Sewer	95,673
Cultural, parks & recreation	62,477	Customer service	64,569
Cemetary	6,900	Airport	170,330
Ambulance	23,360		
Economic development	97,977	Total depreciation expense	$ 1,082,252
Total depreciation expense	$ 597,472		

C. LONG-TERM DEBT

The following is a summary of enterprise fund long-term debt for the year ended June 30, 2013:

NOTES PAYABLE

Business-Type Activities:

On July 2, 1998, PMA entered into an agreement with the Oklahoma Water Resources Board for a loan in the amount of $950,000 at a fixed interest rate of 2.757% and an additional administrative fee of .5% per year. The loan was for sewer system improvements. The loan requires monthly payments into a debt service account from which the note payments are made semi-annually. The note is scheduled to mature March 15, 2014 and is secured by a mortgage on certain real estate and sewer system revenues. Debt covenants include debt service coverage of 1.25 of net utility revenues of the sanitary sewer and wastewater treatment systems.	$ 77,150
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.	5,766,445
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.	362,248
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.	2,475,000
	$ 8,680,843

Changes in Long-Term Debt:

The following is a summary of changes in long-term debt for the year ended June 30, 2013:

Type of Debt	Balance at July 1, 2012	Amount Issued	Amount Retired	Balance at June 30, 2013	Due Within One Year
Business-type activities:					
Notes Payable					
Sewer system	$ 151,810	$ -	$ 74,660	$ 77,150	$ 77,150
Water system	6,491,953	-	363,260	6,128,693	378,951
Bonds Payable					
Street improvements, Series 2007	2,725,000	-	2,725,000	-	-
Water improvements, Series 2012	-	2,915,000	440,000	2,475,000	475,000
Total business-type activities	$ 9,368,763	$ 2,915,000	$ 3,602,920	$ 8,680,843	$ 931,101

Annual Debt Service Requirements:

The annual debt service requirements to maturity, including principal and interest, for long-term debt as of June 30, 2013 follow:

Year Ending June 30	Notes Payable		Bonds Payable	
	Principal	Interest	Principal	Interest
2014	$ 456,101	$ 259,179	$ 475,000	$ 41,206
2015	395,339	242,483	490,000	29,331
2016	412,438	225,613	495,000	19,531
2017	430,330	207,964	505,000	13,963
2018	449,001	189,537	510,000	7,650
2019-2023	2,419,770	643,583	-	-
2024-2026	1,642,864	116,916	-	-
Totals	$ 6,205,843	$ 1,885,275	$ 2,475,000	$ 111,681

D. INTERFUND TRANSACTIONS AND BALANCES

Operating transfers for the year ended June 30, 2013 were as follows:

	Due From	Due To
GENERAL FUND		
Utility Authority	$ -	$ 91,088
UTILITY AUTHORITY		
General Fund	91,088	
	$ 91,088	$ 91,088

	Transfers In	Transfers Out
GENERAL FUND		
Street Improvement	$ 3,024	$ -
Limited Purpose Sales Tax	3,780	-
Public Access	-	3,000
Cemetery	-	6,000
Cemetery Care	-	20,000
Utility Authority	2,877,866	20,000
Total General Fund	2,884,670	49,000
LIMITED PURPOSE SALES TAX		
General Fund	-	3,780
Utility Authority	-	586,360
Total Limited Purpose Sales Tax	-	590,140
STREET IMPROVEMENT FUND		
General Fund	-	3,024
Utility Authority	-	513,763
Total Street Improvement Fund	-	516,787
Public Access Fund		
General Fund	3,000	-
Utility Authority	25,250	-
Total Public Access Fund	28,250	-
CEMETERY FUND		
General Fund	6,000	-
Utility Authority	113,500	-
Total Cemetery Fund	119,500	-
CEMETERY CARE FUND		
General Fund	20,000	-
Total Cemetery Care Fund	20,000	-
UTILITY AUTHORITY		
General Fund	20,000	2,877,866
Street Improvement	513,763	-
Limited Purpose Sales Tax	586,360	-
Cemetery	-	113,500
Cemetery Care	-	-
Public Access	-	25,250
Airport Auhtority	-	425,000
Total Utility Authority	1,120,123	3,441,616
AIRPORT AUTHORITY		
Utility Authority	425,000	-
Total Airport Authority	425,000	-
GRAND TOTAL	$ 4,597,543	$ 4,597,543

(4) RETIREMENT PLANS

The City participates in three employee pension systems as follows:

Name of Plan	Type of Plan
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:

	As of March 2013
Retired participants and beneficiaries	14
Active participants	47
Total	61

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

Provision	OMRF Plan
a. Eligible to Participate	Full-time, employees of the City or Authority, except police, firefighters, and other employees who are covered under another approved system. The Plan has a 3 month probationary period.
b. Contributions Requirement	
- Authorization	By City Ordinance
- Actuarially Determined	Yes
- Employer Rate	8.16% of covered payroll
- Employee Rate	4% of covered payroll
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.

