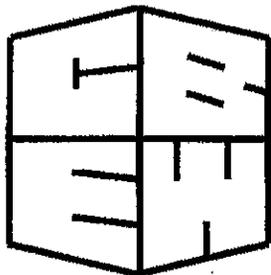


**CITY OF PERRY, OKLAHOMA
PERRY, OKLAHOMA**

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

**FOR THE YEAR ENDED
JUNE 30, 2015**

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Certified Public Accountants

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INDEPENDENT AUDITOR'S REPORT

November 24, 2015

Honorable City Council
City of Perry
Perry, Oklahoma

Report on the Financial Statements

We have audited the accompanying financial statements of the governmental activities, the business-type activities, the aggregate discretely presented component unit, each major fund, and the aggregate remaining fund information of the City of Perry, Oklahoma, (City) as of and for the year ended June 30, 2015, and the related notes to the financial statements, which collectively comprise the City's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

Our responsibility is to express an opinion on these financial statements based on our audit. We did not audit the financial statements of the Perry Municipal Hospital Authority, the aggregate discretely presented component unit. Those statements were audited by other auditors whose report has been furnished to us, and our opinion, insofar as it relates to the amounts included for the Perry Municipal Hospital Authority, is based solely on the report of the other auditors. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

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

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

Opinions

In our opinion, based on our audit and the report of other auditors, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, the aggregate discretely presented component unit, each major fund and the aggregate remaining fund information of the City of Perry, Oklahoma, as of June 30, 2015, and the respective changes in financial position, thereof for the year then ended in conformity with accounting principles generally accepted in the United States of America.

Other Matters

Required Supplementary Information

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

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated November 24, 2015, on our consideration of the City's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the City's internal control over financial reporting and compliance.

CBEW Professional Group, LLP

CBEW Professional Group, LLP
Certified Public Accountants

Our discussion and analysis of the City of Perry's ("City") financial performance provides an overview of the City's financial activities for the fiscal year ended June 30, 2015. The City's performance is discussed and analyzed within the context of the accompanying financial statements and disclosures following this section. This discussion focuses on the City's primary government, and unless otherwise noted, component units reported separately from the primary government are not included. Please read it in conjunction with the City's financial statements, which follow this section.

FINANCIAL HIGHLIGHTS

- At June 30, 2015, the assets of the City exceeded its liabilities by \$1,895,394 (net position) compared to \$14,912,409, restated in prior year for the implementation of GASB No. 68 Accounting and Financial Reporting for Pensions.
- The City's total net position is comprised of the following:
 - (1) Invested in capital assets, net of related debt of \$9,569,877 include property and equipment, net of accumulated depreciation, and reduced for outstanding debt related to the purchase of construction of capital assets.
 - (2) Restricted net position of \$3,498,492 which consist mainly of restricted investment accounts related to the outstanding debt held by the City.
 - (3) Unrestricted net position of \$2,827,025 may be used to meet the City's ongoing obligations to citizens and creditors.
- After transfers of \$2,108,084 from business-type activities to governmental activities, net position of governmental activities increased \$775,966 or 10%, and net position of business-type activities increased \$207,019 or 3%. Overall the health of the City improved when compared to prior year by \$982,985 or 7% over prior year.
- The City implemented GASB No. 68 Accounting and Financial Reporting for Pensions which resulted in the recognition of a net pension liability of \$1,768,466 for police, fire, and municipal employee retirement obligations. The liability is recorded in noncurrent governmental activities on the Statement of Net Position.

OVERVIEW OF THE FINANCIAL STATEMENTS

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

Government-wide Financial Statements

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

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

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

Both government-wide financial statements distinctively report governmental activities of the City that are principally supported by taxes and intergovernmental revenues, such as grants, and business-type

activities that are intended to recover all or a significant portion of their costs through user fees and charges. Governmental activities includes general government; public safety and judiciary; transportation; and cultural, parks, and recreation. Business-types activities include utility services, including electricity, water, and sanitation, provided by the City.

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

Fund Financial Statements

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

The City has two kinds of funds:

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

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

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

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

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

Notes to the financial statements

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

Other information

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

A FINANCIAL ANALYSIS OF THE CITY AS A WHOLE

Net Position

The City's combined net position remained consistent between fiscal years 2014 and 2015, noting a \$982,985 or 6% increase. Due to the implementation of GASB No. 68, governmental activities for the year ending June 30, 2014 were restated from prior issuance. The following table provides a summary of the City's net position at June 30:

	<u>Governmental Activities</u>		<u>Business-Type Activities</u>		<u>Total</u>		<u>\$</u> <u>Change</u>	<u>%</u> <u>Change</u>
	<u>2015</u>	<u>2014</u>	<u>2015</u>	<u>2014</u>	<u>2015</u>	<u>2014</u>		
Current assets	\$ 3,386,255	\$ 4,013,127	\$ 7,010,299	\$ 7,423,272	\$ 10,396,554	\$ 11,436,399	\$ (1,039,845)	-9%
Non-current assets	51,937.00	-	65,053	-	116,990	-	116,990	100%
Capital assets, net	7,914,860	6,365,301	10,201,140	10,619,373	18,116,000	16,984,674	1,131,326	7%
Total assets	11,353,052	10,378,428	17,276,492	18,042,645	28,629,544	28,421,073	208,471	1%
Deferred outflows	35,593	-	-	-	35,593	-	35,593	100%
Current liabilities	273,587	259,523	2,267,462	2,325,196	2,541,049	2,584,719	(43,670)	-2%
Non-current liabilities	1,860,744	2,291,542	7,716,965	8,484,403	9,577,709	10,775,945	(1,198,236)	-11%
Total liabilities	2,134,331	2,551,065	9,984,427	10,809,599	12,118,758	13,360,664	(1,241,906)	-9%
Deferred inflows	650,985	-	-	-	650,985	-	650,985	100%
Net assets								
Invested in capital assets, net of related debt	8,148,140	6,324,201	1,421,737	804,631	9,569,877	7,128,832	2,441,045	34%
Restricted	2,440,114	2,124,696	1,058,378	2,944,349	3,498,492	5,069,045	(1,570,553)	-31%
Unrestricted	(1,984,925)	(621,534)	4,811,950	3,484,066	2,827,025	2,862,532	(35,507)	-1%
Total net position	\$ 8,603,329	\$ 7,827,363	\$ 7,292,065	\$ 7,233,046	\$ 15,895,394	\$ 15,060,409	\$ 834,985	6%

The City reported positive balances in net position for both governmental and business-type activities. Total assets remained consistent noting a 1% change year over year the City as a whole. Total liabilities decreased 9% due to the actuarial valuation of the pension liability combined with payments on outstanding debt obligations. Governmental activities noted an increase in net position of \$775,966, whereas net position for business-type activities increased \$207,019. Overall, the City's financial position improved 6% year over year.

Changes in Net Position

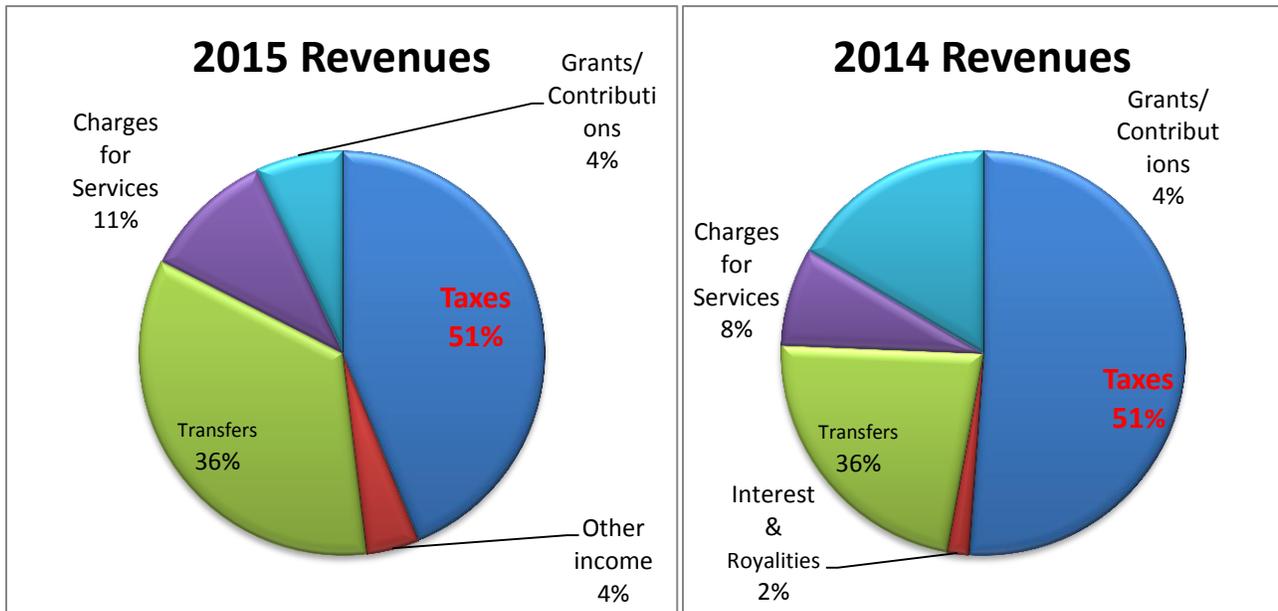
For the year ended June 30, 2015, net position of the primary government changed as follows:

	Governmental Activities		Business-type Activities		Total		\$ Change	% Change
	2015	2014	2015	2014	2015	2014		
Revenues								
Program revenues	\$ 1,071,047	\$ 1,476,145	\$ 11,629,720	\$ 11,298,907	\$ 12,700,767	\$ 12,775,052	\$ (74,285)	-1%
Taxes and other general revenues	2,945,316	3,204,695	76,474	110,864	3,021,790	3,315,559	(293,769)	-9%
Total revenues	4,016,363	4,680,840	11,706,194	11,409,771	15,722,557	16,090,611	(368,054)	-9%
Expenses								
General government	830,067	801,934	-	-	830,067	801,934	28,133	4%
Public safety and judiciary	2,026,597	1,802,275	-	-	2,026,597	1,802,275	224,322	12%
Transportation	874,211	991,822	-	-	874,211	991,822	(117,611)	-12%
Cultural, parks, and recreation	618,135	597,758	-	-	618,135	597,758	20,377	3%
Cemetery	131,724	195,525	-	-	131,724	195,525	(63,801)	-33%
Ambulance	685,962	611,168	-	-	685,962	611,168	74,794	12%
Economic development	181,785	274,978	-	-	181,785	274,978	(93,193)	-34%
Electric	-	-	5,687,461	5,552,222	5,687,461	5,552,222	135,239	2%
Water	-	-	1,779,638	1,817,803	1,779,638	1,817,803	(38,165)	-2%
Sewer	-	-	453,084	464,904	453,084	464,904	(11,820)	-3%
Sanitation	-	-	463,816	462,221	463,816	462,221	1,595	0%
Airport	-	-	492,623	509,758	492,623	509,758	(17,135)	-3%
Customer service	-	-	514,469	892,298	514,469	892,298	(377,829)	-42%
Total expenses	5,348,481	5,275,460	9,391,091	9,699,206	14,739,572	14,974,666	(235,094)	-2%
Excess (deficiency) before transfers	\$ (1,332,118)	\$ (594,620)	\$ 2,315,103	\$ 1,710,565	\$ 982,985	\$ 1,115,945	\$ (132,960)	-12%
Transfers	2,108,084	1,525,013	(2,108,084)	(1,525,013)	-	-	-	0%
Increase (decrease) in net position	\$ 775,966	\$ 930,393	\$ 207,019	\$ 185,552	\$ 982,985	\$ 1,115,945	\$ (132,960)	-12%

