

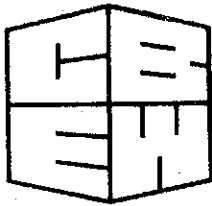
**CITY OF HOMINY
Hominy, Oklahoma**

**FINANCIAL STATEMENTS
June 30, 2017**

**CITY OF HOMINY
Hominy, Oklahoma**

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INDEPENDENT AUDITOR'S REPORT

November 15, 2017

The Honorable City Council
City of Hominy, Oklahoma

Report on the Financial Statements

We have audited the accompanying modified cash basis 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, 2017, 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, 2017, 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 33–35 and notes on page 36, 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 November 15, 2017, 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, 2017

	Primary Government		
	Governmental Activities	Business-Type Activities	Total
Assets:			
Cash and investments:			
Cash & cash equivalents (Note 1)	\$ 568,858	\$ 249,134	\$ 817,992
Investments	2,012,517	306,765	2,319,282
Due to/from others	(10,498)	10,498	-
Restricted assets:			
Cash and investments (Note 1)	153,328	97,184	250,512
Capital assets:			
Land and construction in progress	16,748	46,937	63,685
Depreciable buildings, property, equipment and infrastructure, net of depreciation (Notes 1 & 2)	1,423,660	3,169,888	4,593,548
Total assets	<u>4,164,613</u>	<u>3,880,406</u>	<u>8,045,019</u>
Deferred outflows of resources:			
Total deferred outflows	-	-	-
Liabilities:			
Current liabilities:			
Payroll taxes payable	-	-	-
Accrued compensated absences	1,525	1,040	2,565
Security deposits	-	3,132	3,132
Notes payable (Note 2)	-	50,984	50,984
Leases payable (Note 2)	-	78,356	78,356
Long-term liabilities:			
Notes payable (Note 2)	-	321,559	321,559
Leases payable (Note 2)	-	16,533	16,533
Total liabilities	<u>1,525</u>	<u>471,604</u>	<u>473,129</u>
Deferred inflows of resources:			
Total deferred inflows	-	-	-
Net position:			
Net investment in capital assets	1,440,408	2,783,201	4,223,609
Restricted	2,043,828	94,052	2,137,880
Unrestricted	678,852	531,549	1,210,401
Total net position	<u>\$ 4,163,088</u>	<u>\$ 3,408,802</u>	<u>\$ 7,571,890</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, 2017

Functions/Programs	Expenses	Program Revenues		Net (Expense)/ Revenue	
		Charges for Services	Operating Grants and Contributions		Capital Grants and Contributions
Governmental activities:					
General government:					
General government	\$ 153	\$ -	\$ -	\$ -	\$ (153)
Total general government	153	-	-	-	(153)
Public safety and judiciary:					
City attorney	14,358	-	-	-	(14,358)
Fire department	233,530	263,727	1,909	-	32,106
Municipal court	17,765	40,508	-	-	22,743
Police	420,448	-	-	-	(420,448)
Civil defense	12,141	-	-	-	(12,141)
Total public safety and judiciary	698,242	304,235	1,909	-	(392,098)
Transportation:					
Streets	1,140	-	-	-	(1,140)
Total transportation	1,140	-	-	-	(1,140)
Cultural, parks and recreation:					
Library	88,027	-	11,915	-	(76,112)
Park facilities	-	-	-	-	-
Public property	296,386	8,188	-	-	(288,198)
Swimming pool	114,021	-	-	-	(114,021)
Senior citizens center	57,524	-	-	-	(57,524)
Lake	2,078	20,541	-	-	18,463
Cemetery	33,543	22,773	-	-	(10,770)
Total cultural, parks and recreation	591,579	51,502	11,915	-	(528,162)
Unallocated depreciation*	124,046	-	-	-	(124,046)
Total governmental activities	1,415,160	355,737	13,824	-	(1,045,599)
Business-type activities					
General and administrative	446,201	-	-	-	(446,201)
Electric service	1,627,471	1,993,606	-	-	366,135
Water/wastewater plant	374,467	927,362	-	-	552,895
Water/wastewater maintenance	150,452	-	-	-	(150,452)
Meter reading	11,079	-	-	-	(11,079)
Sanitation service	256,762	306,715	-	-	49,953
Airport	118,250	25,095	-	152,628	59,473
Ambulance	475,456	282,230	-	-	(193,226)
Financing costs	4,535	-	-	-	(4,535)
Unallocated depreciation*	127,829	-	-	-	(127,829)
Total business-type activities	3,592,502	3,535,008	-	152,628	95,134
Total	\$ 5,007,662	\$ 3,890,745	\$ 13,824	\$ 152,628	\$ (950,465)

* - 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, 2017

	Net (Expense) Revenue and Changes in Net Position		
	Governmental Activities	Business-Type Activities	Total
Net (expense)/revenue	(1,045,599)	95,134	(950,465)
General revenues:			
Taxes:			
Sales and use taxes	542,750	-	542,750
Franchise taxes	15,801	-	15,801
Cigarette taxes	6,138	-	6,138
Intergovernmental	122,574	-	122,574
Penalties	-	53,503	53,503
Investment earnings	12,301	4,109	16,410
Miscellaneous	124,881	45,827	170,708
Rental income	4,200	-	4,200
Surplus property sales	-	-	-
Transfers	245,770	(245,770)	-
Total general revenues and transfers	<u>1,074,415</u>	<u>(142,331)</u>	<u>932,084</u>
Change in net position	28,816	(47,197)	(18,381)
Net position - beginning of year	<u>4,134,272</u>	<u>3,455,999</u>	<u>7,590,271</u>
Net position - end of year	<u>\$ 4,163,088</u>	<u>\$ 3,408,802</u>	<u>\$ 7,571,890</u>

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

CITY OF HOMINY
BALANCE SHEET
MODIFIED CASH BASIS
GOVERNMENTAL FUNDS
June 30, 2017

	General Fund	Capital Projects Water Assessment	Special Revenue Park Facilities	Other Governmental Funds	Total Governmental Funds
Assets:					
Cash and investments:					
Cash & cash equivalents	\$ 230,050	\$ 198,294	\$ 41,183	\$ 99,331	\$ 568,858
Investments	460,281	502,359	915,697	134,180	2,012,517
Due from others	544	-	-	-	544
Restricted assets:					
Cash and investments	-	66,978	-	86,350	153,328
Total assets	\$ 690,875	\$ 767,631	\$ 956,880	\$ 319,861	\$ 2,735,247
Liabilities:					
Due to others	\$ 10,498	\$ -	\$ 544	\$ -	\$ 11,042
Bonds payable	-	-	-	-	-
Total liabilities	10,498	-	544	-	11,042
Fund balance:					
Restricted for:					
Cemetery	-	-	-	86,350	86,350
Water improvement	-	767,631	-	-	767,631
Debt service	-	-	-	-	-
Swimming pool	-	-	956,336	-	956,336
Parks	-	-	-	-	-
Other purposes	-	-	-	233,511	233,511
Unassigned	680,377	-	-	-	680,377
Total fund balance	680,377	767,631	956,336	319,861	2,724,205
Total liabilities & fund balance	\$ 690,875	\$ 767,631	\$ 956,880	\$ 319,861	\$ 2,735,247

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, 2017

Total Fund Balances - Total Governmental Funds \$ 2,724,205

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

Accrued compensated absences (1,525)

