

FINANCIAL STATEMENTS
AND
AUDITOR'S REPORTS

THE CITY OF HUGO
JUNE 30, 2015

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dwg, inc. Certified Public Accountant and Consultant

Independent Auditor's Report

To the City Council
City of Hugo, Oklahoma

Report on the Financial Statements

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

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

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

Opinions

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, each major fund and the aggregate remaining fund information of the City of Hugo, Oklahoma, as of June 30, 2015, and the respective changes in financial position, and where applicable, and cash flows thereof for the year then ended in conformity with accounting principles generally accepted in the United States of America.

Other Matters

Required Supplementary Information

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

Other Information

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the City's basic financial statements. The combining proprietary fund statements as required by the grantor agencies and state statute are presented for purposes of additional analysis and are not a required part of the basic financial statements.

Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the basic financial statements. The information has been subjected to the auditing

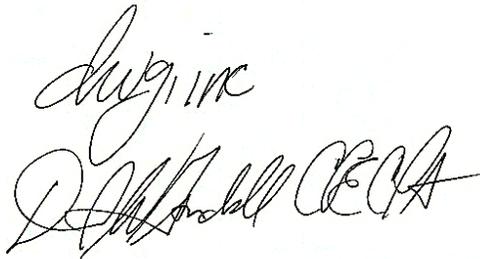
procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the information is fairly stated, in all material respects, in relation to the basic financial statements as a whole.

Transfers to other government agencies

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the City's basic financial statements. We did not audit the funds transferred to the trustee bank for the purpose of building a new school building. We did not audit the actual expenditures of these funds and do not express an opinion or offer any assurance.

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated February 29, 2016, on our consideration of the City's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, grants and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting 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.

The image shows two handwritten signatures in black ink. The top signature is 'dwg, inc' and the bottom signature is 'David W. Gandall CFE, CPA'. Both are written in a cursive, flowing style.

dwg, inc.
David W. Gandall, CFE, CPA
February 29, 2016

**City of Hugo
Statement of Net Position
As of June 30, 2015**

	Governmental Activities	Business-Type Activities	Total
ASSETS			
Current Assets			
Cash and investments	\$ 396,475	\$ 227,915	\$ 624,390
Cash and investments - restricted	677,811	2,092,898	2,770,708
Accounts receivable	-	458,611	458,611
Taxes receivable	292,695	-	292,695
Grants receivable	-	70,447	70,447
Total current assets	1,366,981	2,849,871	4,216,851
Net Pension Assets	145,817		145,817
Capital Assets			
Non-depreciable capital assets	-	58,197	58,197
Depreciable capital assets	5,217,742	23,516,893	28,734,635
Accumulated depreciation	(2,469,591)	(8,375,805)	(10,845,396)
Net capital assets	2,748,151	15,199,285	17,947,436
TOTAL ASSETS	4,260,949	18,049,156	22,310,104
DEFERRED OUTFLOWS OF RESOURCES			
Current year pension plan contributions	461,092		461,092
Bond discount	-	113,894	113,894
	461,092	113,894	574,986
LIABILITIES			
Current Liabilities			
Accounts payable	73,803	31,216	105,019
Accrued liabilities	14,375	92,411	106,786
Current portion of long-term debt	184,358	780,649	965,007
Due to (from) other funds	182,074	(182,074)	-
Total current liabilities	454,610	722,202	1,176,812
Noncurrent Liabilities			
Pension Liabilities	2,142,904		2,142,904
Meter deposits refundable	-	247,293	247,293
Long-term debt, less current portion	1,664,181	8,765,443	10,429,624
Total noncurrent liabilities	3,807,085	9,012,736	12,819,821
TOTAL LIABILITIES	4,261,695	9,734,938	13,996,633
DEFERRED INFLOWS OF RESOURCES			
Unamortized pension investment income	540,210		540,210
Bond premium	-	176,151	176,151
	540,210	176,151	716,361
NET POSITION			
Invested in capital assets, net of debt	899,612	5,653,193	6,552,805
Restricted for:			
Debt service	(221,801)	2,092,898	1,871,096
Unrestricted	(757,675)	505,870	(251,805)
TOTAL NET POSITION	\$ (79,864)	\$ 8,251,961	\$ 8,172,096

The accompanying notes are an integral part of these financial statements

City of Hugo
Statement of Activities
For the year ended June 30, 2015

Functions/Programs	Expenses	Program Revenues			Net (Expense) Revenues and Changes in Net Assets		
		Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	Governmental Activities	Business-type Activities	Total Activities
Governmental activities:							
General government	(274,647)	\$ 178,272	\$ 167,834		\$ 71,459		\$ 71,459
Streets	(508,806)				(508,806)		(508,806)
Parks & recreation	(264,371)				(264,371)		(264,371)
Police and court	(1,086,797)	127,888			(958,909)		(958,909)
Fire	(882,272)				(882,272)		(882,272)
Cemetery	(141,494)	5,518			(135,976)		(135,976)
Nutrition program	824				824		824
Garage	(25,944)				(25,944)		(25,944)
Total governmental activities	(3,183,507)	311,678	167,834		(2,703,995)		(2,703,995)
Business-type activities:							
Water	(1,561,341)	1,247,263				(314,078)	(314,078)
Sewer	(1,216,495)	339,313		191,828		(685,356)	(685,356)
Trash	(201,572)	356,050				154,478	154,478
Airport	(227,713)	182,795	58,197			13,279	13,279
Industrial Authority	(739)	13,475				12,736	12,736
Other fees and charges	(142,875)	237,571				94,696	94,696
Total business-type activities	(3,350,735)	2,376,467	58,197	191,828		(724,245)	(724,245)
Total all activities	\$ (6,534,242)	\$ 2,688,145	\$ 226,031	\$ 191,828	\$ (2,703,995)	\$ (724,245)	\$ (3,428,240)
Interest expensed in:							
General government	\$ 53,875				General revenues:		
Streets	35,500				Sales and use taxes		
Water	219,448				Franchise taxes		
Sewer	123,848				Other income (loss)		
Airport	8,217				Transfers to other entities		
Total	\$ 440,888				Total general revenues and transfers		
					Change in net position		
					Net position, beginning		
					Prior period adjustment		
					Net position, ending		
					2,648,739		
					159,373		
					143,235		
					1,730		
					(3,779,796)		
					2,951,347		
					(2,876,054)		
					75,293		
					247,352		
					(3,600,299)		
					(3,352,947)		
					1,902,370		
					11,852,260		
					13,754,630		
					(2,229,587)		
					(2,229,587)		
					\$ (79,866)		
					\$ 8,251,961		
					\$ 8,172,094		

**City of Hugo
Balance Sheet
Governmental Funds
As of June 30, 2015**

	Major Funds				Total Governmental Funds
	General	Street and Alley	Mount Olive Cemetery	Non-Major	
ASSETS					
Cash and investments	\$ 220,850	\$ 85,134	\$ 72,838	\$ 17,653	\$ 396,475
Cash and investments - restricted	229,065		393,783	54,963	677,811
Taxes receivable	292,695				292,695
TOTAL ASSETS	742,610	85,134	466,621	72,616	1,366,981
LIABILITIES					
Accounts payable	73,803				73,803
Accrued interest	8,667	5,708			14,375
Due to (from) other funds	191,247	7,387	141	(16,701)	182,074
TOTAL LIABILITIES	273,717	13,095	141	(16,701)	270,252
FUND BALANCES					
Unreserved	468,891	72,039	466,480	89,317	1,096,727
TOTAL LIABILITIES AND FUND BALANCES	\$ 742,608	\$ 85,134	\$ 466,621	\$ 72,616	\$ 1,366,979

Reconciliation of general fund balance to the statement of net position of governmental activities:

Fund balance	\$ 1,096,727
Capital assets	5,217,742
Accumulated depreciation	(2,469,591)
Debt	(1,848,539)
Net pension liability	(1,997,087)
Deferred outflows and inflows of resources related to pensions are applicable to future periods and therefore, are not reported in the funds	
Deferred outflows of resources related to pensions	461,092
Deferred inflows of resources related to pensions	(540,210)
Net position of governmental activities	\$ (79,866)

City of Hugo
Statement of Revenues, Expenditures and Changes in Fund Balances
Governmental Funds
For the Year ended June 30, 2015

	Major Funds				Total Governmental Funds
	General	Street and Alley	Mount Olive Cemetery	Non-Major	
REVENUES					
Taxes	\$ 2,284,550	\$ 501,032	\$ -	\$ 22,530	\$ 2,808,112
Licenses & permits	40,482		387		40,869
Fines & forfeitures	87,940		-	39,948	127,888
Sales and services	137,790		5,131		142,921
Federal and state grants	167,820	-		14	167,834
Other revenues	132,837	3,739	265	809	137,650
Interest	559	90	4,912	24	5,585
Capital financing	-				-
TOTAL REVENUES	2,851,978	504,861	10,695	63,325	3,430,859
EXPENDITURES					
General government	439,291				439,291
Streets		397,621			397,621
Parks & recreation	215,378				215,378
Police and court	1,134,305			17,374	1,151,679
Fire	726,385			11,986	738,371
Cemetery	131,319		2,554		133,873
Nutrition program	(824)				(824)
Garage	25,944				25,944
Debt service	112,224	63,756		6,671	182,651
Interest expense	53,875	35,500			89,375
Capital outlay	40,647	6,675	5,735	36,374	89,431
Other expense		5,118		2,079	7,197
TOTAL EXPENDITURES	2,878,544	508,670	8,289	74,484	3,469,987
REVENUES OVER (UNDER) EXPENDITURES	(26,566)	(3,809)	2,406	(11,159)	(39,128)
OTHER FINANCING SOURCES (USES)					
Transfers-in (out)	-	-	-	-	-
TOTAL OTHER FINANCING SOURCES (USES)	-	-	-	-	-
NET CHANGE IN FUND BALANCE	(26,566)	(3,809)	2,406	(11,159)	(39,128)
FUND BALANCE, BEGINNING	495,457	75,848	464,074	43,398	1,078,777
Prior period adjustment				57,078	57,078
FUND BALANCE, ENDING	\$ 468,891	\$ 72,039	\$ 466,480	\$ 89,317	\$ 1,096,727

