

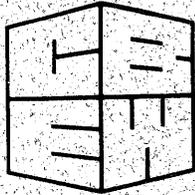
**CITY OF HOMINY  
Hominy, Oklahoma**

**BASIC FINANCIAL STATEMENTS  
June 30, 2012**

**CITY OF HOMINY  
Hominy, Oklahoma**

**CONTENTS**

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



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## INDEPENDENT AUDITOR'S REPORT

September 6, 2012

The Honorable City Council  
City of Hominy, Oklahoma

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 Hominy, Oklahoma, (City) as of and for the year ended June 30, 2012, which collectively comprise the City's basic financial statements as listed in the table of contents. These financial statements are the responsibility of the City's management. 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 the 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 includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

As described in Note 1, the City of Hominy, Oklahoma, prepares its financial statements on the modified cash basis, which is a comprehensive basis of accounting other than generally accepted accounting principles.

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position – modified cash basis of the governmental, the business-type activities, each major fund and the aggregate remaining governmental fund information of the City of Hominy, Oklahoma, as of June 30, 2012, and the respective changes in financial position – modified cash basis and cash flows, where applicable, thereof for the year then ended in conformity with the basis of accounting described in Note 1.

In accordance with *Government Auditing Standards*, we have also issued our report dated September 6, 2012 on our consideration of the City's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be considered in assessing the results of our audit.

Accounting principles generally accepted in the United States of America require that budgetary comparison information on pages 29 through 31 and the notes on page 32 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. 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.

City of Hominy  
September 6, 2012

The City of Hominy has not presented Management's Discussion and Analysis that governmental accounting principles generally accepted in the United States of America require to be presented to supplement the basic financial statements. Such missing information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board (GASB), who considers it to be an essential part of the financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. Our opinion on the basic financial statements is not affected by this missing information.

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the City of Hominy's basic financial statements. The accompanying Schedule of Expenditures of Federal Awards is presented for additional analysis and is not a required part of the financial statements. The combining and individual non-major fund financial statements are presented for purposes of additional analysis and are not a required part of the financial statements. The combining and individual non-major fund financial statements are the responsibility of management and were derived from and relate directly to the underlying accounting and other records used to prepare the financial statements. The information has been subjected to the auditing procedures applied in the audit of the financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements or to the 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 financial statements as a whole.

*CBEW Professional Group, LLP*

CBEW Professional Group, LLP  
Certified Public Accountants

**CITY OF HOMINY**  
**STATEMENT OF NET ASSETS**  
**MODIFIED CASH BASIS**  
**June 30, 2012**

	Primary Government		
	Governmental Activities	Business-Type Activities	Total
<b>Assets:</b>			
Cash and investments:			
Cash & cash equivalents (Note 1)	\$ 644,289	\$ 515,531	\$ 1,159,820
Investments	1,718,384	1,079,898	2,798,282
Due to/from others	-	-	-
Restricted assets:			
Cash and investments (Note 1)	115,854	189,909	305,763
<b>Capital assets:</b>			
Land and construction in progress	16,748	46,937	63,685
Depreciable buildings, property, equipment and infrastructure, net of depreciation (Notes 1 & 2)	1,698,995	3,329,859	5,028,854
<b>Total assets</b>	<b>\$ 4,194,270</b>	<b>\$ 5,162,134</b>	<b>\$ 9,356,404</b>
<b>Liabilities:</b>			
Accounts Payable	\$ -	\$ -	\$ -
Bonds payable	3,700	-	3,700
Accrued compensated absences	21,872	26,663	48,535
Security deposits	-	2,850	2,850
Notes payable (Note 2)	17,621	832,168	849,789
Leases payable (Note 2)	-	128,032	128,032
<b>Total liabilities</b>	<b>43,193</b>	<b>989,713</b>	<b>1,032,906</b>
<b>Net assets:</b>			
Invested in capital assets, net of related debt	1,698,122	3,248,764	4,946,886
Restricted	1,669,813	187,059	1,856,872
Unrestricted	783,142	736,598	1,519,740
<b>Total net assets</b>	<b>\$ 4,151,077</b>	<b>\$ 4,172,421</b>	<b>\$ 8,323,498</b>

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

**CITY OF HOMINY**  
**STATEMENT OF ACTIVITIES AND CHANGES IN NET ASSETS**  
**MODIFIED CASH BASIS**  
**Year Ended June 30, 2012**

Functions/Programs	Expenses	Program Revenues		Net (Expense)/ Revenue
		Charges for Services	Operating Grants and Contributions	
<b>Governmental activities:</b>				
General government:				
General government	\$ 8	\$ -	\$ 251	\$ -
Total general government	<u>8</u>	<u>-</u>	<u>251</u>	<u>-</u>
Public safety and judiciary:				
City attorney	19,669	-	-	(19,669)
Fire department	224,712	144,772	17,755	(62,185)
Municipal court	13,416	39,910	-	26,494
Police	405,508	-	12,992	(392,516)
Civil defense	5,381	-	-	(5,381)
Total public safety and judiciary	<u>668,686</u>	<u>184,682</u>	<u>30,747</u>	<u>(453,257)</u>
Transportation:				
Streets	9,523	-	-	(9,523)
Total transportation	<u>9,523</u>	<u>-</u>	<u>-</u>	<u>(9,523)</u>
Cultural, parks and recreation:				
Library	76,561	50	12,964	(63,547)
Public property	323,020	12,530	-	(310,490)
Swimming pool	44,317	-	-	(44,317)
Senior citizens center	54,070	7,787	7,910	(38,373)
Lake	19,361	18,862	-	(499)
Cemetery	8,582	26,209	-	17,627
Total cultural, parks and recreation	<u>525,911</u>	<u>65,438</u>	<u>20,874</u>	<u>(439,599)</u>
Unallocated depreciation*	104,809	-	-	(104,809)
<b>Total governmental activities</b>	<u>1,308,937</u>	<u>250,120</u>	<u>51,872</u>	<u>(1,006,945)</u>
<b>Business-type activities</b>				
General and administrative	418,251	-	-	(418,251)
Electric service	1,705,174	2,428,034	-	722,860
Water/wasterwater plant	417,931	703,590	-	285,659
Water/wasterwater maintenance	225,923	-	-	(225,923)
Meter reading	24,374	-	-	(24,374)
Sanitation service	229,921	221,001	-	(8,920)
Airport	88,269	49,097	-	146,259
Ambulance	397,271	154,909	-	(230,862)
Financing costs	31,579	-	-	(31,579)
Unallocated depreciation*	138,052	-	-	(138,052)
<b>Total business-type activities</b>	<u>3,676,745</u>	<u>3,556,631</u>	<u>-</u>	<u>196,931</u>
<b>Total</b>	<u>\$ 4,985,682</u>	<u>\$ 3,806,751</u>	<u>\$ 51,872</u>	<u>\$ 196,931</u>
				<u>\$ (930,128)</u>

