

FINANCIAL STATEMENTS
AND
AUDITOR'S REPORTS

THE CITY OF HUGO
JUNE 30, 2016

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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, 2016, and the related notes to the financial statements, which collectively comprise the City's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

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, 2016, 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

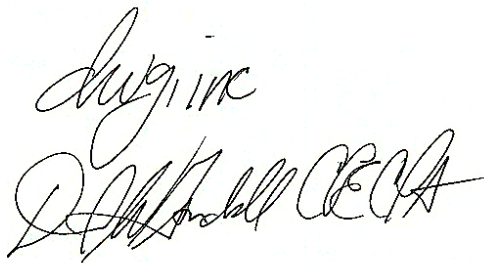
procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, 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 January 30, 2017, on our consideration of the City's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, 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 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 cursive and appears to read 'dwg, inc'. The bottom signature is also cursive and appears to read 'David W. Gandall CFE, CPA'.

dwg, inc.
David W. Gandall, CFE, CPA
January 30, 2017

City of Hugo
Statement of Net Position
As of June 30, 2016

	Governmental Activities	Business-Type Activities	Total
ASSETS			
Current Assets			
Cash and investments	\$ 451,444	\$ 293,033	\$ 744,477
Cash and investments - restricted	677,423	1,444,297	2,121,720
Accounts receivable	-	69,900	69,900
Taxes receivable	303,030	-	303,030
Grants receivable	-	-	-
Total current assets	1,431,897	1,807,230	3,239,127
Capital Assets			
Non-depreciable capital assets	-	381,880	381,880
Depreciable capital assets	5,230,598	23,781,391	29,011,989
Accumulated depreciation	(2,576,275)	(9,172,486)	(11,748,761)
Net capital assets	2,654,323	14,990,785	17,645,108
TOTAL ASSETS	4,086,220	16,798,015	20,884,235
DEFERRED OUTFLOWS OF RESOURCES			
Pension Plan Deferred Outflows	304,750		304,750
Bond discount	-	110,220	110,220
	304,750	110,220	414,970
LIABILITIES			
Current Liabilities			
Accounts payable	158,569	60,057	218,626
Accrued liabilities	13,083	86,163	99,246
Current portion of long-term debt	194,974	361,341	556,315
Due to (from) other funds	535,030	(535,030)	-
Total current liabilities	901,656	(27,469)	874,187
Noncurrent Liabilities			
Pension Liabilities	2,114,006		2,114,006
Meter deposits refundable	-	259,999	259,999
Long-term debt, less current portion	1,469,207	9,182,101	10,651,308
Total noncurrent liabilities	3,583,213	9,442,100	13,025,313
TOTAL LIABILITIES	4,484,869	9,414,631	13,899,500
DEFERRED INFLOWS OF RESOURCES			
Unamortized pension investment income	830,704		830,704
Bond premium	-	170,469	170,469
	830,704	170,469	1,001,173
NET POSITION			
Invested in capital assets, net of debt	990,142	5,447,343	6,437,485
Restricted for:			
Debt service	(312,719)	1,444,297	1,131,578
Unrestricted	(1,602,026)	431,495	(1,170,531)
TOTAL NET POSITION	\$ (924,604)	\$ 7,323,135	\$ 6,398,531

The accompanying notes are an integral part of these financial statements

City of Hugo
Statement of Activities
For the year ended June 30, 2016

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	(869,954)	\$ 201,518			\$ (668,436)		\$ (668,436)
Streets	(563,612)				(563,612)		(563,612)
Parks & recreation	(304,454)				(304,454)		(304,454)
Police and court	(1,367,410)	164,050			(1,203,360)		(1,203,360)
Fire	(913,894)				(913,894)		(913,894)
Cemetery	(144,942)	6,240			(138,702)		(138,702)
Nutrition program	(2,680)				(2,680)		(2,680)
Garage	(32,055)				(32,055)		(32,055)
Total governmental activities	(4,199,001)	371,808			(3,827,193)		(3,827,193)
Business-type activities:							
Water	(1,869,621)	1,360,937				(508,684)	(508,684)
Sewer	(1,243,600)	722,876		15,000		(505,724)	(505,724)
Trash	(195,920)	400,747				204,827	204,827
Airport	(196,067)	162,954	148,284			115,171	115,171
Industrial Authority	(12,960)	14,725				1,765	1,765
Other fees and charges	(190,036)	486,098				296,062	296,062
Total business-type activities	(3,708,204)	3,148,337	148,284	15,000		(396,583)	(396,583)
Total all activities	\$ (7,907,205)	\$ 3,520,145	\$ 148,284	\$ 15,000	\$ (3,827,193)	\$ (396,583)	\$ (4,223,776)
Interest expensed in:							
General government	\$ 50,855						
Streets	33,000						
Water	320,106						
Sewer	35,351						
Total	\$ 439,312						
General revenues:							
Sales and use taxes					2,768,659	930,949	3,699,608
Franchise taxes					156,950		156,950
Other income (loss)					215,257	831	216,088
Shared Revenue					217,938		217,938
Transfers to other entities						(1,005,412)	(1,005,412)
Total general revenues and transfers					3,358,804	(73,632)	3,285,172
Change in net position					(468,389)	(470,215)	(938,604)
Net position, beginning					(456,214)	7,793,350	7,337,136
Net position, ending					\$ (924,604)	\$ 7,323,135	\$ 6,398,531

