PERKINS INDUSTRIAL DEVELOPMENT AUTHORITY

Perkins, Oklahoma

FINANCIAL STATEMENTS

For the Year Ended June 30, 2016

Bruce G. Luttrell, CPA, PC
Certified Public Accountant

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PERKINS INDUSTRIAL DEVELOPMENT AUTHORITY
PERKINS, OKLAHOMA

CONTENTS

	Page
INDEPENDENT AUDITOR'S REPORT	1-2
BASIC FINANCIAL STATEMENTS:	
Government-wide Financial Statements:	
Statement of Net Position	3
Statement of Activities	4
Fund Financial Statements:	
Statement of Net Position - Proprietary Fund	5
Statement of Revenues, Expenses, and Changes in Net Position - Proprietary Fund	6
Statement of Cash Flows - Proprietary Fund	7
Notes to Basic Financial Statements	8-17
OTHER SUPPLEMENTARY INFORMATION:	
Auditor's Report on Compliance and on Internal Control Over Financial Reporting Based on an Audit of Financial Statements Performed in Accordance with Government Auditing Standards	18-19
Combining Schedule of Net Position - Enterprise Fund	20
Combining Statement of Revenue, Expenditures, and Changes in Net Position - Enterprise Fund	21

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INDEPENDENT AUDITOR'S REPORT

To the Board of Trustees
Perkins Industrial Development Authority
Perkins, Oklahoma

Report on the Financial Statements

We have audited the accompanying financial statements of the business-type activities of the Perkins Industrial Development Authority, a component unit of the City of Perkins, Oklahoma, as of and for the year ended June 30, 2016, and the related notes to the financial statements, which collectively comprise the Authority's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

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

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

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

Opinions

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the business-type activities of the Perkins Industrial Development Authority

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a component unit of the City of Perkins, Oklahoma, as of June 30, 2016, and the respective changes in financial position and, where applicable, cash flows thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Other Matters

Required Supplementary Information

Management has omitted the management's discussion and analysis and the budgetary comparison information that accounting principles generally accepted in the United States of America require to be presented to supplement the basic financial statements. Such missing information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. My opinion of the basic financial statements is not affected by this missing information.

Other Information

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the Perkins Industrial Development Authority's basic financial statements. The Combining Schedule of Net Position and the Combining Schedule of Revenues, Expenses, and Changes in Net Position, on pages 20 and 21, are presented for purposes of additional analysis and are not a required part of the basic financial statements.

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

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards,* we have also issued our report dated December 13, 2016, on our consideration of the Perkins Industrial Development Authority's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the Perkins Industrial Development Authority's internal control over financial reporting and compliance.

Bruce Luttrell, CPA, PC

Bruce Luttrell, CPA, PC

December 13, 2016

GOVERNMENT-WIDE FINANCIAL STATEMENTS

PERKINS INDUSTRIAL DEVELOPMENT AUTHORITY
PERKINS, OKLAHOMA

STATEMENT OF NET POSITION
JUNE 30, 2016

	Business-type Activities
ASSETS	
Current assets:	
Cash	$ 159,468.61
Restricted cash & investments	20,178.27
Accounts receivable	6,149.03
Total current assets	185,795.91
Noncurrent assets:	
Capital assets:	
Furniture & equipment	386,769.96
Land	55,598.25
Building	2,006,810.65
Less: Accumulated depreciation	(584,774.57)
Total capital assets	1,864,404.29
Other assets:	
Deposit	350.00
Total other assets	350.00
Total assets	$ 2,050,550.20
LIABILITIES	
Current liabilities:	
Accounts payable	$ 29,640.76
Accrued interest payable (Note 4)	8,509.32
Due to City	7,283.13
Current portion of long-term debt	135,000.00
Total current liabilities	180,433.21
Noncurrent liabilities:	
Notes payable (Note 4)	2,520,000.00
Less: current portion	(135,000.00)
Total noncurrent liabilities	2,385,000.00
Total liabilities	2,565,433.21
NET POSITION	
Invested in capital assets, net of related depreciation	(655,595.71)
Restricted for debt service	20,178.27
Unrestricted	120,534.43
Total net position	$ (514,883.01)