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

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

CITY OF HOMINY  
 STATEMENT OF ACTIVITIES AND CHANGES IN NET ASSETS  
 MODIFIED CASH BASIS  
 Year Ended June 30, 2012

	Net (Expense) Revenue and Changes in Net Assets		
	Governmental Activities	Business-Type Activities	Total
<b>Net (expense)/revenue</b>	(1,006,945)	76,817	(930,128)
<b>General revenues:</b>			
Taxes:			
Sales and use taxes	700,669	-	700,669
Franchise taxes	19,189	-	19,189
Cigarette taxes	10,157	-	10,157
Intergovernmental	99,619	-	99,619
Penalties	-	49,620	49,620
Investment earnings	17,701	15,394	33,095
Miscellaneous	54,504	30,798	85,302
Rental income	750	-	750
Surplus property sales	5,500	9,949	15,449
Transfers	168,381	(168,381)	-
<b>Total general revenues and transfers</b>	<u>1,076,470</u>	<u>(62,620)</u>	<u>1,013,850</u>
<b>Change in net assets</b>	69,525	14,197	83,722
<b>Fund balance - beginning of year</b>	<u>4,081,552</u>	<u>4,158,224</u>	<u>8,239,776</u>
<b>Net assets - end of year</b>	<u>\$ 4,151,077</u>	<u>\$ 4,172,421</u>	<u>\$ 8,323,498</u>

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

**CITY OF HOMINY  
BALANCE SHEET  
MODIFIED CASH BASIS  
GOVERNMENTAL FUNDS  
June 30, 2012**

	<u>General Fund</u>	<u>Capital Projects Water Assessment</u>	<u>Special Revenue Swimming Pool</u>	<u>Other Governmental Funds</u>	<u>Total Governmental Funds</u>
<b>Assets:</b>					
Cash and investments:					
Cash & cash equivalents	\$ 252,923	\$ 111,701	\$ 236,753	\$ 42,912	\$ 644,289
Investments	555,791	742,846	339,029	80,718	1,718,384
Due from others	-	-	-	-	-
Restricted assets:					
Cash and investments	-	48,333	-	67,521	115,854
<b>Total assets</b>	<u>\$ 808,714</u>	<u>\$ 902,880</u>	<u>\$ 575,782</u>	<u>\$ 191,151</u>	<u>\$ 2,478,527</u>
<b>Liabilities:</b>					
Due to others	\$ -	\$ -	\$ -	\$ -	-
Bonds payable	3,700	-	-	-	3,700
<b>Total liabilities</b>	<u>3,700</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>3,700</u>
<b>Fund balance:</b>					
<b>Restricted for:</b>					
Cemetery	-	-	-	67,521	67,521
Water improvement	-	902,880	-	-	902,880
Debt service	-	-	-	417	417
Swimming pool	-	-	575,782	-	575,782
Other purposes	-	-	-	123,213	123,213
<b>Unassigned</b>	<u>805,014</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>805,014</u>
<b>Total fund balance</b>	<u>805,014</u>	<u>902,880</u>	<u>575,782</u>	<u>191,151</u>	<u>2,474,827</u>
<b>Total liabilities &amp; fund balance</b>	<u>\$ 808,714</u>	<u>\$ 902,880</u>	<u>\$ 575,782</u>	<u>\$ 191,151</u>	<u>\$ 2,478,527</u>

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

**CITY OF HOMINY**  
**RECONCILIATION OF THE GOVERNMENTAL FUNDS BALANCE SHEET TO THE GOVERNMENT-WIDE STATEMENT**  
**OF NET ASSETS**  
**MODIFIED CASH BASIS**  
**June 30, 2012**

<b>Total Fund Balances - Total Governmental Funds</b>	\$	2,474,827
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Amounts reported for governmental activities in the statement of net assets are different because:

General fund notes payable		(17,621)
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Accrued compensated absences		(21,873)
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Capital assets used in governmental activities are not financial resources and therefore are not reported in the funds. These assets consist of:

Buildings	\$	1,224,163	
Equipment		158,728	
Vehicles		239,829	
Land		16,748	
Infrastructure		76,276	
		1,715,744	1,715,744

<b>Net assets of governmental activities</b>	\$	<u><u>4,151,077</u></u>
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**CITY OF HOMINY**  
**STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES**  
**MODIFIED CASH BASIS**  
**GOVERNMENTAL FUNDS**  
Year Ended June 30, 2012

	General Fund	Capital Projects Water Assessment	Special Revenue Swimming Pool	Other Governmental Funds	Total Governmental Funds
<b>Revenues:</b>					
Charges for services	\$ 39,229	\$ -	\$ -	\$ -	\$ 39,229
Cigarette taxes	10,157	-	-	-	10,157
Interest	5,356	7,321	3,599	1,427	17,703
Franchise taxes	19,189	-	-	-	19,189
Fire runs and memberships	144,772	-	-	-	144,772
Intergovernmental programs	71,202	-	-	28,416	99,618
Fines and forfeits	39,910	-	-	-	39,910
Grant revenues	51,372	-	-	-	51,372
Rental receipts	750	-	-	-	750
Lot sales	22,901	-	-	3,307	26,208
Miscellaneous revenue	53,635	-	-	-	53,635
Sales and use taxes	700,669	-	-	-	700,669
Surplus property sales	-	-	-	5,500	5,500
Licenses and permits	869	-	-	-	869
Donations and other	500	-	-	-	500
<b>Total revenues</b>	<u>1,160,511</u>	<u>7,321</u>	<u>3,599</u>	<u>38,650</u>	<u>1,210,081</u>
<b>Expenditures:</b>					
Current:					
General government	-	8	-	-	8
Public safety	676,453	-	-	-	676,453
Public property	323,020	-	-	-	323,020
Highways and roads	-	-	-	9,523	9,523
Cultural and recreational	202,890	-	-	-	202,890
Debt service	15,859	-	-	-	15,859
Capital outlay	-	-	-	34,930	34,930
<b>Total expenditures</b>	<u>1,218,222</u>	<u>8</u>	<u>-</u>	<u>44,453</u>	<u>1,262,683</u>
<b>Excess of revenues over (under) expenditures</b>	(57,711)	7,313	3,599	(5,803)	(52,602)
<b>Other financing uses:</b>					
Loan proceeds	-	-	-	-	-
Operating transfers in (out)	80,710	(11,153)	98,824	-	168,381
<b>Excess of revenues over (under) expenditures &amp; transfers</b>	22,999	(3,840)	102,423	(5,803)	115,779
<b>Fund balance - beginning of year</b>	<u>782,015</u>	<u>906,720</u>	<u>473,359</u>	<u>196,954</u>	<u>2,359,048</u>
<b>Fund balance - end of year</b>	<u>\$ 805,014</u>	<u>\$ 902,880</u>	<u>\$ 575,782</u>	<u>\$ 191,151</u>	<u>\$ 2,474,827</u>

