



3650  
1875  
170  
2000  
P.VV.  
PW.  
225  
54.00  
61.75  
69.45  
69.00  
66.25  
175  
200  
20  
10  
167  
169  
169  
164

# City of Hobart, OK

*Audit Report*  
For Year Ending June 30, 2011

Scott Northrip, CPA

P.O. Box 642  
Hobart, OK 73651  
(580) 726-5681

# CITY OF HOBART, OKLAHOMA

## Table of Contents

For the Year Ended June 30, 2011

### Page

<b>Independent Auditor's Report on Financial Statements.....</b>	<b>3-4</b>
--	------------

<b>Management's Discussion and Analysis – Executive Summary.....</b>	<b>5-6</b>
--	------------

### **The Basic Financial Statements and Analysis:**

#### **Financial Statements and Analysis of the City as a Whole:**

Management's Discussion and Analysis on Government as a Whole... ..	7
Total Government Statement of Net Assets... ..	8
Total Government Statement of Activities & Fund Balances.....	9
Footnotes to Statements of Net Assets & Activities (A).....	10-11

#### **Financial Statements and Analysis of the Governmental Funds:**

Management's Discussion and Analysis on the Governmental Funds.....	11
Governmental Funds Statement of Net Assets .....	12
Governmental Funds Statement of Activities & Fund Balance .....	13
Other Governmental Funds Statement of Net Assets .....	14
Other Governmental Funds Statement of Activities & Fund Balance .....	15
Footnotes to Governmental Funds Financial Statements (B).....	16

#### **Financial Statements and Analysis of the Proprietary Funds:**

Management's Discussion and Analysis on the Proprietary Funds... ..	17
Proprietary Funds Statement of Net Assets .....	18
Proprietary Funds Statement of Activities & Fund Balance... ..	19
Proprietary Funds Statement of Cash Flows .....	20
Footnotes to Proprietary Fund Financial Statements (C).....	21

### **Supplementary Financial Schedules and Analysis:**

#### **Budgetary Comparison Information:**

Management's Discussion and Analysis on Budgetary Comparison.....	21
Budgetary Comparison Schedule of General Fund.....	22-24
Footnotes to Budgetary Comparison Schedule (D).....	24

#### **Deposits and Investment Risk Management:**

Management's Discussion and Analysis on Deposit and Investment Risk... ..	25
Schedule of Deposits and Investments.....	25
Footnotes to Schedule of Deposits and Investments (E).....	25

# CITY OF HOBART, OKLAHOMA

## Table of Contents - Continued For the Year Ended June 30, 2011

### Page

#### **Supplementary Financial Schedules and Analysis (Continued):**

##### **Capital Assets Management:**

Management's Discussion and Analysis on Capital Assets.....	26
Schedule of Changes in Capital Assets .....	27-28
Footnotes to Schedule of Changes in Capital Assets (F).....	28

##### **Pension Plan Management:**

Management's Discussion and Analysis on Pension Plan.....	29
Schedule of Pension Plan Contributions.....	29
Footnotes to Schedule of Pension Plan Contributions (G) .....	29

##### **Federal and State Awards Management:**

Management's Discussion and Analysis on Federal & State Awards ... ..	30
Schedule of Expenditures of Federal and State Awards .....	31
Footnotes to Schedule of Expenditures of Federal & State Awards (H)....	31

#### **Internal Control and Compliance Information:**

Management's Discussion and Analysis on Internal Control and Compliance	32
Independent Auditor's Report on Internal Control and Compliance.....	33-34

# ScâU Nârtlirip

*Certified PûGĖjleēōūnānān*  
P.O. Box 642, 311 S. Main St.  
JōGārī, Of?lāfōmā 73651

## INDEPENDENT AUDITOR'S REPORT

To the City Council  
City of Hobart, Oklahoma

We have audited the accompanying financial statements of the governmental activities, the business-type activities, the aggregate discretely presented component units, each major fund, and the aggregate remaining fund information of City of Hobart, Oklahoma, as of and for the year ended June 30, 2011, which collectively comprises the City's basic financial statements as listed in the table of contents. These financial statements are the responsibility of City of Hobart, Oklahoma's management. Our responsibility is to express opinions on these financial statements based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinions.

As described in Note A2, City of Hobart, Oklahoma, prepares its financial statements on the modified cash basis, which is a comprehensive basis of accounting other than accounting principles generally accepted in the United States of America.

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, the aggregate discretely presented component units, and the aggregate remaining fund information of the City of Hobart, Oklahoma, as of and for the year ended June 30, 2011, and the cash flows of its business-type activities for the year ended on the basis of accounting described in Note A2, which is a comprehensive basis of accounting other than accounting principles generally accepted in the United States of America.

As described in Note A2, the City has implemented a new financial reporting model, as required by the provisions of GASB Statement No. 34, *Basic Financial Statements and Management's Discussion and Analysis for State and Local Governments*, as amended and interpreted, as of June 30, 2004.

In accordance with *Government Auditing Standards*, we have also issued our report dated May 22, 2012, on our consideration of the City of Hobart, Oklahoma's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be considered in conjunction with this report in considering the results of our audit.

The management's discussion and analysis and budgetary comparison information on pages 7, 11, 17, and 21 through 32 are not a required part of the basic financial statements but are supplementary information required by accounting principles generally accepted in the United States of America. We have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the required supplementary information. However, we did not audit the information and express no opinion on it. The accompanying schedule of expenditures of federal and state awards is presented for purposes of additional analysis as required by U.S. Office of Management and Budget Circular A-133, Audits of States, Local Governments, and Non-Profit Organizations, and is also not a required part of the financial statements. The combining and individual nonmajor fund financial statements and the schedule of expenditures of federal and state awards are the responsibility of management and were derived from and relate directly to the underlying accounting and other records used to prepare the financial statements. The information has been subjected to the auditing procedures applied in the audit of the financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements or to the financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the information is fairly stated in all material respects in relation to the financial statements as a whole.

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the City of Hobart, Oklahoma's basic financial statements. The introductory section, combining and individual fund financial statements, and statistical tables are presented for purposes of additional analysis and are not a required part of the basic financial statements.

The introductory section and statistical tables have not been subjected to the auditing procedures applied in the audit of the basic financial statements and, accordingly, we express no opinion on them.

~N~, QPA

Scott Northrip, CPA

May 22, 2012

**CITY OF HOBART, OKLAHOMA**  
**Management's Discussions and Analysis**  
**For the Year Ended June 30, 2011**

**Executive Summary**

The management of the City of Hobart is pleased to provide this annual financial report to its citizens, taxpayers, and other report users to demonstrate its accountability and communicate the City's financial condition and activities as of and for the year ended June 30, 2011. Management of the City is responsible for the fair presentation of this annual report, for maintaining appropriate internal controls over financial reporting, and for complying with applicable laws, regulations, and provisions of grants and contracts. The City reports its financial statement and schedules on a modified cash basis which is a comprehensive basis of accounting other than accounting principles generally accepted in the United States of America. All of the financial analyses in this report must be considered within the context of the limitations of the modified cash basis of accounting.

**The Past Year**

For the year ended June 30, 2011, the following financial highlights are considered noteworthy by the management: .

- The City's General Fund ended the year with an unreserved fund balance of \$957,744 which represents 70.68% of annual General Fund revenues.
- For the fiscal year ended June 30, 2011, the City's General Fund actual revenue was .85% above final estimates while appropriations were 4.13% above final appropriations.
- Sales tax revenue collections amounted to \$1,232,789 which is a decreased from 2010 by \$11,272 or a .9% decrease from the prior year.. This translates into a decrease in taxable sales of \$281,800.
- The City's business-type activities (PWA) decreased its long-term debt by 9.5% or \$148,421 during the fiscal year 2011.
- The City invested \$2,090,988 in fixed assets during the fiscal year 2010 with \$1,741,972\_ received through grants.

**The Upcoming Year**

- For the upcoming fiscal year ending June 30, 2012, the City's adopted budget is fairly consistent with the 2011 budget.. The General Fund budget required the use of fund balance to balance the bUdget.