Reconciliation of the net change in fund balance to the change in net assets of governmental activities:

Net change in fund balance	\$ (39,128)
Principal payments	182,651
Capital asset purchases capitalized	89,431
Funds borrowed, recorded as revenue in the fund financial statements but recorded as long term liability in the government wide financial statements	
Depreciation expense	(196,062)
Governmental funds report pension contributions as expenditures. However in the Statement of Activities, the cost of pension benefits earned net of employee contributions is reported as pension expense	
Employer and state (on behalf) pension contributions	210,460
Change in net position of governmental activities	\$ 247,352

**City of Hugo
Statement of Fund Net Position
Proprietary Funds
As of June 30, 2015**

ASSETS	
Current Assets	
Unrestricted cash and cash equivalents	\$ 227,915
Utility billing receivables	555,270
Allowance for doubtful accounts	(96,659)
Grants receivable	70,447
Restricted assets:	
Cash and cash equivalents	<u>2,092,898</u>
Total current assets	2,849,871
Noncurrent Assets	
Construction in progress	58,197
Depreciable capital assets	23,516,893
Accumulated depreciation	(8,375,805)
Net capital assets	<u>15,199,285</u>
TOTAL ASSETS	<u>18,049,156</u>
 DEFERRED OUTFLOWS OF NET POSITION	
Bond discount	<u>113,894</u>
 LIABILITIES	
Current Liabilities	
Accrued interest	92,411
Accounts payable	15,000
Compensated Absences	16,216
Due to (from) other funds	(182,074)
Current portion of long-term debt	<u>780,649</u>
Total current liabilities	722,202
Noncurrent liabilities	
Meter deposits refundable	247,293
Long-term debt, less current portion	<u>8,765,443</u>
Total noncurrent liabilities	<u>9,012,736</u>
TOTAL LIABILITIES	<u>9,734,938</u>
 DEFERRED INFLOWS OF NET POSITION	
Bond premium	<u>176,151</u>
 NET POSITION	
Invested in capital assets, net of debt	5,653,193
Restricted for:	
Debt service	2,092,898
Unrestricted	<u>505,870</u>
TOTAL NET POSITION	<u><u>\$ 8,251,961</u></u>

City of Hugo
Statement of Revenues, Expenses and Changes in Fund Net Position
Proprietary Funds
For the Year ended June 30, 2015

OPERATING REVENUES	
Water revenue	\$ 1,247,263
Sewer revenue	339,313
Trash revenue	356,050
Industrial Authority revenue	13,475
Airport revenue	182,795
Sales tax revenue	902,012
Grant revenue	250,025
Interest revenue	1,730
Other fees and charges	97,107
Capital improvement charges	140,464
TOTAL OPERATING REVENUES	<u>3,530,234</u>
OPERATING EXPENSES	
Water	979,732
Sewer	730,486
Trash	201,573
Airport	178,527
Industrial Authority	739
Interest expense	351,513
Other expense	142,875
TOTAL OPERATING EXPENSES	<u>2,585,445</u>
OPERATING INCOME (LOSS)	944,789
OTHER INCOME (EXPENSE)	
Depreciation expense	<u>(765,293)</u>
TOTAL OTHER INCOME (EXPENSE)	<u>(765,293)</u>
INCOME BEFORE TRANSFERS	179,497
TRANSFERS (OUT)	<u>(3,779,796)</u>
CHANGE IN NET POSITION	<u>(3,600,299)</u>
NET POSITION, BEGINNING	<u>11,852,260</u>
NET POSITION, ENDING	<u><u>\$ 8,251,961</u></u>

City of Hugo
Statement of Cash Flows
Proprietary Funds
For the year ended June 30, 2015

Cash flows from operations:	
Customers	\$ 2,136,024
Tax collections	902,012
Grants	179,578
Other fees and charges	237,571
Interest	1,730
Cash payments for:	
Salaries	(1,151,681)
Goods and services	(1,251,586)
Interest paid on long-term debt	(346,675)
Net cash provided from operations	<u>706,974</u>
Cash flows from capital financing activities:	
Capital expenditures	(546,507)
Long-term debt payments	(514,416)
Net cash from capital financing activities	<u>(1,060,923)</u>
Cash flows from investing activities:	
Net transfers to restricted cash	9,079
Net increase (decrease) in cash	(344,871)
Beginning cash	572,786
Ending cash	<u>\$ 227,915</u>
Reconciliation of income from operations	
to net cash from operations:	
Operating income (loss)	\$ 179,496
Adjustments to income from operations:	
Net amortization of bond discount and premium	(2,008)
Depreciation	765,293
Change in assets and liabilities:	
(Increase) decrease in receivables, net	(102,349)
(Increase) decrease in due from other funds	(182,074)
Increase (decrease) in payables	12,739
Increase (decrease) in accrued interest	6,846
Increase (decrease) in refundable deposits	29,030
Net cash provided by operations	<u>\$ 706,974</u>
Restricted cash in certificates of deposit	
	\$ 100,000
Restricted cash in trust accounts	1,992,898
Total restricted non-current cash	<u>2,092,898</u>
Operating Cash	227,915
Total cash and cash equivalents	<u>\$ 2,320,813</u>

The accompanying notes are an integral part of these financial statements

The City of Hugo
Notes to the Financial Statements
As of and for the Year Ended June 30, 2015

1. Summary of Significant Accounting Policies

Financial Reporting Entity

The City of Hugo, Oklahoma is a statutory town Government under Oklahoma Statutes. The City provides the following services: public safety, municipal court, parks and recreation, cemetery, nutrition program, street and alley, sanitation department, and water and sewer construction.

The criteria used to determine which accounting entities, agencies, commissions, boards and authorities are part of the City's operations include how the budget is adopted, whether debt is secured by general obligation of the City, the City's duty to cover any deficits that may occur, and supervision over the accounting functions. Any separate accounting entities would be considered component units. There are no agencies, organizations or activities meeting any of the above criteria that are excluded from the City's reporting entity. As of June 30, 2014, the City had three component units: Hugo Municipal Authority, Hugo Airport Authority and Industrial Trust Authority.

Basis of Presentation-Fund Accounting

The accounting system is organized and operated on a fund basis. A fund is defined as a fiscal and accounting entity with a self-balancing set of accounts, which are segregated for the purpose of carrying on specific activities or attaining certain objectives in accordance with special regulations, restrictions or limitations.

The City's funds are grouped into four governmental fund types: general, street and alley, cemetery, and special revenue funds. Proprietary funds include enterprise funds and Industrial Trust Authority. As of June 30, 2015, the City had governmental funds of general, street and alley, cemetery, general fixed assets, police, and fire funds. The proprietary funds consisted of the Hugo Municipal Authority, Hugo Airport Authority and Industrial Trust Authority.

Basis of Accounting

GOVERNMENT-WIDE FINANCIAL STATEMENTS

The statement of net position and the statement of activities display information about the City, the primary government, as a whole. These statements distinguish between activities that are governmental and those that are considered business-type activities.

The government-wide statements are prepared using the economic resources measurement focus and the accrual basis of accounting. This is the same approach used in the preparation of the proprietary fund financial statements but differs from the manner in which governmental fund financial statements are prepared. Therefore, governmental fund financial statements include reconciliation with brief explanations to better identify the relationship between the government-wide statements and the statements for governmental funds.

The government-wide statement of activities presents a comparison between expenses, both direct and indirect, and program revenues for each segment of the business-type activities of the City and for each governmental program. Direct expenses are those that are specifically associated with a service, program or department and are, therefore, clearly identifiable to a particular function. Indirect expenses for centralized services and administrative overhead are allocated among programs, functions and segments using a full cost allocation approach and presented separately to enhance comparability of direct expenses between governments that allocate direct expenses and those that do not. Program revenues include charges paid by the recipients of the goods or services offered by the programs and grants and contributions that are restricted to meeting the operational or capital requirements of a particular program. Revenues which are not classified as program revenues are presented as general revenues. The comparison of program revenues and expenses identifies the extent to which each program or business segment is self-financing or draws from the general revenues of the City.

FUND FINANCIAL STATEMENTS

Fund financial statements report detailed information about the City. The focus of governmental and enterprise fund financial statements is on major funds rather than reporting funds by type. Each major

The City of Hugo
Notes to the Financial Statements
As of and for the Year Ended June 30, 2015

fund is presented in a separate column. Non-major funds are aggregated and presented in a single column.