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

Buildings	\$	1,098,939	
Equipment		86,674	
Vehicles		160,694	
Land		16,748	
Infrastructure		<u>77,353</u>	
			<u>1,440,408</u>

Net position of governmental activities \$ 4,163,088

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, 2017

	General Fund	Capital Projects Water Assessment	Special Revenue Park Facilities	Other Governmental Funds	Total Governmental Funds
Revenues:					
Charges for services	\$ 28,729	\$ -	\$ -	\$ -	\$ 28,729
Cigarette taxes	6,138	-	-	-	6,138
Interest	2,857	3,113	4,803	1,528	12,301
Franchise taxes	15,801	-	-	-	15,801
Fire runs and memberships	263,727	-	-	-	263,727
Intergovernmental programs	92,336	-	-	30,238	122,574
Fines and forfeits	40,508	-	-	-	40,508
Grant revenues	13,824	-	-	-	13,824
Rental receipts	4,200	-	-	-	4,200
Lot sales	19,932	-	-	2,841	22,773
Miscellaneous revenue	124,404	-	-	-	124,404
Sales and use taxes	542,750	-	-	-	542,750
Surplus property sales	-	-	-	-	-
Licenses and permits	476	-	-	-	476
Donations and other	-	-	-	-	-
Total revenues	<u>1,155,682</u>	<u>3,113</u>	<u>4,803</u>	<u>34,607</u>	<u>1,198,205</u>
Expenditures:					
Current:					
General government	153	-	-	-	153
Public safety	697,952	-	-	-	697,952
Public property	296,386	-	-	-	296,386
Highways and roads	-	-	-	1,140	1,140
Cultural and recreational	295,193	-	-	-	295,193
Debt service	-	-	-	-	-
Capital outlay	12,968	-	-	-	12,968
Total expenditures	<u>1,302,652</u>	<u>-</u>	<u>-</u>	<u>1,140</u>	<u>1,303,792</u>
Excess of revenues over (under) expenditures	(146,970)	3,113	4,803	33,467	(105,587)
Other financing uses:					
Loan proceeds	-	-	-	-	-
Operating transfers in (out)	198,136	88,028	(40,394)	-	245,770
Excess of revenues over (under) expenditures & transfers	51,166	91,141	(35,591)	33,467	140,183
Fund balance - beginning of year	<u>629,211</u>	<u>676,490</u>	<u>991,927</u>	<u>286,394</u>	<u>2,584,022</u>
Fund balance - end of year	<u>\$ 680,377</u>	<u>\$ 767,631</u>	<u>\$ 956,336</u>	<u>\$ 319,861</u>	<u>\$ 2,724,205</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, 2017

Net Change in Fund Balances - Total Governmental Funds \$ 140,183

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. (292)

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. (124,043)

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. 12,968

Change in Net Position of Governmental Activities \$ 28,816

CITY OF HOMINY
STATEMENT OF NET FUND POSITION
MODIFIED CASH BASIS
PROPRIETARY FUNDS
June 30, 2017

	Business-type Activities - Enterprise Funds			Totals
	Hominy Municipal Authority (Major)	Hominy Industrial Authority (Major)	Hominy Community Medical Authority (Non-major)	
Assets:				
Cash and investments:				
Cash & cash equivalents (Note 1)	\$ 207,395	\$ 11,559	\$ 30,180	\$ 249,134
Investments	215,423	91,342	-	306,765
Cash on hand	-	-	-	-
Due from others	10,498	-	-	10,498
Restricted assets:				
Cash and investments (Note 1)	94,052	3,132	-	97,184
Capital assets:				
Land and construction in progress	-	46,937	-	46,937
Depreciable buildings, property and equipment, net of depreciation (Notes 1 & 2)	2,191,194	698,434	280,260	3,169,888
Total assets	\$ 2,718,562	\$ 851,404	\$ 310,440	\$ 3,880,406
Deferred outflows of resources:				
Total deferred outflows	-	-	-	-
Liabilities:				
Current liabilities:				
Due to others	\$ -	\$ -	\$ -	\$ -
Payroll taxes payable	-	-	-	-
Accrued compensated absences	1,040	-	-	1,040
Security deposits	-	3,132	-	3,132
Notes payable (Note 2)	50,984	-	-	50,984
Leases payable (Note 2)	59,334	-	19,022	78,356
Long-term liabilities:				
Notes payable (Note 2)	321,559	-	-	321,559
Leases payable (Note 2)	1,747	-	14,786	16,533
Total liabilities	434,664	3,132	33,808	471,604
Deferred inflows of resources:				
Total deferred inflows	-	-	-	-
Net position:				
Net investment in capital assets	1,757,570	745,371	280,260	2,783,201
Restricted	94,052	-	-	94,052
Unrestricted	432,276	102,901	(3,628)	531,549
Total net position	\$ 2,283,898	\$ 848,272	\$ 276,632	\$ 3,408,802

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, 2017

	Business-type Activities - Enterprise Funds			Totals
	Hominy Municipal Authority (Major)	Hominy Industrial Authority (Major)	Hominy Community Medical Authority (Non-major)	
Revenues:				
Electric revenue	\$ 1,993,606	\$ -	\$ -	\$ 1,993,606
Water revenue	799,184	-	-	799,184
Wastewater revenue	128,178	-	-	128,178
Sanitation revenue	306,715	-	-	306,715
Penalties	53,503	-	-	53,503
Miscellaneous revenue	45,827	-	-	45,827
Grant revenue	-	152,628	-	152,628
Charges for service	-	25,095	-	25,095
Rentals	-	-	14,853	14,853
Ambulance revenue	-	-	267,377	267,377
Total revenues	3,327,013	177,723	282,230	3,786,966
Operating expenses:				
General and administrative	446,201	-	-	446,201
Electric service	1,627,471	-	-	1,627,471
Water/wastewater plant	374,467	-	-	374,467
Water/wastewater maintenance	150,452	-	-	150,452
Meter reading	11,079	-	-	11,079
Sanitation service	256,762	-	-	256,762
Airport	-	26,801	-	26,801
Ambulance	-	-	448,588	448,588
Depreciation expense	127,829	91,449	26,868	246,146
Total operating expenses	2,994,261	118,250	475,456	3,587,967
Income before non-operating revenues, expenses & transfers	332,752	59,473	(193,226)	198,999
Non-operating revenues (expenses):				
Interest revenue	3,576	462	71	4,109
Interest expense	(2,665)	-	(1,870)	(4,535)
Surplus property sales	-	-	-	-
Total	911	462	(1,799)	(426)
Income (loss) before operating transfers	333,663	59,935	(195,025)	198,573
Transfers in (out)	(358,899)	(50,000)	163,129	(245,770)
Change in net position	(25,236)	9,935	(31,896)	(47,197)
Net position at beginning of year	2,309,134	838,337	308,528	3,455,999
Net position at end of year	\$ 2,283,898	\$ 848,272	\$ 276,632	\$ 3,408,802