**Using This Annual Report**

This annual report is presented in a format that substantially meets the presentation requirements of the Government Accounting Standards Board (GASB) in accordance with generally accepted accounting principles as applicable to the modified cash basis of accounting. It represents a presentation that communicates the City's financial condition and changes therein at two distinct levels:

- **The City as a Whole** ( a government-wide presentation)
- **The City'S Funds** ( a presentation of the City's governmental funds)

**CITY OF HOBART, OKLAHOMA**  
**Management's Discussions and Analysis – (Continued)**  
**For the Year Ended June 30, 2011**

**Using This Annual Report - Continued**

The City's various government-wide and fund financial statements are presented throughout this annual report and are accompanied by:

- **Management's Discussion and Analysis** – that provides useful analysis that facilitates a better understanding of the City's financial condition as well as highlights important information.
- **Footnotes** – that elaborate on the City's accounting principles used in the preparation of the financial statements and further explains financial statement elements and data.
- **Supplemental Schedules** – that provide additional information about specified elements of the financial statements, such as budgetary comparisons, capital assets, investments, and long-term debt.

**About the City**

The City of Hobart is an incorporated municipality with a population of approximately 3,400 people located in southwest Oklahoma and the county seat of Kiowa County. The City has adopted the Council/Manager form of government and operates under a home-rule charter that provides for three branches of government: Legislative, Executive, and Judicial.

The City provides typical municipal services such as public safety, street and alley maintenance, park and recreation, community development, and utility services including water, wastewater, and sanitation.

This annual report includes all activities for which the City Board is fiscally responsible. These activities, defined as the City's financial reporting entity, are operated within separate legal entities that make up the primary government and another separate legal entity that is included as a component unit. The entities are:

- **The City of Hobart (General Funds)** – that operate the public safety, streets, health and welfare, culture and recreation, and administrative activities.
- **The Hobart Public Works Authority** – that operates the water, wastewater, and sanitation services of the City.
- **Hobart Economic Development Authority** (component unit) – that provides economic development within the City.

**Contacting City Management**

This report is designed to provide the City's citizens, taxpayers, customers, and creditors with a general overview of the City's finances and to demonstrate the City's accountability for the finances it receives. If you have any questions about this report or need additional information, please contact the City as follows: Office of City Clerk, 113 East 3<sup>rd</sup> Street, P.O. Box 231, Hobart, OK 73651-0231 or call (580) 726-3100.

**CITY OF HOBART, OKLAHOMA**  
**Management's Discussions and Analysis -Government-Wide**  
**For the Year Ended June 30,2011**

The Statement of Net Assets and the Statement of Activities and Fund Balance report information about the City as a whole and about its activities as of June 30 and for the year ending. The statements are prepared using the modified cash basis of accounting that is not in accordance with generally accepted accounting principles in the United States. The statements don't reflect activities that have not been appropriated and finances that have not been received as of the end of the fiscal year. The statements reflect the capital assets net of depreciation and depreciation expense rather than the cash method for the general fund.

**Level of Unrestricted Fund Balance**

As a result of the activities of fiscal year 2011, the unrestricted fund balance of the government funds has decreased by \$117,631. While the balance decreased, the percentage of unrestricted balance to revenues increased by 5% points to 70%. The amount of unrestricted fund balance in the proprietary funds increased by \$15, which shows the unrestricted reserve as a deficit balance.

**Net Changes in Fund Balance**

The Statement of Activities reflects a net increase in Fund Balance of \$1,167,236 for the 2011 year. The increase is due to the capital grant revenues of \$1,741,972 for purchases of fixed assets and only depreciation being reported on the government wide statement of activities. Total expenditures increased by \$433,930 and revenues increased \$1,734,120 mainly due to the grant revenues.

**Direct Control Revenues**

The City of Hobart has a relatively high dependence on tax revenues like most small cities in Oklahoma. The City's percentage of tax revenues to total revenues was 32.7%. This does indicate a moderate level of exposure to financial difficulties due to the significant reliance on taxes. Fortunately the current year saw only a small decrease in the amount of taxes collected and the receipt of royalties during the year have decreased the level of exposure to financial difficulties. Even though the City received \$399,604 from royalties, that is 27% of the amount received in 2009. The trend at the end of the year and several months following the year indicates a stabilization in royalty revenues and sales tax revenues.

**Net Changes in Cash and Investments**

The City had a decrease during the fiscal year 2011 in cash and investments in the amount of \$377,026 or a decrease of 20.7%. The City has decreased its investments by \$51,011 from the previous year.



# CITY OF HOBERT,, OKLAHOMA

## Total Governmental Statement of Net Assets

As of June 30, 2011

	Governmental Funds	Proprietary Funds	TOTAL	Component Units
<b>ASSETS:</b>				
Cash & Cash Equivalents	\$ 274,722	\$ 190,433	\$ 465,155	\$ 43,893
Investments	934,766	-	934,766	-
Restricted Cash & Equivalents	-	107,012	107,012	-
Deposits with insurance pool	4,531	-	4,531	-
Due from others	-	-	-	102,262
Capital Assets:				
Construction in Progress	-	1,592,245	1,592,245	-
Capital Assets,, net of depreciation	5,206,758	3,549,104	8,755,862	850,273
<b>TOTAL ASSETS</b>	<b>\$ 6,420,777</b>	<b>\$ 5,438,794</b>	<b>\$11,859,571</b>	<b>\$ 996,428</b>
<b>LIABILITIES AND FUND BALANCES:</b>				
Liabilities:				
Draft Payables	\$ -	\$ 30,218	\$ 30,218	\$ -
Due to Others	-	64,673	64,673	9,404
Long-term Liabilities and Leases:				
Due within one year	-	155,908	155,908	6,266
Due in more than one year	-	1,252,697	1,252,697	56,568
<b>TOTAL LIABILITIES</b>	<b>\$ -</b>	<b>\$ 1,503,496</b>	<b>\$ 1,503,496</b>	<b>\$ 72,238</b>
Net Assets:				
Restricted Fund Balance for:				
Insurance Pool	\$ 4,531	\$ -	\$ 4,531	\$ -
Debt Service	-	107,012	107,012	-
Improvements & Economic Development	74,793	837,217	912,010	111,666
Other Government Funds	126,266	-	126,266	-
Invested in capital assets,, net of debt	5,206,758	3,001,811	8,208,569	787,438
Unrestricted	1,008,429	(10,742)	997,687	25,086
<b>TOTAL NET ASSETS</b>	<b>\$ 6,420,777</b>	<b>\$ 3,935,298</b>	<b>\$10,356,075</b>	<b>\$ 924,190</b>
<b>TOTAL LIABILITIES AND NET ASSETS</b>	<b>\$ 6,420,777</b>	<b>\$ 5,438,794</b>	<b>\$11,859,571</b>	<b>\$ 996,428</b>

See accompanying notes to the financial statements.

# CITY OF HOBART, OKLAHOMA

Total Governmental Statement of Activities  
For the Year Ended June 30, 2011

	Governmental Funds	Proprietary Funds	TOTAL	Component Unit
<b>REVENUES:</b>				
Taxes	\$ 1,406,703	\$ -	\$ 1,406,703	\$ -
Franchise Fees	183,363	-	183,363	-
Intergovernmental	20,011	-	20,011	-
Charges for Services	165,304	1,900,645	2,065,949	26,440
Licenses and Permits	9,315	-	9,315	-
Capital & Operating Grants	1,659,449	82,523	1,741,972	-
Royalties	399,604	-	399,604	-
Fines	52,154	-	52,154	-
Donations	21,261	-	21,261	-
Investment Revenues	14,776	2,548	17,324	1,796
Miscellaneous Revenues	144,364	36,178	180,542	393
<b>TOTAL REVENUES</b>	<b>\$ 4,076,304</b>	<b>\$ 2,021,894</b>	<b>\$ 6,098,198</b>	<b>\$ 28,629</b>
<b>EXPENDITURES:</b>				
General Government	\$ 481,093	\$ 202,451	\$ 683,544	\$ 20,580
Public Safety	800,207	-	800,207	-
Culture & Recreation	566,839	77,668	644,527	74,401
Health & Welfare	365,176	246,355	611,531	-
Water & Sewer Operations	-	1,189,024	1,189,024	-
Interest Expense	-	13,685	13,685	3,873
Depreciation	366,851	350,169	717,020	38,672
Airport	146,545	28,220	174,765	-
<b>TOTAL EXPENDITURES</b>	<b>\$ 2,726,731</b>	<b>\$ 2,107,572</b>	<b>\$ 4,834,303</b>	<b>\$ 137,506</b>
<b>EXCESS REVENUES BEFORE TRANSFER</b>	<b>\$ 1,349,573</b>	<b>\$ (85,678)</b>	<b>\$ 1,263,895</b>	<b>\$ (108,877)</b>
<b>OTHER SOURCES (USES):</b>				
Transfers In	\$ 609,210	\$ 127,593	\$ 736,803	\$ 96,658
Transfers Out	(768,575)	(64,887)	(833,462)	-
<b>TOTAL OTHER SOURCES (USES)</b>	<b>\$ (159,365)</b>	<b>\$ 62,706</b>	<b>\$ (96,659)</b>	<b>\$ 96,658</b>
<b>EXCESS (DEFICIENCY) OF REVENUES</b>	<b>\$ 1,190,208</b>	<b>\$ (22,972)</b>	<b>\$ 1,167,236</b>	<b>\$ (12,219)</b>

See accompanying notes to the financial statements.