GOVERNMENTAL FUNDS

All governmental funds are accounted for using modified accrual basis of accounting and the current financial resources measurement focus. Under this basis revenues are recognized in the accounting period in which they become measurable and available. Expenditures are recognized in the accounting period in which the fund liability is incurred, if measurable.

Revenue Recognition

In applying the susceptible to accrual concept under the modified accrual basis, the following revenue sources are deemed both measurable and available (i.e., collectible within the current year or within one month of year-end and available to pay obligations of the current period). This includes investment earnings, income taxes withheld by employers, estate taxes, fines and forfeitures and state-levied locally shared taxes (including motor vehicle fees). Reimbursement due for federally funded projects is accrued as revenue at the time the expenditures are made, or when received in advance, deferred until expenditures are made.

Other revenues, including licenses and permits, certain charges for services and miscellaneous income are recorded as revenue when received in cash because they are generally not measurable until actually received.

Expenditure Recognition

The measurement focus of governmental fund accounting is on decrease in net financial resources (expenditures) rather than expenses. Most expenditures are measurable and are recorded when the related fund liability is incurred. However, principal and interest on general long-term debt, which has not matured, are recognized when paid. Allocations of costs, such as depreciation and amortization, are not recognized in the governmental funds.

PROPRIETARY FUNDS

All proprietary funds are accounted for using the accrual basis of accounting. These funds account for operations that are primarily financed by user charges. The economic resource focus concerns determining costs as a means of maintaining the capital investment and management control. Their revenues are recognized when they are earned and their expenses are recognized when they are incurred. Allocation of costs, such as depreciation, is recorded in proprietary funds. The proprietary funds use standards issued by the Financial Accounting Standard Board whenever possible, if no FASB pronouncement is applicable then Government Accounting Standards Board pronouncements are used.

Cash and Cash Equivalents

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 short-term investments with original maturities of three months or less for the date of acquisition. Cash and cash equivalents restricted for debt service, meter deposits and other long term purposes are excluded from this definition.

Encumbrances

Encumbrance accounting, under which purchase orders, contracts and other commitments for the expenditures of funds are recorded in order to reserve that portion of the applicable appropriation, is employed in the governmental funds. Encumbrances are not recognized as the equivalent of expenditures; therefore, the reserve for encumbrances is reported as part of the fund balance on the balance sheet. However, it should be noted that the City did not recognize any outstanding reserves as of June 30, 2014.

Budget

In accordance with Oklahoma Statutes, Title 68, Section 2483, the City Council formally adopts annual budgets which include substantially all funds. These annual budgets are adopted on a basis consistent with the guidelines established by the Oklahoma Municipal Code.

The City of Hugo
Notes to the Financial Statements
As of and for the Year Ended June 30, 2015

Risk Management

Significant losses are covered by commercial insurance for all City operations.

Estimates

The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect certain reported amounts and disclosures. Accordingly, actual results could differ from those estimates.

Receivables and Credit Policies

Accounts receivable consist of amounts due for water and sewer usage. Management determines the allowance for uncollectible amounts based on historic experience, an assessment of economic conditions, and a review of subsequent collections. Accounts receivable are written off when deemed uncollectible.

Property, Plant and Equipment

Fixed assets used in governmental fund type operations are accounted for in the General Fixed Assets Account Group. Public domain (infrastructure) general fixed assets consisting of certain improvements other than buildings, such as roads, sidewalks, and bridges are not capitalized. Property, plant, and equipment acquired or constructed for general governmental operations are recorded as expenditures in the fund making the expenditure, and capitalized at cost in the General Fixed Assets Account Group. However, as previously reported, detail fixed asset records have not been maintained. The amount reported for property and equipment represents acquisitions only. Disposals have not been recorded.

Property, plant and equipment acquired for proprietary funds are capitalized at cost and depreciated over their estimated useful lives using the straight-line method of depreciation. However, as previously reported, detail fixed asset records have not been maintained. The amount reported for property and equipment represents acquisitions only. Disposals have not been recorded. Estimated useful lives have been estimated as follows:

Buildings	25 - 50 years
Machinery & equipment	3 - 20 years

Accounts Payable

The City is responsible for outstanding obligations to vendors and others for operating materials, services or other charges.

Long-term Debt

Long-term debt to be repaid from governmental funds is recorded in the general long-term debt account group. Long-term debt to be repaid from proprietary funds is recorded in the fund. The current portion of long-term debt to be repaid within one year is recorded in the fund.

Deferred Outflows/Inflows of Resources

In addition to assets, the statement of financial position will sometimes report a separate section for deferred outflows of resources. This separate financial statement element, deferred outflows of resources, represents a consumption of net position that applies to future periods and will not be recognized as an outflow of resources (expense/expenditure) until then. The City has two items that qualifies for reporting in this category. It is the original issue discount on the debt refinancing reported in the government-wide statement of net position. The amount is deferred and amortized over the life of the refinanced debt. The other item is current year pension contribution which will be amortized over the next five years against the actual pension cost.

In addition to liabilities, the statement of financial position will sometimes report a separate section for deferred inflows of resources. This separate financial statement element, deferred inflows of resources, represents an acquisition of net position that applies to future periods and so will not be recognized as an inflow of resources (revenue) until that time. The City has only two types of items that qualifies for reporting in this category. It is the premium on debt refinancing reported in the government-wide statement of net position. The amount is deferred and amortized over the life of the refinanced debt. The other item is the investment earning in the pension funds which will be amortized over the next five years.

The City of Hugo
Notes to the Financial Statements
As of and for the Year Ended June 30, 2015

2. Cash and Investments

Deposits and investments made by the City are summarized below. The deposits are classified as to credit risk within the following three categories:

- Category 1 Insured or collateralized, with securities held by the City or its agent in the City's name.
- Category 2 Collateralized with securities held by the pledging financial institution's trust department or agent in the City's name.
- Category 3 Uncollateralized (this includes any bank balance that is collateralized with securities held by the pledging financial institution or by its trust department or agent, but not in the City's name).

For the year ending June 30, 2014, the City and its component units had category one deposits up to the FDIC insurance limits. The remaining account balances for the City and its component units were category three. The City's financial institution had pledged \$1,700,000 of securities for the City's accounts. These securities were held in the financial institution's name with a third party correspondent.

3. Property, Plant and Equipment

Governmental Funds

As of June 30, 2015, the governmental funds had no capitalized assets that were not being depreciated or had not been depreciated. Depreciation is computed using the straight line method of depreciation over the estimated useful lives of the assets. Assets are recorded at cost or their estimated fair market value for those assets where recorded amounts were not available. Depreciation of \$196,062 for the governmental funds was recorded for the following: Fire Department \$29,682; Police Department \$29,566; Street and Alley \$70,567; Mt. Olivet Cemetery \$7,621; Parks \$52,364; and City Hall \$6,262.

	Balance June 30, 2014	Additions	Deletions	Balance June 30, 2015
Land	\$ 4,000			\$ 4,000
City Hall	561,550			561,550
Fire Department	713,133	16,724		729,857
Police Department	346,278	19,650		365,928
Street Department	2,306,691	6,675		2,313,366
Mt. Olive Cemetery	129,752	5,735		135,487
Park and Recreation	1,066,907	40,647		1,107,554
Total	5,128,311	89,431	0	5,217,742
Accumulated Depreciation	(2,273,529)	(196,062)		(2,469,591)
Net Fixed Assets	\$ 2,854,782	\$ (196,062)		\$ 2,748,151

Proprietary Funds

As of June 30, 2015, the proprietary funds had \$58,197 in capitalized assets for construction in progress that were not being depreciated. Depreciation is computed using the straight line method of depreciation over the estimated useful lives of the assets. Assets are recorded at cost or their estimated fair market value for those assets where recorded amounts were not available. Depreciation of \$765,293 for the proprietary funds was recorded for the following: Industrial Authority \$8,972; Water Department \$362,162; Sewer Department \$362,162; and Airport \$31,997.

The City of Hugo
Notes to the Financial Statements
As of and for the Year Ended June 30, 2015

	Balance June 30, 2014	Additions	Deletions	Balance June 30, 2015
Construction in progress	\$ 34,446	58,197	(34,446)	\$ 58,197
Municipal Authority	7,353			7,353
Sewer & Water	10,532,614	488,310		11,020,924
Water Storage	10,248,848			10,248,848
Water Plant	839,068			839,068
Industrial Authority	256,500			256,500
Airport Authority	1,144,200			1,144,200
Total	23,063,029	546,507	(34,446)	23,575,090
Accumulated Depreciation	(7,610,512)	(765,293)		(8,375,805)
Net Fixed Assets	\$ 15,452,517	\$ (765,293)		\$ 15,199,285

4. Long-term Debt

The following is a summary of the City's long-term debt transactions for the year ended June 30, 2015:

Cash reserves are required for the bonds and certain notes. For the year just ended, the City complied with these requirements. The debt summary also includes the contingent obligation due to the US Army Corp of Engineers, see footnote 8. The summary of debt service requirements to maturity by year is as follows:

Governmental Funds:

The City of Hugo had the following governmental long-term debt obligations outstanding as of June 30, 2015:

	Capital Leases	Notes Payable	Revenue Notes	Total
Debt outstanding, beginning of year	\$ 25,311	\$ 130,879	\$ 1,875,000	\$ 2,031,190
Retirements and repayments	10,427	22,224	150,000	182,651
Debt outstanding, end of year	\$ 14,884	\$ 108,655	\$ 1,725,000	\$ 1,848,539

Total interest expense on governmental debt during the year ended June 30, 2015 totaled \$89,375.

