

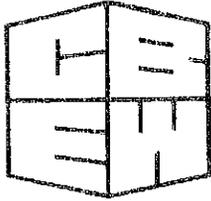
**CITY OF HOMINY  
Hominy, Oklahoma**

**FINANCIAL STATEMENTS  
June 30, 2016**

**CITY OF HOMINY  
Hominy, Oklahoma**

**CONTENTS**

	<b>Page No.</b>
<b>Independent Auditor's Report</b>	1-2
<b>Basic Financial Statements:</b>	
<b>Government-Wide Financial Statements:</b>	
Statement of Net Position	3
Statement of Activities	4-5
<b>Fund Financial Statements:</b>	
Balance Sheet - Governmental Funds	6
Reconciliation of the Governmental Funds Balance Sheet to the Government-Wide Statement of Net Position	7
Statement of Revenues, Expenditures and Changes in Fund Balances - Governmental Funds	8
Reconciliation of the Governmental Funds Statement of Revenues, Expenditures and Changes in Fund Balance to the Government-Wide Statement of Activities	9
Statement of Net Fund Position - Proprietary Funds	10
Statement of Revenues, Expenses and Changes in Fund Net Position - Proprietary Funds	11
Statement of Cash Flows - Proprietary Funds	12
Statement of Fiduciary Net Position	13
<b>Notes to the Basic Financial Statements</b>	14-28
<b>Supplemental Information:</b>	
Statement of Revenues, Expenditures and Changes in Fund Balance – Budget (GAAP Budgetary Basis) and Actual – Governmental Funds	29-31
Notes to Supplemental Information	32
<b>Other Supplementary Information:</b>	
Combining Balance Sheet – Non-Major Governmental Funds	33
Combining Statement of Revenues, Expenditures and Changes in Fund Balances – Non-Major Governmental Funds	34
Schedule of Expenditures of Federal Awards	35
<b>Report Required by <i>Government Auditing Standards</i>:</b>	
Independent Auditor's Report on Internal Control over Financial Reporting and on Compliance and Other Matters Based on an Audit of Financial Statements Performed in Accordance with <i>Government Auditing Standards</i>	36-37
<b>Schedule of Findings and Responses</b>	38



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## INDEPENDENT AUDITOR'S REPORT

September 28, 2016

The Honorable City Council  
City of Hominy, Oklahoma

### *Report on the Financial Statements*

We have audited the accompanying financial statements of the governmental activities, the business-type activities, each major fund and the aggregate remaining fund information prepared on a modified cash basis of the City of Hominy, Oklahoma, (City) as of and for the year ended June 30, 2016, and the related notes to the financial statements, which collectively comprise the City's basic financial statements as listed in the table of contents.

### *Management's Responsibility for the Financial Statements*

Management is responsible for the preparation and fair presentation of these financial statements in accordance with the modified cash basis of accounting described in Note 1; this includes determining that the modified cash basis of accounting is an acceptable basis for the preparation of the financial statements in the circumstances. Management is also responsible 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 error or fraud

### *Auditor's Responsibility*

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

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

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

***Opinion***

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position—modified cash basis of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the City of Hominy, Oklahoma as of June 30, 2016, and the respective changes in financial position—modified cash basis, thereof for the year then ended in accordance with the basis of accounting as described in Note 1.

***Basis of Accounting***

We draw attention to Note 1 of the financial statements, which describes the basis of accounting. The financial statements are prepared on the modified cash basis of accounting, which is a basis of accounting other than accounting principles generally accepted in the United States of America. Our opinion is not modified with respect to that matter.

***Other Matters***

***Other Supplementary Information***

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the City's financial statements. The combining statements and the schedule of expenditures of federal awards are presented for purposes of additional analysis and are not a required part of the basic financial statements.

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

***Disclaimer of Opinion on Supplementary Information***

The budgetary comparison information on pages 29–31 and notes on page 32, which are the responsibility of management, are presented for purposes of additional analysis and are not a required part of the basic financial statements. Such information has not been subjected to the auditing procedures applied in the audit of the financial statements, and accordingly, we do not express an opinion or provide any assurance on it

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

In accordance with *Government Auditing Standards*, we have also issued our report dated September 28, 2016, on our consideration of the City's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the City's internal control over financial reporting and compliance.

***CBEW Professional Group, LLP***

CBEW Professional Group, LLP  
Certified Public Accountants  
Cushing, Oklahoma

CITY OF HOMINY  
STATEMENT OF NET POSITION  
MODIFIED CASH BASIS  
June 30, 2016

	Primary Government		
	Governmental Activities	Business-Type Activities	Total
<b>Assets:</b>			
Cash and investments:			
Cash & cash equivalents (Note 1)	\$ 446,582	\$ 311,151	\$ 757,733
Investments	2,002,492	304,982	2,307,474
Due to/from others	(10,498)	10,498	-
Restricted assets:			
Cash and investments (Note 1)	146,027	118,844	264,871
<b>Capital assets:</b>			
Land and construction in progress	16,748	46,937	63,685
Depreciable buildings, property, equipment and infrastructure, net of depreciation (Notes 1 & 2)	1,534,737	3,255,374	4,790,111
<b>Total assets</b>	<u>4,136,088</u>	<u>4,047,786</u>	<u>8,183,874</u>
<b>Deferred outflows of resources:</b>			
Total deferred outflows	-	-	-
<b>Liabilities:</b>			
Current liabilities:			
Payroll taxes payable	582	-	582
Accrued compensated absences	1,234	1,750	2,984
Security deposits	-	3,442	3,442
Notes payable (Note 2)	-	49,614	49,614
Leases payable (Note 2)	-	64,625	64,625
Long-term liabilities:			
Notes payable (Note 2)	-	375,312	375,312
Leases payable (Note 2)	-	97,041	97,041
<b>Total liabilities</b>	<u>1,816</u>	<u>591,784</u>	<u>593,600</u>
<b>Deferred inflows of resources:</b>			
Total deferred inflows	-	-	-
<b>Net position:</b>			
Net investment in capital assets	1,551,485	2,767,738	4,319,223
Restricted	1,954,810	115,402	2,070,212
Unrestricted	627,977	572,862	1,200,839
<b>Total net position</b>	<u>\$ 4,134,272</u>	<u>\$ 3,456,002</u>	<u>\$ 7,590,274</u>

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

CITY OF HOMINY  
STATEMENT OF ACTIVITIES  
MODIFIED CASH BASIS  
Year Ended June 30, 2016

Functions/Programs	Expenses	Program Revenues		Net (Expense)/ Revenue
		Charges for Services	Operating Grants and Contributions	
<b>Governmental activities:</b>				
General government:				
General government	\$ -	\$ -	\$ -	\$ -
Total general government	-	-	-	-
Public safety and judiciary:				
City attorney	17,353	-	-	(17,353)
Fire department	233,191	186,442	10,123	(36,626)
Municipal court	17,577	40,098	-	22,521
Police	420,767	-	-	(420,767)
Civil defense	10,602	-	-	(10,602)
Total public safety and judiciary	699,490	226,540	10,123	(462,827)
Transportation:				
Streets	5,696	-	-	(586)
Total transportation	5,696	-	-	(586)
Cultural, parks and recreation:				
Library	94,996	10	11,293	(83,693)
Park facilities	-	-	-	-
Public property	261,059	11,741	-	(249,318)
Swimming pool	36,713	-	-	(36,713)
Senior citizens center	40,907	-	-	(40,907)
Lake	7,975	11,381	-	3,406
Cemetery	32,933	20,167	-	(12,766)
Total cultural, parks and recreation	474,583	43,299	11,293	(419,991)
Unallocated depreciation*	121,452	-	-	(121,452)
<b>Total governmental activities</b>	<b>1,301,221</b>	<b>269,839</b>	<b>21,416</b>	<b>(1,004,856)</b>
<b>Business-type activities</b>				
General and administrative	375,438	-	-	(375,438)
Electric service	1,740,890	1,978,980	-	238,090
Water/wastewater plant	402,704	838,569	-	435,865
Water/wastewater maintenance	172,517	-	-	179,756
Meter reading	24,144	-	-	(24,144)
Sanitation service	167,092	255,912	-	88,820
Airport	86,387	52,990	-	(33,397)
Ambulance	476,335	183,781	-	(292,554)
Financing costs	9,103	-	-	(9,103)
Unallocated depreciation*	141,731	-	-	(141,731)
<b>Total business-type activities</b>	<b>3,596,341</b>	<b>3,310,232</b>	<b>-</b>	<b>(106,353)</b>
<b>Total</b>	<b>\$ 4,897,562</b>	<b>\$ 3,580,071</b>	<b>\$ 21,416</b>	<b>\$ 184,866</b>
				<b>\$ (1,111,209)</b>

\* - This amount does not include the depreciation that is included in the direct expenses of various programs.