**CITY OF HOBART, OKLAHOMA**  
**Footnotes to the Statements of Net Assets & Activities**  
**For the Year Ended June 30, 2011**

- A1. The City of Hobart, Oklahoma's financial reporting entity includes the primary government, and public works. Hobart Economic Development Authority, Hobart Industrial Development Authority, and Hobart Recreation Authority are the component units.
- A2. The statements of net assets and activities are reported on a modified cash basis of accounting. This modified cash basis of accounting is based on the recording of cash and cash equivalents and changes therein, and only recognizes revenues, expenses, assets, and liabilities resulting from cash transactions adjusted for modifications that have substantial support in generally accepted accounting principles. These modifications include adjustments for the following balances arising from cash transactions:
- capital assets and the depreciation of those assets, where applicable
  - long-term debt
  - cash-based inter-fund receivables and payables
  - investments
  - utility deposit liabilities

As a result of the use of this modified cash basis of accounting, certain assets and their related revenues and certain liabilities and their related expenses are not recorded in these financial statements.

For business-type activities, Financial Accounting Standard Board (FASB) pronouncements and Accounting Principles Board (APB) opinions issued on or before November 30, 1989, have been applied as they apply to the modified cash basis, unless those pronouncements conflict with or contradict GASB pronouncements, in which case, GASB prevails.

The City has implemented the new accounting and financial reporting provisions of GASB Statement No. 34, *Basic Financial Statements-and Management's Discussion and Analysis-for State and Local Governments*. These new standards have changed the format and content of the financial statements from that used in periods prior to June 30, 2004.

- A3. Cash and cash equivalents includes all demand and savings accounts, certificates of deposit or short-term investments with an original maturity of three months or less.
- A4. Investments consist of long-term certificates of deposit and are reported at cost.
- A5. Capital assets are reported when they result from cash transactions and are net of accumulated depreciation where applicable.
- A6. Long-term debt is reported when the debt arises from a cash transaction.
- A7. Fund balance or net assets are displayed in three components:
- a. *Invested in capital assets, net of related debt* - consists of capital assets including restricted capital assets, net of accumulated depreciation and reduced by the outstanding balances of any bonds, mortgages, notes, or other borrowings that are attributable to the acquisition, construction, or improvements of those assets.
  - b. *Restricted net assets* - consists of net assets with constraints placed on the use either by an external group such as creditors, grantors, contributors, or laws and regulations of other governments, or by law through constitutional provisions or enabling legislation.
  - c. *Unrestricted net assets* - all other net assets that do not meet the definition of "restricted" or "invested in capital assets, net of related debt".

**CITY OF HOBART, OKLAHOMA**  
**Footnotes to the Statements of Net Assets & Activities - Continued**  
**For the Year Ended June 30, 2011**

- A8. The City is a party to various legal proceedings which normally occur in the course of government operations. The financial statements do not include accruals or provisions for loss contingencies that may result from these proceedings. State statutes provide for the levy of an ad valorem tax over a three-year period by a City Sinking Fund for the payment of any court assessed judgment rendered against the City. While the outcome of the above noted proceedings cannot be predicted, due to the insurance coverage maintained by the City and the State statute relating to judgments, the City feels that any settlement or judgment not covered by insurance would not have a material adverse effect on the financial condition of the City.
- A9. The City's policy is to eliminate inter-fund receivables and payables between funds in the statement of net assets to avoid the grossing up of balances.

**Management's Discussion and Analysis on the Governmental Funds:**

The fund financial statements provide detailed information about the City's most significant funds — not the City as a whole. Some funds are required to be established by State law and by debt covenants. However, the City Council may also establish certain other funds to help it control and manage money for particular purposes or to show that it is meeting legal responsibilities for using certain taxes, grants, and other money. The City's governmental funds are reported under the modified-cash basis of accounting as described in footnote A2.

The City's fiscal year ending 2011 sales tax collections of \$1,232,789 resulted in a decrease of \$11,272 or an 0.9% decrease which resulted in a decrease in taxable sales of \$281,800.

The City's governmental funds revenues increased by \$1,373,618, which was attributed mainly to an increase in grant revenues of \$1,606,624 and the remaining revenues decreased by \$231,006.

The City's governmental funds capital assets, net of depreciation, increased by \$1,283,150. Depreciation amounted to \$366,851 for the year.

The cash and investments of the governmental funds decreased by \$302,656.

The City expenses for the governmental funds excluding capital outlay increased by \$177,641. General government increased \$53,377, public safety increased \$37,328, culture & recreation decreased \$66,175, health & welfare increased \$132,426, and airport increased \$20,688.

The City's total governmental funds had a decrease in fund balance of \$314,382.

The City's governmental funds paid \$159,365 more in transfers than received from other funds during 2011 while the General fund received \$453,798 more in transfers from other funds.

The City paid wages of \$1,327,466 which was an increase of \$32,758 or 2.5% from the previous year.

**CITY OF HOBART, OKLAHOMA**  
**Governmental Funds Statement of Net Assets**  
**As of June 30, 2011**

	General	Id Purpose Hotel Tax & Sales Tax	Other Government Funds	TOTAL GOVERNMENT FUNDS
<b>ASSETS:</b>				
Cash & Cash Equivalents	\$ 18,447	\$ 74,793	\$ 181,482	\$ 274,722
Investments	934,766	-	-	934,766
Restricted Cash & Equivalents	-	-	-	-
Deposits with insurance pool	4,531	-	-	4,531
Due from other funds	-	-	-	-
<b>TOTAL ASSETS</b>	<b>\$ 957,744</b>	<b>\$ 74,793</b>	<b>\$ 181,482</b>	<b>\$ 1,214,019</b>
<b>LIABILITIES AND FUND BALANCES:</b>				
Liabilities:				
Due to other funds	\$ -	\$ -	\$ -	\$ -
Due to others	-	-	-	-
<b>TOTAL LIABILITIES</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ -</b>
Fund Balances:				
Reserved for:				
Insurance Pool	\$ 4,531			\$ 4,531
Fixed Assets & Economic Development		74,793		74,793
Other Government Funds			126,266	126,266
Unreserved	953,213	-	55,216	1,008,429
<b>TOTAL FUND BALANCES</b>	<b>\$ 957,744</b>	<b>\$ 74,793</b>	<b>\$ 181,482</b>	<b>\$ 1,214,019</b>
<b>TOTAL LIABILITIES AND FUND BALANCES</b>	<b>\$ 957,744</b>	<b>\$ 74,793</b>	<b>\$ 181,482</b>	<b>\$ 1,214,019</b>

See accompanying notes to the financial statements.

# CITY OF HOBERT, OKLAHOMA

Governmental Funds Statement of Activities & Fund Balance  
For the Year Ended June 30, 2011

	General	Ltd Purpose Hotel Tax & Sales Tax	Other Government Funds	TOTAL GOVERNMENT FUNDS
REVENUES:				
Taxes	\$ 1,088,035	\$ 318,668	\$ -	\$ 1,406,703
Franchise Fees	118,746	-	64,617	183,363
Intergovernmental	20,011	-	-	20,011
Charges for Services	28,810	-	136,494	165,304
Licenses and Permits	9,315	-	-	9,315
Capital & Operating Grants	-	405,446	1,254,003	1,659,449
Royalties & Oil Leases	-	399,604	-	399,604
Fines	52,154	-	-	52,154
Donations	-	-	21,261	21,261
Investment Revenues	14,202	-	574	14,776
Miscellaneous Revenues	23,733	110,508	10,123	144,364
TOTAL REVENUES	\$ 1,355,006	\$ 1,234,226	\$ 1,487,072	\$ 4,076,304
EXPENDITURES:				
General Government	\$ 443,199	\$ 17,681	\$ 20,213	\$ 481,093
Public Safety	797,312		2,895	800,207
Culture & Recreation	545,214		21,645	566,859
Health & Welfare	-	365,176	-	365,176
Airport	-		146,545	146,545
Capital Outlay	147,618	421,184	1,302,639	1,871,441
TOTAL EXPENDITURES	\$ 1,933,343	\$ 804,041	\$ 1,493,937	\$ 4,231,321
EXCESS (DEFICIENCY) OF REVENUES	\$ (578,337)	\$ 430,185	\$ (6,865)	\$ (155,017)
OTHER SOURCES (USES):				
Transfers In	\$ 516,504	\$ 62,706	\$ 30,000	\$ 609,210
Transfers Out	(62,706)	(705,869)	-	(768,575)
TOTAL OTHER SOURCES (USES)	\$ 453,798	\$ (643,163)	\$ 30,000	\$ (159,365)
NET CHANGES IN FUND BALANCES	\$ (124,539)	\$ (212,978)	\$ 23,135	\$ (314,382)
Fund Balances - Beginning	1,082,283	287,771	158,347	1,528,401
FUND BALANCES - ENDING	\$ 957,744	\$ 74,793	\$ 181,482	\$ 1,214,019

See accompanying notes to the financial statements.