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

**CITY OF HOMINY**  
**RECONCILIATION OF THE GOVERNMENTAL FUNDS STATEMENTS OF REVENUES, EXPENDITURES AND CHANGES**  
**IN FUND BALANCE TO THE GOVERNMENT-WIDE STATEMENT OF ACTIVITIES AND CHANGES IN NET ASSETS**  
**MODIFIED CASH BASIS**  
**Year Ended June 30, 2012**

<b>Net Change in Fund Balances - Total Governmental Funds</b>	\$	115,779
<p>Amounts reported for governmental activities in the Statement of Activities are different because:</p>		
<p>Government-Wide Statement of Activities and Changes in Net Assets report accrued compensated absences in the period incurred. However, Governmental Funds do not pay on this liability until the employee has left employment. The amount of the change in accrued absences recorded in the current period.</p>		7,766
<p>Governmental Funds report lease and note payments as expenditures. However, in the Government-Wide Statement of Activities and Changes in Net Assets, the principal paid on that liability is applied against the liability. This is the amount of principal recorded in the current period.</p>		15,859
<p>Depreciation expense on capital assets is reported in the Government-Wide Statement of Activities and Changes in Net Assets, but they do not require the use of current financial resources. Therefore, depreciation expense is not reported as expenditures in Governmental Funds.</p>		(104,809)
<p>Governmental Funds report capital outlay as expenditures. However, in the Government-Wide Statement of Activities and Changes in Net Assets, the cost of those assets is allocated over their estimated useful lives as depreciation expense. This is the amount of capital assets recorded in the current period.</p>		<u>34,930</u>
<b>Change in Net Assets of Governmental Activities</b>	<b>\$</b>	<b><u>69,525</u></b>

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

**CITY OF HOMINY  
STATEMENT OF NET ASSETS  
MODIFIED CASH BASIS  
PROPRIETARY FUNDS  
June 30, 2012**

	<b>Business-type Activities - Enterprise Funds</b>			<b>Totals</b>
	<b>Hominy Municipal Authority (Major)</b>	<b>Hominy Industrial Authority (Major)</b>	<b>Hominy Community Medical Authority (Non-major)</b>	
<b>Assets:</b>				
Cash and investments:				
Cash & cash equivalents (Note 1)	\$ 394,941	\$ 44,873	\$ 75,717	\$ 515,531
Investments	1,079,898	-	-	1,079,898
Cash on hand	-	-	-	-
Due from others	-	-	-	-
Restricted assets:				
Cash and investments (Note 1)	91,048	2,850	96,011	189,909
<b>Capital assets:</b>				
Land and construction in progress	-	46,937	-	46,937
Depreciable buildings, property and equipment, net of depreciation (Notes 1 & 2)	2,163,268	875,836	290,755	3,329,859
<b>Total assets</b>	<b>\$ 3,729,155</b>	<b>\$ 970,496</b>	<b>\$ 462,483</b>	<b>\$ 5,162,134</b>
<b>Liabilities:</b>				
Accounts payable	-	-	-	-
Due to others	-	-	-	-
Payroll taxes payable	-	-	-	-
Accrued compensated absences	17,721	-	8,942	26,663
Security deposits	-	2,850	-	2,850
Notes payable (Note 2)	832,168	-	-	832,168
Leases payable (Note 2)	128,032	-	-	128,032
<b>Total liabilities</b>	<b>977,921</b>	<b>2,850</b>	<b>8,942</b>	<b>989,713</b>
<b>Net assets:</b>				
Invested in capital assets, net of related debt	2,035,236	922,773	290,755	3,248,764
Restricted	91,048	-	96,011	187,059
Unrestricted	624,950	44,873	66,775	736,598
<b>Total net assets</b>	<b>\$ 2,751,234</b>	<b>\$ 967,646</b>	<b>\$ 453,541</b>	<b>\$ 4,172,421</b>

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

**CITY OF HOMINY**  
**STATEMENT OF REVENUES, EXPENSES AND CHANGES IN FUND NET ASSETS**  
**MODIFIED CASH BASIS**  
**PROPRIETARY FUNDS**  
**Year Ended June 30, 2012**

	<b>Business-type Activities - Enterprise Funds</b>			<b>Totals</b>
	<b>Hominy Municipal Authority (Major)</b>	<b>Hominy Industrial Authority (Major)</b>	<b>Hominy Community Medical Authority (Non-major)</b>	
<b>Revenues:</b>				
Electric revenue	\$ 2,428,034	\$ -	\$ -	\$ 2,428,034
Water revenue	600,738	-	-	600,738
Wastewater revenue	102,852	-	-	102,852
Sanitation revenue	221,001	-	-	221,001
Penalties	49,620	-	-	49,620
Miscellaneous revenue	30,798	-	-	30,798
Grant revenue	-	185,431	11,500	196,931
Charges for service	-	49,097	-	49,097
Ambulance revenue	-	-	154,909	154,909
<b>Total revenues</b>	<b>3,433,043</b>	<b>234,528</b>	<b>166,409</b>	<b>3,833,980</b>
<b>Operating expenses:</b>				
General and administrative	418,251	-	-	418,251
Electric service	1,705,174	-	-	1,705,174
Water/wastewater plant	417,931	-	-	417,931
Water/wastewater maintenance	225,923	-	-	225,923
Meter reading	24,374	-	-	24,374
Sanitation service	229,921	-	-	229,921
Airport	-	13,522	-	13,522
Ambulance	-	-	363,146	363,146
Depreciation expense	138,052	74,747	34,125	246,924
<b>Total operating expenses</b>	<b>3,159,626</b>	<b>88,269</b>	<b>397,271</b>	<b>3,645,166</b>
<b>Income before non-operating revenues, expenses &amp; transfers</b>	<b>273,417</b>	<b>146,259</b>	<b>(230,862)</b>	<b>188,814</b>
<b>Non-operating revenues (expenses):</b>				
Interest revenue	14,212	163	1,019	15,394
Interest expense	(31,579)	-	-	(31,579)
Surplus property sales	9,949	-	-	9,949
<b>Total</b>	<b>(7,418)</b>	<b>163</b>	<b>1,019</b>	<b>(6,236)</b>
<b>Income (loss) before operating transfers</b>	<b>265,999</b>	<b>146,422</b>	<b>(229,843)</b>	<b>182,578</b>
<b>Transfers in (out)</b>	<b>(371,464)</b>	<b>-</b>	<b>203,083</b>	<b>(168,381)</b>
<b>Change in net assets</b>	<b>(105,465)</b>	<b>146,422</b>	<b>(26,760)</b>	<b>14,197</b>
<b>Net assets at beginning of year</b>	<b>2,856,699</b>	<b>821,224</b>	<b>480,301</b>	<b>4,158,224</b>
<b>Net assets at end of year</b>	<b>\$ 2,751,234</b>	<b>\$ 967,646</b>	<b>\$ 453,541</b>	<b>\$ 4,172,421</b>

