

# CITY OF PERKINS

Perkins, Oklahoma

## FINANCIAL STATEMENTS

For the Year Ended June 30, 2016

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# CITY OF PERKINS PERKINS, OKLAHOMA

## CONTENTS

		<u>Page</u>
	INDEPENDENT AUDITOR'S REPORT	1-3
<u>Statement</u>	BASIC FINANCIAL STATEMENTS:	
	Government-wide Financial Statements:	
1	Statement of Net Position	4
2	Statement of Activities	5
	Fund Financial Statements:	
3	Balance Sheet - Governmental Funds	6
4	Statement of Revenues, Expenditures, and Changes in Fund Balance - Governmental Funds	7-8
5	Statement of Net Position - Proprietary Fund	9
6	Statement of Revenues, Expenses, and Changes in Fund Net Position - Proprietary Fund	10
7	Statement of Cash Flows - Proprietary Fund	11
	Notes to Basic Financial Statements	12-48
<u>Exhibit</u>	REQUIRED SUPPLEMENTARY INFORMATION:	
1	Schedule of the City's Proportionate Share of the Net Pension Liabilities	49
2	Schedule of Contributions - All Pensions	50
	OTHER SUPPLEMENTARY INFORMATION:	
	Auditor's Report on Compliance and on Internal Control Over Financial Reporting Based on an Audit of Financial Statements Performed in Accordance with Government Auditing Standards	51-52
3	Schedule of Grant Funds	53

## INDEPENDENT AUDITOR'S REPORT

To the City Commission  
City of Perkins, Oklahoma

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

We have audited the accompanying financial statements of the governmental activities, business-type activities, each major fund, and the aggregate remaining fund information of the City of Perkins, Oklahoma, as of and for the year ended June 30, 2016, 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 opinions on these financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to 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.

### **Basis for Adverse Opinion on the Perkins Industrial Development Authority and Qualified Opinion on Business-Type Activities**

Management has not included the Perkins Industrial Development Authority in the City's, financial statements. Accounting principles generally accepted in the United States of America require the Perkins

Industrial Development Authority to be presented as a major enterprise fund and financial information about the Perkins Industrial Development Authority to be part of the business-type activities, thus increasing that activity's assets, liabilities, revenues, and expenses, and changing its net position. The amount by which this departure would affect the assets, liabilities, net position, revenues, and expenses of the business-type activities and the omitted major fund has not been determined.

### **Adverse Opinion**

In our opinion, because of the significance of the matter discussed in the "Basis for Adverse Opinion on the Perkins Industrial Development Authority and Qualified Opinion on Business-Type Activities" paragraph, the financial statements referred to above do not present fairly the financial position of the Perkins Industrial Development Authority, as of June 30, 2016, or the changes in financial position or cash flows thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

### **Qualified Opinion**

In our opinion, except for the matter described in the "Basis for Adverse Opinion on the Perkins Industrial Development Authority and Qualified Opinion on Business-Type Activities" paragraph, the financial statements referred to above present fairly, in all material respects, the financial position of the business-type activities of the City of Perkins, Oklahoma, as of June 30, 2016, and the changes in financial position thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

### **Unmodified Opinions**

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, each major fund other than the Perkins Industrial Development Authority, and the aggregate remaining fund information of the City of Perkins, Oklahoma, as of June 30, 2016, and the respective changes in financial position and, where applicable, cash flows thereof for the year then ended in accordance 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 Schedule of the City's Proportionate Share of the Net Pension Liabilities, on page 49, and the Schedule of Contributions – All Pensions, on page 50, 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 (GASB), 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 my 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.

Management has omitted the Management's Discussion and Analysis and the Budgetary Comparison information that accounting principles generally accepted in the United States of America requires to be presented to supplement the basic financial statements. Such missing 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. Our opinion of the basic financial statements is not affected by this missing information.

#### *Other Information*

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the City of Perkins, Oklahoma's basic financial statements. The schedule of grant funds, on page 53, is presented for purposes of additional analysis and is not a required part of the basic financial statements.

The schedule of grant funds is the responsibility of management and was derived from and relates 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 schedule of grant funds is 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 December 13, 2016, on our consideration of the City of Perkins, Oklahoma'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 the results of that testing, and not to provide an opinion on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the City of Perkins, Oklahoma's, internal control over financial reporting and compliance.



Bruce Luttrell, CPA, PC

December 13, 2016

**GOVERNMENT-WIDE FINANCIAL STATEMENTS**

**CITY OF PERKINS  
STATEMENT OF NET POSITION  
JUNE 30, 2016**

Statement 1

	Government Activities	Business-Type Activities	Totals
<b>Assets</b>			
<b>Current assets</b>			
Cash and cash equivalents	\$ 617,005.81	\$ 264,800.15	\$ 881,805.96
Restricted cash and cash equivalents	1,594,215.18	104,433.66	1,698,648.84
Investments	556,158.25	106,529.24	662,687.49
Accounts receivable	-	127,982.71	127,982.71
Receivables from other governments	187,845.74	-	187,845.74
Total current assets	<u>2,955,224.98</u>	<u>603,745.76</u>	<u>3,558,970.74</u>
<b>Noncurrent assets</b>			
<b>Capital assets:</b>			
Equipment	1,088,174.24	638,736.99	1,726,911.23
Vehicles	784,245.02	91,348.04	875,593.06
Land & Improvements	897,973.22	64,300.00	962,273.22
Buildings & Infrastructure	5,430,813.72	13,009,332.04	18,440,145.76
Less accumulated depreciation	<u>(4,815,408.66)</u>	<u>(5,275,616.73)</u>	<u>(10,091,025.39)</u>
Total noncurrent assets	<u>3,385,797.54</u>	<u>8,528,100.34</u>	<u>11,913,897.88</u>
Total assets	<u>6,341,022.52</u>	<u>9,131,846.10</u>	<u>15,472,868.62</u>
<b>Deferred Outflows of Resources</b>			
Deferred amounts related to pensions	<u>144,143.00</u>	<u>32,157.00</u>	<u>176,300.00</u>
<b>Liabilities</b>			
<b>Current liabilities</b>			
Accounts payable	52,875.43	1,321.26	54,196.69
Accrued interest payable		34,614.34	34,614.34
Accrued compensated absences	20,021.92	5,451.50	25,473.42
Notes payable - current portion		370,897.01	370,897.01
Total current liabilities	<u>72,897.35</u>	<u>412,284.11</u>	<u>485,181.46</u>
<b>Noncurrent liabilities</b>			
Accrued compensated absences	58,690.54	6,595.76	65,286.30
Refundable deposits		135,870.45	135,870.45
Pension plan liabilities	302,660.00	46,543.00	349,203.00
Bonds and notes payable	1,285,000.00	4,279,448.16	5,564,448.16
Less: current portion		<u>(370,897.01)</u>	<u>(370,897.01)</u>
Total noncurrent liabilities	<u>1,646,350.54</u>	<u>4,097,560.36</u>	<u>5,743,910.90</u>
Total liabilities	<u>1,719,247.89</u>	<u>4,509,844.47</u>	<u>6,229,092.36</u>
<b>Deferred Inflows of Resources</b>			
Deferred amounts related to pensions	<u>155,863.00</u>	<u>49,911.00</u>	<u>205,774.00</u>
<b>Net position (Note 1.D.)</b>			
Invested in capital assets, net of related debt	2,100,797.54	4,214,037.84	6,314,835.38
Restricted	1,303,795.32	104,433.66	1,408,228.98
Committed	1,187,952.57	55,776.16	1,243,728.73
Assigned	53,071.82	-	53,071.82
Unassigned	<u>(35,562.62)</u>	<u>229,999.97</u>	<u>194,437.35</u>
Total net position	<u>\$ 4,610,054.63</u>	<u>\$ 4,604,247.63</u>	<u>\$ 9,214,302.26</u>

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

**CITY OF PERKINS  
STATEMENT OF ACTIVITIES  
YEAR ENDED JUNE 30, 2016**

**Statement 2**

Functions/programs	Program Revenues				Net (Expenses) Revenue and Changes in Net Assets			
	Expenses	Charges for Services	Operating Grants and Contracts	Capital Grants and Contracts	Primary Government			
					Governmental Activities	Business-type Activities	Totals	
Governmental activities								
General Government	\$ 380,625.70	\$ 23,708.55	\$ 1,000.00	\$ -	\$ (355,917.15)	\$ -	\$ (355,917.15)	
Public Safety	776,629.40	172,083.05	12,938.22	16,750.80	(574,857.33)	-	(574,857.33)	
Streets	140,020.20	-	-	-	(140,020.20)	-	(140,020.20)	
Culture and Recreation	264,795.30	24,904.92	4,278.70	-	(235,611.68)	-	(235,611.68)	
Capital Outlay	214,546.96	-	-	-	(214,546.96)	-	(214,546.96)	
Total government activities	<u>1,776,617.56</u>	<u>220,696.52</u>	<u>18,216.92</u>	<u>16,750.80</u>	<u>(1,520,953.32)</u>	<u>-</u>	<u>(1,520,953.32)</u>	
Business-type activities								
Water	207,961.17	478,271.73	-	-	-	270,310.56	270,310.56	
Sewer	135,127.39	600,633.21	-	-	-	465,505.82	465,505.82	
Sanitation	216,029.79	312,694.19	-	-	-	96,664.40	96,664.40	
Administrative and general	227,194.67	-	-	-	-	(227,194.67)	(227,194.67)	
Total business-type activities	<u>786,313.02</u>	<u>1,391,599.13</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>605,286.11</u>	<u>605,286.11</u>	
Totals	<u>\$ 2,562,930.58</u>	<u>\$ 1,612,295.65</u>	<u>\$ 18,216.92</u>	<u>\$ 16,750.80</u>	<u>\$ (1,520,953.32)</u>	<u>605,286.11</u>	<u>(915,667.21)</u>	
General revenues								
Sales tax					952,326.25	-	952,326.25	
Use tax					50,272.62	-	50,272.62	
Intergovernmental revenue not restricted to specific programs					19,940.01	-	19,940.01	
Intergovernmental revenue restricted for streets & alleys					27,034.59	-	27,034.59	
Franchise fees					96,638.78	-	96,638.78	
Donations					53,640.67	-	53,640.67	
Sales of capital assets					18,526.11	-	18,526.11	
Miscellaneous					109,960.75	269,448.68	379,409.43	
Investment earnings					11,070.96	736.13	11,807.09	
Interest expense					-	(125,320.57)	(125,320.57)	
Transfers: In					386,275.65	88,837.01	475,112.66	
Transfers: Out					(210,712.66)	(280,000.00)	(490,712.66)	
Total general revenues and transfers					<u>1,514,973.73</u>	<u>(46,298.75)</u>	<u>1,468,674.98</u>	
Change in net position					(5,979.59)	558,987.36	553,007.77	
Net position, beginning of year					4,616,034.22	4,045,260.27	8,661,294.49	
Net position, end of year					<u>\$ 4,610,054.63</u>	<u>\$ 4,604,247.63</u>	<u>\$ 9,214,302.26</u>	

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

## **FUND FINANCIAL STATEMENTS**

**CITY OF PERKINS  
BALANCE SHEET  
GOVERNMENTAL FUNDS  
JUNE 30, 2016**

**Statement 3**

	General Fund	Capital Improvements Fund	Oklahoma Territorial Plaza Fund	Perkins Public Library Trust	Total Governmental Funds
<b>Assets</b>					
Cash and cash equivalents	\$ 253,764.76	\$ 318,469.63	\$ 44,771.42	\$ -	\$ 617,005.81
Restricted cash and cash equivalents	1,279,036.17	281,972.11	-	33,206.90	1,594,215.18
Investments	-	556,158.25	-	-	556,158.25
Receivables from other governments	152,122.66	35,723.08	-	-	187,845.74
Total assets	<u>\$ 1,684,923.59</u>	<u>\$ 1,192,323.07</u>	<u>\$ 44,771.42</u>	<u>\$ 33,206.90</u>	<u>\$ 2,955,224.98</u>
<b>Liabilities</b>					
Accounts payable	\$ 48,353.77	\$ 4,370.50	\$ 14.94	\$ 136.22	\$ 52,875.43
Accrued compensated absences	20,021.92	-	-	-	20,021.92
Total liabilities	<u>68,375.69</u>	<u>4,370.50</u>	<u>14.94</u>	<u>136.22</u>	<u>72,897.35</u>
<b>Fund Balance (Note 1.D.)</b>					
Restricted	1,270,724.64	-	-	33,070.68	1,303,795.32
Committed	-	1,187,952.57	-	-	1,187,952.57
Assigned	8,315.34	-	44,756.48	-	53,071.82
Unassigned	337,507.92	-	-	-	337,507.92
Total fund balances	<u>1,616,547.90</u>	<u>1,187,952.57</u>	<u>44,756.48</u>	<u>33,070.68</u>	<u>2,882,327.63</u>
Total liabilities and fund balances	<u>\$ 1,684,923.59</u>	<u>\$ 1,192,323.07</u>	<u>\$ 44,771.42</u>	<u>\$ 33,206.90</u>	

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

Capital assets used in governmental activities are not financial resources and therefore are not reported as assets in governmental funds. The cost of the assets is \$ 8,201,206.20

The accumulated depreciation is \$ 4,815,408.66

Net effect for reconciliation 3,385,797.54

Certain long-term assets are not available to pay for current fund liabilities and, therefore, are deferred in the funds:

Pension related deferred outflows 144,143.00

Certain long-term liabilities are not due and payable for current financial resources and, therefore, are not reported in the funds.