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

PERKINS INDUSTRIAL DEVELOPMENT AUTHORITY
PERKINS, OKLAHOMA

STATEMENT OF ACTIVITIES
YEAR ENDED JUNE 30, 2016

Functions/programs	Expenses	Program Revenues	Net (Expense)/ Revenue
Business-type activities			
Assisted living center	$ 801,435.29	$ 963,159.24	$ 161,723.95
Administrative and general	-	-	-
Total business-type activities	$ 801,435.29	$ 963,159.24	161,723.95
Transfers In			-
Transfers Out			-
Change in net position			161,723.95
Net position, beginning of year			(676,606.96)
Net position, end of year			$ (514,883.01)

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

FUND FINANCIAL STATEMENTS

PERKINS INDUSTRIAL DEVELOPMENT AUTHORITY
PERKINS, OKLAHOMA

STATEMENT OF NET POSITION
PROPRIETARY FUND
JUNE 30, 2016

	Enterprise Fund
ASSETS	
Current assets:	
Cash	$ 159,468.61
Restricted cash & investments	20,178.27
Accounts receivable	6,149.03
Total current assets	185,795.91
Noncurrent assets:	
Capital assets:	
Furniture & equipment	386,769.96
Land	55,598.25
Building	2,006,810.65
Less: Accumulated depreciation	(584,774.57)
Total capital assets	1,864,404.29
Other assets:	
Deposit	350.00
Total other assets	350.00
Total assets	$ 2,050,550.20
LIABILITIES	
Current liabilities:	
Accounts payable	$ 29,640.76
Accrued interest payable (Note 4)	8,509.32
Due to City	7,283.13
Current portion of long-term debt	135,000.00
Total current liabilities	180,433.21
Noncurrent liabilities:	
Notes payable (Note 4)	2,520,000.00
Less: current portion	(135,000.00)
Total noncurrent liabilities	2,385,000.00
Total liabilities	2,565,433.21
NET POSITION	
Invested in capital assets, net of related depreciation	(655,595.71)
Restricted for debt service	20,178.27
Unrestricted	120,534.43
Total net position	$ (514,883.01)

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

PERKINS INDUSTRIAL DEVELOPMENT AUTHORITY
PERKINS, OKLAHOMA

STATEMENT OF REVENUES, EXPENSES, AND CHANGES IN NET POSITION
PROPRIETARY FUND
FOR THE YEAR ENDED JUNE 30, 2016

	Enterprise Fund
Operating revenues:	
Rent	$ 956,758.48
Miscellaneous	6,159.33
Total operating revenues	962,917.81
Operating expenses:	
Activities	7,184.17
Administrative	115,981.40
AL (Care)	294,129.66
Food Services	83,138.13
Maintenance	16,074.91
Marketing	12,625.48
Payroll expenses	35,148.09
Utilities	36,756.03
Depreciation	88,211.39
City expenses	-
Total operating expenses	689,249.26
Net operating income	273,668.55
Nonoperating revenue (expense)	
Interest income	241.43
Interest expense	(112,186.03)
Total nonoperating revenue (expense)	(111,944.60)
Net income before operating transfers	161,723.95
Operating transfers: In	-
Out	-
Change in net position	161,723.95
Net position beginning of year	(676,606.96)
Net position end of year	$ (514,883.01)

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

PERKINS INDUSTRIAL DEVELOPMENT AUTHORITY
PERKINS, OKLAHOMA

STATEMENT OF CASH FLOWS
PROPRIETARY FUND
FOR THE YEAR ENDED JUNE 30, 2016

	Enterprise Fund
Cash flows from operating activities:	
Rent	$ 956,758.48
Nonoperating revenue (expenses), net	(599,157.77)
Net cash provided (used) by operating activities	357,600.71
Cash flows from noncapital financing activities:	
Operating transfers in	-
Operating transfers out	-
Net cash provided (used) by noncapital financing activities	-
Cash flows from capital and related financing activities:	
Purchase of capital assets	(23,965.33)
Principal paid on debt	(130,000.00)
Interest paid on debt	(112,186.03)
Net cash provided (used) by capital and related financing activities	(266,151.36)
Cash flows from investing activities:	
Interest income	241.43
Net increase (decrease) in cash and cash equivalents	91,690.78
Cash balance beginning of year	87,956.10
Cash balance end of year	$ 179,646.88
Reconciliation of operating income (loss) to net cash provided (used) by operating activities:	
Operating income (loss)	$ 273,668.55
Adjustments to reconcile operating income to net cash provided (used) by operating activities:	
Cash flows reported in other categories:	
Depreciation	88,211.39
Change in assets and liabilities:	
Accounts receivable	-
Other assets	3,001.21
Accounts payable	358.53
Due to City	(7,200.00)
Accrued interest payable	(438.97)
Net cash provided by operating activities	$ 357,600.71