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

CITY OF HOMINY  
STATEMENT OF CASH FLOWS  
MODIFIED CASH BASIS  
PROPRIETARY FUNDS  
Year Ended June 30, 2012

	Business-type Activities - Enterprise Funds			Totals
	Hominy Municipal Authority (Major)	Hominy Industrial Authority (Major)	Hominy Community Medical Authority (Non-major)	
<b>Cash flows from operating activities:</b>				
Cash received from customers & service users	\$ 3,402,245	\$ 49,097	\$ 166,409	\$ 3,617,751
Cash payments for goods & services & employees	(3,027,656)	(13,665)	(360,566)	(3,401,887)
Other operating revenues	30,798	185,431	-	216,229
<b>Net cash provided by operating activities</b>	<u>405,387</u>	<u>220,863</u>	<u>(194,157)</u>	<u>432,093</u>
<b>Cash flows from noncapital financing activities:</b>				
Operating transfers out to other funds	(696,744)	-	-	(696,744)
Operating transfers in from other funds	325,280	-	203,083	528,363
Change in security deposits	-	150	-	150
<b>Net cash provided (used) for noncapital financing activities</b>	<u>(371,464)</u>	<u>150</u>	<u>203,083</u>	<u>(168,231)</u>
<b>Cash flows from capital and related financing activities:</b>				
Acquisition & construction of capital assets	(101,028)	(199,050)	-	(300,078)
Principal paid on debt	(135,068)	-	-	(135,068)
Loan proceeds	80,000	-	-	80,000
Suplus property sales	21,028	-	-	21,028
Interest paid on debt	(31,579)	-	-	(31,579)
<b>Net cash provided (used) for capital and related financing activities</b>	<u>(166,647)</u>	<u>(199,050)</u>	<u>-</u>	<u>(365,697)</u>
<b>Cash flows from investing activities:</b>				
(Purchase) liquidation of investments	(11,112)	-	(850)	(11,962)
Interest on investments	14,212	163	1,019	15,394
<b>Net cash provided by investing activities</b>	<u>3,100</u>	<u>163</u>	<u>169</u>	<u>3,432</u>
<b>Net increase (decrease) in cash &amp; cash equivalents</b>	(129,624)	22,126	9,095	(98,403)
<b>Cash and cash equivalents - beginning of year</b>	<u>524,565</u>	<u>25,597</u>	<u>66,622</u>	<u>616,784</u>
<b>Cash and cash equivalents - end of year</b>	<u>\$ 394,941</u>	<u>\$ 47,723</u>	<u>\$ 75,717</u>	<u>\$ 518,381</u>
<b>Reconciliation of operating income to net cash provided by operating activities:</b>				
Operating income	\$ 273,417	\$ 146,259	\$ (230,862)	\$ 188,814
<b>Adjustments to reconcile operating income to net cash provided by operating activities:</b>				
Depreciation	138,052	74,747	34,125	246,924
Change in assets and liabilities:				
Increase (decrease) in accounts payable	(3,194)	(143)	-	(3,337)
Increase (decrease) in accrued expenses	(2,888)	-	2,580	(308)
<b>Total adjustments</b>	<u>131,970</u>	<u>74,604</u>	<u>36,705</u>	<u>243,279</u>
<b>Net cash provided by operating activities</b>	<u>\$ 405,387</u>	<u>\$ 220,863</u>	<u>\$ (194,157)</u>	<u>\$ 432,093</u>

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

**CITY OF HOMINY**  
**STATEMENT OF FIDUCIARY NET ASSETS**  
**MODIFIED CASH BASIS**  
**FIDUCIARY FUNDS**  
June 30, 2012

	<u>Agency Funds</u>
<b>Assets:</b>	
Cash and investments at cost	\$ <u>164,433</u>
<b>Total assets</b>	\$ <u><u>164,433</u></u>
<b>Liabilities:</b>	
Deposits	\$ <u>164,433</u>
<b>Total liabilities</b>	\$ <u><u>164,433</u></u>

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

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

**NOTES TO THE BASIC FINANCIAL STATEMENTS**  
**June 30, 2012**

**1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

The City of Hominy, Oklahoma (the City) accounting policies conform to the modified cash basis of accounting, which is a comprehensive basis of accounting other than accounting principles generally accepted in the United States of America (GAAP) as applicable to governments. The Governmental Accounting Standards Board (GASB) is responsible for establishing GAAP for state and local governments through its pronouncements (Statements and Interpretations). Governments are also required to follow the pronouncements of the Financial Accounting Standards Board (FASB) issued through November 30, 1989 (when applicable) that do not conflict with or contradict GASB pronouncements. Although the City has the option to apply FASB pronouncements issued after that date to its business-type activities and enterprise funds, the City has chosen not to do so. The more significant accounting policies established in the modified cash basis of accounting and used by the City is discussed below.

**A. Reporting Entity**

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

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

Blended Component Units/Trusts:

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

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

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

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

**NOTES TO THE BASIC FINANCIAL STATEMENTS**  
**June 30, 2012**

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

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

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

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

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

**Fund Financial Statements** – During the year, the City segregates transactions related to certain City functions or activities in separate funds in order to aid financial management and to demonstrate legal compliance. Fund financial statements are designed to present financial information of the City at this more detailed level. The focus of governmental and enterprise fund financial statements is on major funds. Major funds represent 10% of assets, liabilities, revenues, or expenditures of the corresponding element for all funds of that category *and* is at least 5% of the corresponding element total for all governmental and enterprise funds combined *or* is a fund that the government believes is important enough for financial statement users to be reported as a major fund. Each major fund is presented in a separate column. Non-major funds are aggregated and presented in a single column. Fiduciary funds are reported by type.

