

# City of Hugo, Oklahoma Annual Financial Report

Fiscal Year Ended June 30, 2024



**CITY OF HUGO, OKLAHOMA**  
**ANNUAL FINANCIAL REPORT**  
**As of and for the Year Ended June 30, 2024**

---

**Table of Contents**

<b>Independent Auditor's Report on Financial Statements.....</b>	<b>3-5</b>
<b>Management's Discussion and Analysis.....</b>	<b>7-12</b>
<b>The Basic Financial Statements:</b>	
<b>Government-Wide Financial Statements:</b>	
Statement of Net Position.....	14
Statement of Activities.....	15
<b>Governmental Funds Financial Statements:</b>	
Balance Sheet.....	18
Statement of Revenues, Expenditures and Changes in Fund Balances .....	19
Reconciliation of Governmental Funds and Government-Wide Financial Statements.....	20
<b>Proprietary Funds Financial Statements:</b>	
Statement of Net Position .....	22
Statement of Revenues, Expenses and Changes in Net Position.....	23
Statement of Cash Flows.....	24
<b>Footnotes to the Basic Financial Statements .....</b>	<b>26-42</b>
<b>Required Supplementary Information:</b>	
<b>Budgetary Comparison Schedule – General Fund .....</b>	<b>44-45</b>
<b>Schedule of the City of Hugo's Proportionate Share of the Net</b>	
<b>Pension Liabilities .....</b>	<b>46</b>
<b>Schedule of Employer Contributions .....</b>	<b>47</b>
<b>Other Information:</b>	
<b>Schedule of Expenditures of Federal Awards.....</b>	<b>48</b>
<b>Internal Control and Compliance:</b>	
<b>Independent Auditor's Report on Internal Control and Compliance.....</b>	<b>50-51</b>

**CITY OF HUGO, OKLAHOMA**  
**ANNUAL FINANCIAL REPORT**  
**As of and for the Year Ended June 30, 2024**

---

**City Council**

Ernest McCarty	Mayor/Ward 2
Darren Frazier	Vice-Mayor/ At-Large
Josh Armes	Ward 1
Juanita Latimore	Ward 3
Tina Bunn	Ward 4

**Management**

Leah L. Savage	City Manager
Debra Searcy	City Clerk
Brittany Messer	City Treasurer
John A. Mitchell	Chief of Police
Ron Cloud	Fire Chief
Teshumbe Bills	Code Enforcement

Hugo City Hall  
203 South Second  
Hugo, OK 74743  
580-326-2722

## *dwg, inc. Certified Public Accountant and Consultant*

### Independent Auditor's Report

To the City Council  
City of Hugo, Oklahoma

#### **Opinions**

We have audited the financial statements of the governmental activities, the business-type activities, the aggregate discretely presented component units, each major fund, and the aggregate remaining fund information of the City of Hugo as of and for the year ended June 30, 2024, and the related notes to the financial statements, which collectively comprise the City of Hugo's basic financial statements as listed in the table of contents. We also have audited the aggregate nonmajor governmental funds and the aggregate nonmajor enterprise funds, of the City of Hugo, as of and for the year ended June 30, 2024, as displayed in the City of Hugo's basic financial statements.

In our opinion, the accompanying financial statements present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, the aggregate discretely presented component units, each major fund, and the aggregate remaining fund information, as well as of the aggregate nonmajor governmental funds, and the aggregate nonmajor enterprise funds, of the City of Hugo, as of June 30, 2024, 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.

#### **Basis for Opinions**

We conducted our audit in accordance with auditing standards generally accepted in the United States of America (GAAS) and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Financial Statements section of our report. We are required to be independent of the City of Hugo and to meet our other ethical responsibilities, in accordance with the relevant ethical requirements relating to our audit. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinions.

#### **Responsibilities of Management for the Financial Statements**

the City of Hugo's management is responsible for the preparation and fair presentation of the financial statements in accordance with accounting principles generally accepted in the United States of America, and for 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.

In preparing the financial statements, management is required to evaluate whether there are conditions or events, considered in the aggregate, that raise substantial doubt about the City of Hugo's ability to continue as a going concern for one year after the date that the financial statements are issued [or when applicable, one year after the date that the financial statements are available to be issued.

### ***Auditor's Responsibilities for the Audit of the Financial Statements***

Our objectives are to obtain reasonable assurance about whether the financial statements are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinions. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with GAAS will always detect a material misstatement when it exists. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Misstatements are considered material if there is a substantial likelihood that, individually or in the aggregate, they would influence the judgment made by a reasonable user based on the financial statements.

In performing an audit in accordance with GAAS, we:

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements.
- Obtain an understanding of internal control relevant to the audit 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 City of Hugo's internal control. Accordingly, no such opinion is expressed.
- Evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the financial statements.

- Conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about the City of Hugo's ability to continue as a going concern for a reasonable period of time.

We are required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit, significant audit findings, and certain internal control–related matters that we identified during the audit.

### ***Required Supplementary Information***

Accounting principles generally accepted in the United States of America require that the management's discussion on pages 7-12 and budgetary comparison information on pages 46-47 and Pension Liabilities on pages 48-49, be presented to supplement the basic financial statements. Such information is the responsibility of management and, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

### ***Other Information***

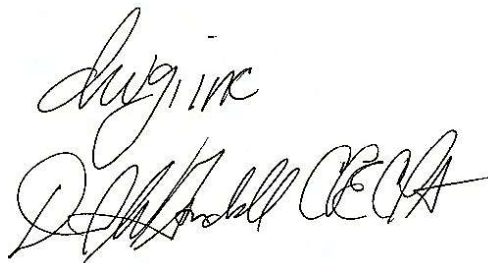
Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the City's basic financial statements. The combining proprietary fund statements and the Schedule of Expenditures of Federal Awards, as required by the audit requirements of Title 2 U.S. Code of Federal Regulation (CFR) Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance) are presented for purposes of additional analysis and are not a required part of the basic financial statements.

The combining proprietary fund statements and the Schedule of Expenditures of Federal Awards is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the

basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the combining proprietary fund statements and the Schedule of Expenditures of Federal Awards are fairly stated, in all material respects, in relation to the basic financial statements as a whole.

### **Other Reporting Required by *Government Auditing Standards***

In accordance with *Government Auditing Standards*, we have also issued our report dated February 4, 2025 on our consideration of the City of Hugo'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.<sup>10</sup> The purpose of that report is solely 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 the effectiveness of internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the City of Hugo's internal control over financial reporting and compliance.

The image shows a handwritten signature in black ink. The signature is written in a cursive style and appears to read "dwg, inc." followed by "David W. Gandall CFE, CPA".

dwg, inc.  
David W. Gandall, CFE, CPA  
February 4, 2025

## **Management Discussion and Analysis**

The management of the City of Hugo ("City") is pleased to provide this annual financial report to its citizens, taxpayers and other report users to demonstrate its accountability and communicate the City's financial condition and activities as of and for the year ended June 30, 2024. Management of the City is responsible for the fair presentation of this annual report, for maintaining appropriate internal controls over financial reporting, and for complying with applicable laws, regulations, and provisions of grants and contracts.

### **FINANCIAL HIGHLIGHTS**

- The City's total net position increased by \$2,115,094 and the assets of the City exceeded its liabilities at June 30, 2024, by \$26,982,094 (net position). Of this amount, the City had a \$6,157,488 unrestricted net position available to meet the government's ongoing needs.
- At June 30, 2024, the unassigned fund balance for the General Fund was \$1,264,533 or 34.7% of General Fund revenues for the year.

### **ABOUT THE CITY**

The City of Hugo is a municipality with a population of approximately 5,174 located in Choctaw County in Southeast Oklahoma, about 9 miles north of the Texas state line. The City is governed by a five-member City Council chaired by the Mayor and operates under Oklahoma state laws and City ordinances.

The City provides typical municipal services such as public safety, street and alley maintenance, and through its Utilities Authority, certain utility services including water, wastewater, and sanitation.

### ***The City's Financial Reporting Entity***

This annual report includes all activities for which the City of Hugo's City Council is financially accountable. These activities, defined as the City's financial reporting entity, are operated within separate legal entities that make up the primary government.

The City's financial reporting entity includes the following separate legal entities:

- **The City of Hugo** – an incorporated City established in 1901 that operates the public safety, streets and public works, health and welfare, culture and recreation, and administrative activities of the City – *reported as part of the primary government as "governmental" activities.*
- **The Hugo Municipal Authority (HMA)** – a public trust created pursuant to 60 O.S. § 176 to operate the water, wastewater, and sanitation services of the City – *considered part of the primary government presentation for reporting purposes; reported as "business-type" activities.*
- **The Hugo Industrial Authority (HIA)** – a public trust created pursuant to 60 O.S. § 176 to provide economic development services for the City – *considered part of the primary government presentation for reporting purposes; reported as "business-type" activities.*



**CITY OF HUGO, OKLAHOMA**  
**ANNUAL FINANCIAL REPORT**  
**As of and for the Year Ended June 30, 2024**

---

## **OVERVIEW OF THE FINANCIAL STATEMENTS**

The financial statements presented herein include all of the activities of the City of Hugo (the “City”) the Hugo Municipal Authority (the “HMA”) and Hugo Industrial Authority (“HIA”). Included in this report are government-wide statements for each of the two categories of activities - governmental and business-type.

The government-wide financial statements present the complete financial picture of the City from the economic resources measurement focus. They present governmental activities separately and combined. For governmental activities, these statements tell how these services were financed in the short term as well as what remains for future spending. Fund financial statements report the City’s operations in more detail than the government-wide statements by providing information about the City’s governmental funds.

### **Reporting the City as a Whole**

#### ***Government-wide financial statements***

The government-wide financial statements are designed to provide readers with a broad overview of the City’s finances, in a manner similar to a private-sector business.

#### ***The Statement of Net position and Statement of Activities***

The statement of net position presents information on all of the City of Hugo’s assets and liabilities, with the difference between the two reported as net position. Over time, increases or decreases in net position may serve as a useful indicator of whether the financial position of the City is improving or deteriorating.

The statement of activities presents information showing how the government’s net position changed during the most recent fiscal year. All changes in net position are reported as soon as the underlying event giving rise to the change occurs, regardless of the timing of related cash flows. Thus, revenues and expenses are reported in this statement for some items that will only result in cash flows in future periods (e.g. uncollected taxes and earned but unused vacation leave).

In the Statement of Net Position and the Statement of Activities, we divide the Primary Government into two kinds of activities: *Governmental activities* - Most of the City’s basic services are reported here, including the police, fire, administration, and streets. Sales taxes, franchise fees, fines, and state and federal grants finance most of these activities; and *Business-type activities* – Activities where the City charges a fee to customers to help cover all or most of the cost of certain services it provides are reported here. The City’s water, sewer, and sanitation utilities are reported as business-type activities.

### **Reporting the City’s Fund Financial Statements**

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

The City’s two kinds of funds – *governmental and proprietary* - use different accounting approaches.

*Governmental funds* - All of the City’s basic services are reported in governmental funds, which focus on how money flows into and out of those funds and the balances left at year-end that are available for spending. For example, these funds report the acquisition of capital assets and payments for debt principal as expenditures and not as changes to asset and debt balances. The governmental fund statements provide a detailed short-term view of the City’s general government operations and the basic services it provides. Governmental fund information helps you determine (through a review of changes to fund balance) whether there are more or fewer financial resources that can be spent in the near future to finance the City’s programs. The differences of results in the governmental fund

**CITY OF HUGO, OKLAHOMA**  
**ANNUAL FINANCIAL REPORT**  
**As of and for the Year Ended June 30, 2024**

financial statements to those in the government-wide financial statements are explained in a reconciliation following the governmental fund financial statements.

*Proprietary funds* - When the City, through the HMA and HIA, charges customers for the services it provides, these services are generally reported in proprietary funds. Proprietary funds are reported on an economic resources measurement focus. For example, proprietary fund capital assets are capitalized and depreciated and principal payments on long-term debt are recorded as a reduction to the liability.

**Notes to the Financial Statements**

The notes provide additional information that is essential to gain an understanding of the data provided in the government-wide and fund financial statements. The Notes to the Financial Statements can be found on pages 26-43 of this report.