# CITY OF HOBART, OKLAHOMA

## Other Governmental Funds Statement of Net Assets

As of June 30, 2011

	Library	911		Employee	Cemetery	Cemetery	Municipal	Seed			TOTAL	
	Cash	Fund	Fund	Medical	Perpetual	Care	Court	Money	Beautification	Grant	GOVERNMENT	
			Airport	Fund	Fund	Fund	Fund	Fund	Committee	Fund	FUNDS	
ASSETS:												
Cash & Cash Equivalents	\$	7,346	\$ 34,596	\$ 43,929	\$ 2,159	\$ 40,396	\$ 26,011	\$ 1,259	\$ 1,125	\$ 1,557	\$ 23,104	\$ 181,482
Investments												-
Restricted Cash & Equivalents												-
Deposits with insurance pool		-										-
Due from other funds		-										-
Capital Assets												-
TOTAL ASSETS	\$	7,346	\$ 34,596	\$ 43,929	\$ 2,159	\$ 40,396	\$ 26,011	\$ 1,259	\$ 1,125	\$ 1,557	\$ 23,104	\$ 181,482
LIABILITIES AND NET ASSETS:												
Liabilities:												
Due to other funds	\$	-	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	-
Due to others								-				-
TOTAL LIABILITIES	\$	-	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	-
Net Assets:												
Reserved			\$ 34,596	\$ 2,159	\$ 40,396	\$ 26,011				\$ 23,104	\$ 126,266	6
Unreserved		7,346		43,929			1,259	1,125	1,557			55,216
TOTAL NET ASSETS	\$	7,346	\$ 34,596	\$ 43,929	\$ 2,159	\$ 40,396	\$ 26,011	\$ 1,259	\$ 1,125	\$ 1,557	\$ 23,104	\$ 181,482
TOTAL LIAB. AND NET ASSETS	\$	7,346	\$ 34,596	\$ 43,929	\$ 2,159	\$ 40,396	\$ 26,011	\$ 1,259	\$ 1,125	\$ 1,557	\$ 23,104	\$ 181,482

# CITY OF HOBART, OKLAHOMA

## Other Governmental Funds Statement of Activities & Fund Balances

For the Year Ending June 30, 2011

	Library Cash Fund	911 Fund	Airport	Employee Medical	Cemetery Perpetual	Cemetery Care	Municipal Court	Seed Money	Beaut. Committee	Grant Fund	TOTAL OTHER GOVERNMENT
<b>REVENUES:</b>											
Taxes	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Franchise Fees		64,617									64,617
Intergovernmental											-
Charges for Services			133,458			675	2,361				136,494
Licenses and Permits											-
Capital and Operating Grants			557,281							696,722	1,254,003
Royalties											-
Fines											-
Donations	18,913				325				2,023		21,261
Investment Revenues					532					42	574
Miscellaneous Revenues			6,123							4,000	10,123
<b>TOTAL REVENUES</b>	<b>\$ 18,913</b>	<b>\$ 64,617</b>	<b>\$ 696,862</b>	<b>\$ -</b>	<b>\$ 857</b>	<b>\$ 675</b>	<b>\$ 2,361</b>	<b>\$ -</b>	<b>\$ 2,023</b>	<b>\$ 700,764</b>	<b>\$ 1,487,072</b>
<b>EXPENDITURES:</b>											
General Government		19,611							-	602	20,213
Public Safety							760			2,135	2,895
Streets											-
Culture & Recreation	18,307	935							2,403		21,645
Health & Welfare											-
Airport			146,545								146,545
Capital Outlay		26,836	587,304							688,499	1,302,639
<b>TOTAL EXPENDITURES</b>	<b>\$ 18,307</b>	<b>\$ 47,382</b>	<b>\$ 733,849</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ 760</b>	<b>\$ -</b>	<b>\$ 2,403</b>	<b>\$ 691,236</b>	<b>\$ 1,493,937</b>
<b>EXCESS OF REVENUES</b>	<b>\$ 606</b>	<b>\$ 17,235</b>	<b>\$ (36,987)</b>	<b>\$ -</b>	<b>\$ 857</b>	<b>\$ 675</b>	<b>\$ 1,601</b>	<b>\$ -</b>	<b>\$ (380)</b>	<b>\$ 9,528</b>	<b>\$ (6,865)</b>
<b>OTHER SOURCES (USES):</b>											
Transfers In	\$ -		30,000								30,000
Transfers Out	-		-								-
<b>TOTAL OTHER</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ 30,000</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ 30,000</b>
<b>NET CHANGES</b>	<b>\$ 606</b>	<b>\$ 17,235</b>	<b>\$ (6,987)</b>	<b>\$ -</b>	<b>\$ 857</b>	<b>\$ 675</b>	<b>\$ 1,601</b>	<b>\$ -</b>	<b>\$ (380)</b>	<b>\$ 9,528</b>	<b>\$ 23,135</b>
Fund Balances - Beginning	6,740	17,361	50,916	2,159	39,539	25,336	(342)	1,125	1,937	13,576	158,347
<b>FUND BALANCES - ENDING</b>	<b>\$ 7,346</b>	<b>\$ 34,596</b>	<b>\$ 43,929</b>	<b>\$ 2,159</b>	<b>\$ 40,396</b>	<b>\$ 26,011</b>	<b>\$ 1,259</b>	<b>\$ 1,125</b>	<b>\$ 1,557</b>	<b>\$ 23,104</b>	<b>\$ 181,482</b>



**CITY OF HOBART, OKLAHOMA**  
**Footnotes to Governmental Funds Financial Statements**  
**For the Year Ended June 30, 2011**

B1. The City's governmental funds are comprised of the following funds:

**Major Funds:**

- General Fund – accounts for all activities of administering and maintaining the City.
- Limited Purpose Sales Tax Fund – accounts for certain sales tax revenues legally restricted for street improvements, sewer improvements, and utility equipment.

**Non-Major Funds:**

- Cemetery Care Fund – accounts for 12.5% of cemetery revenue restricted by State law for cemetery capital improvements.
- Cemetery Trust Fund – accounts for specific cemetery donations which are restricted for cemetery use only.
- Library Cash Fund – accounts for all library revenues restricted for library use only.
- 911 Fund – accounts for the City's share of E-911 customer assessment that is legally restricted for improvements to the system.
- Municipal Airport Fund – accounts for certain revenues and expenditures on the airport.
- Seed Money Fund – accounts for funds set aside to make improvements and fund projects.

B2. The governmental funds are reported on a modified cash basis of accounting, as described in footnote A2, and current financial resources measurement focus. Only current financial assets and liabilities are generally included on the fund balance sheet or statement of net assets. The statement of activities presents sources and uses of available spendable financial resources during a given period. These fund financial statements use fund balance or net assets as their measure of available spendable financial resources at the end of the period.

B3. Sales tax revenues represents a four (4) cent local tax on each dollar of taxable sales within the City. Three (3) cents is deposited into the General Fund and one (1) cent is deposited into the Limited Purpose Sales Tax Fund. The sales tax in the Limited Purpose Sales Tax Fund is legally restricted at one-half a cent for solid waste, one-fourth for ambulance, and one-fourth for capital outlay.

B4. The City presently levies no property tax. In accordance with state law, a municipality may only levy a property tax to retire general obligation debt approved by the voters or to pay judgments rendered against the City.

B5. As a result of the City's use of the modified cash basis of accounting, accrued liabilities related to compensated absences and compensatory time earned but unpaid at year end, and any employer-related costs earned and unpaid, are not reflected in the financial statements.

