

**CITY OF HOBART, OKLAHOMA
Annual Financial Statements and
Independent Auditor's Report
Fiscal Year June 30, 2014**

CITY OF HOBART, OKLAHOMA

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Scott Northrip

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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, 2014, which collectively comprises the City's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

Our responsibility is to express opinions on these financial statements based on our audit. We conducted the audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit involves performing procedures to obtain audit evidence supporting the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

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.

I believe that the audit evidence I have obtained is sufficient and appropriate to provide a basis for my audit opinions.

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, 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, 2014, 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.

Other Reporting Requirements by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated June 23, 2015, 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* in considering the District's internal control over financial reporting and compliance.

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

June 23, 2015

CITY OF HOBART, OKLAHOMA
Management's Discussions and Analysis
For the Year Ended June 30, 2014

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, 2014. 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, 2014, the following financial highlights are considered noteworthy by the management:

- The City's General Fund ended the year with an unreserved fund balance of \$752,087 which represents 50.5% of annual General Fund revenues.
- The City had an decrease during the fiscal year 2014 in cash and investments in the amount of \$129,766.
- Total tax revenue collections decreased from 2013 by \$18,740 even though there was a sales tax revenue increase of \$40,172 from the previous year. This translates into a increase in taxable sales of \$1,004,300.
- The City's business-type activities (PWA) decreased its long-term debt by 20.2% or \$305,909 during the fiscal year 2014.
- The City invested \$620,393 in capital assets during the fiscal year 2014 with \$119,460 received through grants.

The Upcoming Year

- For the upcoming fiscal year ending June 30, 2015, the City's adopted budget is fairly consistent with the 2014 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, 2014

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, 2014

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 2014, the unrestricted fund balance of the government-wide funds has increased by \$136,602. The percentage of unrestricted balance to revenues increased by 1% points to 28%. The amount of unrestricted fund balance in the governmental funds increased by \$2,258, proprietary unrestricted fund balance increased by \$148,580, and component units decreased by \$14,236.

Net Changes in Net Position

The Statement of Activities reflects a net decrease in Net Position of \$198,693 for the 2014 year. The decrease is due to depreciation being reported on the government wide statement of activities of \$885,872. Total expenditures increased by \$91,594 and revenues increased \$30,179.

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 32.4%. This does indicate a moderate level of exposure to financial difficulties due to the significant reliance on taxes. Unfortunately the current year saw a decrease in the amount of taxes collected and the receipt of royalties during the year. Even though the City received \$91,114 from royalties, that is 40% of the amount received in 2012. The trend at the end of the year and a few months following the year indicates a continued decrease in royalty revenues.

Net Changes in Cash and Investments

The City had a decrease during the fiscal year 2014 in cash and investments in the amount of \$129,766 or a decrease of 6.8%. The City had an increase in its cash and investments of \$115,162 in the previous year.

Employee Wages

The City paid wages of \$1,211,616 which was an increase of \$21,212 or 1.75% from the previous year.

CITY OF HOBART, OKLAHOMA

Total Government Statement of Net Position-Modified Cash Method

As of June 30, 2014

	Governmental Funds	Proprietary Funds	TOTAL	Component Units
ASSETS:				
Cash & Cash Equivalents	\$ 557,158	\$ 560,447	\$ 1,117,605	\$ 57,343
Investments	731,078	-	731,078	-
Restricted Cash & Equivalents	-	-	-	-
Deposits with insurance pool	4,531	-	4,531	-
Due from others	-	-	-	54,834
Capital Assets:				
Construction in Progress	-	-	-	-
Loan Origination Fees - Net	-	31,585	31,585	-
Capital Assets, net of depreciation	4,995,874	4,928,132	9,924,006	1,073,018
TOTAL ASSETS	\$ 6,288,641	\$ 5,520,164	\$ 11,808,805	\$ 1,185,195
LIABILITIES AND NET POSITION:				
Liabilities:				
Draft Payables	\$ -	\$ 9,488	\$ 9,488	\$ -
Due to Others	-	66,835	66,835	7,453
Long-term Liabilities and Leases:				
Due within one year	-	239,376	239,376	11,375
Due in more than one year	-	969,863	969,863	206,726
TOTAL LIABILITIES	\$ -	\$ 1,285,562	\$ 1,285,562	\$ 225,554
Net Position:				
Restricted Fund Balance for:				
Insurance Pool	\$ 4,531	\$ -	\$ 4,531	\$ -
Debt Service	-	-	-	-
Improvements & Economic Development	181,306	125,311	306,617	99,105
Other Government Funds	106,190	-	106,190	-
Invested in capital assets, net of debt	4,995,874	3,718,893	8,714,767	866,292
Unrestricted	1,000,740	390,398	1,391,138	(5,756)
TOTAL NET POSITION	\$ 6,288,641	\$ 4,234,602	\$ 10,523,243	\$ 959,641
TOTAL LIABILITIES AND NET POSITION	\$ 6,288,641	\$ 5,520,164	\$ 11,808,805	\$ 1,185,195