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

NOTES TO BASIC FINANCIAL STATEMENTS

NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

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

1.A. FINANCIAL REPORTING ENTITY

The Perkins Industrial Development Authority (the "Authority") is a public trust created under an original Trust Indenture dated April 14, 1998, and amended by a First Amendment to Declaration of Trust dated December 7, 2006, and amended again on May 13, 2008, for the use and benefit of the City of Perkins, Oklahoma, under authority of and pursuant to the provisions of Title 60, Oklahoma Statutes 2003, Sections 176 to 180.3, inclusive as amended and supplemented, the Oklahoma Trust Act and other applicable statutes of the State of Oklahoma (collectively, the "Acts").

The Authority is exempt from federal and state income taxes.

The governing body of the Authority consists of seven trustees, five of which are the mayor and current members of the City Council of the City of Perkins. The other two trustees are citizens and residents, of the City of Perkins, and are appointed by Resolution of the Board of Commissioners of the City of Perkins.

The Perkins Industrial Development Authority is considered a component unit of the City of Perkins, Oklahoma. In evaluating how to define the Authority, for financial reporting purposes, management has considered all potential component units. The decision to include a potential component unit in the reporting entity was made by applying the criteria established by the Governmental Accounting Standards Board (GASB). The basic (but not the only) criterion for including a potential component unit within the reporting entity is the governing body's ability to exercise oversight responsibility. The most significant manifestation of this ability is financial interdependency. Other manifestations of the ability to exercise oversight responsibility included, but are not limited to, the selection of governing authority, the designation of management, the ability to significantly influence operations, and accountability for fiscal matters. A second criterion used in evaluating potential component units is the scope of public service. Application of this criterion involves considering whether the activity benefits the Authority and/or its citizens, or whether the activity is conducted within the geographic boundaries of the Authority and is generally available to its patrons. A third criterion used to evaluate potential component units for inclusion or exclusion from the reporting entity is the existence of special financial relationships, regardless of whether the Authority is able to exercise oversight responsibilities.

Based upon the application of these criteria, there are no potential component units included in the Authority's reporting entity. And, the Perkins Industrial Development Authority is considered a component unit of the City of Perkins.

NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

THE PROJECT

The Authority is empowered to assist the City of Perkins in making the most efficient use of all of their economic resources and powers in accordance with the needs and benefits of the State of Oklahoma and the City of Perkins, in order to lessen the burdens on government and to stimulate economic growth and development, including financing any and all programs, utilities, facilities, or resources promoting or intending to promote any of the foregoing objectives.

Accordingly, on May 1, 2008, the Authority and Bank of Oklahoma, National Association, Oklahoma City, Oklahoma (the "Trustee") approved a note trust indenture providing for issuance of a Sales Tax Revenue Note – Series 2008A in the principal amount of $ 2,940,000.00, and a Sales Tax Revenue Note – Taxable Series 2008B in the principal amount of $ 325,000. The notes were issued to finance the development and construction of an assisted living center serving the citizens of the City of Perkins, Oklahoma, along with related costs, and paying certain costs associated with the issuance of the notes.

The notes do not constitute obligations of the State of Oklahoma or any political subdivision thereof, the City of Perkins, or personal obligations of the trustees of the Authority, but shall be a limited obligation of the Authority secured to the extent provided in the indenture. The Authority has no taxing power.

1.B. BASIS OF PRESENTATION

GOVERNMENT-WIDE FINANCIAL STATEMENTS

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

FUND FINANCIAL STATEMENTS

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

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

1.B. BASIS OF PRESENTATION (continued)

The funds of the financial reporting entity are described below:

OPERATING FUND: general operating account for the operations of the Perkins Industrial Development Authority.