**City of Hugo
Balance Sheet
Governmental Funds
As of June 30, 2016**

	Major Funds				Total Governmental Funds
	General	Street and Alley	Mount Olive Cemetery	Non-Major	
ASSETS					
Cash and investments	\$ 257,695	\$ 101,687	\$ 75,174	\$ 16,888	\$ 451,444
Cash and investments - restricted	218,116		397,097	62,210	677,423
Taxes receivable	303,030				303,030
TOTAL ASSETS	778,841	101,687	472,271	79,098	1,431,897
LIABILITIES					
Accounts payable	158,569				158,569
Accrued interest	7,875	5,208			13,083
Due to (from) other funds	405,140	118,230	(2,997)	14,657	535,030
TOTAL LIABILITIES	571,584	123,438	(2,997)	14,657	706,682
FUND BALANCES					
Unreserved	207,257	(21,751)	475,268	64,441	725,215
TOTAL LIABILITIES AND FUND BALANCES	\$ 778,841	\$ 101,687	\$ 472,271	\$ 79,098	\$ 1,431,897

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

	Fund balance	\$ 725,215
	Capital assets	5,230,598
	Accumulated depreciation	(2,576,275)
	Debt	(1,664,181)
	Net pension liability	(2,114,006)
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	1,063,448
	Deferred inflows of resources related to pensions	(1,589,403)
	Net position of governmental activities	\$ (924,604)

City of Hugo
Statement of Revenues, Expenditures and Changes in Fund Balances
Governmental Funds
For the Year ended June 30, 2016

	Major Funds				Total Governmental Funds
	General	Street and Alley	Mount Olive Cemetery	Non-Major	
REVENUES					
Taxes	\$ 2,384,547	\$ 517,888	\$ -	\$ 23,174	\$ 2,925,609
Licenses & permits	65,001		354		65,355
Fines & forfeitures	112,770		-	51,280	164,050
Sales and services	136,517		5,886		142,403
Federal and state grants	-	-		-	-
Other revenues	197,507	2,470	228	7,612	207,817
Interest	533	114	6,767	26	7,440
Capital financing	-				-
TOTAL REVENUES	2,896,875	520,472	13,235	82,092	3,512,674
EXPENDITURES					
General government	420,600				420,600
Streets		453,646			453,646
Parks & recreation	252,609				252,609
Police and court	1,163,656			40,898	1,204,554
Fire	670,089			8,174	678,263
Cemetery	132,460		4,447		136,907
Nutrition program	2,680				2,680
Garage	32,055				32,055
Debt service	68,029	116,329		-	184,358
Interest expense	50,855	33,000			83,855
Capital outlay	47,430	-	-	40,648	88,078
Other expense		11,287		17,248	28,535
TOTAL EXPENDITURES	2,840,463	614,262	4,447	106,968	3,566,140
REVENUES OVER (UNDER) EXPENDITURES	56,412	(93,790)	8,788	(24,876)	(53,466)
OTHER FINANCING SOURCES (USES)					
Transfers-in (out)	-	-	-	-	-
TOTAL OTHER FINANCING SOURCES (USES)	-	-	-	-	-
NET CHANGE IN FUND BALANCE	56,412	(93,790)	8,788	(24,876)	(53,466)
FUND BALANCE, BEGINNING	468,891	72,039	466,480	89,317	1,096,727
FUND BALANCE, ENDING	\$ 525,303	\$ (21,751)	\$ 475,268	\$ 64,441	\$ 1,043,261

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

Net change in fund balance	\$ (53,466)
Principal payments	184,358
Capital asset purchases capitalized	88,078
Funds borrowed, recorded as revenue in the fund financial statements but recorded as long term liability in the government wide financial statements	
Depreciation expense	(188,712)
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	(716,585)
Employer and state (on behalf) pension contributions	217,938
Change in net position of governmental activities	\$ (468,389)

The accompanying notes are an integral part of these financial statements

City of Hugo
Statement of Fund Net Position
Proprietary Funds
As of June 30, 2016

ASSETS

Current Assets

Unrestricted cash and cash equivalents	\$	293,033
Utility billing receivables		77,667
Allowance for doubtful accounts		(7,767)

Restricted assets:

Cash and cash equivalents		1,444,297
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Total current assets		<u>1,807,230</u>
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Noncurrent Assets

Construction in progress		381,880
Depreciable capital assets		23,781,391
Accumulated depreciation		(9,172,486)
Net capital assets		<u>14,990,785</u>

TOTAL ASSETS		<u><u>16,798,015</u></u>
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DEFERRED OUTFLOWS OF NET POSITION

Bond discount		<u>110,220</u>
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LIABILITIES

Current Liabilities

Accrued interest		86,163
Compensated Absences		60,057
Due to (from) other funds		(535,030)
Current portion of long-term debt		<u>361,341</u>
Total current liabilities		(27,469)

Noncurrent liabilities

Meter deposits refundable		259,999
Long-term debt, less current portion		<u>9,182,101</u>
Total noncurrent liabilities		<u>9,442,100</u>

TOTAL LIABILITIES		<u><u>9,414,631</u></u>
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DEFERRED INFLOWS OF NET POSITION

Bond premium		<u>170,469</u>
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NET POSITION

Invested in capital assets, net of debt		5,447,343
Restricted for:		
Debt service		1,444,297
Unrestricted		<u>431,495</u>

TOTAL NET POSITION		<u><u>\$ 7,323,135</u></u>
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City of Hugo
Statement of Revenues, Expenses and Changes in Fund Net Position
Proprietary Funds
For the Year ended June 30, 2016