**THE CITY AS A WHOLE**

For the year ended June 30, 2024, net position for the governmental and business-type activities increased \$2,115,094.

	<b>Net position at June 30,</b>					
	<b>Governmental Activities</b>		<b>Business-type Activities</b>		<b>Total</b>	
	<b>2024</b>	<b>2023</b>	<b>2024*</b>	<b>2023*</b>	<b>2024*</b>	<b>2023*</b>
Beginning net position	\$ 6,356,007	\$ 4,796,834	\$ 18,510,993	\$ 16,646,338	\$ 24,867,000	\$ 21,443,172
Increase (decrease)	270,042	1,559,173	1,845,052	1,864,655	2,115,094	3,423,828
Ending net position	<u>\$ 6,626,049</u>	<u>\$ 6,356,007</u>	<u>\$ 20,356,045</u>	<u>\$ 18,510,993</u>	<u>\$ 26,982,094</u>	<u>\$ 24,867,000</u>
*restated						

The largest portion of the City's net position reflects its investment in capital assets, less any related debt used to acquire those assets that is still outstanding.

The following is a summary of net position for the City of Hugo as of June 30:

	<b>Governmental Activities</b>		<b>Business-type Activities</b>		<b>Total</b>	
	<b>2024</b>	<b>2023</b>	<b>2024</b>	<b>2023*</b>	<b>2024</b>	<b>2023*</b>
Assets:						
Current and other assets	\$ 2,838,023	\$ 2,455,872	\$ 7,767,097	\$ 8,468,619	\$ 10,605,120	\$ 10,924,491
Capital assets, net	5,004,791	4,903,457	34,042,518	32,536,135	39,047,309	37,439,592
Total assets	<u>7,842,814</u>	<u>7,359,329</u>	<u>41,809,615</u>	<u>41,004,754</u>	<u>49,652,429</u>	<u>48,364,083</u>
Deferred outflows	3,088,516	3,813,051	-	-	3,088,516	3,813,051
Liabilities:						
Short-term liabilities	546,454	219,930	430,671	663,226	977,125	883,156
Long-term liabilities	2,061,190	1,958,530	21,022,899	21,830,535	23,084,089	23,789,065
Total liabilities	<u>2,607,644</u>	<u>2,178,460</u>	<u>21,453,570</u>	<u>22,493,761</u>	<u>24,061,214</u>	<u>24,672,221</u>
Deferred inflows	1,697,637	2,637,913	-	-	1,697,637	2,637,913
Net position:						
Invested in capital assets, net	5,004,791	4,673,457	14,442,587	12,037,981	19,447,378	16,711,438
Restricted	995,928	873,237	381,300	239,810	1,377,228	1,113,047
Unrestricted	625,330	809,313	5,532,158	6,233,202	6,157,488	7,042,515
Total net position	<u>\$ 6,626,049</u>	<u>\$ 6,356,007</u>	<u>\$ 20,356,045</u>	<u>\$ 18,510,993</u>	<u>\$ 26,982,094</u>	<u>\$ 24,867,000</u>
*restated						

**CITY OF HUGO, OKLAHOMA**  
**ANNUAL FINANCIAL REPORT**  
As of and for the Year Ended June 30, 2024

	<b>Changes in Net Position</b>			
	<b>Year Ended June 30,</b>			
	<b>Governmental</b>		<b>Business-type</b>	
	<b>Activities</b>		<b>Activities</b>	
	<b><u>2024</u></b>	<b><u>2023</u></b>	<b><u>2024</u></b>	<b><u>2023</u></b>
Revenues:				
Program revenues:				
Charges for services	\$ 305,643	\$ 370,220	\$ 3,511,546	\$ 3,584,162
Grants	580,543	422,689	1,759,753	1,966,138
General revenues:				
Sales and use tax	3,111,588	2,879,401	1,908,852	1,898,959
Other taxes	570,818	497,458	-	-
Other general revenues	174,503	228,531	84,409	61,291
Total revenues	<u>4,743,095</u>	<u>4,398,299</u>	<u>7,264,560</u>	<u>7,510,550</u>
Program expenses:				
General government	890,158	665,624	-	-
Parks and recreation	391,110	375,903	-	-
Public safety	3,106,460	2,091,585	-	-
Streets and alleys	764,004	706,578	-	-
Cemetery	214,015	204,602	-	-
Water	-	-	2,322,442	2,271,741
Sewer	-	-	1,641,227	1,595,347
Sanitation	-	-	253,569	241,935
Airport	-	-	289,434	308,314
Economic development	-	-	20,142	23,392
Total expenses	<u>5,365,747</u>	<u>4,044,292</u>	<u>4,526,814</u>	<u>4,440,729</u>
Transfer to (from)	<u>892,694</u>	<u>1,205,166</u>	<u>(892,694)</u>	<u>(1,205,166)</u>
Increase in net position	<u>270,042</u>	<u>1,559,173</u>	<u>1,845,052</u>	<u>1,864,655</u>
Beginning net position (restated)	<u>6,356,007</u>	<u>4,796,834</u>	<u>18,510,993</u>	<u>16,646,338</u>
Ending net position	<u>\$ 6,626,049</u>	<u>\$ 6,356,007</u>	<u>\$ 20,356,045</u>	<u>\$ 18,510,993</u>

**Governmental Activities**

The increase in net position related to governmental activities of \$270,042 included capital assets purchased with grant receipts and higher tax receipts, somewhat offset by higher expenses in all departments.

**Business-type Activities**

The increase of \$1,845,052 for business-type activities includes a grant from the Oklahoma Water Resources Board for an automated meter information system in the amount of \$1,158,860 and the receipt of \$183,762 from the US Department of Agriculture for improvements to the City's water treatment plant and \$253,756 from the Federal Aviation Administration for improvements to City's airport.

**CITY OF HUGO, OKLAHOMA**  
**ANNUAL FINANCIAL REPORT**  
**As of and for the Year Ended June 30, 2024**

**A FINANCIAL ANALYSIS OF THE CITY'S FUNDS**

As the City completed its 2024 fiscal year, Governmental Funds reported total fund balances of \$2,291,569. For the year ended June 30, 2024, the Governmental Funds' total fund balances increased by \$53,710.

**Budgetary Highlights**

The City's general fund resources (inflows) were \$731,617, or 19.31% higher than budgeted which included unexpected grants of \$258,077 and higher sales and use tax revenue, somewhat offset by lower intergovernmental revenue. General fund charges to appropriations were \$317,690, or 7.42% higher than final appropriations.

**CAPITAL ASSETS & DEBT ADMINISTRATION**

**Capital Assets**

At the end of June 30, 2024, the City had approximately \$39.0 million in capital assets (net of accumulated depreciation). Below are details regarding the City's capital assets for the year ended June 30, 2024:

**Capital Assets**  
**June 30,**

	<b>Governmental</b>		<b>Business-type</b>		<b>Total</b>	
	<b>Activities</b>		<b>Activities</b>			
	<b>2024</b>	<b>2023</b>	<b>2024</b>	<b>2023</b>	<b>2024</b>	<b>2023</b>
Land	\$ 4,000	\$ 4,000	\$ 181,833	\$ 181,833	\$ 185,833	\$ 185,833
Construction in progress	-	-	17,712,733	15,390,305	17,712,733	15,390,305
Buildings and improvements	2,896,132	2,797,594	534,656	507,450	3,430,788	3,305,044
Equipment and vehicles	2,857,092	2,667,660	1,184,094	930,307	4,041,186	3,597,967
Utility systems	-	-	29,215,447	29,130,871	29,215,447	29,130,871
Infrastructure	3,598,304	3,390,453	2,378,451	2,378,451	5,976,755	5,768,904
Totals	9,355,528	8,859,707	51,207,214	48,519,217	60,562,742	57,378,924
Less accumulated depreciation	(4,350,737)	(3,956,250)	(17,164,696)	(15,983,082)	(21,515,433)	(19,939,332)
Totals, net	\$ 5,004,791	\$ 4,903,457	\$ 34,042,518	\$ 32,536,135	\$ 39,047,309	\$ 37,439,592

This year's capital asset additions include the following:

- Extensive park improvements, including tennis and pickleball courts, skate park, and pool remodel
- The installation of an automated meter information system
- Continue work on the water treatment plant project
- Various sewer line improvements and relocations
- Completion of additional taxi lanes at the airport

**Debt Administration**

No new debt was issued in the current year. Debt activity was as follows:

	<b>Balance</b>			<b>Balance</b>	<b>Amount Due</b>
	<b>June 30, 2023</b>	<b>Additions</b>	<b>Deductions</b>	<b>June 30, 2024</b>	<b>Within One Year</b>
Governmental:					
Notes payable	\$ 230,000	-	\$ 230,000	\$ -	\$ -
	\$ 230,000	\$ -	\$ 230,000	\$ -	\$ -
Business-type:					
Notes payable	\$ 21,406,010	\$ -	\$ 845,331	\$ 20,560,679	\$ 1,083,598
Total business-type	\$ 21,406,010	\$ -	\$ 845,331	\$ 20,560,679	\$ 1,083,598

**CITY OF HUGO, OKLAHOMA**  
**ANNUAL FINANCIAL REPORT**  
**As of and for the Year Ended June 30, 2024**

---

**Contacting the City's Financial Management**

This report is designed to provide our citizens, taxpayers, customers and creditors with a general overview of the City's finances and to demonstrate 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 203 South Second, Hugo, OK 74743, 580-326-2722

**Basic Financial Statements – Statements of Net Position and  
Activities**

**CITY OF HUGO, OKLAHOMA**  
**ANNUAL FINANCIAL REPORT**  
As of and for the Year Ended June 30, 2024

**Statement of Net position – June 30, 2024**

	<b>Primary Government</b>		
	<b>Governmental</b>	<b>Business-type</b>	
	<b>Activities</b>	<b>Activities</b>	<b>Total</b>
<b>Assets</b>			
Cash and cash equivalents	\$ 1,878,550	\$ 5,211,636	\$ 7,090,186
Restricted - cash and cash equivalents	391,951	2,015,617	2,407,568
Receivables	508,277	506,745	1,015,022
Grant receivable	26,146	-	26,146
Prepaid expense	33,099	33,099	66,198
Capital assets, net	5,004,791	34,042,518	39,047,309
 Total assets	 7,842,814	 41,809,615	 49,652,429
 <b>Deferred Outflows of Resources</b>			
Deferred amounts related to pensions	3,088,516	-	3,088,516
 <b>Liabilities:</b>			
Accounts payable	285,903	77,717	363,620
Accrued payroll liabilities	260,551	18,536	279,087
Accrued interest payable	-	56,055	56,055
Meter deposits	-	429,876	429,876
Net pension liability	1,977,384	-	1,977,384
Compensated absences	83,806	32,344	116,150
Unearned revenue	-	278,363	278,363
Notes payable:			
Due within one year	-	1,083,598	1,083,598
Due in more than one year	-	19,477,081	19,477,081
 Total liabilities	 2,607,644	 21,453,570	 24,061,214
 <b>Deferred Inflows of Resources</b>			
Deferred amounts related to pensions	1,697,637	-	1,697,637
 <b>Net Position:</b>			
Net investment in capital assets	5,004,791	14,442,587	19,447,378
Restricted for:			
Special revenue	995,928	-	995,928
Debt service	-	381,300	381,300
Unrestricted	625,330	5,532,158	6,157,488
 Total net position	 \$ 6,626,049	 \$ 20,356,045	 \$ 26,982,094

See accompanying notes to the basic financial statements.