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

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

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

**NOTES TO THE BASIC FINANCIAL STATEMENTS**  
**June 30, 2012**

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

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

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

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

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

The following are the City's major governmental funds:

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

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

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

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

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

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

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

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

**CITY OF HOMINY  
Hominy, Oklahoma**

**NOTES TO THE BASIC FINANCIAL STATEMENTS  
June 30, 2012**

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

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

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

The City's major enterprise funds are:

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

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

The other enterprise funds of the City that are considered non-major funds are:

Hominy Community Medical Authority – which accounts for ambulance services.

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

**C. Assets, Liabilities and Equity**

**1. Deposits and Investments**

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

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

**2. Restricted Cash and Investments**

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

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

**NOTES TO THE BASIC FINANCIAL STATEMENTS**  
**June 30, 2012**

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

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

**3. Fair Value of Financial Instruments**

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

**4. Estimates**

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

**5. Receivables and Payables**

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

**6. Inventories**

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

**7. Capital Assets**

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

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

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

**NOTES TO THE BASIC FINANCIAL STATEMENTS**  
**June 30, 2012**

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

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

**8. Capital Assets (Continued)**

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

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

**9. Compensated Absences**

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

**10. Long-term Obligations**

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

**11. Net Assets/Fund Balance**

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

CITY OF HOMINY  
Hominy, Oklahoma

NOTES TO THE BASIC FINANCIAL STATEMENTS  
June 30, 2012

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

C. Assets, Liabilities and Equity (Continued)

11. Net Assets/Fund Balance (Continued)

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

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

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

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

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

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

12. Resource Use Policy

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

**CITY OF HOMINY  
Hominy, Oklahoma**

**NOTES TO THE BASIC FINANCIAL STATEMENTS  
June 30, 2012**

**2. DETAILED NOTES CONCERNING THE FUNDS**

**A. Deposits and Investments**

*Custodial Credit Risk*

At June 30, 2012, the City held deposits of approximately \$4,428,298 at financial institutions. The City's cash deposits, including interest-bearing certificates of deposit, are entirely covered by Federal Depository Insurance (FDIC) or direct obligation of the U.S. Government insured or collateralized with securities held by the City or by its agent in the City's name.

*Investment Interest Rate Risk*

The City does not have a formal investment policy that limits investment maturities as a means of managing its exposure to fair value losses arising from increasing interest rates.

*Investment Credit Risk*

The City has no policy that limits its investment choices other than the limitation of state law as follows:

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

The cash and investments held at June 30, 2012 are as follows:

Type	Weighted Average Maturity (Months)	Credit Rating	Market Value	Cost
Investments				
Money Market	N/A	AAAm	\$ 1,115,329	\$ 1,115,329
Certificate of deposit	6.62	N/A	3,312,969	3,312,969
Total investments			<u>\$ 4,428,298</u>	<u>\$ 4,428,298</u>

Reconciliation to Statement of Net Assets	
Governmental activities	\$ 2,478,527
Business-type activities	1,785,338
Fiduciary funds	164,433
	<u>\$ 4,428,298</u>

**CITY OF HOMINY**  
Hominy, Oklahoma

**NOTES TO THE BASIC FINANCIAL STATEMENTS**  
June 30, 2012

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

**A. Deposits and Investments (Continued)**

*Concentration of Investment Credit Risk*

The City places no limit on the amount it may invest in any one issuer. The City has the following of credit risk: 75% in Certificates of deposit (\$3,312,969) and 25% in Money Market funds (\$1,115,329).

**B. Capital Assets**

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

	Balance 6/30/11	Additions	Disposals	Balance 6/30/12
<b>Governmental Activities:</b>				
Non-depreciable assets:				
Land	\$ 16,748	\$ -	\$ -	\$ 16,748
Total non-depreciable assets	<u>16,748</u>	<u>-</u>	<u>-</u>	<u>16,748</u>
Depreciable assets:				
Buildings and improvements	1,543,715	-	-	1,543,715
Furniture, fixtures and equipment	544,757	34,930	-	579,687
Vehicles	563,526	-	-	563,526
Infrastructure	171,138	-	-	171,138
Total depreciable assets	<u>2,823,136</u>	<u>34,930</u>	<u>-</u>	<u>2,858,066</u>
Less accumulated depreciation:				
Buildings and improvements	(294,507)	(25,045)	-	(319,552)
Furniture, fixtures and equipment	(394,771)	(26,188)	-	(420,959)
Vehicles	(294,688)	(29,010)	-	(323,698)
Infrastructure	(70,296)	(24,566)	-	(94,862)
Total accumulated depreciation	<u>(1,054,262)</u>	<u>(104,809)</u>	<u>-</u>	<u>(1,159,071)</u>
Net depreciable assets	<u>1,768,874</u>	<u>(69,879)</u>	<u>-</u>	<u>1,698,995</u>
Net governmental activities capital assets	<u>\$ 1,785,622</u>	<u>\$ (69,879)</u>	<u>\$ -</u>	<u>\$ 1,715,743</u>

**CITY OF HOMINY**  
Hominy, Oklahoma

**NOTES TO THE BASIC FINANCIAL STATEMENTS**  
June 30, 2012

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

**B. Capital Assets (Continued)**

	Balance 6/30/11	Additions	Disposals	Balance 6/30/12
<b>Business-Type Activities:</b>				
Non-depreciable assets:				
Land	\$ 46,937	\$ -	\$ -	\$ 46,937
Construction in progress	-	-	-	-
Total non-depreciable assets	46,937	-	-	46,937
Depreciable assets:				
Buildings and improvements	5,488,823	199,050	-	5,687,873
Furniture, fixtures and equipment	159,178	101,028	43,350	216,856
Vehicles	871,421	-	-	871,421
Total depreciable assets	6,519,422	300,078	43,350	6,776,150
Less accumulated depreciation:				
Buildings and improvements	(2,585,718)	(153,720)	-	(2,739,438)
Furniture, fixtures and equipment	(111,929)	(41,983)	(32,272)	(121,640)
Vehicles	(533,992)	(51,221)	-	(585,213)
Total accumulated depreciation	(3,231,639)	(246,924)	(32,272)	(3,446,291)
Net depreciable assets	3,287,783	53,154	11,078	3,329,859
Net business-type activities capital assets	\$ 3,334,720	\$ 53,154	\$ 11,078	\$ 3,376,796

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

**C. Capitalized Leases**

The City has entered into a capitalized lease for the acquisition of a fire truck. The lease agreements met the criteria of a capital lease as defined by *FASB Accounting Standards Codification* (ASC) 840-10 (Formerly FAS No. 13), *Accounting for Leases*, which defines a capital lease generally as one which transfers benefits and risks of ownership to the lessee. Capital lease payments have been reclassified and are reflected as debt service expenditures in the financial statements for the governmental funds. These expenditures are reported as expenditures on the fund financial statements.

The Governmental activities capital leases are described below.