OPERATING REVENUES	
Water revenue	\$ 1,360,937
Sewer revenue	722,876
Trash revenue	400,747
Industrial Authority revenue	14,725
Airport revenue	162,954
Sales tax revenue	930,949
Grant revenue	163,284
Interest revenue	831
Other fees and charges	359,122
Capital improvement charges	126,976
TOTAL OPERATING REVENUES	<u>4,243,401</u>
OPERATING EXPENSES	
Water	1,174,514
Sewer	833,247
Trash	195,921
Airport	158,364
Industrial Authority	3,989
Interest expense	355,457
Other expense	190,036
TOTAL OPERATING EXPENSES	<u>2,911,528</u>
OPERATING INCOME (LOSS)	1,331,873
OTHER INCOME (EXPENSE)	
Depreciation expense	<u>(796,677)</u>
TOTAL OTHER INCOME (EXPENSE)	<u>(796,677)</u>
INCOME BEFORE TRANSFERS	535,197
TRANSFERS (OUT)	<u>(1,005,412)</u>
CHANGE IN NET POSITION	(470,215)
NET POSITION, BEGINNING	<u>7,793,350</u>
NET POSITION, ENDING	<u>\$ 7,323,135</u>

City of Hugo
Statement of Cash Flows
Proprietary Funds
For the year ended June 30, 2016

Cash flows from operations:	
Customers	\$ 2,605,045
Tax collections	930,949
Grants	233,731
Other fees and charges	486,098
Interest	831
Cash payments for:	
Salaries	(1,066,735)
Goods and services	(1,813,446)
Interest paid on long-term debt	(363,713)
Net cash provided from operations	<u>1,012,760</u>
Cash flows from capital financing activities:	
Capital expenditures	(588,180)
Long-term debt payments	(1,497,649)
Proceeds from new debt	1,495,000
Net cash from capital financing activities	<u>(590,829)</u>
Cash flows from investing activities:	
Net transfers to restricted cash	(356,812)
Net increase (decrease) in cash	65,119
Beginning cash	227,915
Ending cash	<u>\$ 293,033</u>
Reconciliation of income from operations	
to net cash from operations:	
Operating income (loss)	\$ 535,197
Adjustments to income from operations:	
Net amortization of bond discount and premium	(2,008)
Depreciation	796,681
Change in assets and liabilities:	
(Increase) decrease in receivables, net	547
(Increase) decrease in due from other funds	(352,956)
Increase (decrease) in payables	28,841
Increase (decrease) in accrued interest	(6,248)
Increase (decrease) in refundable deposits	12,706
Net cash provided by operations	<u>\$ 1,012,760</u>
Restricted cash in certificates of deposit	\$ 100,000
Restricted cash in trust accounts	1,344,297
Total restricted non-current cash	<u>1,444,297</u>
Operating Cash	293,033
Total cash and cash equivalents	<u>\$ 1,737,330</u>

The City of Hugo
Notes to the Financial Statements
As of and for the Year Ended June 30, 2016

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, 2016, 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, 2016, 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, 2016

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, 2016

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, 2016

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 qualify 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
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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, 2016, 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, 2016, 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 \$188,712 for the governmental funds was recorded for the following: Fire Department \$21,528; Police Department \$31,993; Street and Alley \$51,845; Mt. Olivet Cemetery \$8,035; Parks \$65,679; and City Hall \$9,632.

	Balance June 30, 2015	Additions	Deletions	Balance June 30, 2016
Land	\$ 4,000			\$ 4,000
City Hall	561,550			561,550
Fire Department	729,847	9,048		738,895
Police Department	365,928	31,600	(82,014)	315,514
Street Department	2,313,366			2,313,366
Mt. Olive Cemetery	135,487			135,487
Park and Recreation	1,107,554	54,232		1,161,786
Total	5,217,732	94,880	(82,014)	5,230,598
Accumulated Depreciation	(2,469,591)	(188,712)	82,028	(2,576,275)
Net Fixed Assets	\$ 2,748,141	\$ (93,832)	\$ 14	\$ 2,654,323

Proprietary Funds

As of June 30, 2016, the proprietary funds had \$381,880 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 \$796,677 for the proprietary funds was recorded for the following: Industrial Authority \$8,972; Water Department \$375,003; Sewer Department \$375,003; and Airport \$37,704.

The City of Hugo
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	Balance June 30, 2015	Additions	Deletions	Balance June 30, 2016
Construction in progress	\$ 58,197	323,683		\$ 381,880
Municipal Authority	7,353			7,353
Sewer & Water	11,020,924	115,048		11,135,972
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	149,450		1,293,650
Total Capital Assets	<u>23,575,090</u>	<u>588,181</u>		<u>24,163,271</u>
Accumulated Depreciation	<u>(8,375,805)</u>	<u>(796,681)</u>		<u>(9,172,486)</u>
Net Fixed Assets	<u>\$ 15,199,285</u>	<u>\$ (208,500)</u>		<u>\$ 14,990,785</u>

4. Long-term Debt

The following is a summary of the City's long-term debt transactions for the year ended June 30, 2016:

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, 2016:

	Capital Leases	Notes Payable	Revenue Notes	Total
Debt outstanding, beginning of year	\$ 18,640	\$ 108,655	\$ 1,725,000	\$ 1,852,295
Retirements and repayments	10,890	22,224	155,000	188,114
Debt outstanding, end of year	<u>\$ 7,750</u>	<u>\$ 86,431</u>	<u>\$ 1,570,000</u>	<u>\$ 1,664,181</u>

Total interest expense on governmental debt during the year ended June 30, 2016 totaled \$83,855.