2008A NOTE PROCEEDS FUND: consists of the proceeds of the note and makes the payments and transfers as set out by the Authority.

2008B NOTE PROCEEDS FUND: consists of the proceeds of the note and makes the payments and transfers as set out by the Authority.

CONSTRUCTION FUND: shall be expended to pay the project costs of the project or to reimburse the Authority or the City for amounts spent for such project costs.

PERKINS INDUSTRIAL DEVELOPMENT AUTHORITY REVENUE FUND: established in the event of default, used to receive the Sales Tax Revenue and to transfer monthly the principal and interest due on the notes to the Principal Fund and the Interest Fund.

WORKING CAPITAL FUND: shall be expended to pay the initial operations and maintenance costs of the project or to reimburse the Authority or the City for amounts spent for such operations and maintenance costs.

2008A CAPITALIZED INTEREST FUND: amounts deposited shall be periodically transferred to the Interest Account of the Note Fund and utilized to pay interest on the Series 2008A note when due.

2008B CAPITALIZED INTEREST FUND: amounts deposited shall be periodically transferred to the Interest Account of the Note Fund and utilized to pay interest on the Series 2008A note / and or the Series 2008B note when due.

2008A & B PRINCIPAL FUND: receives the required transfers from the Authority or the Revenue Fund; to receive income from investment of the Principal Account; to receive transfers from other accounts or funds and to utilize those funds to reduce or eliminate the required deposits therein and to pay the principal on the notes.

2008A & B INTEREST FUND: receives the required transfers from the Authority or the Revenue Fund; to receive income from investment of the Interest Account; to receive transfers from other accounts or funds and to utilize those funds to reduce or eliminate the required deposits therein and to pay the interest on the notes.

1.C. MEASUREMENT FOCUS AND BASIS OF ACCOUNTING

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

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

MEASUREMENT FOCUS

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

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

a. All governmental funds utilize a "current financial resources" measurement focus. Only current financial assets and liabilities are generally included on their balance sheets. Their operating statements present sources and uses of available spendable financial resources during a given period. These funds use fund balance as their measure of available spendable financial resources at the end of the period.

b. The proprietary funds utilize an "economic resources" measurement focus. The accounting objectives of this measurement focus are the determination of operating income, changes in net assets (or cost recovery), financial position, and cash flows. All assets and liabilities (whether current or noncurrent, financial, or nonfinancial) associated with their activities are reported. Proprietary fund equity is classified as net assets.

c. Agency funds are not involved in the measurement of results of operations; therefore, measurement focus is not applicable to them.

BASIS OF ACCOUNTING

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

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

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

1.D. BUDGETS AND BUDGETARY ACCOUNTING

1.D. BUDGETS AND BUDGETARY ACCOUNTING (continued)

The Authority's annual operating budget is prepared under the provisions of the Municipal Budget Act (the "New Budget Act") as part of the City of Perkins' budget. The budget is prepared on the accrual basis of accounting.

1.E. ASSETS, LIABILITIES, AND FUND EQUITY

CASH AND CASH EQUIVALENTS

For the purpose of financial reporting, "cash and cash equivalents" include all cash on hand, demand deposits and highly liquid investments with an original maturity of three months or less when purchased.

INVESTMENTS

Funds contained in the Construction Fund, the Revenue Fund, the Capitalized Interest Funds, the Working Capital Fund, and the Note Funds, including the Interest Account and the Principal Account, shall be continuously invested and reinvested by the Trustee in "Authorized Investments" as may be directed by the Authority that shall mature not later than the respective dates, as estimated, when the funds shall be required for the purposes intended, but in no event more than five months for the Interest Account and the Principal Account and twenty four months for the Construction Fund.

In accordance with the note indenture, all funds shall be invested in "Authorized Investments." Authorized Investments are defined in the note indenture to include a wide array of investments including, but not limited to: direct obligations of the United States of America, obligations of several government sponsored agencies, investments insured by the FDIC, commercial paper, state obligations, and money market funds.

Investment income derived from the various funds and accounts shall remain in such funds and accounts except as otherwise provided by the note indenture.

PROPERTY TAX REVENUES

The Authority is not authorized by state law to levy taxes.

INVENTORIES

The Authority had no inventory at June 30, 2016.