- (1) Lease payable to First National Bank & Trust for the lease purchase of a fire truck in the amount of \$61,402. Monthly payments of \$1,136 are due including interest at a rate of 4.15%. \$ 17,621

**CITY OF HOMINY**  
Hominy, Oklahoma

**NOTES TO THE BASIC FINANCIAL STATEMENTS**  
June 30, 2012

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

**C. Capitalized Leases (Continued)**

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

	Balance July 1, 2011	Additions	Payments and Cancellations	Balance June 30, 2012
Capital lease obligations	\$ 30,219	\$ -	\$ 12,598	\$ 17,621

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

Year Ending June 30,	Principal	Interest	Totals
2013	\$ 13,144	\$ 484	\$ 13,628
2014	4,477	39	4,516
Total	<u>\$ 17,621</u>	<u>\$ 523</u>	<u>\$ 18,144</u>

The Business-type activities capital leases are described below.

(1) Lease payable to Welch State Bank for the lease purchase of a sanitation vehicle in the amount of \$112,104. Monthly payments of \$1,937 are due including interest at a rate of 4.42%.	\$ 18,925
(2) Lease payable to Welch State Bank for the lease purchase of a digger truck in the amount of \$58,700. Monthly payments of \$2,312 are due including interest at a rate of 4.9%.	35199
(3) Lease payable to Welch State Bank for the lease purchase of a backhoe in the amount of \$80,200. Monthly payments of \$1,448 are due including interest at a rate of 3.18%.	<u>73,908</u>
Total	<u>\$ 128,032</u>

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

	Balance July 1, 2011	Additions	Payments and Cancellations	Balance June 30, 2012
Capital lease obligations	\$ 90,195	\$ 80,200	\$ 42,363	\$ 128,032

**CITY OF HOMINY**  
Hominy, Oklahoma

**NOTES TO THE BASIC FINANCIAL STATEMENTS**  
June 30, 2012

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

**C. Capitalized Leases (Continued)**

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

Year Ending June 30,	Principal	Interest	Totals
2013	\$ 48,470	\$ 4,021	\$ 52,491
2014	30,756	2,365	33,121
2015	22,100	1,836	23,936
2016	16,764	611	17,375
2017	9,942	193	10,135
Total	<u>\$ 128,032</u>	<u>\$ 9,026</u>	<u>\$ 137,058</u>

**D. Long-term Debt**

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

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

A note payable dated April 26, 2000 by First National Bank, Hominy in the amount of \$422,489, payable in monthly installments of \$4,222, including interest at 4.25% for swimming pool improvements, secured by a pledge of one-half of one cent sales tax. This note was paid off in the current year.

The following is a summary of long-term debt transactions of the Governmental Activities of the City:

	Balance Outstanding 7/1/11	Issued	Retired, or Defeased During Year	Balance Outstanding 6/30/12
Governmental Activities:				
First National Bank	\$ 3,261	\$ -	\$ (3,261)	\$ -

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

Berkadia dated October 27, 1980, in the amount of \$375,000, payable in monthly installments of \$1,842, with interest at 5.00%, for sewer plant improvements, secured by the water and sewer systems.

Berkadia dated May 18, 1977, in the amount of \$650,000, payable in monthly installments of \$3,192, with interest at 5.00%, for water system improvements, secured by the water and sewer systems and 1% city sales tax.

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

**CITY OF HOMINY  
Hominy, Oklahoma**

**NOTES TO THE BASIC FINANCIAL STATEMENTS  
June 30, 2012**

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

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

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

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

	Balance Outstanding		Retired, or Defeased During Year	Balance Outstanding
	7/1/11	Issued		6/30/12
Hominy Public Works Authority:				
Berkadia 1980	\$ 137,985	\$ -	\$ (15,722)	\$ 122,263
Berkadia 1977	120,954	-	(33,145)	87,809
OWRB - 2003	666,133	-	(44,037)	622,096
Total	\$ 925,072	\$ -	\$ (92,904)	\$ 832,168

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

Year Ending June 30,	Business-Type Activities		
	Principal	Interest	Total
2013	\$ 95,557	\$ 23,025	\$ 118,582
2014	99,398	19,411	118,809
2015	81,694	15,894	97,588
2016	67,251	13,721	80,972
2017	69,590	11,634	81,224
2018-2022	301,011	31,400	332,411
2023-2024	117,667	3,340	121,007
Total	832,168	118,425	950,593

The City's debt service coverage ratio for June 30, 2012 is 242.46%.

**3. OTHER INFORMATION**

**A. Risk Management**

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

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

**NOTES TO THE BASIC FINANCIAL STATEMENTS**  
**June 30, 2012**

**3. OTHER INFORMATION (Continued)**

**A. Risk Management (Continued)**

The City is a member of the Compsource Oklahoma (the Plan), an organization formed for the purpose of providing workers' compensation coverage. In that capacity, the Plan is responsible for providing loss control services and certain fiscal activities including obtaining contract arrangements for the underwriting, excess insurance agreements, claims processing, and legal defense for any and all claims submitted to it during the Plan year.

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

**B. Contingent Liabilities**

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

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

**C. Employee Retirement System and Plan**

Oklahoma Municipal Retirement Fund Master Defined Contribution Plan

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

Funding Policy – the required contribution rate for the 2010-2011 plan year was 9.0% (6.5% City and 2.5% employee deferral) of each participant's payroll. Employees who are eligible may join the Plan six months after the employee's employment commencement date. The total salary as reported on Form W-2, paid to the employee during the year is used in computing the costs.

Annual Pension Cost – the City's annual pension cost was equal to the City's required and actual contributions. The contribution from the City for this plan was \$79, \$966 and \$40,490 for 2012, 2011 and 2010, respectively. In 2012, the City used forfeitures from prior payments to reduce the amount paid in the current year.

**CITY OF HOMINY  
Hominy, Oklahoma**

**NOTES TO THE BASIC FINANCIAL STATEMENTS  
June 30, 2012**

**3. OTHER INFORMATION (Continued)**

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

Oklahoma Municipal Retirement Fund (OMRF) – CMO

The city manager is eligible to participate in a separate plan established by with Oklahoma Municipal Retirement Fund (OMRF) – CMO whereby the City of Hominy contributes 9.0% (6.5% City and 2.5% employee deferral) of the city manager's salary. The participant vests immediately in employer contributions. All other provisions and benefits of the plan are the same as for the Oklahoma Municipal Retirement Fund Master Defined Contribution Plan (the Plan). The contribution from the City for this plan was \$3,115, \$3,149 and \$2,834 for 2012, 2011 and 2010, respectively.

