

CITY OF HOBART, OKLAHOMA

Table of Contents

For the Year Ended June 30, 2013

	<u>Page</u>
Independent Auditor's Report on Financial Statements	3-4
Management's Discussion and Analysis – Executive Summary.....	5-6
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 Position	8
Total Government Statement of Activities & Fund Balances.....	9
Footnotes to Statements of Net Position & 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 Position	12
Governmental Funds Statement of Activities & Fund Balance.....	13
Other Governmental Funds Statement of Net Position	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 Position	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, 2013

	<u>Page</u>
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' 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
Component Units:	
Statement of Net Position by Component Unit	32
Statement of Activities by Component Unit	33
Footnotes to Component Unites (H)	34
Management's Discussion and Analysis on Component Units	34
Internal Control and Compliance Information:	
Management's Discussion and Analysis on Internal Control and Compliance	35
Independent Auditor's Report on Internal Control and Compliance.....	36-37

Scott Northrip

Certified Public Accountant
P.O. Box 642, 311 S. Main St.
Hobart, Oklahoma 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, 2013, 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, 2013, 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.

In accordance with *Government Auditing Standards*, we have also issued our report dated February 7, 2014, 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 34 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.

Scott Northrip, CPA

Scott Northrip, CPA

February 7, 2014

CITY OF HOBART, OKLAHOMA

Management's Discussions and Analysis

For the Year Ended June 30, 2013

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, 2013. 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, 2013, the following financial highlights are considered noteworthy by the management:

- The City's General Fund ended the year with an unreserved fund balance of \$758,574 which represents 51.0% of annual General Fund revenues.
- The City had an increase during the fiscal year 2013 in cash and investments in the amount of \$115,162.
- Total tax revenue collections increased from 2012 by \$51,860 even though there was a sales tax revenue decrease of \$19,331 from the previous year. This translates into a decrease in taxable sales of \$483,275.
- The City's business-type activities (PWA) increased its long-term debt by 14.8% or \$263,374 during the fiscal year 2013.
- The City invested \$331,031 in capital assets during the fiscal year 2013 with \$118,405 received through grants.

The Upcoming Year

- For the upcoming fiscal year ending June 30, 2014, the City's adopted budget is fairly consistent with the 2012 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, 2013

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 3,300 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.
- **Hobart Recreation Authority (component unit)** – that provides recreation through a golf course and banquet facilities.

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 3rd 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, 2013

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 2013, the unrestricted fund balance of the government-wide funds has increased by \$86,436. The percentage of unrestricted balance to revenues increased by 7% points to 27%. The amount of unrestricted fund balance in the governmental funds increased by \$42,837, and proprietary unrestricted fund balance increased by \$47,529.

Net Changes in Net Position

The Statement of Activities reflects a net decrease in Net Position of \$116,246 for the 2013 year. The decrease is due to the capital purchases of fixed assets was less than depreciation being reported on the government wide statement of activities of \$139,551. Total expenditures increased by \$19,849 and revenues decreased \$686,651 mainly due to the grant revenues which decreased by \$591,099.

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 33.8%. This does indicate a moderate level of exposure to financial difficulties due to the significant reliance on taxes. Fortunately the current year saw an increase in the amount of taxes collected and the receipt of royalties during the year. Even though the City received \$151,465 from royalties, that is 67% of the amount received in 2012. The trend at the end of the year and a few months following the year indicates a slight decrease in royalty revenues and sales tax revenues.

Net Changes in Cash and Investments

The City had an increase during the fiscal year 2013 in cash and investments in the amount of \$115,162 or a increase of 6.0%. The City had an increase in its cash and investments of \$476,816 in the previous year.

Employee Wages

The City paid wages of \$1,190,404 which was a decrease of \$7,255 or 0.6% from the previous year.

CITY OF HOBART, OKLAHOMA

Total Government Statement of Net Position-Modified Cash Method As of June 30, 2013

	Governmental Funds	Proprietary Funds	TOTAL	Component Units
ASSETS:				
Cash & Cash Equivalents	\$ 785,849	\$ 476,413	\$ 1,262,262	\$ 46,461
Investments	727,069	-	727,069	-
Restricted Cash & Equivalents	-	107,002	107,002	-
Deposits with insurance pool	4,531	-	4,531	-
Due from others	-	-	-	95,423
Capital Assets:				
Construction in Progress	-	-	-	-
Capital Assets, net of depreciation	4,877,500	5,297,038	10,174,538	1,101,718
TOTAL ASSETS	\$ 6,394,949	\$ 5,880,453	\$ 12,275,402	\$ 1,243,602
LIABILITIES AND NET POSITION:				
Liabilities:				
Draft Payables	\$ -	\$ 9,770	\$ 9,770	\$ -
Due to Others	-	66,835	66,835	18,990
Long-term Liabilities and Leases:				
Due within one year	-	226,854	226,854	10,719
Due in more than one year	-	1,288,294	1,288,294	217,843
TOTAL LIABILITIES	\$ -	\$ 1,591,753	\$ 1,591,753	\$ 247,552
Net Position:				
Restricted Fund Balance for:				
Insurance Pool	\$ 4,531	\$ -	\$ 4,531	\$ -
Debt Service	-	107,002	107,002	-
Improvements & Economic Development	362,356	961,176	1,323,532	114,414
Other Government Funds	152,080	-	152,080	-
Invested in capital assets, net of debt	4,877,500	2,978,704	7,856,204	873,156
Unrestricted	998,482	241,818	1,240,300	8,480
TOTAL NET POSITION	\$ 6,394,949	\$ 4,288,700	\$ 10,683,649	\$ 996,050
TOTAL LIABILITIES AND NET POSITION	\$ 6,394,949	\$ 5,880,453	\$ 12,275,402	\$ 1,243,602

See accompanying notes to the financial statements.