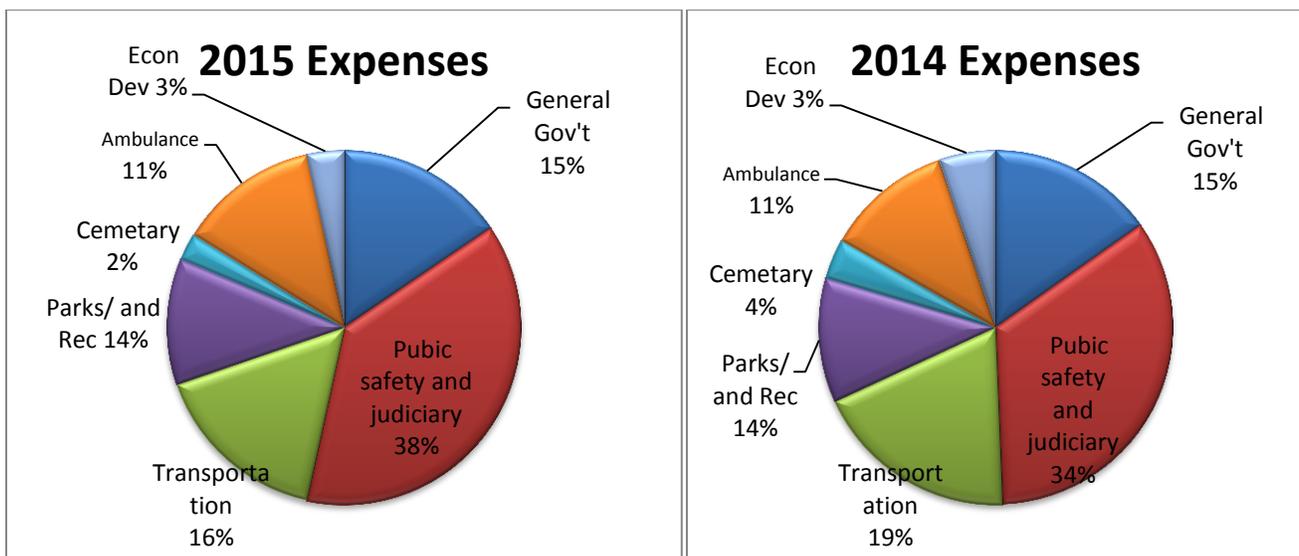
Total revenues for the City decreased 9% year over year. This change in revenues is attributable to a decline in general revenues, specially sales tax and hotel/motel occupancy tax. Program revenues in the governmental activities noted a decline based upon the donation of a fire truck recorded in prior year. Program revenues for business-type activities increased slightly (3%) when compared to prior year due to increases in utility billings.

Operating expenses remained consistent between fiscal years, noting a 2% change over prior year. The consistency in expenses for the City is a function of strict budgeting and adherence to established management goals during the fiscal year and increase in interest expenses and financing charges associated with the refunding debt during the fiscal year.

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



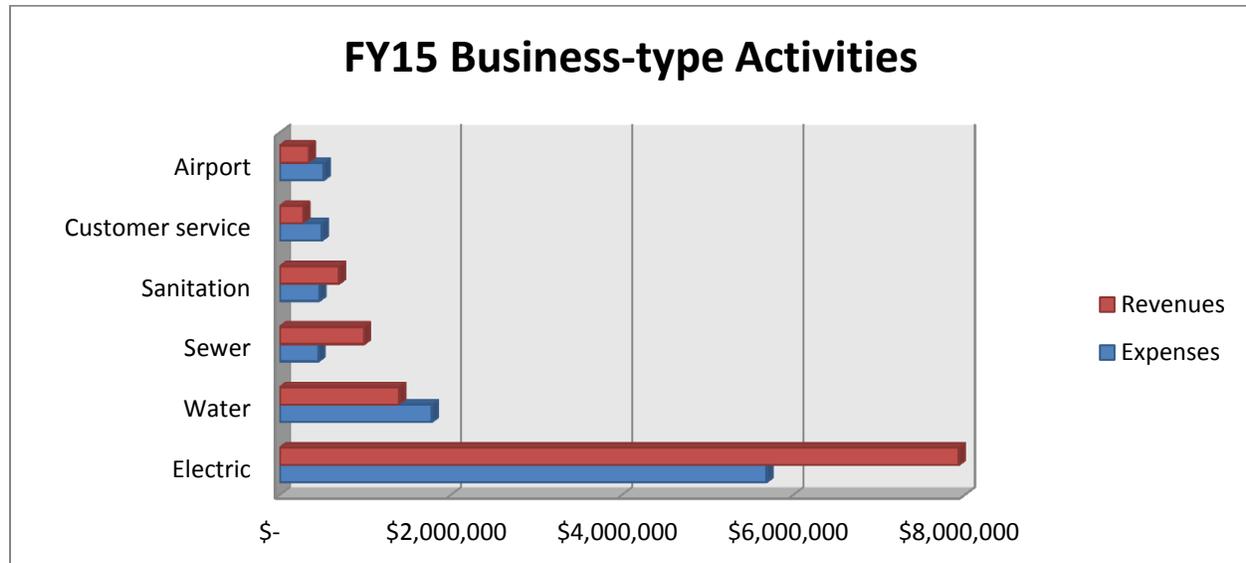
Taxes provided for 51% of the City's governmental revenues in fiscal year 2015, which is consistent between fiscal years. All other revenue sources remained consistent between years.



For the year ended June 30, 2015, total expenses for governmental activities amounted to \$5,348,481. Of this amount, public safety and judiciary with \$2,026,597, was the largest operating service department at 38% of the total cost of services for the City government, which is consistent with prior year. These costs, as well as all other governmental activity expenses, were primarily funded by tax revenues and transfers in from the Perry Municipal Authority.

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

Business-type Activities



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

For the fiscal year ended June 30, 2015, revenues from electric, sewer, and sanitation services covered the cost of operating their respective departments.

General Fund Budgetary Highlights

The original adopted General Fund budget for fiscal year 2015 was \$5,118,747, a 4% increase of prior year's budget. Budget amendments were approved during the fiscal year increasing the budget by \$1,818,852, for a final amended budget of \$6,937,599 prior to transfers. The General Fund budget complied with financial policies approved by the City.

CAPITAL ASSET AND DEBT ADMINISTRATION

Capital Assets

At the end of June 30, 2015, the City had \$9,569,877 invested in capital assets, net of related debt, including vehicles and equipment for police and fire operations, street improvements, and park facilities, in governmental activities and electric lines, water lines and sewer lines in business-type activities. Refer to the table below.

Primary Government Capital Assets (net of accumulated depreciation)

	Governmental		Business-type		Total	
	Activities		Activities			
	2015	2014	2015	2014	2015	2014
Land	\$ 614,915	\$ 619,944	\$ 500,000	\$ 500,000	\$ 1,114,915	\$ 1,119,944
Construction in process	2,363,667	288,827	503,880	3,800	2,867,547	292,627
Buildings	349,533	382,802	244,405	395,750	593,938	778,552
Machinery & equipment	824,952	896,038	232,718	185,389	1,057,670	1,081,427
Utility property & improvements	3,761,793	4,177,690	8,720,137	9,534,485	12,481,930	13,712,175
Totals	<u>\$ 7,914,860</u>	<u>\$ 6,365,301</u>	<u>\$ 10,201,140</u>	<u>\$ 10,619,424</u>	<u>\$ 18,116,000</u>	<u>\$ 16,984,725</u>

- In Governmental Activities, the most significant additions included work infrastructure of the new sports complex, roof at City Hall, radio system upgrades for the police department, and in-car cameras for the police officers.
- In Business-type activities, capital additions included sewer upgrades, three new vehicles, and airport engineering.

Long-Term Debt

At year-end, the City had \$7,716,965 in long-term debt outstanding, detailed below. Debt obligations decreased \$1,035,339 when compared to prior year. This decrease is attributable to regular payments made on existing debt held by the City.

Primary Government Long-Term Debt
 Business-type Activities

	<u>2015</u>
Notes payable	4,941,965
Bonds payable	2,775,000
less current portion	<u>(1,062,438)</u>
Totals	<u>\$ 6,654,527</u>

ECONOMIC FACTORS AND NEXT YEARS'S BUDGET AND RATES

Economic Environment

According to the Oklahoma Economic Report, "revenue growth from the past year has been erased and indications are the situation is going to get worse before it gets better" stated by State Treasurer, Ken Miller in October 2015. The economic environment of the state sheds light on the local economy of the City.

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

Fees and Rates

Sales tax collections have declined slightly consistent with the state's outlook. As such, the City has budgeted recurring revenues, including sales and use tax, at 90% of fiscal year 2015 actual collections. This difference represents approximately \$100,000. Utility rates increases were included in the budget for water, sewer, and garbage services generating an estimated \$327,600, which help offset the increasing cost of providing services to citizens. A drainage fee of \$3 per meter was implemented, which is expected to add \$110,000 in revenue to be earmarked for drainage improvements. Other revenue

sources are budgeted consistent with fiscal year 2015 collections, including the ambulance supplemental support.

Operating and Capital Expenses

Operating expenses for the General Fund and PMA are expected to increase marginally in fiscal year 2016. The Council has considered capital projects for fiscal year 2016 exceeding \$1.2 million for the City as a whole. As management continues to navigate the fiscal changes of state and local economy, capital funding decisions will be made and approved by the Council.