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, 2014

	Governmental Funds	Proprietary Funds	TOTAL	Component Unit
REVENUES:				
Taxes	\$ 1,516,138	\$ -	\$ 1,516,138	\$ -
Franchise Fees	177,880	-	177,880	-
Intergovernmental	32,990	-	32,990	-
Charges for Services	236,963	2,220,861	2,457,824	81,487
Licenses and Permits	7,520	-	7,520	-
Capital & Operating Grants	119,460	-	119,460	-
Royalties	91,114	-	91,114	-
Fines	43,288	-	43,288	-
Donations	52,182	-	52,182	-
Investment Revenues	4,734	656	5,390	1,899
Miscellaneous Revenues	89,406	5,390	94,796	2,575
TOTAL REVENUES	\$ 2,371,675	\$ 2,226,907	\$ 4,598,582	\$ 85,961
EXPENDITURES:				
General Government	\$ 492,906	\$ 163,276	\$ 656,182	\$ 38,430
Public Safety	821,993	-	821,993	-
Culture & Recreation	465,798	99,096	564,894	46,649
Health & Welfare	249,319	265,751	515,070	-
Water & Sewer Operations	-	1,122,856	1,122,856	-
Interest Expense	-	42,270	42,270	13,592
Depreciation	448,647	383,146	831,793	54,079
Airport	141,333	29,610	170,943	-
TOTAL EXPENDITURES	\$ 2,619,996	\$ 2,106,005	\$ 4,726,001	\$ 152,750
EXCESS REVENUES BEFORE TRANSFER	\$ (248,321)	\$ 120,902	\$ (127,419)	\$ (66,789)
OTHER SOURCES (USES):				
Transfers In	\$ 605,850	\$ 169,198	\$ 775,048	\$ 30,380
Transfers Out	(465,715)	(344,198)	(809,913)	-
TOTAL OTHER SOURCES (USES)	\$ 140,135	\$ (175,000)	\$ (34,865)	\$ 30,380
EXCESS (DEFICIENCY) OF REVENUES	\$ (108,186)	\$ (54,098)	\$ (162,284)	\$ (36,409)

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, 2014

- 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, 2014

- 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 ad valorem taxes 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.
- A10. The evaluation of the subsequent events of the City have been evaluated through December 31, 2014.

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 2014 sales tax collections of \$1,329,700 resulted in an increase of \$40,172 or a 3.0% increase which resulted in an increase in taxable sales of \$1,004,300.

The City's governmental funds revenues decreased by \$51,086, which was attributed mainly to a decrease in royalty revenues of \$60,351.

The City's governmental funds capital assets, net of depreciation, increased by \$118,374. Depreciation amounted to \$448,647 for the year. Capital outlay amounted to \$562,926 with most attributed to the Main Street Sidewalk Project.

The cash and investments of the governmental funds decreased by \$224,682.

The City expenses for the governmental funds excluding capital outlay increased by \$67,224. General government increased \$7,969, public safety increased \$23,216, culture & recreation increased \$2,546, health & welfare increased \$7,800, and airport increased \$25,693.

The City's governmental funds had an increase in unrestricted fund balance of \$2,258.

The City's governmental funds received \$140,135 more in transfers than paid from other funds during 2014 while the General fund received \$605,850 more in transfers from other funds. The transfers included \$371,060 from Ltd Purpose Funds for the Main Street Sidewalk Project until grant funds were received. Most of the grant funds were received after the year end.