CITY OF HOBART, OKLAHOMA

Total Governmental Statement of Activities-Modified Cash Method
For the Year Ended June 30, 2013

	Governmental Funds	Proprietary Funds	TOTAL	Component Unit
REVENUES:				
Taxes	\$ 1,534,878	\$ -	\$ 1,534,878	\$ -
Franchise Fees	170,219	-	170,219	-
Intergovernmental	30,200	-	30,200	-
Charges for Services	230,644	2,115,512	2,346,156	89,827
Licenses and Permits	9,426	-	9,426	-
Capital & Operating Grants	93,977	-	93,977	14,428
Royalties	151,465	-	151,465	-
Fines	41,756	-	41,756	-
Donations	57,958	-	57,958	-
Investment Revenues	5,412	638	6,050	1,223
Miscellaneous Revenues	96,827	8,134	104,961	1,840
TOTAL REVENUES	\$ 2,422,762	\$ 2,124,284	\$ 4,547,046	\$ 107,318
EXPENDITURES:				
General Government	\$ 484,937	\$ 149,673	\$ 634,610	\$ 21,148
Public Safety	798,777	-	798,777	-
Culture & Recreation	463,252	-	463,252	44,100
Health & Welfare	241,519	268,797	510,316	-
Water & Sewer Operations	-	1,139,081	1,139,081	-
Interest Expense	-	46,625	46,625	13,891
Depreciation	436,704	389,866	826,570	52,051
Airport	115,640	121,096	236,736	-
TOTAL EXPENDITURES	\$ 2,540,829	\$ 2,115,138	\$ 4,655,967	\$ 131,190
EXCESS REVENUES BEFORE TRANSFER	\$ (118,067)	\$ 9,146	\$ (108,921)	\$ (23,872)
OTHER SOURCES (USES):				
Transfers In	\$ 205,802	\$ 204,324	\$ 410,126	\$ 13,510
Transfers Out	(69,012)	(348,439)	(417,451)	(6,185)
TOTAL OTHER SOURCES (USES)	\$ 136,790	\$ (144,115)	\$ (7,325)	\$ 7,325
EXCESS (DEFICIENCY) OF REVENUES	\$ 18,723	\$ (134,969)	\$ (116,246)	\$ (16,547)

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, 2013

- 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, 2013

- 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 advalorem 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 position 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 2013 sales tax collections of \$1,295,872 resulted in a decrease of \$19,331 or an 1.5% decrease which resulted in a decrease in taxable sales of \$483,275.

The City's governmental funds revenues decreased by \$154,237, which was attributed mainly to a decrease in grant revenues of \$144,662, decrease in royalty revenues of \$73,241 and the remaining revenues increased by \$63,666.

The City's governmental funds capital assets, net of depreciation, decreased by \$152,551. Depreciation amounted to \$436,704 for the year.

The cash and investments of the governmental funds increased by \$156,211.

The City expenses for the governmental funds excluding capital outlay decreased by \$18,109. General government increased \$30,543, public safety increased \$3,399, culture & recreation decreased \$48,845, health & welfare decreased \$14,986, and airport increased \$11,780. The expenses increased due to an increase in insurance and workman's compensation insurance of \$32,303.

The City's total governmental funds had an increase in unrestricted fund balance of \$42,837.

The City's governmental funds received \$136,790 more in transfers than paid from other funds during 2013 while the General fund received \$201,512 more in transfers from other funds.

CITY OF HOBART, OKLAHOMA
 Governmental Funds Statement of Net Position-Modified Cash Method
 As of June 30, 2013

	General	Ltd Purpose Hotel Tax & Sales Tax	Other Government Funds	TOTAL GOVERNMENT FUNDS
ASSETS:				
Cash & Cash Equivalents	\$ 31,505	\$ 362,356	\$ 391,988	\$ 785,849
Investments	727,069	-	-	727,069
Restricted Cash & Equivalents	-	-	-	-
Deposits with insurance pool	4,531	-	-	4,531
Due from other funds	-	-	-	-
TOTAL ASSETS	\$ 763,105	\$ 362,356	\$ 391,988	\$ 1,517,449
LIABILITIES AND NET POSITION:				
Liabilities:				
Due to other funds	\$ -	\$ -	\$ -	\$ -
Due to others	-	-	-	-
TOTAL LIABILITIES	\$ -	\$ -	\$ -	\$ -
Net Position:				
Reserved Fund Balance for:				
Insurance Pool	\$ 4,531	\$ -	\$ -	\$ 4,531
Fixed Assets & Economic Development	-	362,356	-	362,356
Other Government Funds	-	-	152,080	152,080
Unreserved Fund Balance	758,574	-	239,908	998,482
TOTAL NET POSITION	\$ 763,105	\$ 362,356	\$ 391,988	\$ 1,517,449
TOTAL LIABILITIES AND NET POSITION	\$ 763,105	\$ 362,356	\$ 391,988	\$ 1,517,449

See accompanying notes to the financial statements.