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

CITY OF HOMINY  
STATEMENT OF ACTIVITIES  
MODIFIED CASH BASIS  
Year Ended June 30, 2016

	Net (Expense) Revenue and Changes in Net Position		
	Governmental Activities	Business-Type Activities	Total
<b>Net (expense)/revenue</b>	(1,004,856)	(106,353)	(1,111,209)
<b>General revenues:</b>			
Taxes:			
Sales and use taxes	600,300	-	600,300
Franchise taxes	41,824	-	41,824
Cigarette taxes	6,941	-	6,941
Intergovernmental	119,463	-	119,463
Penalties	-	48,380	48,380
Investment earnings	11,716	5,293	17,009
Miscellaneous	5,679	77,747	83,426
Rental income	4,200	-	4,200
Surplus property sales	-	-	-
Transfers	209,279	(209,279)	-
<b>Total general revenues and transfers</b>	<u>999,402</u>	<u>(77,859)</u>	<u>921,543</u>
<b>Change in net position</b>	(5,454)	(184,212)	(189,666)
<b>Net position - beginning of year</b>	<u>4,139,726</u>	<u>3,640,214</u>	<u>7,779,940</u>
<b>Net position - end of year</b>	<u>\$ 4,134,272</u>	<u>\$ 3,456,002</u>	<u>\$ 7,590,274</u>

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

CITY OF HOMINY  
BALANCE SHEET  
MODIFIED CASH BASIS  
GOVERNMENTAL FUNDS  
June 30, 2016

	General Fund	Capital Projects Water Assessment	Special Revenue Park Facilities	Other Governmental Funds	Total Governmental Funds
<b>Assets:</b>					
Cash and investments:					
Cash & cash equivalents	\$ 181,761	\$ 113,466	\$ 81,336	\$ 70,019	\$ 446,582
Investments	457,986	499,860	911,135	133,511	2,002,492
Due from others	544	-	-	-	544
Restricted assets:					
Cash and investments	-	63,163	-	82,864	146,027
<b>Total assets</b>	<b>\$ 640,291</b>	<b>\$ 676,489</b>	<b>\$ 992,471</b>	<b>\$ 286,394</b>	<b>\$ 2,595,645</b>
<b>Liabilities:</b>					
Due to others	\$ 10,498	-	\$ 544	-	\$ 11,042
Bonds payable	582	-	-	-	582
<b>Total liabilities</b>	<b>11,080</b>	<b>-</b>	<b>544</b>	<b>-</b>	<b>11,624</b>
<b>Fund balance:</b>					
Restricted for:					
Cemetery	-	-	-	82,864	82,864
Water improvement	-	676,489	-	-	676,489
Debt service	-	-	-	-	-
Swimming pool	-	-	991,927	-	991,927
Parks	-	-	-	-	-
Other purposes	-	-	-	203,530	203,530
Unassigned	629,211	-	-	-	629,211
<b>Total fund balance</b>	<b>629,211</b>	<b>676,489</b>	<b>991,927</b>	<b>286,394</b>	<b>2,584,021</b>
<b>Total liabilities &amp; fund balance</b>	<b>\$ 640,291</b>	<b>\$ 676,489</b>	<b>\$ 992,471</b>	<b>\$ 286,394</b>	<b>\$ 2,595,645</b>

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

CITY OF HOMINY  
 RECONCILIATION OF THE GOVERNMENTAL FUNDS BALANCE SHEET TO THE GOVERNMENT-WIDE STATEMENT  
 OF NET POSITION  
 MODIFIED CASH BASIS  
 June 30, 2016

**Total Fund Balances - Total Governmental Funds** \$ 2,584,021

Amounts reported for governmental activities in the statement of net position are different because:

Accrued compensated absences (1,234)

Capital assets used in governmental activities are not financial resources and therefore are not reported in the funds. These assets consist of:

Buildings	\$	1,123,984	
Equipment		108,843	
Vehicles		195,647	
Land		16,748	
Infrastructure		106,263	
			1,551,485

**Net position of governmental activities** \$ 4,134,272

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

CITY OF HOMINY  
 STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES  
 MODIFIED CASH BASIS  
 GOVERNMENTAL FUNDS  
 Year Ended June 30, 2016

	General Fund	Capital Projects Water Assessment	Special Revenue Park Facilities	Other Governmental Funds	Total Governmental Funds
<b>Revenues:</b>					
Charges for services	\$ 23,132	\$ -	\$ -	\$ -	\$ 23,132
Cigarette taxes	6,941	-	-	-	6,941
Interest	2,802	2,943	4,772	1,197	11,714
Franchise taxes	41,824	-	-	-	41,824
Fire runs and memberships	186,442	-	-	-	186,442
Intergovernmental programs	87,003	-	-	32,460	119,463
Fines and forfeits	40,098	-	-	-	40,098
Grant revenues	25,025	-	-	-	25,025
Rental receipts	4,200	-	-	-	4,200
Lot sales	17,685	-	-	2,483	20,168
Miscellaneous revenue	5,218	-	-	-	5,218
Sales and use taxes	600,300	-	-	-	600,300
Surplus property sales	-	-	-	-	-
Licenses and permits	463	-	-	-	463
Donations and other	1,501	-	-	-	1,501
<b>Total revenues</b>	<u>1,042,634</u>	<u>2,943</u>	<u>4,772</u>	<u>36,140</u>	<u>1,086,489</u>
<b>Expenditures:</b>					
Current:					
General government	-	-	-	-	-
Public safety	701,035	-	-	-	701,035
Public property	261,059	-	-	-	261,059
Highways and roads	-	-	-	5,696	5,696
Cultural and recreational	213,524	-	-	-	213,524
Debt service	-	-	-	-	-
Capital outlay	16,711	-	-	-	16,711
<b>Total expenditures</b>	<u>1,192,329</u>	<u>-</u>	<u>-</u>	<u>5,696</u>	<u>1,198,025</u>
<b>Excess of revenues over (under) expenditures</b>	(149,695)	2,943	4,772	30,444	(111,536)
<b>Other financing uses:</b>					
Loan proceeds	-	-	-	-	-
Operating transfers in (out)	68,823	90,264	50,192	-	209,279
<b>Excess of revenues over (under) expenditures &amp; transfers</b>	(80,872)	93,207	54,964	30,444	97,743
<b>Fund balance - beginning of year</b>	<u>710,083</u>	<u>583,282</u>	<u>936,963</u>	<u>255,950</u>	<u>2,486,278</u>
<b>Fund balance - end of year</b>	<u>\$ 629,211</u>	<u>\$ 676,489</u>	<u>\$ 991,927</u>	<u>\$ 286,394</u>	<u>\$ 2,584,021</u>

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

CITY OF HOMINY  
 RECONCILIATION OF THE GOVERNMENTAL FUNDS STATEMENTS OF REVENUES, EXPENDITURES AND CHANGES  
 IN FUND BALANCE TO THE GOVERNMENT-WIDE STATEMENT OF ACTIVITIES  
 MODIFIED CASH BASIS  
 Year Ended June 30, 2016

<b>Net Change in Fund Balances - Total Governmental Funds</b>	\$	97,743
Amounts reported for governmental activities in the Statement of Activities are different because:		
Government-Wide Statement of Activities report accrued compensated absences in the period incurred. However, Governmental Funds do not pay on this liability until the employee has left employment. The amount of the change in accrued absences recorded in the current period.		1,544
Depreciation expense on capital assets is reported in the Government-Wide Statement of Activities, but they do not require the use of current financial resources. Therefore, depreciation expense is not reported as expenditures in Governmental Funds.		(121,452)
Governmental Funds report capital outlay as expenditures. However, in the Government-Wide Statement of Activities, the cost of those assets is allocated over their estimated useful lives as depreciation expense. This is the amount of capital assets recorded in the current period.		<u>16,711</u>
<b>Change in Net Position of Governmental Activities</b>	\$	<u><u>(5,454)</u></u>

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

CITY OF HOMINY  
STATEMENT OF NET FUND POSITION  
MODIFIED CASH BASIS  
PROPRIETARY FUNDS  
June 30, 2016

	Business-type Activities - Enterprise Funds			Totals
	Hominy Municipal Authority (Major)	Hominy Industrial Authority (Major)	Hominy Community Medical Authority (Non-major)	
<b>Assets:</b>				
Cash and investments:				
Cash & cash equivalents (Note 1)	\$ 208,255	\$ 71,294	\$ 31,602	\$ 311,151
Investments	214,097	90,885	-	304,982
Cash on hand	-	-	-	-
Due from others	10,498	-	-	10,498
Restricted assets:				
Cash and investments (Note 1)	93,584	3,442	21,818	118,844
<b>Capital assets:</b>				
Land and construction in progress	-	46,937	-	46,937
Depreciable buildings, property and equipment, net of depreciation (Notes 1 & 2)	2,319,024	629,222	307,128	3,255,374
<b>Total assets</b>	<b>\$ 2,845,458</b>	<b>\$ 841,780</b>	<b>\$ 360,548</b>	<b>\$ 4,047,786</b>
<b>Deferred outflows of resources:</b>				
<b>Total deferred outflows</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>
<b>Liabilities:</b>				
Current liabilities:				
Due to others	\$ -	\$ -	\$ -	\$ -
Payroll taxes payable	-	-	-	-
Accrued compensated absences	1,750	-	-	1,750
Security deposits	-	3,442	-	3,442
Notes payable (Note 2)	49,614	-	-	49,614
Leases payable (Note 2)	46,404	-	18,221	64,625
Long-term liabilities:				
Notes payable (Note 2)	375,312	-	-	375,312
Leases payable (Note 2)	63,243	-	33,798	97,041
<b>Total liabilities</b>	<b>536,323</b>	<b>3,442</b>	<b>52,019</b>	<b>591,784</b>
<b>Deferred inflows of resources:</b>				
<b>Total deferred inflows</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>
<b>Net position:</b>				
Net investment in capital assets	1,784,451	676,159	307,128	2,767,738
Restricted	93,584	-	21,818	115,402
Unrestricted	431,100	162,179	(20,417)	572,862
<b>Total net position</b>	<b>\$ 2,309,135</b>	<b>\$ 838,338</b>	<b>\$ 308,529</b>	<b>\$ 3,456,002</b>

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

CITY OF HOMINY  
STATEMENT OF REVENUES, EXPENSES AND CHANGES IN FUND NET POSITION  
MODIFIED CASH BASIS  
PROPRIETARY FUNDS  
Year Ended June 30, 2016