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)
01/01/13	2,926,803	3,385,807	458,204	86.5%	1,569,809	29.2%

a. Date of last Actuarial Valuation — March 2013

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 $123,845 in employer contributions to the Plan for fiscal year 2013; employee contributions were $60,409.

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 City's contribution rate	0% of covered payroll $60 per year, per firefighter (volunteer)	8% of covered payroll 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

Annual Required Contributions

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 statue 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, 2013

	Original Budget	Revisions	Revised Budget	Actual	Variance - Favorable (Unfavorable)
REVENUES					
Taxes	$ 845,061	$ 135,000	$ 980,061	$ 1,225,737	$ 245,676
Licenses & permits	8,500	5,700	14,200	23,257	9,057
Rents & royalties	97,250	-	97,250	121,945	24,695
Fines and forfeitures	223,342	14,500	237,842	177,524	(60,318)
Charges for services	541,100	119,800	660,900	599,528	(61,372)
Intergovernmental	81,119	600	81,719	28,083	(53,636)
Interest	10,000	-	10,000	21,243	11,243
Other revenues	64,800	135,000	199,800	131,907	(67,893)
Total revenues	1,871,172	410,600	2,281,772	2,329,224	47,452
EXPENDITURES					
Current:					
General government:					
General government	727,450	(20,000)	707,450	707,293	157
Total general government	727,450	(20,000)	707,450	707,293	157
Pubic safety and judiciary:					
Police	1,283,000	-	1,283,000	1,278,456	4,544
Code enforcement	68,500	-	68,500	24,447	44,053
Animal control	60,900	-	60,900	45,799	15,101
Fire	274,000	-	274,000	273,002	998
Municipal court	113,500	3,500	117,000	114,681	2,319
Total public safety and judiciary	1,799,900	3,500	1,803,400	1,736,385	67,015
Transportation:					
Street	774,800	138,100	912,900	865,922	46,978
Total transportation	774,800	138,100	912,900	865,922	46,978
Cultural, parks and recreation:					
Parks	319,000	-	319,000	233,770	85,230
Library	213,500	9,000	222,500	235,086	(12,586)
Total cultural, parks and recreation	532,500	9,000	541,500	468,856	72,644
Ambulance:					
Ambulance	542,100	153,000	695,100	686,853	8,247
Total ambulance	542,100	153,000	695,100	686,853	8,247
Economic development					
Economic development	317,000	(95,000)	222,000	145,006	76,994
Total economic development	317,000	(95,000)	222,000	145,006	76,994
Total expenditures	4,693,750	188,600	4,882,350	4,610,315	272,035
Revenue over (under) expenditures	(2,822,578)	222,000	(2,600,578)	(2,281,091)	(224,583)
OTHER FINANCING SOURCES (USES)					
Operating transfers in/(out)	2,822,600	33,000	2,855,600	2,835,670	(19,930)
Net other financing sources (uses)	2,822,600	33,000	2,855,600	2,835,670	(19,930)
Revenues and other financing sources over (under) expenditures and other uses	22	255,000	255,022	554,579	(244,513)
Fund balance at beginning of year (Non-GAAP budgetary basis)				1,775,561	1,775,561
Fund balance at end of year (Non-GAAP budgetary basis)				$ 2,330,140	$ 1,531,048
ADJUSTMENTS TO GENERALLY ACCEPTED ACCOUNTING PRINCIPLES					
Revenue and transfer accruals				341,134	
Fund balance at end of year (GAAP basis)				$ 2,671,274	

See accompanying notes to financial statements.

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, 2013

	Original Budget	Revisions	Revised Budget	Actual	Variance - Favorable (Unfavorable)
REVENUES					
Taxes	$ 582,262	$ -	$ 582,262	$ 731,760	$ 149,498
Total revenues	582,262	-	582,262	731,760	149,498
Revenue over (under) expenditures	582,262	-	582,262	731,760	149,498
OTHER FINANCING SOURCES (USES)					
Operating transfers in/(out)	(586,359)	-	(586,359)	(586,359)	-
Net other financing sources (uses)	(586,359)	-	(586,359)	(586,359)	-
Revenues and other financing sources over (under) expenditures and other uses	(4,097)	-	(4,097)	145,401	149,498
Fund balance at beginning of year (Non-GAAP budgetary basis)				184,444	184,444
Fund balance at end of year (Non-GAAP budgetary basis)				$ 329,845	$ 333,942
ADJUSTMENTS TO GENERALLY ACCEPTED ACCOUNTING PRINCIPLES					
Accrual adjustment				(4,669)	
Fund balance at end of year (GAAP basis)				$ 325,176	

See accompanying notes to financial statements.