**CITY OF HUGO, OKLAHOMA**  
**ANNUAL FINANCIAL REPORT**  
As of and for the Year Ended June 30, 2024

**Statement of Activities – Year Ended June 30, 2024**

<u>Functions/Programs</u>	<u>Expenses</u>	<u>Program Revenues</u>			<u>Net (Expense) Revenue and Change in Net Position</u>		
		<u>Charges for</u>	<u>Capital</u>	<u>Operating</u>	<u>Governmental</u>	<u>Business-type</u>	<u>Total</u>
		<u>Services</u>	<u>Grants</u>	<u>Grants</u>	<u>Activities</u>	<u>Activities</u>	
<b>Primary government:</b>							
Governmental activities:							
General government	\$ 890,158	\$ 96,398	\$ -	\$ -	\$ (793,760)	\$ -	\$ (793,760)
Parks and recreation	391,110	85,460	-	159,809	(145,841)	-	(145,841)
Public safety	3,106,460	86,545	98,265	322,469	(2,599,181)	-	(2,599,181)
Streets and alleys	764,004	-	-	-	(764,004)	-	(764,004)
Cemetery	214,015	37,240	-	-	(176,775)	-	(176,775)
Total governmental activities	5,365,747	305,643	98,265	482,278	(4,479,561)	-	(4,479,561)
Business-type activities							
Water	2,322,442	1,843,839	1,505,997	-	-	1,027,394	1,027,394
Sewer	1,641,227	992,288	-	-	-	(648,939)	(648,939)
Sanitation	253,569	476,962	-	-	-	223,393	223,393
Airport	289,434	191,582	253,756	-	-	155,904	155,904
Economic development	20,142	6,875	-	-	-	(13,267)	(13,267)
Total business-type activities	4,526,814	3,511,546	1,759,753	-	-	744,485	744,485
<b>Total primary government</b>	<b>\$ 9,892,561</b>	<b>\$ 3,817,189</b>	<b>\$ 1,858,018</b>	<b>\$ 482,278</b>	<b>(4,479,561)</b>	<b>744,485</b>	<b>(3,735,076)</b>
General revenues:							
Taxes:							
Sales and use tax					3,111,588	1,908,852	5,020,440
Franchise and public service taxes					262,596	-	262,596
Intergovernmental revenue					308,222	-	308,222
Investment income					22,153	84,409	106,562
Miscellaneous					152,350	-	152,350
Transfer					892,694	(892,694)	-
Total general revenues					4,749,603	1,100,567	5,850,170
Change in net position					270,042	1,845,052	2,115,094
Net position - beginning (restated)					6,356,007	18,510,993	24,867,000
Net position - ending					\$ 6,626,049	\$ 20,356,045	\$ 26,982,094

See accompanying notes to the basic financial statements.



**CITY OF HUGO, OKLAHOMA**  
**ANNUAL FINANCIAL REPORT**  
**As of and for the Year Ended June 30, 2024**

---

*THIS PAGE INTENTIONALLY LEFT BLANK*

**CITY OF HUGO, OKLAHOMA  
ANNUAL FINANCIAL REPORT  
As of and for the Year Ended June 30, 2024**

---

**Basic Financial Statements – Governmental Funds**

**CITY OF HUGO, OKLAHOMA**  
**ANNUAL FINANCIAL REPORT**  
As of and for the Year Ended June 30, 2024

**Governmental Funds Balance Sheet – June 30, 2024**

	<b>MAJOR FUNDS</b>			<b>NON-MAJOR FUNDS</b>		
	<b>General Fund</b>	<b>Special Revenue</b>		<b>Special Police Fund</b>	<b>Special Fire Fund</b>	<b>Total Governmental Funds</b>
		<b>Street and Alley Fund</b>	<b>Mount Olive Cemetery Fund</b>			
<b>Assets:</b>						
Cash and cash equivalents	\$ 1,273,419	\$ 409,328	\$ 133,347	\$ 31,108	\$ 31,348	\$ 1,878,550
Restricted cash and cash equivalents	1,721	-	390,230	-	-	391,951
Receivables	458,517	-	-	-	75,906	534,423
Prepaid Expense	33,099	-	-	-	-	33,099
Total Assets	<u>1,766,756</u>	<u>409,328</u>	<u>523,577</u>	<u>31,108</u>	<u>107,254</u>	<u>2,838,023</u>
<b>Liabilities and fund balances:</b>						
<b>Liabilities</b>						
Accounts payable	247,125	38,778	-	-	-	285,903
Accrued payroll liabilities	255,098	5,453	-	-	-	260,551
Total liabilities	<u>502,223</u>	<u>44,231</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>546,454</u>
<b>Fund Balances</b>						
Restricted - special revenue	-	365,097	523,577	-	107,254	995,928
Unrestricted						
Assigned - special revenue	-	-	-	31,108	-	31,108
Unassigned	1,264,533	-	-	-	-	1,264,533
Total fund balances	<u>1,264,533</u>	<u>365,097</u>	<u>523,577</u>	<u>31,108</u>	<u>107,254</u>	<u>2,291,569</u>
<b>Total liabilities and fund balances</b>	<u>\$ 1,766,756</u>	<u>\$ 409,328</u>	<u>\$ 523,577</u>	<u>\$ 31,108</u>	<u>\$ 107,254</u>	<u>\$ 2,838,023</u>

See accompanying notes to the basic financial statements.

**CITY OF HUGO, OKLAHOMA**  
**ANNUAL FINANCIAL REPORT**  
As of and for the Year Ended June 30, 2024

**Governmental Funds Statement of Revenues, Expenditures and Changes in Fund Balances –**  
**Year Ended June 30, 2024**

	<b>MAJOR FUNDS</b>			<b>NON-MAJOR FUNDS</b>		
	<b>General Fund</b>	<b>Street and Alley Fund</b>	<b>Mount Olive Cemetery Fund</b>	<b>Special Revenue</b>		<b>Total Governmental Funds</b>
				<b>Special Police Fund</b>	<b>Special Fire Fund</b>	
<b>Revenues:</b>						
Taxes	\$ 2,737,900	\$ 636,284	\$ -	\$ -	\$ -	\$ 3,374,184
Intergovernmental	225,791	47,320	-	-	35,111	308,222
Licenses and permits	27,263	-	92	-	-	27,355
Charges for services	118,045	-	4,655	-	-	122,700
Fees and assessments	69,043	-	-	-	-	69,043
Fines and forfeitures	51,927	-	-	34,618	-	86,545
Grants	258,077	-	-	-	38,325	296,402
Investment income	7,902	1,547	12,585	42	77	22,153
Miscellaneous	143,077	6,479	430	1,651	710	152,347
Total Revenues	<u>3,639,025</u>	<u>691,630</u>	<u>17,762</u>	<u>36,311</u>	<u>74,223</u>	<u>4,458,951</u>
<b>Expenditures:</b>						
General government	808,660	-	-	-	-	808,660
Streets and alleys	-	590,473	-	-	-	590,473
Police	1,659,212	-	-	52,344	-	1,711,556
Fire	846,710	-	-	-	34,728	881,438
Cemetery	195,177	-	8,875	-	-	204,052
Nutrition	66,099	-	-	-	-	66,099
Parks and recreation	229,488	-	-	-	-	229,488
Capital outlay	550,794	-	6,500	8,250	-	565,544
Total expenditures	<u>4,356,140</u>	<u>590,473</u>	<u>15,375</u>	<u>60,594</u>	<u>34,728</u>	<u>5,057,310</u>
Excess (deficit) of revenues over expenditures	(717,115)	101,157	2,387	(24,283)	39,495	(598,359)
<b>Other financing sources (uses):</b>						
Transfers from (to) other funds	880,592	(10,192)	(385)	32,450	(9,771)	892,694
Principal and interest paid on debt	(240,625)	-	-	-	-	(240,625)
Total other financing sources (uses)	<u>639,967</u>	<u>(10,192)</u>	<u>(385)</u>	<u>32,450</u>	<u>(9,771)</u>	<u>652,069</u>
<b>Net change in fund balance</b>	(77,148)	90,965	2,002	8,167	29,724	53,710
<b>Fund balance - beginning</b>	<u>1,341,681</u>	<u>274,132</u>	<u>521,575</u>	<u>22,941</u>	<u>77,530</u>	<u>2,237,859</u>
<b>Fund balance - ending</b>	<u>\$ 1,264,533</u>	<u>\$ 365,097</u>	<u>\$ 523,577</u>	<u>\$ 31,108</u>	<u>\$ 107,254</u>	<u>\$ 2,291,569</u>

See accompanying notes to the basic financial statements.

**CITY OF HUGO, OKLAHOMA**  
**ANNUAL FINANCIAL REPORT**  
**As of and for the Year Ended June 30, 2024**

---

**Reconciliation of Governmental Funds and Government-Wide Financial Statements:**

**Fund Balance – Net Position Reconciliation:**

Fund balances of governmental funds	\$ 2,291,569
Amounts reported for governmental activities in the statement of net position are different because:	
Capital assets used in governmental activities of \$9,355,528, net of accumulated depreciation of \$4,350,737 are not financial resources and, therefore, are not reported in the funds.	5,004,791
Deferred outflows of resources are not available to pay for current fund liabilities and, therefore, are not reported in the funds:	
Pension related deferred outflows	3,088,516
Certain long-term liabilities are not due and payable from current financial resources and, therefore, are not reported in the funds:	
Compensated absences	(83,806)
Accrued interest payable	-
Long term debt	-
Net pension asset (liability)	(1,977,384)
Pension related deferred inflows	(1,697,637)
Net position of governmental activities	<u>\$ 6,626,049</u>

**Changes in Fund Balances – Changes in Net Position Reconciliation:**

Net changes in fund balances - total governmental funds	\$ 53,710
Amounts reported for governmental activities in the statement of activities are different because:	
Governmental funds report capital outlays as expenditures while governmental activities report depreciation expense to allocate those expenditures over the life of the assets:	
Capital asset purchases capitalized	565,544
Depreciation expense	(464,210)
	<u>101,334</u>
In the Statement of Activities, the net cost of pension benefits earned is calculated and reported as pension expense. The fund financial statements report pension contributions as pension expenditures.	
This amount represents the difference between pension contributions and calculated pension expense	(405,508)
On behalf payments made by the State for police and fire pensions	284,144
Governmental funds report debt payments as an other financing use while governmental activities record a reduction in the liability	
Change in compensated absences	4,445
Change in accrued interest	1,917
Principal portion of debt payments	230,000
Change in net position of governmental activities	<u>\$ 270,042</u>

See accompanying notes to the basic financial statements.

**CITY OF HUGO, OKLAHOMA**  
**ANNUAL FINANCIAL REPORT**  
**As of and for the Year Ended June 30, 2024**

---

**Basic Financial Statements – Proprietary Funds**

**CITY OF HUGO, OKLAHOMA**  
**ANNUAL FINANCIAL REPORT**  
As of and for the Year Ended June 30, 2024

**Proprietary Funds Statement of Net Position – June 30, 2024**

	Hugo Municipal Authority	Hugo Airport Fund	Hugo Industrial Authority	Total Proprietary Funds
<b>ASSETS</b>				
Current assets:				
Cash and cash equivalents	\$ 5,005,452	\$ 115,158	\$ 91,026	\$ 5,211,636
Restricted cash	2,015,617	-	-	2,015,617
Accounts receivable, net	506,745	-	-	506,745
Grant receivable	-	-	-	-
Prepaid expense	33,099	-	-	33,099
Total current assets	<u>7,560,913</u>	<u>115,158</u>	<u>91,026</u>	<u>7,767,097</u>
Noncurrent assets:				
Capital assets, net of accumulated depreciation	31,850,665	2,064,759	127,094	34,042,518
Total assets	<u>39,411,578</u>	<u>2,179,917</u>	<u>218,120</u>	<u>41,809,615</u>
<b>LIABILITIES</b>				
Current liabilities:				
Accounts payable	77,717		-	77,717
Payroll payable	17,508	1,028	-	18,536
Meter deposits payable, current	42,988		-	42,988
Accrued interest payable	56,055		-	56,055
Unearned revenue	278,363		-	278,363
Long term debt, current portion	1,083,598	-	-	1,083,598
Total current liabilities	<u>1,556,229</u>	<u>1,028</u>	<u>-</u>	<u>1,557,257</u>
Noncurrent Liabilities:				
Compensated absences	30,300	2,044	-	32,344
Meter deposits payable	386,888	-	-	386,888
Long term debt	19,477,081	-	-	19,477,081
Total noncurrent liabilities	<u>19,894,269</u>	<u>2,044</u>	<u>-</u>	<u>19,896,313</u>
Total liabilities	<u>21,450,498</u>	<u>3,072</u>	<u>-</u>	<u>21,453,570</u>
Net investment in capital assets	12,250,734	2,064,759	127,094	14,442,587
Restricted for:				
Debt service	381,300	-	-	381,300
Unrestricted	5,329,046	112,086	91,026	5,532,158
Total net position	<u>\$ 17,961,080</u>	<u>\$ 2,176,845</u>	<u>\$ 218,120</u>	<u>\$ 20,356,045</u>

See accompanying notes to the basic financial statements.