	Business-type Activities - Enterprise Funds			Totals
	Hominy Municipal Authority (Major)	Hominy Industrial Authority (Major)	Hominy Community Medical Authority (Non-major)	
<b>Revenues:</b>				
Electric revenue	\$ 1,978,980	\$ -	\$ -	\$ 1,978,980
Water revenue	708,754	-	-	708,754
Wastewater revenue	129,815	-	-	129,815
Sanitation revenue	255,912	-	-	255,912
Penalties	48,380	-	-	48,380
Miscellaneous revenue	77,747	-	-	77,747
Grant revenue	179,756	-	-	179,756
Charges for service	-	52,990	-	52,990
Rentals	-	-	19,671	19,671
Ambulance revenue	-	-	164,110	164,110
<b>Total revenues</b>	<b>3,379,344</b>	<b>52,990</b>	<b>183,781</b>	<b>3,616,115</b>
<b>Operating expenses:</b>				
General and administrative	375,438	-	-	375,438
Electric service	1,740,890	-	-	1,740,890
Water/wastewater plant	402,704	-	-	402,704
Water/wastewater maintenance	172,517	-	-	172,517
Meter reading	24,144	-	-	24,144
Sanitation service	167,092	-	-	167,092
Airport	-	2,912	-	2,912
Ambulance	-	-	449,467	449,467
Depreciation expense	141,731	83,475	26,868	252,074
<b>Total operating expenses</b>	<b>3,024,516</b>	<b>86,387</b>	<b>476,335</b>	<b>3,587,238</b>
<b>Income before non-operating revenues, expenses &amp; transfers</b>	<b>354,828</b>	<b>(33,397)</b>	<b>(292,554)</b>	<b>28,877</b>
<b>Non-operating revenues (expenses):</b>				
Interest revenue	4,277	459	557	5,293
Interest expense	(6,498)	-	(2,605)	(9,103)
Surplus property sales	-	-	-	-
<b>Total</b>	<b>(2,221)</b>	<b>459</b>	<b>(2,048)</b>	<b>(3,810)</b>
<b>Income (loss) before operating transfers</b>	<b>352,607</b>	<b>(32,938)</b>	<b>(294,602)</b>	<b>25,067</b>
<b>Transfers in (out)</b>	<b>(403,108)</b>	<b>-</b>	<b>193,829</b>	<b>(209,279)</b>
<b>Change in net position</b>	<b>(50,501)</b>	<b>(32,938)</b>	<b>(100,773)</b>	<b>(184,212)</b>
<b>Net position at beginning of year</b>	<b>2,359,636</b>	<b>871,276</b>	<b>409,302</b>	<b>3,640,214</b>
<b>Net position at end of year</b>	<b>\$ 2,309,135</b>	<b>\$ 838,338</b>	<b>\$ 308,529</b>	<b>\$ 3,456,002</b>

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

CITY OF HOMINY  
STATEMENT OF CASH FLOWS  
MODIFIED CASH BASIS  
PROPRIETARY FUNDS  
Year Ended June 30, 2016

	Business-type Activities - Enterprise Funds			Totals
	Hominy Municipal Authority (Major)	Hominy Industrial Authority (Major)	Hominy Community Medical Authority (Non-major)	
<b>Cash flows from operating activities:</b>				
Cash received from customers & service users	\$ 3,121,841	\$ 52,990	\$ 183,781	\$ 3,358,612
Cash payments for goods & services & employees	(2,885,867)	(2,912)	(453,282)	(3,342,061)
Other operating revenues	257,503	-	-	257,503
<b>Net cash provided by operating activities</b>	<u>493,477</u>	<u>50,078</u>	<u>(269,501)</u>	<u>274,054</u>
<b>Cash flows from noncapital financing activities:</b>				
Operating transfers out to other funds	(596,936)	-	-	(596,936)
Operating transfers in from other funds	193,829	-	193,829	387,658
Change in due to/due from accounts	-	-	-	-
Change in security deposits	-	631	-	631
<b>Net cash provided (used) for noncapital financing activities</b>	<u>(403,107)</u>	<u>631</u>	<u>193,829</u>	<u>(208,647)</u>
<b>Cash flows from capital and related financing activities:</b>				
Acquisition & construction of capital assets	(188,556)	-	-	(188,556)
Principal paid on debt	(97,151)	-	(17,476)	(114,627)
Surplus property sales	-	-	-	-
Interest paid on debt	(6,498)	-	(2,605)	(9,103)
<b>Net cash provided (used) for capital and related financing activities</b>	<u>(292,205)</u>	<u>-</u>	<u>(20,081)</u>	<u>(312,286)</u>
<b>Cash flows from investing activities:</b>				
(Purchase) liquidation of investments	269,425	(453)	76,271	345,243
Interest on investments	4,277	459	557	5,293
<b>Net cash provided by investing activities</b>	<u>273,702</u>	<u>6</u>	<u>76,828</u>	<u>350,536</u>
<b>Net increase (decrease) in cash &amp; cash equivalents</b>	71,867	50,715	(18,925)	103,657
<b>Cash and cash equivalents - beginning of year</b>	<u>136,388</u>	<u>24,021</u>	<u>50,527</u>	<u>210,936</u>
<b>Cash and cash equivalents - end of year</b>	<u>\$ 208,255</u>	<u>\$ 74,736</u>	<u>\$ 31,602</u>	<u>\$ 314,593</u>
<b>Reconciliation of operating income to net cash provided by operating activities:</b>				
Operating income	\$ 354,828	\$ (33,397)	\$ (292,554)	\$ 28,877
<b>Adjustments to reconcile operating income to net cash provided by operating activities:</b>				
Depreciation	141,731	83,475	26,868	252,074
Change in assets and liabilities:				
Increase (decrease) in accounts payable	(492)	-	(253)	(745)
Increase (decrease) in accrued expenses	(2,590)	-	(3,562)	(6,152)
<b>Total adjustments</b>	<u>138,649</u>	<u>83,475</u>	<u>23,053</u>	<u>245,177</u>
<b>Net cash provided by operating activities</b>	<u>\$ 493,477</u>	<u>\$ 50,078</u>	<u>\$ (269,501)</u>	<u>\$ 274,054</u>

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

CITY OF HOMINY  
STATEMENT OF FIDUCIARY NET POSITION  
MODIFIED CASH BASIS  
FIDUCIARY FUNDS  
June 30, 2016

	<u>Agency Funds</u>
<b>Assets:</b>	
Cash and investments at cost	\$ <u>201,840</u>
<b>Total assets</b>	\$ <u><u>201,840</u></u>
<b>Liabilities:</b>	
Deposits	\$ <u>201,840</u>
<b>Total liabilities</b>	\$ <u><u>201,840</u></u>

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

**CITY OF HOMINY  
Hominy, Oklahoma**

**NOTES TO THE FINANCIAL STATEMENTS  
June 30, 2016**

**1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

The City of Hominy, Oklahoma (the City) accounting policies conform to the modified cash basis of accounting, which is a comprehensive basis of accounting other than accounting principles generally accepted in the United States of America (GAAP) as applicable to governments. The Governmental Accounting Standards Board (GASB) is responsible for establishing GAAP for state and local governments through its pronouncements (Statements and Interpretations). The more significant accounting policies established in the modified cash basis of accounting and used by the City is discussed below.

**A. Reporting Entity**

The City of Hominy, Oklahoma is organized under the statutes of the State of Oklahoma on April 16, 1918. The City operates under a council form of government and is governed by a five-member board of commissioners. The commissioners elect the mayor from their own body. The City provides the following services as authorized by its charter: general government, public safety (police, fire and ambulance), streets, public works (electric, water, sewer, and sanitation), judicial, culture, parks and recreation, public improvements and planning and zoning for the City of Hominy, Oklahoma.

As required by accounting principles generally accepted in the United States of America, these financial statements present the activities of the City and its component units and trusts, entities for which the City is considered to be financially accountable. Blended component units and trusts, although legally separate entities are, in substance, part of the City's operations and so data from these units are combined with the data of the primary government.

Blended Component Units/Trusts:

The Hominy Public Works Authority (HPWA) was created pursuant to a Trust Indenture for the benefit of the City of Hominy, Oklahoma. HPWA was established to acquire, construct, develop, equip, operate, maintain, repair, enlarge and remodel water, sewer and electric facilities for the City of Hominy. The water, sanitary sewer, electric, and solid waste disposal systems owned by the City have been leased to HPWA until such date that all indebtedness of the Authority is retired or provided for. HPWA is a public trust and an agency of the State of Oklahoma under Title 60, Oklahoma Statutes 1991, Section 176, et seq., and is governed by a board consisting of five trustees identical with the City Council. HPWA is exempt from State and Federal Income taxes. HPWA is reported as an enterprise fund.

The Hominy Community Medical Authority (HCMA) was created pursuant to a Trust Indenture dated February 18, 1986, for the benefit of the City of Hominy, Oklahoma. HCMA is a public trust and an agency of the State of Oklahoma, under Title 60, Oklahoma Statutes 1991, Section 176-180, et seq., and is governed by a board consisting of five trustees identical with the City Council. HCMA is used for the operation of the ambulance services. HCMA is exempt from State and Federal Income taxes. HCMA is reported as an enterprise fund.

The Hominy Industrial Authority (HIA) was created October 25, 1965, for the benefit of the City of Hominy, Oklahoma. HIA was created to promote the development of industry and to provide additional employment in the Hominy, Oklahoma, area. The Authority is a public trust and an agency of the State of Oklahoma under Title 60, Oklahoma Statutes 1991, Section 176-180, et seq., and is governed by a board consisting of five trustees appointed by the City Council. HIA is exempt from State and Federal Income taxes. HIA is reported as an enterprise fund.

The City's financial statements consist of government-wide statements, including a statement of net position and a statement of activities, and fund financial statements, which provide a more detailed level of financial information. Basis of accounting determines when transactions are recorded in the financial records and reported on the financial statements. Government-wide financial statements are normally prepared using the accrual basis of accounting but the City of Hominy's presentation is on a modified cash basis.

CITY OF HOMINY  
Hominy, Oklahoma

NOTES TO THE FINANCIAL STATEMENTS  
June 30, 2016

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

**B. Measurement Focus, Basis of Accounting and Basis of Presentation – Fund Accounting**

**Government-wide Financial Statements** – The statement of net position and the statement of activities display information about the City as a whole. These statements include the financial activities of the primary government, except fiduciary funds. The statements distinguish between those activities of the City that are governmental and those that are considered business-type activities.