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 6/30/15	Additions	Principal Payments	Balance 6/30/2016
\$ 1,040,000	-	95,000	\$ 945,000

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>
2017	\$	46,000	\$ 100,000	\$ 845,000
2018		41,000	105,000	740,000
2019		35,625	110,000	630,000
2020		30,000	120,000	510,000
2021		24,000	120,000	390,000
2022-2024		34,125	390,000	-

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
6/30/15	Additions	Payments	6/30/2016
\$ 685,000	-	60,000	\$ 625,000

Future Debt Service:

		<u>Interest</u>	<u>Principal</u>	<u>Balance</u>
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		16,500	80,000	270,000
2022-2024		24,375	270,000	-

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
6/30/15	Additions	Payments	6/30/2016
\$ 108,655	-	22,224	\$ 86,431

Future Debt Service:

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

The City of Hugo
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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		Principal	Balance
6/30/15	Additions	Payments	6/30/2016
\$ 2,457	\$ -	\$ 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		Principal	Balance
6/30/15	Additions	Payments	6/30/2016
\$ 12,427	-	4,677	\$ 7,750

Future Debt Service:

	<u>Interest</u>	<u>Principal</u>	<u>Balance</u>
2017	249	7,750	-

Proprietary Funds:

The Hugo Municipal Authority (HMA) had the following long-term debt obligations outstanding as of June 30, 2016:

Debt outstanding, beginning of year	\$ 9,546,092
New debt issued	1,495,000
Retirements and repayments	(1,497,650)
Debt outstanding, end of year	<u>\$ 9,543,442</u>

Total interest expense on proprietary debt during the year ended June 30, 2016 totaled \$355,457.

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
6/30/15	Additions	Payments	6/30/2016
\$ 34,964	-	3,904	\$ 31,060

Future Debt Service:

	<u>Interest</u>	<u>Principal</u>	<u>Balance</u>
2017	\$ 1,002	\$ 4,030	\$ 27,030
2018	872	4,160	22,870
2019	737	4,294	18,576
2020	599	4,433	14,143
2021	456	4,576	9,567
2022	309	9,567	-

The City of Hugo
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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 original principal balance of the 2012B bonds was \$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. Total 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 2016.

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
6/30/15	Additions	Payments	6/30/2016
\$ 6,455,000	-	215,000	\$ 6,240,000

Future Debt Service:

	<u>Interest</u>	<u>Principal</u>	<u>Balance</u>
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	201,844	250,000	5,075,000
2022-2026	844,781	1,400,000	3,675,000
2027-2031	568,879	1,665,000	2,010,000
2032-2036	208,898	2,010,000	-

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: This note was paid off with the HMA 2016 Revenue Note.

Debt service for the year ended June 30, 2016 is listed below:

Balance		Principal	Balance
6/30/15	Additions	Payments	6/30/2016
\$ 775,000	-	775,000	\$ -

The City of Hugo
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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, 2016 is listed below:

Balance 6/30/15	Additions	Principal Payments	Balance 6/30/2016
\$ 1,910,000	-	250,000	\$ 1,660,000

Future Debt Service:

	<u>Interest</u>	<u>Principal</u>	<u>Balance</u>
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	21,112	275,000	735,000
2022-2024	25,312	735,000	-

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 6/30/15	Additions	Principal Payments	Balance 6/30/2016
\$ 240,150	-	240,150	\$ -

HMA Revenue Note 2016

The Municipal Authority entered into a Revenue Note to provide for improvements to the system. This pledges certain sales tax revenue to provide for improvements to the utility infrastructure.

Debt service is as listed below:

Balance 6/30/15	Additions	Principal Payments	Balance 6/30/2016
\$ -	1,495,000	2,000	\$ 1,493,000

**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>
2017	74,300	25,000	1,468,000
2018	73,075	24,000	1,444,000
2019	72,875	29,000	1,415,000
2020	71,875	29,000	1,386,000
2021	68,950	31,000	1,355,000
2022-2026	301,075	681,000	674,000
2027-2029	45,000	674,000	-

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, 2016 is as follows:

Balance 6/30/15	Additions	Principal Payments	Balance 6/30/2016
\$ 130,978	-	11,595	\$ 119,383

Future Debt Service:

	<u>Interest</u>	<u>Principal</u>	<u>Balance</u>
2017	6,828	12,311	107,072
2018	6,069	13,070	94,002
2019	5,263	13,877	80,125
2020	4,407	14,732	65,393
2021	3,498	15,641	49,752
2022-2024	4,473	49,752	-

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

The City of Hugo
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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 \$55,376. The State of Oklahoma also made on-behalf contributions to OPPER in the amount of \$54,690 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 \$54,690.

Pension Assets, Pension Expense, and Deferred Outflows of Resources and Deferred Inflows of Resources Related to Pensions - At June 30, 2016, the City reported a liability of \$220 for its proportionate share of the net pension liability. The net pension asset was measured as of June 30, 2015, and the total pension asset used to calculate the net pension asset was determined by an actuarial valuation as of July 1, 2015. The City's proportion of the net pension asset was based on the City's contributions received by the pension plan relative to the total contributions received by pension plan for all participating employers as of June 30, 2015. Based upon this information, the City's proportion was .1541 percent.