**CITY OF HOBART,, OKLAHOMA**  
**Management's Discussions and Analysis -Proprietary Funds**  
**For the Year Ended June 30,2011**

The proprietary funds consist primarily of the Utilities Authority,, known as the Public Works Authority,, generally receives funds through the services of providing the different utilities to the customers of the City. The proprietary funds are reported on the modified cash basis of accounting and an economic resources measurement focus.. For example,, the proprietary fund capital assets are capitalized and depreciated as well as principal payments on long-term debt are recorded as a reduction of the liability rather than as an expenditure..

For the year ended June 30, 2011,, the proprietary funds reported net revenues on a modified cash basis,, before inter-fund transfers and depreciation,, of \$264,491.. The current note payments are \$190,987 which indicated an ability to make its payments from its revenues without inter-fund transfers.. This indicates that in 2011, the rates charged for utility services were sufficient to fund the combined costs of operation of all utilities without decreasing expenditures,, but did not leave much for improvements without additional loan proceeds.. The change in net assets decreased from 2010 by \$56,933 with transfers from other funds decreasing by \$227,661..

The City's management intends for its revenue-plledged debt to be repaid by utility resources derived from utility rate changes.. As a goal,, City management desires to maintain net revenues from utility operations sufficient to meet the principal and interest payments on long-term debt by 1.25 times while 2010 shows net revenues before transfers and depreciation of 1.38 times.. This represents a debt service coverage that is insufficiently above management's desired minimum..

The City's proprietary funds decreased its long-term debt by 9.5% during the year ending June 30, 2011 or an decrease of \$148,421.. The proprietary funds did not have any new long term debts during the year.

The City purchased no capital assets during the year through the proprietary fund but paid \$195,647 for construction in progress for sewer project that was not complete as of June 30, 2011..

The operating and other revenues, excluding grants, of the proprietary fund increased by \$284,633 or 17.2%.

The cash and investments of the proprietary funds decreased by \$15,525.

The City's proprietary funds had expended \$1,592,245 for the construction of new water and sewer lines as of the date of the audit.. The assets will be included in the Capital Assets and depreciated upon completion of the project.

The City's proprietary funds operating expenditure excluding depreciation increased from 2010 by \$229,982.

# CITY OF HOBART, OKLAHOMA

## Proprietary Funds Statement of Net Assets As of June 30, 2011

### ASSETS:

#### Current Assets:

Cash & Cash Equivalents	\$ 190,433
Investments	-
<b>Total Current Assets</b>	<b>\$ 190,433</b>

#### Noncurrent Assets:

Restricted Cash & Equivalents	\$ 107,012
Construction In Progress	1,592,245
Capital Assets:	
Land	216,700
Other Capital Assets, net of depreciation	<u>3,332,404</u>
<b>Total Noncurrent Assets</b>	<b>\$ <u>5,248,361</u></b>

### TOTAL ASSETS

**\$ 5,438,794**

### LIABILITIES AND NET ASSETS:

#### Current Liabilities:

Draft Payables & Overdrawn Accounts	\$ 30,218
Due to depositors	64,673
Current portion of noncurrent liabilities	<u>155,908</u>
<b>Total Current Liabilities</b>	<b>\$ <u>250,799</u></b>

#### Noncurrent Liabilities:

Notes payable	\$ 1,408,605
Capital lease payable	-
Less: Current portion of noncurrent liabilities	<u>(155,908)</u>
<b>Total Noncurrent Liabilities</b>	<b>\$ <u>1,252,697</u></b>

### TOTAL LIABILITIES

**\$ 1,503,496**

#### Net Assets:

Restricted for:	
Debt Service	\$ 107,012
System Improvements	837,217
Invested in capital assets, net of debt	3,001,811
Unrestricted	<u>(10,742)</u>

### TOTAL NET ASSETS

**\$ 3,935,298**

### TOTAL LIABILITIES AND NET ASSETS

**\$ 5,438,794**

See accompanying notes to the financial statements.

# CITY OF HOBART, OKLAHOMA

## Proprietary Funds Statement of Activities & Fund Balance For the Year Ended June 30, 2011

<b>OPERATING REVENUES:</b>	
Water	\$ 1,000,801
Sewer	398,670
Sanitation	449,259
Connect, Reconnect & Transfer fees	25,560
Late fees	26,355
Miscellaneous Revenues	27,438
	<hr/>
<b>Total Operating Revenues</b>	<b>\$ 1,928,083</b>
<b>OPERATING EXPENSES:</b>	
Administration	\$ 202,451
Water & Sewer operations	1,189,024
Solid Waste	246,355
Airport & Recreation	105,888
Depreciation	350,169
	<hr/>
<b>Total Operating Expenses</b>	<b>\$ 2,093,887</b>
<b>OPERATING INCOME (LOSS)</b>	<b>\$ (165,804)</b>
<b>OTHER REVENUES (EXPENSES):</b>	
Investment Revenues	\$ 2,548
Grant Revenues	82,523
Farm Rent	8,740
Interest Expense	(13,685)
<b>Total Other Revenues(Expenses):</b>	<b>\$ 80,126</b>
<b>NET INCOME (LOSS) BEFORE TRANSFERS</b>	<b>\$ (85,678)</b>
Transfers In	127,593
Transfers Out	(64,887)
	<hr/>
<b>CHANGES IN NET ASSETS</b>	<b>\$ (22,972)</b>
Net Assets - Beginning	<hr/> 3,958,270
<b>NET ASSETS - ENDING</b>	<b>\$ 3,935,298</b>
	<hr/> <hr/>

See accompanying notes to the financial statements.

# CITY OF HOBART, OKLAHOMA

## Proprietary Funds Statement of Cash Flows

For the Year Ended June 30, 2011

### CASH FLOWS FROM OPERATING ACTIVITIES:

Receipts from customers	\$ 1,928,083
Payments to suppliers	(1,181,019)
Payments to employees & benefits	(588,791)
Miscellaneous Revenues	<u>27,438</u>
<b>Net Cash Provided by Operating Activities</b>	<b><u>\$ 185,711</u></b>

### CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES:

Purchase of capital assets	\$ -
Payments for construction in progress	(195,647)
Proceeds from long term notes	-
Grant proceeds	82,523
Principal paid on debt	(148,421)
Interest paid on debt	<u>(13,685)</u>
<b>Net Cash Used In Capital &amp; Related Financing Activities</b>	<b><u>\$ (275,230)</u></b>

### CASH FLOWS FROM INVESTING ACTIVITIES:

Investment Revenues	\$ 2,548
Farm Rent	<u>8,740</u>
<b>Net Cash Provided from Investing Activities</b>	<b><u>\$ 11,288</u></b>

### CASH FLOWS FROM OTHER ACTIVITIES:

Transfers In	\$ 127,593
Transfers Out	<u>(64,887)</u>
<b>Net Cash Used in Other Activities</b>	<b><u>\$ 62,706</u></b>

### INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS

Cash Balance - Beginning	<u>(15,525)</u>
	<u>205,958</u>

### CASH BALANCE - ENDING

	<b><u><u>\$ 190,433</u></u></b>
--	---------------------------------

### Reconciliation of Operating Income (Loss) to Net Cash Provided by Operating Activities:

Operating Income (Loss)	\$ (165,804)
Adjustments to reconcile operating income to net cash provided (used) by Operating Activities:	
Depreciation expense	350,169
Change in assets and liabilities:	
Draft Payable	1,346
Meter Deposits	<u>-</u>

### Net Cash Provided from Operating Activities

	<b><u><u>\$ 185,711</u></u></b>
--	---------------------------------

**CITY OF HOBART, OKLAHOMA**  
**Footnotes to Proprietary Funds Financial Statements**  
**For the Year Ended June 30, 2011**

- C1. The proprietary funds are reported on a modified cash basis, as defined in footnote A2, and economic resources measurement focus. Financial Accounting Standard Board (FASB) pronouncements and Accounting Principles Board (APB) opinions issued on or before November 30, 1989, have been applied as applicable to the modified cash basis of accounting, unless those pronouncements conflict with or contradict GASB pronouncements, in which case, GASB prevails.
- C2. For the purpose of the cash flow statement, cash and cash equivalents includes all demand and savings accounts and certificates of deposit.
- C3. As a result of the City's use of the modified cash basis of accounting, accrued liabilities related to compensated absences and compensatory time earned but unpaid at year end, and any employer-related costs earned and unpaid, are not reflected in the financial statements.
- C4. Long-term debt of the proprietary funds consisted of the following:

	<u>Balance</u>	<u>Current Portion</u>	<u>Interest Rate</u>	<u>Maturity Date</u>
Notes Payable - OWRB (a)	\$ 114,593	\$ 9,308	3.215%	9-15-21
Notes Payable - OWRB (b)	432,700	94,600	2.490%	2-15-15
Notes Payable - OWRB (c)	<u>861,312</u>	<u>52,000</u>	*	*
Total Long-term debt	<u>\$1,408,605</u>	<u>\$ 155,908</u>		

~~Notes a and b were paid in full during the year.~~

The long-term debt principle payments for the next four years are as follows:

<u>Year Ended</u>	<u>Note a</u>	<u>Note b</u>	<u>Note c</u>
2013	9,623	102,300	(*)
2014	9,839	110,550	
2015	10,266	85,250	
2016	10,597	-0-	

(\*) – The note payments, interest rate, & maturity were not made available as of the date of the audit.