The statement of net position presents the governmental and business-type activities at year-end on a modified cash basis. The statement of activities presents a comparison between direct expenses and program revenues for each program or function of the City's governmental activities and for the business-type activities of the City. Direct expenses are those that are specifically associated with a service, program or department and therefore clearly identifiable to a particular function. Program revenues include charges paid by the recipient of the goods or services offered by the program, grants and contributions that are restricted to meeting the operational or capital requirements of a particular program and interest earned on program revenues are presented as general revenues of the city, with certain limited exceptions. The comparison of direct expenses with program revenues identifies the extent to which each business segment or governmental function is self-financing or draws from the general revenues of the City.

**Fund Financial Statements** – During the year, the City segregates transactions related to certain City functions or activities in separate funds in order to aid financial management and to demonstrate legal compliance. Fund financial statements are designed to present financial information of the City at this more detailed level. The focus of governmental and enterprise fund financial statements is on major funds. Each major fund is presented in a separate column. Non-major funds are aggregated and presented in a single column. Fiduciary funds are reported by type.

**Fund Accounting** – The accounts of the City are organized and operated on the basis of funds. A fund is an independent fiscal accounting entity with a self-balancing set of accounts. Fund accounting segregates funds according to their intended purpose and is used to aid management in demonstrating compliance with finance-related legal and contractual provisions. There are three categories of funds: governmental, proprietary and fiduciary.

**Governmental Funds** – are used to account for the government's general government activities. The City of Hominy presents its governmental activities on the modified cash basis of accounting rather than generally accepted accounting principles (GAAP). GAAP requires that governmental fund types would use the flow of current financial resources measurement focus and the modified accrual basis of accounting. Under that basis of accounting, revenues would be recognized when susceptible to accrual (i.e., when they become measurable and available). "Measurable" means the amount of the transaction can be determined and "available" means collectible within the current period or soon enough thereafter to be used to pay liabilities of the current period. GAAP provides that all revenues are available if they are collected within 60 days after year-end. For GAAP, expenditures would be recorded when the fund liability is incurred with certain exceptions (general long-term debt and certain compensated absences, claims and judgments).

The City of Hominy records governmental fund expenditures as they are paid rather than when the obligation is incurred.

CITY OF HOMINY  
Hominy, Oklahoma

NOTES TO THE FINANCIAL STATEMENTS  
June 30, 2016

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

B. Measurement Focus, Basis of Accounting and Basis of Presentation – Fund Accounting (Continued)

Sales and use taxes, cigarette taxes, gasoline excise taxes and motor vehicle taxes collected and held by the state and county at year-end on behalf of the City are susceptible to accrual under GAAP but are not recognized as revenue until received under the modified cash basis. Other receipts and taxes (franchise taxes, licenses, etc.) are recognized as revenue when received by the government.

Entitlements and shared revenues are recorded at the time of receipt. Expenditure driven grants are recognized as revenue when the qualifying expenditures have been incurred and all other grant requirements have been met.

The following are the City's major governmental funds:

General Fund – is the main operating fund of the City. It accounts and reports for all financial resources not required to be reported in another fund.

Water Assessment Fund – is a Capital Projects Fund which accounts for and reports resources that are restricted, committed, or assigned to expenditure for the acquisition or construction of major capital facilities, other than those activities financed by proprietary activities or held in trust for individuals, private organizations or other governments.

Park Facilities Fund – is a Special Revenue Fund which accounts for specific revenue sources that are legally restricted or committed to expenditures for specific purposes (not including major capital projects).

Other governmental funds of the City that are considered non-major funds include:

Special Revenue Funds – account for specific revenue sources that are legally restricted or committed to expenditures for specific purposes (not including major capital projects). The following are the City's Special Revenue Funds: Street & Alley and Library Donations.

Debt Service Fund – accounts for and report financial resources that are restricted, committed, or assigned to principal and interest payments. At balance sheet date there is no known bond, coupon, or judgment indebtedness outstanding.

Permanent Funds – account for and report resources that are restricted to the extent that only earnings (not principal) may be used for purposes that support the reporting government's programs, excluding private-purpose trusts. The fund is accounted for using the modified accrual basis of accounting and the measurement focus is essentially the flow of current financial resources. The City's permanent fund is composed of the Cemetery Trust Fund.

**Proprietary Funds** – Proprietary funds are classified as enterprise funds. For GAAP purposes these funds are generally accounted for on the flow of economic resources measurement focus and use the accrual basis of accounting. Under this method, revenues are recorded when earned and expenses are recorded at the time liabilities are incurred. In the City's modified cash basis financial statements revenues are recorded when received and expenditures are recorded when paid with the exception of payroll taxes withheld, other withholdings, and accrued compensated absences which the City records as a modification to the cash basis of accounting. The accrual amounts are not material to the financial statement presentation.

**CITY OF HOMINY  
Hominy, Oklahoma**

**NOTES TO THE FINANCIAL STATEMENTS  
June 30, 2016**

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

**B. Measurement Focus, Basis of Accounting and Basis of Presentation – Fund Accounting (Continued)**

Enterprise Funds – are used to account for those operations that are financed and operated in a manner similar to private business where the intent of the governing body is that the costs (expenses, including depreciation) of providing goods or services to the general public on a continuing basis be financed or recovered primarily through user charges or where the governing body has decided that the determination of revenues earned, costs incurred and/or net income is necessary for capital maintenance, public policy or management accountability.

The City's major enterprise funds are:

Hominy Public Works Authority – accounts for the operations of providing public works (electric, water, sewer, and sanitation) to the City.

Hominy Industrial Authority – which accounts for the promotion of industrial development.

Hominy Community Medical Authority – which accounts for ambulance services.

There are no other enterprise funds of the City that are considered non-major funds.

**Fiduciary Funds** – account for assets held by the government in a trustee capacity or as an agent on behalf of others. Trust funds account for assets held by the government under the terms of a formal trust agreement. Agency funds are custodial in nature and do not present results of operations or have a measurement focus. Agency funds are accounted for using the modified cash basis of accounting. These funds are used to account for assets that the government holds for others in an agency capacity. The City's only fiduciary fund is an agency fund that is composed of customer deposit funds.

**C. Assets, Liabilities and Equity**

**1. Deposits and Investments**

Oklahoma Statutes authorize the City to invest in certificates of deposit, repurchase agreements, passbooks, bankers' acceptances, and other available bank investments provided that all deposits are fully covered by approved securities pledged to secure those funds. In addition, the City can invest in direct debt securities of the United States unless law expressly prohibits such an investment.

For financial statement presentation and for purposes of the statement of cash flows, the City's cash and cash equivalents are considered to be cash on hand, demand deposits and certificates of deposit with maturity date of three months or less. Debt instruments with a maturity date of more than three months from date of issue are considered to be investments. Investments are stated at cost.

**2. Restricted Cash and Investments**

The Hominy Public Works Authority has set aside certain resources in debt service and reserve accounts for repayment of loans, in accordance with loan indentures. These funds are classified as restricted assets on the statement of net position because they are maintained in separate bank accounts, and their use is limited by applicable loan covenants. The debt service fund account is used to segregate resources accumulated for debt service payments over the next 12 months. The debt service reserve account is used to report resources set aside to make up potential future deficiencies in the debt service account. In addition, the Hominy Community Medical Authority has set aside funds for future replacements and the Cemetery Trust Funds are restricted for Cemetery land acquisitions and for the payment of specific expenditures.

**CITY OF HOMINY**  
**Hominy, Oklahoma**

**NOTES TO THE FINANCIAL STATEMENTS**  
**June 30, 2016**

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

**C. Assets, Liabilities and Equity (Continued)**

**3. Fair Value of Financial Instruments**

The City's financial instruments include cash and cash equivalents, investments, accounts receivable and accounts payable. The City's estimates of the fair value of all financial instruments do not differ materially from the aggregate carrying values of its financial instruments recorded in the accompanying statement of net position. The carrying amount of these financial instruments approximates fair value because of the short maturity of these instruments.

**4. Estimates**

The preparation of financial statements requires management to make estimates and assumptions that affect certain reported amounts and disclosures. Accordingly, actual results could differ from those estimates.

**5. Receivables and Payables**

Transactions between funds that are representative of lending/borrowing arrangements outstanding at the end of the fiscal year are referred to as "due from other/due to other funds".

**6. Inventories**

Inventories in both governmental funds and proprietary funds normally consist of minimal amounts of expendable supplies held for consumption. The costs of such inventories are recorded as expenditures when purchased rather than when consumed.

**7. Capital Assets**

General capital assets are those assets not specifically related to activities reported in the proprietary funds. These assets generally result from expenditures in the governmental funds. These assets are reported in the governmental activities column of the government-wide statement of net position but are not reported in the fund financial statements. Capital assets utilized by the proprietary funds are reported in the business-type activities column of the government-wide statement of net position and in the respective funds.

All capital assets are capitalized at cost (or estimated historical cost) and updated for additions and retirements during the year. Donated fixed assets are recorded at their fair market values as of the date received. The City maintains a capitalization threshold of \$5,000. The City's infrastructure consists of roads, bridges, culverts, curbs and gutter, streets and sidewalks, drainage system, lighting systems and similar assets that are immovable and of value only to the City. Such infrastructure assets acquired after July 1, 2003 are capitalized in accordance with the requirements of GASB 34. Improvements are capitalized; the costs of normal maintenance and repairs that do not add value of the asset or materially extend an asset's life are not capitalized. Major outlays for capital assets and improvements are capitalized in proprietary funds as projects are constructed. Interest incurred during the construction phase of proprietary fund capital assets is reflected in the capitalized value of the asset constructed, net of interest earned on the invested proceeds over the same period.