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, 2013

	Original Budget	Revisions	Revised Budget	Actual	Variance - Favorable (Unfavorable)
REVENUES					
Taxes	$ 465,810	$ -	$ 465,810	$ 592,074	$ 126,264
Total revenues	465,810	-	465,810	592,074	126,264
EXPENDITURES					
Street Sales Tax					
Debt Service	512,763	-	512,763	513,763	(1,000)
Transfer out	(50,000)	-	(50,000)	(3,024)	(46,976)
Total general government	462,763	-	462,763	510,739	(47,976)
Revenues and other financing sources over (under) expenditures and other uses	3,047	-	3,047	81,335	174,240
Fund balance at beginning of year (Non-GAAP budgetary basis)				39,596	39,596
Fund balance at end of year (Non-GAAP budgetary basis)				$ 120,931	$ 39,596
ADJUSTMENTS TO GENERALLY ACCEPTED ACCOUNTING PRINCIPLES					
Taxes receivable				3,735	
Fund balance at end of year (GAAP basis)				$ 124,666	

See accompanying notes to financial statements.

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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 7, 2013

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, 2013, 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 7, 2013

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.

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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.

CBEW Professional Group, LLP

CBEW Professional Group, LLP
Certified Public Accountants

CITY OF PERRY
Perry, Oklahoma

SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
Year Ending June 30, 2013

Federal Grantor/Pass-Through Grantor/Program Title	Federal CFDA Number	Program or Award Amount	Revenue Collected	Federal Expend-itures
U.S. Department of Transportation:				
Federal Aviation Administration - Airport Improvement Program	20.106	542,062	542,062	542,062
Total U.S. Department of Transportation:		542,062	542,062	542,062
Office of Library Services, Institute of Museum and Library Services, National Foundation on the Arts and the Humanities:				
Passed through the Oklahoma Department of Libraries:				
State Library Program	45.310	8,774	8,774	8,774
Total of Expenditures of Federal Awards		$ 550,836	$ 550,836	$ 550,836

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

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INDEPENDENT AUDITOR'S REPORT ON COMPLIANCE FOR EACH MAJOR PROGRAM AND ON INTERNAL CONTROL OVER COMPLIANCE REQUIRED BY OMB CIRCULAR A-133

October 7, 2013

Honorable City Council
City of Perry
Perry, Oklahoma

Report on Compliance for Each Major Federal Program

We have audited the City of Perry, Oklahoma (City)'s compliance with the types of compliance requirements described in the *OMB Circular A-133 Compliance Supplement* that could have a direct and material effect on each of the City's major federal programs for the year ended June 30, 2013. The City's major federal programs are identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs.

Management's Responsibility

Management is responsible for compliance with the requirements of laws, regulations, contracts, and grants applicable to its federal programs.

Auditor's Responsibility

Our responsibility is to express an opinion on compliance for each of the City's major federal programs based on our audit of the types of compliance requirements referred to above. We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and OMB Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*. Those standards and OMB Circular A-133 require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about the City's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances.

We believe that our audit provides a reasonable basis for our opinion on compliance for each major federal program. However, our audit does not provide a legal determination of the City's compliance

Opinion on Each Major Federal Program

In our opinion, City of Perry, Oklahoma, complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on each of its major federal programs for the year ended June 30, 2013.

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Report on Internal Control Over Compliance

Management of City of Perry, Oklahoma (the City), is responsible for establishing and maintaining effective internal control over compliance with the types of compliance requirements referred to above. In planning and performing our audit of compliance, we considered the City's internal control over compliance with the types of requirements that could have a direct and material effect on each major federal program to determine the auditing procedures that are appropriate in the circumstances for the purpose of expressing an opinion on compliance for each major federal program and to test and report on internal control over compliance in accordance with OMB Circular A-133, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of the City's internal control over compliance.

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

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

The purpose of this report on internal control over compliance is solely to describe the scope of our testing of internal control over compliance and the results of that testing based on the requirements of OMB Circular A-133. Accordingly, this report is not suitable for any other purpose.

CBEW Professional Group, LLP

CBEW PROFESSIONAL GROUP, LLP
Certified Public Accountants

CITY OF PERRY
Perry, Oklahoma

SCHEDULE OF FINDINGS AND QUESTIONED COSTS
For the Year Ended June 30, 2013

SUMMARY OF AUDITOR'S RESULTS

Financial Statements:
Type of Auditor's Report Issued: An unqualified opinion on the basic financial statements.

Internal Control Over Financial Reporting:
Material Weakness(es) identified? _ Yes X No

Significant Deficiencies identified not considered to be material weaknesses? _ Yes X No

Noncompliance material to financial statements noted? _Yes X No

Federal Awards:
Type of auditors report issued on compliance for major programs: Unqualified

Internal Control Over Major Programs:
Material Weakness(es) identified? _ Yes X No

Significant Deficiencies identified not considered to be material weaknesses?_Yes X No

Audit findings disclosed that are required to be reported in accordance with Circular A-133, Section .510(a)? _ Yes X No

Dollar threshold used to distinguish Type A and Type B programs $300,000

Auditee Qualified as low-risk auditee? _Yes X No

Identification of Major Programs:

CFDA#

20.106 Federal Aviation Administration – Airport Improvement Program

FINDINGS - FINANCIAL STATEMENT AUDIT

1. None

FINDINGS AND QUESTIONED COSTS - MAJOR FEDERAL AWARD PROGRAMS AUDIT

1. None

CITY OF PERRY
Perry, Oklahoma

SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS
For the Year Ended June 30, 2013

No prior year findings.