Revenue Notes Payable

Security First National Note – Parks – General Fund:

The City issued \$1,505,000 in revenue notes in May 2009. The notes are to be paid with sales tax proceeds with the monthly remittances to be deposited in a trustee bank. The trustee bank makes two payments per year, May and November. The notes carry a 5% interest rate. Debt service is as follows:

Balance 6/30/14	Additions	Principal Payments	Balance 6/30/2015
\$ 1,130,000	-	90,000	\$ 1,040,000

The City of Hugo
Notes to the Financial Statements
As of and for the Year Ended June 30, 2015

Future Debt Service:

	<u>Interest</u>	<u>Principal</u>	<u>Balance</u>
2016	\$ 50,875	\$ 95,000	\$ 945,000
2017	46,000	100,000	845,000
2018	41,000	105,000	740,000
2019	35,325	110,000	630,000
2020	30,000	120,000	510,000
2021-2024	58,125	510,000	-

BancFirst Note – Streets – General Fund:

The City issued an additional \$1,000,000 in revenue notes in May 2009. The notes are to be paid with sales tax proceeds. The trustee bank makes two payments per year, May and November. The notes carry a 5% interest rate. Debt service is as follows:

Balance		Principal	Balance
6/30/14	Additions	Payments	6/30/2015
\$ 745,000	-	60,000	\$ 685,000

Future Debt Service:

	<u>Interest</u>	<u>Principal</u>	<u>Balance</u>
2016	\$ 33,500	\$ 60,000	\$ 625,000
2017	30,500	65,000	560,000
2018	27,125	70,000	490,000
2019	23,625	70,000	420,000
2020	20,125	70,000	350,000
2021-2024	40,875	350,000	-

Choctaw Electric Note – Rodeo Arena – General Fund

In fiscal year 2011, the City entered into a no interest loan agreement with the Choctaw Electric Cooperative. This agreement was approved by the Rural Business and Cooperative Development Service of the United States Department of Agriculture. The proceeds were used to renovate the rodeo arena and agri-plex. A summary of the year's debt activity and future debt service is listed below:

Balance		Principal	Balance
6/30/14	Additions	Payments	6/30/2015
\$ 130,879	-	22,224	\$ 108,655

The City of Hugo
Notes to the Financial Statements
As of and for the Year Ended June 30, 2015

Future Debt Service:

	<u>Interest</u>	<u>Principal</u>	<u>Balance</u>
2016	\$ -	\$ 22,224	\$ 86,431
2017	-	22,224	64,207
2018	-	22,224	41,983
2019	-	22,224	19,759
2020	-	19,759	-
		108,655	
		108,655	

Capital Leases

During 2012, the City entered into a capital lease with financing from a local bank for a Drug Abuse Resistance Education (D.A.R.E.) car. A summary of the lease activity is as follows:

Balance 6/30/14	Additions	Principal Payments	Balance 6/30/2015
\$ 5,547	\$ -	\$ 3,090	\$ 2,457

Future Debt Service:

	<u>Interest</u>	<u>Principal</u>	<u>Balance</u>
2016	\$ 31	\$ 2,457	-

During 2013, the City entered into a capital lease to purchase a city vehicle. A summary of the lease activity is as follows:

Balance 6/30/14	Additions	Principal Payments	Balance 6/30/2015
\$ 16,008	-	3,581	\$ 12,427

Future Debt Service:

	<u>Interest</u>	<u>Principal</u>	<u>Balance</u>
2016	\$ 740	\$ 4,677	\$ 7,750
2017	249	7,750	-

Proprietary Funds:

The Hugo Municipal Authority (HMA) had the following long-term debt obligations outstanding as of June 30, 2015:

Debt outstanding, beginning of year	\$ 10,060,509
Retirements and repayments	514,417
Debt outstanding, end of year	\$ 9,546,092

Total interest expense on proprietary debt during the year ended June 30, 2015 totaled \$351,513.

The City of Hugo
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Army Corp of Engineers Note Payable

The Army Corp of Engineers note payable carries an interest rate of 3.225% with annual payments of \$5,032. The collateral for this obligation is the water supply of the system. A summary of the year's activity and principal and interest required to repay this obligation are as follows:

Balance		Principal	Balance
6/30/2014	Additions	Payments	6/30/2015
\$ 38,747	-	3,783	\$ 34,964

Future Debt Service:

	<u>Interest</u>	<u>Principal</u>	<u>Balance</u>
2016	\$ 1,128	\$ 3,904	\$ 31,060
2017	1,002	4,030	27,030
2018	872	4,160	22,870
2019	737	4,295	18,575
2020	599	4,433	14,142
2021-2022	765	14,142	-

Rural Development Notes Payable

During the year ended June 30, 2013, the City refinanced Rural Development notes payable totaling \$6,522,791 that carried interest rates of 4.25% to 4.5. The notes were refinanced with Oklahoma Water Resources Board State Loan Revenue Bonds, Series 2012B with a par value of \$6,930,000. This refinancing was done for the purpose of reducing the interest costs on the debt and to achieve an economic savings. The collateral of the refinanced debt is the revenue of the system, sales taxes, and the reserve fund of \$457,344 established during the refinancing. Over the life of the bonds, the refinancing will result in a debt service cash flow savings to the City of \$ 1,580,626, a gross debt service present value savings of \$123,141, and a net economic present value benefit of \$363,452 after considering the use of existing debt service funds. The principal balance of the 2012B bonds is \$6,930,000 less original issue discount of \$122,467, plus premium of \$189,410. The City contributed \$70,000 to obtain the refinancing and incurred legal expenses and other bond costs of \$84,056 during 2013. Interest of \$3,619,887 is payable semi-annually September 15 and March 15 and commenced on September 15, 2012 with interest rates that vary from .650% to 4.025%. Discount amortization expense of \$3,674 and premium amortization of \$5,682 were recorded in 2015.

The principal and interest on the bonds is payable from system and sale tax revenue.

The following is the summary of debt activity and a schedule of the future minimum principal and interest payments:

Balance		Principal	Balance
6/30/14	Additions	Payments	6/30/2015
\$ 6,665,000	-	210,000	\$ 6,455,000

The City of Hugo
Notes to the Financial Statements
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Future Debt Service:

	<u>Interest</u>	<u>Principal</u>	<u>Balance</u>
2016	\$236,584	\$ 215,000	\$ 6,240,000
2017	231,364	220,000	6,020,000
2018	226,024	225,000	5,795,000
2019	219,414	230,000	5,565,000
2020	211,424	240,000	5,325,000
2021-2025	898,269	1,350,000	3,975,000
2026-2030	629,189	1,610,000	2,365,000
2031-2035	288,192	1,930,000	435,000
2036	8,754	435,000	-

Revenue Notes Payable

The Hugo Municipal Authority issued an additional \$1,040,000 in revenue notes during 2011. The notes are to be paid with the sales tax revenues allocated to the Municipal Authority with the remittances to be deposited with a trustee bank. The trustee bank makes two payments per year. The note carries a 5% interest rate and the debt service is as follows:

Debt service for the year ended June 30, 2015 is listed below:

Balance		Principal	Balance
6/30/14	Additions	Payments	6/30/2015
\$ 835,000	-	60,000	\$ 775,000

Future Debt Service:

	<u>Interest</u>	<u>Principal</u>	<u>Balance</u>
2016	\$ 38,000	\$ 60,000	\$ 715,000
2017	35,000	65,000	650,000
2018	31,625	70,000	580,000
2019	28,125	70,000	510,000
2020	24,625	75,000	435,000
2021-2025	61,750	435,000	-

The citizens of Hugo voted to allocate a portion of the sales tax to build a new high school. The funds have been saved in a local bank. Those funds, in addition to a contribution by the local school district, were deposited with a trustee bank. The trustee bank then loaned the high school project \$2,255,000 at 2.24% interest. The payments are made semi-annually in April and October by the trustee bank to the investors. The monthly sales tax collections are deposited with the trustee bank.

Debt service for the year ended June 30, 2015 is listed below:

Balance		Principal	Balance
6/30/14	Additions	Payments	6/30/2015
\$ 2,150,000	-	240,000	\$ 1,910,000

The City of Hugo
Notes to the Financial Statements
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Future Debt Service:

	<u>Interest</u>	<u>Principal</u>	<u>Balance</u>
2016	41,384	250,000	1,660,000
2017	18,592	125,000	1,535,000
2018	-	-	1,535,000
2019	85,668	260,000	1,275,000
2020	27,104	265,000	1,010,000
2021-2024	46,424	1,010,000	-

Anticipation Note Payable

The city entered into a short-term loan agreement with a local bank in anticipation of grant funds to upgrade the city's wastewater treatment facility.