CONTACTING THE CITY'S FINANCIAL MANAGEMENT

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

City of Perry, Oklahoma
Statement of Net Position
June 30, 2015

ASSETS	Governmental	Business-type	Total	Component Unit
	Activities	Activities		Municipal Hospital Authority
Current Assets:				
Cash and cash equivalents	\$ 246,115	\$ 2,451,287	\$ 2,697,402	\$ 395,653
Investments	1,067,413	411,046	1,478,459	587,087
Accounts receivable (net)	124,997	970,054	1,095,051	1,314,310
Other receivables	181,267	-	181,267	-
Inventory	-	20,980	20,980	202,323
Total current assets	<u>1,619,792</u>	<u>3,853,367</u>	<u>5,473,159</u>	<u>2,499,373</u>
Restricted assets:				
Cash and cash equivalents	1,666,363	1,876,324	3,542,687	-
Investments	100,100	1,280,608	1,380,708	3,005,819
Total restricted assets	<u>1,766,463</u>	<u>3,156,932</u>	<u>4,923,395</u>	<u>3,005,819</u>
Noncurrent Assets:				
Other assets	-	65,053	65,053	278,567
Pension asset	51,937	-	51,937	-
Land and construction in progress	2,978,580	503,800	3,482,380	281,238
Other capital assets (net of accumulated depreciation)	4,936,280	9,697,340	14,633,620	5,827,938
Total noncurrent assets	<u>7,966,797</u>	<u>10,266,193</u>	<u>18,232,990</u>	<u>6,387,743</u>
Total assets	<u>\$ 11,353,052</u>	<u>\$ 17,276,492</u>	<u>\$ 28,629,544</u>	<u>\$ 11,892,935</u>
DEFERRED OUTFLOW OF RESOURCES				
Deferred charges on pension obligations	<u>35,593</u>	<u>-</u>	<u>35,593</u>	<u>-</u>
LIABILITIES				
Current liabilities:				
Accounts payable	\$ 288,944	\$ 547,599	\$ 836,543	\$ 718,247
Other accrued liabilities	-	22,825	22,825	-
Due to other funds	(181,343)	181,343	-	-
Accrued salary and vacation payable	4,196	36,286	40,482	-
Payroll taxes payable	45,010	-	45,010	-
Other liabilities	100,300	-	100,300	294,571
Notes payable, current	16,480	412,438	428,918	-
Total current liabilities	<u>273,587</u>	<u>1,200,491</u>	<u>1,474,078</u>	<u>1,012,818</u>
Liabilities payable from restricted assets:				
Accrued payables	-	69,856	69,856	-
Customer deposits payable	-	347,115	347,115	-
Bonds payable, current	-	650,000	650,000	-
Total liabilities payable from restricted assets	<u>-</u>	<u>1,066,971</u>	<u>1,066,971</u>	<u>-</u>
Noncurrent liabilities:				
Lease payable, non-current	40,341	-	40,341	-
Notes payable, non-current	-	4,941,965	4,941,965	-
Bonds payable, non-current	-	2,775,000	2,775,000	-
Pension liability	1,820,403	-	1,820,403	-
Total noncurrent liabilities	<u>1,860,744</u>	<u>7,716,965</u>	<u>9,577,709</u>	<u>-</u>
Total liabilities	<u>2,134,331</u>	<u>9,984,427</u>	<u>12,118,758</u>	<u>1,012,818</u>
DEFERRED INFLOW OF RESOURCES				
Deferred charges on pension obligations	<u>650,985</u>	<u>-</u>	<u>650,985</u>	<u>-</u>
NET POSITION				
Net investment in capital assets	8,148,140	1,421,737	9,569,877	6,109,176
Reserved for restricted purposes	2,440,114	1,058,378	3,498,492	52,224
Unrestricted	(1,984,925)	4,811,950	2,827,025	4,718,717
Total net position	<u>\$ 8,603,329</u>	<u>\$ 7,292,065</u>	<u>\$ 15,895,394</u>	<u>\$ 10,880,117</u>

City of Perry, Oklahoma
Statement of Activities
Year Ended June 30, 2015

Functions/Programs	Expenses	Program Revenues			Net (Expense)/ Revenue
		Charges for Services	Operating Grants and Contributions	Capital Grants & Contributions	
Governmental activities:					
General government:					
General government	\$ 830,067	\$ 45,996	\$ 32,510	\$ -	\$ (751,561)
Total general government	830,067	45,996	32,510	-	(751,561)
Public safety and judiciary:					
Police	1,380,298	111,828	7,640	-	(1,260,830)
Code enforcement	101,907	59,011	855	-	(42,041)
Animal control	49,584	745	-	-	(48,839)
Fire	353,874	-	4,484	-	(349,390)
Municipal court	140,934	20,996	-	-	(119,938)
Total public safety and judiciary	2,026,597	192,580	12,979	-	(1,821,038)
Transportation:					
Street	874,211	-	48,247	-	(825,964)
Total transportation	874,211	-	48,247	-	(825,964)
Cultural, parks and recreation:					
Park	285,201	19,469	3,130	-	(262,602)
Library	268,719	2,849	10,454	7,174	(248,242)
Public access	64,215	10	-	-	(64,205)
Total cultural, parks and recreation	618,135	22,328	13,584	7,174	(575,049)
Cemetery:					
Cemetery	131,724	37,500	2,286	-	(91,938)
Total cemetery	131,724	37,500	2,286	-	(91,938)
Ambulance					
Ambulance	685,962	348,739	266,124	-	(71,099)
Total ambulance	685,962	348,739	266,124	-	(71,099)
Economic development:					
Economic development	181,785	-	41,000	-	(140,785)
Total economic development	181,785	-	41,000	-	(140,785)
Total governmental activities	5,348,481	647,143	416,730	7,174	(4,277,434)
Business-type activities:					
Utility services:					
Electric	5,687,461	7,914,422	20,000	-	2,246,961
Water	1,779,638	1,395,710	-	-	(383,928)
Sewer	453,084	637,959	-	350,000	534,875
Sanitation	463,816	695,727	-	-	231,911
Customer service	492,623	274,873	-	-	(217,750)
Airport	514,469	275,976	-	65,053	(173,440)
Total business-type activities	9,391,091	11,194,667	20,000	415,053	2,238,629
Component Unit:					
Patient services	8,991,529	6,850,353	717,915	-	(1,423,261)
Total component unit activities	8,991,529	6,850,353	717,915	-	(1,423,261)
Total	\$ 23,731,101	\$ 18,692,163	\$ 1,154,645	\$ 422,227	\$ (3,462,066)

City of Perry, Oklahoma
Statement of Activities (continued)
Year Ended June 30, 2015

Changes in Net Position:

	Governmental Activities	Business-type Activities	Total	Component Unit
Net (expense)/revenue	\$ (4,277,434)	\$ 2,238,629	\$ (2,038,805)	(1,423,261)
General revenues:				
Taxes:				
Sales and use tax	2,126,384	-	2,126,384	-
Franchise taxes	81,579	-	81,579	-
911 tax	58,838	-	58,838	-
Hotel/Motel tax	328,763	-	328,763	-
Alcohol beverage tax	65,903	-	65,903	-
Tobacco tax	24,400	-	24,400	-
Investment income	2,705	96	2,801	53,291
Royalties	86,496	76,378	162,874	-
Gain on sale	45,252	-	45,252	-
Other income	124,996	-	124,996	10,388
Transfers-Internal activity	2,108,084	(2,108,084)	-	-
Total general revenues and transfers	<u>5,053,400</u>	<u>(2,031,610)</u>	<u>3,021,790</u>	<u>63,679</u>
Change in net position	775,966	207,019	982,985	(1,359,582)
Net position-beginning, restated	7,827,363	7,085,046	14,912,409	12,239,699
Net position-ending	<u>\$ 8,603,329</u>	<u>\$ 7,292,065</u>	<u>\$ 15,895,394</u>	<u>\$ 10,880,117</u>

City of Perry, Oklahoma
Balance Sheet
Governmental Funds
June 30, 2015

	<u>General Fund</u>	<u>Limited Purpose Sales Tax</u>	<u>Street Improvement Fund</u>	<u>Non-Major Funds</u>	<u>Total Governmental Funds</u>
ASSETS					
Cash and cash equivalents	\$ 173,437	\$ -	\$ -	\$ 140,091	\$ 313,528
Cash and investments, restricted	1,670,901	738,570	352,740	4,252	2,766,463
Accounts receivable	152,976	-	-	-	152,976
Allowance for doubtful accounts	(27,979)	-	-	-	(27,979)
Taxes receivable	79,993	56,263	45,011	-	181,267
Due from other funds	222,432	-	-	-	222,432
Total assets	<u>\$ 2,271,760</u>	<u>\$ 794,833</u>	<u>\$ 397,751</u>	<u>\$ 144,343</u>	<u>\$ 3,608,687</u>
DEFERRED OUTFLOW OF RESOURCES					
Deferred charges on pension obligations	35,593	-	-	-	35,593
LIABILITIES					
Accounts payable	\$ 288,722	\$ -	\$ -	\$ 222	\$ 288,944
Due to other funds	41,089	-	-	-	41,089
Lease payable, current portion	16,480	-	-	-	16,480
Compensated absences	-	-	-	4,196	4,196
Accrued payroll liabilities	45,010	-	-	-	45,010
Deposit payable	100,300	-	-	-	100,300
Total liabilities	<u>491,601</u>	<u>-</u>	<u>-</u>	<u>4,418</u>	<u>496,019</u>
DEFERRED INFLOW OF RESOURCES					
Deferred charges on pension obligations	650,985	-	-	-	650,985
FUND BALANCES					
Restricted	896,207	794,833	397,751	138,056	2,226,847
Committed	211,398	-	-	1,869	213,267
Assigned	182,468	-	-	-	182,468
Unassigned	(125,306)	-	-	-	(125,306)
Total fund balances	<u>1,164,767</u>	<u>794,833</u>	<u>397,751</u>	<u>139,925</u>	<u>2,497,276</u>
Total liabilities and fund balances	<u>\$ 1,656,368</u>	<u>\$ 794,833</u>	<u>\$ 397,751</u>	<u>\$ 144,343</u>	<u>\$ 2,993,295</u>

Total fund balance- total governmental funds \$ 2,497,276

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

Land and capital assets, net of accumulated depreciation, are not financial resources and, therefore, are not reported in the funds.

Land and construction in process	\$ 2,978,580	
Capital assets	13,136,392	
Less: Accumulated depreciation	<u>(8,200,112)</u>	7,914,860

Long-term liabilities are not due and payable in the current period and are not reported in the funds.

Capital lease payable	(40,341)	
Net pension obligation	(1,768,466)	<u>(1,808,807)</u>

Net position of governmental activities \$ 8,603,329

City of Perry, Oklahoma
Statement of Revenues, Expenditures, and Changes in Fund Balances
Governmental Funds
June 30, 2015