For the year ended June 30, 2016, the City recognized pension expense of \$21,770. At June 30, 2016, the City reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

The City of Hugo
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	Deferred Outflows of Resources	Deferred Inflows of Resources
Difference between expected and actual	\$ -	\$ 34,735.00
Net difference between projected and actual earnings on pension plan investments	-	145,077
City contributions subsequent to the measurement date	55,376	-
Total	\$ 55,376	\$ 179,812

The \$55,376 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, 2017. 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

2017	65,629
2018	65,629
2019	65,629
2020	65,629
2021	3,533

Actuarial Assumptions - The total pension liability was determined by an actuarial valuation as of July 1, 2015, using the following actuarial assumptions, applied to all prior periods included in the measurement:

Inflation:	3%
Salary increases:	4.0%, including inflation
Investment rate of return:	7.5% net of pension plan investment expense
Mortality rates:	Active employees (pre-retirement) RP-2000 Blue Collar Healthy Combined table with age set back 4 years with fully generational improvement using Scale AA.
	Active employees (post-retirement) and nondisabled pensioners: RP-2000 Blue Collar Healthy Combined table with fully generational improvement using scale AA.
	Disabled pensioners: RP-2000 Blue Collar Healthy Combined table with age set forward 4 years with fully generational improvement using Scale AA.

The actuarial assumptions used in the July 1, 2015, 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

The City of Hugo
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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, 2015, 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 \$	377,547	\$ 6,283	\$ (306,718)

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.

Payables to the pension plan - The City did not have any payables to OPPRS at June 30, 2016.

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

The City of Hugo
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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 \$69,675. The State of Oklahoma also made on-behalf contributions to FPRS in the amount of \$163,329 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 \$163,229. 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, 2016, the City reported a liability of \$2,108,343 for its proportionate share of the net pension liability. The net pension liability was measured as of June 30, 2015, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of July 1, 2015. 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, 2015. Based upon this information, the City's proportion was .1790% percent.

For the year ended June 30, 2016, the City recognized pension expense of \$208,791. At June 30, 2016, the City reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

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	Deferred Outflows of Resources	Deferred Inflows of Resources
Difference between expected and actual	\$ 37,540.00	\$ 209,000.00
Changes in assumptions	-	-
Net difference between projected and actual earnings on pension plan investments	67,360	160,880
City contributions subsequent to the measurement date	69,675	-
Total	<u>\$ 174,575</u>	<u>\$ 369,880</u>

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:	
2017	(107,956)
2018	(107,956)
2019	(107,956)
2020	(107,956)
2021	(107,956)

Actuarial Assumptions -The total pension liability was determined by an actuarial valuation as of July 1, 2015, 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, 2015, 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, 2015, are summarized in the following table:

**The City of Hugo
Notes to the Financial Statements
As of and for the Year Ended June 30, 2016**

<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:

	<u>1% Decrease 6.50%</u>	<u>Current Discount Rate 7.5%</u>	<u>1% Increase 8.50%</u>
Employers' net pension liability \$	2,467,096	\$ 1,900,112	\$ 1,424,580

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, 2016.

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, 2016

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, 2016 of \$179,695 which was 100% of required contribution for 2016.

At June 30, 2016, the City reported a liability for its proportionate share of the net pension liability. The net pension liability was measured as of June 30, 2015, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of July 1, 2015. 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, 2015, the City's proportionate share was .057706%.

For the year ended June 30, 2016 the City recognized pension expense for the OPERS plan of \$934. 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		23,078
Net difference between projected and actual earnings on pension plan investments	174,582	265,502
Contributions subsequent to the measurement date	179,695	
	354,277	265,502

The total amount of \$88,755, 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, 2016.

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	
2017	(83,763)
2018	(83,763)
2019	(83,763)
2020	(83,763)
2021	(83,763)

**The City of Hugo
Notes to the Financial Statements
As of and for the Year Ended June 30, 2016**

Actuarial Assumptions - The total pension liability was determined by an actuarial valuation as of July 1, 2015, 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, 2015, 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.

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	\$ 1,413,792	\$ 23,529	\$ (1,148,560)

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 OPERS; which can be located at www.opers.ok.gov

Payables to the pension plan - The City did not have any payables to OPERS at June 30, 2016.

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.

The City of Hugo
Notes to the Financial Statements
As of and for the Year Ended June 30, 2016

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. 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, 2016, 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 January 30, 2017.

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.

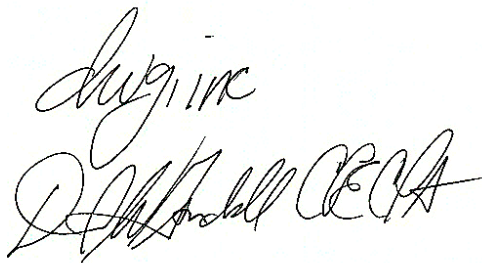
A *significant deficiency* is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance. We did not detect any significant deficiencies during the current audit. The status of the previous years' deficiencies are listed in the schedule of previous year's significant deficiencies as items 2015-1, 2015-2 and 2015-3.

Compliance and Other Matters

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

Purpose of this Report

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the results of that testing, and not to provide and 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
January 30, 2017

City of Hugo
Schedule of Previous Years' Findings and Responses
Year Ended June 30, 2016

2015-1

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.

Status

This matter has been addressed and the city treasurer is now tracking projects while in progress.

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.

Status

Vacation and fixed asset records are now being kept in the treasurer's office.

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

The utility clerk did identify the inactive accounts which resulted in a more accurate accounts receivable balance.