**Management's Discussion and Analysis on the Budgetary Results:**

The General Fund reported actual budgetary basis revenues above final estimates by \$15,719 or a 0.85% positive variance. General Fund actual expenditures were more than final appropriations by \$76,602 or a 4.1% unfavorable variance. For the year ended June 30, 2011, budgetary fund balance decreased by \$60,883 leaving a balance of \$713,083.

This represents a good level of reserves and above the 30% desired level by management.

**CITY OF HOBART, OKLAHOMA**  
**Budgetary Comparison Schedule of General Fund**  
**For the Year Ended June 30, 2011**

	GENERAL FUND			
	Budgeted Amounts		Actual Amounts	Variance Positive (Negative)
	Original	Final		
<b>Beginning Budgetary Fund Balance</b>	\$ 774,915	\$ 774,915	\$ 774,915	\$ -
<b>Resources (inflows):</b>				
<b>TAXES:</b>				
Sales Tax	\$ 900,000	\$ 900,000	\$ 924,592	\$ 24,592
Use Tax	75,000	75,000	62,064	(12,936)
Cigarette Tax	15,000	15,000	17,626	2,626
Alcohol Beverage Tax	50,000	50,000	48,720	(1,280)
Gas Tax	10,000	10,000	6,439	(3,561)
Motor Vehicle Tax	28,000	28,000	28,594	594
<b>Total Taxes</b>	<b>\$ 1,078,000</b>	<b>\$ 1,078,000</b>	<b>\$ 1,088,035</b>	<b>\$ 10,035</b>
<b>INTERGOVERNMENTAL:</b>				
Reimbursed Revenue	\$ 16,400	\$ 16,400	\$ 19,611	\$ 3,211
Rebate Revenue	-	-	-	-
Rental Income	-	-	400	400
<b>Total Intergovernmental</b>	<b>\$ 16,400</b>	<b>\$ 16,400</b>	<b>\$ 20,011</b>	<b>\$ 3,611</b>
<b>FRANCHISE FEES:</b>				
PSO	\$ 60,000	\$ 60,000	\$ 70,033	\$ 10,033
Cable	21,000	21,000	18,832	(2,168)
ONG	27,000	27,000	20,432	(6,568)
SWBell	20,000	20,000	9,449	(10,551)
<b>Total Franchise Fees</b>	<b>\$ 128,000</b>	<b>\$ 128,000</b>	<b>\$ 118,746</b>	<b>\$ (9,254)</b>
<b>CHARGES FOR SERVICES:</b>				
Swimming Pool	\$ 8,650	\$ 8,650	\$ 15,654	\$ 7,004
Cemetery Revenues	6,000	6,000	4,725	(1,275)
Other Charges	7,780	7,780	8,431	651
<b>Total Charges for Services</b>	<b>\$ 22,430</b>	<b>\$ 22,430</b>	<b>\$ 28,810</b>	<b>\$ 6,380</b>
<b>LICENSES AND PERMITS</b>	<b>\$ 9,550</b>	<b>\$ 9,550</b>	<b>\$ 9,315</b>	<b>\$ (235)</b>
<b>GRANTS</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ -</b>
<b>FINES:</b>				
Police	\$ 25,000	\$ 25,000	\$ 28,701	\$ 3,701
Other Fines & Court Costs	11,750	11,750	23,453	11,703
<b>Total Fines</b>	<b>\$ 36,750</b>	<b>\$ 36,750</b>	<b>\$ 52,154</b>	<b>\$ 15,404</b>
<b>DONATIONS</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ -</b>

(Continued on Next Page)

# CITY OF HOBART, OKLAHOMA

## BUDGETARY COMPARISON SCHEDULE OF GENERAL FUND - CONTINUED

For the Year Ended June 30, 2011

	GENERAL FUND			
	Budgeted Amounts		Actual Amounts	Variance Positive (Negative)
	Original	Final		
INVESTMENT REVENUES	\$ 20,000	\$ 20,000	\$ 14,202	\$ (5,798)
MISCELLANEOUS REVENUES	\$ 28,950	\$ 28,950	\$ 23,733	\$ (5,217)
TRANSFERS FROM OTHER FUNDS	515,711	515,711	516,504	793
TOTAL RESOURCES (INFLOWS)	\$ 1,855,791	\$ 1,855,791	\$ 1,871,510	\$ 15,719
AMOUNT AVAILABLE TO APPROPRIATE	\$ 2,630,706	\$ 2,630,706	\$ 2,646,425	\$ 15,719
APPROPRIATIONS (OUTFLOWS):				
CITY CLERK:				
Personnel services	\$ 107,928	\$ 107,928	\$ 108,199	\$ (271)
Materials & Supplies	2,200	2,200	1,544	656
Others services & charges	4,550	4,550	3,842	708
Total City Clerk	\$ 114,678	\$ 114,678	\$ 113,585	\$ 1,093
CITY ATTORNEY/JUDGE:				
Personnel services	\$ 26,687	\$ 26,687	\$ 25,638	\$ 1,049
Materials & supplies	250	250	-	250
Other services & charges	250	250	380	(130)
Total City Attorney	\$ 27,187	\$ 27,187	\$ 26,018	\$ 1,169
GROUNDSKEEPING:				
Personnel services	\$ 186,617	\$ 186,617	\$ 179,727	\$ 6,890
Materials & supplies	165,400	165,400	179,815	(14,415)
Other services & charges	50,650	50,650	71,569	(20,919)
Capital outlay	-	-	-	-
Total Groundskeeping	\$ 402,667	\$ 402,667	\$ 431,111	\$ (28,444)
POLICE:				
Personnel services	\$ 498,729	\$ 498,729	\$ 491,750	\$ 6,979
Materials & supplies	34,686	34,686	30,780	3,906
Other services & charges	56,319	56,319	48,680	7,639
Total Police	\$ 589,734	\$ 589,734	\$ 571,210	\$ 18,524
MUNICIPAL COURT:				
Cleet & OSBI	\$ -	\$ -	\$ 4,854	\$ (4,854)
Total Municipal Court	\$ -	\$ -	\$ 4,854	\$ (4,854)

(Continued on Next Page)



# CITY OF HOBART, OKLAHOMA

## Budgetary Comparison Schedule of General Fund - Continued

For the Year Ended June 30, 2011

	GENERAL FUND			
	Budgeted Amounts		Actual Amounts	Variance Positive (Negative)
	Original	Final		
<b>FIRE:</b>				
Personnel services	\$ 187,285	\$ 187,285	\$ 194,915	\$ (7,630)
Materials & supplies	13,750	13,750	12,680	1,070
Other services & charges	17,800	17,800	13,652	4,148
<b>Total Fire</b>	<b>\$ 218,835</b>	<b>\$ 218,835</b>	<b>\$ 221,247</b>	<b>\$ (2,412)</b>
<b>LIBRARY:</b>				
Personnel services	\$ 93,885	\$ 93,885	\$ 100,790	\$ (6,905)
Materials & supplies	3,700	3,700	3,519	181
Other services & charges	11,850	11,850	9,794	2,056
<b>Total Library</b>	<b>\$ 109,435</b>	<b>\$ 109,435</b>	<b>\$ 114,103</b>	<b>\$ (4,668)</b>
<b>GENERAL GOVERNMENT:</b>				
Personnel services	\$ 20,529	\$ 20,529	\$ 20,228	\$ 303
Materials & supplies	11,175	11,075	23,365	(12,290)
Other services & charges	253,050	253,600	260,005	(6,405)
Capital Outlay	109,000	109,000	147,618	(38,618)
<b>Total General Government</b>	<b>\$ 393,754</b>	<b>\$ 394,204</b>	<b>\$ 451,214</b>	<b>\$ (57,010)</b>
<b>TRANSFERS TO OTHER FUNDS</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ -</b>
<b>TOTAL APPROPRIATIONS:</b>	<b>\$ 1,856,290</b>	<b>\$ 1,856,740</b>	<b>\$ 1,933,342</b>	<b>\$ (76,602)</b>
<b>ENDING BUDGETARY FUND BALANCE</b>	<b>\$ 774,416</b>	<b>\$ 773,966</b>	<b>\$ 713,083</b>	<b>\$ (60,883)</b>

### Footnotes to Budgetary Comparison:

01. The budgetary comparison schedule is reported on the same modified cash basis as governmental funds within the basic financial statements.
02. The legal level of appropriation control is the department level within a fund. Transfers of appropriation within a fund require Mayor's approval, while supplemental appropriations require Council approval.