Accrued compensated absences (58,690.54)

Net pension liabilities (302,660.00)

Pension related deferred inflows (155,863.00)

Long-term liabilities, including General Obligation bonds, are not due and payable in the current period and therefore are not reported in the funds (see Note 3.G.)

(1,285,000.00)

Net position of governmental activities

\$ 4,610,054.63

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

**CITY OF PERKINS**  
**STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE**  
**GOVERNMENT FUNDS**  
**YEAR ENDED JUNE 30, 2016**

Statement 4

	General Fund	Capital Improvements Fund	Oklahoma Territorial Plaza Fund	Perkins Public Library Trust	Total Governmental Funds
<b>Revenues:</b>					
Sales tax	\$ 544,186.43	\$ 408,139.82	\$ -	\$ -	\$ 952,326.25
Use tax	50,272.62				50,272.62
Franchise fees	96,638.78				96,638.78
License and permits	23,708.55				23,708.55
Intergovernmental	46,974.60				46,974.60
Fines and forfeitures	139,953.05				139,953.05
Charges for services	57,034.92				57,034.92
Grants	34,967.72				34,967.72
Donations	15,671.09		15,200.00	22,769.58	53,640.67
Miscellaneous	85,412.90		24,547.85		109,960.75
Investment income	5,233.34	5,779.76	1.24	56.62	11,070.96
Sale of Capital Assets	18,526.11				18,526.11
<b>Total revenues</b>	<u>1,118,580.11</u>	<u>413,919.58</u>	<u>39,749.09</u>	<u>22,826.20</u>	<u>1,595,074.98</u>
<b>Expenditures:</b>					
<b>General government:</b>					
Municipal court	100,490.23				100,490.23
City clerk	3,300.42				3,300.42
Attorney	3,923.00				3,923.00
City manager	117,378.01				117,378.01
General government	125,537.38				125,537.38
Board members	3,991.59				3,991.59
Planning commission	147.10				147.10
<b>Public safety:</b>					
Police	497,927.98				497,927.98
Fire	201,702.99				201,702.99
Emergency management	145,266.64				145,266.64
Animal control	31,419.86				31,419.86
Permit/Inspection	3,689.46				3,689.46
<b>Streets:</b>					
Streets	116,304.38				116,304.38
<b>Culture and recreation:</b>					
Library	117,890.68			7,419.29	125,309.97
City church					-
Parks and recreation	43,625.76		42,587.18		86,212.94
Capital outlay	159,473.43	143,910.54			303,383.97
<b>Total expenditures paid</b>	<u>1,672,068.91</u>	<u>143,910.54</u>	<u>42,587.18</u>	<u>7,419.29</u>	<u>1,865,985.92</u>
<b>Excess of revenues collected over (under) expenditures</b>	<u>(553,488.80)</u>	<u>270,009.04</u>	<u>(2,838.09)</u>	<u>15,406.91</u>	<u>(270,910.94)</u>
<b>Other financing sources (uses)</b>					
Operating transfers in	381,275.65	-	5,000.00	-	386,275.65
Operating transfer out	-	(210,712.66)	-	-	(210,712.66)
<b>Total other financing sources (uses)</b>	<u>381,275.65</u>	<u>(210,712.66)</u>	<u>5,000.00</u>	<u>-</u>	<u>175,562.99</u>
<b>Excess (deficiency) of revenues and other resources over expenditures and other uses</b>	<u>(172,213.15)</u>	<u>59,296.38</u>	<u>2,161.91</u>	<u>15,406.91</u>	<u>(95,347.95)</u>
<b>Fund balances, beginning of year</b>	<u>102,943.36</u>	<u>1,128,656.19</u>	<u>215,994.57</u>	<u>20,785.02</u>	<u>1,468,379.14</u>
<b>Fund balances, end of year</b>	<u>\$ (69,269.79)</u>	<u>\$ 1,187,952.57</u>	<u>\$ 218,156.48</u>	<u>\$ 36,191.93</u>	<u>\$ 1,373,031.19</u>

(Continued)

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

**CITY OF PERKINS  
STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE  
GOVERNMENT FUNDS  
YEAR ENDED JUNE 30, 2016**

**Statement 4 (cont.)**

Reconciliation of the change in fund balances: total governmental funds to the change in net assets of governmental activities:

Net change in fund balances: total governmental funds \$ (95,347.95)

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

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

Capital asset purchases capitalized	350,628.11
Depreciation	(230,313.77)

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

Net increase in accrued compensated absences	(8,071.98)
Net decrease in pension expense	(22,874.00)

Change in net position of governmental activities	\$ (5,979.59)
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The accompanying notes to the basic financial statements are an integral part of this statement.

**CITY OF PERKINS  
STATEMENT OF NET POSITION  
PROPRIETARY FUND  
JUNE 30, 2016**

**Statement 5**

	Public Works Authority Enterprise Fund
<b>Assets</b>	
Current assets	
Cash and cash equivalents	\$ 264,800.15
Restricted cash and cash equivalents	104,433.66
Investments	106,529.24
Accounts receivable	127,982.71
Total current assets	603,745.76
Noncurrent assets	
Capital assets:	
Equipment	638,736.99
Vehicles	91,348.04
Land & Improvements	64,300.00
Buildings & Infrastructure	13,009,332.04
Less accumulated depreciation	(5,275,616.73)
Total noncurrent assets	8,528,100.34
Total assets	9,131,846.10
<b>Deferred Outflows of Resources</b>	
Deferred amounts related to pensions	32,157.00
<b>Liabilities</b>	
Current liabilities	
Accounts payable	1,321.26
Accrued interest payable	34,614.34
Accrued compensated absences	5,451.50
Notes payable - current portion	370,897.01
Total current liabilities	412,284.11
Noncurrent liabilities	
Refundable deposits	135,870.45
Accrued compensated absences	6,595.76
Pension plan liabilities	46,543.00
Notes payable	4,279,448.16
Less: current portion	(370,897.01)
Total noncurrent liabilities	4,097,560.36
Total liabilities	4,509,844.47
<b>Deferred Inflows of Resources</b>	
Deferred amounts related to pensions	49,911.00
<b>Net position</b>	
Invested in capital assets, net of related debt	4,214,037.84
Restricted for debt service	104,433.66
Committed to debt service	55,776.16
Unrestricted	229,999.97
Total net position	\$ 4,604,247.63

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

**CITY OF PERKINS  
STATEMENT OF REVENUES, EXPENSES, AND CHANGES IN NET POSITION  
PROPRIETARY FUNDS  
YEAR ENDED JUNE 30, 2016**

**Statement 6**

	Public Works Authority <hr/> Enterprise Fund <hr/>
<b>Operating revenue</b>	
Charges for services:	
Water	\$ 445,767.50
Sewer	600,633.21
Sanitation	312,694.19
Penalties	23,724.23
Other	8,780.00
Total operating revenue	<hr/> 1,391,599.13 <hr/>
 Operating expenses:	
Water	168,899.69
Sewer	110,726.09
Sanitation	216,029.79
Administration and general	223,674.59
Depreciation	66,982.86
Total operating expenses	<hr/> 786,313.02 <hr/>
 Net operating income	 <hr/> 605,286.11 <hr/>
 Nonoperating revenue (expense)	
Investment income	736.13
Interest expense	(125,320.57)
Other income	269,448.68
Grant income	-
Sale of capital assets	-
Total nonoperating revenue	<hr/> 144,864.24 <hr/>
 Net income (loss) before transfers	 <hr/> 750,150.35 <hr/>
Operating transfers: In	88,837.01
Operating transfers: Out	<hr/> (280,000.00) <hr/>
 Change in net position	 558,987.36
 Net position beginning of year	 <hr/> 4,045,260.27 <hr/>
 Net position end of year	 <hr/> <u>\$ 4,604,247.63</u> <hr/>

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

**CITY OF PERKINS  
STATEMENT OF CASH FLOWS  
PROPRIETARY FUNDS  
YEAR ENDED JUNE 30, 2016**

**Statement 7**

	Public Works Authority Enterprise Fund
<b>Cash flows from operating activities</b>	
Receipts from customers	\$ 1,394,305.49
Payments to suppliers	(530,870.97)
Payments to employees	(192,326.69)
Receipts of customer utility deposits	36,130.00
Refunds of customer utility deposits	(30,080.02)
Net cash provided (used) by operating activities	677,157.81
<b>Cash flows from noncapital financing activities</b>	
Transfers to other funds	(280,000.00)
Transfers from other funds	88,837.01
Grant income	-
Other income	269,448.68
Net pension expense	77,287.00
Net cash provided (used) by noncapital financing activities	155,572.69
<b>Cash flows from capital and related financing activities</b>	
Purchase of capital assets	(547,842.62)
Sales of capital assets	-
Issue new capital debt	200,189.83
Principal paid on capital debt	(234,503.28)
Interest paid on capital debt	(125,320.57)
Net cash provided (used) by capital and related financing activities	(707,476.64)
<b>Cash flows from investing activities</b>	
Increase in investments	(580.76)
Interest income	736.13
Net cash provided (used) by investing activities	155.37
Net increase (decrease) in cash and cash equivalents	125,409.23
Cash balance beginning of year	243,824.58
Cash balance end of year	\$ 369,233.81
<b>Reconciliation of operating income (loss) to net cash provided (used) by operating activities</b>	
Operating income (loss)	\$ 605,286.11
Adjustments to reconcile operating income to net cash provided (used) by operating activities:	
Cash flows reported in other categories:	
Depreciation expense	66,982.86
Change in assets and liabilities:	
Accounts receivable	2,706.36
Refundable deposits	6,069.98
Accounts payable	(2,006.09)
Accrued compensated absences	(1,625.11)
Accrued interest payable	(256.30)
Net cash provided by operating activities	\$ 677,157.81

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

## **NOTES TO BASIC FINANCIAL STATEMENTS**

CITY OF PERKINS  
Perkins, Oklahoma

NOTES TO THE FINANCIAL STATEMENTS  
For the year ended June 30, 2016

**NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

The City of Perkins, Oklahoma (the City) complies with accounting principles generally accepted in the United States of America (GAAP) as applicable to governmental units. The Governmental Accounting Standards Board (GASB) is responsible for establishing GAAP for state and local governments through its pronouncements (Statements and Interpretations.) The accounting and reporting framework and the more significant accounting policies established in GAAP and used by the City are discussed below.