	General Fund	Limited Purpose Sales Tax	Street Improvement Fund	Non-Major Funds	Total Governmental Funds
REVENUES					
Sales tax	\$ 621,701	\$ 777,127	\$ 621,701	\$ -	\$ 2,020,529
Use tax	105,855	-	-	-	105,855
Franchise tax	35,829	-	-	45,750	81,579
Hotel/motel tax	328,763	-	-	-	328,763
Other taxes	219,419	-	-	-	219,419
Licenses and permits	29,678	-	-	-	29,678
Rents & royalties	126,940	-	-	-	126,940
Fines and forfeitures	192,580	-	-	-	192,580
Charges for services	623,273	-	-	37,510	660,783
Intergovernmental revenues	23,645	-	-	-	23,645
Donations	50,118	-	-	2,286	52,404
Other revenues	161,169	-	-	-	161,169
Interest	2,705	-	-	-	2,705
Total revenues	<u>2,521,675</u>	<u>777,127</u>	<u>621,701</u>	<u>85,546</u>	<u>4,006,049</u>
EXPENDITURES					
Current:					
General government:					
General government	749,585	-	-	-	749,585
Total general government	<u>749,585</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>749,585</u>
Public safety and judiciary:					
Police	1,331,678	-	-	-	1,331,678
Code enforcement	101,907	-	-	-	101,907
Animal control	49,584	-	-	-	49,584
Fire	304,347	-	-	-	304,347
Municipal court	125,894	-	-	-	125,894
Total public safety and judiciary	<u>1,913,410</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>1,913,410</u>
Transportation:					
Street	586,363	-	-	-	586,363
Total transportation	<u>586,363</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>586,363</u>
Cultural, parks and recreation:					
Parks	235,296	-	-	-	235,296
Library	266,375	-	-	-	266,375
Public access	-	-	-	64,215	64,215
Total cultural, parks and recreation	<u>501,671</u>	<u>-</u>	<u>-</u>	<u>64,215</u>	<u>565,886</u>
Cemetery:					
General cemetery	-	-	-	124,824	124,824
Total cemetery	<u>-</u>	<u>-</u>	<u>-</u>	<u>124,824</u>	<u>124,824</u>
Ambulance:					
Ambulance	657,279	-	-	-	657,279
Total ambulance	<u>657,279</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>657,279</u>
Economic development:					
Economic development	83,808	-	-	-	83,808
Total economic development	<u>83,808</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>83,808</u>
Capital outlay	2,221,914	-	-	-	2,221,914
Total expenditures	<u>6,714,030</u>	<u>-</u>	<u>-</u>	<u>189,039</u>	<u>6,903,069</u>
Excess (deficiency) of revenues over expenditures	<u>(4,192,355)</u>	<u>777,127</u>	<u>621,701</u>	<u>(103,493)</u>	<u>(2,897,020)</u>
OTHER FINANCING SOURCES (USES)					
Transfers in	3,576,823	-	-	109,000	3,685,823
Transfers out	(470,831)	(586,360)	(520,548)	-	(1,577,739)
Total other financing sources and uses	<u>3,105,992</u>	<u>(586,360)</u>	<u>(520,548)</u>	<u>109,000</u>	<u>2,108,084</u>
Net change in fund balances	(1,086,363)	190,767	101,153	5,507	(788,936)
Fund balances - beginning, restated	2,251,130	604,066	296,598	134,418	3,286,212
Fund balances - ending	<u>\$ 1,164,767</u>	<u>\$ 794,833</u>	<u>\$ 397,751</u>	<u>\$ 139,925</u>	<u>\$ 2,497,276</u>

City of Perry, Oklahoma
Statement of Revenues, Expenditures, and Changes in Fund Balances
Governmental Funds
June 30, 2015

Net change in fund balances - total governmental funds \$ (788,936)

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

Governmental funds report capital outlays as expenditures. However, in the statement of activities, the cost of those assets is allocated over their estimated useful lives and reported as depreciation expense.

Capital asset purchases	2,221,914	
Depreciation expense	<u>(667,326)</u>	1,554,588

In the statement of activities, the gain on the disposal of assets is reported, whereas in the governmental funds, the proceeds from the sale increase financial resources. The change in net position differs from the change in fund balance by the cost of the assets disposed, net of accumulated depreciation, if applicable.

Sale of assets - governmental funds	(5,029)
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Repayment of debt principle is an expenditures in the governmental funds, but the repayment reduces long-term liabilities in the statement of net assets.

Debt activity reported in the fund statements		
Capital lease principle		<u>15,343</u>

Change in Net Position of Governmental Activities	<u><u>\$ 775,966</u></u>
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City of Perry, Oklahoma
Statement of Fund Net Position
Proprietary Funds
June 30, 2015

				<u>Component Unit</u>
	<u>Public Utility Authority</u>	<u>Airport Authority</u>	<u>Total Enterprise Funds</u>	<u>Municipal Hospital Authority</u>
ASSETS				
Current assets:				
Cash and cash equivalents	\$ 2,344,981	\$ 106,306	\$ 2,451,287	\$ 395,653
Investments	408,523	2,523	411,046	587,087
Accounts receivable	969,561	18,730	988,291	2,325,310
Allowance for doubtful accounts	(18,237)	-	(18,237)	(1,011,000)
Inventory	-	20,980	20,980	202,323
Other assets	-	65,053	65,053	278,567
Total current assets	<u>3,704,828</u>	<u>213,592</u>	<u>3,918,420</u>	<u>2,777,940</u>
Current assets:				
Restricted assets:				
Cash, including time deposits	1,405,493	470,831	1,876,324	-
Investments	1,280,608	-	1,280,608	3,005,819
Total restricted assets	<u>2,686,101</u>	<u>470,831</u>	<u>3,156,932</u>	<u>3,005,819</u>
Noncurrent assets:				
Due from other funds	(181,343)	-	(181,343)	-
Capital assets (net)	7,919,260	2,281,880	10,201,140	6,109,176
Total noncurrent assets	<u>7,737,917</u>	<u>2,281,880</u>	<u>10,019,797</u>	<u>6,109,176</u>
Total assets	<u>\$ 14,128,846</u>	<u>\$ 2,966,303</u>	<u>\$ 17,095,149</u>	<u>\$ 11,892,935</u>
LIABILITIES				
Current liabilities:				
Accounts payable	\$ 531,323	\$ 16,276	\$ 547,599	\$ 718,247
Sales tax payable	22,825	-	22,825	-
Compensated absences	33,651	2,635	36,286	-
Other liabilities	-	-	-	294,571
Notes payable, current	412,438	-	412,438	-
Total current liabilities	<u>1,000,237</u>	<u>18,911</u>	<u>1,019,148</u>	<u>1,012,818</u>
Liabilities payable from restricted assets:				
Customer deposits payable	347,115	-	347,115	-
Accrued interest payable	69,856	-	69,856	-
Bonds payable, current	650,000	-	650,000	-
Total liabilities payable from restricted assets	<u>1,066,971</u>	<u>-</u>	<u>1,066,971</u>	<u>-</u>
Noncurrent liabilities:				
Notes payable, non-current	4,941,965	-	4,941,965	-
Bonds payable, non-current	2,775,000	-	2,775,000	-
Total noncurrent liabilities	<u>7,716,965</u>	<u>-</u>	<u>7,716,965</u>	<u>-</u>
Total liabilities	<u>9,784,173</u>	<u>18,911</u>	<u>9,803,084</u>	<u>1,012,818</u>
NET POSITION				
Net investment in capital assets	2,564,857	2,281,880	4,846,737	6,109,176
Restricted	1,058,378	-	1,058,378	52,224
Unrestricted	721,438	665,512	1,386,950	4,718,717
Total net position	<u>\$ 4,344,673</u>	<u>\$ 2,947,392</u>	<u>\$ 7,292,065</u>	<u>\$ 10,880,117</u>

City of Perry, Oklahoma
Statement of Revenues, Expenses and Changes in Net Position
Proprietary Funds
Year Ended June 30, 2015

	Public Utility Authority	Airport Authority	Total Enterprise Funds	Component Unit Municipal Hospital Authority
Operating revenues:				
Charges for services:				
Electric charges	\$ 7,914,422	\$ -	\$ 7,914,422	\$ -
Water charges	1,395,710	-	1,395,710	-
Sewer charges	637,959	-	637,959	-
Sanitation charges	695,727	-	695,727	-
Penalties	108,175	-	108,175	-
Net patient and service charges	-	-	-	6,850,353
Total charges for services	<u>10,751,993</u>	<u>-</u>	<u>10,751,993</u>	<u>6,850,353</u>
Lease and rental income	-	35,212	35,212	-
Other fees and charges	166,698	-	166,698	717,915
Fees & oil sales	-	240,764	240,764	-
Total operating revenues	<u>10,918,691</u>	<u>275,976</u>	<u>11,194,667</u>	<u>7,568,268</u>
Operating expenses:				
Personal services	1,319,512	101,578	1,421,090	2,513,133
Materials and supplies	719,723	23,521	743,244	2,387,554
Purchases for resale	4,798,312	189,858	4,988,170	-
Other services and charges	744,086	31,721	775,807	3,452,833
Depreciation	946,480	167,791	1,114,271	638,009
Total operating expenses	<u>8,528,113</u>	<u>514,469</u>	<u>9,042,582</u>	<u>8,991,529</u>
Net operating income	2,390,578	(238,493)	2,152,085	(1,423,261)
Nonoperating revenue (expense):				
Investment income	96	-	96	53,291
Royalty income	-	76,378	76,378	-
Grant income	350,000	65,053	415,053	-
Interest expense	(331,349)	-	(331,349)	-
Bad debt	(17,160)	-	(17,160)	-
Contributions	-	-	-	10,341
Other revenue (expenses)	20,000	-	20,000	47
Total nonoperating revenue (expense)	<u>21,587</u>	<u>141,431</u>	<u>163,018</u>	<u>63,679</u>
Net Income before contributions and transfers	2,412,165	(97,062)	2,315,103	(1,359,582)
Transfers from other funds	1,106,908	470,831	1,577,739	-
Transfers to other funds	(3,685,823)	-	(3,685,823)	-
Residual equity transfer	-	-	-	-
Change in net position	(166,750)	373,769	207,019	(1,359,582)
Net position-beginning of year	4,511,423	2,573,623	7,085,046	12,239,699
Net position-end of year	<u>\$ 4,344,673</u>	<u>\$ 2,947,392</u>	<u>\$ 7,292,065</u>	<u>\$ 10,880,117</u>

City of Perry, Oklahoma
Statement of Cash Flows
Proprietary Funds
Year Ended June 30, 2015

	Component Unit			
	Public Utility Authority	Airport Authority	Total Enterprise Funds	Municipal Hospital Authority
<u>Cash flows from operating activities:</u>				
Receipts from customers/patients	\$ 10,961,524	\$ 284,687	\$ 11,246,211	\$ 7,716,767
Payments to suppliers	(6,281,177)	(224,216)	(6,505,393)	(3,380,410)
Payments to employees	(1,319,031)	(101,634)	(1,420,665)	(4,849,301)
Net cash provided (used) by operating activities	3,361,316	(41,163)	3,320,153	(512,944)
<u>Cash flows from non-capital financing activities:</u>				
Transfers from other funds	1,106,908	470,831	1,577,739	-
Transfers to other funds	(3,685,823)	-	(3,685,823)	-
Receipts from nonoperating income and contributions	186,698	76,378	263,076	10,388
Net cash provided (used) by non-capital financing activities	(2,392,217)	547,209	(1,845,008)	10,388
<u>Cash flows from capital and related financing activities:</u>				
Purchases of capital assets	(625,797)	(70,242)	(696,039)	(414,878)
Proceeds from issuance of debt	-	-	-	-
Principal paid on capital debt	(1,035,339)	-	(1,035,339)	-
Interest paid on capital debt	(394,375)	-	(394,375)	-
Receipts from grant proceeds	350,000	-	350,000	-
Net cash provided (used) by capital and related financing activities	(1,705,511)	(70,242)	(1,775,753)	(414,878)
<u>Cash flows from investing activities:</u>				
Sale of investments	-	-	-	2,559,184
(Purchase) of investments	-	-	-	(2,216,752)
Investment income	96	-	96	54,248
Net cash provided (used) by investing activities	96	-	96	396,680
Net increase (decrease) in cash and cash equivalents	(736,316)	435,804	(300,512)	(520,754)
Cash & cash equivalents, June 30, 2014	4,486,790	141,333	4,628,123	916,407
Cash & cash equivalents, June 30, 2015	<u>\$ 3,750,474</u>	<u>\$ 577,137</u>	<u>\$ 4,327,611</u>	<u>\$ 395,653</u>
Cash, including time deposits	\$ 2,344,981	\$ 106,306	2,451,287	\$ 395,653
Restricted cash, including time deposits	1,405,493	470,831	1,876,324	-
Total cash and cash equivalents, end of year	<u>\$ 3,750,474</u>	<u>\$ 577,137</u>	<u>\$ 4,327,611</u>	<u>\$ 395,653</u>
<u>Reconciliation of operating income (loss) to net cash provided (used) by operating activities</u>				
Operating income (loss)	\$ 2,390,578	\$ (238,493)	\$ 2,152,085	\$ (1,423,261)
Adjustments to reconcile operating income (loss) to net cash provided (used) by operating activities:				
Depreciation	946,480	167,791	1,114,271	638,009
Provision for bad debt	-	-	-	836,041
Changes in assets and liabilities:				
(Increase) decrease in accounts receivable	42,833	8,711	51,544	(520,600)
(Increase) decrease in inventory	-	5,248	5,248	(12,258)
(Increase) decrease in other assets	-	-	-	(35,365)
Increase (decrease) in accounts payable	(42,404)	15,636	(26,768)	(15,315)
Increase (decrease) in deposits subject to refund	23,348	-	23,348	-
Increase (decrease) in compensated absences	481	(56)	425	-
Increase (decrease) in other liabilities	-	-	-	19,805
Total adjustments	970,738	197,330	1,168,068	910,317
Net cash provided (used) by operating activities	\$ 3,361,316	\$ (41,163)	\$ 3,320,153	\$ (512,944)