**CITY OF HUGO, OKLAHOMA**  
**ANNUAL FINANCIAL REPORT**  
As of and for the Year Ended June 30, 2024

**Proprietary Funds Statement of Revenues, Expenses and Changes in Net Position – Year Ended June 30, 2024-**

	<b>Hugo Municipal Authority</b>	<b>Hugo Airport Fund</b>	<b>Hugo Industrial Authority</b>	<b>Total Proprietary Funds</b>
<b>Operating revenues:</b>				
Charges for sales and services:				
Water	\$ 1,725,125	\$ -	\$ -	\$ 1,725,125
Sewer	992,288	-	-	992,288
Sanitation	476,962	-	-	476,962
Capital improvement fees	118,714	-	-	118,714
Airport fuel sales and hangar rent	-	182,359	-	182,359
Other	-	9,223	6,875	16,098
Total operating revenues	<u>3,313,089</u>	<u>191,582</u>	<u>6,875</u>	<u>3,511,546</u>
<b>Operating expenses:</b>				
Costs of sales and services:				
Water	1,578,759	-	-	1,578,759
Sewer	898,969	-	-	898,969
Sanitation	253,569	-	-	253,569
Airport	-	205,841	-	205,841
Economic development	-	-	6,407	6,407
Depreciation	1,085,483	82,396	13,735	1,181,614
Total operating expenses	<u>3,816,780</u>	<u>288,237</u>	<u>20,142</u>	<u>4,125,159</u>
Operating income (loss)	<u>(503,691)</u>	<u>(96,655)</u>	<u>(13,267)</u>	<u>(613,613)</u>
<b>Nonoperating revenue (expense):</b>				
Taxes	1,908,852	-	-	1,908,852
Grant revenue	1,505,997	253,756	-	1,759,753
Transfer from (to) other funds	(958,223)	60,529	5,000	(892,694)
Debt issuance costs	-	-	-	-
Interest expense	(400,458)	(1,197)	-	(401,655)
Investment income	83,859	121	429	84,409
	<u>2,140,027</u>	<u>313,209</u>	<u>5,429</u>	<u>2,458,665</u>
<b>Change in net position</b>	1,636,336	216,554	(7,838)	1,845,052
<b>Net position - beginning (restated)</b>	16,324,744	1,960,291	225,958	18,510,993
<b>Net position - ending</b>	<u>\$ 17,961,080</u>	<u>\$ 2,176,845</u>	<u>\$ 218,120</u>	<u>\$ 20,356,045</u>

See accompanying notes to the basic financial statements.



**CITY OF HUGO, OKLAHOMA**  
**ANNUAL FINANCIAL REPORT**  
As of and for the Year Ended June 30, 2024

**Proprietary Funds Statement of Cash Flows – Year Ended June 30, 2024**

	Hugo Municipal Authority	Hugo Airport Fund	Hugo Industrial Authority	Total Proprietary Funds
<b>Cash flows from operating activities:</b>				
Receipts from customers	\$ 3,302,214	\$ 191,582	\$ 6,875	\$ 3,500,671
Payments to suppliers	(1,796,191)	(144,839)	(6,407)	(1,947,437)
Payments to employees	(1,026,232)	(60,623)	-	(1,086,855)
Receipt of meter deposits, net of refunds	40,505	-	-	40,505
Net cash provided (used) by operating activities	520,296	(13,880)	468	506,884
<b>Cash flows from noncapital financing activities</b>				
Transfers from (to) other funds	(958,223)	60,529	5,000	(892,694)
Net cash provided (used) by noncapital financing activities	(958,223)	60,529	5,000	(892,694)
<b>Cash flows from capital and related financial activities:</b>				
Receipt of sales tax dedicated to capital projects	1,908,852	-	-	1,908,852
Principal paid on capital debt	(823,835)	(21,496)	-	(845,331)
Interest paid on capital debt	(404,530)	(1,319)	-	(405,849)
Capital grant receipts	1,342,622	253,756	-	1,596,378
Purchase of capital assets	(2,373,641)	(294,950)	(19,406)	(2,687,997)
Net cash used by capital and related financing activities	(350,532)	(64,009)	(19,406)	(433,947)
<b>Cash flows from investing activities</b>				
Interest and dividends	83,859	121	429	84,409
<b>Net decrease in cash and cash equivalents</b>	(704,600)	(17,239)	(13,509)	(735,348)
<b>Cash and equivalents - beginning of year</b>	7,725,669	132,397	104,535	7,962,601
<b>Cash and equivalents - end of year</b>	<u>\$ 7,021,069</u>	<u>\$ 115,158</u>	<u>\$ 91,026</u>	<u>\$ 7,227,253</u>
<b>Reconciliation to the statement of net assets:</b>				
Cash and cash equivalents	\$ 5,005,452	\$ 115,158	\$ 91,026	\$ 5,211,636
Restricted cash	2,015,617	-	-	2,015,617
Total cash and cash equivalents	<u>\$ 7,021,069</u>	<u>\$ 115,158</u>	<u>\$ 91,026</u>	<u>\$ 7,227,253</u>
<b>Reconciliation to statement of net position:</b>				
Operating income (loss)	(503,691)	(96,655)	(13,267)	(613,613)
Adjustments to reconcile operating income to net cash provided (used) by operating activities:				
Increase in meter deposits payable	40,505	-	-	40,505
Increase in accounts receivable	(10,875)	-	-	(10,875)
Increase in prepaid expense	(22,951)	-	-	(22,951)
Decrease in accounts payable	(64,718)	-	-	(64,718)
Increase (Decrease) in payroll payable	(307)	39	-	(268)
Increase (Decrease) in compensated absences	(3,150)	340	-	(2,810)
Depreciation expense	1,085,483	82,396	13,735	1,181,614
Net cash provided (used) by operating activities	<u>\$ 520,296</u>	<u>\$ (13,880)</u>	<u>\$ 468</u>	<u>\$ 506,884</u>

See accompanying notes to the basic financial statements.

**CITY OF HUGO, OKLAHOMA**  
**ANNUAL FINANCIAL REPORT**  
**As of and for the Year Ended June 30, 2024**

---

**Footnotes to the Basic Financial Statements**

**1. Summary of Significant Accounting Policies**

**A. Financial Reporting Entity**

The City of Hugo's ("City") financial reporting entity is comprised of the following:

*Primary Government:*

- **The City of Hugo** – operates the public safety, streets, and administrative activities of the City. The City is governed under the statutory City board of trustees form of government.

*Component Units:*

In determining the financial reporting entity, the City complies with the provisions of Governmental Accounting Standards Board Statement No. 14, *The Financial Reporting Entity*, and Statement No. 61, *The Financial Reporting Entity: Omnibus* and includes all component units of which the City is fiscally accountable.

Each of these component units is a Public Trust established pursuant to Title 60 of Oklahoma State Statutes. Public Trusts (Authorities) have no taxing power. The Authorities are generally created to finance City services through issuance of revenue bonds or other non-general obligation debt and to enable the City's Council to delegate certain functions to the governing body of the Authority. The Authorities generally retain title to assets that are acquired or constructed with Authority debt or other Authority generated resources. The City, as beneficiary of the Public Trusts, receives title to any residual assets when a Public Trust is dissolved.

**BLENDED COMPONENT UNITS**

Blended component units are separate legal entities that meet the component unit criteria described above and whose governing body is the same or substantially the same as the City's Council or the component unit provides services entirely to the City. The component units are blended into those of the City by appropriate fund category to comprise the primary government presentation.

The following component units are blended into the primary governments' fund categories:

- **The Hugo Municipal Authority (HMA)** – a trust that operates the water, wastewater, and sanitation services of the City. The City of Hugo is the beneficiary of HMA. The City Council also serve as trustees for the HMA.
- **The Hugo Industrial Authority (HIA)** – a trust that provides economic development services to the City. The City of Hugo is the beneficiary of the HIA. The City Council also serve as trustees for the HIA.

**B. Basis of Presentation and Accounting**

*Government-Wide Financial Statements:*

The statement of net position and activities are reported on the accrual basis of accounting and economic resource focus. Under the economic resource focus, all assets and liabilities, including current and noncurrent are reported. Under the accrual basis of accounting, revenues are recognized when earned and expenses (including depreciation and amortization) are recorded when the liability is incurred or the economic asset is used.

**CITY OF HUGO, OKLAHOMA**  
**ANNUAL FINANCIAL REPORT**  
**As of and for the Year Ended June 30, 2024**

---

Program revenues within the statement of activities are derived directly from each activity or from parties outside the City's taxpayers. The City has the following program revenues in each activity:

- General government: License and permits and operating grants
- Public safety: Fine revenue, fire and ambulance runs, rural fire policies, and operating grants
- Streets and highways: Gas excise and commercial vehicle taxes

*Governmental Funds:*

The City's governmental funds include:

Major Funds:

- General Fund – accounts for all activities not accounted for in other special-purpose funds
- Street and Alley Fund – accounts for State shared gasoline excise and commercial vehicle taxes and the 1/2% sales tax restricted for street and alley purposes
- Mount Olive Cemetery Fund – accounts for the funds and restricted reserves for the operation and maintenance of the City's cemetery

Nonmajor Fund:

- Special Police Fund – accounts for grants and a portion of court fines assigned for police equipment and training.
- Special Fire Fund – accounts for grants and other revenues restricted and/or committed to fire equipment and training.

The governmental funds are reported on a modified accrual basis of accounting and current financial resources measurement focus. Revenues are recorded on the modified accrual basis when earned and collected within 60 days of period end. Expenditures (including capital outlay) are recorded when the related fund liability is incurred.

The reconciliation of the governmental funds financial statements to the governmental activities presentation in government-wide financial statements is the result of the use of the economic resources measurement focus and accrual basis of accounting at the government-wide level.

*Proprietary Funds:*

The City's proprietary funds include:

Major Enterprise Funds:

- Hugo Municipal Authority (HMA) – accounts for the operation of the water, sewer, and sanitation activities
- Hugo Airport Fund – accounts for the operation of the City's municipal airport
- Hugo Industrial Authority (HIA) – accounts for the provision of economic development services.

Proprietary funds are reported on the accrual basis of accounting and economic resources measurement focus. For purposes of the statement of revenues, expenses and changes in fund net position, operating revenues and expenses are considered those whose cash flows are related to operating activities, while revenues and expenses related to financing, capital and investing activities are reported as non-operating or transfers and contributions.

The governmental funds are legally required to adopt annual budgets or appropriations. The public trusts (HMA and HIA) are not required to adopt legal annual appropriations. While the trusts develop an annual budget, it is for financial management purposes and does not constitute legal appropriations.

**C. Cash, Cash Equivalents, and Investments**

Cash and cash equivalents include all demand and savings accounts, certificates of deposit, and any short-term investments with an original maturity of six months or less. Investments consist of long-term certificates of deposits and are reported at cost.

**D. Receivables and Payables**

Governmental receivables include taxes earned but not received by the end of the fiscal year. In the business-type funds, receivables include utility services provided and billed for which cash payment has not been received as of the end of the fiscal year, less an allowance for uncollectible accounts.

**E. Capital Assets and Depreciation**

The accounting treatment of property, plant and equipment (capital assets) depends on whether the assets are used in governmental fund type or proprietary fund operations and whether they are reported in the government-wide or fund financial statements. In the government-wide and proprietary fund financial statements, property, plant and equipment are accounted for as capital assets, net of accumulated depreciation where applicable. In the governmental fund financial statements, capital assets acquired are accounted for as capital outlay expenditures and not reported as capital assets.

Capital assets consist of land, land improvement, construction in progress, buildings and building improvements, machinery and equipment, and infrastructure. A capitalization threshold of \$1,000 is used to report capital assets. Prior to July 1, 2009, the City did not maintain capital asset records. In the year prior to July 1, 2009, the City underwent a detailed inventory and analysis of the condition of its capital assets and adopted a policy for capitalization of its assets. The remaining useful lives, combined with the estimated useful life for each asset classification were used to determine an estimated effective age. The current replacement value was discounted to the estimated effective date using the Consumer Price Index (CPI). Assets acquired after July 1, 2009 have been recorded at cost.