**1.A. FINANCIAL REPORTING ENTITY**

In evaluating how to define the reporting entity, management has considered all potential component units. The decision to include a potential component unit in the reporting entity was made by applying the criteria established by the Governmental Accounting Standards Board (GASB), GASB Statement No. 14, *The Financial Reporting Entity*, GASB Statement No. 34, *Basic Financial Statements—and Management's Discussion and Analysis—for State and Local Governments*, and GASB Statement No. 61, amending GASB Statements No. 14 and 34. The basic criteria for including a potential component unit within the reporting entity is the governing body's ability to exercise oversight responsibility. Accountability flows from the notion that individuals are obligated to account for their acts, including the acts of the officials they appoint to operate governmental agencies. Thus, elected officials are accountable for an organization if they appoint a voting majority of the organization's governing board. The primary government is financially accountable if it appoints a voting majority of the organization's governing body *and* (1) it is able to impose its will on that organization, *or* (2) there is a potential for the organization to provide specific financial benefits to, or impose specific financial burdens on, the primary government. An organization has a financial benefit or burden relationship with the primary government if the primary government is legally obligated or has otherwise assumed the obligation to finance the deficits of, or provide financial support to, the organization.

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

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

BLENDING COMPONENT UNITS

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

CITY OF PERKINS  
Perkins, Oklahoma

NOTES TO THE FINANCIAL STATEMENTS  
For the year ended June 30, 2016

**1.A. FINANCIAL REPORTING ENTITY (continued)**

<u>Component Unit</u>	<u>Brief Description / Inclusion Criteria</u>	<u>Fund Included In</u>
Public Works Authority (PPWA)	Created November 6, 1967, to finance, develop, and operate the water, wastewater, and sanitation activities of the City. Current City Commission serves as entire governing body (trustees). The City of Perkins is the beneficiary of the trust.	PWA Enterprise Fund
Oklahoma Territorial Plaza Trust	Created February 7, 2008, to establish, develop, acquire, construct, purchase, install, repair, enlarge, improve, maintain, equip, operate and manage the Oklahoma Territorial Plaza, for cultural, recreational and educational purposes, located on or near the plaza area. The Mayor of the City of Perkins along with eight other individuals from various organizations serve as the governing body (trustees.) The duration of the trust is the same as the duration of the City of Perkins, and the City of Perkins is the beneficiary of the trust.	Separate Fund
Perkins Public Library Trust	Created June 11, 2013, to form a vehicle for the reception and administration of contributions for the benefit of the Perkins public library. The governing body is made up of five trustees, two appointed by the city council, two appointed by the library board, and one appointed by Friends of the Perkins Public Library (an independent organization formed by individuals to support the library.) The City of Perkins is the beneficiary of the trust.	Separate Fund

**OMITTED COMPONENT UNIT**

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

**DISCRETELY PRESENTED COMPONENT UNIT**

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

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

CITY OF PERKINS  
Perkins, Oklahoma

NOTES TO THE FINANCIAL STATEMENTS  
For the year ended June 30, 2016

**1.A. FINANCIAL REPORTING ENTITY (continued)**

GOVERNMENT-WIDE FINANCIAL STATEMENTS

The Statement of Net Assets and Statement of Activities display information about the reporting government as a whole. They include all funds of the reporting entity except for fiduciary funds. The statements distinguish between governmental and business-type activities. Governmental activities generally are financed through taxes, intergovernmental revenues, and other non-exchange revenues. Business-type activities are financed in whole or in part by fees charged to external parties for goods or services.

**1.B. BASIS OF PRESENTATION**

FUND FINANCIAL STATEMENTS

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

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

The funds of the financial reporting entity are described below:

**Governmental Funds**

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

General Fund

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

Special Revenue Funds

CITY OF PERKINS  
Perkins, Oklahoma

NOTES TO THE FINANCIAL STATEMENTS  
For the year ended June 30, 2016

**1.B. BASIS OF PRESENTATION (continued)**

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

Capital Project Funds

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

Capital Improvement Fund	Accounts for specific revenues and transfers from other City funds and expenditures for various capital projects. During a previous year, the City allocated one cent of its sales tax to the Capital Improvement Fund, to be used for remodeling, renovating, maintaining, and constructing the City's library facilities; repairing and extending the water supply and distribution system; constructing additional water storage facilities; improving and extending the sanitary sewer system; acquiring, remodeling, renovating, maintaining, and constructing the City's fire department facilities and/or equipment; and resurfacing, repairing, paving and improving limited access facilities of the City. The City allocates the one half cent to the Capital Improvement Fund to be used for police, fire and emergency management. With the election in April, 2014, the City can now acquire library facilities as well as equipment to be utilized for any of these purposes, or to deposit into a sinking fund for debt service on bonds or loans issued for any or all of these purposes.
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Proprietary Funds

Enterprise Fund

Enterprise funds are used to account for business-like activities provided to the general public. These activities are financed primarily by user charges, and the measurement of financial activity focuses on net income measurement similar to the private sector. The reporting entity includes the following enterprise fund that is reported as a major fund:

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

**1.C. MEASUREMENT FOCUS AND BASIS OF ACCOUNTING**

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

MEASUREMENT FOCUS

CITY OF PERKINS  
Perkins, Oklahoma

NOTES TO THE FINANCIAL STATEMENTS  
For the year ended June 30, 2016

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

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

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

- a. All governmental funds utilize a “current financial resources” measurement focus. Only current financial assets and liabilities are generally included on their balance sheets. Their operating statements present sources and uses of available spendable financial resources during a given period. These funds use fund balance as their measure of available spendable financial resources at the end of the period.
- b. The proprietary fund utilizes an “economic resources” measurement focus. The accounting objectives of this measurement focus are the determination of operating income, changes in net assets (or cost recovery), financial position, and cash flows. All assets and liabilities (whether current or noncurrent, financial, or nonfinancial) associated with their activities are reported. Proprietary fund equity is classified as net assets.

BASIS OF ACCOUNTING

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

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

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

**1.D. ASSETS, LIABILITIES, AND EQUITY**

CASH AND CASH EQUIVALENTS

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

CITY OF PERKINS  
Perkins, Oklahoma

NOTES TO THE FINANCIAL STATEMENTS  
For the year ended June 30, 2016

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

INVESTMENTS

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

RECEIVABLES

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

INTERFUND RECEIVABLES AND PAYABLES

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

INVENTORIES

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

CAPITAL ASSETS

The accounting treatment of property, plant, and equipment (capital assets) depends on whether the assets are used in governmental fund operations or proprietary fund and similar discretely presented component unit operations and whether they are reported in the government-wide or fund financial statements.

Government-Wide Statements

CITY OF PERKINS  
Perkins, Oklahoma

NOTES TO THE FINANCIAL STATEMENTS  
For the year ended June 30, 2016

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

**Government-Wide Statements**

In the government-wide financial statements, fixed assets are accounted for as capital assets. All capital assets are valued at historical cost, or estimated historical cost if actual is unavailable. Estimated historical cost was used to value the majority of the assets acquired prior to July 1, 2003. Prior to July 1, 2003, governmental funds' infrastructure assets were not capitalized. Infrastructure assets acquired since July 1, 2003, are recorded at cost.

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

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

**Fund Financial Statements**

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

**RESTRICTED ASSETS**

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

**LONG-TERM DEBT**

The accounting treatment of long-term debt depends on whether the assets are used in governmental fund operations or proprietary fund operations and whether they are reported in the government-wide or fund financial statements.

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

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

CITY OF PERKINS  
Perkins, Oklahoma

NOTES TO THE FINANCIAL STATEMENTS  
For the year ended June 30, 2016

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

expenditures. The accounting for proprietary funds is the same in the fund statements as it is in the government-wide statements.

COMPENSATED ABSENCES

The City's policies regarding vacation time permit employees to accumulate earned but unused vacation and sick leave. Vacation pay vests for full time employees, depending upon length of service, as follows:

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

Sick leave accrues for full time employees at 3.7 hours bi-weekly, although it is not vested. Employees may accrue a maximum of 480 hours. The liability for the first 80 hours of these compensated absences is recorded as current debt in the government-wide statements, with the remainder recorded as long-term debt. The current portion of this debt is estimated based on historical trends. In the fund financial statements, governmental funds report only the compensated absence liability payable from expendable available financial resources, while the proprietary funds report the liability as it is incurred.

EQUITY CLASSIFICATION

Net Position

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

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

Fund Balance

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

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

CITY OF PERKINS  
Perkins, Oklahoma

NOTES TO THE FINANCIAL STATEMENTS  
For the year ended June 30, 2016

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

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

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

Committed - The committed fund balance classification includes amounts that can be used only for the specific purposes imposed by formal action (ordinance or resolution) of the City Council. Those committed amounts cannot be used for any other purpose unless the City Council removes or changes the specified use by taking the same type of action (ordinance or resolution) it employed to previously commit those amounts. In contrast to fund balance that is restricted by enabling legislation, committed fund balance classification may be redeployed for other purposes with appropriate due process. Constraints imposed on the use of committed amounts are imposed by the City Council, separate from the authorization to raise the underlying revenue; therefore, compliance with these constraints are not considered to be legally enforceable. Committed fund balance also incorporates contractual obligations to the extent that existing resources in the fund have been specifically committed for use in satisfying those contractual requirements.

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

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

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

Fund balances at June 30, 2016, for the governmental funds are as follows:

CITY OF PERKINS  
Perkins, Oklahoma

NOTES TO THE FINANCIAL STATEMENTS  
For the year ended June 30, 2016

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

Fund Balances:	General Fund	Capital Imp. Fund	OK Territorial Plaza Fund	Perkins Public Library Trust	Total
Invested in capital assets, net of related depreciation	723,446.31		1,374,308.04	3,043.19	2,100,797.54
Restricted for:					
G.O. Bond proceeds	1,216,703.84				1,216,703.84
Drug Enforcement / Misc	35,864.32				35,864.32
Perkins Public Library Trust				33,070.68	33,070.68
Bond Fund / CLEET	18,156.48				18,156.48
Total Restricted	1,270,724.64	0.00	0.00	33,070.68	1,303,795.32
Committed to:					
Capital Improvement Projects		1,187,952.57			1,187,952.57
Assigned to:					
City Church Savings			818.64		818.64
Thomas Wilhite Library Savings	8,311.53				8,311.53
Grant fund	3.81				3.81
Oklahoma Territorial Plaza			43,937.84		43,937.84
Total Assigned	8,315.34	0.00	44,756.48	0.00	53,071.82
Unassigned	(35,562.62)				(35,562.62)
Total Fund Balances	1,966,923.67	1,187,952.57	1,419,064.52	36,113.87	4,610,054.63

**1.E. REVENUES, EXPENDITURES, AND EXPENSES**

**SALES TAX**

The City presently levies a three and one half cent sales tax on taxable sales within the City. The sales tax is allocated: two cents to the General Fund, one cent to the Capital Improvement Fund, and one half cent to the Capital Improvement Fund for police, fire, and emergency management. (This one half cent began July 1, 2013.) The sales tax is collected by the Oklahoma Tax Commission and remitted to the City in the month following receipt by the Tax Commission. The Tax Commission receives the sales tax approximately one month after collection by vendors. Sales tax collected by the State in June and received by the City in July has been accrued and is included under the caption "Receivable from other governments."

In accordance with a Sales Tax Agreement between the City and the Perkins Industrial Development Authority, dated May 1, 2008, the City agreed to pledge 2 % of the sales tax, allocated to the General Fund, to secure the payment of a \$ 2,940,000 Sales Tax Revenue Note and a \$ 325,000 Sales Tax Revenue Note issued by the Perkins Industrial Development Authority to finance the construction of an assisted living center in the City of Perkins. The sales tax is to be deposited in a special account established in the General Fund of the City. The City agrees to appropriate that money each year, to be paid over as received for immediate deposit in a bank designated by the Authority, in an account to be established entitled the Perkins Industrial Development Authority Sales Tax Fund. The Authority has pledged the Sales Tax Revenue to the trustee (Bank of Oklahoma, National Association) for the purpose of paying debt service on the notes. In the event there is sufficient money in the Note Fund (of the Note Indenture) on or before the

CITY OF PERKINS  
Perkins, Oklahoma

NOTES TO THE FINANCIAL STATEMENTS  
For the year ended June 30, 2016

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

last day of each month as required by the Note Indenture and there is no Event of Default as defined in the Indenture, then any remaining Sales Tax Revenue in the Sales Tax Fund shall be transferred back to the special account established in the General Fund of the City and shall be available on the last day of the month for any lawful purpose.