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, 2017

	Business-type Activities - Enterprise Funds			Totals
	Hominy Municipal Authority (Major)	Hominy Industrial Authority (Major)	Hominy Community Medical Authority (Non-major)	
Cash flows from operating activities:				
Cash received from customers & service users	\$ 3,281,186	\$ 25,095	\$ 282,230	\$ 3,588,511
Cash payments for goods & services & employees	(2,867,142)	(26,801)	(448,588)	(3,342,531)
Other operating revenues	45,827	152,628	-	198,455
Net cash provided by operating activities	<u>459,871</u>	<u>150,922</u>	<u>(166,358)</u>	<u>444,435</u>
Cash flows from noncapital financing activities:				
Operating transfers out to other funds	(507,028)	(50,000)	-	(557,028)
Operating transfers in from other funds	148,129	-	163,129	311,258
Change in due to/due from accounts	-	-	-	-
Change in security deposits	-	(311)	-	(311)
Net cash provided (used) for noncapital financing activities	<u>(358,899)</u>	<u>(50,311)</u>	<u>163,129</u>	<u>(246,081)</u>
Cash flows from capital and related financing activities:				
Acquisition & construction of capital assets	-	(160,661)	-	(160,661)
Principal paid on debt	(100,949)	-	(18,212)	(119,161)
Interest paid on debt	(2,665)	-	(1,870)	(4,535)
Net cash provided (used) for capital and related financing activities	<u>(103,614)</u>	<u>(160,661)</u>	<u>(20,082)</u>	<u>(284,357)</u>
Cash flows from investing activities:				
(Purchase) liquidation of investments	(1,794)	(457)	21,818	19,567
Interest on investments	3,576	462	71	4,109
Net cash provided by investing activities	<u>1,782</u>	<u>5</u>	<u>21,889</u>	<u>23,676</u>
Net increase (decrease) in cash & cash equivalents:	<u>(860)</u>	<u>(60,045)</u>	<u>(1,422)</u>	<u>(62,327)</u>
Cash and cash equivalents - beginning of year	<u>208,255</u>	<u>74,736</u>	<u>31,602</u>	<u>314,593</u>
Cash and cash equivalents - end of year	<u>\$ 207,395</u>	<u>\$ 14,691</u>	<u>\$ 30,180</u>	<u>\$ 252,266</u>
Reconciliation of operating income to net cash provided by operating activities:				
Operating income	\$ 332,752	\$ 59,473	\$ (193,226)	\$ 198,999
Adjustments to reconcile operating income to net cash provided by operating activities:				
Depreciation	127,829	91,449	26,868	246,146
Change in assets and liabilities:				
Increase (decrease) in accounts payable	-	-	-	-
Increase (decrease) in accrued expenses	(710)	-	-	(710)
Total adjustments	<u>127,119</u>	<u>91,449</u>	<u>26,868</u>	<u>245,436</u>
Net cash provided by operating activities	<u>\$ 459,871</u>	<u>\$ 150,922</u>	<u>\$ (166,358)</u>	<u>\$ 444,435</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, 2017**

	<u>Agency Funds</u>
Assets:	
Cash and investments at cost	\$ <u>217,475</u>
Total assets	\$ <u><u>217,475</u></u>
Liabilities:	
Deposits	\$ <u>217,475</u>
Total liabilities	\$ <u><u>217,475</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, 2017

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The City of Hominy, Oklahoma (the City) accounting policies and financial statement presentation 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 modified cash basis of accounting is based on the recording of cash and cash equivalents and changes therein, and only recognizes revenues, expenses, assets and liabilities resulting from cash transactions adjusted for modifications that have substantial support in generally accepted accounting principles and are recommended by the Government Financial Officers Association (GFOA) small government annual financial report model. The Governmental Accounting Standards Board (GASB) is responsible for establishing GAAP for state and local governments through its pronouncements (Statements and Interpretations).

As a result of the use of this modified cash basis of accounting, certain assets and their related revenues (such as accounts receivable and revenue for billed or provided services not yet collected, and accrued revenue and receivables) and certain liabilities and their related expenses (such as accounts payable and expenses for goods or services received by not yet paid, and accrued expenses and liabilities, including pension liabilities) are not recorded in these financial statements.

If the City utilized the basis of accounting recognized as generally accepted by GASB, the government-wide financial statements would be presented on the accrual basis of accounting, the governmental funds would utilize the modified accrual basis of accounting, and the proprietary funds would utilize the accrual basis of accounting.

The more significant accounting policies established in the modified cash basis of accounting and used by the City as well as a further description of departures from governmental GAAP are 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.

CITY OF HOMINY
Hominy, Oklahoma

NOTES TO THE FINANCIAL STATEMENTS
June 30, 2017

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

A. Reporting Entity (Continued)

Blended Component Units/Trusts (Continued):

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.

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.

CITY OF HOMINY
Hominy, Oklahoma

NOTES TO THE FINANCIAL STATEMENTS
June 30, 2017

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

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

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.

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).

CITY OF HOMINY
Hominy, Oklahoma

NOTES TO THE FINANCIAL STATEMENTS
June 30, 2017

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

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

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.

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.

CITY OF HOMINY
Hominy, Oklahoma

NOTES TO THE FINANCIAL STATEMENTS
June 30, 2017

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

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.

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.

CITY OF HOMINY
Hominy, Oklahoma

NOTES TO THE FINANCIAL STATEMENTS
June 30, 2017

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

C. Assets, Liabilities and Equity (Continued)

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.

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

8. 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.

9. 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.

CITY OF HOMINY
Hominy, Oklahoma

NOTES TO THE FINANCIAL STATEMENTS
June 30, 2017

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

C. Assets, Liabilities and Equity (Continued)

9. Long-term Obligations (Continued)

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.

10. 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.

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.

CITY OF HOMINY
Hominy, Oklahoma

NOTES TO THE FINANCIAL STATEMENTS
June 30, 2017

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

C. Assets, Liabilities and Equity (Continued)

11. 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.

2. DETAILED NOTES CONCERNING THE FUNDS

A. Deposits and Investments

Custodial Credit Risk

At June 30, 2017, the City held deposits of approximately \$3,605,261 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.).

CITY OF HOMINY
Hominy, Oklahoma

NOTES TO THE FINANCIAL STATEMENTS
June 30, 2017

2. DETAILED NOTES CONCERNING THE FUNDS

A. Deposits and Investments (Continued)

The cash and investments held at June 30, 2017 are as follows:

Type	Weighted Average Maturity (Months)	Credit Rating	Market Value	Cost
Investments				
Money Market	N/A	AAAm	\$ 854,098	\$ 854,098
Certificate of deposit	6.00	N/A	2,751,163	2,751,163
Total investments			<u>\$ 3,605,261</u>	<u>\$ 3,605,261</u>

<u>Reconciliation to Statement of Net Position</u>	
Governmental activities	\$ 2,734,703
Business-type activities	653,083
Fiduciary funds	217,475
	<u>\$ 3,605,261</u>

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: 76% in Certificates of deposit (\$2,751,163) and 24% in Money Market funds (\$854,098).