CITY OF HOMINY  
Hominy, Oklahoma

NOTES TO THE FINANCIAL STATEMENTS  
June 30, 2016

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

C. Assets, Liabilities and Equity (Continued)

8. Capital Assets (Continued)

Depreciation is computed using the straight-line method over the following estimated useful lives:

<u>Description</u>	<u>Estimated Lives</u>
Buildings	25 - 50 years
Improvements other than buildings	20 - 50 years
Machinery and equipment	5 - 10 years

9. Compensated Absences

It is the City's policy to permit full-time employees to accumulate earned but unused vacation time based on their length of service. Employees may carry forward five days to the next calendar year. Vacation leave which is unused and vested to the employee is payable upon separation of employment in good standing. Full-time employees may accumulate sick leave based on their length of service, up to a maximum of 75 working days of accrued leave. Unused sick leave is not payable to an employee upon separation of employment.

10. Long-term Obligations

The accounting and reporting treatment applied to long-term liabilities associated with a fund are determined by its measurement focus. All governmental fund types are accounted for on a spending "financial flow" measurement focus. This means that only current assets and current liabilities are generally included on their statement of net position. Their reported fund balance (net current assets) is considered a measure of "available spendable resources". Governmental fund operating statements present increases (revenues and other financing sources) and decreases (expenditures and other financing uses) in net current assets. Accordingly, they are said to present a summary of sources and uses of "available spendable resources" during a period. All proprietary funds are accounted for on a cost of services or "capital maintenance" measurement focus. This means that all assets and liabilities (whether current or non-current) associated with their activity are included on their statement of net position. Therefore, long-term debt and other obligations financed by proprietary funds are reported as liabilities in the appropriate funds.

11. Net Position/Fund Balance

In the government-wide financial statement, net position represents the difference between assets and liabilities. Net investment in capital assets, consists of capital assets, reduced by the outstanding balances of any borrowing used for the acquisition, construction, or improvement of those assets. Net position is reported as restricted when limitations on its use change the nature or normal understanding of the availability of the asset. Such constraints are either externally imposed by creditors, contributors, grantors, laws or other governments, or are imposed by law through constitutional provisions or enabling legislation.

CITY OF HOMINY  
Hominy, Oklahoma

NOTES TO THE FINANCIAL STATEMENTS  
June 30, 2016

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

C. Assets, Liabilities and Equity (Continued)

11. Net Position/Fund Balance (Continued)

In the fund financial statements, governmental funds report the hierarchy of fund balances. The hierarchy is based primarily on the degree of spending constraints placed upon use of resources for specific purposes versus availability of appropriation. An important distinction that is made in reporting fund balance is between amounts that are considered *nonspendable* (i.e., fund balance associated with assets that are *not in spendable form*, such as inventories or prepaid items, long-term portions of loans and notes receivable, or items that are legally required to be maintained intact (such as the corpus of a permanent fund)) and those that are *spendable* (such as fund balance associated with cash, investments or receivables).

Amounts in the *spendable* fund balance category are further classified as *restricted*, *committed*, *assigned* or *unassigned*, as appropriate.

**Restricted** fund balance represents amounts that are constrained either externally by creditors (such as debt covenants), grantors, contributors or laws or regulations of other governments; or by law, through constitutional provisions or enabling legislation.

**Committed** fund balance represents amount that are useable only for specific purposes by formal action of the government's highest level of decision-making authority. Such amounts are not subject to legal enforceability (like restricted amounts), but cannot be used for any other purpose unless the government removes or changes the limitation by taking action similar to that which imposed the commitment. The City Ordinance is the highest level of decision-making authority of the City.

**Assigned** fund balance represents amounts that are *intended* to be used for specific purposes, but are neither restricted nor committed. Intent is expressed by the governing body itself, or a subordinated high-level body or official who the governing body has delegated the authority to assign amounts to be used for specific purposes. Assigned fund balances includes all remaining spendable amounts (except negative balances) that are reported in governmental funds *other than the general fund*, that are neither restricted nor committed, and amounts in the general fund that are intended to be used for specific purpose in accordance with the provisions of the standard.

**Unassigned** fund balance is the residual classification for the general fund. It represents the amounts that have not been assigned to other funds, and that have not been restricted, committed, or assigned to specific purposes within the general fund.

12. Resource Use Policy

It is in the City's policy for all funds that when an expenditure/expense is incurred for purposes for which both restricted and unrestricted resources, including fund balances, are available, the City considers restricted amounts to be spent first before any unrestricted amounts are used. Furthermore, it is the City's policy that when an expenditure/expense is incurred for purposes for which committed, assigned, or unassigned resources, including fund balances, are available, the City considers committed amounts to be spent first, followed by assigned amounts and lastly unassigned amounts.

**CITY OF HOMINY  
Hominy, Oklahoma**

**NOTES TO THE FINANCIAL STATEMENTS  
June 30, 2016**

**2. DETAILED NOTES CONCERNING THE FUNDS**

**A. Deposits and Investments**

*Custodial Credit Risk*

At June 30, 2016, the City held deposits of approximately \$3,531,917 at financial institutions. The City's cash deposits, including interest-bearing certificates of deposit, are entirely covered by Federal Depository Insurance (FDIC) or direct obligation of the U.S. Government insured or collateralized with securities held by the City or by its agent in the City's name.

*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 policy that limits its investment choices other than the limitation of state law as follows:

- a. Direct obligations of the U.S. Government, its agencies and instrumentalities to which the full faith and credit of the U.S. Government is pledged, or obligations to the payment of which the full faith and credit of the State is pledged.
- b. Certificates of deposits or savings accounts that are either insured or secured with acceptable collateral with in-state financial institutions, and fully insured certificates of deposit or savings accounts in out-of-state financial institutions.
- c. With certain limitation, negotiable certificates of deposit, prime bankers acceptances, prime commercial paper and repurchase agreements with certain limitations.
- d. 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.
- e. Notes or bonds secured by mortgage or trust deed insured by the Federal Housing Administrator and debentures issued by the Federal Housing Administrator, and in obligations of the National Mortgage Association.
- f. Money market funds regulated by the SEC and in which investments consist of the investments mentioned in the previous paragraphs (a.-d.).

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

Type	Weighted Average Maturity (Months)	Credit Rating	Market Value	Cost
Investments				
Money Market	N/A	AAAm	\$ 772,940	\$ 772,940
Certificate of deposit	6.00	N/A	2,758,977	2,758,977
Total investments			<u>\$ 3,531,917</u>	<u>\$ 3,531,917</u>

Reconciliation to Statement of Net Position

Governmental activities	\$ 2,595,101
Business-type activities	738,388
Fiduciary funds	198,428
	<u>\$ 3,531,917</u>

CITY OF HOMINY  
Hominy, Oklahoma

NOTES TO THE FINANCIAL STATEMENTS  
June 30, 2016

2. DETAILED NOTES CONCERNING THE FUNDS (Continued)

A. Deposits and Investments (Continued)

*Concentration of Investment Credit Risk*

The City places no limit on the amount it may invest in any one issuer. The City has the following of credit risk: 78% in Certificates of deposit (\$2,758,977) and 22% in Money Market funds (\$772,940).

B. Fair Value Measurements

Fair value disclosures are provided as required by FASB ASC 820-10 *Fair Value Measurements*. This standard established a framework for measuring fair value. That framework provides a fair value hierarchy that prioritizes the inputs to valuation techniques used to measure fair value. The hierarchy gives the highest priority to unadjusted quoted prices in active markets for identical assets or liabilities (level 1 measurements) and the lowest priority to unobservable inputs (level 3 measurements).

The three levels of the fair value hierarchy are described as follows:

---

Level 1 Unadjusted quoted prices in active markets that are accessible at the measurement date for identical, unrestricted assets or liabilities

---

Level 2 Quoted prices in markets that are not considered to be active or financial instruments for which all significant inputs are observable, either directly or indirectly

---

Level 3 Prices or valuations that require inputs that are both significant to the fair value measurement and unobservable

---

The asset or liability's fair value measurement level within the fair value hierarchy is based on the lowest level of any input that is significant to the fair value measurement. Valuation techniques used need to maximize the use of observable inputs and minimize the use of unobservable inputs.

The following table sets forth by level, within the fair value hierarchy, the plan's assets at fair value as of June 30, 2016:

**Assets at Fair Value  
as of June 30, 2016**

	<b>Level 1</b>	<b>Level 2</b>	<b>Level 3</b>	<b>Total</b>
CDs and bonds	\$ 2,708,523	\$ -	\$ -	\$ 2,708,523
<b>Total assets at fair value</b>	<b>\$ 2,708,523</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ 2,708,523</b>

CITY OF HOMINY  
Hominy, Oklahoma

NOTES TO THE FINANCIAL STATEMENTS  
June 30, 2016

2. DETAILED NOTES CONCERNING THE FUNDS (Continued)

C. Capital Assets

Primary Government capital asset activity for the year ended is as follows:

Governmental Activities:	Balance 6/30/15	Additions	Disposals	Balance 6/30/16
<b>Non-depreciable assets:</b>				
Land	\$ 16,748	\$ -	\$ -	\$ 16,748
Total non-depreciable assets	<u>16,748</u>	<u>-</u>	<u>-</u>	<u>16,748</u>
<b>Depreciable assets:</b>				
Buildings and improvements	1,543,715	-	-	1,543,715
Furniture, fixtures and equipment	631,771	16,711	-	648,482
Vehicles	652,679	-	-	652,679
Infrastructure	313,973	-	-	313,973
Total depreciable assets	<u>3,142,138</u>	<u>16,711</u>	<u>-</u>	<u>3,158,849</u>
<b>Less accumulated depreciation:</b>				
Buildings and improvements	(394,687)	(25,044)	-	(419,731)
Furniture, fixtures and equipment	(507,096)	(32,544)	-	(539,640)
Vehicles	(422,080)	(34,953)	-	(457,033)
Infrastructure	(178,797)	(28,911)	-	(207,708)
Total accumulated depreciation	<u>(1,502,660)</u>	<u>(121,452)</u>	<u>-</u>	<u>(1,624,112)</u>
Net depreciable assets	<u>1,639,478</u>	<u>(104,741)</u>	<u>-</u>	<u>1,534,737</u>
Net governmental activities capital assets	<u>\$ 1,656,226</u>	<u>\$ (104,741)</u>	<u>\$ -</u>	<u>\$ 1,551,485</u>