CITY OF HOBART, OKLAHOMA
Governmental Funds Statement of Net Position-Modified Cash Method
As of June 30, 2014

	General	Ltd Purpose Hotel Tax & Sales Tax	Other Government Funds	TOTAL GOVERNMENT FUNDS
ASSETS:				
Cash & Cash Equivalents	\$ 21,009	\$ 105,354	\$ 430,795	\$ 557,158
Investments	731,078	-	-	731,078
Restricted Cash & Equivalents	-	-	-	-
Deposits with insurance pool	4,531	-	-	4,531
Due from other funds	-	-	-	-
TOTAL ASSETS	\$ 756,618	\$ 105,354	\$ 430,795	\$ 1,292,767
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	-	105,354	75,952	181,306
Other Government Funds	-	-	106,190	106,190
Unreserved Fund Balance	752,087	-	248,653	1,000,740
TOTAL NET POSITION	\$ 756,618	\$ 105,354	\$ 430,795	\$ 1,292,767
TOTAL LIABILITIES AND NET POSITION	\$ 756,618	\$ 105,354	\$ 430,795	\$ 1,292,767

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, 2014

	<u>General</u>	<u>Ltd Purpose Hotel Tax & Sales Tax</u>	<u>Other Government Funds</u>	<u>TOTAL GOVERNMENT FUNDS</u>
REVENUES:				
Taxes	\$ 1,179,617	\$ 336,521	\$ -	\$ 1,516,138
Franchise Fees	113,472	-	64,408	177,880
Intergovernmental	32,990	-	-	32,990
Charges for Services	80,256	-	156,707	236,963
Licenses and Permits	7,520	-	-	7,520
Capital & Operating Grants	-	76,040	43,420	119,460
Royalties & Oil Leases	-	85,171	5,943	91,114
Fines	43,288	-	-	43,288
Donations	-	-	52,182	52,182
Investment Revenues	4,665	-	69	4,734
Miscellaneous Revenues	27,346	61,088	972	89,406
TOTAL REVENUES	\$ 1,489,154	\$ 558,820	\$ 323,701	\$ 2,371,675
EXPENDITURES:				
General Government	\$ 481,168	\$ 5,202	\$ 6,536	\$ 492,906
Public Safety	782,915	-	39,078	821,993
Culture & Recreation	436,983	-	28,815	465,798
Health & Welfare	-	249,319	-	249,319
Airport	-	-	141,333	141,333
Capital Outlay	398,208	95,586	69,132	562,926
TOTAL EXPENDITURES	\$ 2,099,274	\$ 350,107	\$ 284,894	\$ 2,734,275
EXCESS (DEFICIENCY) OF REVENUES	\$ (610,120)	\$ 208,713	\$ 38,807	\$ (362,600)
OTHER SOURCES (USES):				
Transfers In	\$ 605,850	\$ -	\$ -	\$ 605,850
Transfers Out		(465,715)	-	(465,715)
TOTAL OTHER SOURCES (USES)	\$ 605,850	\$ (465,715)	\$ -	\$ 140,135
NET CHANGES IN FUND BALANCES	\$ (4,270)	\$ (257,002)	\$ 38,807	\$ (222,465)
Fund Balances - Beginning	763,105	362,356	395,072	1,520,533
FUND BALANCES - ENDING	\$ 758,835	\$ 105,354	\$ 433,879	\$ 1,298,068

See accompanying notes to the financial statements.