**CITY OF HOBART, OKLAHOMA**  
**Schedule of Deposits and Investments**  
**For the Year Ended June 30, 2011**

**Managements Discussions and Analysis on Deposits and Investment Risk:**

For the year ended June 30,2011, the City recognized \$19,120 of investment income. Due to the rates of return on allowable investments in the current environment, all of the City's deposits are in demand deposits and certificates of deposit.. The investment income decreased by \$24,521 from the previous year's income or 56.2% from a decrease in interest rates and a decrease in cash balances.

The City's 2011 total cash and investment balances of \$1,443,814 have decreased during the year by \$484,038 or 25.1 %.

**Schedule of Deposits and Investments:**

Demand Deposits	\$ 508,248
Cash on Hand	800
Trustee Accts, debt service	107,012
Certificate of Deposit	<u>934,766</u>
 Total	 <u>\$ 1,443,814</u>

**Reconciliation to Statement of Net Assets:**

Cash and Cash Equivalents	\$ 509,048
Restricted Cash & Cash Equivalents	107,012
Investments	<u>934,766</u>
Total	<u>\$ 1,443,814</u>

**Footnotes to Schedule of Deposits and Investments:**

E1. *Custody Credit Risk* - deposits in financial institutions, reported as cash & cash equivalents and investments, were insured by depository insurance and/or secured with collateral held by the City's agent in its name.

E2. *Investment Interest Rate Risk* - the City does not have a formal investment policy that limits investment maturities as a means of managing its exposure to fair value losses arising from increasing rates.

*Investment Credit Risk* - the City has no investment policy that limits its investment choices other than the limitations of state law that generally authorizes investments in: (1) government obligations; (2) certificates of deposit or savings accounts that are either insured or secured with acceptable collateral; (3) certain negotiable instruments; (4) county, municipal or school district supported debt obligations.

*Concentration of Investment Credit Risk* - the City places no limit on the amount it may invest in any one issuer.

**CITY OF HOBART, OKLAHOMA**  
**Management's Discussions and Analysis - Capital Assets**  
**For the Year Ended June 30,2011**

During the year ended June 30, 2011, the City purchased capital assets of \$1,650,001 through the Governmental Funds and none through the Proprietary Funds. The City's component units, Hobart Recreation Authority purchased assets at the amount of \$23,900 and Hobart Economic Development Authority purchased \$6,825. The City received grant funds to offset the cost of the assets in the amount of \$1,741,972. The City borrowed no funds for the purchase of capital assets through grant, reserves, and current revenues.

As of June 30, 2011, the City owned approximately \$30.0 million of capital assets with accumulated depreciation on the depreciable capital assets totaling approximately \$20.4 million. This indicates that, on the average, these City capital assets have approximately 32% of their depreciable useful life remaining.

Total combined depreciation for the year ending June 30, 2011 amounted to \$755,691.

# CITY OF HOBART

## SCHEDULE OF CAPITAL ASSETS

### PROPRIETARY FUND ASSETS:

	Balance 7/1/2010	Additions	Deletions	Balance 6/30/2011
For the Year 6/30/2011				
Land	\$ 216,700.00	\$ -	\$ -	\$ 216,700.00
Building	420,671.00	-	-	420,671.00
Machinery & Equipment	561,885.41	-	-	561,885.41
Vehicles	126,964.00	-	-	126,964.00
Utility System	19,024,520.73	-	-	19,024,520.73
Infrastructure	446,698.88	-	-	446,698.88
<b>TOTAL</b>	<b>\$ 20,797,439.52</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ 20,797,439.52</b>
<b>ACCUMULATED DEPRECIATION:</b>				
Building	\$ 242,578.06	\$ 6,257.74	\$ -	\$ 248,835.77
Machinery & Equipment	372,222.74	34,937.64	-	407,160.38
Vehicles	67,367.10	7,011.40	-	74,378.50
Utility System	16,109,287.94	257,072.01	-	16,366,359.95
Infrastructure	106,711.26	14,888.98	-	121,600.19
<b>TOTAL ACCUM. DEP.</b>	<b>\$ 16,898,167.06</b>	<b>\$ 350,168.73</b>	<b>\$ -</b>	<b>\$ 17,248,335.79</b>
<b>NET FIXED ASSETS</b>	<b>\$ 3,899,272.46</b>	<b>\$ (350,168.73)</b>	<b>\$ -</b>	<b>\$ 3,549,103.73</b>

### HOBART ECONOMIC DEVELOP AUTHORITY:

	Beginning Balance	Additions	Deletions	Ending Balance
Buildings	\$ 127,818.39	\$ 6,825.00	\$ -	\$ 134,644.39
Accumulated Depreciation	40,474.41	6,850.78	-	47,325.19
<b>NET FIXED ASSETS FOR HEDA</b>	<b>\$ 87,344.98</b>	<b>\$ (25.78)</b>	<b>\$ -</b>	<b>\$ 87,319.20</b>

### HOBART RECREATION AUTHORITY

	Beginning Balance	Additions	Deletions	Ending Balance
Buildings	456,970.00	-		456,970.00
Machinery & Equipment	1143,922.58	3,200.00		1147,122.58
Land & Improvements	213,750.00	20,700.00		234,450.00
<b>TOTAL</b>	<b>\$ 814,642.58</b>	<b>\$ 23,900.00</b>	<b>\$ -</b>	<b>\$ 838,542.58</b>
<b>ACCUMULATED DEPRECIATION:</b>				
Buildings	22,449.30	115,232.38		97,681.68
Machinery & Equipment	114,568.05	11,744.12		26,312.18
Land & Improvements	6,750.00	4,845.00		11,595.00
<b>TOTAL ACCUM. DEPRECIATION</b>	<b>\$ 43,767.35</b>	<b>\$ 31,821.45</b>	<b>\$ -</b>	<b>\$ 75,589.00</b>
<b>NET FIXED ASSETS - RECREATION</b>	<b>\$ 770,874.98</b>	<b>\$ (7,921.45)</b>	<b>\$ -</b>	<b>\$ 762,953.53</b>

# CITY OF HOBART

## SCHEDULE OF CAPITAL ASSETS:

### GENERAL FIXED ASSET GROUP:

	Balance 7/1/2010	Additions	Deletions	Balance 6/30/2011
For the Year 6/30/2011				
Land & Improvements	\$ 902,238.65	\$ 790,809.23	\$ -	\$ 1,693,047.88
Building	1,949,821.05	558,592.40	-	2,508,413.45
Machinery & Equipment	1,221,620.20	77,761.40	-	1,299,381.60
Vehicles	1,025,621.74	181,044.76	-	1,206,666.50
Infrastructure	1,463,111.03	41,793.12	-	1,504,904.15
<b>TOTAL</b>	<b>\$ 6,562,412.67</b>	<b>\$ 1,650,000.91</b>	<b>\$ -</b>	<b>\$ 8,212,413.58</b>
ACCUMULATED DEPRECIATION:				
Land Improvements	\$ 321,058.84	\$ 88,853.48	\$ -	\$ 409,912.32
Building	780,011.13	64,492.29	-	844,503.42
Machinery & Equipment	620,001.88	86,652.04	-	706,653.92
Vehicles	683,403.24	73,926.16	-	757,329.40
Infrastructure	234,329.54	52,926.55	-	287,256.09
<b>TOTAL ACCUM. DEP.</b>	<b>\$ 2,638,804.63</b>	<b>\$ 366,850.52</b>	<b>\$ -</b>	<b>\$ 3,005,655.15</b>
<b>NET FIXED ASSETS</b>	<b>\$ 3,923,608.04</b>	<b>\$ 1,283,150.39</b>	<b>\$ -</b>	<b>\$ 5,206,758.43</b>

### Footnotes to the Schedule of Capital Assets:

F1. Capital assets are reported at actual or estimated historical cost at the time of the cash transaction. Estimated historical cost was used to value the majority of the assets acquired prior to July 1, 1996. Prior to July 1, 2003, governmental funds' infrastructure assets, such as streets, drainage systems, and traffic signal systems were not being capitalized. Infrastructure assets acquired since July 1, 2003 are recorded at cost.