**CITY OF HOMINY  
Hominy, Oklahoma**

**NOTES TO THE FINANCIAL STATEMENTS  
June 30, 2016**

**2. DETAILED NOTES CONCERNING THE FUNDS (Continued)**

**C. Capital Assets (Continued)**

<b>Business-Type Activities:</b>	Balance 6/30/15	Additions	Disposals	Balance 6/30/16
<b>Non-depreciable assets:</b>				
Land	\$ 46,937	\$ -	\$ -	\$ 46,937
Total non-depreciable assets	<u>46,937</u>	<u>-</u>	<u>-</u>	<u>46,937</u>
<b>Depreciable assets:</b>				
Buildings and improvements	5,971,239	179,756	-	6,150,995
Furniture, fixtures and equipment	229,680	-	-	229,680
Vehicles	1,246,572	8,800	-	1,255,372
Total depreciable assets	<u>7,447,491</u>	<u>188,556</u>	<u>-</u>	<u>7,636,047</u>
<b>Less accumulated depreciation:</b>				
Buildings and improvements	(3,243,157)	(176,029)	-	(3,419,186)
Furniture, fixtures and equipment	(124,298)	(6,840)	-	(131,138)
Vehicles	(761,143)	(69,205)	-	(830,348)
Total accumulated depreciation	<u>(4,128,598)</u>	<u>(252,074)</u>	<u>-</u>	<u>(4,380,672)</u>
Net depreciable assets	<u>3,318,893</u>	<u>(63,518)</u>	<u>-</u>	<u>3,255,375</u>
Net business-type activities capital assets	<u>\$ 3,365,830</u>	<u>\$ (63,518)</u>	<u>\$ -</u>	<u>\$ 3,302,312</u>

Depreciation expense was charged to unallocated depreciation and not charged as a direct expense of the various programs. Only depreciation on the Hominy Industrial Authority and the Hominy Community Medical Authority was allocated as a direct expense.

**D. Capitalized Leases**

The City has entered into a capitalized lease for the acquisition of a fire truck. The lease agreements met the criteria of a capital lease as defined by *FASB Accounting Standards Codification (ASC) 840-10, Accounting for Leases*, which defines a capital lease generally as one which transfers benefits and risks of ownership to the lessee. Capital lease payments have been reclassified and are reflected as debt service expenditures in the financial statements for the governmental funds. These expenditures are reported as expenditures on the fund financial statements.

**CITY OF HOMINY  
Hominy, Oklahoma**

**NOTES TO THE FINANCIAL STATEMENTS  
June 30, 2016**

**2. DETAILED NOTES CONCERNING THE FUNDS (Continued)**

**D. Capitalized Leases (Continued)**

The Business-type activities capital leases are described below.

(1) Lease payable to Welch State Bank for the lease purchase of a sanitation vehicle in the amount of \$129,200. Monthly payments of \$2,330 are due including interest at a rate of 3.14%.	\$	66,917
(2) Lease payable to American Heritage Bank for the lease purchase of an ambulance the amount of \$73,746. Monthly payments of \$1,673 are due including interest at a rate of 4.25%.		52,019
(3) Lease payable to Welch State Bank for the lease purchase of a bucket truck in the amount of \$98,200. Monthly payments of \$1,767 are due including interest at a rate of 3.05%.		<u>42,730</u>
<b>Total</b>	<b>\$</b>	<b><u>161,666</u></b>

The following is a summary of capitalized lease transactions for the year:

	Balance July 1, 2015	Additions	Payments and Cancellations	Balance June 30, 2016
Capital lease obligations	\$ 224,135	\$ -	\$ 62,469	\$ 161,666

The annual debt service requirements to maturity, including principal and, interest are as follows:

Year Ending June 30,	Business-Type Activities		
	Principal	Interest	Total
2017	\$ 64,625	\$ 4,623	\$ 69,248
2018	66,878	2,370	69,248
2019	30,163	646	30,809
<b>Total</b>	<u>161,666</u>	<u>7,639</u>	<u>169,305</u>

**E. Long-term Debt**

The City's long-term debt is described below, segregated between the amounts to be repaid from governmental activities and amounts to be repaid from business-type activities.

The Business-type long-term debt of the financial reporting entity consisted of the following:

Oklahoma Water Resources Board Series 2003 Small Community Drinking Water SRF Promissory Note dated October 23, 2003, in the original amount of \$950,000, payable in semi-annual installments of \$30,638 with an interest rate of 2.205% and with an administrative fee of 0.5% per annum commencing August 30, 2004, and on or before the 15<sup>th</sup> day of March and September thereafter up to and including March 15, 2024 for water treatment system improvements, secured by a pledge of system revenues.

**CITY OF HOMINY**  
Hominy, Oklahoma

**NOTES TO THE FINANCIAL STATEMENTS**  
June 30, 2016

**2. DETAILED NOTES CONCERNING THE FUNDS (Continued)**

**E. Long-term Debt (Continued)**

The City is not obligated in any manner for the debt of its component units or trusts. The water system, including all of the proceeds, revenue, water charges, assessments and income of all kinds and nature together with contract rights, accounts receivable and general intangibles have been pledged as collateral to secure these notes. The note agreements call for monthly payments to be made toward debt retirement.

The following is a summary of long-term debt transactions of the proprietary fund:

	Balance Outstanding 7/1/15	Issued	Retired, or Defeased During Year	Balance Outstanding 6/30/16	Current Portion
Hominy Public Works Authority:					
OWRB - 2003	\$ 477,084	\$ -	\$ (52,158)	\$ 424,926	\$ 49,614
Total	<u>\$ 477,084</u>	<u>\$ -</u>	<u>\$ (52,158)</u>	<u>\$ 424,926</u>	<u>\$ 49,614</u>

The annual debt service requirements to maturity, including principal, interest and administrative fees, for long-term debt are as follows:

Year Ending June 30,	Business-Type Activities		
	Principal	Interest	Total
2017	\$ 49,614	\$ 9,507	\$ 59,121
2018	50,984	8,390	59,374
2019	52,391	7,242	59,633
2020	53,819	6,079	59,898
2021	55,324	4,852	60,176
2022-2024	162,794	6,947	169,741
Total	<u>424,926</u>	<u>43,017</u>	<u>467,943</u>

The City's debt service coverage ratio for June 30, 2016 is 480.23%.

**3. OTHER INFORMATION**

**A. Risk Management**

The City is exposed to various risks of loss related to torts; theft of, damage to, and destruction of assets; errors and omissions; injuries to employees; employee health benefits; unemployment; and natural disasters. The City purchases commercial insurance to cover these and other risks, including general auto liability, property damage, and public officials' liability. Settled claims resulting from these risks have not exceeded the commercial insurance coverage in any of the past three fiscal years.

The City is a member of the CompSource Oklahoma (the Plan), an organization formed for the purpose of providing workers' compensation coverage. 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.

CITY OF HOMINY  
Hominy, Oklahoma

NOTES TO THE FINANCIAL STATEMENTS  
June 30, 2016

**3. OTHER INFORMATION (Continued)**

**A. Risk Management (Continued)**

As a member of the Plan, the City is required to pay fees set by the Plan according to an established payment schedule. The City is responsible for complying with all requirements of the Oklahoma Workers' Compensation Act. A Loss Fund has been established from the proceeds of fees paid by the City. The City expensed these fees when paid. The State Insurance Fund provides coverage in excess of the Loss Fund so the City's Liability for claim loss is limited to the balance of that fund. However, failure of the State Insurance Fund to honor its obligations could result in losses to the Plan.

**B. Contingent Liabilities**

The City is not aware of any pending or threatened legal actions against it. However, insurance protection has been obtained to cover probable claims.

Amounts received or receivable from grant agencies are subject to audit and adjustment by grantor agencies, principally the federal government. Any disallowed claims, including amounts already collected, may constitute a liability of the applicable funds. The amount, if any, of expenditures which may be disallowed by the grantor cannot be determined at this time although the City expects such amounts, if any, to be immaterial.

**C. Employee Retirement System and Plan**

Oklahoma Municipal Retirement Fund Master Defined Contribution Plan

The Oklahoma Municipal Retirement Fund Master Defined Contribution Plan (the Plan) provides retirement benefits to plan members not covered by other plans in a nontraditional, joint contributory, defined contribution plan with OMRF as a multi-employer administrator. Plan provisions and contribution requirements are established and may be amended by the city council of the City of Hominy. The OMRF board of trustees retains Banc One as custodian to hold the Plan assets which are invested by various professional managers. Benefits paid to employees depend on the sum of employee contributions with interest, the city-financed contributions, and respective employee vesting percentage as established in the Plan. There are no guaranteed retirement benefits in the Plan, and the City disclaims any liability between the employer and employee regarding benefits in the Plan. Any and all claims of the employee may be satisfied only out of funds held in the Oklahoma Municipal Retirement Fund under the individual employee accounts. OMRF issues a publicly available financial report that includes financial statements and supplementary information for the fund. That report may be obtained by writing to Oklahoma Municipal Retirement System, 525 Central Park Drive, Oklahoma City, OK 73105, or by calling 1-888-394-6673.

Funding Policy – the required contribution rate for the 2015-2016 plan year was 9.0% (6.5% City and 2.5% employee deferral) of each participant's payroll. Employees who are eligible may join the Plan six months after the employee's employment commencement date. The total salary as reported on Form W-2, paid to the employee during the year is used in computing the costs.

Annual Pension Cost – the City's annual pension cost was equal to the City's required and actual contributions. The contribution from the City for this plan was \$61,484, \$65,129 and \$66,139 for 2016, 2015 and 2014, respectively.