The debt service is as listed below:

Balance		Principal	Balance
6/30/14	Additions	Payments	6/30/2015
\$ 240,150	-	-	\$ 240,150

Future Debt Service:

	<u>Interest</u>	<u>Principal</u>	<u>Balance</u>
2016	11,287	240,150	-

Airport Mortgage Note Payable

The Hugo Municipal Authority entered into a commercial mortgage agreement in the amount of \$189,000 at 6% interest with First United Bank and Trust Company during 2009. The term of the loan is 15 years with monthly payments of \$1,595. The loan assigns revenue and the property at the airport as collateral for the mortgage.

Debt service for the year ended June 30, 2015 is as follows:

Balance		Principal	Balance
6/30/14	Additions	Payments	6/30/2015
\$ 131,612	-	634	\$ 130,978

Future Debt Service:

	<u>Interest</u>	<u>Principal</u>	<u>Balance</u>
2016	7,543	11,595	119,383
2017	6,828	12,311	107,072
2018	6,069	13,070	94,002
2019	5,263	13,876	80,125
2020	4,407	14,732	65,393
2021-2024	7,971	65,394	-

**The City of Hugo
Notes to the Financial Statements
As of and for the Year Ended June 30, 2015**

5. Defined Benefit Pension Plans

The city participates in three employee pension systems as follows:

<u>Name of Plan/System</u>	<u>Type of Plan</u>
Oklahoma Police Pension and Retirement Fund	Cost Sharing Multiple Employer - Defined Benefit Plan
Oklahoma Firefighters Pension and Retirement Fund	Cost Sharing Multiple Employer - Defined Benefit Plan
Oklahoma Public Employees Retirement Plan	Cost Sharing Multiple Employer –Defined Benefit Plan

Oklahoma Police Pension and Retirement System

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

Monthly retirement benefits are calculated at 2.5% of the final average salary (defined as the average paid base salary of the officer over the highest 30 consecutive months of the last 60 months of credited service) multiplied by the years of credited service, with a maximum of 30 years of credited service considered.

Monthly benefits for participants due to permanent disability incurred in the line of duty are 2.5% of the participants' final average salary multiplied by 20 years. This disability benefit is reduced by stated percentages for partial disability based on the percentage of impairment. After 10 years of credited service, participants who retire due to disability incurred from any cause are eligible for a monthly benefit based on 2.5% of their final average salary multiplied by the years of service. This disability benefit is also reduced by stated percentages for partial disability based on the percentage of impairment. Effective July 1, 1998, once a disability benefit is granted to a participant, that participant is no longer allowed to apply for an increase in the dollar amount of the benefit at a subsequent date.

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

Contributions - The contributions requirements of the Plan are at an established rate determine by Oklahoma Statute and are not based on actuarial calculations. Employees are required to contribute 8% percent of their annual pay. Participating cities are required to contribute 13% of the employees' annual pay. Contributions to the pension plan from the City were \$59,703. The State of Oklahoma also made on-behalf contributions to OPPRS in the amount of \$51,422 this is reported as both a revenue and an expenditure in the General Fund Statement of Revenues, Expenditures, and Changes in Fund Balance. In the government-wide Statement of Activities, revenue is recognized for the state's on-behalf contributions on an accrual basis of \$135,683.

Pension Assets, Pension Expense, and Deferred Outflows of Resources and Deferred Inflows of Resources Related to Pensions At June 30, 2015, the City reported an asset of \$55,274 for its proportionate share of the net pension asset. The net pension asset was measured as of June 30, 2014, and the total pension asset used to calculate the net pension asset was determined by an actuarial valuation as of July 1, 2014. The City's proportion of the net pension asset was based on the City's

The City of Hugo
Notes to the Financial Statements
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contributions received by the pension plan relative to the total contributions received by pension plan for all participating employers as of June 30, 2014. Based upon this information, the City's proportion was .0016420 percent.

For the year ended June 30, 2015, the City recognized pension expense of \$20,260. At June 30, 2015, the City reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Difference between expected and actual	\$ -	\$ 24,833.00
Net difference between projected and actual earnings on pension plan investments	-	194,280
City contributions subsequent to the measurement date	56,517	-
Total	\$ 56,517	\$ 219,113

The \$56,517 reported as deferred outflows of resources related to pensions resulting from City contributions subsequent to the measurement date will be recognized as a reduction of the net pension liability in the year ended June 30, 2016. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pensions will be recognized in pension expense as follows:

For Year Ended June 30:	
2016	\$ (43,116)
2017	(43,116)
2018	(43,116)
2019	(43,116)
2020	(43,116)
Thereafter	(3,533)
	<u>\$ (219,113)</u>

Actuarial Assumptions - The total pension liability was determined by an actuarial valuation as of July 1, 2014, using the following actuarial assumptions, applied to all prior periods included in the measurement:

Inflation:	3%
Salary increases:	4.5% to 17% 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.

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Notes to the Financial Statements
As of and for the Year Ended June 30, 2015**

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, 2014, valuation were based on the results of an actuarial experience study for the period July 1, 2007, to June 30, 2012.

The long-term expected rate of return on pension plan investments was determined using a building block method in which best-estimate ranges of expected future real rates of return (expected returns, net of pension plan investment expense, and inflation) are developed for each major asset class. These ranges are combined to produce the long-term expected rate of return by weighting the expected future real rates of return by the target asset allocation percentage and by adding expected inflation. Best estimates of arithmetic real rates of return for each major asset class included in the pension plan's target asset allocation as of June 30, 2014, are summarized in the following table:

<u>Asset Class</u>	<u>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%
Commodities	3.08%

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

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

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

	1% Decrease 6.50%	Current Discount Rate 7.5%	1% Increase 8.50%
Employers' net pension liability	\$ 328,872	\$ (55,274)	\$ (379,024)

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.

**The City of Hugo
Notes to the Financial Statements
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Payables to the pension plan - The City did not have any payables to OPPRS at June 30, 2015.

Oklahoma Firefighters Pension and Retirement Fund

Plan Description - The City of Hugo, 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 complete 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 of 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 complete 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 of 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 year 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-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-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 determine by Oklahoma Statute and are not based on actuarial calculations. Employees are required to contribute 9% percent of their annual pay. Participating cities are required to contribute 14% of the employees' annual pay. Contributions to the pension plan from the City were \$70,449. The State of Oklahoma also made on-behalf contributions to FPRS in the amount of \$155,511 this is reported as both a revenue and an expenditure in the General Fund Statement of Revenues, Expenditures, and Changes in Fund Balance. In the government-wide Statement of Activities, revenue is recognized for the state's on-behalf contributions on an accrual basis of \$155,511. These on-behalf payments did not meet the criteria of a special funding situation.

Pension Liabilities, Pension Expense, and Deferred Outflows of Resources and Deferred Inflows of Resources Related to Pensions - At June 30, 2015, the City reported a liability of \$2,010,476 for its proportionate share of the net pension liability. The net pension liability was measured as of June 30, 2014, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of July 1, 2014. The City's proportion of the net pension liability was based on the City's contributions received by the pension plan relative to the total contributions received by pension plan for all participating employers as of June 30, 2014. Based upon this information, the City's proportion was .1955% percent.

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For the year ended June 30, 2015, the City recognized pension expense of \$180,562. At June 30, 2015, the City reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Difference between expected and actual	\$ 47,901.00	\$ -
Changes in assumptions	-	-
Net difference between projected and actual earnings on pension plan investments	-	304,323
City contributions subsequent to the measurement date	70,449	-
Total	\$ 118,350	\$ 304,323

The \$70,449 reported as deferred outflows of resources related to pensions resulting from City contributions subsequent to the measurement date will be recognized as a reduction of the net pension liability in the year ended June 30, 2016. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pensions will be recognized in pension expense as follows:

For Year Ended June 30:	
2016	\$ (53,345)
2017	(53,345)
2018	(53,345)
2019	(53,343)
2020	(53,343)
Thereafter	10,301
	<u>\$ (256,420)</u>

Actuarial Assumptions -The total pension liability was determined by an actuarial valuation as of July 1, 2014, using the following actuarial assumptions, applied to all prior periods included in the measurement:

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

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

The actuarial assumptions used in the July 1, 2014, valuation were based on the results of an actuarial experience study for the period July 1, 2007, to June 30, 2012.

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

**The City of Hugo
Notes to the Financial Statements
As of and for the Year Ended June 30, 2015**

arithmetic real rates of return for each major asset class included in the pension plan's target asset allocation as of June 30, 2014, are summarized in the following table:

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

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

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

	1% Decrease 6.50%	Current Discount Rate 7.5%	1% Increase 8.50%
Employers' net pension liability	\$ 2,625,184	\$ 2,010,420	\$ 1,495,008

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.

Payables to the pension plan - The City did not have any payables to FPRS at June 30, 2015.

Oklahoma Public Employees Retirement System (OPERS)

Plan Description - The City contributes to the Oklahoma Public Employee's Retirement System (the System); a cost-sharing multiple-employer defined benefit pension plan administered by a 13-member board which acts as fiduciary for investment of funds and the application of plan interpretations. The System provides retirement, disability, and death benefits to plan members and beneficiaries. The System is a component unit of the State of Oklahoma and is authorized under Title 11, Oklahoma Statutes 1981, Sections 48-101 et. seq. The System issues a publicly available financial report that includes financial statements and required supplementary information for the plan and may be obtained from their offices at 3545 NW 58th St., Suite 110, Oklahoma City, OK 73112, or by calling 1-800-543-6044.