The City of Hugo
 Schedule of Expenditures of Federal Awards
 For the Year Ended June 30, 2016

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	\$ 15,000	\$ 15,000
United States Department of Transportation	Airport Improvement Program	20.106	148,264	148,264
Total Federal Awards			<u>\$ 163,264</u>	<u>\$ 163,264</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, 2016

	Actual	Budget	Dollar Variance	Percentage Variance
Sales Taxes Revenues	\$ 1,396,426	\$ 1,398,077	\$ (1,651)	-0.12%
Sales Taxes High School	465,475	461,336	4,139	0.90%
Use Tax Revenues	159,305	126,542	32,763	25.89%
Hotel/Motel Tax	67,277	69,351	(2,074)	-2.99%
Cigar & Cigarette Taxes	38,749	37,111	1,638	4.41%
Alcoholic Beverage Tax	100,366	75,067	25,299	33.70%
911 Fees	12,763	20,101	(7,338)	-36.51%
Franchise Taxes	156,950	172,892	(15,942)	-9.22%
Cemetery Plot Sales	23,902	13,418	10,484	78.13%
Grave Opening and Closing	20,333	21,504	(1,171)	-5.45%
Fees and Permits	65,001	26,004	38,997	149.97%
Police Fines and Fees	112,770	61,894	50,876	82.20%
Capital Improvement Fees	60,034	61,591	(1,557)	-2.53%
Interest Revenues	533	420	113	26.90%
Grant Revenue	-	-	-	0.00%
Other Revenues	194,266	25,539	168,727	660.66%
Contributions	3,241	-	3,241	100.00%
Rentals	19,485	-	19,485	100.00%
Capital Financing	-	-	-	0.00%
Transfers In	(318,045)	240,000	(558,045)	-232.52%
Nutrition Reimbursements	61,792	-	61,792	100.00%
Total	2,640,623	2,810,847	(170,224)	-6.06%

General and Administrative

Payroll and Wages	56,564	74,330	(17,766)	-23.90%
Contract Labor and Services	60,925	-	60,925	100.00%
Payroll Taxes	8,384	8,214	170	2.07%
Benefits	38,512	11,150	27,362	245.40%
Insurance and Bonds	36,112	39,180	(3,068)	-7.83%
Office Expenses	5,176	958	4,218	440.29%
Accounting and Legal	47,239	27,457	19,782	72.05%
Gas and Oil	1,892	6,994	(5,102)	-72.95%
Repairs and Maintenance	14,026	616	13,410	2176.95%
Supplies and Equipment	138,732	18,829	119,903	636.80%
Telephone and Utilities	9,378	12,547	(3,169)	-25.26%
Travel and Training	(9,765)	1,026	(10,791)	-1051.75%
Other Expenses	13,425	9,835	3,590	36.50%
Capital Outlay	34,875	-	34,875	100.00%
Debt Service - Principal	-	-	-	0.00%
Debt Service - Interest	-	-	-	0.00%
Total	455,475	211,136	244,339	115.73%

Police Department

Payroll and Wages	838,504	600,000	238,504	39.75%
Payroll Taxes	83,532	48,000	35,532	74.03%
Benefits	187,885	90,000	97,885	108.76%
Insurance and Bonds	-	233	(233)	-100.00%
Gas and Oil	21,687	21,694	(7)	-0.03%
Repairs and Maintenance	548	4,955	(4,407)	-88.94%
Supplies and Equipment	13,327	11,773	1,554	13.20%
Telephone and Utilities	11,437	14,881	(3,444)	-23.14%
Travel and Training	373	1,457	(1,084)	-74.40%
Other Expenses	6,362	2,203	4,159	188.79%
Capital Outlay	-	30,000	(30,000)	-100.00%
Total	1,163,655	825,196	338,459	41.02%

Fire Department

Payroll and Wages	531,537	503,319	28,218	5.61%
Payroll Taxes	20,113	7,298	12,815	175.60%
Benefits	98,883	75,498	23,385	30.97%
Insurance and Bonds	605	700	(95)	-13.57%
Office Expenses	101	124	(23)	-18.55%
Gas and Oil	3,902	4,978	(1,076)	-21.62%
Repairs and Maintenance	110	191	(81)	-42.41%
Supplies and Equipment	2,723	8,339	(5,616)	-67.35%
Telephone and Utilities	11,443	16,767	(5,324)	-31.75%
Travel and Training	347	273	74	27.11%
Other Expenses	327	1,610	(1,283)	-79.69%
Capital Outlay	-	-	0	0.00%
Total	670,091	619,097	50,994	8.24%

City of Hugo
Budgetary Statement of Revenue and Expenditures
General Fund
For the year ended June 30, 2016