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	-	64,408	-	-	-	-	-	-	-	-	64,408
Intergovernmental	-	-	-	-	-	-	-	-	-	-	-
Charges for Services	-	-	153,457	-	-	1,725	-	-	-	-	156,707
Licenses and Permits	-	-	-	-	1,525	-	-	-	-	-	-
Capital and Operating Grants	9,765	-	-	-	-	-	-	-	-	33,655	43,420
Royalties	-	-	-	-	-	-	-	5,943	-	-	5,943
Fines	-	-	-	-	-	-	-	-	-	-	-
Donations	19,834	-	-	-	25	-	-	-	4,791	27,532	52,182
Investment Revenues	-	-	-	-	69	-	-	-	-	-	69
Miscellaneous Revenues	-	-	772	-	-	-	-	-	-	200	972
TOTAL REVENUES	\$ 29,599	\$ 64,408	\$ 154,229	\$ -	\$ 94	\$ 1,525	\$ 1,725	\$ 5,943	\$ 4,791	\$ 61,387	\$ 323,701
EXPENDITURES:											
General Government	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 6,536	\$ 6,536
Public Safety	-	35,828	-	-	-	-	2,105	-	-	1,145	39,078
Streets	-	-	-	-	-	-	-	-	-	-	-
Culture & Recreation	27,570	-	-	-	-	-	-	-	1,245	-	28,815
Health & Welfare	-	-	-	-	-	-	-	-	-	-	-
Airport	-	-	141,333	-	-	-	-	-	-	-	141,333
Capital Outlay	-	31,936	15,289	-	-	-	-	-	-	21,907	69,132
TOTAL EXPENDITURES	\$ 27,570	\$ 67,764	\$ 156,622	\$ -	\$ -	\$ -	\$ 2,105	\$ -	\$ 1,245	\$ 29,588	\$ 284,894
EXCESS OF REVENUES	\$ 2,029	\$ (3,356)	\$ (2,393)	\$ -	\$ 94	\$ 1,525	\$ (380)	\$ 5,943	\$ 3,546	\$ 31,799	\$ 38,807
OTHER SOURCES (USES):											
Transfers In	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Transfers Out	-	-	-	-	-	-	-	-	-	-	-
TOTAL OTHER	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
NET CHANGES	\$ 2,029	\$ (3,356)	\$ (2,393)	\$ -	\$ 94	\$ 1,525	\$ (380)	\$ 5,943	\$ 3,546	\$ 31,799	\$ 38,807
Fund Balances - Beginning	8,827	38,158	62,575	2,159	40,603	27,007	1,464	164,427	5,699	44,153	395,072
FUND BALANCES - ENDING	\$ 10,856	\$ 34,802	\$ 60,182	\$ 2,159	\$ 40,697	\$ 28,532	\$ 1,084	\$ 170,370	\$ 9,245	\$ 75,952	\$ 433,879

CITY OF HOBART, OKLAHOMA

Other Governmental Funds Statement of Net Position--Modified Cash Method As of June 30, 2014

	Library Cash Fund	911 Fund	Airport Fund	Employee Medical Fund	Cemetery Perpetual Fund	Cemetery Care Fund	Municipal Court Fund	Seed Money Fund	Beautification Committee Fund	Grant Fund	TOTAL GOVERNMENT FUNDS
ASSETS:											
Cash & Cash Equivalents	\$ 10,856	\$ 34,802	\$ 60,182	\$ 2,159	\$ 40,697	\$ 28,532	\$ 1,084	\$ 170,370	\$ 6,161	\$ 75,952	\$ 430,795
Investments	-	-	-	-	-	-	-	-	-	-	-
Restricted Cash & Equivalents	-	-	-	-	-	-	-	-	-	-	-
Deposits with insurance pool	-	-	-	-	-	-	-	-	-	-	-
Due from other funds	-	-	-	-	-	-	-	-	-	-	-
Capital Assets	-	-	-	-	-	-	-	-	-	-	-
TOTAL ASSETS	\$ 10,856	\$ 34,802	\$ 60,182	\$ 2,159	\$ 40,697	\$ 28,532	\$ 1,084	\$ 170,370	\$ 6,161	\$ 75,952	\$ 430,795

LIABILITIES AND NET POSITION:

Liabilities:											
Due to other funds	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Due to others	-	-	-	-	-	-	-	-	-	-	-
TOTAL LIABILITIES	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Net Position:											
Reserved Fund Balance	\$ -	\$ 34,802	\$ -	\$ 2,159	\$ 40,697	\$ 28,532	\$ 1,084	\$ 170,370	\$ 6,161	\$ 75,952	\$ 182,142
Unreserved Fund Balance	10,856	-	60,182	-	-	-	1,084	170,370	6,161	-	248,653
TOTAL NET POSITION	\$ 10,856	\$ 34,802	\$ 60,182	\$ 2,159	\$ 40,697	\$ 28,532	\$ 1,084	\$ 170,370	\$ 6,161	\$ 75,952	\$ 430,795
LIAB. AND NET POSITION	\$ 10,856	\$ 34,802	\$ 60,182	\$ 2,159	\$ 40,697	\$ 28,532	\$ 1,084	\$ 170,370	\$ 6,161	\$ 75,952	\$ 430,795

CITY OF HOBART, OKLAHOMA
Footnotes to Governmental Funds Financial Statements
For the Year Ended June 30, 2014

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, 2014

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, 2014, the proprietary funds reported operating income on a modified cash basis, before inter-fund transfers and depreciation, of \$504,048. The current note payments are \$262,659 which indicated an ability to make its payments from its revenues without inter-fund transfers. This indicates that in 2014, 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 2013 by \$54,098 with net transfers to other funds of \$175,000.