CITY OF HOBART, OKLAHOMA

Governmental Funds Statement of Activities & Fund Balance-Modified Cash Method For the Year Ended June 30, 2013

	General	Ltd Purpose Hotel Tax & Sales Tax	Other Government Funds	TOTAL GOVERNMENT FUNDS
REVENUES:				
Taxes	\$ 1,206,509	\$ 328,369	\$ -	\$ 1,534,878
Franchise Fees	105,839	-	64,380	170,219
Intergovernmental	30,200	-	-	30,200
Charges for Services	71,923	-	158,721	230,644
Licenses and Permits	9,426	-	-	9,426
Capital & Operating Grants	-	-	103,977	103,977
Royalties & Oil Leases	-	151,465	-	151,465
Fines	41,756	-	-	41,756
Donations	-	-	47,958	47,958
Investment Revenues	5,345	-	67	5,412
Miscellaneous Revenues	15,676	79,226	1,925	96,827
TOTAL REVENUES	\$ 1,486,674	\$ 559,060	\$ 377,028	\$ 2,422,762
EXPENDITURES:				
General Government	\$ 480,642	\$ 3,500	\$ 795	\$ 484,937
Public Safety	757,956	3,468	37,353	798,777
Culture & Recreation	432,517	7,947	22,788	463,252
Health & Welfare	-	241,519	-	241,519
Airport	-	-	115,640	115,640
Capital Outlay	-	130,455	166,698	297,153
TOTAL EXPENDITURES	\$ 1,671,115	\$ 386,889	\$ 343,274	\$ 2,401,278
EXCESS (DEFICIENCY) OF REVENUES	\$ (184,441)	\$ 172,171	\$ 33,754	\$ 21,484
OTHER SOURCES (USES):				
Transfers In	\$ 201,512	\$ 4,290	\$ -	\$ 205,802
Transfers Out	-	(69,012)	-	(69,012)
TOTAL OTHER SOURCES (USES)	\$ 201,512	\$ (64,722)	\$ -	\$ 136,790
NET CHANGES IN FUND BALANCES	\$ 17,071	\$ 107,449	\$ 33,754	\$ 158,274
Fund Balances - Beginning	746,034	254,907	358,234	1,359,175
FUND BALANCES - ENDING	\$ 763,105	\$ 362,356	\$ 391,988	\$ 1,517,449

See accompanying notes to the financial statements.

CITY OF HOBART, OKLAHOMA

Other Governmental Funds Statement of Net Position-Modified Cash Method As of June 30, 2013

	Library	911	Airport	Employee	Cemetery	Cemetery	Cemetery	Municipal	Seed	Beautification	Grant	TOTAL
	Cash Fund	Fund	Fund	Medical Fund	Perpetual Fund	Care Fund	Court Fund	Money Fund	Committee	Fund	Fund	GOVERNMENT FUNDS
ASSETS:												
Cash & Cash Equivalents	\$ 8,827	\$ 38,158	\$ 62,575	\$ 2,159	\$ 40,603	\$ 27,007	\$ 1,464	\$ 164,427	\$ 2,615	\$ 44,153	\$ 391,988	
Investments												-
Restricted Cash & Equivalents												-
Deposits with insurance pool												-
Due from other funds												-
Capital Assets												-
TOTAL ASSETS	\$ 8,827	\$ 38,158	\$ 62,575	\$ 2,159	\$ 40,603	\$ 27,007	\$ 1,464	\$ 164,427	\$ 2,615	\$ 44,153	\$ 391,988	
LIABILITIES AND NET POSITION:												
Liabilities:												
Due to other funds	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Due to others												-
TOTAL LIABILITIES	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Net Position:												
Reserved Fund Balance	\$ 8,827	\$ 38,158	\$ 62,575	\$ 2,159	\$ 40,603	\$ 27,007	\$ 1,464	\$ 164,427	\$ 2,615	\$ 44,153	\$ 152,080	
Unreserved Fund Balance												239,908
TOTAL NET POSITION	\$ 8,827	\$ 38,158	\$ 62,575	\$ 2,159	\$ 40,603	\$ 27,007	\$ 1,464	\$ 164,427	\$ 2,615	\$ 44,153	\$ 391,988	
LIAB. AND NET POSITION	\$ 8,827	\$ 38,158	\$ 62,575	\$ 2,159	\$ 40,603	\$ 27,007	\$ 1,464	\$ 164,427	\$ 2,615	\$ 44,153	\$ 391,988	

CITY OF HOBART, OKLAHOMA

Other Governmental Funds Statement of Activities & Fund Balances-Modified Cash Method For the Year Ending June 30, 2013

	Library Cash Fund	911 Fund	Airport	Employee Medical	Cemetery Perpetual	Cemetery Care	Municipal Court	Seed Money	Beaut. Committee	Grant Fund	TOTAL OTHER GOVERNMENT
REVENUES:											
Taxes	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Franchise Fees		64,380									64,380
Intergovernmental			156,686		550	1,485					158,721
Charges for Services										96,303	103,977
Licenses and Permits	8,674								3,775	32,747	47,958
Capital and Operating Grants				20							67
Royalties											
Fines											
Donations	11,416										1,925
Investment Revenues											
Miscellaneous Revenues			1,925								
TOTAL REVENUES	\$ 20,090	\$ 64,380	\$ 158,611	\$ -	\$ 87	\$ 550	\$ 1,485	\$ -	\$ 3,775	\$ 128,050	\$ 377,028
EXPENDITURES:											
General Government	\$ -								\$ -	\$ 795	\$ 795
Public Safety		31,736					1,975			3,642	37,353
Streets											
Culture & Recreation	18,683			42	750				3,313		22,788
Health & Welfare											
Airport			115,640								115,640
Capital Outlay		26,032	16,546							124,120	166,698
TOTAL EXPENDITURES	\$ 18,683	\$ 57,768	\$ 132,186	\$ -	\$ 42	\$ 750	\$ 1,975	\$ -	\$ 3,313	\$ 128,557	\$ 343,274
EXCESS OF REVENUES	\$ 1,407	\$ 6,612	\$ 26,425	\$ -	\$ 45	\$ (200)	\$ (490)	\$ -	\$ 462	\$ (507)	\$ 33,754
OTHER SOURCES (USES):											
Transfers In	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Transfers Out											
TOTAL OTHER	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
NET CHANGES	\$ 1,407	\$ 6,612	\$ 26,425	\$ -	\$ 45	\$ (200)	\$ (490)	\$ -	\$ 462	\$ (507)	\$ 33,754
Fund Balances - Beginning	7,420	31,546	36,150	2,159	40,558	27,207	1,954	164,427	2,153	44,660	358,234
FUND BALANCES - ENDING	\$ 8,827	\$ 38,158	\$ 62,575	\$ 2,159	\$ 40,603	\$ 27,007	\$ 1,464	\$ 164,427	\$ 2,615	\$ 44,153	\$ 391,988