Police and Fire Department Plan

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

The required contribution from the City for these plans was \$26,175, \$27,110 and \$28,075 for 2012, 2011 and 2010, respectively. The required contribution was fully contributed. At June 30, 2012 the system held no related-party investments of the City or of its related entities.

**4. SUBSEQUENT EVENTS**

Management has evaluated subsequent events through September 6, 2012, which is the date the financial statements were available to be issued and has determined that no additional information needs to be added to the financial statements.

**CITY OF HOMINY  
Hominy, Oklahoma**

**REQUIRED SUPPLEMENTAL INFORMATION  
June 30, 2012**

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

**GOVERNMENTAL FUNDS  
Year Ended June 30, 2012  
(Unaudited)**

**GENERAL FUND**

	<u>Budgeted Amounts</u>		<u>Actual</u>	<u>Variance with Final Budget Over (Under)</u>
	<u>Original Budget</u>	<u>Final Budget</u>		
<b>Revenues:</b>				
Charges for services	\$ 35,300	\$ 35,300	\$ 39,229	\$ 3,929
Cigarette taxes	-	-	10,157	10,157
Interest	5,090	5,090	5,356	266
Franchise taxes	25,000	25,000	19,189	(5,811)
Fire runs and memberships	144,000	144,000	144,772	772
Intergovernmental programs	71,300	71,300	71,202	(98)
Fines and forfeits	44,000	44,000	39,910	(4,090)
Grant revenues	60,051	60,051	51,372	(8,679)
Rental receipts	750	750	750	-
Lot sales	24,000	24,000	22,901	(1,099)
Miscellaneous revenue	55,875	55,875	53,635	(2,240)
Sales and use taxes	711,600	711,600	700,669	(10,931)
Suplus propety sales	-	-	-	-
Licenses and permits	1,000	1,000	869	(131)
Donations and other	500	500	500	-
<b>Total revenues</b>	<u>1,178,466</u>	<u>1,178,466</u>	<u>1,160,511</u>	<u>(17,955)</u>
<b>Expenditures:</b>				
Current:				
General government	-	-	-	-
Public safety	684,280	684,280	676,453	7,827
Public property	327,992	327,992	323,020	4,972
Highways and roads	-	-	-	-
Cultural and recreational	206,310	206,310	202,890	3,420
Debt service	17,470	17,470	15,859	1,611
Capital outlay	-	-	-	-
<b>Total expenditures</b>	<u>1,236,052</u>	<u>1,236,052</u>	<u>1,218,222</u>	<u>17,830</u>
<b>Excess of revenue over (under) expenditures</b>	(57,586)	(57,586)	(57,711)	(125)
<b>Other financing sources (uses):</b>				
Operating transfers in (out)	<u>60,500</u>	<u>60,500</u>	<u>80,710</u>	<u>20,210</u>
<b>Net changes in fund balance</b>	2,914	2,914	22,999	20,085
<b>Fund balance at beginning of year</b>	<u>782,015</u>	<u>782,015</u>	<u>782,015</u>	<u>-</u>
<b>Fund balance at end of year</b>	<u>\$ 784,929</u>	<u>\$ 784,929</u>	<u>\$ 805,014</u>	<u>\$ 20,085</u>

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

**GOVERNMENTAL FUNDS  
Year Ended June 30, 2012  
(Unaudited)**

**SPECIAL REVENUE FUNDS**

	<u>Budgeted Amounts</u>		<u>Actual</u>	<u>Variance with Final Budget Over (Under)</u>
	<u>Original Budget</u>	<u>Final Budget</u>		
<b>Revenues:</b>				
Interest	\$ 4,200	\$ 4,200	\$ 4,431	\$ 231
Intergovernment programs	28,500	28,500	28,416	(84)
Donations and other	-	-	-	-
<b>Total revenues</b>	<u>32,700</u>	<u>32,700</u>	<u>32,847</u>	<u>147</u>
<b>Expenditures:</b>				
Highways and roads	9,600	9,600	9,523	77
Cemetery	-	-	-	-
Cultural & recreation	-	-	-	-
Capital outlay	-	-	-	-
<b>Total expenditures</b>	<u>9,600</u>	<u>9,600</u>	<u>9,523</u>	<u>77</u>
<b>Excess of revenue over (under) expenditures</b>	23,100	23,100	23,324	224
<b>Other financing sources (uses):</b>				
Operating transfers in (out)	<u>98,700</u>	<u>98,700</u>	<u>98,824</u>	<u>124</u>
<b>Net changes in fund balance</b>	121,800	121,800	122,148	348
<b>Fund balance at beginning of year</b>	<u>576,847</u>	<u>576,847</u>	<u>576,847</u>	<u>-</u>
<b>Fund balance at end of year</b>	<u>\$ 698,647</u>	<u>\$ 698,647</u>	<u>\$ 698,995</u>	<u>\$ 348</u>

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

**GOVERNMENTAL FUNDS  
Year Ended June 30, 2012  
(Unaudited)**

**CAPITAL PROJECTS FUND**

	<u>Budgeted Amounts</u>		<u>Actual</u>	<u>Variance with Final Budget Over (Under)</u>
	<u>Original Budget</u>	<u>Final Budget</u>		
<b>Revenues:</b>				
Interest	\$ 7,500	\$ 7,500	\$ 7,321	\$ (179)
Intergovernment programs	-	-	-	-
Donations and other	-	-	-	-
Miscellaneous	-	-	-	-
<b>Total revenues</b>	<u>7,500</u>	<u>7,500</u>	<u>7,321</u>	<u>(179)</u>
<b>Expenditures:</b>				
General government	-	-	8	(8)
Capital outlay	-	-	-	-
<b>Total expenditures</b>	<u>-</u>	<u>-</u>	<u>8</u>	<u>(8)</u>
<b>Excess of revenue over (under) expenditures</b>	7,500	7,500	7,313	(187)
<b>Other financing sources (uses):</b>				
Operating transfers in (out)	<u>(40,850)</u>	<u>(40,850)</u>	<u>(11,153)</u>	<u>29,697</u>
<b>Net changes in fund balance</b>	(33,350)	(33,350)	(3,840)	29,510
<b>Fund balance at beginning of year</b>	<u>906,720</u>	<u>906,720</u>	<u>906,720</u>	<u>-</u>
<b>Fund balance at end of year</b>	<u>\$ 873,370</u>	<u>\$ 873,370</u>	<u>\$ 902,880</u>	<u>\$ 29,510</u>