CAPITAL ASSETS

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

Government-Wide Statements

In the government-wide financial statements, fixed assets are accounted for as capital assets. All capital assets are valued at historical cost.

1.E. ASSETS, LIABILITIES, AND FUND EQUITY (continued)

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

Buildings and improvements	40 years
Furniture, and equipment	5-20 years

Fund Financial Statements

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

ACCRUED INTEREST PAYABLE

Interest accrued on the note indenture discussed in Note 4.

EQUITY CLASSIFICATION

Net Position

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

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

Fund Balance

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

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

1.E. ASSETS, LIABILITIES, AND FUND EQUITY (continued)

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

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

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

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

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

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

1.F. INTERFUND TRANSACTIONS

Quasi-external transactions are accounted for as revenues, expenditures or expenses. Transactions that constitute reimbursements to a fund or expenditures/expenses initially made from it that are properly to another fund, are recorded as expenditures/expenses in the fund that is reimbursed.

1.F. INTERFUND TRANSACTIONS (continued)

All other interfund transactions, except quasi-external transactions and reimbursements, are reported as transfers. Nonrecurring or nonroutine permanent transfers of equity are reported as residual equity transfers. All other interfund transfers are reported as operating transfers.

1.G. USE OF ESTIMATES

The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Accordingly, actual results could differ from those estimates.

NOTE 2. CASH AND INVESTMENTS

All the deposits of the Authority are either insured by the Federal Deposit Insurance Corporation (FDIC) or collateralized with securities held by the Authority or by its agent in its name.

NOTE 3. INTERFUND RECEIVABLES AND PAYABLES

There were no interfund receivables or payables at June 30, 2016.

NOTE 4. GENERAL LONG-TERM DEBT

On May 15, 2008, the Authority and Bank of Oklahoma, National Association, Oklahoma City, Oklahoma, (the "Trustee") approved a note indenture providing for the issuance of its Sales Tax Revenue Note – Series 2008A, in the principal amount of $ 2,940,000, and its Sales Tax Revenue Note – Taxable Series 2008B, in the amount of $ 325,000. The notes were issued for the purpose of financing the development and construction of an assisted living center serving the citizens of the City of Perkins, Oklahoma, along with related costs, and paying certain costs associated with the issuance of the notes.

The notes were purchased by Bank of America, N.A. There were no underwriting or discounts or commissions involved in connection with the issuance of this indebtedness. However, the purchaser did receive an acceptance fee of one half of one percent of the combined principal amount of the notes relating to the purchase of the notes.

The notes will be repaid from a portion of the revenue generated by an aggregate total of two percent sales tax levied pursuant to Ordinance No. 104 of the City of Perkins, Oklahoma, as amended by Ordinance No. 130 of the City of Perkins, Oklahoma. As consideration for the execution of the note indenture and the issuance of the notes by the Authority and in order to secure all the payments required by the notes, the Authority has pledged the sales tax revenue to the Trustee as set out in the note indenture, and has created a security interest in that sales tax revenue in favor of the Trustee for the benefit of the holders of the notes. The Authority and the City of Perkins, Oklahoma, have entered into a Sales Tax Agreement, dated May 1, 2008, wherein the City of Perkins agrees, on a year-to-year basis subject to annual appropriation, to pay

NOTE 4. GENERAL LONG-TERM DEBT (continued)

under certain circumstances to the Authority each month as received, a portion of the monies derived from the levy and collection of the excise tax levied pursuant to the sales tax ordinances discussed above.

The notes do not constitute obligations of the State of Oklahoma, or any political subdivision thereof, or personal obligations of the trustees of the Authority, but shall be a limited obligation of the Authority secured to the extent provided in the note indenture.

Principal of the notes is payable on June 1 in the years as outlined below. Interest is payable semi-annually on June 1 and December 1 of each year, beginning December 1, 2008. The Sales Tax Revenue Note – Series 2008A carries an interest rate of 4.25 %, while the Sales Tax Revenue Note – Taxable Series 2008B carried an interest rate of 5.5 %. The Sales Tax Revenue Note – Taxable Series 2008B was paid in full during a previous year.