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 2014 shows net revenues before transfers and depreciation of 1.92 times. This represents a debt service coverage that is above management's desired minimum.

The City's proprietary funds decreased its long-term debt by 20.2% during the year ending June 30, 2014 or a decrease of \$305,909. During the year two notes with Oklahoma Water Resources Board were consolidated into one note and the restricted funds of \$107,002 were used to decrease the note balance and paid \$33,841 in loan origination fees. The fees will be less than the savings in interest on the new note.

The operating and other revenues, excluding grants, of the proprietary fund increased by \$102,623 or 4.6%.

The cash and investments of the proprietary funds increased by \$84,034.

The City's proprietary funds operating expenditure excluding depreciation increased by \$1,942.

The City's proprietary funds spent \$48,082 in capital assets and loan origination fees during the year.

CITY OF HOBART, OKLAHOMA
Proprietary Funds Statement of Net Position
(Modified Cash Basis)
As of June 30, 2014

ASSETS:

Current Assets:

Cash & Cash Equivalents	\$ 560,447
Investments	-
Total Current Assets	<u>\$ 560,447</u>

Noncurrent Assets:

Loan Origination Fees - Net	\$ 31,585
Construction In Progress	-
Capital Assets:	
Land	216,700
Other Capital Assets, net of depreciation	4,711,432
Total Noncurrent Assets	<u>\$ 4,959,717</u>

TOTAL ASSETS \$ 5,520,164

LIABILITIES AND NET POSITION:

Current Liabilities:

Draft Payables & Overdrawn Accounts	\$ 9,488
Due to depositors	66,835
Current portion of noncurrent liabilities	239,376
Total Current Liabilities	<u>\$ 315,699</u>

Noncurrent Liabilities:

Notes payable	\$ 1,209,239
Capital lease payable	-
Less: Current portion of noncurrent liabilities	(239,376)
Total Noncurrent Liabilities	<u>\$ 969,863</u>

TOTAL LIABILITIES \$ 1,285,562

Net Position:

Restricted Fund Balance for:	
Debt Service	\$ -
System Improvements	125,311
Invested in capital assets, net of debt	3,718,893
Unrestricted Fund Balance	390,398
	<u>390,398</u>

TOTAL NET POSITION \$ 4,234,602

TOTAL LIABILITIES AND NET POSITION \$ 5,520,164

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, 2014

OPERATING REVENUES:	
Water	\$ 1,344,698
Sewer	272,085
Sanitation	518,650
Connect, Reconnect & Transfer fees	33,528
Late fees	33,160
Miscellaneous Revenues	<u>5,390</u>
Total Operating Revenues	<u>\$ 2,207,511</u>
OPERATING EXPENSES:	
Administration	\$ 163,276
Water & Sewer operations	1,122,856
Solid Waste	265,751
Recreation	99,096
Airport	29,610
Depreciation	<u>383,146</u>
Total Operating Expenses	<u>\$ 2,063,735</u>
OPERATING INCOME (LOSS)	<u>\$ 143,776</u>
OTHER REVENUES (EXPENSES):	
Investment Revenues	\$ 656
Grant Revenues	-
Farm Rent	18,740
Interest Expense	<u>(42,270)</u>
Total Other Revenues(Expenses)	<u>\$ (22,874)</u>
NET INCOME (LOSS) BEFORE TRANSFERS	\$ 120,902
Transfers In	169,198
Transfers Out	<u>(344,198)</u>
CHANGES IN NET POSITION	\$ (54,098)
Net Position - Beginning	<u>4,288,700</u>
NET POSITION - ENDING	<u>\$ 4,234,602</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, 2014

CASH FLOWS FROM OPERATING ACTIVITIES:

Receipts from customers	\$ 2,202,121
Payments to suppliers	(1,133,294)
Payments to employees & benefits	(545,320)
Miscellaneous Revenues	5,390
Net Cash Provided by Operating Activities	<u>\$ 528,897</u>

CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES:

Purchase of capital assets	\$ (14,241)
Payments for loan origination fees	(33,841)
Proceeds from long term notes	850,000
Restricted cash used to pay on debt	107,002
Principal paid on debt	(1,155,909)
Interest paid on debt	(42,270)
Net Cash Used In Capital & Related Financing Activities	<u>\$ (289,259)</u>

CASH FLOWS FROM INVESTING ACTIVITIES:

Investment Revenues	\$ 656
Farm Rent	18,740
Net Cash Provided from Investing Activities	<u>\$ 19,396</u>

CASH FLOWS FROM OTHER ACTIVITIES:

Transfers In	\$ 169,198
Transfers Out	(344,198)
Net Cash Used in Other Activities	<u>\$ (175,000)</u>

INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS

	\$ 84,034
Cash Balance - Beginning	<u>476,413</u>

CASH BALANCE - ENDING

<u>\$ 560,447</u>

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

Operating Income (Loss)	\$ 143,776
Adjustments to reconcile operating income to net cash provided (used) by Operating Activities:	
Depreciation expense	383,146
Amortized loan origination fees	2,256
Change in assets and liabilities:	
Draft Payable	(281)
Meter Deposits	<u>-</u>
Net Cash Provided from Operating Activities	<u>\$ 528,897</u>

CITY OF HOBART, OKLAHOMA
Footnotes to Proprietary Funds Financial Statements
For the Year Ended June 30, 2014

- 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>	<u>Annual Payments</u>
Notes Payable – OWRB (a)	\$ 85,726	\$ 10,266	2.72%	9-15-21	\$ 12,982
Notes Payable – OWRB (b)	358,513	69,110	1.81%	9-15-19	75,371
Notes Payable – OWRB (c)	<u>765,000</u>	<u>160,000</u>	1.87%	4-01-19	174,306
 Total Long-term debt	 <u>\$1,209,239</u>	 <u>\$ 239,376</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>
2016	10,597	70,370	167,500
2017	11,132	71,682	170,000
2018	11,498	73,003	170,000
2019	11,685	74,349	97,500

Management's Discussion and Analysis on the Budgetary Results:

The General Fund reported actual budgetary basis revenues before transfers above final estimates by 36,714 or a 2.5% positive variance. General Fund actual expenditures were less than final appropriations by \$30,950 or a 1.8% favorable variance excluding capital outlay. For the year ended June 30, 2014, budgetary fund balance decreased by \$4,270 leaving a balance of \$577,095.

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, 2014

	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	\$ 581,365	\$ 581,365	\$ 581,365	\$ -
Resources (Inflows):				
TAXES:				
Sales Tax	\$ 965,000	\$ 965,000	\$ 997,275	\$ 32,275
Use Tax	90,000	90,000	69,108	(20,892)
Cigarette Tax	17,750	17,750	15,723	(2,027)
Alcohol Beverage Tax	52,500	52,500	60,111	7,611
Gas Tax	7,000	7,000	6,696	(304)
Motor Vehicle Tax	25,000	25,000	30,704	5,704
Total Taxes	\$ 1,157,250	\$ 1,157,250	\$ 1,179,617	\$ 22,367
INTERGOVERNMENTAL:				
Reimbursed Revenue	\$ 32,190	\$ 32,190	\$ 32,190	\$ -
Rebate Revenue	-	-	-	-
Rental Income	1,000	1,000	800	(200)
Total Intergovernmental	\$ 33,190	\$ 33,190	\$ 32,990	\$ (200)
FRANCHISE FEES:				
PSO	\$ 70,000	\$ 70,000	\$ 72,762	\$ 2,762
Cable	15,000	15,000	14,647	(353)
ONG	20,000	20,000	21,866	1,866
SW Bell	8,500	8,500	4,197	(4,303)
Total Franchise Fees	\$ 113,500	\$ 113,500	\$ 113,472	\$ (28)
CHARGES FOR SERVICES:				
Swimming Pool	\$ 16,400	\$ 16,400	\$ 17,843	\$ 1,443
Cemetery Revenues	6,000	6,000	10,675	4,675
Ambulance Fees	45,000	45,000	44,676	(324)
Other Charges	7,600	7,600	7,062	(538)
Total Charges for Services	\$ 75,000	\$ 75,000	\$ 80,256	\$ 5,256
LICENSES AND PERMITS	\$ 9,900	\$ 9,900	\$ 7,520	\$ (2,380)
GRANTS	\$ -	\$ -	\$ -	\$ -
FINES:				
Police	\$ 34,000	\$ 34,000	\$ 38,494	\$ 4,494
Other Fines & Court Costs	6,250	6,250	4,794	(1,456)
Total Fines	\$ 40,250	\$ 40,250	\$ 43,288	\$ 3,038
DONATIONS	\$ -	\$ -	\$ -	\$ -