Depreciable capital assets are depreciated on a straight-line basis over their estimated useful lives with no salvage value. The estimated useful lives by type of asset are as follows:

- |                                      |             |
|--------------------------------------|-------------|
| • Buildings and improvements         | 10-40 years |
| • Machinery, furniture and equipment | 3-10 years  |
| • Utility property and improvements  | 30-40 years |
| • Infrastructure                     | 40 years    |

**F. Long-Term Debt**

Accounting treatment of long-term debt varies depending upon whether source of repayment is from governmental fund types or proprietary fund type resources and whether they are reported in the government-wide or fund financial statements. All long-term debt to be repaid from governmental and business-type resources is reported as liabilities in the government-wide statements. Long-term debt for governmental funds is not reported as liabilities in the fund financial statements. The debt proceeds are reported as other financing sources and payment of principal and interest reported as expenditures. The accounting for the proprietary fund is the same in the fund statements as it is in the government-wide statements.

**CITY OF HUGO, OKLAHOMA**  
**ANNUAL FINANCIAL REPORT**  
**As of and for the Year Ended June 30, 2024**

---

**G. Compensated Absences**

It is the City's policy to permit regular employees to accumulate earned but unused vacation and sick pay benefits. Part time employees accrue leave benefits at 50% of the full time benefit. Full time employees accrue leave based on seniority as follows: less than seven year, 80 hours/year, seven to fourteen years, 120 hours/year, and fifteen years or more, 160 hours per year. The maximum vacation accrual permitted is 18 months of paid leave. Sick leave is accrued at the rate of 24 hours per year. Any sick leave that is not used is purchased at 50% of the employee's regular rate of pay in December each year; no sick leave is carried forward to the following calendar year.

At June 30, 2024, the City recorded a liability for compensated absences of \$83,806 for governmental activities and \$32,344 for business-type activities.

**H. Fund Balances and Net position**

*Fund Balances:*

Fund balances generally reported in the governmental funds financial statements are displayed in the following components:

- a. *Nonspendable* – amounts that cannot be spent due to form; for example, inventories and prepaid amounts
- b. *Restricted* – amounts constrained for a specific purpose by external parties, constitutional provision or enabling legislation
- c. *Unrestricted* – further subdivided as follows:
  - a. *Committed* – amounts constrained for a specific purpose by the City's Board of Trustees
  - b. *Assigned* – residual amounts for any funds other than the general fund; in the general fund, amounts constrained by the Board for a specific purpose
  - c. *Unassigned* – in the general fund, residual amounts not classified in another classification; for all other funds, only residual deficit amounts

It is the City's policy to use restricted assets first when they are available for expenditure. When restricted assets are not available, unrestricted assets are used in the following order: committed, assigned, and then unassigned amounts.

*Net position:*

Net position is displayed in three components:

- a. *Net investment in capital assets* - 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 improvements of those assets.
- b. *Restricted net position* - Consists of net position with constraints placed on the 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.
- c. *Unrestricted net position* - All other net position that does not meet the definition of "restricted" or "net investment in capital assets."

The beginning net position for proprietary funds and business-type activities was restated as follows:

	<b>Business-type Activities:</b>
	<b>Fund Level/Government-wide</b>
<b>Beginning net position as previously reported</b>	<b>\$ 18,828,870</b>
Overstatement of grants receivable	(317,877)
<b>Beginning net position, restated</b>	<b>\$ 18,510,993</b>

**CITY OF HUGO, OKLAHOMA**  
**ANNUAL FINANCIAL REPORT**  
**As of and for the Year Ended June 30, 2024**

**I. Internal and Interfund Balances and Transfers**

The City's policy is to eliminate interfund transfers and balances in the statement of activities and net position to avoid the grossing up of balances. Only the residual balances transferred between governmental and business-type activities are reported as internal transfers and internal balances then offset in the total column in the government-wide statements. Internal transfers and balances between funds are not eliminated in the fund financial statements.

**J. Use of Estimates**

Certain estimates are made in the preparation of the financial statements, such as estimated lives for capital assets depreciation. Estimates are based on management's best judgments and may vary from actual results.

**2. Deposits and Investments**

For the year ended June 30, 2024, the City recognized \$106,562 of investment income. The City's deposits are in demand deposits, certificates of deposit, and US Treasury Money Market funds.

At June 30, 2024, the primary government held the following deposits and investments:

<u>Type</u>	Governmental	Business-type	<u>Total</u>	<u>Maturity</u>	
	<u>Funds</u>	<u>Funds</u>		Demand	< 1 Year
Demand deposits	\$ 1,879,158	\$ 5,893,111	\$ 7,772,269	\$ 7,772,269	\$ -
Timed deposits	390,230	100,000	490,230	-	490,230
US Treasury MMF	1,113	1,234,142	1,235,255	-	1,235,255
Total	<u>\$ 2,270,501</u>	<u>\$ 7,227,253</u>	<u>\$ 9,497,754</u>	<u>\$ 7,772,269</u>	<u>\$ 1,725,485</u>
<b>Reconciliation to the statement of net assets:</b>					
Cash and cash equivalents	\$ 1,878,550	\$ 5,211,636	\$ 7,090,186		
Restricted cash and cash equivalents	391,951	2,015,617	2,407,568		
Total	<u>\$ 2,270,501</u>	<u>\$ 7,227,253</u>	<u>\$ 9,497,754</u>		

*Custodial Credit Risk* - Custodial credit risk is the risk that in the event of a bank failure, the government deposits may not be returned to it. The City is governed by the State Public Deposit Act which requires that the City obtain and hold collateral whose fair value exceeds the amount of uninsured deposits. Investment securities are exposed to custody credit risk if the securities are uninsured, are not registered in the name of the government, and if held by a counterparty or a counterparty's trust, department or agent, but not in the government's name. At June 30, 2024, all of the City's deposits were either insured or collateralized.

*Investment Interest Rate Risk* - the City does not have a formal investment policy that limits investment maturities as a means of managing its exposure to fair value losses arising from increasing interest rates.

*Investment Credit Risk* - The City has no investment policy that limits its investment choices other than the limitations of state law that generally authorize investments in: (1) full faith and credit, direct obligations of the U. S. Government, its agencies and instrumentalities, and the State of Oklahoma and certain mortgage insured federal debt; (2) certificates of deposit or savings accounts that are either insured or secured with acceptable collateral; (3) negotiable certificates of deposit, prime bankers acceptances, prime commercial paper and repurchase agreements with certain limitations; (4) county, municipal or school district tax supported debt obligations, bond or revenue anticipation notes, money judgments, or bond or revenue anticipation notes of public trusts whose beneficiary is a county, municipality or school district; and government money market funds regulated by the SEC. These investment limitations do not apply to the City's public trusts.

**CITY OF HUGO, OKLAHOMA**  
**ANNUAL FINANCIAL REPORT**  
**As of and for the Year Ended June 30, 2024**

As of June 30, 2024, the City had deposits in US Treasury Money Market funds with a credit rating of AAA.

*Concentration of Investment Credit Risk* - the City places no limit on the amount it may invest in any one issuer.

*Restricted Cash and Investments* – At June 30, 2024, the City’s governmental funds held \$608 for police equipment, \$1,113 for debt service, and \$390,230 for the cemetery. The City’s HMA maintained restricted cash balances for capital projects in the amount of \$930,748, debt service in the amount of \$687,546, and \$397,323 for refundable meter deposits.

**3. Capital Assets and Depreciation**

For the year ended June 30, 2024, capital asset balances changed as follows:

	<u>Balance at June 30, 2023</u>	<u>Additions</u>	<u>Deletions</u>	<u>Balance at June 30, 2024</u>
<b>Governmental:</b>				
Capital assets not being depreciated:				
Land	\$ 4,000	\$ -	\$ -	\$ 4,000
Total capital assets not depreciated	<u>4,000</u>	<u>-</u>	<u>-</u>	<u>4,000</u>
Capital assets being depreciated:				
Buildings and improvements	2,797,594	98,538	-	2,896,132
Infrastructure	3,390,453	207,851	-	3,598,304
Equipment and vehicles	2,667,660	259,155	69,723	2,857,092
Total capital assets being depreciated	<u>8,855,707</u>	<u>565,544</u>	<u>69,723</u>	<u>9,351,528</u>
Less accumulated depreciation:				
Buildings and improvements	1,744,478	88,620	-	1,833,098
Infrastructure	676,521	106,071	-	782,592
Equipment and vehicles	1,535,251	269,519	69,723	1,735,047
Total accumulated depreciation	<u>3,956,250</u>	<u>464,210</u>	<u>69,723</u>	<u>4,350,737</u>
Governmental, net capital assets	<u>\$ 4,903,457</u>	<u>\$ 101,334</u>	<u>\$ -</u>	<u>\$ 5,004,791</u>
<b>Business-type:</b>				
Capital assets not being depreciated:				
Land	\$ 181,833	\$ -	\$ -	\$ 181,833
Construction in progress	15,390,305	2,322,428	-	17,712,733
	<u>15,572,138</u>	<u>2,322,428</u>	<u>-</u>	<u>17,894,566</u>
Capital assets being depreciated:				
Buildings and improvements	507,450	27,206	-	534,656
Equipment and vehicles	930,307	253,787	-	1,184,094
Airport infrastructure	2,378,451	-	-	2,378,451
Sewer system	18,675,975	84,576	-	18,760,551
Water system	10,454,896	-	-	10,454,896
Total capital assets being depreciated	<u>32,947,079</u>	<u>365,569</u>	<u>-</u>	<u>33,312,648</u>
Less accumulated depreciation:				
Buildings and improvements	242,056	8,715	-	250,771
Equipment and vehicles	411,606	158,857	-	570,463
Airport infrastructure	701,445	76,404	-	777,849
Sewer system	7,367,767	590,857	-	7,958,624
Water system	7,260,208	346,781	-	7,606,989
Total accumulated depreciation	<u>15,983,082</u>	<u>1,181,614</u>	<u>-</u>	<u>17,164,696</u>
Business-type, net capital assets	<u>\$ 32,536,135</u>	<u>\$ 1,506,383</u>	<u>\$ -</u>	<u>\$ 34,042,518</u>



**CITY OF HUGO, OKLAHOMA**  
**ANNUAL FINANCIAL REPORT**  
**As of and for the Year Ended June 30, 2024**

Depreciation of capital assets is included in total expenses and is charged or allocated to the activities primarily benefitting from the use of the specific asset. Depreciation expense has been allocated as follows:

<b>Governmental activities:</b>		<b>Business-type activities:</b>	
General government	\$ 29,520	Airport	\$ 82,396
Public safety	153,756	Industrial Authority	13,735
Streets and alleys	173,531	Sewer	680,053
Parks and recreation	97,440	Water	405,430
Cemetery	9,963	Total depreciation	<u>\$ 1,181,614</u>
Total depreciation	<u>\$ 464,210</u>		

#### 4. Long-Term Debt

For the year ended June 30, 2024, the City's long-term debt changed as follows:

	Balance June 30, 2023	Additions	Deductions	Balance June 30, 2024	Amount Due Within One Year
Governmental:					
Notes payable	\$ 230,000	-	\$ 230,000	\$ -	\$ -
	<u>\$ 230,000</u>	<u>\$ -</u>	<u>\$ 230,000</u>	<u>\$ -</u>	<u>\$ -</u>
Business-type:					
Notes payable	\$ 21,406,010	\$ -	\$ 845,331	\$ 20,560,679	\$ 1,083,598
Total business-type	<u>\$ 21,406,010</u>	<u>\$ -</u>	<u>\$ 845,331</u>	<u>\$ 20,560,679</u>	<u>\$ 1,083,598</u>

At June 30, 2024 the City had the following debt outstanding to be repaid from business-type activities:

##### Notes Payable

USDA Rural Development loan, dated August 15, 2010, secured by water and sewer revenues, system assets, and pledged sales tax receipts, in the original amount of \$3,142,000 with a fixed interest rate of 1.375%, payable in monthly installments of \$8,515 with a final payment due March, 2056	2,642,117
USDA Rural Development loan, dated August 15, 2010, secured by water and sewer revenues, system assets, and pledged sales tax receipts in the original amount of \$1,200,000 with a fixed interest rate of 1.375%, payable in monthly installments of \$3,252 with a final payment due March, 2056	1,001,648
USDA Rural Development loan, dated March 17, 2022, secured by water and sewer revenues, system assets, and pledged sales tax receipts in the original amount of \$9,481,000 with a fixed interest rate of 1.25%, payable in monthly installments of \$25,125 With a final payment due March, 2062	9,059,905
USDA Rural Development loan, dated March 17, 2022, secured by water and sewer revenues, system assets, and pledged sales tax receipts in the original amount of \$1,364,000 with a fixed interest rate of 1.25%, payable in monthly installments of \$3,615 with a final payment due March, 2062	1,304,009
HMA Sales Tax Revenue Note, Series 2016 dated February 19, 2016, secured by sales tax revenues, issued to fund improvements to the water system in the original amount of \$2,255,000, bearing a fixed interest rate of 5.00%, payable in semi-annual installments, with a final payment due November 1, 2028	1,250,000

**CITY OF HUGO, OKLAHOMA**  
**ANNUAL FINANCIAL REPORT**  
**As of and for the Year Ended June 30, 2024**

HMA Sales Tax Revenue Note, Series 2018 dated October 25, 2018, secured by sales tax revenues, issued to fund sewer line replacements in the original amount of \$2,075,000, bearing a fixed interest rate of 3.71%, payable in semi-annual installments, with a final payment due November 1, 2033 1,525,000

HMA Sales Tax Revenue Note, Series 2021 dated November 11, 2021, secured by sales tax revenues, issued to refund the HMA Sales Tax Revenue Note, Series 2012 in the original amount of \$4,587,000, bearing a fixed interest rate of 2.34%, payable in semi-annual installments, with a final payment due October 1, 2035 3,778,000

**Long term debt outstanding payable from business-type activities** **\$20,560,679**

*Payment Requirements to Maturity:*

Year ended	<u>Business-type Activities</u>	
<u>June 30,</u>	<u>Principal</u>	<u>Interest</u>
2025	\$ 1,083,598	\$ 379,101
2026	1,114,594	349,904
2027	1,151,643	314,482
2028	1,181,744	280,259
2029	910,899	248,142
2030 to 2034	4,372,732	934,949
2035 to 2039	1,796,018	634,402
2040 to 2044	1,915,806	514,614
2045 to 2049	2,043,601	386,819
2050 to 2054	2,179,938	250,483
2055 to 2059	1,876,841	114,318
2060 to 2062	933,265	16,752
	<u>\$ 20,560,679</u>	<u>\$ 4,424,225</u>

## 5. Risk Management

The City and its public trust are exposed to various risks of loss related to torts; theft of, damage to, or destruction of assets; errors and omissions; injuries to employees; employee health and life; and natural disasters. These risks are managed by securing commercial insurance for all risks except workers' compensation. Management believes such insurance coverage is sufficient to preclude any significant uninsured losses. Settled claims have not exceeded this insurance coverage in any of the past three fiscal years. The deductibles for each line of coverage are as follows:

General liability, including property	\$0 - \$5,000 per occurrence
Automobile liability	\$0

The City participated in the Oklahoma Municipal Assurance Group's (OMAG) Workers' Compensation Plan.

The OMAG Workers' Compensation Plan (the Plan) became effective October 1, 1984. The purpose of the Plan is to provide workers' compensation coverage through the State Insurance Fund to participating municipalities in the State of Oklahoma. In that capacity, the Plan is responsible for providing loss control services and certain fiscal activities including obtaining contract arrangements for the underwriting, excess insurance agreements, claims processing, and legal defense for any and all claims submitted to it during the plan year. A plan year normally begins at 12:01 am on July 1, in any year and ends at Midnight June 30, of the following calendar year. The Plan, or its designated agent, has a right to audit at all reasonable times such books and records of the participant as necessary to determine the monies owed for benefits provided to the municipality or its employees.

The City has entered into an agreement with the Plan to participate in the coverage and services that the Plan offers. The City has the responsibility to pay fees set by the Plan and to pay those fees from funds appropriated for that purpose according to the established payment schedule. In addition, the City is responsible for complying with all requirements of the Oklahoma Workers' Compensation Act. The City has a right to the return of any Loss Funds set aside for claims which have not been paid out in benefits.

The Group holds funds in reserve for the City of Hugo. These funds represent both current and past plan year participation with the Loss Fund balances in respect to the City's workers' compensation retention. CompSource Oklahoma provides coverage in excess of these respective retention levels so each participant's liability for claim losses is limited to these retention levels. Failure of CompSource Oklahoma to honor its obligations could result in losses to the Plan. However, OMAG's evaluation of the financial condition of CompSource Oklahoma indicates that CompSource Oklahoma is presently financially sound and will be able to meet its contractual obligations.

## **6. Employee Retirement Plan Participation**

The City of Hugo participates in three pension or retirement plans:

- Oklahoma Public Employees Retirement System – a statewide cost-sharing plan
- Oklahoma Firefighter's Pension and Retirement System – a statewide cost-sharing plan
- Oklahoma Police Pension and Retirement System – a statewide cost-sharing plan

### **Oklahoma Public Employees Retirement System (OPERS)**

#### *A. Plan Description*

The City of Hugo, as the employer, participates in the Oklahoma Public Employees Retirement System – a cost-sharing multiple-employer defined benefit pension plan administered by the Board of Trustees of the Oklahoma Public Employees Retirement System (OPERS). As set forth in Title 74, of the Oklahoma Statutes, at Section 921, administrative expenses are paid with funds provided by operations of the System. The City's regular full time employees that do not participate in the fire or police pension programs are eligible to participate in the plan.

#### *B. Benefits Provided*

Benefits are determined at 2% of the average annual salary received during the highest thirty-six months of the last ten years of participating service, but not to exceed the applicable annual salary cap, multiplied by the number of years of credited service. Members who join OPERS on or after July 1, 2013, will have their salary averaged over the highest 60 months of the last ten years. Normal retirement age under the System is 62 or Rule of 80/90 if the participant became a member prior to November 1, 2011, or age 65 or Rule of 90 if the participant became a member on or after November 1, 2011. Members become eligible to vest fully upon termination of employment after attaining eight years of credited service, or the members' contributions may be withdrawn upon termination of employment.

Upon the death of an active member, the accumulated contributions of the member are paid to the member's named beneficiary(ies) in a single lump sum payment. If a retired member elected a joint annuitant survivor option or an active member was eligible to retire with either reduced or unreduced benefits or eligible to vest the retirement benefit at the time of death, benefits can be paid in monthly payments over the life of the spouse if the spouse so elects.

**CITY OF HUGO, OKLAHOMA**  
**ANNUAL FINANCIAL REPORT**  
**As of and for the Year Ended June 30, 2024**

Upon the death of a retired member, the System will pay a \$5,000 death benefit to the member's beneficiary or estate of the member if there is no living beneficiary. The death benefit will be paid in addition to any excess employee contributions or survivor benefits due to the beneficiary.

*C. Contributions*

The contribution rates for each member category of the System are established by the Oklahoma Legislature after recommendation by the Board based on an actuarial calculation, which is performed to determine the adequacy of such contribution rates. For the year ended June 30, 2024, the City was required to contribute 16.5% of an employee's salary and the employee contributed 3.5%. Contributions from the City for the year ended June 30, 2024 were \$245,391.

*D. Pension Liabilities, Pension expense, Deferred Outflows of Resources and Deferred Inflows of Resources Related to Pensions*

At June 30, 2024, the City reported \$337,503 for its proportionate share of the net pension liability. The net pension liability was measured as of June 30, 2023, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of July 1, 2023. 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 the pension plan for all participating employers for the year ended June 30, 2023. Based on this information, the City's proportion was 0.073768%.

For the year ended June 30, 2024, the City recognized pension expense of \$231,332. At June 30, 2024, the City reported deferred outflows of resources and deferred inflows of resources related to pension from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual experience	\$ 9,259	\$ 5,113
Changes in assumptions	71,298	-
Net difference between projected and actual earnings on pension plan investments	280,555	-
Change in proportion	-	578,521
City contributions subsequent to the measurement date	245,391	-
Total	<u>\$ 606,503</u>	<u>\$ 583,634</u>

The \$245,391 reported as deferred outflows of resources related to pensions resulting from City contributions subsequent to the measurement date will be recognized as a reduction of the net pension liability in the year ended June 30, 2025. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pensions will be recognized as pension expense as follows:

**Year ended June 30:**

2025	\$ (45,171)
2026	(130,471)
2027	161,735
2028	(208,615)
	<u>\$ (222,522)</u>

**CITY OF HUGO, OKLAHOMA**  
**ANNUAL FINANCIAL REPORT**  
**As of and for the Year Ended June 30, 2024**

---

*E. Actuarial Assumptions*

The total pension liability was determined by an actuarial valuation as of July 1, 2023, using the following actuarial assumptions, applied to all prior periods included in the measurement:

- Investment return – 6.50% compounded annually net of investment expense and including inflation
- Salary increases – 3.5% to 9.25% per year including inflation
- Mortality rates – Pub-2010 Below Media, General Membership Active/Retiree Healthy Mortality Table with base rates projected to 2030 using Scale MP-2019. Male rates are set back one year, and female rates are set forward one year.
- No annual post-retirement benefit increases
- Assumed inflation rate – 2.50% for 2023 and 2021
- Payroll growth – 3.25% for 2023 and 2021
- Actuarial cost method – Entry age
- Select period for the termination of employment assumptions – 10 years

The long-term expected rate of return on pension plan investments was determined using a log-normal distribution analysis 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.

The target asset allocation and best estimates of geometric real rates of return for each major asset class as of June 30, 2023, are summarized in the following table:

<u>Asset Class</u>	<u>Target Allocation</u>	<u>Long-term Expected Real Rate of Return</u>
US Large Cap Equity	34.0%	4.7%
US Small Cap Equity	6.0%	5.8%
International Stock	23.0%	6.5%
Emerging Market Stock	5.0%	8.5%
Core Fixed Income	25.0%	0.5%
Long term treasuries	3.5%	0.0%
TIPS	3.5%	0.3%
Total	100.0%	

*F. Discount Rate*

The discount rate used to measure the total pension liability was 6.50% for 2023. The projection of cash flows used to determine the discount rate assumed that contributions from System members and the employers will be made at the current contribution rate as set out in state statute. Based on those assumptions, the pension plan's fiduciary net position was projected to be available to make all projected future benefit payments of current System 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. The discount rate determined does not use a municipal bond rate.

**CITY OF HUGO, OKLAHOMA**  
**ANNUAL FINANCIAL REPORT**  
**As of and for the Year Ended June 30, 2024**

---

*G. Sensitivity of the Net Pension Liability to Changes in the Discount Rate*

The following presents the City's share of the net pension liability calculated using the discount rate of 6.5%, 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 (5.5%) or 1 percentage point higher (7.5%) than the current rate:

	1% Decrease (5.50%)	Current Discount Rate (6.50%)	1% Increase (7.50%)
Net Pension Liability (Asset)	\$ 1,303,643	\$ 337,503	\$ (478,540)

The OPERS issues a publicly available financial report that includes financial statements and required supplementary information. That report may be obtained by writing to:

OPERS  
PO Box 53007  
Oklahoma City, OK 73152-3077

**Oklahoma Police Pension and Retirement System (OPPRS)**

*A. Plan Description*

The City of Hugo, 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 & Retirement System (OPPRS). Title 11 of the Oklahoma State Statutes grants the authority to establish and amend the benefit terms to the OPPRS. All full time police officers at the City are required to participate in the pension plan.

*B. Benefits Provided*

**Normal Retirement Benefit:**

Normal Retirement Eligibility: 20 years of credited service.  
Benefit Amount: 2 1/2% of the final average salary multiplied by the years of credited service, with a maximum of 30 years of credited service considered.  
Normal Form of Benefit: The benefit is paid as a Joint and 100% Survivor Annuity if the Member was married 30 months prior to death.