The City of Hugo
Notes to the Financial Statements
As of and for the Year Ended June 30, 2015

Plan Benefits - The normal retirement date is the earliest of the first day of the month coinciding with or next following the 62nd birthday or the first day of the month coinciding with or following the date at which the sum of a member's age and number of years credited service total eighty, if the member was hired prior to July 1, 1982 or following the date at which the sum of member's age and number of years of credited service total ninety if the member was hired after July 1, 1992. A member who terminates after eight years of credited services (six years for most elected officials) is eligible for a vested benefit determined by the normal retirement formula based upon service and compensation to date of termination.

Funding Policy - Employees are required to contribute 3.5% of covered payroll with the City contributing 10% of covered payroll. The contribution requirements of the System are an established rate determined by Oklahoma Statute and not based on actuarial calculations. The City's contribution for the year ended June 30, 2015 of \$167,055 which was 100% of required contribution for 2015.

At June 30, 2015, the City reported a liability for its proportionate share of the net pension liability. The net pension liability was measured as of June 30, 2014, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of July 1, 2014. The City's proportionate share of the net pension liability was based upon the City's share of contributions in the respective pension plan, relative to the total contributions of all participating Plan employers, since the plan is a cost sharing multiple employer type plan. As of June 30, 2014, the City's proportionate share was .07192471 % of the total OPERS plan.

For the year ended June 30, 2015 the City recognized pension expense for the OPERS plan of \$8,989. The City reported deferred outflows of resources and deferred inflows of resources related to the OPERS plan from the following sources.

	Deferred Outflows of Resources	Deferred Inflows of Resources
Difference between expected and actual plan experience	43,711	
Net difference between projected and actual earnings on pension plan investments		441,232
Contributions subsequent to the measurement date	167,055	
Total	210,766	441,232

The total amount of \$210,766, reported as a deferred outflow of resources related to pensions, resulting from employer contributions subsequent to the measurement date will be recognized as a reduction of the net pension liability for the plan in the year June 30, 2015.

The average of the expected remaining service lives of all employees that are provided with pension benefit through the City's participation in OPERS plan is 3.14 years. Other amounts reported as deferred outflows of resources and deferred inflows or resources, related to the OPERS plan, will be recognized in pension expense as follows:

For year ended June 30	
2016	(74,325)
2017	(74,325)
2018	(74,325)
2019	(86,298)
2020	(88,246)
Thereafter	(2)
Total	(397,521)

The City of Hugo
Notes to the Financial Statements
As of and for the Year Ended June 30, 2015

Actuarial Assumptions - The total pension liability was determined by an actuarial valuation as of July 1, 2014, using the following actuarial assumptions, applied to all prior periods included in the measurement:

Inflation: 3%
Salary increases: 4.50% -8.4% average, with 4% salary inflation.
Investment rate of return: 7.5% net of pension plan investment expense
Cost of living adjustment--- No current provision

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

The actuarial assumptions used in the July 1, 2014, valuation were based on the results of an actuarial experience study for the period July 1, 2007, to June 30, 2012.

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

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. 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.

6. Accrued Vacation Benefits

The City's personnel policy permits employees to accumulate a limited amount of earned but unused vacation time, which would be paid to employees upon separation from the City's service. A liability of \$69,356 has been recorded representing the City's commitment to fund such costs from future operations.

7. Risk Management

The City is exposed to various risks of losses related to torts; thefts of, damage to, and destruction of assets; errors and omissions; injuries to employees; and natural disasters. The City manages this risk through the purchase of commercial insurance policies. Risk management activities are accounted for by fund, and claims are recognized when it is probable that a loss has occurred and the amount of the loss can be reasonably estimated. In determining claims, events that might create claims, but for which none have been reported, are considered. There was no claims activity for the year just ended.

8. Commitments and Contingencies

The HMA entered into a contract with the US Army Corps of Engineers to secure water storage capacity at the Hugo Lake, with a portion of this contract relating to future water usage and storage capacity. Under this contract, the \$1,082,390 cost of the future storage capacity has been deferred as a 100 year note with a maturity date of January 1, 2024 (See Note 4 to these financial statements). Although the Corps is accruing and compounding interest on this note at 3.225%, the HMA is obligated only for actual usage from the future capacity allotment. It is improbable that this future capacity allotment will ever be used.

9. New Accounting Pronouncements Adopted in Fiscal Year 2015

The city adopted several new accounting pronouncements during the year ended June 30, 2015 as follows:

Statement No. 68 Accounting and Financial Reporting for Pensions and Amendment of GASB Statement No. 27

GASB No. 68 establishes standards for measuring and recognizing liabilities, deferred outflows of resources, deferred inflows of resources, and pension expenses. GASB No. 68 also details the recognition and disclosure requirements for employers with liabilities to a defined benefit pension plan and for employers whose employees are provided with defined contribution pensions. Defined benefit pensions are further classified by GASB No. 68 as singled employer plans, agent employer plans, and cost-sharing plans, and recognition and disclosure requirement are addressed for each classification. GASB No. 68 was issued in June 2012, and implementation guidance was issued in November 2013. As a result of the implementation of this standard, the City has restated its beginning net position as outlined in note IV.

Statement No. 71 Pension Transition for Contributions Made Subsequent to the Measurement Date

GASB No. 71 amends GASB No. 68 to require that, at transition, a government recognize a beginning deferred outflow of resources for its pension contributions, if any, made subsequent to the measurement date of the pension liability. GASB 68, as amended, continues to require that beginning balances for other deferred outflows of resources and deferred inflow of resources related to pensions be reported at transition only if it is practical to determine all such amounts. The provisions of this Statement are required to be applied simultaneously with the provisions of GASB Statement No. 68.

10. Prior Period Adjustment

The beginning net position has been restated as follows:

The County Fire Department sales tax account had not been previously reported in the City's financial reports. The funds are held by Choctaw county treasurer for the benefit of the City's Fire Department. The management of the City must approve all expenditures, so the asset was added to the Fire Department Special Fund. This resulted in an increase of the Fire Department Fund balance of \$57,078.

The required adoption of GASB Statement Number 68 concerning the reporting of net pension liability resulted in the reduction of the City's General Fund balance of \$2,286,665.

11. Subsequent Events

Management performed an evaluation of the City's activity through the audit report date, and has concluded that there are no significant subsequent events requiring disclosure through that date.

dwg, inc. Certified Public Accountant and Consultant

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

Independent Auditor's Report

The City Council,
The City of Hugo

We have audited, in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of City of Hugo, Oklahoma, as of and for the year ended June 30, 2015, and the related notes to the financial statements, which collectively comprise the City of Hugo, Oklahoma's basic financial statements, and have issued our report thereon dated February 29, 2016.

Internal Control Over Financial Reporting

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

Our consideration of internal control over financial reporting was for the limited purpose described in the preceding paragraph and was not designed to identify all deficiencies in internal control over financial reporting that might be material weaknesses or significant deficiencies and therefore, material weaknesses or significant deficiencies may exist that were not identified. However, as described in the accompanying schedule of findings and responses, we identified certain deficiencies in internal control that we consider to be material weaknesses and significant deficiencies.

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. We have

reported on the status of prior year findings that were considered to be material weaknesses in the schedule of prior year findings.

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. We consider the deficiency described in the accompanying schedule of findings and responses as item 2015-1, 2015-2 and 2015-3 to be significant deficiencies.

Compliance and Other Matters

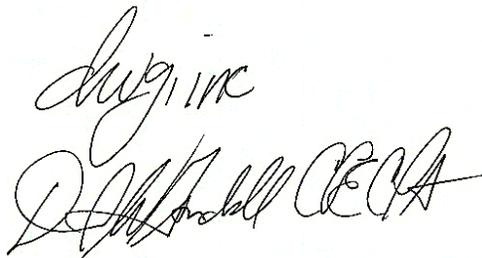
As part of obtaining reasonable assurance about whether The City of Hugo's financial statements are free from material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed one instance of noncompliance or other matter that is required to be reported under *Government Auditing Standards*. That item is listed as 2015-1 in the following schedule of Significant Deficiencies.

City of Hugo's Response to Findings

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

Purpose of this Report

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

The image shows two handwritten signatures in black ink. The top signature is 'dwg, inc' and the bottom signature is 'David W. Gandall CFE, CPA'. Both are written in a cursive, flowing style.

dwg, inc.
David W. Gandall, CFE, CPA
February 29, 2016

City of Hugo
Schedule of Significant Deficiencies
Year Ended June 30, 2015

Criteria

Recipients of Federal Awards are to prepare a Schedule of Federal Awards as part of the basic financial statements.

Condition

The City does not maintain a central file for grants and federal awards.

Effect

The City cannot provide a contemporaneous record of the grant fund expenditures. The City is not in compliance with the provisions of the grant. This also results in audit adjustments each year.

Recommendation

All grant documents, purchase orders, engineering reports and invoices should be maintained in a separate file. The file should be reconciled to the general ledger capital outlay accounts on a monthly basis. When the grant project is completed the grant file should be closed out, with a final reconciliation to the capital outlay account and the subsequent transfer to the capital asset account. Operating grants should be reconciled to the purchase orders, invoices and administrative reports or requests and to the appropriated expense account in the general ledger. This significant deficiency is a repeat finding from previous years.