(Continued on Next Page)

CITY OF HOBART, OKLAHOMA
 Budgetary Comparison Schedule of General Fund - Continued
 For the Year Ended June 30, 2014

	GENERAL FUND			
	Budgeted Amounts		Actual Amounts	Variance Positive (Negative)
	Original	Final		
INVESTMENT REVENUES	\$ 750	\$ 750	\$ 4,665	\$ 3,915
MISCELLANEOUS REVENUES	\$ 22,600	\$ 22,600	\$ 27,346	\$ 4,746
TRANSFERS FROM OTHER FUNDS	295,000	295,000	605,850	310,850
TOTAL RESOURCES (INFLOWS)	\$ 1,747,440	\$ 1,747,440	\$ 2,095,004	\$ 347,564
AMOUNT AVAILABLE TO APPROPRIATE	\$ 2,328,805	\$ 2,328,805	\$ 2,676,369	\$ 347,564
APPROPRIATIONS (OUTFLOWS):				
CITY CLERK:				
Personnel services	\$ 87,134	\$ 87,134	\$ 87,092	\$ 42
Materials & Supplies	2,200	2,200	1,771	429
Others services & charges	5,050	5,050	4,432	618
Total City Clerk	\$ 94,384	\$ 94,384	\$ 93,295	\$ 1,089
CITY ATTORNEY/JUDGE:				
Personnel services	\$ 31,471	\$ 31,471	\$ 31,531	\$ (60)
Materials & supplies	250	250	200	50
Other services & charges	450	450	326	124
Total City Attorney	\$ 32,171	\$ 32,171	\$ 32,057	\$ 114
GROUNDS:				
Personnel services	\$ 182,519	\$ 182,519	\$ 161,638	\$ 20,881
Materials & supplies	139,850	139,850	121,434	18,416
Other services & charges	67,100	67,100	69,413	(2,313)
Capital outlay	-	-	14,016	(14,016)
Total Groundskeeping	\$ 389,469	\$ 389,469	\$ 366,501	\$ 22,968
POLICE:				
Personnel services	\$ 481,306	\$ 481,306	\$ 472,310	\$ 8,996
Materials & supplies	35,200	35,200	36,688	(1,488)
Other services & charges	53,450	53,450	52,739	711
Capital Outlay	-	-	2,395	(2,395)
Total Police	\$ 569,956	\$ 569,956	\$ 564,132	\$ 5,824
MUNICIPAL COURT:				
Cleet & OSBI	\$ -	\$ -	\$ 3,764	\$ (3,764)
Total Municipal Court	\$ -	\$ -	\$ 3,764	\$ (3,764)

(Continued on Next Page)

CITY OF HOBART, OKLAHOMA
 Budgetary Comparison Schedule of General Fund - Continued
 For the Year Ended June 30, 2014

	GENERAL FUND			
	Budgeted Amounts		Actual Amounts	Variance Positive (Negative)
	Original	Final		
FIRE:				
Personnel services	\$ 197,888	\$ 197,888	\$ 195,617	\$ 2,271
Materials & supplies	20,500	20,500	10,099	10,401
Other services & charges	24,900	24,900	15,462	9,438
Capital Outlay	-	-	10,738	(10,738)
Total Fire	\$ 243,288	\$ 243,288	\$ 231,916	\$ 11,372
LIBRARY:				
Personnel services	\$ 66,195	\$ 66,195	\$ 64,513	\$ 1,682
Materials & supplies	5,500	5,500	5,295	205
Other services & charges	12,200	12,200	10,925	1,275
Total Library	\$ 83,895	\$ 83,895	\$ 80,733	\$ 3,162
GENERAL GOVERNMENT:				
Personnel services	\$ 18,301	\$ 18,301	\$ 16,425	\$ 1,876
Materials & supplies	7,275	7,275	6,985	290
Other services & charges	320,125	320,125	332,406	(12,281)
Capital Outlay	300	300	371,060	(370,760)
Total General Government	\$ 346,001	\$ 346,001	\$ 726,876	\$ (380,875)
TRANSFERS TO OTHER FUNDS	\$ -	\$ -	\$ -	\$ -
TOTAL APPROPRIATIONS	\$ 1,759,164	\$ 1,759,164	\$ 2,099,274	\$ (340,110)
ENDING BUDGETARY FUND BALANCE	\$ 569,641	\$ 569,641	\$ 577,095	\$ 7,454

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, 2014

Managements Discussions and Analysis on Deposits and Investment Risk:

For the year ended June 30, 2014, the City recognized \$5,390 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 \$660 from the previous year's income or 10.9% from a decrease in interest rates.