**City of Perry, Oklahoma
Combining Balance Sheet
Non-Major Governmental Funds
June 30, 2015**

	<u>General Cemetery Fund</u>	<u>Cemetery Care Fund</u>	<u>Public Access Fund</u>	<u>Total Non-Major Funds</u>
ASSETS				
Cash and cash equivalents	\$ 2,035	\$ 24,408	\$ 4,252	\$ 30,695
Investments	-	113,648	-	113,648
Total assets	<u>\$ 2,035</u>	<u>\$ 138,056</u>	<u>\$ 4,252</u>	<u>\$ 144,343</u>
LIABILITIES				
Accounts payable	\$ 222	\$ -	\$ -	\$ 222
Accrued vacation payable	768	-	3,428	4,196
Total liabilities	<u>990</u>	<u>-</u>	<u>3,428</u>	<u>4,418</u>
FUND BALANCES				
Restricted	-	138,056	-	138,056
Committed	1,045	-	824	1,869
Total fund balances	<u>1,045</u>	<u>138,056</u>	<u>824</u>	<u>139,925</u>
Total liabilities and fund balances	<u>\$ 2,035</u>	<u>\$ 138,056</u>	<u>\$ 4,252</u>	<u>\$ 144,343</u>

City of Perry, Oklahoma
Combining Statement of Revenues, Expenditures, and Changes in Fund Balances
Non-Major Governmental Funds
June 30, 2015

	<u>General Cemetary Fund</u>	<u>Cemetary Care Fund</u>	<u>Public Access Fund</u>	<u>Total Non-Major Funds</u>
<u>REVENUES</u>				
Franchise taxes	\$ -	\$ -	\$ 45,750	\$ 45,750
Charges for services	32,803	4,697	10	37,510
Donations	2,286	-	-	2,286
Total revenues	<u>35,089</u>	<u>4,697</u>	<u>45,760</u>	<u>85,546</u>
<u>EXPENDITURES</u>				
Cultural, parks and recreation:				
General cemetary	124,824	-	-	124,824
Public information network	-	-	64,215	64,215
Total cultural, parks and recreation	<u>124,824</u>	<u>-</u>	<u>64,215</u>	<u>189,039</u>
Total expenditures	<u>124,824</u>	<u>-</u>	<u>64,215</u>	<u>189,039</u>
Excess (deficiency) of revenues over expenditures	<u>(89,735)</u>	<u>4,697</u>	<u>(18,455)</u>	<u>(103,493)</u>
<u>OTHER FINANCING SOURCES (USES)</u>				
Transfers in/(out)	90,000	-	19,000	109,000
Total other financing sources and uses	<u>90,000</u>	<u>-</u>	<u>19,000</u>	<u>109,000</u>
Net change in fund balances	265	4,697	545	5,507
Fund balances - beginning	780	133,359	279	134,418
Fund balances - ending	<u>\$ 1,045</u>	<u>\$ 138,056</u>	<u>\$ 824</u>	<u>\$ 139,925</u>

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

A. Organization

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

The Reporting Entity

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

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

Blended Component Units Reported with Primary Government

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

Discretely Presented Component Unit

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

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

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

B. Basis of Presentation

Government-Wide Financial Statements:

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

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

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

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

Fund Financial Statements:

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

Measurement Focus and Basis of Accounting

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

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

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

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

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

Restricted Assets

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

Use of Estimates

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

Interfund Balances

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

Date of Management's Review

Subsequent events were evaluated through November 24, 2015, which is the date the financial statements were available to be issued.

C. Fund Types and Major Funds

Major Governmental Funds

General Fund

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

Street Improvement Fund

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

Special Revenue Funds

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

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

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

PROPRIETARY FUND TYPES

Enterprise Funds

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

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

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

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

D. Budgets and Budgetary Accounting

Budget Policy and Practice

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

Budgetary Control

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

Budget Basis of Accounting

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

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

E. Assets, Liabilities and Equity

Cash and Investments

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

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

Allowance for Uncollectible Accounts

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

Inventory

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

Property, Plant and Equipment

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

Government-Wide Statements:

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

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

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

Fund Financial Statement:

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

Long-Term Debt

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

Equity Classifications

Governmental Fund Balances

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

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

Nonspendable

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

Restricted

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

Committed

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

Assigned

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

Unassigned

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

Net Position

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

Net investment in capital assets

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

Restricted net position

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

Unrestricted net position

This consists of net position that does not meeting the criteria of "restricted" or "net investment in capital assets".

F. Revenues, Expenditures and Expenses

Sales Tax

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

Franchise Tax

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

Charges for Services

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

Grants and Contributions

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

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

Interfund Transfers

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

Compensated Absences

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

(2) STEWARDSHIP, COMPLIANCE AND ACCOUNTABILITY

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

A. Deficit Fund Net Position/Fund Balance

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

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

B. Budget Requirements

For the year ended June 30, 2015, the City did not materially overspend in any department-level category.

C. Debt Covenants

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

D. Revenue Restrictions

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

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

(3) DETAIL NOTES ON TRANSACTION CLASSES/ACCOUNTS

A. Cash and Investments

Deposits

Custodial credit risk for deposits is the risk that in the event of a bank failure, the City's deposits may not be returned or the City will not be able to recover collateral securities in the possession of an outside party. The City's deposits are secured by

CITY OF PERRY, OKLAHOMA
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2015

collateral values at market or par, whichever is lower, less the amount covered by the Federal Deposit Insurance Corporation (FDIC). Deposited funds may be invested in certificates of deposit in institutions with an established record of fiscal health and service.

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

Investments

The City invests primarily in certificates of deposit.

<u>Types of Investments</u>	<u>Fair Value/ Carrying Amount</u>	<u>Cost</u>	<u>Average Credit Quality/ Ratings (1)</u>	<u>Weighted Average Days to Maturity (2)</u>
Primary government				
<u>INVESTMENTS:</u>				
Certificates of deposit, pooled	\$ 2,859,167	\$ 2,859,167	N/A	163
Total investments	<u>2,859,167</u>	<u>2,859,167</u>		
 Total primary government investments	 <u>\$ 2,859,167</u>	 <u>\$ 2,859,167</u>		

RECONCILIATION TO STATEMENT OF NET ASSETS

	<u>Governmental Activities</u>	<u>Business-type Activities</u>	<u>Total</u>
Investments, unrestricted	\$ 1,067,413	\$ 411,046	\$ 1,478,459
Investments, restricted	100,100	1,280,608	1,380,708
Total investments	<u>\$ 1,167,513</u>	<u>\$ 1,691,654</u>	<u>\$ 2,859,167</u>

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

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

It is the Perry Memorial Hospital Authority's (PMHA) policy to invest in demand and time deposit accounts and certificates of deposit. Refer to the Perry Memorial Hospital Authority and Controlled Entity June 30, 2015 audit report for further discussion of the investments held by PMHA and the related collateralization.

B. PROPERTY, PLANT AND EQUIPMENT

Governmental Activities:

A summary of the changes in the governmental activities fixed assets at June 30, 2015 follows:

	<u>Balance at July 1, 2014</u>	<u>Additions</u>	<u>Deletions</u>	<u>Balance at June 30, 2015</u>
Land	\$ 619,944	\$ -	\$ 5,029	\$ 614,915
Construction in process	288,826	2,074,839	-	2,363,665
Buildings & structures	1,652,739	-	-	1,652,739
Machinery, furniture, & equipment	4,216,429	71,857	-	4,288,286
Infrastructure & improvements	7,120,149	75,218	-	7,195,367
 Total	 13,898,087	 2,221,914	 5,029	 16,114,972
Less accumulated depreciation	<u>7,532,786</u>	<u>667,326</u>	<u>-</u>	<u>8,200,112</u>
 Fixed assets, net	 <u>\$ 6,365,301</u>	 <u>\$ 1,554,588</u>	 <u>\$ (5,029)</u>	 <u>\$ 7,914,860</u>

CITY OF PERRY, OKLAHOMA
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2015

Business-Type Activities:

A summary of the proprietary fund types fixed assets at June 30, 2015 follows:

	Balance at July 1, 2014	Additions	Deletions	Balance at June 30, 2015
Land	\$ 500,000	\$ -	\$ -	\$ 500,000
Buildings	3,480,741	-	-	3,480,741
Machinery, furniture, & equipment	1,429,318	117,171	-	1,546,489
Infrastructure	18,343,139	-	-	18,343,139
Construction in process	3,800	578,868	-	582,668
	<hr/>	<hr/>	<hr/>	<hr/>
Total	23,756,998	696,039	-	24,453,037
Less accumulated depreciation	13,137,625	1,114,272	-	14,251,897
	<hr/>	<hr/>	<hr/>	<hr/>
Fixed assets, net	<u>\$ 10,619,373</u>	<u>\$ (418,233)</u>	<u>\$ -</u>	<u>\$ 10,201,140</u>

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

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

Governmental Activities		Business-type Activities	
General government	\$ 80,482	Electric	\$ 95,778
Public safety & judiciary	115,187	Water	664,771
Transportation	287,848	Sewer	121,362
Cultural, parks & recreation	52,249	Customer service	64,569
Cemetary	6,900	Airport	167,791
Ambulance	26,683		
Economic development	97,977	Total depreciation expense	<u>\$ 1,114,271</u>
	<hr/>		
Total depreciation expense	<u>\$ 667,326</u>		

C. LONG-TERM DEBT

Capital Lease Payable

The City has an outstanding capital lease with Caterpillar Financial Services Corporation for the lease/purchase of a loader in the Street department. The lease agreement was originated in January 2014 for \$79,800, payable in 62 payments at an interest rate of 2.5%. The lease obligation is recorded in governmental funds and is paid by the General Fund. At June 30, 2015, the City owed \$56,821 on the lease, of that \$16,480 is the current obligation of the City.