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

**NOTES TO REQUIRED SUPPLEMENTAL INFORMATION**  
**Year Ended June 30, 2012**  
**(Unaudited)**

**BUDGETARY INFORMATION**

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

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

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

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

**SUPPLEMENTAL INFORMATION**  
**June 30, 2012**

CITY OF HOMINY  
 COMBINING BALANCE SHEET  
 MODIFIED CASH BASIS  
 NON-MAJOR GOVERNMENTAL FUNDS  
 June 30, 2012

	<u>Special Revenue</u>		<u>Debt Service</u>	<u>Permanent Funds</u>	<u>Total Non-Major Governmental Funds</u>
	<u>Street &amp; Alley</u>	<u>Library Donations</u>	<u>Sinking</u>	<u>Cemetery Trust</u>	
<b>Assets:</b>					
Cash and equivalents	\$ 42,456	\$ 39	\$ 417	\$ -	\$ 42,912
Investments	80,718	-	-	-	80,718
Restricted cash:					
Cash and investments	-	-	-	67,521	67,521
<b>Total assets</b>	<u>\$ 123,174</u>	<u>\$ 39</u>	<u>\$ 417</u>	<u>\$ 67,521</u>	<u>\$ 191,151</u>
<b>Liabilities:</b>					
Accounts payable	\$ -	\$ -	\$ -	\$ -	\$ -
<b>Total liabilities</b>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
<b>Fund balances:</b>					
Restricted	123,174	39	417	67,521	191,151
<b>Total fund balances</b>	<u>123,174</u>	<u>39</u>	<u>417</u>	<u>67,521</u>	<u>191,151</u>
<b>Total liabilities and fund balances</b>	<u>\$ 123,174</u>	<u>\$ 39</u>	<u>\$ 417</u>	<u>\$ 67,521</u>	<u>\$ 191,151</u>

CITY OF HOMINY  
 COMBINING STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES  
 MODIFIED CASH BASIS  
 NON-MAJOR GOVERNMENTAL FUNDS  
 Year Ended June 30, 2012

	<u>Special Revenue</u>		<u>Debt Service</u>	<u>Permanent Funds</u>	<u>Total Non-Major Governmental Funds</u>
	<u>Street &amp; Alley</u>	<u>Library Donations</u>	<u>Sinking</u>	<u>Cemetery Trust</u>	
<b>Revenues:</b>					
Intergovernmental programs	\$ 28,416	\$ -	\$ -	\$ -	\$ 28,416
Interest	832	-	-	595	1,427
Surplus property sales	-	-	-	5,500	5,500
Lot sales	-	-	-	3,307	3,307
<b>Total revenues</b>	<u>\$ 29,248</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 9,402</u>	<u>\$ 38,650</u>
<b>Expenditures:</b>					
Highways and roads	\$ 9,523	\$ -	\$ -	\$ -	\$ 9,523
Cemetery	-	-	-	-	-
Cultural & recreation	-	-	-	-	-
Capital outlay	-	-	-	34,930	34,930
<b>Total expenditures</b>	<u>9,523</u>	<u>-</u>	<u>-</u>	<u>34,930</u>	<u>44,453</u>
<b>Excess of revenues over (under) expenditures</b>	19,725	-	-	(25,528)	(5,803)
<b>Other financing uses:</b>					
Operating transfers in (out)	-	-	-	-	-
<b>Excess of revenues over (under) expenditures &amp; transfers</b>	19,725	-	-	(25,528)	(5,803)
<b>Fund balance - beginning of year</b>	<u>103,449</u>	<u>39</u>	<u>417</u>	<u>93,049</u>	<u>196,954</u>
<b>Fund balance - end of year</b>	<u>\$ 123,174</u>	<u>\$ 39</u>	<u>\$ 417</u>	<u>\$ 67,521</u>	<u>\$ 191,151</u>

**CITY OF HOMINY  
Hominy, Oklahoma**

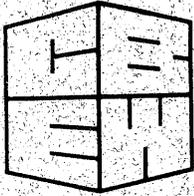
**SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS  
Year Ended June 30, 2012**

<u>Federal Grantor/Pass-Through Grantor/Program Title</u>	<u>Federal CFDA Number</u>	<u>Program or Award Amount</u>	<u>Revenue Collected</u>	<u>Federal Expenditures</u>
<b><u>U.S. Department of Transportation:</u></b>				
Federal Aviation Administration - Airport Improvement Program	20.106	266,000	185,431	185,431
<b><u>Office of Library Services, Institute of Museum and Library Services, National Foundation on the Arts and the Humanities:</u></b>				
<b><u>Passed through the Oklahoma Department of Libraries:</u></b>				
State Library Program	45.310	12,964	12,964	12,964
<b><u>U.S. Department of Homeland Security:</u></b>				
<b><u>Passed through the Oklahoma Department of Emergency Management:</u></b>				
State Domestic Preparedness Equipment Support Program	97.055	3,442	3,442	3,442
<b>Total of Expenditures of Federal Awards</b>		<b>\$ 282,406</b>	<b>\$ 201,837</b>	<b>\$ 201,837</b>

Note A - This schedule was prepared on the modified cash basis of accounting consistent with the preparation of the basic financial statements.

**CITY OF HOMINY  
Hominy, Oklahoma**

**REPORT REQUIRED BY *GOVERNMENT AUDITING STANDARDS*  
June 30, 2012**



**CBEW**  
**Professional**  
**Group, LLP**

Certified Public Accountants

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

September 6, 2012

Honorable Board of City Commissioners  
City of Hominy  
Hominy, Oklahoma

We have audited the accompanying financial statements of the governmental activities, business-type activities, each major fund, and the aggregate remaining fund information of the City of Hominy, Oklahoma, (City) as of and for the year ended June 30, 2012, which collectively comprise the City's basic financial statements and have issued our report thereon dated September 6, 2012. The City's financial statements are presented on a modified cash basis of accounting. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Additionally, the City did not present the Management's Discussion and Analysis required by the Governmental Accounting Standards Board.

Internal Control over Financial Reporting

In planning and performing our audit, we considered the City's internal control over financial reporting as a basis for designing our auditing procedures for the purpose of expressing our opinion on the basic financial statements, but not for the purpose of expressing an opinion on the effectiveness of the City's internal control over financial reporting. Accordingly, we do not express an opinion on the effectiveness of the City's internal control over financial reporting.

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.

Our consideration of internal control over financial reporting was for the limited purpose described in the first paragraph of this section and would not necessarily identify all deficiencies in internal control that might be significant deficiencies or material weaknesses. We did not identify any deficiencies in internal control over financial reporting that we consider to be material weaknesses, as defined above.

Compliance and Other Matters

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

City of Hominy  
September 6, 2012

This report is intended solely for the information and use of management, all applicable federal and state agencies, and those other Governments from which federal financial assistance was received and is not intended to be and should not be used by anyone other than these specified parties.

*CBEW Professional Group, LLP*

CBEW Professional Group, LLP  
Certified Public Accountants