2015-2

Criteria

The City's management, that is City Council, City Manager, City Clerk and City Treasurer are responsible for stewardship of the City's resources.

Condition

Records are being kept by department heads, but not updated regularly to a central file in the City Treasurer's office. The records are vacation and sick pay records and fixed assets records

Effect

There is not a system of checks and balances, since these records are not updated on a regular and timely basis in a central controlled location. This causes errors and miss-statements in the financial statements.

Recommendation

The City should instruct the City Treasurer to maintain a central file for all fixed asset records, including title in necessary, as well as a central vacation and sick pay ledger for the City. These files should be updated on a monthly basis.

2015-3

Criteria

The City's utility billing program should reconcile to the City's general ledger at the end of each month.

Condition

The City's utility billing program does not reconcile to the City's general ledger at the end of the month.

Effect

The City is not utilizing all of the internal control mechanisms at its disposal. This leaves a material amount of funds subject to variance analysis rather than reconciliation.

Recommendation

The City should instruct the utility billing clerk to work with the billing program technical support staff to obtain the necessary education to fully utilize the billing program's internal control features.

Status of Previous Year Findings

2014-1

Criteria

The City Council should receive accurate financial statements prepared in accordance with accounting principles generally accepted in the United States.

Condition

The City is not using deposit funds to offset bad debts in the municipal authority utility accounts.

Effect

The City is not writing off bad or uncollectable utility accounts.

Recommendation

The utility account receivable should be reviewed for uncollectible accounts. The deposit account should be reviewed and the deposits of the uncollectible accounts should be used to offset the debt and the remainder should be written off as an uncollectible account or turned to a professional collection agency.

Current Status

The City did clear up some of the bad or uncollectible utility accounts. The City did transfers the deposits associated with these accounts to the Municipal Authority's general cash account.

The City of Hugo
 Schedule of Expenditures of Federal Awards
 For the Year Ended June 30, 2015

Federal Grantor Pass-Through Grantor Program Title	Project Description	Federal CFDA Number	Revenues	Expenditures
United States Department of Housing and Urban Development Community Development Block Grant <i>Passed through Oklahoma Department of Commerce</i>	Waste Water System Improvement	14.228	\$ 191,828	\$ 191,828
United States Department of Transportation	Airport Improvement Program	20.106	58,197	58,197
Total Federal Awards			<u>\$ 191,828</u>	<u>\$ 191,828</u>

Note 1:
 Basis of Presentation
 The above schedule of expenditures of federal awards includes the federal grant activity of the City of Hugo and is presented on the accrual basis of accounting.

City of Hugo
Budgetary Statement of Revenue and Expenditures
General Fund
For the year ended June 30, 2015

	Actual	Budget	Dollar Variance	Percentage Variance
Sales Taxes Revenues	\$ 1,353,651	\$ 1,356,523	\$ (2,872)	-0.21%
Sales Taxes High School	451,322	459,651	(8,329)	-1.81%
Use Tax Revenues	134,174	130,227	3,947	3.03%
Hotel/Motel Tax	74,277	55,864	18,413	32.96%
Cigar & Cigarette Taxes	37,233	37,341	(108)	-0.29%
Alcoholic Beverage Tax	74,521	76,393	(1,872)	-2.45%
911 Fees	20,812	19,621	1,191	6.07%
Franchise Taxes	159,373	191,051	(31,678)	-16.58%
Cemetery Plot Sales	17,658	17,894	(236)	-1.32%
Grave Opening and Closing	22,600	24,126	(1,526)	-6.33%
Fees and Permits	40,482	27,588	12,894	46.74%
Police Fines and Fees	87,940	65,449	22,491	34.36%
Capital Improvement Fees	59,925	196,394	(136,469)	-69.49%
Interest Revenues	559	636	(77)	-12.11%
Grant Revenue	-	-	-	-
Other Revenues	120,097	1,409,919	(1,289,822)	-91.48%
Contributions	12,740	-	12,740	100.00%
Rentals	16,795	-	16,795	100.00%
Capital Financing	-	-	0	100.00%
Nutrition Reimbursements	83,079	-	83,079	100.00%
Total	2,767,238	4,068,677	(1,301,439)	-31.99%

General and Administrative

Payroll and Wages	83,888	96,801	(12,913)	-13.34%
Contract Labor and Services	62,962	5,000	57,962	1159.24%
Payroll Taxes	8,480	7,744	736	9.50%
Benefits	113,581	24,200	89,381	369.34%
Insurance and Bonds	70,677	15,000	55,677	371.18%
Office Expenses	1,760	2,000	(240)	-12.00%
Accounting and Legal	34,009	14,000	20,009	142.92%
Gas and Oil	6,061	2,000	4,061	203.05%
Repairs and Maintenance	724	2,500	(1,776)	-71.04%
Supplies and Equipment	29,551	11,000	18,551	168.65%
Telephone and Utilities	19,620	6,500	13,120	201.85%
Travel and Training	1,130	2,000	(870)	-43.50%
Other Expenses	6,843	10,000	(3,157)	-31.57%
Capital Outlay	-	-	-	-
Debt Service - Principal	-	-	-	-
Debt Service - Interest	-	-	-	-
Total	439,286	198,745	240,541	121.03%

Police Department

Payroll and Wages	816,554	835,999	(19,445)	-2.33%
Contract Labor and Services	-	-	0	-
Payroll Taxes	86,498	66,872	19,626	29.35%
Benefits	160,140	83,590	76,550	91.58%
Insurance and Bonds	-	-	0	#DIV/0!
Office Expenses	488	3,000	(2,512)	-83.73%
Accounting and Legal	77	-	77	-
Gas and Oil	27,671	38,000	(10,329)	-27.18%
Repairs and Maintenance	5,325	6,526	(1,201)	-18.40%
Supplies and Equipment	14,683	10,000	4,683	46.83%
Telephone and Utilities	18,853	14,000	4,853	34.66%
Travel and Training	1,608	2,000	(392)	-19.60%
Other Expenses	2,407	7,000	(4,593)	-65.61%
Capital Outlay	-	15,000	(15,000)	-100.00%
Total	1,134,304	1,081,987	52,317	4.84%

Fire Department

Payroll and Wages	517,327	539,035	(21,708)	-4.03%
Payroll Taxes	16,380	43,124	(26,744)	-62.02%
Benefits	160,454	53,905	106,549	197.66%
Insurance and Bonds	583	700	(117)	-16.71%
Office Expenses	104	1,000	(896)	-89.60%
Gas and Oil	4,845	7,000	(2,155)	-30.79%
Repairs and Maintenance	161	5,000	(4,839)	-96.78%
Supplies and Equipment	7,568	6,000	1,568	26.13%
Telephone and Utilities	17,058	11,000	6,058	55.07%
Travel and Training	230	500	(270)	-54.00%
Other Expenses	1,676	2,500	(824)	-32.96%
Capital Outlay	-	50,000	(50,000)	-100.00%
Total	726,386	719,764	6,622	0.92%

City of Hugo
Budgetary Statement of Revenue and Expenditures
General Fund
For the year ended June 30, 2015

	Actual	Budget	Dollar Variance	Percentage Variance
Cemetery				
Payroll and Wages	104,980	102,227	2,753	2.69%
Payroll Taxes	9,080	8,578	502	5.85%
Benefits	4,859	8,578	(3,719)	-43.36%
Insurance and Bonds	100	100	0	
Office Expenses	2,415	1,500	915	61.00%
Gas and Oil	0	3,500	(3,500)	-100.00%
Repairs and Maintenance	476	2,000	(1,524)	-76.20%
Supplies and Equipment	4,057	4,500	(443)	-9.84%
Telephone and Utilities	4,941	5,000	(59)	-1.18%
Travel and Training		150	(150)	-100.00%
Other Expenses	411	500	(89)	-17.80%
Capital Outlay		15,000	(15,000)	-100.00%
Total	131,319	151,633	(20,314)	-13.40%
Nutrition				
Payroll and Wages	50,993	49,366	1,627	3.30%
Payroll Taxes	4,878	3,949	929	23.52%
Benefits	9,773	3,949	5,824	147.48%
Office Expenses		500	(500)	-100.00%
Repairs and Maintenance	1,126	2,000	(874)	-43.70%
Supplies and Equipment	778	500	278	55.60%
Telephone and Utilities	7,501	4,300	3,201	74.44%
Travel and Training	6,647	9,200	(2,553)	-27.75%
Other Expenses	558	4,000	(3,442)	-86.05%
Total	82,254	77,764	4,490	5.77%
Parks Department				
Payroll and Wages	120,896	119,187	1,709	1.43%
Payroll Taxes	10,759	9,535	1,224	12.84%
Benefits	23,880	9,535	14,345	150.45%
Insurance and Bonds		-	0	
Office Expenses	35	350	(315)	-90.00%
Gas and Oil	6,078	7,000	(922)	-13.17%
Repairs and Maintenance	11,666	3,000	8,666	288.87%
Supplies and Equipment	25,325	14,000	11,325	80.89%
Telephone and Utilities	14,414	19,000	(4,586)	-24.14%
Travel and Training	0	-	0	
Other Expenses	2,326	9,300	(6,974)	-74.99%
Capital Outlay	40,647	45,000	(4,353)	-9.67%
Debt Service - Principal	112,224	-	112,224	
Debt Service - Interest	53,874	-	53,874	
Total	422,124	235,907	186,217	78.94%
Garage				
Payroll and Wages		-	-	#DIV/0!
Payroll Taxes	2,574	-	2,574	#DIV/0!
Repairs and Maintenance		-	-	
Capital Outlay		15,000	(15,000)	-100.00%
Total	2,574	15,000	(12,426.00)	-82.84%
High School				
Capital Outlay	-	413,957	(413,957)	-100.00%