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

USE TAX

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

PROGRAM REVENUES

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

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

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

CITY OF PERKINS  
Perkins, Oklahoma

NOTES TO THE FINANCIAL STATEMENTS  
For the year ended June 30, 2016

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

OPERATING REVENUE AND EXPENSES

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

**1.F. INTERNAL AND INTERFUND BALANCES AND ACTIVITIES**

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

FUND FINANCIAL STATEMENTS

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

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

GOVERNMENT-WIDE FINANCIAL STATEMENTS

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

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

CITY OF PERKINS  
Perkins, Oklahoma

NOTES TO THE FINANCIAL STATEMENTS  
For the year ended June 30, 2016

**1.G. USE OF ESTIMATES**

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

**NOTE 2. STEWARDSHIP, COMPLIANCE, AND ACCOUNTABILITY**

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

**2.A. UNINSURED AND UNCOLLATERALIZED DEPOSITS**

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

**NOTE 3. DETAIL NOTES – TRANSACTION CLASSES/ACCOUNTS**

**3.A. DEPOSITS AND INVESTMENTS**

*Custodial Credit Risk* - Custodial credit risk is the risk that in the event of a bank failure, the City's deposits may not be returned to it. The City's investment policy for custodial credit risk for deposits states, "Safety of principal is the foremost objective of the investment program. All collateral pledged to secure public funds shall be valued at no more than market value. The collateralization level will be 110 % of market value of principal and accrued interest. Collateral will be held by the City Finance Director of the City of Perkins or by an independent third party with whom the entity has a current custodial agreement." As of June 30, 2015, \$ 1,730,310.20 of the City's bank balances of \$ 3,243,142.29 was exposed to custodial credit risk as follows:

Collateralized with securities held by the banks' trust departments but not in the City's name	\$ 763,606.36
Collateralized with Irrevocable Letter of Credit with FHLBank Topeka	\$ 966,703.84

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

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

CITY OF PERKINS  
Perkins, Oklahoma

NOTES TO THE FINANCIAL STATEMENTS  
For the year ended June 30, 2016

**3.A. DEPOSITS AND INVESTMENTS (continued)**

- a) Direct obligations of the U.S. Government, its agencies or instrumentalities;
- b) Collateralized or insured certificates of deposit and other evidences of deposit at banks, savings banks, savings and loan associations and credit unions located in this state, or fully insured certificates of deposit at banks, savings banks, savings and loan associations and credit unions located out of state;
- c) Negotiable certificates of deposit issued by a nationally or state-chartered bank, a savings bank, a savings and loan association or a state-licensed branch of a foreign bank. Purchases of negotiable certificates of deposit shall not exceed ten percent (10 %) of the surplus funds of the city which may be invested pursuant to this section;
- d) Prime bankers' acceptances which are eligible for purchase by the Federal Reserve System and which do not exceed 270 days' maturity. Purchases of prime banker's acceptances shall not exceed ten percent (10 %) of the surplus funds of the City which may be invested pursuant to this section. Not more than one-half (1/2) of the ten percent (10 %) shall be invested in any one commercial bank pursuant to this paragraph;
- e) Prime commercial paper which shall not have a maturity that exceeds one hundred eighty (180) days nor represent more than ten percent (10 %) of the outstanding paper of an issuing corporation;
- f) Repurchase agreements that have underlying collateral consisting of those items specified in paragraphs a through e of this subsection; and
- g) Money market mutual funds regulated by the Securities and Exchange Commission and which investments consist of those items and those restrictions specified in paragraphs a through f of this subsection.

Public trusts created under O.S. Title 60 are not subject to the above noted investment limitations and are primarily governed by any restrictions in their trust or bond indentures. For the year ended June 30, 2016, the City, the Public Works Authority, the Oklahoma Territorial Plaza Trust, and the Perkins Public Library Trust complied, in all material respects, with these investment restrictions.

*Concentration of Credit Risk* – The City of Perkins' investment policy has no limit on the amount of the City's investment portfolio that may be invested in a single financial institution, with the exception of investment in prime bankers acceptances shall not exceed 10 % of the surplus funds of the City, and investment in prime commercial paper shall not be more than 10 % of the outstanding paper of the issuing corporation. Of the City's investments, all were in certificates of deposit with 47.2 % invested with one financial institution.

The deposits and investments held at June 30, 2016, are as follows:

Type	Maturity (Months)	Credit Rating	Market Value	Cost
Cash Deposits	N/A	N/A	2,580,454.80	2,580,454.80
Investments				
Certificates of Deposit	12	N/A	662,687.49	662,687.49
Total Deposits and Investments			3,243,142.29	3,243,142.29

Reconciliation to Statement of Net Assets

Governmental Activities	\$ 2,767,379.24
Business-Type Activities	475,763.05
	\$ 3,243,142.29

CITY OF PERKINS  
Perkins, Oklahoma

NOTES TO THE FINANCIAL STATEMENTS  
For the year ended June 30, 2016

**3.B. RESTRICTED ASSETS**

The amounts reported as restricted assets are composed of amounts held by the Public Works Authority for utility deposits (refunded upon termination of service or applied to final bill) of \$ 106,529.24; amounts held by the Authority for debt service on the Oklahoma Water Resources Board loans of \$ 139,444.01; amounts held in trustee accounts on behalf of the promissory note in the amount of \$ 20,765.81; sales tax amounts held in the Capital Improvement Fund account for capital improvements of \$ 1,156,599.99; amounts held in the G.O. bond accounts of \$ 1,216,703.84; amounts held by the City in various grant and other checking accounts of \$ 62,332.33, and amounts held by the Perkins Public Library Trust of \$ 33,206.90.

**3.C. RESTRICTED REVENUES**

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

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

**3.D. ACCOUNTS RECEIVABLE**

Accounts receivable of the business-type activities consist of utilities receivable. Accounts receivable of the governmental activities consist of sales tax (44.3 %), use tax (2.8 %), tobacco tax (0.5 %), alcoholic beverage tax (0.4 %), motor vehicle tax (0.9 %), gasoline excise tax (0.2 %), fines and court costs (32.7 %), and fire runs (18.2 %.) Receivables detail at June 30, 2016, is as follows:

	Governmental Activities	Business-type Activities	Total
Accounts receivable	\$ 187,845.74	127,982.71	315,828.45

CITY OF PERKINS  
Perkins, Oklahoma

NOTES TO THE FINANCIAL STATEMENTS  
For the year ended June 30, 2016

**3.E. CAPITAL ASSETS**

Capital asset activity for the fiscal year ended June 30, 2016, was as follows:

	Balance at July 1, 2015	Additions	Deductions	Balance at June 30, 2016
<i>Governmental activities:</i>				
Capital assets not being depreciated:				
Land	\$ 897,973.22	\$ _____	\$ _____	\$ 897,973.22
Total capital assets not being depreciated	<u>897,973.22</u>	<u>_____</u>	<u>_____</u>	<u>897,973.22</u>
Other capital assets:				
Machinery, furniture and equipment	987,696.12	100,478.12		1,088,174.24
Vehicles	807,265.94	50,416.08	73,437.00	784,245.02
Buildings & Infrastructure	<u>5,413,992.47</u>	<u>16,821.25</u>	<u>_____</u>	<u>5,430,813.72</u>
Total other capital assets at historical cost	<u>7,208,954.53</u>	<u>167,715.45</u>	<u>73,437.00</u>	<u>7,303,232.98</u>
Less accumulated depreciation for:				
Machinery, furniture and equipment	469,893.37	56,500.55		526,393.92
Vehicles	698,395.89	87,057.97	36,663.11	748,790.75
Buildings & Infrastructure	<u>3,453,468.74</u>	<u>86,755.25</u>	<u>_____</u>	<u>3,540,223.99</u>
Total accumulated depreciation	<u>4,621,758.00</u>	<u>230,313.77</u>	<u>36,663.11</u>	<u>4,815,408.66</u>
Other capital assets, net	<u>2,587,196.53</u>	<u>&lt;62,598.32&gt;</u>	<u>&lt;36,773.89&gt;</u>	<u>2,487,824.32</u>
Government activities capital assets, net	<u>\$ 3,485,169.75</u>	<u>\$ &lt;62,598.32&gt;</u>	<u>\$ &lt;36,773.89&gt;</u>	<u>\$ 3,385,797.54</u>
 <i>Business-type activities:</i>				
Capital assets not being depreciated:				
Land	\$ 64,300.00	\$ _____	\$ _____	\$ 64,300.00
Total capital assets not being depreciated	<u>64,300.00</u>	<u>_____</u>	<u>_____</u>	<u>64,300.00</u>
Other capital assets:				
Machinery, furniture and equipment	156,990.06	481,746.93		638,736.99
Vehicles	91,348.04			91,348.04
Buildings & utility property	<u>12,943,236.35</u>	<u>66,095.69</u>	<u>_____</u>	<u>13,009,332.04</u>
Total other capital assets at historical cost	<u>13,191,574.45</u>	<u>547,842.62</u>	<u>_____</u>	<u>13,739,417.07</u>
Less accumulated depreciation for:				
Machinery, furniture and equipment	119,197.85	15,354.05		134,551.90
Vehicles	55,931.96	7,600.08		63,532.04
Buildings & utility property	<u>5,033,504.06</u>	<u>44,028.73</u>	<u>_____</u>	<u>5,077,532.79</u>
Total accumulated depreciation	<u>5,208,633.87</u>	<u>66,982.86</u>	<u>_____</u>	<u>5,275,616.73</u>
Other capital assets, net	<u>7,982,940.58</u>	<u>480,859.76</u>	<u>_____</u>	<u>8,463,800.34</u>
Business-type activities capital assets, net	<u>\$ 8,047,240.58</u>	<u>\$ 480,859.76</u>	<u>\$ _____</u>	<u>\$ 8,528,100.34</u>

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

Primary Government:	
Governmental Activities:	
General Government	\$ 7,454.44
Public Safety	98,583.19
Streets	60,497.16
Culture and Recreation	<u>63,778.98</u>
Total depreciation expense for governmental activities	<u>\$ 230,313.77</u>

CITY OF PERKINS  
Perkins, Oklahoma

NOTES TO THE FINANCIAL STATEMENTS  
For the year ended June 30, 2016

**3.E. CAPITAL ASSETS (continued)**

Business-Type Activities:	
Water	\$ 39,061.48
Sewer	24,401.30
Admin and general	<u>3,520.08</u>
Total depreciation expense for business-type activities	<u><u>\$ 66,982.86</u></u>

**3.F. ACCOUNTS PAYABLE**

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

**3.G. LONG-TERM DEBT**

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

GOVERNMENTAL ACTIVITIES

As of June 30, 2016, the governmental long-term debt of the financial reporting entity consisted of the following:

General Obligation Bonds:

- In June 2016, the City issued \$ 1,285,000 in General Obligation Bonds for the purpose of financing water system improvements within the City, payable from ad valorem taxes on all taxable property within the City. The bonds mature \$ 90,000 each June 1, starting in 2018, with a final maturity of \$ 115,000 on June 1, 2031. They carry interest at varying rates from 2 to 5 %, beginning June 1, 2017. \$ 1,285,000.00

The first sinking fund levy under the ad valorem tax was submitted to the county excise board by August 27, 2016, and will be put on the tax rolls for 2016. The net proceeds at the bond closing (after accrued interest (\$ 2,294.65), premium (\$ 26,600.40), and closing costs (\$ 77,285.90)) were deposited into the Sinking Fund (\$ 2,294.65) and the Bond Fund (\$ 1,234,314.50.)