**CITY OF HOMINY  
Hominy, Oklahoma**

**NOTES TO THE FINANCIAL STATEMENTS  
June 30, 2016**

**3. OTHER INFORMATION (Continued)**

**C. Employee Retirement System and Plan (Continued)**

Oklahoma Municipal Retirement Fund (OMRF) – CMO

The city manager is eligible to participate in a separate plan established by with Oklahoma Municipal Retirement Fund (OMRF) – CMO whereby the City of Hominy contributes 9.0% (6.5% City and 2.5% employee deferral) of the city manager's salary. The participant vests immediately in employer contributions. All other provisions and benefits of the plan are the same as for the Oklahoma Municipal Retirement Fund Master Defined Contribution Plan (the Plan). The contribution from the City for this plan was \$0, \$2,898 and \$3,539 for 2016, 2015 and 2014, respectively.

Police and Fire Department Plan

All City fire and police department employees hired before age 45 are covered by a statewide cost sharing multi-employer defined benefit plan adopted under Oklahoma Statutes. This plan is operated and administered by the Oklahoma Firefighters Pension and Retirement System (OFPRS) and the Oklahoma Police Pension and Retirement System (OPPRS). Under these plans, fire and police department personnel contribute 8% of base salary and the City contributes an additional 13.0%. The OFPRS and the OPPRS issue publicly available financial reports that include financial statements and required supplementary information for the fund. These reports may be obtained by writing to the Oklahoma Firefighters Pension and Retirement System, 4545 North Lincoln Blvd., Suite 265, Oklahoma City, OK 73105-3414, or by calling 1-800-525-7461; and the Oklahoma Police Pension and Retirement System, 101 NW 63<sup>rd</sup> Street, Suite 305, Oklahoma City, OK 73116-7335, or by calling 1-800-347-6552.

The required contribution from the City for these plans was \$26,457, \$29,327 and \$22,734 for 2016, 2015 and 2014, respectively. The required contribution was fully contributed. At June 30, 2016 the system held no related-party investments of the City or of its related entities.

**CITY OF HOMINY  
Hominy, Oklahoma**

**SUPPLEMENTAL INFORMATION  
June 30, 2016**

**CITY OF HOMINY  
SUPPLEMENTAL INFORMATION  
STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE  
BUDGET (MODIFIED CASH BASIS) AND ACTUAL**

**GOVERNMENTAL FUNDS  
Year Ended June 30, 2016  
(Unaudited)  
GENERAL FUND**

	<u>Budgeted Amounts</u>		<u>Actual</u>	<u>Variance with Final Budget Over (Under)</u>
	<u>Original Budget</u>	<u>Final Budget</u>		
<b>Revenues:</b>				
Charges for services	\$ 28,300	\$ 28,300	\$ 23,132	\$ (5,168)
Cigarette taxes	-	-	6,941	6,941
Interest	3,175	3,175	2,802	(373)
Franchise taxes	20,000	20,000	41,824	21,824
Fire runs and memberships	140,000	140,000	186,442	46,442
Intergovernmental programs	88,800	88,800	87,003	(1,797)
Fines and forfeits	15,000	15,000	40,098	25,098
Grant revenues	21,410	21,410	25,025	3,615
Rental receipts	4,200	4,200	4,200	-
Lot sales	24,000	24,000	17,685	(6,315)
Miscellaneous revenue	3,840	3,840	5,218	1,378
Sales and use taxes	127,000	127,000	600,300	473,300
Suplus propety sales	-	-	-	-
Licenses and permits	350	350	463	113
Donations and other	510	510	1,501	991
<b>Total revenues</b>	<u>476,585</u>	<u>476,585</u>	<u>1,042,634</u>	<u>566,049</u>
<b>Expenditures:</b>				
<b>Current:</b>				
General government	-	-	-	-
Public safety	736,307	736,307	701,035	35,272
Public property	307,910	307,910	261,059	46,851
Highways and roads	-	-	-	-
Cultural and recreational	217,323	217,323	213,524	3,799
Debt service	-	-	-	-
Capital outlay	16,800	16,800	16,711	89
<b>Total expenditures</b>	<u>1,278,340</u>	<u>1,278,340</u>	<u>1,192,329</u>	<u>86,011</u>
<b>Excess of revenue over (under) expenditures</b>	(801,755)	(801,755)	(149,695)	652,060
<b>Other financing sources (uses):</b>				
Operating transfers in (out)	<u>797,000</u>	<u>797,000</u>	<u>68,823</u>	<u>(728,177)</u>
<b>Net changes in fund balance</b>	(4,755)	(4,755)	(80,872)	(76,117)
<b>Fund balance at beginning of year</b>	<u>710,083</u>	<u>710,083</u>	<u>710,083</u>	<u>-</u>
<b>Fund balance at end of year</b>	<u>\$ 705,328</u>	<u>\$ 705,328</u>	<u>\$ 629,211</u>	<u>\$ (76,117)</u>

CITY OF HOMINY  
 SUPPLEMENTAL INFORMATION  
 STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE  
 BUDGET (MODIFIED CASH BASIS) AND ACTUAL

GOVERNMENTAL FUNDS  
 Year Ended June 30, 2016  
 (Unaudited)  
 SPECIAL REVENUE FUNDS

	Budgeted Amounts		Actual	Variance with Final Budget Over (Under)
	Original Budget	Final Budget		
<b>Revenues:</b>				
Interest	\$ 6,000	\$ 6,000	\$ 5,626	\$ (374)
Intergovernment programs	33,000	33,000	32,460	(540)
Donations and other	1,000	1,000	-	(1,000)
<b>Total revenues</b>	<u>40,000</u>	<u>40,000</u>	<u>38,086</u>	<u>(1,914)</u>
<b>Expenditures:</b>				
Highways and roads	25,000	25,000	5,696	19,304
Cemetery	-	-	-	-
Cultural & recreation	1,000	1,000	-	1,000
Capital outlay	-	-	-	-
<b>Total expenditures</b>	<u>26,000</u>	<u>26,000</u>	<u>5,696</u>	<u>20,304</u>
<b>Excess of revenue over (under) expenditures</b>	14,000	14,000	32,390	18,390
<b>Other financing sources (uses):</b>				
Operating transfers in (out)	<u>65,000</u>	<u>65,000</u>	<u>50,192</u>	<u>(14,808)</u>
<b>Net changes in fund balance</b>	79,000	79,000	82,582	3,582
<b>Fund balance at beginning of year</b>	<u>1,112,875</u>	<u>1,112,875</u>	<u>1,112,875</u>	<u>-</u>
<b>Fund balance at end of year</b>	<u>\$ 1,191,875</u>	<u>\$ 1,191,875</u>	<u>\$ 1,195,457</u>	<u>\$ 3,582</u>

CITY OF HOMINY  
 SUPPLEMENTAL INFORMATION  
 STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE  
 BUDGET (MODIFIED CASH BASIS) AND ACTUAL

GOVERNMENTAL FUNDS  
 Year Ended June 30, 2016  
 (Unaudited)  
 CAPITAL PROJECTS FUND

	Budgeted Amounts		Actual	Variance with Final Budget Over (Under)
	Original Budget	Final Budget		
<b>Revenues:</b>				
Interest	\$ 3,000	\$ 3,000	\$ 2,943	\$ (57)
Intergovernment programs	-	-	-	-
Donations and other	-	-	-	-
Miscellaneous	-	-	-	-
<b>Total revenues</b>	<u>3,000</u>	<u>3,000</u>	<u>2,943</u>	<u>(57)</u>
<b>Expenditures:</b>				
General government	-	-	-	-
Capital outlay	-	-	-	-
<b>Total expenditures</b>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
<b>Excess of revenue over (under) expenditures</b>	3,000	3,000	2,943	(57)
<b>Other financing sources (uses):</b>				
Operating transfers in (out)	<u>(350,000)</u>	<u>(350,000)</u>	<u>90,264</u>	<u>440,264</u>
<b>Net changes in fund balance</b>	(347,000)	(347,000)	93,207	440,207
<b>Fund balance at beginning of year</b>	<u>583,282</u>	<u>583,282</u>	<u>583,282</u>	<u>-</u>
<b>Fund balance at end of year</b>	<u>\$ 236,282</u>	<u>\$ 236,282</u>	<u>\$ 676,489</u>	<u>\$ 440,207</u>

**CITY OF HOMINY  
Hominy, Oklahoma**

**NOTES TO SUPPLEMENTAL INFORMATION  
Year Ended June 30, 2016  
(Unaudited)**

**BUDGETARY INFORMATION**

Annual budgets are adopted on a basis consistent with accounting principles generally accepted in the United States of America (GAAP) for all governmental funds. The enterprise funds and internal service fund adopt budgets on the non-GAAP basis wherein service fees, bond and note proceeds are recognized as revenue, principal payments on debt and capital expenditures are recognized as expenses, and depreciation expense is not budgeted. Annual appropriated budgets are not adopted for the agency funds. Budgetary data for enterprise funds, internal service, and permanent funds are not presented in these financial statements.

Prior to July 1, the City Manager (not an elected official) submits a proposed operating budget for the fiscal year commencing July 1, to the Commissioners (elected officials). Public hearings are held at regular or special meetings to obtain taxpayer input. Prior to July 1, the budget is legally enacted through passage of a budget resolution. The operating budget, for all budgeted funds, includes proposed expenditures and the means of financing. Each fund's appropriated budget is prepared on a detailed line item basis. Revenues are budgeted by source. Expenditures are budgeted by department and class as follows: personal services, maintenance and operations, capital outlay, transfers, and debt service. This constitutes the legal level of control. Expenditures may not exceed appropriations at this level. A more detailed budget is used for operating purposes. All budget revisions at the legal level are subject to final approval by the City Council. Within these control levels, management may transfer appropriations without council approval. Revisions to the budget were made during the year in accordance with the provisions of the Oklahoma Statutes. All annual appropriations lapse at year-end.

The City uses encumbrance accounting. Encumbrances are recorded when purchase orders are issued but generally are not considered expenditures until liabilities for payments are incurred. At year-end, open purchase orders are reviewed and payments are made on those where the receipt of goods and services is eminent. The remaining purchase orders (and encumbrances) are cancelled and reissued during the following year. There are no outstanding encumbrances at year-end.