CITY OF HOMINY
Hominy, Oklahoma

NOTES TO THE FINANCIAL STATEMENTS
June 30, 2017

2. DETAILED NOTES CONCERNING THE FUNDS (Continued)

B. Capital Assets

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

Governmental Activities:	Balance 6/30/16	Additions	Disposals	Balance 6/30/17
Non-depreciable assets:				
Land	\$ 16,748	\$ -	\$ -	\$ 16,748
Total non-depreciable assets	<u>16,748</u>	<u>-</u>	<u>-</u>	<u>16,748</u>
Depreciable assets:				
Buildings and improvements	1,543,715	-	-	1,543,715
Furniture, fixtures and equipment	648,482	12,968	-	661,450
Vehicles	652,679	-	-	652,679
Infrastructure	313,973	-	-	313,973
Total depreciable assets	<u>3,158,849</u>	<u>12,968</u>	<u>-</u>	<u>3,171,817</u>
Less accumulated depreciation:				
Buildings and improvements	(419,731)	(25,044)	-	(444,775)
Furniture, fixtures and equipment	(539,640)	(35,137)	-	(574,777)
Vehicles	(457,033)	(34,953)	-	(491,986)
Infrastructure	(207,708)	(28,911)	-	(236,619)
Total accumulated depreciation	<u>(1,624,112)</u>	<u>(124,045)</u>	<u>-</u>	<u>(1,748,157)</u>
Net depreciable assets	<u>1,534,737</u>	<u>(111,077)</u>	<u>-</u>	<u>1,423,660</u>
Net governmental activities capital assets	<u>\$ 1,551,485</u>	<u>\$ (111,077)</u>	<u>\$ -</u>	<u>\$ 1,440,408</u>

CITY OF HOMINY
Hominy, Oklahoma

NOTES TO THE FINANCIAL STATEMENTS
June 30, 2017

2. DETAILED NOTES CONCERNING THE FUNDS (Continued)

B. Capital Assets (Continued)

	Balance 6/30/16	Additions	Disposals	Balance 6/30/17
Business-Type Activities:				
Non-depreciable assets:				
Land	\$ 46,937	\$ -	\$ -	\$ 46,937
Total non-depreciable assets	<u>46,937</u>	<u>-</u>	<u>-</u>	<u>46,937</u>
Depreciable assets:				
Buildings and improvements	6,150,995	160,661	-	6,311,656
Furniture, fixtures and equipment	229,680	-	-	229,680
Vehicles	1,255,372	-	-	1,255,372
Total depreciable assets	<u>7,636,047</u>	<u>160,661</u>	<u>-</u>	<u>7,796,708</u>
Less accumulated depreciation:				
Buildings and improvements	(3,419,186)	(182,678)	-	(3,601,864)
Furniture, fixtures and equipment	(131,138)	(4,775)	-	(135,913)
Vehicles	(830,348)	(58,695)	-	(889,043)
Total accumulated depreciation	<u>(4,380,672)</u>	<u>(246,148)</u>	<u>-</u>	<u>(4,626,820)</u>
Net depreciable assets	<u>3,255,375</u>	<u>(85,487)</u>	<u>-</u>	<u>3,169,888</u>
Net business-type activities capital assets	<u>\$ 3,302,312</u>	<u>\$ (85,487)</u>	<u>\$ -</u>	<u>\$ 3,216,825</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.

C. 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, 2017**

2. DETAILED NOTES CONCERNING THE FUNDS (Continued)

C. 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%.	\$	38,528
(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%.		33,808
(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>22,553</u>
Total	\$	<u>94,889</u>

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

	Balance July 1, 2016	Additions	Payments and Cancellations	Balance June 30, 2017
Capital lease obligations	\$ 161,666	\$ -	\$ 66,777	\$ 94,889

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

Year Ending June 30,	Business-Type Activities		
	Principal	Interest	Total
2018	\$ 78,355	\$ 1,459	\$ 79,814
2019	16,534	294	16,828
Total	<u>94,889</u>	<u>1,753</u>	<u>96,642</u>

D. 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 15th 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, 2017**

2. DETAILED NOTES CONCERNING THE FUNDS (Continued)

D. 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 7/1/16	Issued	Retired, or Defeased During Year	Balance Outstanding 6/30/17	Current Portion
Hominy Public Works Authority:					
OWRB - 2003	\$ 424,926	\$ -	\$ (52,383)	\$ 372,543	\$ 50,984
Total	<u>\$ 424,926</u>	<u>\$ -</u>	<u>\$ (52,383)</u>	<u>\$ 372,543</u>	<u>\$ 50,984</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
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	56,852	3,606	60,458
2023-2024	103,173	3,340	106,513
Total	<u>372,543</u>	<u>33,509</u>	<u>406,052</u>

The City's debt service coverage ratio for June 30, 2017 is 444.71%.

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, 2017

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 Plans

The City participates in three employee pension systems as follows:

Oklahoma Police Pension and Retirement Plan--Cost Sharing Multiple Employer - Defined Benefit Plan

Oklahoma Firefighters Pension and Retirement Plan--Cost Sharing Multiple Employer - Defined Benefit Plan

Oklahoma Municipal Retirement Fund (OkMRF) Agent Multiple Employer – Defined Contribution Plan

Oklahoma Police Pension and Retirement Plan

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

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

CITY OF HOMINY
Hominy, Oklahoma

NOTES TO THE FINANCIAL STATEMENTS
June 30, 2017

3. OTHER INFORMATION (Continued)

C. Employee Retirement System and Plans (Continued)

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

Survivor's benefits are payable in full to the participant's beneficiary upon the death of a retired participant. The beneficiary of any active participant killed in the line of duty is entitled to a pension benefit.

Contributions – The contributions requirements of the Plan are at an established rate determine by Oklahoma Statute and are not based on actuarial calculations. Employees are required to contribute 8% percent of their annual pay. Participating cities are required to contribute 13% of the employees' annual pay. The required contribution from the City for this plan was \$13,349, \$11,742 and \$14,067 for 2017, 2016 and 2015, respectively. The required contribution was fully contributed. At June 30, 2017 the system held no related-party investments of the City or of its related entities.

Pension Liabilities Related to Pensions – At June 30, 2017, the City's proportionate share of the net pension liability is \$46,670. The net pension asset was measured as of July 1, 2016, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of July 1, 2016. The City's proportion of the net pension asset was based on the City's contributions received by the pension plan relative to the total contributions received by pension plan for all participating employers as of June 30, 2016. Based upon this information, the City's proportion was 0.000305%.

Actuarial Assumptions – The total pension liability was determined by an actuarial valuation as of July 1, 2016, using the following actuarial assumptions, applied to all prior periods included in the measurement:

Inflation:	3%
Salary increases:	4.5% to 17.0% average, including inflation
Investment rate of return:	7.5% net of pension plan investment expense
Mortality rates:	Active employees (pre-retirement) RP-2000 Blue Collar Healthy Combined table with age set back 4 years with fully generational improvement using Scale AA.
	Active employees (post-retirement) and nondisabled pensioners: RP-2000 Blue Collar Healthy Combined table with fully generational Improvement using scale AA.
	Disabled pensioners: RP-2000 Blue Collar Healthy Combined table with age set forward 4 years with fully generational improvement using Scale AA.

The actuarial assumptions used in the July 1, 2016, valuation were based on the results of an actuarial experience study for the period July 1, 2007 to June 30, 2012.