Accrued Compensated Absences:

• Current Portion	\$ 20,021.92
• Noncurrent portion	<u>58,690.54</u>
•	
Total Governmental activity debt	<u><u>\$ 78,712.46</u></u>

CITY OF PERKINS  
Perkins, Oklahoma

NOTES TO THE FINANCIAL STATEMENTS  
For the year ended June 30, 2016

**3.G. LONG-TERM DEBT (continued)**

BUSINESS-TYPE ACTIVITIES

As of June 30, 2016, the long-term debt payable from proprietary fund resources consisted of the following:

Notes Payable:

• In September 2005, the Authority entered into a loan with a local bank for \$ 160,000, for the purchase of the Community Center Building. The Authority made a \$ 50,000 down payment on the purchase. The loan was for five years, and has been extended through September 14, 2017, with monthly payments of principal and interest (at 4.25 %) beginning October 14, 2005, of \$ 1,208.75.	56,125.83
• In April 2004, the Authority entered into a loan agreement with the Oklahoma Water Resources Board for \$ 180,000. The loan is for a period of 20 years, with monthly payments of principal and interest beginning April 15, 2004. The loan includes interest based on the OWRB's State Loan Program Revenue Bonds, currently 1.23 %. The monthly payments are made to a debt service fund maintained by a trustee. Bank of Oklahoma NA serves as the trustee under the loan.	99,100.00
• In May 2009, the Authority entered into a loan agreement with the Oklahoma Water Resources Board, as part of the wastewater project discussed below, for a maximum amount of \$ 7,225,000. The loan is for a period of 20 years, with semi-annual payments of principal beginning March 15, 2011, and interest beginning September 15, 2009. The loan includes interest based on the OWRB's State Loan Program Revenue Bonds, currently 2.91 %	3,924,032.50
• In September 2015, the Authority entered into a loan agreement with the Oklahoma Water Resources Board, to construct improvements to the automated meter reading system (AMR), for \$ 545,000. The loan is for a period of 5 years, with semi-annual payments of interest, and an administrative fee, beginning March 15, 2016, and principal beginning March 15 following completion of the project. Interest is included at 1.1 %, plus the administrative fee of 0.5 %.	<u>200,189.83</u>
Total Notes Payable	\$ <u><u>4,279,448.16</u></u>

In connection with the AMR loan with the Oklahoma Water Resources Board, the first \$ 250,000 of the funds drawn under the loan were forgiven during the current year. The loan also includes a covenant to maintain a minimum debt coverage ratio of 125 % each year. The Authority met this covenant during the current year.

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

CITY OF PERKINS  
Perkins, Oklahoma

NOTES TO THE FINANCIAL STATEMENTS  
For the year ended June 30, 2016

**3.G. LONG-TERM DEBT (continued)**

Refundable Deposits:

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

Utility Deposits – Refundable	\$ 135,870.45
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Accrued Compensated Absences:

- |                      |                     |
|----------------------|---------------------|
| • Current portion    | \$ 5,451.50         |
| • Noncurrent portion | <u>6,595.76</u>     |
|                      | <u>\$ 12,047.26</u> |

CHANGES IN LONG-TERM DEBT

The following is a summary of changes in long-term debt for the year ended June 30, 2016.

Type of Debt	Balance July 1, 2015	Additions	Reductions	Balance June 30, 2016	Amount Due Within One Year
<b>Governmental Activities:</b>					
General Obligation bonds	-	1,285,000.00		1,285,000.00	-
Accrued compensated absences	<u>70,640.48</u>	<u>8,071.98</u>		<u>78,712.46</u>	<u>20,021.92</u>
Total Governmental Activities	<u>70,640.48</u>	<u>1,293,071.98</u>		<u>1,363,712.46</u>	<u>20,021.92</u>
<b>Business-Type Activities:</b>					
Notes payable	4,313,761.61	200,189.83	234,503.28	4,279,448.16	370,897.01
Accrued compensated absences	13,672.37		1,625.11	12,047.26	5,451.50
Refundable deposits	<u>129,800.47</u>	<u>36,130.00</u>	<u>30,060.02</u>	<u>135,870.45</u>	<u>135,870.45</u>
Total Business-Type Activities	<u>4,457,234.45</u>	<u>236,319.83</u>	<u>266,188.41</u>	<u>4,427,365.87</u>	<u>512,218.96</u>

DEBT SERVICE REQUIREMENTS TO MATURITY

The annual debt service requirements to maturity, including principal and interest, for long-term debt, except for refundable deposits, as of June 30, 2016, are as follows:

CITY OF PERKINS  
Perkins, Oklahoma

NOTES TO THE FINANCIAL STATEMENTS  
For the year ended June 30, 2016

**3.G. LONG-TERM DEBT (continued)**

Year Ended June 30,	OWRB \$ 7,225,000 Loan		OWRB \$ 180,000 Loan		Bank Loan \$ 160,000 Loan	
	Principal	Interest	Principal	Interest	Principal	Interest
	2017	289,000	109,984	9,500	1,461	12,397
2018	289,000	101,574	9,900	1,316	12,934	1,571
2019	289,000	93,165	10,500	1,164	13,495	1,010
2020	289,000	84,755	11,100	1,003	14,079	425
2021	289,000	76,345	11,700	745	3,221	12
2022-2026	1,445,000	255,575	46,400	350	-	-
2027-2031	1,034,032	54,857	-	-	-	-
2032-2036	-	-	-	-	-	-
Total	3,924,032	776,255	99,100	6,039	56,126	5,126

Year Ended June 30,	General Obligation \$ 1,285,000 Bonds		OWRB \$ 545,000 Loan	
	Principal	Interest	Principal	Interest
2017	-	41,304	60,000	2,723
2018	90,000	41,304	60,000	1,763
2019	90,000	36,804	60,000	803
2020	90,000	32,304	20,190	323
2021	90,000	27,804	-	-
2022-2026	450,000	108,058	-	-
2027-2031	475,000	45,372	-	-
2032-2036	-	-	-	-
Total	1,285,000	332,950	200,190	5,612

OPERATING LEASES

On February 4, 2014, the City entered into a copy machine lease with a local company. It is a 60 month lease, with monthly lease payments of \$ 98.74, beginning in March 2014. The annual lease payments are below.

On October 27, 2014, the City entered into a copy machine lease with a local company. It is a 48 month lease, with monthly lease payments of \$ 170.00, beginning November 1, 2014. The annual lease payments are below.

On July 1, 2014, the City entered into a lease purchase agreement, for a police car, with a local bank. The total price of the car was \$ 29,234. The City entered into a 36 month lease, which included a section that terminated the lease if funding was not appropriated by the City for the lease's succeeding years. The lease called for three annual payments of \$ 10,616.08 beginning June 1, 2015, which include interest at 4.5 %. The annual lease payments are below.

CITY OF PERKINS  
Perkins, Oklahoma

NOTES TO THE FINANCIAL STATEMENTS  
For the year ended June 30, 2016

**3.G. LONG-TERM DEBT (continued)**

Year ending <u>June 30</u>	<u>Copier</u>	<u>Police Car</u>	<u>Copier</u>
2017	\$ 2,040.00	10,616.08	1,184.88
2018	2,040.00	-	1,184.88
2019	680.00	-	789.92
2020	-	-	-
2021	-	-	-
Total	<u>4,760.00</u>	<u>10,616.08</u>	<u>3,159.68</u>
Less interest	-	<477.72>	-
Net lease obligations	<u>\$ 4,760.00</u>	<u>10,138.36</u>	<u>3,159.68</u>

**3.H. INTERFUND TRANSFERS AND BALANCES**

INTERFUND TRANSFERS

Transfers between funds of the primary government for the year ended June 30, 2016, were as follows:

**MAJOR FUNDS**

**GENERAL FUND**

Public Works Authority	275,000.00	
Capital Improvement Fund	106,275.65	
Total General Fund	<u>381,275.65</u>	<u>0.00</u>

**ENTERPRISE FUND**

Public Works Authority		
General Fund		275,000.00
Oklahoma Territorial Plaza Trust		5,000.00
Capital Improvement Fund	88,837.01	
Total Enterprise Fund	<u>88,837.01</u>	<u>280,000.00</u>

**CAPITAL IMPROVEMENT FUND**

General Fund		106,275.65
Public Works Authority		88,837.01
Total Capital Improvement Fund	<u>0.00</u>	<u>195,112.66</u>

**OKLAHOMA TERRITORIAL PLAZA TRUST**

Perkins Public Works Authority	5,000.00	
Total Oklahoma Territorial Plaza Trust	<u>5,000.00</u>	<u>0.00</u>

**GRAND TOTALS**

<u>475,112.66</u>	<u>475,112.66</u>
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CITY OF PERKINS  
Perkins, Oklahoma

NOTES TO THE FINANCIAL STATEMENTS  
For the year ended June 30, 2016

**3.H. INTERFUND TRANSFERS AND BALANCES (continued)**

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

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

**NOTE 4: OTHER NOTES**

**4.A. PENSION PLANS**

**CITY MANAGER PLAN (the CMO PLAN)**

**Plan Description** – During the current year, the City provided a defined contribution plan and trust known as the Oklahoma Municipal Retirement Fund Customized Manager Option Plan Retirement Plan and Trust (the CMO Plan) in the form of The Oklahoma Municipal Retirement Fund Master Defined Contribution Plan (OkMRF). The plan is administered by JP Morgan Chase Bank of Oklahoma City, Oklahoma. The defined contribution plan is available to any person who is in the position of City Manager. Separate audited GAAP – basis financial statements are not available.

**Funding Policy** – Benefits depend solely on amounts contributed to the plan plus investment earnings. Employees are eligible to participate upon employment, and voluntarily elect their percentage of contribution with a minimum contribution of 3 % of compensation. The City makes contributions to the CMO Plan based on the employment agreement with the employee and employer contributions are immediately vested. The City contributed at 10 % during the year ended June 30, 2016. The authority to establish and amend the provisions of the plan rests with the City Council. Contributions to the plan for the year ended June 30, 2016, for employee and employer were \$ 2,943 and \$ 9,811, respectively, on a covered payroll of \$ 98,509.

**OKLAHOMA MUNICIPAL RETIREMENT FUND**

**General Information about the Pension Plan**

*Plan description.* The City of Perkins, as the employer, contributes to the Oklahoma Municipal Retirement Fund (OMRF) for all eligible employees except for those covered by the Police and Firefighters Pension Systems. There are two programs available to each participating municipality, one being a defined contribution plan and the other a defined benefit plan. The City participates in the defined benefit plan, which is a cost-sharing agent multiple-employer type plan.

The OMRF issues a separate financial report that can be obtained from OkMRF or from their website at [www.okmrf.org](http://www.okmrf.org).

CITY OF PERKINS  
Perkins, Oklahoma

NOTES TO THE FINANCIAL STATEMENTS  
For the year ended June 30, 2016

**4.A. PENSION PLANS (continued)**

*Benefits provided.* OMRF provides retirement, disability, and death benefits to members of the plan.

Members participating in the Plan become 100 % vested after 7 years of service. Participants are eligible for normal retirement at their normal retirement age, 65, with 7 or more years of vesting service. The normal retirement benefit is equal to an elected percentage of final compensation for each year of credited service.

The City's participates under Plan BB, with 2.25 % of final average compensation multiplied by the number of years of credited service. Final compensation is defined as the average salary for the highest 60 consecutive months (5 years) out of the last 10 years of the participant's employment.

Members are eligible for early retirement after age 55 with 7 or more years of vesting service. The benefit payable is reduced 5 % for each year the participant retires before normal retirement age.

A member is eligible for disability benefits upon becoming permanently disabled after 7 or more years of service.

\* *Contributions.* The contribution requirements of the Plan are at an established rate determined by which plan the municipality participates in. The City is participating in Plan BB, under which employees are required to contribute 4.5 % of their annual pay, and the City contributes 7.06 % of the employees' annual pay. Contributions to the Plan from the City were \$ 26,757.

**Pension Liabilities, Pension Expense, and Deferred Outflows of Resources and Deferred Inflows of Resources**

At June 30, 2016, the City reported a liability of \$ 93,086 for its proportionate share of the net pension liability. The net pension liability was measured as of June 30, 2015, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of June 30, 2015.

The following table (excluding any employer-specific amounts) presents the fiscal amounts determined and their effect on pension expense, deferred inflows, and deferred outflows, respectively, as well as remaining unamortized deferral balances at June 30, 2015.