CITY OF HOBART, OKLAHOMA
Footnotes to Governmental Funds Financial Statements
For the Year Ended June 30, 2013

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, sanitation costs, ambulance costs, and equipment purchases.

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 position. The statement of activities present sources and uses of available spendable financial resources during a given period. These fund financial statement use fund balance or net position 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, 2013

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, 2013, the proprietary funds reported operating income on a modified cash basis, before inter-fund transfers and depreciation, of \$399,012. The current note payments are \$309,993 which indicated an ability to make its payments from its revenues without inter-fund transfers. This indicates that in 2013, 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 position decreased from 2012 by \$134,969 with net transfers to other funds of \$134,969.

The City's management intends for its revenue-pledged 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 2013 shows net revenues before transfers and depreciation of 1.29 times. This represents a debt service coverage that is just above management's desired minimum.

The City's proprietary funds decreased its long-term debt by 14.8% during the year ending June 30, 2013 or a decrease of \$263,374.

The operating and other revenues, excluding grants, of the proprietary fund decreased by \$95,977 or 4.5%.

The cash and investments of the proprietary funds decreased by \$7,014.

The City's proprietary funds operating expenditure excluding depreciation increased by \$16,687.

CITY OF HOBART, OKLAHOMA
Proprietary Funds Statement of Net Position
(Modified Cash Basis)
As of June 30, 2013

ASSETS:	
Current Assets:	
Cash & Cash Equivalents	\$ 476,413
Investments	-
Total Current Assets	<u>\$ 476,413</u>
Noncurrent Assets:	
Restricted Cash & Equivalents	\$ 107,002
Construction In Progress	-
Capital Assets:	
Land	216,700
Other Capital Assets, net of depreciation	5,080,338
Total Noncurrent Assets	<u>\$ 5,404,040</u>
TOTAL ASSETS	<u><u>\$ 5,880,453</u></u>
LIABILITIES AND NET POSITION:	
Current Liabilities:	
Draft Payables & Overdrawn Accounts	\$ 9,770
Due to depositors	66,835
Current portion of noncurrent liabilities	226,854
Total Current Liabilities	<u>\$ 303,459</u>
Noncurrent Liabilities:	
Notes payable	\$ 1,515,148
Capital lease payable	-
Less: Current portion of noncurrent liabilities	(226,854)
Total Noncurrent Liabilities	<u>\$ 1,288,294</u>
TOTAL LIABILITIES	<u><u>\$ 1,591,753</u></u>
Net Position:	
Restricted Fund Balance for:	
Debt Service	\$ 107,002
System Improvements	961,176
Invested in capital assets, net of debt	2,978,704
Unrestricted Fund Balance	241,818
TOTAL NET POSITION	<u>\$ 4,288,700</u>
TOTAL LIABILITIES AND NET POSITION	<u><u>\$ 5,880,453</u></u>

See accompanying notes to the financial statements.

CITY OF HOBART, OKLAHOMA
Proprietary Funds Statement of Activities & Net Position
(Modified Cash Basis)
For the Year Ended June 30, 2013

OPERATING REVENUES:	
Water	\$ 1,292,684
Sewer	263,241
Sanitation	495,641
Connect, Reconnect & Transfer fees	33,164
Late fees	30,782
Miscellaneous Revenues	<u>8,134</u>
Total Operating Revenues	<u>\$ 2,123,646</u>
OPERATING EXPENSES:	
Administration	\$ 149,673
Water & Sewer operations	1,139,081
Solid Waste	268,797
Airport & Recreation	121,096
Depreciation	<u>389,866</u>
Total Operating Expenses	<u>\$ 2,068,513</u>
OPERATING INCOME (LOSS)	<u>\$ 55,133</u>
OTHER REVENUES (EXPENSES):	
Investment Revenues	\$ 638
Grant Revenues	-
Farm Rent	-
Interest Expense	(46,625)
Total Other Revenues(Expenses)	<u>\$ (45,987)</u>
NET INCOME (LOSS) BEFORE TRANSFERS	\$ 9,146
Transfers In	204,324
Transfers Out	<u>(348,439)</u>
CHANGES IN NET POSITION	\$ (134,969)
Net Position - Beginning	<u>4,423,669</u>
NET POSITION - ENDING	<u>\$ 4,288,700</u>

See accompanying notes to the financial statements.