CITY OF HOMINY
Hominy, Oklahoma

NOTES TO THE FINANCIAL STATEMENTS
June 30, 2017

3. OTHER INFORMATION (Continued)

C. Employee Retirement System and Plans (Continued)

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, 2016, are summarized in the following table:

<u>Asset Class</u>	<u>Long-Term Expected Real Rate of Return</u>
Fixed Income	2.83%
Domestic equity	6.47%
International equity	6.98%
Real Estate	5.50%
Private Equity	5.96%
Other assets	3.08%

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

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

Sensitivity of the Net Pension Liability to Changes in the Discount Rate – The following presents the net pension liability of the employers calculated using the discount rate of 7.5%, as well as what the Plan's net pension liability would be if it were calculated using a discount rate that is 1-percentage point lower (6.5%) or 1-percentage-point higher (8.5%) than the current rate:

	<u>1% Decrease (6.5%)</u>	<u>Current Discount Rate (7.5%)</u>	<u>1% Increase (8.5%)</u>
Employers' net pension liability (asset)	\$122,448	\$46,670	(\$17,312)

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

CITY OF HOMINY
Hominy, Oklahoma

NOTES TO THE FINANCIAL STATEMENTS
June 30, 2017

3. OTHER INFORMATION (Continued)

C. Employee Retirement System and Plans (Continued)

Oklahoma Firefighters Pension & Retirement Plan

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

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

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

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

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

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

Contributions – The contributions requirements of the Plan are at an established rate determined by Oklahoma Statute and are not based on actuarial calculations. Employees are required to contribute 9% of their annual pay. Participating cities are required to contribute 14% of the employees' annual pay. The required contribution from the City for this plan was \$15,621, \$14,714 and \$15,260 for 2017, 2016 and 2015, respectively. The required contribution was fully contributed. At June 30, 2017 the system held no related-party investments of the City or of its related entities.

Pension Liabilities Related to Pensions – At June 30, 2017, the City's proportionate share of the net pension liability is \$515,897. The net pension liability was measured as of July 1, 2016, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of July 1, 2016. The City's proportion of the net pension liability was based on the City's contributions received by the pension plan relative to the total contributions received by pension plan for all participating employers as of June 30, 2016. Based upon this information the City's proportion was 0.042227%.

CITY OF HOMINY
Hominy, Oklahoma

NOTES TO THE FINANCIAL STATEMENTS
June 30, 2017

3. OTHER INFORMATION (Continued)

C. Employee Retirement System and Plans (Continued)

Actuarial Assumptions – The total pension liability was determined by an actuarial valuation as of July 1, 2016, using the following actuarial assumptions, applied to all prior periods included in the measurement:

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

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

The actuarial assumptions used in the July 1, 2016, valuation were based on the results of an actuarial experience study for the period July 1, 2007 to June 30, 2012.

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

Best estimates of arithmetic real rates of return for each major asset class included in the pension plan's target asset allocation as of June 30, 2016, are summarized in the following table:

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

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

Sensitivity of the Net Pension Liability to Changes in the Discount Rate – The following presents the net pension liability of the employers calculated using the discount rate of 7.5%, as well as what the Plan's net pension liability would be if it were calculated using a discount rate that is 1-percent point lower (6.5%) or 1-percentage-point higher (8.5%) than the current rate:

	<u>1% Decrease (6.5%)</u>	<u>Current Discount Rate (7.5%)</u>	<u>1% Increase (8.5%)</u>
Employers' net pension liability (asset)	\$653,078	\$515,897	\$400,876

CITY OF HOMINY
Hominy, Oklahoma

NOTES TO THE FINANCIAL STATEMENTS
June 30, 2017

3. OTHER INFORMATION (Continued)

C. Employee Retirement System and Plans (Continued)

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

Oklahoma Municipal Retirement Fund Defined Contribution Plans

Plan Description – The City contributes to the OkMRF for all eligible employees except for those covered by the Police and Firefighter Pension Systems. The plan is an agent multiple employer - defined contribution plan administered by JP Morgan Chase Bank of Oklahoma City, Oklahoma. According to state law, the authority for establishing or amending the plan's provisions rests with the city council. In a defined contribution plan, benefits depend solely on amounts contributed to the plan, investment earnings, and forfeitures of other participants' benefits that may be allocated to such participant's account. Benefits vest after 7 years of service.

Funding Policy – the required contribution rate for the 2016-17 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 \$57,635, \$61,484 and \$65,129 for 2017, 2016 and 2015, respectively.

Pension Liabilities Related to Pensions – Since this is a defined contribution plan, no liability was calculated by an actuary.

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 \$180, \$0 and \$2,898 for 2017, 2016 and 2015, respectively.

CITY OF HOMINY
Hominy, Oklahoma

NOTES TO THE FINANCIAL STATEMENTS
June 30, 2017

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The City of Hominy, Oklahoma (the City) accounting policies and financial statement presentation 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 modified cash basis of accounting is based on the recording of cash and cash equivalents and changes therein, and only recognizes revenues, expenses, assets and liabilities resulting from cash transactions adjusted for modifications that have substantial support in generally accepted accounting principles and are recommended by the Government Financial Officers Association (GFOA) small government annual financial report model. The Governmental Accounting Standards Board (GASB) is responsible for establishing GAAP for state and local governments through its pronouncements (Statements and Interpretations).

As a result of the use of this modified cash basis of accounting, certain assets and their related revenues (such as accounts receivable and revenue for billed or provided services not yet collected, and accrued revenue and receivables) and certain liabilities and their related expenses (such as accounts payable and expenses for goods or services received by not yet paid, and accrued expenses and liabilities, including pension liabilities) are not recorded in these financial statements.

If the City utilized the basis of accounting recognized as generally accepted by GASB, the government-wide financial statements would be presented on the accrual basis of accounting, the governmental funds would utilize the modified accrual basis of accounting, and the proprietary funds would utilize the accrual basis of accounting.

The more significant accounting policies established in the modified cash basis of accounting and used by the City as well as a further description of departures from governmental GAAP are 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.

**CITY OF HOMINY
Hominy, Oklahoma**

**NOTES TO THE FINANCIAL STATEMENTS
June 30, 2017**

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

A. Reporting Entity (Continued)

Blended Component Units/Trusts (Continued):

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.

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.

CITY OF HOMINY
Hominy, Oklahoma

NOTES TO THE FINANCIAL STATEMENTS
June 30, 2017

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

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

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.

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).

CITY OF HOMINY
Hominy, Oklahoma

NOTES TO THE FINANCIAL STATEMENTS
June 30, 2017

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

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

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.

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.

**CITY OF HOMINY
Hominy, Oklahoma**

**NOTES TO THE FINANCIAL STATEMENTS
June 30, 2017**

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

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.

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.

CITY OF HOMINY
Hominy, Oklahoma

NOTES TO THE FINANCIAL STATEMENTS
June 30, 2017

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

C. Assets, Liabilities and Equity (Continued)

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.

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

8. 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.

9. 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.

CITY OF HOMINY
Hominy, Oklahoma

NOTES TO THE FINANCIAL STATEMENTS
June 30, 2017

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

C. Assets, Liabilities and Equity (Continued)

9. Long-term Obligations (Continued)

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.

10. 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.

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.

CITY OF HOMINY
Hominy, Oklahoma

NOTES TO THE FINANCIAL STATEMENTS
June 30, 2017

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

C. Assets, Liabilities and Equity (Continued)

11. 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.

2. DETAILED NOTES CONCERNING THE FUNDS

A. Deposits and Investments

Custodial Credit Risk

At June 30, 2017, the City held deposits of approximately \$3,605,261 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.).