City of Hugo
Budgetary Statement of Revenue and Expenditures
Street and Alley Fund
For the year ended June 30, 2015

	Actual	Budget	Dollar Variance	Percentage Variance
Sales Taxes Revenues	\$ 451,322	\$ 428,000	\$ 23,322	5.45%
Motor Vehicle Taxes	39,875	40,000	(125)	-0.31%
Gasoline Taxes	9,835	6,500	3,335	51.31%
Federal and State Grants	0	-	-	
Interest Revenues	90	-	90	
Grant Revenues	-	-	-	
Other Revenues	3,739	7,500	(3,761)	-50.15%
Total	504,861	482,000	22,861	4.74%

Street and Alley Expenses

Payroll and Wages	171,022	200,000	(28,978)	-14.49%
Contract Labor and Services	22,363	18,000	4,363	24.24%
Payroll Taxes	15,468	16,000	(532)	-3.33%
Benefits	52,618	19,000	33,618	176.94%
Insurance and Bonds	15,538	6,200	9,338	150.61%
Office Expenses	-	500	(500)	-100.00%
Accounting and Legal	3,000	2,000	1,000	50.00%
Gas and Oil	13,498	18,000	(4,502)	-25.01%
Repairs and Maintenance	5,503	3,500	2,003	57.23%
Supplies and Equipment	53,391	43,000	10,391	24.17%
Telephone and Utilities	45,077	39,000	6,077	15.58%
Travel and Training	146	-	146	#DIV/0!
Other Expenses	5,118	2,000	3,118	155.90%
Capital Outlay	6,675	117,000	(110,325)	-94.29%
Debt Service Principal	63,756	15,000	48,756	325.04%
Debt Service Interest	35,500	3,500	32,000	
Total	508,673	502,700	5,973	1.19%

Hugo Municipal Authority
Budgetary Statement of Revenue and Expenditures
For the year ended June 30, 2015

	Actual	Budget	Dollar Variance	Percentage Variance
Sales Taxes Revenues	\$ 902,012	\$ 850,000	\$ 52,012	6.12%
Water Sales	1,218,468	1,340,000	(121,532)	-9.07%
Capital Improvement Fees	125,028	125,000	28	0.02%
Late Fees and Reconnects	28,795	25,000	3,795	15.18%
Interest Revenues	1,349	1,400	(51)	-3.64%
Other Revenues	24,884	6,500	18,384	282.83%
Sewer Sales	339,313	375,000	(35,687)	-9.52%
Interest Revenues	-	-	-	#DIV/0!
Other Revenues	2,400	120,000	(117,600)	-98.00%
Grant Revenues	191,828	5,000	186,828	3736.56%
Trash Fees	356,050	345,000	11,050	100.00%
Capital Financing	0	-	-	100.00%
Total	3,190,127	3,192,900	(2,773)	-0.09%

Water Expense

Payroll and Wages	280,904	1,400,000	(1,119,096)	-79.94%
Contract Labor and Services	276,210		276,210	
Payroll Taxes	24,105		24,105	
Benefits	50,338		50,338	
Insurance and Bonds	36,317		36,317	
Office Expenses	9,129		9,129	
Accounting and Legal	23,610		23,610	
Gas and Oil	7,185		7,185	
Repairs and Maintenance	20,834		20,834	
Supplies and Equipment	141,575		141,575	
Telephone and Utilities	108,422		108,422	
Travel and Training	1,105		1,105	
Bad Debts	0	-	-	
Other Expenses	47,145		47,145	
Capital Outlay	31,622		31,622	100.00%
Debt Service Principal	308,269		308,269	
Debt Service Interest	219,448		219,448	
Total	1,586,218	1,400,000	186,218	13.30%

Sewer Expenses

Payroll and Wages	152,237	1,382,500	(1,230,263)	-88.99%
Contract Labor and Services	262,440	-	262,440	
Payroll Taxes	13,256	-	13,256	
Benefits	50,338	-	50,338	
Insurance and Bonds	10,551	-	10,551	
Office Expenses	1,722	-	1,722	
Accounting and Legal	3,079	-	3,079	
Gas and Oil	7,136	-	7,136	
Repairs and Maintenance	736	-	736	
Supplies and Equipment	123,175	-	123,175	
Telephone and Utilities	105,815	-	105,815	
Travel and Training	-	-	-	
Other Expenses	10,223	-	10,223	
Capital Outlay	456,687	-	456,687	
Debt Service - Principal	205,512	-	205,512	
Debt Service Interest	123,848	-	123,848	
Total	1,526,755	1,382,500	144,255	10.43%

Sanitation

Trash Contract Fees	201,573	165,000	36,573	22.17%
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City of Hugo
COMBINING STATEMENT OF REVENUES, EXPENSES AND CHANGES IN FUND NET POSITION
Proprietary Funds
For the year ended June 30, 2015

	HMA	HIA	HMAARPT	HMAFixedAsset and Debt	TOTAL
Operating revenues:					
Water revenue	\$ 1,247,263				\$ 1,247,263
Sewer revenue	339,313				339,313
Trash revenue	356,050				356,050
Rental revenue		13,475	29,116		42,591
Airport revenue			153,679		153,679
Sales tax revenue	902,012				902,012
Grant revenue	191,828		58,197		250,025
Other fees and charges	27,284	13,850	55,973		97,107
Interest revenue	1,349	115	266		1,730
Capital improvement charges	140,464				140,464
Capital financing	-		-	-	-
Total Revenues	3,205,563	27,440	297,231	-	3,530,234
Operating expenses:					
Water	979,732				979,732
Sewer	730,486				730,486
Trash	201,573				201,573
Personal services		-	41,852		41,852
Material and supplies		539	120,874		121,413
Other goods and services		200	15,801		16,001
Other expenses	57,369	15,368	70,138		142,875
Debt Service Interest	343,296		8,217		351,513
Total operating expenses	2,312,456	16,107	256,882	-	2,585,445
Excess operating revenue (deficit)	893,107	11,333	40,349	-	944,789
Debt Service Principal	(513,782)		(634)	514,416	-
Capital Outlay	(488,309)		(58,198)	546,507	-
Depreciation Expense				(765,293)	(765,293)
Total other income (expense)	(1,002,091)	-	(58,832)	295,630	(765,293)
Income before transfers	(108,984)	11,333	(18,483)	295,631	179,497
TRANSFERS (OUT)	(3,779,796)	-	-	-	(3,779,796)
CHANGES IN NET POSITION	(3,888,780)	11,333	(18,483)	295,631	(3,600,299)
TOTAL NET POSITION, BEGINNING	6,355,262	52,684	86,752	5,357,562	11,852,260
TOTAL NET POSITION ENDING	\$ 2,466,482	\$ 64,017	\$ 68,269	\$ 5,653,193	\$ 8,251,961

City of Hugo
COMBINING STATEMENT OF FUND NET POSITION
Proprietary funds
As of June 30, 2015

	HMA	HIA	HMAARPT	HMAFixedAsset and Debt	TOTAL
ASSETS					
Unrestricted cash and cash equivalents	\$ 108,236	\$ 63,762	\$ 55,917		\$ 227,915
Utility billing receivables	555,270				555,270
Allowance for doubtful accounts	(96,659)				(96,659)
Grants receivable	15,000		55,447		70,447
Restricted:					
Cash and cash equivalents	146,817				146,817
Bond trust accounts	1,846,081				1,846,081
Certificates of deposit	100,000				100,000
Due from other funds					-
Construction in progress				58,197	58,197
Depreciable capital assets				23,516,893	23,516,893
Accumulated depreciation				(8,375,805)	(8,375,805)
Net capital assets				15,199,285	15,199,285
Total Assets	2,674,745	63,762	111,364	15,199,285	18,049,156
DEFERRED OUTFLOWS OF NET POSITION					
Bond discount	113,894				113,894
LIABILITIES AND FUND BALANCE					
LIABILITIES					
Accrued interest	91,935		476		92,411
Accounts payable	15,000				15,000
Compensated Absences	16,216				16,216
Due to (from) other funds	(224,438)	(255)	42,619		(182,074)
Current portion of long-term debt				780,649	780,649
Total current liabilities	(101,287)	(255)	43,095	780,649	722,202
Meter deposits refundable	247,293				247,293
Long-term debt, less current portion				8,765,443	8,765,443
Total noncurrent liabilities	247,293			8,765,443	9,012,736
Total liabilities	146,006	(255)	43,095	9,546,092	9,734,938
DEFERRED INFLOWS OF NET POSITION					
Bond premium	176,151				176,151
Invested in capital assets, net of debt				5,653,193	5,653,193
Restricted for:					
Debt service	2,092,898				2,092,898
Unrestricted	373,584	64,017	68,269		505,870
Total net position	\$ 2,466,482	\$ 64,017	\$ 68,269	\$ 5,653,193	\$ 8,251,961