CITY OF HOBART, OKLAHOMA
Proprietary Funds Statement of Cash Flows
(Modified Cash Basis)
For the Year Ended June 30, 2013

CASH FLOWS FROM OPERATING ACTIVITIES:

Receipts from customers	\$ 2,117,674
Payments to suppliers	(1,144,949)
Payments to employees & benefits	(534,398)
Miscellaneous Revenues	8,134
Net Cash Provided by Operating Activities	<u>\$ 446,461</u>

CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES:

Purchase of capital assets	\$ -
Payments for construction in progress	-
Proceeds from long term notes	-
Grant proceeds	-
Principal paid on debt	(263,373)
Interest paid on debt	(46,625)
Net Cash Used In Capital & Related Financing Activities	<u>\$ (309,998)</u>

CASH FLOWS FROM INVESTING ACTIVITIES:

Investment Revenues	\$ 638
Farm Rent	-
Net Cash Provided from Investing Activities	<u>\$ 638</u>

CASH FLOWS FROM OTHER ACTIVITIES:

Transfers In	\$ 204,324
Transfers Out	(348,439)
Net Cash Used in Other Activities	<u>\$ (144,115)</u>

INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS

	\$ (7,014)
Cash Balance - Beginning	483,427

CASH BALANCE - ENDING

<u>\$ 476,413</u>

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

Operating Income (Loss)	\$ 55,133
Adjustments to reconcile operating income to net cash provided (used) by Operating Activities:	
Depreciation expense	389,866
Change in assets and liabilities:	
Draft Payable	(700)
Meter Deposits	2,162
Net Cash Provided from Operating Activities	<u>\$ 446,461</u>

CITY OF HOBART, OKLAHOMA
Footnotes to Proprietary Funds Financial Statements
For the Year Ended June 30, 2013

- 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)	\$ 95,664	\$ 9,839	3.215%	9-15-21
Notes Payable – OWRB (b)	235,800	110,550	2.490%	2-15-15
Notes Payable – OWRB (c)	757,312	38,605	3.10%	9-15-28
Notes Payable – OWRB (d)	<u>426,373</u>	<u>67,859</u>	1.81%	9-15-19
 Total Long-term debt	 <u>\$1,515,148</u>	 <u>\$ 226,854</u>		

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>	<u>Note d</u>
2015	10,266	125,250	39,828	69,110
2016	10,597	-0-	41,033	70,370
2017	11,132	-0-	42,390	71,682
2018	11,498	-0-	43,732	73,003

Management's Discussion and Analysis on the Budgetary Results:

The General Fund reported actual budgetary basis revenues before transfers above final estimates by 91,824 or a 6.58% positive variance. General Fund actual expenditures were less than final appropriations by \$67,031 or a 3.8% favorable variance. For the year ended June 30, 2013, budgetary fund balance increased by \$25,367 leaving a balance of \$581,365.

This represents a fair 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, 2013

	GENERAL FUND			
	<u>Budgeted Amounts</u>		<u>Actual Amounts</u>	<u>Variance Positive (Negative)</u>
	<u>Original</u>	<u>Final</u>		
Beginning Budgetary Fund Balance	\$ 564,294	\$ 564,294	\$ 564,294	\$ -
Resources (Inflows):				
TAXES:				
Sales Tax	\$ 930,000	\$ 930,000	\$ 967,503	\$ 37,503
Use Tax	70,000	70,000	140,203	70,203
Cigarette Tax	17,400	17,400	16,933	(467)
Alcohol Beverage Tax	50,000	50,000	53,360	3,360
Gas Tax	7,000	7,000	6,915	(85)
Motor Vehicle Tax	29,000	29,000	21,595	(7,405)
Total Taxes	\$ 1,103,400	\$ 1,103,400	\$ 1,206,509	\$ 103,109
INTERGOVERNMENTAL:				
Reimbursed Revenue	\$ 30,000	\$ 30,000	\$ 30,000	\$ -
Rebate Revenue	-	-	-	-
Rental Income	800	800	200	(600)
Total Intergovernmental	\$ 30,800	\$ 30,800	\$ 30,200	\$ (600)
FRANCHISE FEES:				
PSO	\$ 79,000	\$ 79,000	\$ 65,141	\$ (13,859)
Cable	21,000	21,000	15,688	(5,312)
ONG	20,000	20,000	20,155	155
SW Bell	9,400	9,400	4,855	(4,545)
Total Franchise Fees	\$ 129,400	\$ 129,400	\$ 105,839	\$ (23,561)
CHARGES FOR SERVICES:				
Swimming Pool	\$ 14,900	\$ 14,900	\$ 18,788	\$ 3,888
Cemetery Revenues	6,000	6,000	3,850	(2,150)
Ambulance Fees	45,000	45,000	44,464	(536)
Other Charges	6,900	6,900	4,821	(2,079)
Total Charges for Services	\$ 72,800	\$ 72,800	\$ 71,923	\$ (877)
LICENSES AND PERMITS	\$ 10,100	\$ 10,100	\$ 9,426	\$ (674)
GRANTS	\$ -	\$ -	\$ -	\$ -
FINES:				
Police	\$ 20,000	\$ 20,000	\$ 34,839	\$ 14,839
Other Fines & Court Costs	6,000	6,000	6,917	917
Total Fines	\$ 26,000	\$ 26,000	\$ 41,756	\$ 15,756
DONATIONS	\$ -	\$ -	\$ -	\$ -

(Continued on Next Page)

CITY OF HOBART, OKLAHOMA

Budgetary Comparison Schedule of General Fund - Continued For the Year Ended June 30, 2013