CITY OF PERRY, OKLAHOMA
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2015

The following is a summary of enterprise fund long-term debt for the year ended June 30, 2015:

NOTES PAYABLE

Business-Type Activities:

On June 6, 2006, PMA issued the Perry Municipal Authority Utility System and Sales Tax Revenue Note, Series 2006 in the amount of \$7,735,000. The note carries an interest rate of 4.49%, maturing June 1, 2026. The loan requires monthly payments into a debt service account from which the semi-annual debt service payments are made. Debt covenants include debt service coverage of 1.25 of net utility revenues. The Note is secured by 1.25% restricted sales tax revenues, as well as water revenues and 1% general sales tax revenues. At June 30, 2015, the City met the debt service coverage requirement. \$ 5,082,584

On March 5, 2010, PMA entered into agreement with the Oklahoma Water Resources Board for the Series 2010 Drinking Water SRF loan in the amount of \$469,482. The note bears an interest rate of 2.34% plus an administration fee of 0.5%. The note matures September 15, 2020. Payments are made semi-annually in March and September. Debt covenants include debt service coverage of 1.25 of net utility revenues of the water system. The Note includes a pledge and assignment of operating revenues from the water system and a year to year pledge of sales tax in addition to a mortgage on certain real estate. At June 30, 2015, the City met the debt service coverage requirement. 271,819

On August 1, 2012, PMA issued the Perry Municipal Authority Sales Tax Refunding Revenue Bonds, Series 2012 in the amount of \$2,915,000 for the purpose of retiring the 2007 bonds of the PMA and to provide funds for maintenance and improving streets. The bonds mature January 1, 2018 and carry interest rates ranging from 1.5% to 5.0%. The notes require monthly payments into a debt service account from which semi-annual debt service payments are made. The Note is secured by 1% restricted sales tax revenues and revenues of the electric and garbage systems. At June 30, 2015, the City met the debt service coverage requirement. 1,510,000

On August 1, 2013, PMA issued the Perry Municipal Authority Sales Tax Refunding Revenue Bonds, Series 2013 in the amount of \$2,065,000 for the purpose of providing capital improvements for the City. The bonds mature August 1, 2025 and carry interest rates ranging from 3% to 4.25%. The notes require monthly payments into a debt service account from which semi-annual debt service payments are made. The Note is secured with proceeds of the 8% hotel tax. At June 30, 2015, the City met the debt service coverage requirement. 1,915,000

\$ 8,779,403

Changes in Long-Term Debt:

The following is a summary of changes in long-term debt for the year ended June 30, 2015:

<u>Type of Debt</u>	<u>Balance at July 1, 2014</u>	<u>Amount Issued</u>	<u>Amount Retired</u>	<u>Balance at June 30, 2015</u>	<u>Due Within One Year</u>
Business-type activities:					
<i>Notes Payable</i>					
Water system	5,749,742	-	395,339	5,354,403	412,438
<i>Bonds Payable</i>					
Water improvements, Series 2012	2,000,000	-	490,000	1,510,000	495,000
Capital improvements, Series 2013	2,065,000	-	150,000	1,915,000	155,000
Total business-type activities	<u>\$ 9,814,742</u>	<u>\$ -</u>	<u>\$ 1,035,339</u>	<u>\$ 8,779,403</u>	<u>\$ 1,062,438</u>

CITY OF PERRY, OKLAHOMA
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2015

Annual Debt Service Requirements:

The annual debt service requirements to maturity, including principal and interest, for long-term debt held by business-type activities as of June 30, 2015 follow:

Year Ending June 30	Notes Payable		Bonds Payable	
	Principal	Interest	Principal	Interest
2016	\$ 412,438	\$ 225,613	\$ 650,000	\$ 83,091
2017	430,330	207,964	665,000	68,223
2018	449,001	189,537	675,000	57,310
2019	468,502	170,286	165,000	49,660
2020	488,869	150,176	170,000	41,863
2021-2025	2,532,918	425,302	900,000	78,938
2026	572,345	14,014	200,000	8,500
Totals	<u>\$ 5,354,403</u>	<u>\$ 1,382,892</u>	<u>\$ 3,425,000</u>	<u>\$ 387,585</u>

D. INTERFUND TRANSACTIONS AND BALANCES

Operating transfers for the year ended June 30, 2015 were as follows:

	<u>Due From</u>	<u>Due To</u>
GENERAL FUND		
Utility Authority	\$ 222,432	\$ 41,089
UTILITY AUTHORITY		
General Fund	41,089	222,432
	<u>\$ 263,521</u>	<u>\$ 263,521</u>
	<u>Transfers In</u>	<u>Transfers Out</u>
GENERAL FUND		
Utility Authority	\$ 3,576,823	\$ -
Airport Authority	-	470,831
Total General Fund	<u>3,576,823</u>	<u>470,831</u>
LIMITED PURPOSE SALES TAX		
Utility Authority	-	586,360
Total Limited Purpose Sales Tax	<u>-</u>	<u>586,360</u>
STREET IMPROVEMENT FUND		
Utility Authority	-	520,548
Total Street Improvement Fund	<u>-</u>	<u>520,548</u>
Public Access Fund		
Utility Authority	19,000	-
Total Public Access Fund	<u>19,000</u>	<u>-</u>
CEMETERY FUND		
Utility Authority	90,000	-
Total Cemetery Fund	<u>90,000</u>	<u>-</u>
UTILITY AUTHORITY		
General Fund	-	3,576,823
Public Access Fund		19,000
Cemetery Fund		90,000
Street Improvement	520,548	-
Limited Purpose Sales Tax	586,360	-
Total Utility Authority	<u>1,106,908</u>	<u>3,685,823</u>
AIRPORT AUTHORITY		
General Fund	470,831	-
Total Utility Authority	<u>470,831</u>	<u>-</u>
GRAND TOTAL	<u>\$ 5,263,562</u>	<u>\$ 5,263,562</u>

(4) RETIREMENT PLANS

The City participates in three employee pension systems as follows:

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

A. Oklahoma Police Pension and Retirement Systems

Plan description – The City of Perry, as the employer, participates in the Oklahoma Police Pension and Retirement Plan – a cost-sharing multiple-employer defined benefit pension plan administered by the Oklahoma Police Pension and Retirement System (OPPRS). Title 11 of the Oklahoma State Statutes, through the Oklahoma Legislature, grants the authority to establish and amend the benefit terms to the OPPRS. OPPRS issues a publicly available financial report that can be obtained at www.ok.gov/OPPRS.

Benefits provided – OPPRS provides retirement, disability, and death benefits to members of the plan. The normal retirement date under the Plan is the date upon which the participant completes 20 years of credited service, regardless of age. Participants become vested upon completing 10 years of credited service as a contributing participant of the Plan. No vesting occurs prior to completing 10 years of credited service. Participants' contributions are refundable, without interest, upon termination prior to normal retirement. Participants who have completed 10 years of credited service may elect a vested benefit in lieu of having their accumulated contributions refunded. If the vested benefit is elected, the participant is entitled to a monthly retirement benefit commencing on the date the participant reaches 50 years of age or the date the participant would have had 20 years of credited service had employment continued uninterrupted, whichever is later.

Monthly retirement benefits are calculated at 2.5% of the final average salary (defined as the average paid base salary of the officer over the highest 30 consecutive months of the last 60 months of credited service) multiplied by the years of credited service, with a maximum of 30 years of credited service considered. Monthly benefits for participants due to permanent disability incurred in the line of duty are 2.5% of the participants' 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 credited 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 disability 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.

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.

Contributions – The contributions requirements of the Plan are at an established rate determine by Oklahoma Statute and are not based on actuarial calculations. Employees are required to contribute 8% percent of their annual pay. Participating cities are required to contribute 13% of the employees' annual pay. Contributions to the pension plan from the City were \$56,101.

Pension Liabilities, Pension Expense, and Deferred Outflows of Resources and Deferred Inflows of Resources Related to Pensions – At June 30, 2015, the City reported an asset of \$51,937 for its proportionate share of the net pension asset. The net pension asset was measured as of July 1, 2014, and the total pension liability used to calculate the net pension asset was determined by an actuarial valuation as of July 1, 2014. The City's proportion of the net pension asset was based on the City's contributions received by the pension plan relative to the total contributions received by pension plan for all participating employers as of June 30, 2014. Based upon this information, the City's proportion was 0.001543%.

For the year ended June 30, 2015, the City recognized pension expense of \$19,037. At June 30, 2015, the City reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

CITY OF PERRY, OKLAHOMA
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2015

	Deferred Inflows of Resources
Difference between expected and actual experience	\$ 23,334
Changes of assumptions	-
Net difference between projected and actual earnings on pension plan investments	182,549
Changes in proportion and differences between City contributions and proportionate share of contributions	-
City contributions subsequent to the measurement date	-
Total	\$ 205,883

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:	
2016	\$ 41,177
2017	41,177
2018	41,177
2019	41,177
2020	41,175

Actuarial Assumptions – The total pension liability was determined by an actuarial valuation as of July 1, 2014, 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 return:	7.5% net of pension plan investment expense

Mortality rates:	<p>Active employees (pre-retirement) RP-2000 Blue Collar Healthy Combined table with age set back 4 years with fully generational improvement using Scale AA.</p> <p>Active employees (post-retirement) and nondisabled pensioners: RP-2000 Blue Collar Healthy Combined table with fully generational Improvement using scale AA.</p> <p>Disabled pensioners: RP-2000 Blue Collar Healthy Combined table with age set forward 4 years with fully generational improvement using Scale AA.</p>
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The actuarial assumptions used in the July 1, 2014, 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, 2014, are summarized in the following table:

<u>Long-Term Expected Asset Class</u>	<u>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%
Other assets	3.08%

The current allocation policy is that approximately 60% of assets in equity instruments, including public equity, long-short hedge, venture capital, and private equity strategies; approximately 25% of assets in fixed income to include investment grade bonds, high yield and non-dollar denominated bonds, convertible bonds, and low volatility hedge fund strategies; and 15% of assets in real assets to include real estate, commodities, and other strategies.

Discount Rate – The discount rate used to measure the total pension liability was 7.5%. 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 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 Net Pension Liability to Changes in the Discount Rate – The following presents the net pension liability of the employers 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%)
City's proportionate share of the net pension liability/(asset)	309,014	(51,937)	(356,138)

Pension plan fiduciary net position – Detailed information about the pension plan's fiduciary net position is available in the separately issued financial report of the OPPRS; which can be located at www.ok.gov/OPPRS.

B. Oklahoma Firefighter's Pension and Retirement Systems

Plan Description – The City of Perry, as the employer, participates in the Firefighters Pension & Retirement – a cost-sharing multiple-employer defined benefit pension plan administered by the Oklahoma Firefighters Pension & Retirement System (FPRS). Title 11 of the Oklahoma State Statutes grants 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.

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

Benefits for members 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 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 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 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 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 years 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-the-line-of-duty 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 contributions 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. Contributions to the pension plan from the City were \$54,293 (fiscal year contributions).

Pension Liabilities, Pension Expense and Deferred Outflows of Resources and Deferred Inflows of Resources Related to Pensions – At June 30, 2015, the City reported a liability of \$1,718,204 for its proportionate share of the net pension liability. The net pension liability was measured as of July 1, 2014, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of July 1, 2014. The City's proportion of the net pension liability was based on the City's contributions received by the pension plan relative to the total contributions received by pension plan for all participating employers as of June 30, 2014. Based upon this information the City's proportion was 0.1453%.