	Actual	Budget	Dollar Variance	Percentage Variance
Cemetery				
Payroll and Wages	107,147	105,057	2,090	1.99%
Payroll Taxes	8,869	8,405	464	5.52%
Benefits	4,118	15,759	(11,641)	-73.87%
Insurance and Bonds	100	119	(19)	-15.97%
Office Expenses	1,669	2,370	(701)	-29.58%
Repairs and Maintenance	302	5,000	(4,698)	-93.96%
Supplies and Equipment	6,053	3,895	2,158	55.40%
Telephone and Utilities	3,866	5,200	(1,334)	-25.65%
Other Expenses	338	365	(27)	-7.40%
Capital Outlay	-	-	0	0.00%
Total	132,462	146,170	(13,708)	-9.38%
Nutrition				
Payroll and Wages	38,798	52,301	(13,503)	-25.82%
Payroll Taxes	4,014	4,184	(170)	-4.06%
Benefits	10,935	7,845	3,090	39.39%
Repairs and Maintenance	65	964	(899)	-93.26%
Supplies and Equipment	794	761	33	4.34%
Telephone and Utilities	3,422	8,163	(4,741)	-58.08%
Travel and Training	6,123	6,803	(680)	-10.00%
Other Expenses	320	676	(356)	-52.66%
Total	64,471	81,697	(17,226)	-21.09%
Parks Department				
Payroll and Wages	137,937	123,114	14,823	12.04%
Payroll Taxes	14,534	9,849	4,685	47.57%
Benefits	37,265	18,467	18,798	101.79%
Office Expenses	(1)	146	(147)	-100.68%
Gas and Oil	5,031	6,451	(1,420)	-22.01%
Repairs and Maintenance	8,504	16,350	(7,846)	-47.99%
Supplies and Equipment	32,218	24,360	7,858	32.26%
Telephone and Utilities	14,449	14,945	(496)	-3.32%
Travel and Training	49	-	49	100.00%
Other Expenses	2,622	12,132	(9,510)	-78.39%
Capital Outlay	12,555	-	12,555	100.00%
Debt Service - Principal	68,029	-	68,029	100.00%
Debt Service - Interest	50,854	-	50,854	100.00%
Total	384,046	225,814	158,232	70.07%
Garage				
Payroll Taxes	2,597	-	2,597	100.00%
Capital Outlay	-	-	-	0.00%
Total	2,597	0	2,597.00	
High School				
Debt Service Principal	-	250,000.00	(250,000)	-100.00%
Debt Service Interest	-	41,384.00	(41,384)	-100.00%
Capital Outlay	-	169,952	(169,952)	-100.00%
Total	-	461,336.00	(461,336.00)	-100.00%

City of Hugo
Budgetary Statement of Revenue and Expenditures
Street and Alley Fund
For the year ended June 30, 2016

	Actual	Budget	Dollar Variance	Percentage Variance
Sales Taxes Revenues	\$ 465,475	\$ 428,000	\$ 37,475	8.76%
Motor Vehicle Taxes	38,327	40,000	(1,673)	-4.18%
Gasoline Taxes	14,086	12,000	2,086	17.38%
Interest Revenues	114	-	114	100.00%
Other Revenues	2,470	4,500	(2,030)	-45.11%
Total	520,472	484,500	35,972	7.42%

Street and Alley Expenses

Payroll and Wages	177,816	175,000	2,816	1.61%
Contract Labor and Services	21,966	18,000	3,966	22.03%
Payroll Taxes	18,064	15,989	2,075	12.98%
Benefits	45,245	28,127	17,118	60.86%
Insurance and Bonds	17,906	13,000	4,906	37.74%
Office Expenses	921	500	421	84.20%
Accounting and Legal	11,420	3,600	7,820	217.22%
Gas and Oil	11,868	14,000	(2,132)	-15.23%
Repairs and Maintenance	9,929	6,500	3,429	52.75%
Supplies and Equipment	94,823	75,000	19,823	26.43%
Telephone and Utilities	43,689	39,000	4,689	12.02%
Travel and Training	-	-	-	0.00%
Other Expenses	11,287	6,000	5,287	88.12%
Capital Outlay	-	25,000	(25,000)	-100.00%
Debt Service Principal	116,329	6,500	109,829	1689.68%
Debt Service Interest	33,000	3,500	29,500	842.86%
Total	614,263	429,716	184,547	42.95%

Hugo Municipal Authority
Budgetary Statement of Revenue and Expenditures
For the year ended June 30, 2016

	Actual	Budget	Dollar Variance	Percentage Variance
Sales Taxes Revenues	\$ 930,949	\$ 913,714	\$ 17,235	1.89%
Water Sales	1,341,952	1,273,191	68,761	5.40%
Capital Improvement Fees	126,976	118,315	8,661	7.32%
Late Fees and Reconnects	32,220	29,163	3,057	10.48%
Interest Revenues	661	800	(139)	-17.38%
Other Revenues	193,797	29,210	164,587	563.46%
Sewer Sales	722,876	461,830	261,046	56.52%
Capital Improvement Fees	0	18,523	(18,523)	-100.00%
Other Revenues	109,337	2,520	106,817	4238.77%
Grant Revenues	15,000	1,463,000	(1,448,000)	-98.97%
Trash Fees	400,747	366,756	33,991	100.00%
Capital Financing	1,495,000	3,142,000	(1,647,000)	100.00%
Transfers Out		(240,000)	240,000	100.00%
Total	5,369,515	7,579,022	(2,449,507)	-32.32%

Water Expense

Payroll and Wages	239,088	295,307	(56,219)	-19.04%
Contract Labor and Services	253,013	277,283	(24,270)	-8.75%
Payroll Taxes	27,448	23,625	3,823	16.18%
Benefits	94,138	44,296	49,842	112.52%
Insurance and Bonds	50,091	31,612	18,479	58.46%
Office Expenses	10,899	7,598	3,301	43.45%
Accounting and Legal	64,978	24,529	40,449	164.90%
Gas and Oil	6,244	7,510	(1,266)	-16.86%
Repairs and Maintenance	28,787	23,327	5,460	23.41%
Supplies and Equipment	272,405	137,984	134,421	97.42%
Telephone and Utilities	126,049	110,708	15,341	13.86%
Travel and Training	1,375	1,252	123	9.82%
Other Expenses	-	49,150	(49,150)	-100.00%
Capital Outlay	94,396	100,000	(5,604)	-5.60%
Debt Service Principal	250,904	429,784	(178,880)	-41.62%
Debt Service Interest	320,106	224,778	95,328	42.41%
Total	1,839,921	1,788,743	51,178	2.86%