	Amount Included in 2015 Pension Expense Calculation	Deferred Inflows Balance for 2015	Deferred Outflows Balance for 2015	Amortization Period (Years)
Actuarial (gains)/losses				
2015	\$ -	-	-	-
2016	<12,895>	<55,322>	-	5.29
Investment (gains)/losses				
2015	<14,834>	<44,500>	-	5.00
2016	9,389	-	37,558	5.00
		<u>\$ &lt;99,822&gt;</u>	<u>\$ 37,558</u>	

CITY OF PERKINS  
Perkins, Oklahoma

NOTES TO THE FINANCIAL STATEMENTS  
For the year ended June 30, 2016

**4.A. PENSION PLANS (continued)**

\$ 26,756 reported as deferred outflows of resources related to pensions resulting from City contributions subsequent to the measurement date will be recognized as a reduction of the net pension liability in the year ended June 30, 2017. Any other amounts reported as deferred outflows of resources and deferred inflows of resources related to pensions will be recognized in pension expense as follows:

Year ended June 30:		
2017	\$	<18,340>
2018		<18,340>
2019		<18,338>
2020		<3,506>
2021		<3,740>
Thereafter		-

*Expected Remaining Service Life of Members* – Certain deferred inflow and deferred outflow calculations require amortization over the remaining service life of the System’s members, including retirees. For the fiscal year ended June 30, 2015, the membership’s remaining service life was 4 years. The average expected remaining service life of the System is determined by taking the calculated total future service years of the System divided by the number of people in the System including retirees. The total future service years of the System are determined using the mortality, termination, retirement and disability assumptions associated with the plan.

	<u>Years</u>
June 30, 2015	4

*Actuarial assumptions.* The total pension liability was determined by an actuarial valuation as of July 1, 2015, using the following actuarial assumptions, applied to all prior periods included in the measurement:

Inflation:	3 %
Salary increases:	4 % to 7.42 % average, including inflation
Investment rate of:	7.55 % net of pension plan investment expense

Mortality rates were based on the UP1994 combined healthy with blue collar adjustment as appropriate, with adjustments for generational mortality improvement using scale AA for healthy lives.

The actuarial present value of projected benefit payments is attributed to periods of time using the entry age normal cost method. Assets and liabilities reflect only benefits payable from the OkMRF Trust.

Under the entry age normal cost method, the service cost for an employee is computed as the level percent of pay which, if paid from the time the employee’s service begins accruing benefits under the terms of the plan until assumed retirement or other termination of employment, would accumulate to a fund sufficient to pay all plan benefits payable to that employee. The service cost for the plan is the sum of the service costs so determined for all active employees participating in the plan.

The long-term expected rate of return on pension plan investments was determined using a building-block method in which best-estimate ranges of expected future real rates of return (expected returns, net of pension plan investment expense, and inflation) are developed for each major asset class. These ranges are

CITY OF PERKINS  
Perkins, Oklahoma

NOTES TO THE FINANCIAL STATEMENTS  
For the year ended June 30, 2016

**4.A. PENSION PLANS (continued)**

combined to produce the long-term expected rate of return by weighting the expected future real rates of return by the target asset allocation percentage and by adding expected inflation (3 %.) Best estimates of arithmetic real rates of return for each major asset class included in the pension plan's target asset allocation as of June 30, 2015, are summarized in the following table:

<u>Asset Class</u>	<u>Target Allocation</u>	<u>Long-Term Expected Real Rate of Return</u>
Large Cap Stocks	25 %	5.40 %
Small/Mid Cap Stocks	10 %	7.50 %
Long/Short Equity	10 %	6.10 %
International Stocks	20 %	5.10 %
Fixed Income	30 %	2.60 %
Real Estate	5 %	4.80 %

*Discount rate.* The discount rate used to measure the total pension liability was 7.75 percent. The projection of cash flows used to determine the discount rate assumed that contributions from plan members will be made at the current contribution rate. Based on these assumptions, the pension plan's fiduciary net position is projected to be sufficient to make all projected future benefit payments of current plan members.

The employer has adopted a funding method that is designed to fund all benefits payable to participants over the course of their working careers. Any differences between actual and expected experience are funded over a fixed period to ensure all funds necessary to pay benefits have been contributed to the trust before those benefits are payable.

*Sensitivity of the City's proportionate share of the net pension liability to changes in the discount rate.*

The following presents the net pension liability of the City calculated using the discount rate of 7.75 %, as well as what the Plan's net pension liability would be if it were calculated using a discount rate that is 1-percentage point lower (6.75 %) or 1-percentage point higher (8.75 %) than the current rate:

	<u>1 % Decrease (6.75 %)</u>	<u>Current Discount Rate (7.75 %)</u>	<u>1 % Increase (8.75 %)</u>
Employers' net pension liability	\$ 46,896	\$ <93,086>	\$ <202,574>

*Pension plan fiduciary net position.* Detailed information about the pension plan's fiduciary net position is available in the separately issued Oklahoma Municipal Retirement Fund financial report.

**FIREFIGHTER'S PENSION AND RETIREMENT SYSTEM**

**General Information about the Pension Plan**

*Plan description.* The City of Perkins, as the employer, participates in the Firefighters Pension &

CITY OF PERKINS  
Perkins, Oklahoma

NOTES TO THE FINANCIAL STATEMENTS  
For the year ended June 30, 2016

**4.A. PENSION PLANS (continued)**

Retirement Plan – a cost-sharing multiple-employer defined benefit pension plan administered by the Oklahoma Firefighters Pension & Retirement System (FPRS). Oklahoma State Statutes grant the authority to establish and amend the benefit terms to the FPRS. FPRS issues a publicly available financial report that can be obtained at [www.ok.gov/fprs](http://www.ok.gov/fprs).

*Benefits provided.* FPRS provides retirement, disability, and death benefits to members of the plan.

Benefits for member hired prior to November 1, 2013, are determined as 2.5 percent of the employee's final average compensation times the employee's years of service and who have reached the age of 50 or have completed 20 years of service, whichever is later. For volunteer firefighters, the monthly pension benefit for normal retirement is \$ 150.60 per month. Benefits vest with 10 years or more of service.

Benefits for members hired after November 1, 2013, are determined as 2.5 percent of the employee's final average compensation times the employee's years of service and who have reached the age of 50 or have completed 22 years of service, whichever is later. For volunteer firefighters, the monthly pension benefit for normal retirement is \$ 165.66 per month. Benefits vest with 11 years or more of service.

All firefighters are eligible for immediate disability benefits. For paid firefighters, the disability in-the-line-of-duty benefit for firefighters with less than 20 years of service is equal to 50 % of final average monthly compensation, based on the most recent 30 months of service. For firefighters with over 20 years of service, a disability in-the-line-of-duty is calculated based on 2.5 % of final average monthly compensation, based on the most recent 30 months, per year of service, with a maximum of 30 years of service. For disabilities not-in-the-line-of-duty, the benefit is limited to only those with less than 20 years of service and is 50 % of final average monthly compensation, based on the most recent 60 month salary as opposed to 30 months. For volunteer firefighters, the not-in-the-line-of-duty disability is also limited to only those with less than 20 years of service and is \$ 7.53 per year of service. For volunteer firefighters, the in-line-of-duty disability pension is \$ 150.60 with less than 20 years of service, or \$ 7.53 per year of service, with a maximum of 30 years.

A \$ 5,000 lump sum death benefit is payable to the qualified spouse or designated recipient upon the participant's death. The \$ 5,000 death benefit does not apply to members electing the vested benefit.

*Contributions.* The contribution requirements of the Plan are at an established rate determined by Oklahoma statute and are not based on actuarial calculations. Employees are required to contribute 9 % of their annual pay. Participating cities are required to contribute 14 % of the employees' annual pay. The State of Oklahoma also made on-behalf contributions to FPRS in the amount of \$ 91,235,807; these on-behalf payments did not meet the criteria of a special funding situation.

**Pension Liabilities, Pension Expense, and Deferred Outflows of Resources and Deferred Inflows of Resources**

At June 30, 2016, the City reported a liability of \$ 253,256 for its proportionate share of the net pension liability. The net pension liability was measured as of June 30, 2015, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of June 30, 2015. The City's proportion of the net pension liability was based on a projection of the City's long-term share of contributions to the pension plan relative to the projected contributions of all participating municipalities, actuarially determined. At June 30, 2015, the City's proportion was 0.02386 percent.

CITY OF PERKINS  
Perkins, Oklahoma

NOTES TO THE FINANCIAL STATEMENTS  
For the year ended June 30, 2016

**4.A. PENSION PLANS (continued)**

The following table (excluding any employer-specific amounts) presents the fiscal amounts determined and their effect on pension expense, deferred inflows, and deferred outflows, respectively, as well as remaining unamortized deferral balances at June 30, 2015.

	Total Fiscal (Gains)/Losses	Amount Included in 2015 Pension Expense Calculation	Deferred Inflows Balance for 2015	Deferred Outflows Balance for 2015	Amortization Period (Years)
Differences between expected and actual experience					
2014	\$ 6,935	1,089	-	4,757	6.37
2015	292	46	-	246	6.31
Difference between Projected and Actual Earnings					
2014	<46,427>	<9,285>	<27,856>	-	5
2015	11,222	2,244	-	8,978	5
Differences Due to Changes in Proportion					
2014	-	-	-	-	6.37
2015	-	-	<4,524>	4,524	6.31
			<u>\$ &lt;32,380&gt;</u>	<u>\$ 18,505</u>	

\$ 9,843 reported as deferred outflows of resources related to pensions resulting from City contributions subsequent to the measurement date will be recognized as a reduction of the net pension liability in the year ended June 30, 2017. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pensions will be recognized in pension expense as follows:

Year ended June 30:	Deferred Inflows	Deferred Outflows
2016	\$ <10,137>	\$ 4,279
2017	<10,137>	4,279
2018	<10,137>	4,279
2019	<852>	4,279
2020	<852>	1,110
Thereafter	<u>&lt;265&gt;</u>	<u>279</u>
	<u>\$ &lt;32,380&gt;</u>	<u>\$ 18,505</u>

*Expected Remaining Service Life of Members* – Certain deferred inflow and deferred outflow calculations require amortization over the remaining service life of the System’s members, including retirees. For the

CITY OF PERKINS  
Perkins, Oklahoma

NOTES TO THE FINANCIAL STATEMENTS  
For the year ended June 30, 2016

**4.A. PENSION PLANS (continued)**

fiscal year ended June 30, 2015, the membership's remaining service life was 6.31 years. The average expected remaining service life of the System is determined by taking the calculated total future service years of the System divided by the number of people in the System including retirees. The total future service years of the System are determined using the mortality, termination, retirement and disability assumptions associated with the plan.

June 30, 2015	<u>Years</u> 6.31
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*Actuarial assumptions.* The total pension liability was determined by an actuarial valuation as of July 1, 2015, using the following actuarial assumptions, applied to all prior periods included in the measurement:

Inflation:	3 %
Salary increases:	3.5 % to 9.0 % average, including inflation
Investment rate of:	7.5 % net of pension plan investment expense

Mortality rates were based on the RP2000 combined healthy with blue collar adjustment as appropriate, with adjustments for generational mortality improvement using scale AA for healthy lives and no mortality improvement for disabled lives.

The actuarial assumptions used in the July 1, 2015, valuation were based on the results of an actuarial experience study for the period July 1, 2007, to June 30, 2012.

The long-term expected rate of return on pension plan investments was determined using a building-block method in which best-estimate ranges of expected future real rates of return (expected returns, net of pension plan investment expense, and inflation) are developed for each major asset class. These ranges are combined to produce the long-term expected rate of return by weighting the expected future real rates of return by the target asset allocation percentage and by adding expected inflation. Best estimates of arithmetic real rates of return for each major asset class included in the pension plan's target asset allocation as of June 30, 2015, are summarized in the following table:

<u>Asset Class</u>	<u>Long-Term Expected Real Rate of Return</u>
Fixed income	5.13 %
Domestic equity	8.02 %
International equity	9.94 %
Real estate	7.47 %
Other assets	6.25 %

*Discount rate.* The discount rate used to measure the total pension liability was 7.5 percent. The projection of cash flows used to determine the discount rate assumed that contributions from plan members will be made at the current contribution rate and that contributions from participating employers will be made at contractually required rates, determined by State statutes. Projected cash flows also assume the State of Oklahoma will continue contributing 36 % of the insurance premium, as established by statute. Based on these assumptions, the pension plan's fiduciary net position was projected to be available to make all projected future benefit payments of current plan members. Therefore, the long-term expected rate of return on pension plan investments was applied to all periods of projected benefit payments to determine the total pension liability.