	GENERAL FUND			
	Budgeted Amounts		Actual Amounts	Variance Positive (Negative)
	Original	Final		
INVESTMENT REVENUES	\$ 1,500	\$ 1,500	\$ 5,345	\$ 3,845
MISCELLANEOUS REVENUES	\$ 17,100	\$ 20,850	\$ 15,676	\$ (5,174)
TRANSFERS FROM OTHER FUNDS	335,000	335,000	201,512	(133,488)
TOTAL RESOURCES (INFLOWS)	\$ 1,726,100	\$ 1,729,850	\$ 1,688,186	\$ (41,664)
AMOUNT AVAILABLE TO APPROPRIATE	\$ 2,290,394	\$ 2,294,144	\$ 2,252,480	\$ (41,664)
APPROPRIATIONS (OUTFLOWS):				
CITY CLERK:				
Personnel services	\$ 86,603	\$ 86,603	\$ 83,131	\$ 3,472
Materials & Supplies	2,200	2,200	963	1,237
Others services & charges	4,900	4,900	2,004	2,896
Total City Clerk	\$ 93,703	\$ 93,703	\$ 86,098	\$ 7,605
CITY ATTORNEY/JUDGE:				
Personnel services	\$ 26,640	\$ 26,640	\$ 26,082	\$ 558
Materials & supplies	250	250	67	183
Other services & charges	450	450	349	101
Total City Attorney	\$ 27,340	\$ 27,340	\$ 26,498	\$ 842
GROUNDS:				
Personnel services	\$ 188,851	\$ 188,851	\$ 174,482	\$ 14,369
Materials & supplies	123,600	123,600	102,550	21,050
Other services & charges	61,800	61,800	74,320	(12,520)
Capital outlay	-	-	-	-
Total Groundskeeping	\$ 374,251	\$ 374,251	\$ 351,352	\$ 22,899
POLICE:				
Personnel services	\$ 478,430	\$ 478,430	\$ 443,188	\$ 35,242
Materials & supplies	36,748	36,748	39,652	(2,904)
Other services & charges	49,950	49,950	48,797	1,153
Total Police	\$ 565,128	\$ 565,128	\$ 531,637	\$ 33,491
MUNICIPAL COURT:				
Cleet & OSBI	\$ -	\$ -	\$ 4,069	\$ (4,069)
Total Municipal Court	\$ -	\$ -	\$ 4,069	\$ (4,069)

(Continued on Next Page)

CITY OF HOBART, OKLAHOMA
 Budgetary Comparison Schedule of General Fund - Continued
 For the Year Ended June 30, 2013

	GENERAL FUND			
	<u>Budgeted Amounts</u>		Actual Amounts	Variance Positive (Negative)
	Original	Final		
FIRE:				
Personnel services	\$ 194,030	\$ 194,030	\$ 193,704	\$ 326
Materials & supplies	15,800	15,800	13,135	2,665
Other services & charges	17,300	17,300	15,411	1,889
Total Fire	\$ 227,130	\$ 227,130	\$ 222,250	\$ 4,880
LIBRARY:				
Personnel services	\$ 78,679	\$ 78,679	\$ 68,417	\$ 10,262
Materials & supplies	3,400	3,400	3,244	156
Other services & charges	11,900	11,900	9,504	2,396
Total Library	\$ 93,979	\$ 93,979	\$ 81,165	\$ 12,814
GENERAL GOVERNMENT:				
Personnel services	\$ 20,215	\$ 20,215	\$ 14,256	\$ 5,959
Materials & supplies	6,975	6,975	7,073	(98)
Other services & charges	317,575	329,075	346,717	(17,642)
Capital Outlay	350	350	-	350
Total General Government	\$ 345,115	\$ 356,615	\$ 368,046	\$ (11,431)
TRANSFERS TO OTHER FUNDS	\$ -	\$ -	\$ -	\$ -
TOTAL APPROPRIATIONS	\$ 1,726,646	\$ 1,738,146	\$ 1,671,115	\$ 67,031
ENDING BUDGETARY FUND BALANCE	\$ 563,748	\$ 555,998	\$ 581,365	\$ 25,367

Footnotes to Budgetary Comparison:

- D1. The budgetary comparison schedule is reported on the same modified cash basis as governmental funds within the basic financial statements.
- D2. 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, 2013

Managements Discussions and Analysis on Deposits and Investment Risk:

For the year ended June 30, 2013, the City recognized \$6,050 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 \$3,877 from the previous year's income or 39.1% from a decrease in interest rates.

The City's 2013 total cash and investment balances of \$2,142,794 have increased during the year by \$115,162 or 5.7%.

Schedule of Deposits and Investments:

Demand Deposits	\$ 1,307,823
Cash on Hand	900
Trustee Accts, debt service	107,002
Certificate of Deposit	<u>727,069</u>
 Total	 <u>\$ 2,142,794</u>

Reconciliation to Statement of Net Assets:

Cash and Cash Equivalents	\$ 1,308,723
Restricted Cash & Cash Equivalents	107,002
Investments	<u>727,069</u>
Total	<u>\$ 2,142,794</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, 2013

During the year ended June 30, 2013, the City purchased capital assets of \$297,154 through the Governmental Funds and none through the Proprietary Funds. The City's component units, Hobart Recreation Authority purchased assets in the amount of \$18,498 and Hobart Economic Development Authority purchased \$15,379. The City received grant funds to offset the cost of the assets in the amount of \$118,405. The City borrowed no funds for the purchase of capital assets through grant, reserves, and current revenues.

As of June 30, 2013, the City owned approximately \$33.4 million of capital assets with accumulated depreciation on the depreciable capital assets totaling approximately \$22.1 million. This indicates that, on the average, these City capital assets have approximately 34% of their depreciable useful life remaining.