**CITY OF HOMINY
Hominy, Oklahoma**

**NOTES TO THE FINANCIAL STATEMENTS
June 30, 2017**

2. DETAILED NOTES CONCERNING THE FUNDS

A. Deposits and Investments (Continued)

The cash and investments held at June 30, 2017 are as follows:

Type	Weighted Average Maturity (Months)	Credit Rating	Market Value	Cost
Investments				
Money Market	N/A	AAAm	\$ 854,098	\$ 854,098
Certificate of deposit	6.00	N/A	2,751,163	2,751,163
Total investments			<u>\$ 3,605,261</u>	<u>\$ 3,605,261</u>

<u>Reconciliation to Statement of Net Position</u>	
Governmental activities	\$ 2,734,703
Business-type activities	653,083
Fiduciary funds	217,475
	<u>\$ 3,605,261</u>

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: 76% in Certificates of deposit (\$2,751,163) and 24% in Money Market funds (\$854,098).

CITY OF HOMINY
Hominy, Oklahoma

NOTES TO THE FINANCIAL STATEMENTS
June 30, 2017

2. DETAILED NOTES CONCERNING THE FUNDS (Continued)

B. Capital Assets

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

Governmental Activities:	Balance 6/30/16	Additions	Disposals	Balance 6/30/17
Non-depreciable assets:				
Land	\$ 16,748	\$ -	\$ -	\$ 16,748
Total non-depreciable assets	<u>16,748</u>	<u>-</u>	<u>-</u>	<u>16,748</u>
Depreciable assets:				
Buildings and improvements	1,543,715	-	-	1,543,715
Furniture, fixtures and equipment	648,482	12,968	-	661,450
Vehicles	652,679	-	-	652,679
Infrastructure	313,973	-	-	313,973
Total depreciable assets	<u>3,158,849</u>	<u>12,968</u>	<u>-</u>	<u>3,171,817</u>
Less accumulated depreciation:				
Buildings and improvements	(419,731)	(25,044)	-	(444,775)
Furniture, fixtures and equipment	(539,640)	(35,137)	-	(574,777)
Vehicles	(457,033)	(34,953)	-	(491,986)
Infrastructure	(207,708)	(28,911)	-	(236,619)
Total accumulated depreciation	<u>(1,624,112)</u>	<u>(124,045)</u>	<u>-</u>	<u>(1,748,157)</u>
Net depreciable assets	<u>1,534,737</u>	<u>(111,077)</u>	<u>-</u>	<u>1,423,660</u>
Net governmental activities capital assets	<u>\$ 1,551,485</u>	<u>\$ (111,077)</u>	<u>\$ -</u>	<u>\$ 1,440,408</u>

CITY OF HOMINY
Hominy, Oklahoma

NOTES TO THE FINANCIAL STATEMENTS
June 30, 2017

2. DETAILED NOTES CONCERNING THE FUNDS (Continued)

B. Capital Assets (Continued)

Business-Type Activities:	Balance 6/30/16	Additions	Disposals	Balance 6/30/17
Non-depreciable assets:				
Land	\$ 46,937	\$ -	\$ -	\$ 46,937
Total non-depreciable assets	<u>46,937</u>	<u>-</u>	<u>-</u>	<u>46,937</u>
Depreciable assets:				
Buildings and improvements	6,150,995	160,661	-	6,311,656
Furniture, fixtures and equipment	229,680	-	-	229,680
Vehicles	1,255,372	-	-	1,255,372
Total depreciable assets	<u>7,636,047</u>	<u>160,661</u>	<u>-</u>	<u>7,796,708</u>
Less accumulated depreciation:				
Buildings and improvements	(3,419,186)	(182,678)	-	(3,601,864)
Furniture, fixtures and equipment	(131,138)	(4,775)	-	(135,913)
Vehicles	(830,348)	(58,695)	-	(889,043)
Total accumulated depreciation	<u>(4,380,672)</u>	<u>(246,148)</u>	<u>-</u>	<u>(4,626,820)</u>
Net depreciable assets	<u>3,255,375</u>	<u>(85,487)</u>	<u>-</u>	<u>3,169,888</u>
Net business-type activities capital assets	<u>\$ 3,302,312</u>	<u>\$ (85,487)</u>	<u>\$ -</u>	<u>\$ 3,216,825</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.

C. 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, 2017**

2. DETAILED NOTES CONCERNING THE FUNDS (Continued)

C. 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%.	\$	38,528
(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%.		33,808
(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>22,553</u>
Total	\$	<u>94,889</u>

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

	Balance July 1, 2016	Additions	Payments and Cancellations	Balance June 30, 2017
Capital lease obligations	\$ 161,666	\$ -	\$ 66,777	\$ 94,889

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

Year Ending June 30,	Business-Type Activities		
	Principal	Interest	Total
2018	\$ 78,355	\$ 1,459	\$ 79,814
2019	16,534	294	16,828
Total	<u>94,889</u>	<u>1,753</u>	<u>96,642</u>

D. 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 15th 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, 2017

2. DETAILED NOTES CONCERNING THE FUNDS (Continued)

D. 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 7/1/16	Issued	Retired, or Defeased During Year	Balance Outstanding 6/30/17	Current Portion
Hominy Public Works Authority:					
OWRB - 2003	\$ 424,926	\$ -	\$ (52,383)	\$ 372,543	\$ 50,984
Total	<u>\$ 424,926</u>	<u>\$ -</u>	<u>\$ (52,383)</u>	<u>\$ 372,543</u>	<u>\$ 50,984</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
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	56,852	3,606	60,458
2023-2024	103,173	3,340	106,513
Total	<u>372,543</u>	<u>33,509</u>	<u>406,052</u>

The City's debt service coverage ratio for June 30, 2017 is 444.71%.

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, 2017

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 Plans

The City participates in three employee pension systems as follows:

Oklahoma Police Pension and Retirement Plan--Cost Sharing Multiple Employer - Defined Benefit Plan

Oklahoma Firefighters Pension and Retirement Plan--Cost Sharing Multiple Employer - Defined Benefit Plan

Oklahoma Municipal Retirement Fund (OkMRF) Agent Multiple Employer – Defined Contribution Plan

Oklahoma Police Pension and Retirement Plan

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

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

CITY OF HOMINY
Hominy, Oklahoma

NOTES TO THE FINANCIAL STATEMENTS
June 30, 2017

3. OTHER INFORMATION (Continued)

C. Employee Retirement System and Plans (Continued)

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

Survivor's benefits are payable in full to the participant's beneficiary upon the death of a retired participant. The beneficiary of any active participant killed in the line of duty is entitled to a pension benefit.

Contributions – The contributions requirements of the Plan are at an established rate determine by Oklahoma Statute and are not based on actuarial calculations. Employees are required to contribute 8% percent of their annual pay. Participating cities are required to contribute 13% of the employees' annual pay. The required contribution from the City for this plan was \$13,349, \$11,742 and \$14,067 for 2017, 2016 and 2015, respectively. The required contribution was fully contributed. At June 30, 2017 the system held no related-party investments of the City or of its related entities.

Pension Liabilities Related to Pensions – At June 30, 2017, the City's proportionate share of the net pension liability is \$46,670. The net pension asset was measured as of July 1, 2016, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of July 1, 2016. The City's proportion of the net pension asset was based on the City's contributions received by the pension plan relative to the total contributions received by pension plan for all participating employers as of June 30, 2016. Based upon this information, the City's proportion was 0.000305%.