CITY OF PERKINS  
Perkins, Oklahoma

NOTES TO THE FINANCIAL STATEMENTS  
For the year ended June 30, 2016

**4.A. PENSION PLANS (continued)**

*Sensitivity of the City's proportionate share of the net pension liability to changes in the discount rate.*

The following presents the net pension liability of the City calculated using the discount rate of 7.5 %, as well as what the Plan's net pension liability would be if it were calculated using a discount rate that is 1-percentage point lower (6.5 %) or 1-percentage point higher (8.5 %) than the current rate:

	1 % Decrease (6.5 %)	Current Discount Rate (7.5 %)	1 % Increase (8.5 %)
Employers' net pension liability	\$ 328,821	\$ 253,252	\$ 189,872

*Pension plan fiduciary net position.* Detailed information about the pension plan's fiduciary net position is available in the separately issued Oklahoma Firefighters Pension and Retirement System financial report of the FPRS; which can be located at [www.ok.gov/fprs](http://www.ok.gov/fprs).

**POLICE PENSION AND RETIREMENT SYSTEM**

**General Information about the Pension Plan**

*Plan description.* The City of Perkins, as the employer, participates in the Police Pension & Retirement Plan – a cost-sharing multiple-employer defined benefit pension plan administered by the Oklahoma Police Pension & Retirement System (OPPRS). Oklahoma State Statutes grants the authority to establish and amend the benefit terms to the OPPRS. The system covers substantially all police officers employed by the 137 participating municipalities and state agencies within the state of Oklahoma. OPPRS issues a publicly available financial report that can be obtained at <http://www.ok.gov/OPPRS/Financials/index.html>.

*Benefits provided.* OPPRS provides retirement, disability, and death benefits to members of the plan, as well as a deferred option plan.

The normal retirement date under the Plan is the date upon which the participant completes 20 years of service, regardless of age. Participants become vested upon completing 10 years of service. Participants who have completed 10 years of service may elect a vested benefit in lieu of having their accumulated contributions refunded. They are entitled to a monthly retirement benefit commencing at age 50 or the date the participant would have had 20 years of service.

Monthly retirement benefits are calculated at 2.5 % of the final average salary (the average paid base salary over the highest 30 consecutive months of the last 60 months of service) multiplied by the years of service, with a maximum of 30 years of service. Monthly benefits for permanent disability incurred in the line of duty are 2.5 % of the participant's final average salary multiplied by 20 years. This disability benefit is reduced by stated percentages for partial disability based on the percentage of impairment. After 10 years of service, participants who retire due to disability incurred from any cause are eligible for a monthly benefit based on 2.5 % of their final average salary multiplied by the years of service. This benefit is also reduced by stated percentages for partial disability based on the percentage of impairment. Effective July 1, 1998, once a disability benefit is granted to a participant, that participant is no longer allowed to apply for an increase in the dollar amount of the benefit at a subsequent date.

CITY OF PERKINS  
Perkins, Oklahoma

NOTES TO THE FINANCIAL STATEMENTS  
For the year ended June 30, 2016

**4.A. PENSION PLANS (continued)**

Survivor's benefits are payable in full to the participant's beneficiary upon the death of a retired participant. The beneficiary of any active participant killed in the line of duty is entitled to a pension benefit. Effective July 1, 1999, a \$ 5,000 death benefit is also paid, in addition to any survivor's pension benefits under the Plan, to the participant's beneficiary or estate for active or retired members.

*Contributions.* The contribution requirements of the Plan are at an established rate determined by Oklahoma statute and are not based on actuarial calculations. Employees are required to contribute 8.7 % of their annual pay. Participating cities are required to contribute 14.1 % of the employees' annual pay. Contributions to the pension plan from the City were \$ 27,216. The State of Oklahoma also made on-behalf contributions to OPPRS in the amount of \$ 35,490,000; these on-behalf payments did not meet the criteria of a special funding situation.

**Pension Liabilities, Pension Expense, and Deferred Outflows of Resources and Deferred Inflows of Resources**

At June 30, 2016, the City reported a liability of \$ 2,861 for its proportionate share of the net pension liability. The net pension liability was measured as of June 30, 2015, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of June 30, 2015. The City's proportion of the net pension liability was based on a projection of the City's long-term share of contributions to the pension plan relative to the projected contributions of all participating municipalities, actuarially determined. At June 30, 2015, the City's proportion was 0.072 percent.

The following table (excluding any employer-specific amounts) presents the fiscal amounts determined and their effect on pension expense, deferred inflows, and deferred outflows, respectively, as well as remaining unamortized deferral balances at June 30, 2015.

	Total Fiscal (Gains)/Losses	Amount Included in 2015 Pension Expense Calculation	Deferred Inflows Balance for 2015	Deferred Outflows Balance for 2015	Amortization Period (Years)
Differences between expected and actual experience					
2014	\$ <12,817>	<2,198>	<8,420>	-	5.83
2015	<8,960>	<1,553>	<7,407>	-	5.77
Difference between Projected and Actual Earnings					
2014	<103,844>	<20,769>	<62,306>	-	5
2015	64,115	12,823	-	51,292	5
Differences Due to Changes in Proportion					
2014	-	-	-	-	5.83
2015	-	-	<1,144>	1,144	5.77
			<u>\$ &lt;79,277&gt;</u>	<u>\$ 52,436</u>	

CITY OF PERKINS  
Perkins, Oklahoma

NOTES TO THE FINANCIAL STATEMENTS  
For the year ended June 30, 2016

**4.A. PENSION PLANS (continued)**

\$ 27,217 reported as deferred outflows of resources related to pensions resulting from City contributions subsequent to the measurement date will be recognized as an increase of the net pension asset in the year ended June 30, 2017. Any other amounts reported as deferred outflows of resources and deferred inflows of resources related to pensions will be recognized in pension expense as follows:

Year ended June 30:	Deferred Inflows	Deferred Outflows
2016	\$ <24,760>	\$ 13,063
2017	<24,760>	13,063
2018	<24,760>	13,063
2019	<3,617>	13,063
2020	<1,380>	184
Thereafter	-	-
	\$ <79,277>	\$ 52,436

*Expected Remaining Service Life of Members* – Certain deferred inflow and deferred outflow calculations require amortization over the remaining service life of the System’s members, including retirees, as determined at the beginning of the measurement period. For the fiscal year ended June 30, 2015, the membership’s remaining service life was 5.77 years. The average expected remaining service life of the System is determined by taking the calculated total future service years of the System divided by the number of people in the System including retirees. The total future service years of the System are determined using the mortality, termination, retirement and disability assumptions associated with the plan.

	<u>Years</u>
June 30, 2015	5.77

*Actuarial assumptions.* The total pension liability was determined by an actuarial valuation as of July 1, 2015, using the following actuarial assumptions, applied to all prior periods included in the measurement:

Inflation:	3 %	
Salary increases:	4.5 % to 17.0 % average, including inflation	
Investment rate of:	7.5 % net of pension plan investment expense	

Mortality rates were based on the RP2000 combined healthy with blue collar adjustment as appropriate, with adjustments for generational mortality improvement using scale AA for active and disabled pensioners.

The actuarial assumptions used in the July 1, 2015, valuation were based on the results of an actuarial experience study for the period July 1, 2007, to June 30, 2012.

The long-term expected rate of return on pension plan investments was determined using a building-block method in which best-estimate ranges of expected future real rates of return (expected returns, net of pension plan investment expense, and inflation) are developed for each major asset class. These ranges are combined to produce the long-term expected rate of return by weighting the expected future real rates of

CITY OF PERKINS  
Perkins, Oklahoma

NOTES TO THE FINANCIAL STATEMENTS  
For the year ended June 30, 2016

**4.A. PENSION PLANS (continued)**

return by the target asset allocation percentage and by adding expected inflation. Best estimates of arithmetic real rates of return for each major asset class included in the pension plan's target asset allocation as of June 30, 2015, are summarized in the following table:

<u>Asset Class</u>	<u>Long-Term Expected Real Rate of Return</u>
Fixed income	2.83 %
Domestic equity	6.47 %
International equity	6.98 %
Real estate	5.50 %
Private equity	5.96 %
Commodities	3.08 %

*Discount rate.* The discount rate used to measure the total pension liability was 7.5 percent. The projection of cash flows used to determine the discount rate assumed that contributions from plan members will be made at the current contribution rate and that contributions from participating employers will be made at contractually required rates, determined by State statutes. Projected cash flows also assume the State of Oklahoma will continue contributing 14 % of the insurance premium, as established by statute. Based on these assumptions, the pension plan's fiduciary net position was projected to be available to make all projected future benefit payments of current plan members. Therefore, the long-term expected rate of return on pension plan investments was applied to all periods of projected benefit payments to determine the total pension liability.

*Sensitivity of the City's proportionate share of the net pension liability to changes in the discount rate.* The following presents the net pension liability of the City calculated using the discount rate of 7.5 %, as well as what the Plan's net pension liability would be if it were calculated using a discount rate that is 1-percentage point lower (6.5 %) or 1-percentage point higher (8.5 %) than the current rate:

	<u>1 % Decrease (6.5 %)</u>	<u>Current Discount Rate (7.5 %)</u>	<u>1 % Increase (8.5 %)</u>
Employers' net pension liability	\$ 171,991	\$ 2,862	\$ <139,725>

*Pension plan fiduciary net position.* Detailed information about the pension plan's fiduciary net position is available in the separately issued Oklahoma Police Pension and Retirement System financial report.

Following is a summary of the different pension funds' effect on the current year financial statements:

	<u>Deferred Outflows</u>	<u>Pension Liability</u>	<u>Deferred Inflows</u>	<u>Pension Expense</u>
Ok.Municipal Retirement Fund – City	32,157	46,543	49,911	77,287
Ok.Municipal Retirement Fund – PPWA	32,157	46,543	49,911	77,287
Ok.Firefighters Pension & Retirement Fund	32,597	253,256	27,856	<12,973>
Ok.Police Pension & Retirement Fund	<u>79,389</u>	<u>2,861</u>	<u>78,096</u>	<u>&lt;41,440&gt;</u>
Totals	<u>176,300</u>	<u>349,203</u>	<u>205,774</u>	<u>100,161</u>

CITY OF PERKINS  
Perkins, Oklahoma

NOTES TO THE FINANCIAL STATEMENTS  
For the year ended June 30, 2016

**4.A.1. TERMINATION BENEFITS**

At June 30, 2016, the City's reporting entity had no terminated employees participating in COBRA health care in various options available from the City. COBRA participants pay 100 % of the premium cost for continuing coverage. COBRA continuation coverage benefits are available for eligible employees for 18 months. Dependents of employees who lose coverage due to a qualifying event are eligible for 30 months. Benefits provided are not material to the financial statements.

**4.B. RISK MANAGEMENT**

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

The City manages these various risks of loss as follows:

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

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

**Risk Entity Pools**

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

*(1) Liability Protection Plan*

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

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

The title to all assets acquired by the Plan are vested in the Group. In the event of termination of the Group, such property shall belong to the then members of the Group in equal shares. Each participating City pays

CITY OF PERKINS  
Perkins, Oklahoma

NOTES TO THE FINANCIAL STATEMENTS  
For the year ended June 30, 2016

**4.B. RISK MANAGEMENT (continued)**

all costs, premiums, or other fees attributable to its respective participation in the Plan, and is responsible for its obligation under any contract entered into with the Plan.

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

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

*(2) Life and Health Benefit Plan*

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

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

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

Class II and Class III are pooled together under one excess stop-loss agreement between the Plan and the excess stop-loss carrier. This agreement is similar in nature to the Class I municipality agreements; however, no amounts are refundable to Class II and Class III municipalities for contributions collected in excess of benefits paid and the Plan is responsible for claims incurred but not paid as of June 30, 2016. If a Class II and Class III municipality renews, the renewal excess stop-loss agreement covers claims incurred before June 30, 2016, and paid in the renewal period.