Total combined depreciation for the year ending June 30, 2013 amounted to \$878,622.

**CITY OF HOBART
SCHEDULE OF CAPITAL ASSETS:**

PROPRIETARY FUND ASSETS:

For the Year 6/30/2013	Balance 7/1/2012	Additions	Deletions	Balance 6-30-2013
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	21,531,240.03	-	-	21,531,240.03
Infrastructure	446,698.38	-	-	446,698.38
TOTAL	\$ 23,304,158.82	\$ -	\$ -	\$ 23,304,158.82
-				
ACCUMULATED DEPRECIATION:				
Building	\$ 255,093.51	\$ 6,257.74	\$ -	\$ 261,351.25
Machinery & Equipment	441,998.02	34,537.64	-	476,535.66
Vehicles	81,389.90	7,011.40	-	88,401.30
Utility System	16,702,282.48	327,169.51	-	17,029,451.99
Infrastructure	136,491.13	14,889.94	-	151,381.07
TOTAL ACCUM. DEP.	\$ 17,617,255.04	\$ 389,866.23	\$ -	\$ 18,007,121.27
NET FIXED ASSETS	\$ 5,686,903.78	\$ (389,866.23)	\$ -	\$ 5,297,037.55

HOBART ECONOMIC DEVELOP AUTHORITY:

	Beginning Balance	Additions	Deletions	Ending Balance
Buildings	\$ 439,786.19	\$ 15,378.73	\$ -	\$ 455,164.92
Accumulated Depreciation	59,602.92	17,844.34	-	77,447.26
NET FIXED ASSETS FOR HEDA	\$ 380,183.27	\$ (2,465.61)	\$ -	\$ 377,717.66

HOBART RECREATION AUTHORITY:

	Beginning Balance	Additions	Deletions	Ending Balance
Buildings	456,970.00	-	-	456,970.00
Machinery & Equipment	156,682.54	18,498.10	-	175,180.64
Land & Improvements	234,450.00	-	-	234,450.00
TOTAL	\$ 848,102.54	\$ 18,498.10	\$ -	\$ 866,600.64
ACCUMULATED DEPRECIATION:				
Buildings	52,914.16	15,232.33	-	68,146.49
Machinery & Equipment	38,694.30	13,785.03	-	52,479.33
Land & Improvements	16,785.00	5,190.00	-	21,975.00
TOTAL ACCUM. DEPRECIATION	\$ 108,393.46	\$ 34,207.36	\$ -	\$ 142,600.82
NET FIXED ASSETS - RECREATION	\$ 739,709.08	\$ (15,709.26)	\$ -	\$ 723,999.82

CITY OF HOBART
SCHEDULE OF CAPITAL ASSETS:

GENERAL FIXED ASSET GROUP:

For the Year 6/30/2013	Balance 7/1/2012	Additions	Deletions	Balance 6/30/2013
Land & Improvements	\$ 1,693,047.88	\$ 28,900.96	\$ -	\$ 1,721,948.84
Building	2,607,458.55	200,238.86	-	2,807,697.41
Machinery & Equipment	1,388,965.25	35,248.59	20,000.00	1,404,213.84
Vehicles	1,206,666.50	16,307.83	-	1,222,974.33
Infrastructure	1,576,516.39	16,457.44	-	1,592,973.83
TOTAL	\$ 8,472,654.57	\$ 297,153.68	\$ 20,000.00	\$ 8,749,808.25
ACCUMULATED DEPRECIATION:				
Land Improvements	\$ 533,218.63	\$ 124,278.70	\$ -	\$ 657,497.33
Building	926,067.73	88,885.11	-	1,014,952.84
Machinery & Equipment	798,654.27	95,645.89	7,000.00	887,300.16
Vehicles	841,601.40	69,996.47	-	911,597.87
Infrastructure	343,062.03	57,898.31	-	400,960.34
TOTAL ACCUM. DEP.	\$ 3,442,604.06	\$ 436,704.48	\$ 7,000.00	\$ 3,872,308.54
NET FIXED ASSETS	\$ 5,030,050.51	\$ (139,550.80)	\$ 13,000.00	\$ 4,877,499.71

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, 2013

The City participates in three pension or retirement plans:

- a. Oklahoma Police Pension and Retirement System (OPPRS) – a statewide cost sharing plan
- b. Oklahoma Firefighter's 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>OMRF</u>
2011	44,576	19,354	67,562
2012	38,813	18,686	50,420
2013	37,344	19,227	53,365

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. 63rd 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, 2013

The City of Hobart participated in various federal and state grant programs during the year ending June 30, 2013. 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 \$118,405 in federal and state awards in the year ending June 30, 2013. This represents 28.6% of the City's total revenues for the fiscal year.

The CDBG grant project was completed during the year. The REAP Grant was not completed during the year and will be completed in the following year.

CITY OF HOBART, OKLAHOMA
SCHEDULE OF EXPENDITURES OF FEDERAL & STATE AWARDS
For the Year Ending June 30, 2013

Federal/State Grantor/Pass thru Agency Grantor/Program Title	Federal CFDA Number	Pass thru Grant Number	Award Amount	Receipts	Expenditures
FEDERAL AWARDS:					
			\$ -	\$ -	\$ -
TOTAL FEDERAL FUNDS			\$ -	\$ -	\$ -
STATE AWARDS:					
Oklahoma Dept. of Commerce: CDBG - Building (183 Recyclers)	N/A	14496 ED 10	\$ 145,400	\$ 14,428	\$ 14,428
			-	-	-
			\$ 145,400	\$ 14,428	\$ 14,428
Oklahoma Dept. of Library: Library Books & Materials	N/A		\$ -	\$ 8,674	\$ 8,674
South Western Oklahoma Development Authority: REAP Grant	N/A	12-KW-12003	\$ 100,000	\$ 85,303	\$ 85,303
Oklahoma Dept. of Emergency Management: Emergency Management	N/A		\$ 10,000	\$ 10,000	\$ 10,000
TOTAL STATE AWARDS			\$ 255,400	\$ 118,405	\$ 118,405

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. CDGB grant requires matching contributions by the City of \$175,800 and 183 Recyclers of \$115,200. The company also proposes to create 5 new jobs with at least 3 being made available to low and moderate income persons with 36 mos.