CITY OF PERRY, OKLAHOMA
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JUNE 30, 2015

For the year ended June 30, 2015, the City recognized pension expense of \$134,166. At June 30, 2015, the City reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	<u>Deferred Outflows of Resources</u>	<u>Deferred Inflows of Resources</u>
Difference between expected and actual experience	\$ 35,593	\$ -
Changes of assumptions	-	-
Net difference between projected and actual earnings on pension plan investments	-	226,126
Changes in proportion and differences between City contributions and proportionate share of contributions	-	-
City contributions subsequent to the measurement date	-	-
Total	<u><u>\$ 35,593</u></u>	<u><u>\$ 226,126</u></u>

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:	
2016	\$ 38,107
2017	38,107
2018	38,107
2019	38,107
2020	38,105

Actuarial Assumptions – The total pension liability was determined by an actuarial valuation as of July 1, 2014, 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 return:	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, 2014, 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, 2014, are summarized in the following table:

<u>Asset Class</u>	<u>Target Allocation</u>	<u>Long-Term Expected Real Rate of Return</u>
Fixed income	20%	5.48%
Domestic equity	37%	9.61%
International equity	20%	9.24%
Real Estate	10%	7.76%
Other assets	13%	6.88%

Discount Rate – The discount rate used to measure the total pension liability was 7.5%. 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 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.

Sensitivity of the Net Pension Liability to Changes in the Discount Rate – The following presents the net pension liability of the employers 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-percent point lower (6.5%) or 1-percentage-point higher (8.5%) than the current rate:

CITY OF PERRY, OKLAHOMA
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2015

	1% Decrease (6.5%)	Current Discount Rate (7.5%)	1% Increase (8.5%)
City's proportionate share of the net pension liability/(asset)	1,951,096	1,718,204	1,111,124

Pension plan fiduciary net position – Detailed information about the pension plan's fiduciary net position is available in the separately issued financial report of the FPRS; which can be located at www.ok.gov/fprs.

C. Oklahoma Municipal Retirement Fund

The City contributes to a cost-sharing, multiple-employer defined benefit pension plan adopted by the City and administered by the Oklahoma Municipal Retirement System, which was established to administer pension plans for municipal employees. The plan is administered by JP Morgan Chase Bank of Oklahoma City, Oklahoma. According to state law, the authority for establishing or amending the plan's provisions rests with the city council. The defined contribution plan is available to all full-time employees not already participating in another plan. In a defined contribution plan, benefits depend solely on amounts contributed to the plan, investment earnings, and forfeitures of other participants' benefits that may be allocated to such participant's account. Benefits vest after 7 years of service.

For the year ended June 30, 2015, the following amounts related to the defined contribution plan:

Payroll for covered employees	\$1,744,183
Employer (City) contributions made	\$150,352

Plan Description – The City contributes to the OkMRF for all eligible employees except for those covered by the Police and Firefighter Pension Systems. The plan is an agent multiple employer - defined benefit plan administered by OkMRF. The OkMRF plan issues a separate financial report and can be obtained from OkMRF or from their website: www.okmrf.org/reports.html. Benefits are established or amended by the City Council in accordance with O.S. Title 11, Section 48-101-102.

Summary of Significant Accounting Policies – For purposes of measuring the net pension liability, deferred outflows of resources and deferred inflows of resources related to pensions, and pension expense, information about the fiduciary net position of the City's plan and additions to/deductions from the City's fiduciary net position have been determined on the same basis as they are reported by OkMRF. For this purpose, benefit payments are recognized when due and payable in accordance with the benefit terms. Investments are reported at fair value based on published market prices. Detailed information about the OkMRF plans' fiduciary net position is available in the separately issued OkMRF financial report.

Eligibility Factors and Benefit Provisions

Provision	OkMRF Plan
a. Eligible to Participate	Full-time, employees of the City or Authority, except police, firefighters, and other employees who are covered under another approved system. The Plan has a 3 month probationary period.
b. Contributions Requirement	By City Ordinance
- Authorization	Yes
- Actuarially Determined	8.41% of covered payroll
- Employer Rate	4% of covered payroll
- Employee Rate	
c. Period Required to Vest	10 years of vesting service
d. Eligibility for Distribution	<ul style="list-style-type: none"> - Normal retirement at age 65 with 10 years of vesting service. - Early Retirement after age 55 with 10 years or more of vesting. - Disability retirement upon total and permanent disability with 10 years of service. - Death benefits with 10 years of vesting service, if married, 50% of accrued benefit payable to spouse until death or remarriage, if single, 50% of the accrued benefit is payable for 10 years certain.
e. Benefit Determination Base	Final average salary – the average of the five highest consecutive annual salaries out of the last 10 years of service.
f. Benefit Determination Methods:	

- Normal Retirement 2.625% of final average compensation multiplied by the number of years of credited service.
 - Early Retirement Payable starting at normal retirement or the accrued benefit reduced 5% per year for commencement prior to normal retirement age.
 - Disability Retirement Payable upon disablement without reduction for early payment
 - Death Benefit 50% of employee's accrued benefit, see above
 - Prior to 10 Years Service Return of employee contributions with accrued interest.
- g. Form of Benefit Payments Normal form of payment of the accrued benefit is a monthly lifetime annuity with 10 years certain. Other retirement benefits are available under actuarially equivalent optional forms.

Employees Covered by Benefit Terms

Active Employees	50
Deferred Vested Former Employees	3
Retirees or Retiree Beneficiaries	<u>11</u>
Total	<u>64</u>

Contribution Requirements

The City Council has the authority to set and amend contribution rates by ordinance for the OkMRF defined benefit plan in accordance with O.S. Title 11, Section 48-102. The contribution rates for the current fiscal year have been made in accordance with an actuarially determined rate. The actuarially determined rate is 11.97% of covered payroll. Employees contribute a fixed 4% to the plan in accordance with the plan provisions adopted by the City Council.

Actuarial Assumptions

- a. Date of last Actuarial Valuation July 2015
- b. Significant Actuarial Assumptions Used:
 - 1. Rate of Return on Investments 7.5% per annum
 - 2. Pay increases Rates by age
 - 3. Retirement Age Rates by age
 - 4. Mortality Table UP 1994 mortality (projected)
 - 5. Asset Value Actuarial method
- c. Actuarial cost method Entry age normal
- d. Date of last experience study Sept 2012 for fiscal years 2007 thru 2011

Discount Rate – The discount rate used to value benefits was the long-term expected rate of return on plan investments, 7.75% since the plan's net fiduciary position is projected to be sufficient to make projected benefit payments.

The City 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. Thus, the sufficiency of pension plan assets was made without a separate projection of cash flows.

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 (3.0%). Best estimates of arithmetic real rates of return for each major asset class included in the pension plan's target asset allocation as of July 1, 2014 are summarized in the following table:

CITY OF PERRY, OKLAHOMA
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2015

	Target Allocation	Real Return	Weighted Return
Large cap stocks - S&P 500	25%	5.40%	1.35%
Small/mid cap stocks - Russell 2500	10%	7.50%	0.75%
Long/short equity - MSCI ACWI	10%	6.10%	0.61%
International stocks - MSCI EAFE	20%	5.10%	1.02%
Fixed income bonds - Barclay's Capital Aggregate	30%	2.60%	0.78%
Real estate - NCREIF	5%	4.80%	0.24%
Cash equivalents - 3 month Treasury	0%	0.00%	0.00%
	<u>100%</u>		
		Average Real Return	4.75%
		Inflation	<u>3.00%</u>
		Long term expected return	<u><u>7.75%</u></u>

Changes in Net Pension Liability – The total pension liability was determined based on an actuarial valuation performed as of July 1, 2014 which is also the measurement date. There were no changes in assumptions or changes in benefit terms that affected measurement of the total pension liability. There were also no changes between the measurement date of July 1, 2014 and the City's report ending date of June 30, 2015, that would have had a significant impact on the net pension liability. The following table reports the components of changes in net pension liability:

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

	1% Decrease (6.75%)	Current Discount Rate (7.75%)	1% Increase (8.75%)
City's proportionate share of the net pension liability/(asset)	625,188	102,199	(252,177)

The City reported \$96,953 in pension expense for the year ended June 30, 2015. At June 30, 2015, the City reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	Deferred Inflows of Resources
Difference between expected and actual experience	\$ -
Changes of assumptions	-
Net difference between projected and actual earnings on pension plan investments	218,976
Changes in proportion and differences between City contributions and proportionate share of contributions	-
City contributions subsequent to the measurement date	-
Total	<u>\$ 218,976</u>

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:	
2016	\$ (54,744)
2017	(54,744)
2018	(54,744)
2019	(54,744)

(6) COMMITMENTS AND CONTINGENCIES

A. Litigation

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

B. Grant Program Involvement

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

(7) RESTATEMENT OF BEGINNING NET POSITION

Effective July 1, 2014, the City implemented GASB No. 68, Accounting and Financial Reporting for Pensions, an Amendment of GASB Statement No. 27. GASB No. 68 established standards for measuring and recognizing liabilities, deferred outflows of resources, deferred inflows of resources, and pension expenses. The Statement requires governments providing defined benefit pensions to recognize their long-term obligation for pension benefits as a liability for the first time. GASB No. 68 also details the recognition and disclosure requirements for employers with liabilities to a defined benefit pension plans and for employers whose employees are provided with defined contribution pensions. Defined benefit pensions are further classified by GASB No. 68 as single employer plans, agent employer plans and cost sharing plans, and recognition and disclosure requirements are addressed for each classification.

Implementation of GASB No. 68 resulted in the restatement of beginning year net position to recognize the net pension obligation of the City. The changes were as follows:

		Governmental Activities
Begininng Net Position	\$	10,211,221
Net pension obligations		(1,768,466)
Net deferred outflows/(inflows) on pension charges		(615,392)
Restated Beginning Net Position	\$	<u>7,827,363</u>

City of Perry, Oklahoma
General Fund
Statement of Revenues, Expenditures, Encumbrances, and Changes in Fund Balance
Budget and Actual (Non-GAAP Budgetary Basis)
Year Ended June 30, 2015