**Termination Benefit:**

Less than 10 Years of Service: Refund of contributions without interest.  
More than 10 Years of Service: If greater than 10 years of service, but not eligible for the normal retirement benefit, the benefit is payable at the date the Member would have had 20 years of service in an amount equal to 2 1/2% of the greater of final average salary or the salary paid to active employees as described under "salary considered" multiplied by the years and completed months of credited service.

**Disability Benefit (Duty):**

Total Disability: Upon determination of disability incurred as a result of the performance of duty, the normal disability benefit is 50% of final average salary.  
Partial Disability: Upon determination of partial disability incurred as a result of the performance of duty, the normal disability is reduced according to the percentage of impairment, as outlined in the "American Medical Association's Guide to the Evaluation of Permanent Impairment."

**CITY OF HUGO, OKLAHOMA**  
**ANNUAL FINANCIAL REPORT**  
**As of and for the Year Ended June 30, 2024**

*C. Contributions*

The contributions requirements of the Plan are at an established rate determined by Oklahoma Statute and are not based on actuarial calculations. The City is required to contribute 13% of an employee's salary and the employee is required to contribute 6.5%. Contributions from the City for the year ended June 30, 2024 were \$87,060.

*D. Pension Liabilities, Pension expense, Deferred Outflows of Resources and Deferred Inflows of Resources Related to Pensions*

At June 30, 2024, the City reported \$51,207 for its proportionate share of the net pension asset. The net pension asset was measured as of June 30, 2023, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of July 1, 2023. 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 the pension plan for all participating employers for the year ended June 30, 2023. Based on this information, the City's proportion was 0.1677%.

For the year ended June 30, 2024, the City recognized a pension expense of \$136,896 and a contribution from the State of \$87,060. At June 30, 2024, the City reported deferred outflows of resources and deferred inflows of resources related to pension from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual experience	\$ 140,179	\$ 7,897
Changes in assumptions	-	95,583
Net difference between projected and actual earnings on pension plan investments	640,922	387,213
Changes in proportion	11,402	-
City contributions subsequent to the measurement date	87,060	-
Total	<u>\$ 879,563</u>	<u>\$ 490,693</u>

The \$87,060 reported as deferred outflows of resources related to pensions resulting from City contributions subsequent to the measurement date will be recognized as a reduction of the net pension liability in the year ended June 30, 2025. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pensions will be recognized as pension expense as follows:

**Year ended June 30:**

2025	\$ 50,483
2026	3,665
2027	200,589
2028	48,010
2029	(937)
	<u>\$ 301,810</u>

*E. Actuarial Assumptions*

The total pension liability was determined by an actuarial valuation as of July 1, 2023, 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

**CITY OF HUGO, OKLAHOMA**  
**ANNUAL FINANCIAL REPORT**  
**As of and for the Year Ended June 30, 2024**

---

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, 2023, are summarized in the following table:

<u>Asset Class</u>	<u>Long-term Expected Real Rate of Return</u>
Fixed income	4.51%
Domestic equity	6.62%
International equity	9.70%
Real estate	6.96%
Private equity	9.86%
Commodities	5.18%

*F. 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 all 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.

*G. Sensitivity of the Net Pension Liability to Changes in the Discount Rate*

The following presents the City's share of the net pension liability 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%)
Net Pension Liability (Asset)	\$ 483,477	\$ (51,207)	\$ (503,916)

The OPPRS issues a publicly available financial report that includes financial statements and required supplementary information. That report may be obtained by writing to:

OPPRS  
4545 N. Lincoln Blvd., Suite 265  
Oklahoma City, OK 73105-3414



**CITY OF HUGO, OKLAHOMA**  
**ANNUAL FINANCIAL REPORT**  
**As of and for the Year Ended June 30, 2024**

**Oklahoma Firefighter's Pension and Retirement System (OFPRS)**

*A. Plan Description*

The City of Hugo, as the employer, participates in the Firefighters Pension & Retirement Plan – a cost-sharing multiple-employer defined benefit pension plan administered by the Board of Trustees for the Oklahoma Firefighters Pension & Retirement System (OFPRS). Title 11 of the Oklahoma State Statutes grants the authority to establish and amend the benefit terms to the OFPRS. Full time firefighters for the City participate in the OFPRS plan.

*B. Benefits Provided*

For volunteer firefighters hired before November 1, 2013, the monthly pension benefit for normal retirement is \$150.60 per month. Benefits vest with 10 years or more of service. Volunteer firefighters hired after November 1, 2013 receive a monthly retirement pension of \$165.66, vesting with 11 or more years of service.

*C. Contributions*

The contributions requirements of the Plan are at an established rate determined by Oklahoma Statute and are not based on actuarial calculations. The City is required to contribute 14% of an employee's salary and the employee is required to contribute 9%. Contributions from the City for the year ended June 30, 2024 were \$87,406.

*D. Pension Liabilities, Pension expense, Deferred Outflows of Resources and Deferred Inflows of Resources Related to Pensions*

At June 30, 2024, the City reported a liability of \$2,366,094 for its proportionate share of the net pension liability. The net pension liability was measured as of June 30, 2023, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of July 1, 2023. 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 the pension plan for all participating employers for the year ended June 30, 2023. Based on this information, the City's proportion was 0.1833830%.

For the year ended June 30, 2024, the City recognized a pension expense of \$403,860 and contributions from the State of \$209,591. At June 30, 2024, the City reported deferred outflows of resources and deferred inflows of resources related to pension from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual experience	\$ 281,394	\$ 3,004
Changes in assumptions	-	3,794
Net difference between projected and actual earnings		
on pension plan investments	772,601	616,512
Changes in proportion	461,049	-
City contributions subsequent to the measurement date	87,406	-
Total	<u>\$ 1,602,450</u>	<u>\$ 623,310</u>

The \$87,406 reported as deferred outflows of resources related to pensions resulting from City contributions subsequent to the measurement date will be recognized as a reduction of the net pension liability in the year ended June 30, 2025. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pensions will be recognized as pension expense as follows:

**CITY OF HUGO, OKLAHOMA**  
**ANNUAL FINANCIAL REPORT**  
**As of and for the Year Ended June 30, 2024**

**Year ended June 30:**

2025	\$ 246,395
2026	159,312
2027	378,741
2028	107,286
	\$ 891,734

*E. Actuarial Assumptions*

The total pension liability was determined by an actuarial valuation as of July 1, 2023, 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

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, 2023, 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%	4.38%
Domestic equity	47%	7.72%
International equity	15%	9.70%
Real estate	10%	6.96%
Other assets	8%	5.75%

*F. 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 all employers will be made at contractually required rates, determined by State Statutes. Projected cash flows also assume the State of Oklahoma will continue contributing 36% of the insurance premium, as established by statute. Based on these assumptions, the pension plan's fiduciary net position was projected to be available to make all projected future benefit payments of current plan members. Therefore, the long-term expected rate of return on pension plan investments was applied to all periods of projected benefit payments to determine the total pension liability.

**CITY OF HUGO, OKLAHOMA**  
**ANNUAL FINANCIAL REPORT**  
**As of and for the Year Ended June 30, 2024**

---

*G. Sensitivity of the Net Pension Liability to Changes in the Discount Rate*

The following presents the City's share of the net pension liability 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%)
Net Pension Liability	\$ 3,089,131	\$ 2,366,094	\$ 1,766,473

The OFPRS issues a publicly available financial report that includes financial statements and required supplementary information. That report may be obtained by writing to:

OFPRS  
4545 N. Lincoln Blvd., Suite 265  
Oklahoma City, OK 73105-3414

**Other Post-Employment Benefits (OPEB)**

As of July 1, 2017, the City adopted GASB 75 *Accounting and Financial Reporting for Postemployment Benefits Other Than Pensions* as it applies to the ability of its employees to participate in various other postemployment benefits (OPEB) provided by the pension systems described above. The effects on the financial statements of the City as a result of the adoption of GASB 75 are considered immaterial.

**7. Commitments and Contingencies**

*Litigation:*

From time to time, the City and its public trust may be parties to various legal proceedings or have threatened litigation which normally occurs in the course of municipal governmental operations; however the City's legal counsel advises that at report date there were no pending issues. State Constitution and statutes provide for the levy of an ad valorem tax over a three-year period by a sinking fund for the payment of any court assessed judgment rendered against the City. (This provision is not available to public trusts.) The City also carries insurance that provides some degree of protection for litigation and legal proceedings.

*Federal and State Award Programs:*

The City of Hugo participates in various federal or state grant/loan programs from year to year. The grant/loan programs are often subject to additional audits by agents of the granting or loaning agency, the purpose of which is to ensure compliance with the specific conditions of the grant or loan. Any liability of reimbursement, 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.

*Subsequent events*

Management has evaluated subsequent events through the date of this report and determined no additional information needs to be added to the financial statements.

**Required Supplementary Information**

**CITY OF HUGO, OKLAHOMA**  
**ANNUAL FINANCIAL REPORT**  
As of and for the Year Ended June 30, 2024

**Budgetary Comparison Schedule – Year Ended June 30, 2024 - UNAUDITED**

	GENERAL FUND			
	Budgeted Amounts		Actual	Variance with
	<u>Original</u>	<u>Final</u>	<u>Amounts</u>	<u>Final Budget</u> <u>Positive (Negative)</u>
<b>Beginning budgetary fund balance</b>	\$ 491,075	\$ 491,075	\$ 1,341,681	\$ 850,606
<b>Resources (inflows)</b>				
Taxes	2,295,000	2,295,000	2,737,900	442,900
Intergovernmental	423,000	423,000	225,791	(197,209)
Licenses and permits	15,000	15,000	27,263	12,263
Charges for services	44,000	44,000	118,045	74,045
Fees and assessments	60,000	60,000	69,043	9,043
Fines and forfeitures	70,000	70,000	51,927	(18,073)
Grants	-	-	258,077	258,077
Investment income	-	-	7,902	7,902
Miscellaneous	181,000	181,000	143,077	(37,923)
Transfers from other funds	700,000	700,000	880,592	180,592
<b>Total resources (inflows)</b>	<u>3,788,000</u>	<u>3,788,000</u>	<u>4,519,617</u>	<u>731,617</u>
<b>Amounts available for appropriation</b>	<u><b>4,279,075</b></u>	<u><b>4,279,075</b></u>	<u><b>5,861,298</b></u>	<u><b>1,582,223</b></u>
<b>Charges to appropriations (outflows):</b>				
General government	588,900	588,900	808,660	(219,760)
Police	1,622,000	1,622,000	1,659,212	(37,212)
Fire	1,050,200	1,050,200	846,710	203,490
Cemetery	189,500	189,500	195,177	(5,677)
Nutrition	57,300	57,300	66,099	(8,799)
Parks and recreation	771,175	771,175	470,113	301,062
Capital outlay	-	-	550,794	(550,794)
<b>Total charges to appropriations</b>	<u>4,279,075</u>	<u>4,279,075</u>	<u>4,596,765</u>	<u>(317,690)</u>
<b>Ending budgetary fund balance</b>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 1,264,533</u>	<u>\$ 1,264,533</u>

**CITY OF HUGO, OKLAHOMA  
ANNUAL FINANCIAL REPORT  
As of and for the Year Ended June 30, 2024**

---

**Footnotes to the Budgetary Comparison Schedule:**

**Budget Law**

The city prepares its annual operating budget under the provisions of the Municipal Budget Act of 1979 (the "Budget Act"). In accordance with those provisions, the following process is used to adopt the annual budget:

- a. Prior to June 1, the City Manager submits to the City Council a proposed operating budget for the fiscal year commencing the following July 1.
- b. Public hearings are conducted to obtain citizen comments. At least one public hearing must be held no later than 15 days prior to July 1.
- c. Subsequent to the public hearings but no later than seven days prior to July 1, the budget is adopted by resolution of the City Council.
- d. By July 1, the adopted budget is filed with the Office of State Auditor and Inspector.

All funds of the city with revenues and expenditures are required to have annual budgets under this section of the state law, except funds of public trusts or authorities. The legal level of control at which expenditures may not legally exceed appropriations is the department within a fund. The Budget Act recognizes the following object categories of control by department within a fund: Personal Services, Materials and Supplies, Other Services and Charges, Capital Outlay, Debt Service, and Interfund Transfers.