Sewer Expenses

Payroll and Wages	187,985	153,619	34,366	22.37%
Contract Labor and Services	241,264	264,359	(23,095)	-8.74%
Payroll Taxes	15,711	12,290	3,421	27.84%
Benefits	51,930	23,043	28,887	125.36%
Insurance and Bonds	(1)	12,662	(12,663)	-100.01%
Office Expenses	20,458	1,216	19,242	1582.40%
Accounting and Legal	0	3,785	(3,785)	-100.00%
Gas and Oil	5,197	7,451	(2,254)	-30.25%
Repairs and Maintenance	43,499	11,105	32,394	291.71%
Supplies and Equipment	143,392	84,959	58,433	68.78%
Telephone and Utilities	123,811	105,559	18,252	17.29%
Other Expenses	17,204	12,092	5,112	42.28%
Capital Outlay	344,330	4,361,850	(4,017,520)	-92.11%
Debt Service - Principal	1,235,149	286,523	948,626	331.08%
Debt Service Interest	35,351	173,618	(138,267)	-79.64%
Total	2,465,280	5,514,131	(3,048,851)	-55.29%

Sanitation

Trash Contract Fees	195,921	206,284	(10,363)	-5.02%
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City of Hugo
COMBINING STATEMENT OF FUND NET POSITION
Proprietary funds
As of June 30, 2016

	HMA	HIA	HMAARPT	HMAFixedAsset and Debt	TOTAL
ASSETS					
Unrestricted cash and cash equivalents	\$ 192,061	\$ 69,625	\$ 31,347		\$ 293,033
Utility billing receivables	77,667				77,667
Allowance for doubtful accounts	(7,767)				(7,767)
Restricted:					
Cash and cash equivalents	134,425				134,425
Bond trust accounts	1,209,872				1,209,872
Certificates of deposit	100,000				100,000
Construction in progress				381,880	381,880
Depreciable capital assets				23,781,391	23,781,391
Accumulated depreciation				(9,172,486)	(9,172,486)
Net capital assets				14,990,785	14,990,785
Total Assets	1,706,258	69,625	31,347	14,990,785	16,798,015
DEFERRED OUTFLOWS OF NET POSITION					
Bond discount	110,220				110,220
LIABILITIES AND FUND BALANCE					
LIABILITIES					
Accrued interest	85,687		476		86,163
Compensated Absences	60,057				60,057
Due to (from) other funds	(617,349)	(3,501)	85,820		(535,030)
Current portion of long-term debt				361,341	361,341
Total current liabilities	(471,605)	(3,501)	86,296	361,341	(27,469)
Meter deposits refundable	259,999				259,999
Long-term debt, less current portion				9,182,101	9,182,101
Total noncurrent liabilities	259,999			9,182,101	9,442,100
Total liabilities	(211,606)	(3,501)	86,296	9,543,442	9,414,631
DEFERRED INFLOWS OF NET POSITION					
Bond premium	170,469				170,469
Invested in capital assets, net of debt				5,447,343	5,447,343
Restricted for:					
Debt service	1,444,297				1,444,297
Unrestricted	413,318	73,126	(54,949)		431,495
Total net position	\$ 1,857,615	\$ 73,126	(\$54,949)	\$ 5,447,343	\$ 7,323,135

City of Hugo
COMBINING STATEMENT OF REVENUES, EXPENSES AND CHANGES IN FUND NET POSITION
Proprietary Funds
For the year ended June 30, 2016

	HMA	HIA	HMAARPT	HMAFixedAsset and Debt	TOTAL
Operating revenues:					
Water revenue	\$ 1,360,937				\$ 1,360,937
Sewer revenue	722,876				722,876
Trash revenue	400,747				400,747
Rental revenue		14,725	30,200		44,925
Airport revenue			132,754		132,754
Sales tax revenue	930,949				930,949
Grant revenue	15,000		148,284		163,284
Other fees and charges	303,134	52,326	3,662		359,122
Interest revenue	661	137	33		831
Capital improvement charges	126,976				126,976
Capital financing	1,495,000		-	(1,495,000)	-
Total Revenues	5,356,280	67,188	314,933	(1,495,000)	4,243,401
Operating expenses:					
Water	1,174,514				1,174,514
Sewer	833,247				833,247
Trash	195,921				195,921
Personal services		-	42,649		42,649
Material and supplies		2,794	70,736		73,530
Other goods and services		1,195	44,979		46,174
Other expenses	17,205	54,090	118,741		190,036
Debt Service Interest	355,457		-		355,457
Total operating expenses	2,576,344	58,079	277,105	-	2,911,528
Excess operating revenue (deficit)	2,779,936	9,109	37,828	(1,495,000)	1,331,873
Debt Service Principal	(1,486,054)		(11,595)	1,497,649	-
Capital Outlay	(438,726)		(149,451)	588,177	-
Depreciation Expense				(796,677)	(796,677)
Total other income (expense)	(1,924,780)	-	(161,046)	1,289,149	(796,677)
Income (loss) before transfers	855,156	9,109	(123,218)	(205,850)	535,197
TRANSFERS (OUT)	(1,005,412)	-	-	-	(1,005,412)
CHANGES IN NET POSITION	(150,256)	9,109	(123,218)	(205,850)	(470,215)
TOTAL NET POSITION, BEGINNING	2,007,871	64,017	68,269	5,653,193	7,793,350
TOTAL NET POSITION ENDING	\$ 1,857,615	\$ 73,126	\$ (54,949)	\$ 5,447,343	\$ 7,323,135