CITY OF HOBART

Component Units Statement of Net Position-Modified Cash Method As of June 30, 2013

ASSETS:	HEDA	Recreation	TOTAL
Cash & Equivelant	\$ 37,307	\$ 9,154	\$ 46,461
Investments	-	-	-
Restricted Cash	-	-	-
Deposits w/ insurance pool	-	-	-
Due from others	95,423	-	95,423
Capital Assets, net of depreciation	<u>377,718</u>	<u>724,000</u>	<u>1,101,718</u>
TOTAL ASSETS	<u>\$ 510,448</u>	<u>\$ 733,154</u>	<u>\$ 1,243,602</u>
LIABILITIES:			
Due to other funds	\$ 18,990	\$ -	\$ 18,990
Liability - due within one year	10,719	-	10,719
Liability - due over one year	217,843	-	217,843
TOTAL LIABILITIES	<u>\$ 247,552</u>	<u>\$ -</u>	<u>\$ 247,552</u>
NET POSITION:			
Reserved for economic development	\$ 114,414	\$ -	\$ 114,414
Reserved for capital assets, net of liab	149,156	724,000	873,156
Unreserved	(674)	9,154	8,480
TOTAL NET POSITION	<u>\$ 262,896</u>	<u>\$ 733,154</u>	<u>\$ 996,050</u>
TOTAL LIABIABILITIES & NET POSITION	<u>\$ 510,448</u>	<u>\$ 733,154</u>	<u>\$ 1,243,602</u>

CITY OF HOBART

Component Units Statement of Activities-Modified Cash Method For the Year Ending June 30, 2013

	HEDA	Recreation	TOTAL
REVENUES:			
Taxes	\$ -	\$ -	\$ -
Intergovernmental	-	-	-
Charges for services	40,961	48,866	89,827
Grants	14,428	-	14,428
Royalties	-	-	-
Investment receipts	1,223	-	1,223
Miscellaneous receipts	400	1,440	1,840
Donations	-	-	-
	-	-	-
TOTAL REVENUES	\$ 57,012	\$ 50,306	\$ 107,318
EXPENDITURES:			
General Govt	\$ 21,148	\$ -	\$ 21,148
Public Safety	-	-	-
Culture & Recreation	389	43,711	44,100
Health & Welfare	-	-	-
Airport	-	-	-
Capital Outlay & Lease	-	-	-
Interest Expense	13,891	-	13,891
Depreciation Expense	17,844	34,207	52,051
	-	-	-
TOTAL EXPENDITURES	\$ 53,272	\$ 77,918	\$ 131,190
TRANSFERS:			
Transfers In	\$ 3,510	\$ 10,000	\$ 13,510
Transfers Out	(6,185)	-	(6,185)
TOTAL TRANSFERS	\$ (2,675)	\$ 10,000	\$ 7,325
EXCESS RECEIPTS OR EXPEND.	\$ 1,065	\$ (17,612)	\$ (16,547)
FUND BALANCE - BEGINNING	261,831	750,766	1,012,597
FUND BALANCE - END	\$ 262,896	\$ 733,154	\$ 996,050

CITY OF HOBART, OKLAHOMA
Footnotes to Component Units Financial Statements
For the Year Ended June 30, 2013

H1. The component units of the City consist of the Hobart Economic Development Authority (HEDA), and the Hobart Recreation Authority. The component units are business-type activities that report 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.

H2. Long-term debt of the component unit HEDA consisted of the following:

	<u>Balance</u>	<u>Current Portion</u>	<u>Interest Rate</u>
Notes Payable – Great Plains Nat'l (a)	\$ 53,458	\$ 5,546	6.0%
Notes Payable – Great Plains Nat'l (b)	<u>175,104</u>	<u>5,173</u>	6.0%
 Total Long-term debt	 <u>\$ 228,562</u>	 <u>\$ 10,719</u>	

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>
2015	5,883	5,492
2016	6,240	5,831
2017	6,619	6,191
2018	7,021	6,573

Management's Discussion and Analysis on the Component Units:

The total component units cash and equivalents decreased during the year in the amount of \$34,035 or 42.2%.

The total component units revenues increase by \$46,931 or 43.7%.

The total component units expenditures excluding depreciation increased by \$13,270 or 16.8%.

The capital assets for HEDA increased by \$15,379. The remaining portion of the CDBG grant for the construction of a building was received during the year in the amount of \$14,428.

Hobart Recreation Authority purchased \$18,498 of capital assets during the year.

CITY OF HOBART, OKLAHOMA
Management's Discussions and Analysis – Internal Control and Compliance
For the Year Ended June 30, 2013

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, 2013, 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.

Scott Northrip

Certified Public Accountant
P.O. Box 642, 311 S. Main St.
Hobart, Oklahoma 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, 2013, which collectively comprises the City's basic financial statements and have issued our report thereon dated February 7, 2014. 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 February 20, 2014.

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

February 7, 2014