Actuarial Assumptions – The total pension liability was determined by an actuarial valuation as of July 1, 2016, using the following actuarial assumptions, applied to all prior periods included in the measurement:

Inflation:	3%
Salary increases:	4.5% to 17.0% average, including inflation
Investment rate of return:	7.5% net of pension plan investment expense
Mortality rates:	Active employees (pre-retirement) RP-2000 Blue Collar Healthy Combined table with age set back 4 years with fully generational improvement using Scale AA.
	Active employees (post-retirement) and nondisabled pensioners: RP-2000 Blue Collar Healthy Combined table with fully generational Improvement using scale AA.
	Disabled pensioners: RP-2000 Blue Collar Healthy Combined table with age set forward 4 years with fully generational improvement using Scale AA.

The actuarial assumptions used in the July 1, 2016, valuation were based on the results of an actuarial experience study for the period July 1, 2007 to June 30, 2012.

CITY OF HOMINY
Hominy, Oklahoma

NOTES TO THE FINANCIAL STATEMENTS
June 30, 2017

3. OTHER INFORMATION (Continued)

C. Employee Retirement System and Plans (Continued)

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, 2016, are summarized in the following table:

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

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

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

Sensitivity of the Net Pension Liability to Changes in the Discount Rate – The following presents the net pension liability of the employers calculated using the discount rate of 7.5%, as well as what the Plan's net pension liability would be if it were calculated using a discount rate that is 1-percentage point lower (6.5%) or 1-percentage-point higher (8.5%) than the current rate:

	<u>1% Decrease (6.5%)</u>	<u>Current Discount Rate (7.5%)</u>	<u>1% Increase (8.5%)</u>
Employers' net pension liability (asset)	\$122,448	\$46,670	(\$17,312)

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

CITY OF HOMINY
Hominy, Oklahoma

NOTES TO THE FINANCIAL STATEMENTS
June 30, 2017

3. OTHER INFORMATION (Continued)

C. Employee Retirement System and Plans (Continued)

Oklahoma Firefighters Pension & Retirement Plan

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

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

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

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

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

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

Contributions – The contributions requirements of the Plan are at an established rate determined by Oklahoma Statute and are not based on actuarial calculations. Employees are required to contribute 9% of their annual pay. Participating cities are required to contribute 14% of the employees' annual pay. The required contribution from the City for this plan was \$15,621, \$14,714 and \$15,260 for 2017, 2016 and 2015, respectively. The required contribution was fully contributed. At June 30, 2017 the system held no related-party investments of the City or of its related entities.

Pension Liabilities Related to Pensions – At June 30, 2017, the City's proportionate share of the net pension liability is \$515,897. The net pension liability was measured as of July 1, 2016, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of July 1, 2016. The City's proportion of the net pension liability was based on the City's contributions received by the pension plan relative to the total contributions received by pension plan for all participating employers as of June 30, 2016. Based upon this information the City's proportion was 0.042227%.

CITY OF HOMINY
Hominy, Oklahoma

NOTES TO THE FINANCIAL STATEMENTS
June 30, 2017

3. OTHER INFORMATION (Continued)

C. Employee Retirement System and Plans (Continued)

Actuarial Assumptions – The total pension liability was determined by an actuarial valuation as of July 1, 2016, using the following actuarial assumptions, applied to all prior periods included in the measurement:

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

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

The actuarial assumptions used in the July 1, 2016, valuation were based on the results of an actuarial experience study for the period July 1, 2007 to June 30, 2012.

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

Best estimates of arithmetic real rates of return for each major asset class included in the pension plan's target asset allocation as of June 30, 2016, are summarized in the following table:

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

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

Sensitivity of the Net Pension Liability to Changes in the Discount Rate – The following presents the net pension liability of the employers calculated using the discount rate of 7.5%, as well as what the Plan's net pension liability would be if it were calculated using a discount rate that is 1-percent point lower (6.5%) or 1-percentage-point higher (8.5%) than the current rate:

	1% Decrease <u>(6.5%)</u>	Current Discount Rate <u>(7.5%)</u>	1% Increase <u>(8.5%)</u>
Employers' net pension liability (asset)	\$653,078	\$515,897	\$400,876

CITY OF HOMINY
Hominy, Oklahoma

NOTES TO THE FINANCIAL STATEMENTS
June 30, 2017

3. OTHER INFORMATION (Continued)

C. Employee Retirement System and Plans (Continued)

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

Oklahoma Municipal Retirement Fund Defined Contribution Plans

Plan Description – The City contributes to the OkMRF for all eligible employees except for those covered by the Police and Firefighter Pension Systems. The plan is an agent multiple employer - defined contribution plan administered by JP Morgan Chase Bank of Oklahoma City, Oklahoma. According to state law, the authority for establishing or amending the plan's provisions rests with the city council. In a defined contribution plan, benefits depend solely on amounts contributed to the plan, investment earnings, and forfeitures of other participants' benefits that may be allocated to such participant's account. Benefits vest after 7 years of service.

Funding Policy – the required contribution rate for the 2016-17 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 \$57,635, \$61,484 and \$65,129 for 2017, 2016 and 2015, respectively.

Pension Liabilities Related to Pensions – Since this is a defined contribution plan, no liability was calculated by an actuary.

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 \$180, \$0 and \$2,898 for 2017, 2016 and 2015, respectively.

**CITY OF HOMINY
Hominy, Oklahoma**

**SUPPLEMENTAL INFORMATION
June 30, 2017**

**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, 2017
(Unaudited)**

GENERAL FUND

	Budgeted Amounts		Actual	Variance with Final Budget Over (Under)
	Original Budget	Final Budget		
Revenues:				
Charges for services	\$ 40,600	\$ 40,600	\$ 28,729	\$ (11,871)
Cigarette taxes	-	-	6,138	6,138
Interest	2,800	2,800	2,857	57
Franchise taxes	29,000	29,000	15,801	(13,199)
Fire runs and memberships	271,800	271,800	263,727	(8,073)
Intergovernmental programs	90,000	90,000	92,336	2,336
Fines and forfeits	10,000	10,000	40,508	30,508
Grant revenues	12,018	12,018	13,824	1,806
Rental receipts	4,200	4,200	4,200	-
Lot sales	12,000	12,000	19,932	7,932
Miscellaneous revenue	2,900	2,900	124,404	121,504
Sales and use taxes	205,789	205,789	542,750	336,961
Suplus property sales	-	-	-	-
Licenses and permits	350	350	476	126
Donations and other	-	-	-	-
Total revenues	<u>681,457</u>	<u>681,457</u>	<u>1,155,682</u>	<u>474,225</u>
Expenditures:				
Current:				
General government	-	-	153	(153)
Public safety	707,300	707,300	697,952	9,348
Public property	275,470	275,470	296,386	(20,916)
Highways and roads	-	-	-	-
Cultural and recreational	199,087	199,087	295,193	(96,106)
Debt service	-	-	-	-
Capital outlay	13,000	13,000	12,968	32
Total expenditures	<u>1,194,857</u>	<u>1,194,857</u>	<u>1,302,652</u>	<u>(107,795)</u>
Excess of revenue over (under) expenditures	<u>(513,400)</u>	<u>(513,400)</u>	<u>(146,970)</u>	<u>366,430</u>
Other financing sources (uses):				
Operating transfers in (out)	<u>537,900</u>	<u>537,900</u>	<u>198,136</u>	<u>(339,764)</u>
Net changes in fund balance	<u>24,500</u>	<u>24,500</u>	<u>51,166</u>	<u>26,666</u>
Fund balance at beginning of year	<u>629,211</u>	<u>629,211</u>	<u>629,211</u>	<u>-</u>
Fund balance at end of year	<u>\$ 653,711</u>	<u>\$ 653,711</u>	<u>\$ 680,377</u>	<u>\$ 26,666</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, 2017
 (Unaudited)