	<u>Original Budget</u>	<u>Revisions</u>	<u>Revised Budget</u>	<u>Actual</u>	<u>Variance - Favorable (Unfavorable)</u>
REVENUES					
Taxes	\$ 879,261	\$ 187,000	\$ 1,066,261	\$ 1,311,567	\$ 245,306
Licenses & permits	48,350	-	48,350	29,678	(18,672)
Rents & royalties	110,250	-	110,250	126,940	16,690
Fines and forfeitures	219,907	41,976	261,883	192,580	(69,303)
Charges for services	1,185,888	-	1,185,888	623,273	(562,615)
Intergovernmental	4,900	-	4,900	23,645	18,745
Interest	7,000	-	7,000	2,705	(4,295)
Other revenues	46,899	-	46,899	211,287	164,388
Total revenues	<u>2,502,455</u>	<u>228,976</u>	<u>2,731,431</u>	<u>2,521,675</u>	<u>(209,756)</u>
EXPENDITURES					
Current:					
General government:					
General government	730,993	179,000	909,993	788,675	121,318
Total general government	<u>730,993</u>	<u>179,000</u>	<u>909,993</u>	<u>788,675</u>	<u>121,318</u>
Public safety and judiciary:					
Police	1,341,679	72,952	1,414,631	1,381,421	33,210
Code enforcement	70,000	33,000	103,000	101,907	1,093
Animal control	65,100	(10,000)	55,100	49,584	5,516
Fire	337,700	(20,000)	317,700	304,347	13,353
Municipal court	127,000	-	127,000	125,894	1,106
Total public safety and judiciary	<u>1,941,479</u>	<u>75,952</u>	<u>2,017,431</u>	<u>1,963,153</u>	<u>54,278</u>
Transportation:					
Street	886,500	(240,000)	646,500	631,605	14,895
Total transportation	<u>886,500</u>	<u>(240,000)</u>	<u>646,500</u>	<u>631,605</u>	<u>14,895</u>
Cultural, parks and recreation:					
Parks	255,875	-	255,875	235,296	20,579
Library	273,200	-	273,200	266,375	6,825
Total cultural, parks and recreation	<u>529,075</u>	<u>-</u>	<u>529,075</u>	<u>501,671</u>	<u>27,404</u>
Ambulance:					
Ambulance	609,100	50,900	660,000	657,279	2,721
Total ambulance	<u>609,100</u>	<u>50,900</u>	<u>660,000</u>	<u>657,279</u>	<u>2,721</u>
Economic development					
Economic development	421,600	1,753,000	2,174,600	2,158,647	15,953
Total economic development	<u>421,600</u>	<u>1,753,000</u>	<u>2,174,600</u>	<u>2,158,647</u>	<u>15,953</u>
Total expenditures	<u>5,118,747</u>	<u>1,818,852</u>	<u>6,937,599</u>	<u>6,701,030</u>	<u>236,569</u>
Revenue over (under) expenditures	(2,616,292)	(1,589,876)	(4,206,168)	(4,179,355)	(446,325)
OTHER FINANCING SOURCES (USES)					
Operating transfers in/(out)	2,482,000	1,716,000	4,198,000	3,105,992	(1,092,008)
Net other financing sources (uses)	<u>2,482,000</u>	<u>1,716,000</u>	<u>4,198,000</u>	<u>3,105,992</u>	<u>(1,092,008)</u>
Revenues and other financing sources over (under) expenditures and other uses	(134,292)	126,124	(8,168)	(1,073,363)	(1,538,333)
Fund balance at beginning of year (Non-GAAP budgetary basis), restated				2,174,929	2,174,929
Fund balance at end of year (Non-GAAP budgetary basis)				\$ 1,101,566	<u>\$ 636,596</u>
ADJUSTMENTS TO GENERALLY ACCEPTED ACCOUNTING PRINCIPLES					
Revenue and transfer accruals				63,201	
Fund balance at end of year (GAAP basis)				<u>\$ 1,164,767</u>	

City of Perry, Oklahoma
Limited Purpose Sales Tax
Statement of Revenues, Expenditures, Encumbrances, and Changes in Fund Balance
Budget and Actual (Non-GAAP Budgetary Basis)
Year Ended June 30, 2015

	Original Budget	Revisions	Revised Budget	Actual	Variance - Favorable (Unfavorable)
<u>REVENUES</u>					
Taxes	\$ 761,057	\$ -	\$ 761,057	\$ 777,127	\$ 16,070
Total revenues	761,057	-	761,057	777,127	16,070
Revenue over (under) expenditures	761,057	-	761,057	777,127	16,070
<u>OTHER FINANCING SOURCES (USES)</u>					
Operating transfers in/(out)	(586,360)	-	(586,360)	(586,360)	-
Net other financing sources (uses)	(586,360)	-	(586,360)	(586,360)	-
Revenues and other financing sources over (under) expenditures and other uses	174,697	-	174,697	190,767	16,070
Fund balance at beginning of year (Non-GAAP budgetary basis)				608,735	608,735
Fund balance at end of year (Non-GAAP budgetary basis)				\$ 799,502	\$ 624,805
ADJUSTMENTS TO GENERALLY ACCEPTED ACCOUNTING PRINCIPLES					
Accrual adjustment				(4,669)	
Fund balance at end of year (GAAP basis)				\$ 794,833	

City of Perry, Oklahoma
Street Improvement Fund
Statement of Revenues, Expenditures, Encumbrances, and Changes in Fund Balance
Budget and Actual (Non-GAAP Budgetary Basis)
Year Ended June 30, 2015

	<u>Original Budget</u>	<u>Revisions</u>	<u>Revised Budget</u>	<u>Actual</u>	<u>Variance - Favorable (Unfavorable)</u>
REVENUES					
Taxes	\$ 608,845	\$ -	\$ 608,845	\$ 621,701	\$ 12,856
Total revenues	608,845	-	608,845	621,701	12,856
EXPENDITURES					
Street Sales Tax					
Debt Service	526,832	-	526,832	520,548	6,284
Total general government	526,832	-	526,832	520,548	6,284
Revenues and other financing sources over (under) expenditures and other uses	82,013	-	82,013	101,153	6,572
Fund balance at beginning of year (Non-GAAP budgetary basis)				292,863	292,863
Fund balance at end of year (Non-GAAP budgetary basis)				\$ 394,016	\$ 292,863
ADJUSTMENTS TO GENERALLY ACCEPTED ACCOUNTING PRINCIPLES					
Taxes receivable				3,735	
Fund balance at end of year (GAAP basis)				\$ 397,751	

Schedules of Required Supplementary Information

**SCHEDULE OF THE CITY'S PROPORTIONATE SHARE OF THE NET PENSION LIABILITY
Oklahoma Police Pension Retirement Plan
Year Ended June 30, 2015**

	<u>2015*</u>
City's portion of the net pension liability (asset)	0.1543%
City's proportionate share of the net pension liability (asset)	\$ (51,937)
City's covered-employee payroll	\$ 821,697
City's proportionate share of the net pension liability (asset) as a percentage of its covered-employee payroll	-6%
Plan fiduciary net position as a percentage of the total pension liability	121.61%

* The amount presented for each fiscal year were determined as of the fiscal year-end that occurred previous

**SCHEDULE OF CITY CONTRIBUTIONS
Oklahoma Police Pension Retirement Plan**

	<u>2015*</u>
Contractually required contribution	\$ 16,184
Contributions in relation to the contractually required contribution	<u>(16,184)</u>
Contribution deficiency (excess)	<u>\$ -</u>
City's covered-employee payroll	\$ 821,697
Contributions as a percentage of covered-employee payroll	1.97%

Schedules of Required Supplementary Information

**SCHEDULE OF THE CITY'S PROPORTIONATE SHARE OF THE NET PENSION LIABILITY
Oklahoma Fire Pension Retirement Plan
Year Ended June 30, 2015**

	<u>2015*</u>
City's portion of the net pension liability (asset)	0.1453%
City's proportionate share of the net pension liability (asset)	\$ 1,718,753
City's covered-employee payroll	\$ 174,452
City's proportionate share of the net pension liability (asset) as a percentage of its covered-employee payroll	985%
Plan fiduciary net position as a percentage of the total pension liability	-1232.14%

* The amount presented for each fiscal year were determined as of the fiscal year-end that occurred previous

**SCHEDULE OF CITY CONTRIBUTIONS
Oklahoma Fire Pension Retirement Plan**

	<u>2015*</u>
Contractually required contribution	\$ 16,200
Contributions in relation to the contractually required contribution	<u>(16,200)</u>
Contribution deficiency (excess)	<u>\$ -</u>
City's covered-employee payroll	\$ 174,452
Contributions as a percentage of covered-employee payroll	9.29%

Schedules of Required Supplementary Information

**SCHEDULE OF CHANGES IN THE CITY'S NET PENSION LIABILITY AND RELATED RATIOS
Oklahoma Municipal Retirement Plan
SINCE INITIAL APPLICATION**

	<u>2015*</u>
Total pension liability	
Service cost	\$ 169,601
Interest	268,656
Changes in benefit terms	-
Differences between expected and actual experience	-
Changes in assumptions	-
Benefit payments, including refunds of employee contributions	<u>(234,260)</u>
Net change in total pension liability	\$ 203,997
Total pension liability - beginning	<u>3,411,869</u>
Total pension liability - ending (a)	<u><u>\$ 3,615,866</u></u>
 Plan fiduciary net position	
Contributions - employer	150,352
Contributions - employee	71,511
Net investment income	496,111
Benefit payments, including refunds of employee contributions	(234,260)
Administrative expense	(7,342)
Other	-
Net change in plan fiduciary net position	<u>476,372</u>
 Plan fiduciary net position - beginning	<u>3,037,295</u>
Plan fiduciary net position - ending (b)	<u><u>\$ 3,513,667</u></u>
 City's net pension liability - ending (a) - (b)	<u><u>\$ 102,199</u></u>
 Plan fiduciary net position as a percentage of the total pension liability	97.17%
Covered-employee payroll	\$ 1,744,183
City's net pension liability as a percentage of covered-employee payroll	5.86%

Schedules of Required Supplementary Information

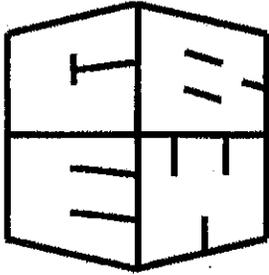
**SCHEDULE OF THE CITY'S PROPORTIONATE SHARE OF THE NET PENSION LIABILITY
Oklahoma Municipal Retirement Plan
Year Ended June 30, 2015**

	<u>2015*</u>
City's portion of the net pension liability (asset)	0.0215%
City's proportionate share of the net pension liability (asset)	\$ 102,199
City's covered-employee payroll	\$ 1,744,183
City's proportionate share of the net pension liability (asset) as a percentage of its covered-employee payroll	5.86%
Plan fiduciary net position as a percentage of the total pension liability	87.99%

* The amount presented for each fiscal year were determined as of the fiscal year-end that occurred previous

**SCHEDULE OF CITY CONTRIBUTIONS
Oklahoma Municipal Retirement Plan**

	<u>2015*</u>
Actuarially determined contribution	\$ 150,352
Contributions in relation to the actuarially determined contribution	<u>(150,352)</u>
Contribution deficiency (excess)	<u>\$ -</u>
City's covered-employee payroll	\$ 1,744,183
Contributions as a percentage of covered-employee payroll	8.62%



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

November 24, 2015

Honorable City Council
City of Perry
Perry, Oklahoma

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of the governmental activities, the business-type activities, the aggregate discretely presented component unit, each major fund, and the aggregate remaining fund information of the City of Perry, Oklahoma, as of and for the year ended June 30, 2015, and the related notes to the financial statements, which collectively comprise the City of Perry, Oklahoma's basic financial statements, and have issued our report thereon dated November 24, 2015. Our report includes a reference to other auditors who audited the financial statements of the Perry Municipal Hospital Authority, as described in our report on the City's financial statements. This report does not include the results of the other auditor's testing of internal control over financial reporting or compliance and other matters that are reported on separately by those auditors.

Internal Control Over Financial Reporting

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

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

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

City of Perry
November 24, 2015

Compliance and Other Matters

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

Purpose of this Report

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

CBEW Professional Group, LLP

CBEW Professional Group, LLP
Certified Public Accountants