CITY OF PERKINS  
Perkins, Oklahoma

NOTES TO THE FINANCIAL STATEMENTS  
For the year ended June 30, 2016

**4.C. COMMITMENTS AND CONTINGENCIES**

COMMITMENTS

Ad Valorem Assessment

During the previous year, the City settled a lawsuit with a former contract engineer, which settled a disputed claim, for \$ 17,500. The judgment will be paid by the City through a levy of ad valorem tax, over a three year period, on all taxable property within the City. The levies under the ad valorem tax are as follows:

	<u>Levy</u>	<u>Paid</u>
June 30, 2015	\$ 6,620.12	\$ 7,089.68
June 30, 2016	\$ 6,043.71	\$ 5,920.31

An additional \$ 690.75, which was the remainder of the previous assessment, was utilized in the first payment.

During the current year, the City issued General Obligation bonds, payable through ad valorem tax (see Note 3.G.) The first levy under the G.O. bonds was submitted to the county excise board by August 27, 2016, and will be put on the tax rolls for 2016. The first interest payment will be due June 1, 2017, with the first principal payment due June 1, 2018.

Water District Settlement

During the year ended June 30, 2004, the suit by Payne County Rural Water District No. 3 was settled through mediation. The major terms of the settlement included the payment of \$ 120,000.00 to the Water District, which was paid by the City's insurance carriers upon obtaining all releases and a monthly payment of \$ 1,500.00 to be paid to the Water District, by the Perkins Public Works Authority, for ten years. The City's boundaries, and service areas remained substantially the same as they were before the suit. The \$ 180,000 was recorded as an extraordinary item, and a judgment payable, in the June 30, 2004 government-wide financial statements. The final \$ 3,000 of the judgment payable was paid during the previous year.

Other Commitments

The City was previously approved for a \$ 25,000 Rural Economic Action Plan Grant (REAP) from the State of Oklahoma, administered through the Central Oklahoma Economic Development District (COEDD) to purchase generators for both fire stations. The funding period ran from July 1, 2014, through June 30, 2015. During the previous year, \$ 23,459.24 was drawn, and expended, under the grant, and the City provided \$ 979.44 in City funds. During the current year, the other \$ 1,540.76 was drawn, and expended. See the Schedule of Grant Funds for further details.

The City was approved for a 2016 State and Local Assistance Sub-Grant, through the Oklahoma Department of Emergency Management, funded by the Department of Homeland Security – Federal Emergency Management Agency, to provide financial and technical assistance to improve emergency management capabilities. The \$ 10,000 grant provides up to half the funding for necessary and essential state and local emergency preparedness personnel and expenses. The funding period runs concurrently with the federal fiscal year. During the current year, a total of \$ 5,000 was received, and expended, under this grant. See the Schedule of Grant Funds for further details.

CITY OF PERKINS  
Perkins, Oklahoma

NOTES TO THE FINANCIAL STATEMENTS  
For the year ended June 30, 2016

**4.C. COMMITMENTS AND CONTINGENCIES (continued)**

The City was previously approved for a \$ 18,625 Oklahoma Highway Safety Office grant, funded through the National Highway Traffic Safety Administration, to provide overtime and benefits for speed enforcement. During the previous year, \$ 3,431.69 was drawn and expended. During the current year, another \$ 14,523.67 was drawn and expended. See the Schedule of Grant Funds for further details.

The City has been approved for a \$ 20,000 Oklahoma Highway Safety Office grant, funded through the National Highway Traffic Safety Administration, to provide overtime and benefits for speed enforcement. During the current year, \$ 2,227.13 was drawn and expended. See the Schedule of Grant Funds for further details.

The City was approved for a \$ 997.25 grant from the Oklahoma Humanities Council, authorized by the National Endowment of the Humanities. The grant is to help fund a program called Dynamics of Dysfunction. The grant called for matching funds of \$ 1,104. During the current year, the entire amount of the grant was drawn, and expended, and the City provided the \$ 1,104 in matching costs.

The City was approved for a \$ 856.45 grant from the Oklahoma Humanities Council, authorized by the National Endowment of the Humanities. The grant is to help fund a program called Hope Amidst Hardship. The grant called for matching funds of \$ 1,144. During the current year, the entire amount of the grant was drawn, and expended, and the City provided the \$ 1,144 in matching costs.

CONTINGENCIES

**Grant Program Involvement**

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

**Litigation**

The City is a party to various legal proceedings that normally occur in the course of governmental operations. The financial statements do not include any accruals or provisions for loss contingencies that may result from these proceedings (except for the settlement discussed in Note 4.C.) State statutes provide for the levy of an ad valorem tax over a 3-year period by a City "Sinking Fund" for the payment of any court assessed judgment rendered against the City (as discussed in Note 4.C.) While the outcome of the above noted proceedings cannot be predicted (except for the judgment discussed in Note 4.C.), due to the insurance coverage maintained by the City and the State statute relating to judgments, the City feels that any settlement or judgment not covered by insurance would not have a material adverse effect on the financial condition of the City.

CITY OF PERKINS  
Perkins, Oklahoma

NOTES TO THE FINANCIAL STATEMENTS  
For the year ended June 30, 2016

**4.C. COMMITMENTS AND CONTINGENCIES (continued)**

**New Accounting Pronouncements**

In November 2013, the Governmental Accounting Standards Board issued GASB Statement No. 71, *Pension Transition for Contributions Made Subsequent to the Measurement Date -- an amendment of GASB Statement No. 68*, to be applied simultaneously with the provisions of GASB Statement No. 68. GASB Statement No. 71 requires that a government recognize a beginning deferred outflow of resources for its pension contributions, if any, made subsequent to the measurement date of the beginning net pension liability. The Town adopted GASB Statement No. 71 during the current year. This had no impact on the City's financial report

**4.D. SUBSEQUENT EVENTS**

Subsequent events have been evaluated through December 13, 2016, which is the date the financial statements were available to be issued.

**REQUIRED SUPPLEMENTARY INFORMATION**

**CITY OF PERKINS  
SCHEDULE OF THE CITY'S PROPORTIONATE SHARE  
OF THE NET PENSION LIABILITIES  
Last 10 Fiscal Years \***

**Exhibit 1**

<b>OMRF PENSION</b>	<b>Year End June 30, 2014</b>	<b>Year End June 30, 2015</b>
Proportion of the net pension liability	100 %	100 %
Proportionate share of the net pension liability	(\$43,468)	(\$93,086)
Covered - employee payroll	\$399,420	\$470,371
Proportionate Share of the net pension liability as percentage of covered-employee payroll	(10.88 %)	(19.79 %)
Plan's fiduciary net position	\$948,356	\$984,529
Plan fiduciary net position as a percentage of the total pension liability	104.80 %	104.76 %
<b>OKLAHOMA POLICE PENSION</b>		
Proportion of the net pension liability	0.0691 %	0.0702 %
Proportionate share of the net pension liability	(\$23,255)	\$2,862
Covered - employee payroll	\$185,529	\$196,028
Proportionate Share of the net pension liability as percentage of covered-employee payroll	(12.53 %)	1.46 %
Plan's fiduciary net position	\$2,238,466,000	\$2,264,996,000
Plan fiduciary net position as a percentage of the total pension liability	101.53 %	99.82 %
<b>OKLAHOMA FIREFIGHTER'S PENSION</b>		
Proportion of the net pension liability	0.0230 %	0.02386 %
Proportionate share of the net pension liability	\$236,128	\$253,256
Covered - employee payroll	\$54,224	\$65,437
Proportionate Share of the net pension liability as percentage of covered-employee payroll	435.47 %	387.02 %
Plan's fiduciary net position	\$2,197,104,543	\$2,283,566,382
Plan fiduciary net position as a percentage of the total pension liability	68.12 %	68.27 %

**Notes to Schedule:**

\* June 30, 2015, was the first year of implementation, therefore only two years are shown.

**CITY OF PERKINS  
SCHEDULE OF CONTRIBUTIONS  
ALL PENSIONS  
Last 10 Fiscal Years \***

**Exhibit 2**

<b>OMRF PENSION</b>	<b>Year End June 30, 2014</b>	<b>Year End June 30, 2015</b>
Contractually required contribution	\$41,867	\$41,845
Contributions in relation fo the contractually required contributions	\$41,867	\$41,845
Contribution deficiency (excess)	<u>\$0</u>	<u>\$0</u>
City's covered-employee payroll	\$399,420	\$470,371
Contributions as a percentage of covered-employee payroll	10.48%	8.90%
<b>OKLAHOMA POLICE PENSION</b>		
Contractually required contribution	\$25,119	\$27,216
Contributions in relation fo the contractually required contributions	\$25,119	\$27,216
Contribution deficiency (excess)	<u>\$0</u>	<u>\$0</u>
City's covered-employee payroll	\$185,529	\$196,028
Contributions as a percentage of covered-employee payroll	13.54%	13.88%
<b>OKLAHOMA FIREFIGHTER'S PENSION</b>		
Contractually required contribution	\$7,394	\$9,064
Contributions in relation fo the contractually required contributions	\$7,394	\$9,064
Contribution deficiency (excess)	<u>\$0</u>	<u>\$0</u>
City's covered-employee payroll	\$54,224	\$65,437
Contributions as a percentage of covered-employee payroll	13.64%	13.85%

**Notes to Schedule:**

\* June 30, 2015, was the first year of implementation, therefore only two years are shown.

## **OTHER SUPPLEMENTARY INFORMATION**

**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***

To the City Commission  
Perkins, 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 Perkins, Oklahoma, as of and for the year ended June 30, 2016, and the related notes to the financial statements, which collectively comprise the City of Perkins, Oklahoma's, basic financial statements and have issued our report thereon dated December 13, 2016. The financial statements of the Perkins Industrial Development Authority were not included in the City of Perkins' financial statements and, accordingly, this report does not include reporting on internal control over financial reporting or instances of reportable noncompliance associated with the Perkins Industrial Development Authority. Our report included an explanatory paragraph that stated management had not presented the management's discussion and analysis, and the budgetary comparison information, to supplement the financial statements, and our report on the business-type activities was qualified due to the omission of a component unit.

**Internal Control Over Financial Reporting**

In planning and performing my audit of the financial statements, we considered the City of Perkins, Oklahoma'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 of Perkins, Oklahoma's, internal control. Accordingly, we do not express an opinion on the effectiveness of the City of Perkins, Oklahoma'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.

**Compliance and Other Matters**

As part of obtaining reasonable assurance about whether the City of Perkins, Oklahoma's, financial

statements are free from 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 my tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

#### **Purpose of this Report**

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

A handwritten signature in black ink, appearing to read "Bruce G. Luttrell, CPA, PC". The signature is written in a cursive style with some capital letters.

Bruce G. Luttrell, CPA, PC

December 13, 2016

**CITY OF PERKINS  
SCHEDULE OF GRANT FUNDS  
FOR THE YEAR ENDED JUNE 30, 2016**

Exhibit 3

Federal/State Grantor/ Pass Through Grantor/ Program Title	Federal CFDA Number	Pass-Through Grantor's Number	Program or Award Amount	Cash Accrued or Deferred Revenue at July 1, 2015	Contract Receipts Revenue Recognized	Contract Disbursements Expenditures	Interest Earned Federal Funds	Match Receipts or Revenue Recognized	Match Disbursements Expenditures	Cash Accrued or Deferred Revenue at June 30, 2016
<u>U.S. Department of Transportation</u>										
Passed through the National Highway Traffic Safety Administration										
Oklahoma Highway Safety Office	20.600	SE-15-03-05-02	18,625.00		14,523.67	14,523.67				-
	20.600	SE-16-03-06-03	20,000.00		2,227.13	2,227.13				-
			38,625.00		16,750.80	16,750.80				-
<u>U.S. Department of Homeland Security</u>										
Passed through the Oklahoma Department of Emergency Management										
Emergency Management Performance Grant State and Local Assistance Sub-Grants:	97.042	2016	10,000.00		5,000.00	5,000.00				-
			25,000.00		1,540.76	1,540.76				-
<u>Rural Economic Action Plan Grant</u>										
Passed through the Central Oklahoma Economic Development District:										
# 2014-2015 REAP Fund 21										-
<u>State of Oklahoma</u>										
Passed through the Oklahoma Humanities Council										
Dynamics of Dysfunction		Y15.065	997.25		997.25	997.25		1,104.00	1,104.00	-
Hope Amidst Hardship		Y16.004	856.45		856.45	856.45		1,144.00	1,144.00	-
			1,853.70		1,853.70	1,853.70		2,248.00	2,248.00	-