SPECIAL REVENUE FUNDS

	Budgeted Amounts		Actual	Variance with Final Budget Over (Under)
	Original Budget	Final Budget		
Revenues:				
Interest	\$ 6,000	\$ 6,000	\$ 5,686	\$ (314)
Intergovernment programs	31,000	31,000	30,238	(762)
Donations and other	-	-	-	-
Total revenues	<u>37,000</u>	<u>37,000</u>	<u>35,924</u>	<u>(1,076)</u>
Expenditures:				
Highways and roads	36,000	36,000	1,140	34,860
Cemetery	-	-	-	-
Cultural & recreation	1,000	1,000	-	1,000
Capital outlay	-	-	-	-
Total expenditures	<u>37,000</u>	<u>37,000</u>	<u>1,140</u>	<u>35,860</u>
Excess of revenue over (under) expenditures	-	-	34,784	34,784
Other financing sources (uses):				
Operating transfers in (out)	-	-	(40,394)	(40,394)
Net changes in fund balance	-	-	(5,610)	(5,610)
Fund balance at beginning of year	<u>1,195,457</u>	<u>1,195,457</u>	<u>1,195,457</u>	<u>-</u>
Fund balance at end of year	<u>\$ 1,195,457</u>	<u>\$ 1,195,457</u>	<u>\$ 1,189,847</u>	<u>\$ (5,610)</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, 2017
(Unaudited)
CAPITAL PROJECTS FUND**

	Budgeted Amounts		Actual	Variance with Final Budget Over (Under)
	Original Budget	Final Budget		
Revenues:				
Interest	\$ 3,000	\$ 3,000	\$ 3,113	\$ 113
Intergovernment programs	-	-	-	-
Donations and other	-	-	-	-
Miscellaneous	-	-	-	-
Total revenues	<u>3,000</u>	<u>3,000</u>	<u>3,113</u>	<u>113</u>
Expenditures:				
General government	-	-	-	-
Capital outlay	-	-	-	-
Total expenditures	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Excess of revenue over (under) expenditures	3,000	3,000	3,113	113
Other financing sources (uses):				
Operating transfers in (out)	<u>(100,000)</u>	<u>(100,000)</u>	<u>88,028</u>	<u>188,028</u>
Net changes in fund balance	(97,000)	(97,000)	91,141	188,141
Fund balance at beginning of year	<u>676,490</u>	<u>676,490</u>	<u>676,490</u>	<u>-</u>
Fund balance at end of year	<u>\$ 579,490</u>	<u>\$ 579,490</u>	<u>\$ 767,631</u>	<u>\$ 188,141</u>

**CITY OF HOMINY
Hominy, Oklahoma**

**NOTES TO SUPPLEMENTAL INFORMATION
Year Ended June 30, 2017
(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, 2017**

CITY OF HOMINY
 COMBINING BALANCE SHEET
 MODIFIED CASH BASIS
 NON-MAJOR GOVERNMENTAL FUNDS
 June 30, 2017

	Special Revenue		Debt Service	Permanent Funds	Total Non-Major Governmental Funds
	Street & Alley	Library Donations	Sinking	Cemetery Trust	
Assets:					
Cash and equivalents	\$ 99,331	\$ -	\$ -	\$ -	\$ 99,331
Investments	134,180	-	-	-	134,180
Restricted cash:					
Cash and investments	-	-	-	86,350	86,350
Total assets	\$ 233,511	\$ -	\$ -	\$ 86,350	\$ 319,861
Liabilities:					
Accounts payable	\$ -	\$ -	\$ -	\$ -	\$ -
Total liabilities	-	-	-	-	-
Fund balances:					
Restricted	233,511	-	-	86,350	319,861
Total fund balances	233,511	-	-	86,350	319,861
Total liabilities and fund balances	\$ 233,511	\$ -	\$ -	\$ 86,350	\$ 319,861

CITY OF HOMINY
 COMBINING STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES
 MODIFIED CASH BASIS
 NON-MAJOR GOVERNMENTAL FUNDS
 Year Ended June 30, 2017

	Special Revenue		Debt Service	Permanent Funds	Total Non-Major Governmental Funds
	Street & Alley	Library Donations	Sinking	Cemetery Trust	
Revenues:					
Intergovernmental programs	\$ 30,238	\$ -	\$ -	\$ -	\$ 30,238
Donations	-	-	-	-	-
Interest	883	-	-	645	1,528
Surplus property sales	-	-	-	-	-
Lot sales	-	-	-	2,841	2,841
Total revenues	\$ 31,121	\$ -	\$ -	\$ 3,486	\$ 34,607
Expenditures:					
General government	\$ -	\$ -	\$ -	\$ -	\$ -
Highways and roads	1,140	-	-	-	1,140
Cemetery	-	-	-	-	-
Cultural & recreation	-	-	-	-	-
Capital outlay	-	-	-	-	-
Total expenditures	1,140	-	-	-	1,140
Excess of revenues over (under) expenditures	29,981	-	-	3,486	33,467
Other financing uses:					
Operating transfers in (out)	-	-	-	-	-
Excess of revenues over (under) expenditures & transfers	29,981	-	-	3,486	33,467
Fund balance - beginning of year	203,530	-	-	82,864	286,394
Fund balance - end of year	\$ 233,511	\$ -	\$ -	\$ 86,350	\$ 319,861

**CITY OF HOMINY
Hominy, Oklahoma**

**SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
Year Ended June 30, 2017**

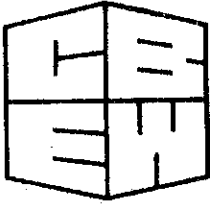
Federal Grantor/Pass-Through Grantor/Program Title	Federal CFDA Number	Program or Award Amount	Revenue Collected	Federal Expenditures
<u>U.S. Department of Transportation:</u>				
Federal Aviation Administration - Airport Improvement Program	20.106	152,628	152,628	152,628
Total		152,628	152,628	152,628
<u>Office of Library Services, Institute of Museum and Library Services, National Foundation on the Arts and the Humanities:</u>				
<u>Passed through the Oklahoma Department of Libraries:</u>				
State Library Program	45.310	10,824	10,824	10,824
Total of Expenditures of Federal Awards		\$ 163,452	\$ 163,452	\$ 163,452

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, 2017. 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 minimus indirect cost rate allowed under the Uniform Guidance.

**CITY OF HOMINY
Hominy, Oklahoma**

**REPORT REQUIRED BY *GOVERNMENT AUDITING STANDARDS*
June 30, 2017**



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

November 15, 2017

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, 2017, 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 November 15, 2017. 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. 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's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

Purpose of this Report

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

CBEW Professional Group, LLP

CBEW Professional Group, LLP
Certified Public Accountants
Cushing, Oklahoma