CHANGES IN LONG-TERM DEBT

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

Type of Debt	Balance July 1, 2015	Additions	Reductions	Balance June 30, 2016	Amount Due Within One Year
Business-Type Activities:					
Sales Tax Revenue Notes:					
Series 2008A	2,650,000.00	-	130,000.00	2,520,000.00	135,000.00
Total Business-Type Activities	2,650,000.00	-	130,000.00	2,520,000.00	135,000.00

DEBT SERVICE REQUIREMENTS TO MATURITY

The annual debt service requirements for retirements of bond principal and payment of interest are as follows:

Year Ended	Sales Tax Revenue Note – Series 2008A		
June 30,	Principal	Interest	Total
2017	135,000	107,100	242,100
2018	140,000	101,362	241,362
2019	145,000	95,413	240,413
2021	155,000	89,250	244,250
2021	160,000	82,663	242,663
2022-2026	905,000	305,575	1,210,575
2027-2031	880,000	95,625	975,625
2032-2036	-	-	-
Total	2,520,000	876,988	3,396,988

NOTE 5. CAPITAL ASSETS

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

Business-type activities:	Balance at July 1, 2015	Additions	Deductions	Balance at June 30, 2016
Capital assets not being depreciated:				
Land	$ 55,598.25	$		$ 55,598.25
Total capital assets not being depreciated	55,598.25			55,598.25
Other capital assets:				
Furniture and equipment	358,675,76	23,965.33		382,641.09
Buildings & infrastructure	2,010,939.52			2,010,939.52
Total other capital assets at historical cost	2,369,615.28	23,965.33		2,393,580.61
Less accumulated depreciation for:				
Furniture and equipment	-			-
Buildings & infrastructure	496,563.18	88,211.39		584,774.57
Total accumulated depreciation	496,563.18	88,211.39		584,774.57
Other capital assets, net	1,873,052.10	<64,246.06>		1,808,806.04
Business-type activities capital assets, net	$ 1,928,650.35	$ <64,246.06>		$ 1,864,404.29

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

Business-Type Activities:	
Assisted living	$ 88,211.39

NOTE 6: COMMITMENTS AND CONTINGENCIES

COMMITMENTS

In June, 2009, the Perkins Industrial Development Authority entered into an economic development incentive grant with a local grocery store, wherein the Perkins Industrial Development Authority paid the grocery company an amount equal to 33 % of the City's sales tax generated by the company, on a quarterly basis. The grant ran for a period of 60 months from the date the company was open for business. The final payment was made during the previous year:

NOTE 7: SUBSEQUENT EVENTS

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

OTHER SUPPLEMENTARY INFORMATION

Bruce G. Luttrell, CPA, PC
Certified Public Accountant

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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*

To the Board of Trustees
Perkins Industrial Development Authority
Perkins, Oklahoma

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of the business-type activities of the Perkins Industrial Development Authority, a component unit of the City of Perkins, Oklahoma, as of and for the year ended June 30, 2016, and the related notes to the financial statements, which collectively comprise the Perkins Industrial Development Authority's basic financial statements and have issued our report thereon dated December 13, 2016. Our report included an explanatory paragraph that stated management had not presented the Management's Discussion and Analysis or the budgetary comparison information to supplement the financial statements.

Internal Control Over Financial Reporting

In planning and performing our audit of the financial statements, we considered the Perkins Industrial Development Authority'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 Perkins Industrial Development Authority's, internal control. Accordingly, we do not express an opinion on the effectiveness of the Perkins Industrial Development Authority'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.

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

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the Perkins Industrial Development Authority's financial statements are free from material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit and, accordingly, we do not express such an opinion. The results of 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 my testing of internal control and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the entity's internal control or on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the entity's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