F2. Depreciable capital assets are depreciated on a straight-line basis over their estimated useful life. A capitalization threshold of \$500 is used to report capital assets. The range of estimated useful lives by type of assets is as follows:

Buildings	30-50 years
Improvements other than buildings	10-25 years
Machinery, furniture and equipment	3-20 years
Utility property and improvements	10-50 years
Infrastructure	5-50 years

**CITY OF HOBART, OKLAHOMA**  
**Management's Discussions and Analysis – Pension Plans**  
**For the Year Ended June 30, 2011**

The City participates in three pension or retirement plans:

- a. Oklahoma Police Pension and Retirement System (OPPRS) – a statewide cost sharing plan
- b. Oklahoma Firefighters' Pension and Retirement System (OFPRS) – a statewide cost sharing plan
- c. Oklahoma Municipal Retirement System Master Defined Contribution Plan (OMRF) – an agent multiple-employer defined contribution plan

**Schedule of Retirement Plan Contributions:**

<u>Year</u>	<u>Police</u>	<u>Firefighters</u>	<u>QMBE</u>
2009	36,068	18,050	58,073
2010	38,042	18,960	63,019
2011	44,576	19,354	67,562

**Footnotes to Schedule of Retirement Plan Contributions:**

G1. Since July 1, 1994, the City has provided a defined contribution plan and trust known as the City of Hobart Plan and Trust ("the Plan") in the form of the Oklahoma Municipal Retirement System Master Defined Contribution Plan (OMRF). The defined contribution plan is available to all full-time employees except those participating in the state fire or police pensions. After 6 months, full-time employees can participate and contribute to the Plan up to 5% upon their option. The contribution rate of the City's participation is presently 10%.

The OMRF System issues a publicly available financial report that includes financial statements and required supplemental information. That report may be obtained by writing to OMRF, P.O. Box 25848, Oklahoma City, OK 73125 or by calling 1-888-394-6673.

G2. Pursuant to the requirements of Title 11, section 22-102, the City of Hobart participates in the statewide cost-sharing multi-employer defined benefit plan administered by the Oklahoma Police Pension and Retirement System (OPPRS). The paid police person contributes 8% to the plan and the City is required by state law to contribute 13% per year per paid police person to the statewide plan. The plan is funded by contributions from participants, employers, insurance premium taxes, and state appropriations, as necessary.

The OPPRS issues a publicly available report that includes financial statements, which can be obtained from the Oklahoma Police Pension and Retirement System, 1001 N.W. 63<sup>rd</sup> Street, Oklahoma City, OK 73116-7335.

G3. Pursuant to the requirements of Title 11, section 22-102, the City of Hobart participates in the statewide cost sharing multi-employer defined benefit plan administered by the Oklahoma Firefighters Pension Board on behalf of both paid and volunteer firefighters. The paid firefighter contributes 8% to the plan. The City is required by state law to contribute 13% per year per paid firefighter to the statewide plan. The plan is funded by contributions from the participant, employers, insurance premium taxes, and state appropriations, as necessary.

A copy of the Firefighters Statewide Pension Plan financial statements can be obtained from the Oklahoma Firefighters Pension System, 4545 Lincoln Blvd, Suite 263, Oklahoma City, OK 73105-3707.

**CITY OF HOBART, OKLAHOMA**  
**Management's Discussions and Analysis - Federal and State Awards**  
**For the Year Ended June 30, 2011**

The City of Hobart participated in various federal and state grant programs during the year ending June 30, 2011. The grant programs are often subject to additional audits by agents of the granting programs which is to ensure compliance with the specific conditions of the program. The City has not been notified of any noncompliance with any of the federal or state award requirements.

The City received \$1,741,972 in federal and state awards in the year ending June 30, 2011. This represents 28.6% of the City's total revenues for the fiscal year.

The PW & ED Facilities Assistance grant from US Dept. of Commerce requires a matching cost of \$1,000,000 for water and wastewater improvements.

**CITY OF HOBART, OKLAHOMA**  
**SCHEDULE OF EXPENDITURES OF FEDERAL & STATE AWARDS**  
For the Year Ending June 30, 2011

Federal/State	Grantor/Pass thru Agency	Federal CFDA Number	Pass thru Grant Number	Award Amount	Receipts	Expenditures
Grantor/Program	Title					
<b>FEDERAL AWARDS:</b>						
US Dept.. of Housing & Urban Dev -						
Home Investment Partnership Program		14.239	1273 Home 09	\$ 260,000	\$ 242,259	\$ 242,259
US Dept of Transportation -						
Passed through Federal Aviation Admin.						
Airport Improvement Program		20.106		\$ 600,000	\$ 557,281	\$ 587,304
US Dept.. of Commerce -						
PW & ED Facilities Asst - Const of water and wastewater system improvements		11.300	08-01-04165	\$ 1,000,000	\$ 82,523	\$ 166,825
<b>TOTAL FEDERAL FUNDS</b>				<b>\$ 1,860,000</b>	<b>\$ 882,063</b>	<b>\$ 996,388</b>
<b>STATE AWARDS:</b>						
Oklahoma Dept.. of Commerce:						
CDBG - Building		N/A	1401 ED 87	\$ 609,109	\$ 558,574	\$ 558,592
Oklahoma Dept.. of Transportation:						
Sidewalk Enhancement Project		N/A	STP-138E(170)EH	\$ -	\$ 163,187	\$ 163,187
South Western Oklahoma Development Authority:						
Trash Truck		N/A		\$ 123,228	\$ 118,450	\$ 118,450
Oklahoma Dept.. of Agriculture:						
Fire Operating Grant		N/A		\$ 5,100	\$ 4,698	\$ 4,698
Oklahoma Dept.. of Emergency Management:						
Emergency Management		N/A		\$ 15,000	\$ 15,000	\$ 15,000
<b>TOTAL STATE AWARDS</b>				<b>\$ 752,437</b>	<b>\$ 859,909</b>	<b>\$ 859,927</b>

**Footnotes to Schedule of Expenditures of Federal & State Awards:**

- H1. The Schedule of Expenditures of Federal and State Awards is prepared on a modified cash basis.
- H2. The City's share of costs for PW & ED Facilities award is \$1,000,000. As of June 30, 2011, \$991,312.01 has been paid in addition to the expenditures reported above.
- H3. The CDBG requires matching funds of \$1,344,000 which have been paid by Sesaco and Sesaco proposes to create 37 new jobs with at least 19 being made available to low and moderate income persons within 24 months.



**CITY OF HOBART, OKLAHOMA**  
**Management's Discussions and Analysis - Internal Control and Compliance**  
**For the Year Ended June 30, 2011**

Management of the City is responsible for maintaining appropriate internal controls over financial reporting, to safeguard City assets and resources, to prevent and detect fraud, and for complying with applicable laws, regulations, and provisions of grants and contracts. As a part of the City's financial statement audit, the external auditor performed limited work in understanding the City's internal controls and testing compliance with certain financial-related requirements. The auditor's report on internal controls and compliance for the fiscal year ended June 30, 2011, follows along with the findings and recommendations made by the auditors. Management's response to any recommendation and planned corrective action are also included if any are required.

# ScoU Nörtfirip

*Certified Public Accountant*  
P.O. 1307642, 311 S. C. Mair St.  
Jfoöarü, Oklafömar 73651

## 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

To the City Council  
City of Hobart, Oklahoma

We have audited the accompanying financial statements of the governmental activities, the business type activities, the aggregate discretely presented component units, each major fund, and the aggregate remaining fund information of City of Hobart, Oklahoma, as of and for the year ended June 30, 2011, which collectively comprises the City's basic financial statements and have issued our report thereon dated May 22, 2012. 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.

### Internal Control

In planning and performing our audit, we considered City of Hobart, Oklahoma's internal control over financial reporting in order to determine our auditing procedures for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing our opinion on the effectiveness of City of Hobart, Oklahoma's internal control over financial reporting.

A deficiency in internal control exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect and correct misstatements on a timely basis. A material weakness is a deficiency, or a combination of deficiencies, in internal control such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented, or detected and corrected on a timely basis.

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

## Report of Compliance and Internal Control over Financial Reporting - Continued

### Compliance and Other Matters

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

However, we noted certain matters that we reported to management of the City of Hobart, in a separate letter dated May 22, 2012.

This report is intended solely for the information and use of the City Council, management of the City of Hobart, and federal or state awarding agencies and pass-through entities and is not intended to be and should not be used by anyone other than these specified parties.

*Scott Northrip, CPA*

Scott Northrip, CPA

May 22, 2012