Transfers of appropriations between departments and supplemental appropriations require City Council approval. The City Manager may transfer appropriations between object categories within a department without City Council approval. Supplemental appropriations must also be filed with the Office of State Auditor and Inspector. The City's actual spending exceeded appropriations in general government, parks and recreation, and capital outlay.

**Budgetary Accounting**

The annual operating budgets of the General Fund are prepared and presented on the modified accrual basis of accounting for revenues and on the cash basis for expenditures, excluding internal service account activity of the General Fund.

The City utilizes encumbrance accounting under which purchase orders, contracts, and other commitments for the expenditure of funds are recorded in order to reserve a portion of the applicable appropriation. The City considers all appropriations to lapse at year-end; any open purchase orders to be honored in the subsequent budget year are re-appropriated in the subsequent year's budget. As a result, encumbrances are not treated as the equivalent of expenditures in the budget and actual financial statements.

**CITY OF HUGO, OKLAHOMA**  
**ANNUAL FINANCIAL REPORT**  
**As of and for the Year Ended June 30, 2024**

**CITY OF HUGO**  
**SCHEDULE OF CITY OF HUGO'S SHARE OF NET PENSION LIABILITIES\***  
**JUNE 30, 2024**

	<u>2023</u>	<u>2022</u>	<u>2021</u>	<u>2020</u>	<u>2019</u>	<u>2018</u>	<u>2017</u>	<u>2016</u>	<u>2015</u>	<u>2014</u>
<b><u>Oklahoma Police Pension and Retirement Plan (OPPRS)</u></b>										
City's portion of net pension liability	0.1677%	0.1640%	0.1822%	0.1605%	0.1567%	0.1654%	0.1594%	0.1505%	0.1541%	0.1642%
City's proportionate share of the net pension liability (asset)	\$ (51,207)	\$ (131,554)	\$ (873,861)	\$ 184,357	\$ (10,001)	\$ (78,772)	\$ 12,258	\$ 230,508	\$ 6,282	\$ (55,274)
City's covered-employee payroll	\$ 630,823	\$ 702,085	\$ 630,369	\$ 509,446	\$ 391,138	\$ 504,415	\$ 475,215	\$ 443,885	\$ 435,462	\$ 459,277
City's proportional share of the net pension liability as a percentage of its covered employee payroll	-8.117%	-18.738%	-138.627%	36.188%	-2.557%	-15.616%	2.579%	51.930%	1.443%	-12.035%
Plan fiduciary net position as a percentage of the total pension liability	101.02%	102.74%	117.07%	95.80%	100.24%	101.89%	99.68%	93.50%	99.82%	101.53%
<b><u>Oklahoma Firefighters Pension and Retirement Plan (OFPRS)</u></b>										
City's portion of net pension liability	0.1834%	0.1858%	0.1804%	0.1803%	0.1795%	0.1768%	0.1886%	0.1923%	0.1790%	0.1955%
City's proportionate share of the net pension liability	\$ 2,366,094	\$ 2,429,566	\$ 1,188,087	\$ 2,221,247	\$ 1,896,255	\$ 1,990,341	\$ 2,372,538	\$ 2,348,841	\$ 1,900,115	\$ 2,010,476
City's covered-employee payroll	\$ 683,114	\$ 593,607	\$ 586,057	\$ 578,779	\$ 530,357	\$ 525,893	\$ 536,179	\$ 537,786	\$ 489,121	\$ 521,929
City's proportional share of the net pension liability as a percentage of its covered employee payroll	346.37%	409.29%	202.73%	383.78%	357.54%	378.47%	442.49%	436.76%	388.48%	385.20%
Plan fiduciary net position as a percentage of the total pension liability	70.85%	69.49%	84.24%	72.85%	72.85%	70.73%	66.61%	64.87%	68.27%	68.12%
<b><u>Oklahoma Public Employees Retirement System (OPERS)</u></b>										
City's portion of net pension liability	0.0738%	0.0782%	0.0739%	0.0724%	0.0794%	0.0830%	0.0846%	0.0605%	0.0577%	N/A
City's share of the net pension liability (asset)	\$ 337,503	\$ 657,733	\$ (991,530)	\$ 646,224	\$ 105,778	\$ 161,881	\$ 457,255	\$ 600,658	\$ 207,558	N/A
City's covered-employee payroll	\$ 1,487,218	\$ 1,387,333	\$ 1,230,273	\$ 1,203,939	\$ 1,451,085	\$ 1,299,715	\$ 1,378,782	\$ 1,087,533	\$ 1,020,097	N/A
City's proportional share of the net pension liability as a percentage of its covered employee payroll	22.69%	47.41%	-80.59%	53.68%	7.29%	12.46%	33.16%	55.23%	20.35%	N/A
Plan fiduciary net position as a percentage of the total pension liability	95.91%	92.24%	112.51%	91.59%	98.63%	97.96%	94.28%	93.20%	93.60%	88.60%

\*This information is reported for the cost sharing multiple employer plans and is as of 7/1/2023

**CITY OF HUGO, OKLAHOMA**  
**ANNUAL FINANCIAL REPORT**  
**As of and for the Year Ended June 30, 2024**

**CITY OF HUGO**  
**SCHEDULE OF EMPLOYER CONTRIBUTIONS**  
**JUNE 30, 2024**

	<u>2024</u>	<u>2023</u>	<u>2022</u>	<u>2021</u>	<u>2020</u>	<u>2019</u>	<u>2018</u>	<u>2017</u>	<u>2016</u>	<u>2015</u>
<b><u>Oklahoma Police Pension and Retirement Plan (OPPRS)</u></b>										
Statutorily required contribution	\$ 87,060	\$ 82,007	\$ 91,271	\$ 81,948	\$ 66,228	\$ 50,848	\$ 65,574	\$ 61,778	\$ 57,705	\$ 56,610
Contributions related to the statutorily required contributions (does not include State contributions)	\$ 87,060	\$ 82,007	\$ 91,271	\$ 81,948	\$ 66,228	\$ 50,848	\$ 65,574	\$ 61,778	\$ 57,705	\$ 56,610
Contribution (deficiency) excess	-	-	-	-	-	-	-	-	-	-
City's covered-employee payroll	\$ 669,692	\$ 630,823	\$ 702,085	\$ 630,369	\$ 509,446	\$ 391,138	\$ 504,415	\$ 475,215	\$ 443,885	\$ 435,462
Contributions as a percentage of covered-employee payroll	13.00%	13.00%	13.00%	13.00%	13.00%	13.00%	13.00%	13.00%	13.00%	13.00%
<b><u>Oklahoma Firefighters Pension and Retirement Plan (OFPRS)</u></b>										
Statutorily required contribution	\$ 87,406	\$ 95,636	\$ 83,105	\$ 82,048	\$ 81,029	\$ 74,250	\$ 73,625	\$ 75,065	\$ 75,290	\$ 68,477
Contributions related to the statutorily required contributions (does not include State contributions)	\$ 87,406	\$ 95,636	\$ 83,105	\$ 82,048	\$ 81,029	\$ 74,250	\$ 73,625	\$ 75,065	\$ 75,290	\$ 68,477
Contribution (deficiency) excess	-	-	-	-	-	-	-	-	-	-
City's covered-employee payroll	\$ 624,329	\$ 683,114	\$ 593,607	\$ 586,057	\$ 578,779	\$ 530,357	\$ 525,893	\$ 536,179	\$ 537,786	\$ 489,121
Contributions as a percentage of covered-employee payroll	14.00%	14.00%	14.00%	14.00%	14.00%	14.00%	14.00%	14.00%	14.00%	14.00%
<b><u>Oklahoma Public Employees Retirement System (OPERS)</u></b>										
Statutorily required contribution	\$ 245,391	\$ 283,318	\$ 228,910	\$ 202,995	\$ 198,650	\$ 239,429	\$ 214,453	\$ 227,499	\$ 179,443	\$ 168,316
Contributions related to the statutorily required contributions	\$ 245,391	\$ 283,318	\$ 228,910	\$ 202,995	\$ 198,650	\$ 239,429	\$ 214,453	\$ 227,499	\$ 179,443	\$ 168,316
Contribution (deficiency) excess	-	-	-	-	-	-	-	-	-	-
City's covered-employee payroll	\$ 1,487,218	\$ 1,717,079	\$ 1,387,333	\$ 1,230,273	\$ 1,203,939	\$ 1,451,085	\$ 1,299,715	\$ 1,378,782	\$ 1,087,533	\$ 1,020,097
Contributions as a percentage of covered-employee payroll	16.50%	16.50%	16.50%	16.50%	16.50%	16.50%	16.50%	16.50%	16.50%	16.50%

Data reported is for the City's fiscal year ending June 30



**CITY OF HUGO, OKLAHOMA**  
**ANNUAL FINANCIAL REPORT**  
As of and for the Year Ended June 30, 2024

**Schedule of Expenditures of Federal Awards – year ended June 30, 2024**

Federal Grantor/Pass Through Agency Grantor/Program Title	Federal ALN Number	Pass-through Entity Identifying Number	Federal Expenditures
<b>FEDERAL AWARDS:</b>			
<u>U.S. DEPARTMENT OF AGRICULTURE</u>			
Community Facilities Loans and Grants	10.766	RD 3570-3	\$ 84,123
Persistent Poverty Combination Loan & Grant - W&W-Water Only	10.770		<u>146,468</u>
Total U.S. Department of Agriculture			<u>230,591</u>
<u>U.S. DEPARTMENT OF THE TREASURY</u>			
<i>Passed through the Oklahoma Office of Management and Enterprise Services:</i>			
American Rescue Plan Act	21.027		<u>163,375</u>
<u>U.S. DEPARTMENT OF TRANSPORTATION</u>			
FAA Airport Improvement Program-taxiway construction	20.106	3-40-0129-016-2023	<u>253,756</u>
Total Federal Awards			<u>\$ 647,722</u>

Notes to the Schedule of Expenditures of Federal Awards:

**Note 1 – Basis of Presentation**

This schedule includes the federal grant activity of the City of Hugo, Oklahoma ("City") under programs of the federal government for the year ended June 30, 2024. The information in this schedule is presented in accordance with the requirements of Title 2 U.S. Code of Federal Regulations Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance). Because the schedule presents only a selected portion of the operations of the City, it is not intended to and does not present the financial position, changes in net position or cash flows of the City.

**Note 2 – Summary of Significant Accounting Policies**

Expenditures reported on the Schedule of Expenditures of Federal Awards are reported on the accrual basis of accounting (U.S. GAAP) which may be different from other information contained in the City's financial statements.

**Note 3** – The above awards did not include an indirect cost rate in the allowable costs and consequently the City did not use the 10% de minimis indirect cost rate allowed under the Uniform Guidance.

**Independent Auditor's Reports on Internal Control and Compliance**

*dwg, inc. Certified Public Accountant and Consultant*

**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**

Independent Auditor's Report

The City Council,  
The City of Hugo

We have audited, 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, the financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of City of Hugo, Oklahoma, as of and for the year ended June 30, 2024, and the related notes to the financial statements, which collectively comprise the City of Hugo, Oklahoma's basic financial statements, and have issued our report thereon dated February 4, 2025.

***Internal Control Over Financial Reporting***

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

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

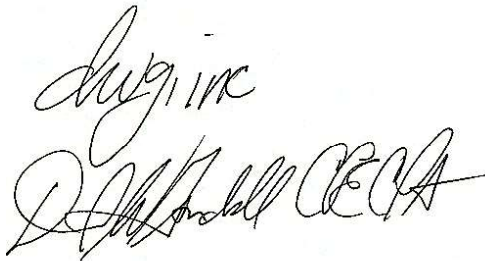
Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies. Given these limitations, during our audit we did not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

### ***Compliance and Other Matters***

As part of obtaining reasonable assurance about whether The City of Hugo'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 matter that is required to be reported under *Government Auditing Standards*.

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

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

The image shows two handwritten signatures in black ink. The top signature is 'dwg, inc' in a cursive script. Below it is a more formal signature, 'David W. Gandall CFE, CPA', also in cursive.

dwg, inc.  
David W. Gandall, CFE, CPA  
February 4, 2025