Bruce Luttrell, CPA, PC

Bruce G. Luttrell, CPA, PC

December 13, 2016

PERKINS INDUSTRIAL DEVELOPMENT AUTHORITY
PERKINS, OKLAHOMA

COMBINING SCHEDULE OF NET POSITION
PROPRIETARY FUND
JUNE 30, 2016

	Enterprise Fund					
	Operating Fund	2008A Note Proceeds Fund	Construction Fund	2008A & B Principle Fund	2008A & B Interest Fund	Total
ASSETS						
Current assets:						
Cash	$ 159,468.61	$ -	$ -	$ -	$ -	$ 159,468.61
Restricted cash & investments				11,252.33	8,925.94	20,178.27
Accounts receivable	6,149.03					6,149.03
Total current assets	165,617.64	-	-	11,252.33	8,925.94	185,795.91
Noncurrent assets:						
Capital assets:						
Furniture & equipment	23965.33		362,804.63			386,769.96
Land			55,598.25			55,598.25
Building			2,006,810.65			2,006,810.65
Less: Accumulated depreciation	-1179.99		(583,594.58)			(584,774.57)
Total capital assets	22,785.34	-	1,841,618.95	-	-	1,864,404.29
Other assets:						
Deposit	350.00					350.00
Total other assets	350.00	-	-	-	-	350.00
Total assets	$ 188,752.98	$ -	$ 1,841,618.95	$ 11,252.33	$ 8,925.94	$ 2,050,550.20
LIABILITIES						
Current liabilities:						
Accounts payable	$ 29,640.76	$ -	$ -	$ -	$ -	$ 29,640.76
Accrued interest payable (Note 4)		8,509.32	-			8,509.32
Due to City	7,283.13					7,283.13
Current portion of long-term debt		135,000.00				135,000.00
Total current liabilities	36,923.89	143,509.32	-	-	-	180,433.21
Noncurrent liabilities:						
Notes payable (Note 4)		2,520,000.00				2,520,000.00
Less: current portion		(135,000.00)				(135,000.00)
Total noncurrent liabilities	-	2,385,000.00	-	-	-	2,385,000.00
Total liabilities	36,923.89	2,528,509.32	-	-	-	2,565,433.21
NET POSITION						
Invested in capital assets, net of depreciation	22785.34	(2,520,000.00)	1,841,618.95			(655,595.71)
Restricted for debt service				11,252.33	8,925.94	20,178.27
Unrestricted	129,043.75	(8,509.32)	-	-	-	120,534.43
Total net position	$ 151,829.09	$ (2,528,509.32)	$ 1,841,618.95	$ 11,252.33	$ 8,925.94	$ (514,883.01)

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

PERKINS INDUSTRIAL DEVELOPMENT AUTHORITY
PERKINS, OKLAHOMA

COMBINING SCHEDULE OF REVENUES, EXPENSES, AND CHANGES IN NET POSITION
PROPRIETARY FUND
FOR THE YEAR ENDED JUNE 30, 2016

	Enterprise Fund					
	Operating Fund	2008A Note Proceeds Fund	Construction Fund	2008A & B Principle Fund	2008A & B Interest Fund	Total
Operating revenues:						
Rent	$ 956,758.48	$ -	$ -	$ -	$ -	$ 956,758.48
Miscellaneous	6,159.33					6,159.33
Total operating revenues	962,917.81	-	-	-	-	962,917.81
Operating expenses:						
Activities	7,184.17					7,184.17
Administrative	115,981.40					115,981.40
AL (Care)	294,129.66					294,129.66
Food Services	83,138.13					83,138.13
Maintenance	16,074.91					16,074.91
Marketing	12,625.48					12,625.48
Payroll expenses	35,148.09					35,148.09
Utilities	36,756.03					36,756.03
Depreciation	88,211.39					88,211.39
City expenses	-					-
Total operating expenses	689,249.26	-	-	-	-	689,249.26
Net operating income	273,668.55	-	-	-	-	273,668.55
Nonoperating revenue (expense)						
Interest income	229.74			8.78	2.91	241.43
Interest expense		(112,186.03)				(112,186.03)
Total nonoperating revenue (expense)	229.74	(112,186.03)	-	8.78	2.91	(111,944.60)
Net income before operating transfers	273,898.29	(112,186.03)	-	8.78	2.91	161,723.95
Operating transfers	(155,513.35)	242,625.00	(87,031.40)	827.50	(907.75)	-
Change in net position	118,384.94	130,438.97	(87,031.40)	836.28	(904.84)	161,723.95
Net position beginning of year	33,444.15	(2,658,948.29)	1,928,650.35	10,416.05	9,830.78	(676,606.96)
Net position end of year	$ 151,829.09	$ (2,528,509.32)	$ 1,841,618.95	$ 11,252.33	$ 8,925.94	$ (514,883.01)

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