**CITY OF HOMINY  
Hominy, Oklahoma**

**OTHER SUPPLEMENTARY INFORMATION  
June 30, 2016**

CITY OF HOMINY  
 COMBINING BALANCE SHEET  
 MODIFIED CASH BASIS  
 NON-MAJOR GOVERNMENTAL FUNDS  
 June 30, 2016

	Special Revenue		Debt Service	Permanent Funds	Total Non-Major Governmental Funds
	Street & Alley	Library Donations	Sinking	Cemetery Trust	
<b>Assets:</b>					
Cash and equivalents	\$ 70,019	\$ -	\$ -	\$ -	\$ 70,019
Investments	133,511	-	-	-	133,511
Restricted cash:					
Cash and investments	-	-	-	82,864	82,864
<b>Total assets</b>	<b>\$ 203,530</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ 82,864</b>	<b>\$ 286,394</b>
<b>Liabilities:</b>					
Accounts payable	\$ -	\$ -	\$ -	\$ -	\$ -
<b>Total liabilities</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>
<b>Fund balances:</b>					
Restricted	203,530	-	-	82,864	286,394
<b>Total fund balances</b>	<b>203,530</b>	<b>-</b>	<b>-</b>	<b>82,864</b>	<b>286,394</b>
<b>Total liabilities and fund balances</b>	<b>\$ 203,530</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ 82,864</b>	<b>\$ 286,394</b>

CITY OF HOMINY  
 COMBINING STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES  
 MODIFIED CASH BASIS  
 NON-MAJOR GOVERNMENTAL FUNDS  
 Year Ended June 30, 2016

	Special Revenue		Debt Service	Permanent Funds	Total Non-Major Governmental Funds
	Street & Alley	Library Donations	Sinking	Cemetery Trust	
<b>Revenues:</b>					
Intergovernmental programs	\$ 32,460	\$ -	\$ -	\$ -	\$ 32,460
Donations	-	-	-	-	-
Interest	854	-	-	343	1,197
Surplus property sales	-	-	-	-	-
Lot sales	-	-	-	2,483	2,483
<b>Total revenues</b>	<b>\$ 33,314</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ 2,826</b>	<b>\$ 36,140</b>
<b>Expenditures:</b>					
General government	\$ -	\$ -	\$ -	\$ -	\$ -
Highways and roads	5,696	-	-	-	5,696
Cemetery	-	-	-	-	-
Cultural & recreation	-	-	-	-	-
Capital outlay	-	-	-	-	-
<b>Total expenditures</b>	<b>5,696</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>5,696</b>
<b>Excess of revenues over (under) expenditures</b>	<b>27,618</b>	<b>-</b>	<b>-</b>	<b>2,826</b>	<b>30,444</b>
<b>Other financing uses:</b>					
Operating transfers in (out)	-	-	-	-	-
<b>Excess of revenues over (under) expenditures &amp; transfers</b>	<b>27,618</b>	<b>-</b>	<b>-</b>	<b>2,826</b>	<b>30,444</b>
<b>Fund balance - beginning of year</b>	<b>175,912</b>	<b>-</b>	<b>-</b>	<b>80,038</b>	<b>255,950</b>
<b>Fund balance - end of year</b>	<b>\$ 203,530</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ 82,864</b>	<b>\$ 286,394</b>

**CITY OF HOMINY  
Hominy, Oklahoma**

**SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS  
Year Ended June 30, 2016**

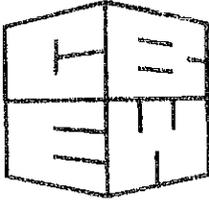
<b>Federal Grantor/Pass-Through Grantor/Program Title</b>	<b>Federal CFDA Number</b>	<b>Program or Award Amount</b>	<b>Revenue Collected</b>	<b>Federal Expenditures</b>
<b><u>U.S. Department of Housing and Urban Development:</u></b>				
<b><u>Passed Through State of Oklahoma Department of Commerce:</u></b>				
CDBG	14.228	184,088	184,088	184,088
<b><u>Office of Library Services, Institute of Museum and Library Services, National Foundation on the Arts and the Humanities:</u></b>				
<b><u>Passed through the Oklahoma Department of Libraries:</u></b>				
State Library Program	45.310	11,293	11,293	11,293
<b>Total of Expenditures of Federal Awards</b>		<b>\$ 195,381</b>	<b>\$ 195,381</b>	<b>\$ 195,381</b>

**Note A - Basis of Presentation** - The accompanying schedule of expenditures of federal awards (the Schedule) includes the federal award activity of the City under programs of the federal government for the year ended June 30, 2016. 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 selected portion of the operations of the City, it is not intended and does not present the financial position, changes in net assets, or cash flows of the City.

**Note B - Summary of Significant Accounting Policies** - Expenditures reported on the Schedule are reported using modified cash basis of accounting. Such expenditures are recognized following the cost principles contained in the Uniform Guidance, wherein certain types of expenditures are not allowable or are limited as to reimbursement. The City has elected not to use the 10 percent de minimis indirect cost rate allowed under the Uniform Guidance.

**CITY OF HOMINY  
Hominy, Oklahoma**

**REPORT REQUIRED BY *GOVERNMENT AUDITING STANDARDS*  
June 30, 2016**



**CBEW**  
**Professional**  
**Group, LLP**  
Certified Public Accountants

WALTER H. WEBB, CPA  
JANE FRAZIER, CPA  
CHARLES E. CROOKS, CPA  
TRISHA J. RIEMAN, CPA  
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**INDEPENDENT AUDITOR'S REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING  
AND ON COMPLIANCE AND OTHER MATTERS BASED ON AN AUDIT OF FINANCIAL  
STATEMENTS PERFORMED IN ACCORDANCE WITH  
GOVERNMENT AUDITING STANDARDS**

September 28, 2016

Honorable Board of City Commissioners  
City of Hominy  
Hominy, Oklahoma

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the City of Hominy, Oklahoma, as of and for the year ended June 30, 2016, and the related notes to the financial statements, which collectively comprise the City of Hominy, Oklahoma's basic financial statements, and have issued our report thereon dated September 28, 2016. The City's financial statements are presented on a modified cash basis of accounting.

**Internal Control Over Financial Reporting**

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

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

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or, significant deficiencies and therefore, material weaknesses or significant deficiencies may exist that were not identified. We did identify certain deficiencies in internal control, described in the accompanying schedule of findings and questioned costs that we consider to be material weaknesses as finding 2016-001.

### **Compliance and Other Matters**

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

### ***City's Response to Findings***

The City's response to the findings identified in our audit is described in the accompanying schedule of findings and responses. The City's response was not subjected to the auditing procedures applied in the audit of the financial statements and, accordingly, we express no opinion on it.

### **Purpose of this Report**

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

***CBEW Professional Group, LLP***

CBEW Professional Group, LLP  
Certified Public Accountants  
Cushing, Oklahoma

CITY OF HOMINY  
Hominy, Oklahoma

SCHEDULE OF FINDINGS AND RESPONSES  
For the Year Ended June 30, 2016

2016-001. Internal Control – Material Adjusting Journal Entries

Criteria: The government's management is responsible for internal controls over accounting and financial reporting. This responsibility includes the design and implementation of controls over the fair and complete presentation of the government's annual financial statements in accordance with modified cash basis of accounting from trial balances derived from the government's accounting records. For trial balances to be both complete and accurate, the government must have effective internal controls over recording, processing, summarizing, and adjusting accounting data. As evidence of effective internal controls over accounting and financial reporting, there should generally be few, if any, material adjustments to the trial balances required that are detected and corrected solely as a result of the financial statement audit. In other words, government management should not rely on the external auditor to detect and correct material misstatements in the books and records as part of its internal controls, but rather should have its own procedures designed and in place that are independent of the external auditor to provide reasonable, although not absolute, assurance that material misstatements will be detected and corrected in its trial balances prior to audit.

Condition: The City manager and accounting staff individually and collectively possess the necessary skills and experience to modified cash basis financial statements. However, the government's trial balances for the year ended June 30, 2016, required a number of material adjusting journal entries in order for the financial statements to be prepared in accordance with the modified cash basis of accounting. These necessary adjusting entries, identified solely as a result of the financial statement audit, included such adjustments as the following: Cash accounts, capital assets, note payable balances and depreciation expense.

Cause: The accounting staff doesn't spend sufficient time in balancing and or reconciling specific accounts on a regular basis throughout the year to provide assurance that the trial balances used for preparing the modified cash financial statements that are complete and accurate prior to audit. As a result, management has had to rely on the external auditors to identify and correct a number of material misstatements in the trial balances. However, management was able to review, understand and accept the adjusting entries proposed by the auditor in order to take responsibility for them and the financial statements.

Effect or Potential Effect: As a result of this condition, without reliance on its external auditors, the City lacks the necessary internal controls over the completeness and accuracy of the trial balances that are used in the preparation of its financial statements in accordance with the modified cash basis of accounting. This condition can result in undetected and uncorrected material misstatements in the financial statements that are not detected by management and may also not be detected by the financial statement audit. In addition, if management's intentions are to continue to rely on the external auditor to detect and correct material misstatements, this condition could place the auditor in a questionable position regarding auditor independence as required by the GAO "Yellow Book."

Recommendation: The City should consider designing and implementing sufficient internal controls over the completeness and accuracy of trial balances by regularly reviewing, balancing, and reconciling interim financial statements to insure that material adjusting journal entries are made timely. This process could be assigning to a specific staff person, through employment of additional qualified accounting staff, or outsourced to a qualified external accounting firm. Additionally, all accounting staff should strive to obtain and/or maintain their proficiency through continuing education courses relative to governmental accounting.

Responsible Official's Response: The City concurs with the recommendation, and will strive to prepare and post material adjusting journal entries to the financial statements on a timely basis.