The City's 2014 total cash and investment balances of \$1,906,026 have decreased during the year by \$236,768 or 11.0%.

Schedule of Deposits and Investments:

Demand Deposits	\$ 1,174,048
Cash on Hand	900
Trustee Accts, debt service	0
Certificate of Deposit	<u>731,078</u>
Total	<u>\$ 1,906,026</u>

Reconciliation to Statement of Net Assets:

Cash and Cash Equivalents	\$ 1,174,948
Restricted Cash & Cash Equivalents	0
Investments	<u>731,078</u>
Total	<u>\$ 1,906,026</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, 2014

During the year ended June 30, 2014, the City purchased capital assets of \$562,927 through the Governmental Funds and \$14,241 through the Proprietary Funds. The City's component units, Hobart Recreation Authority purchased assets in the amount of \$25,380 and Hobart Economic Development Authority purchased none. The City received grant funds to offset the cost of the assets in the amount of \$119,460. The City borrowed no funds for the purchase of capital assets but paid through grants, reserves, and current revenues.

As of June 30, 2014, the City owned approximately \$34.0 million of capital assets with accumulated depreciation on the depreciable capital assets totaling approximately \$23.0 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, 2014 amounted to \$885,872.

CITY OF HOBART
SCHEDULE OF CAPITAL ASSETS:

PROPRIETARY FUND ASSETS:

For the Year 6/30/2014	Balance 7/1/2013	Additions	Deletions	Balance 6-30-2014
Land	\$ 216,700.00	\$ -	\$ -	\$ 216,700.00
Building	420,671.00	-	-	420,671.00
Machinery & Equipment	561,885.41	8,602.48	-	570,487.89
Vehicles	126,964.00	-	-	126,964.00
Utility System	21,531,240.03	5,638.64	-	21,536,878.67
Infrastructure	446,698.38	-	-	446,698.38
TOTAL	\$ 23,304,158.82	\$ 14,241.12	\$ -	\$ 23,318,399.94
ACCUMULATED DEPRECIATION:				
Building	\$ 261,351.25	\$ 6,257.74	\$ -	\$ 267,608.99
Machinery & Equipment	476,535.66	30,620.70	-	507,156.36
Vehicles	88,401.30	7,011.40	-	95,412.70
Utility System	17,029,451.99	324,366.71	-	17,353,818.70
Infrastructure	151,381.07	14,889.94	-	166,271.01
TOTAL ACCUM. DEP.	\$ 18,007,121.27	\$ 383,146.49	\$ -	\$ 18,390,267.76
NET FIXED ASSETS	\$ 5,297,037.55	\$ (368,905.37)	\$ -	\$ 4,928,132.18

HOBART ECONOMIC DEVELOP AUTHORITY:

	Beginning Balance	Additions	Deletions	Ending Balance
Buildings	\$ 455,164.92	\$ -	\$ -	\$ 455,164.92
Accumulated Depreciation	77,447.26	17,844.34	-	95,291.60
NET FIXED ASSETS FOR HEDA	\$ 377,717.66	\$ (17,844.34)	\$ -	\$ 359,873.32

HOBART RECREATION AUTHORITY:

	Beginning Balance	Additions	Deletions	Ending Balance
Buildings	456,970.00	16,880.00	-	473,850.00
Machinery & Equipment	175,180.64	8,500.00	-	183,680.64
Land & Improvements	234,450.00	-	-	234,450.00
TOTAL	\$ 866,600.64	\$ 25,380.00	\$ -	\$ 891,980.64
ACCUMULATED DEPRECIATION:				
Buildings	68,146.49	16,263.89	-	84,410.38
Machinery & Equipment	52,479.33	14,780.76	-	67,260.09
Land & Improvements	21,975.00	5,190.00	-	27,165.00
TOTAL ACCUM. DEPRECIATION	\$ 142,600.82	\$ 36,234.65	\$ -	\$ 178,835.47
NET FIXED ASSETS - RECREATION	\$ 723,999.82	\$ (10,854.65)	\$ -	\$ 713,145.17

CITY OF HOBART
SCHEDULE OF CAPITAL ASSETS:

GENERAL FIXED ASSET GROUP:

For the Year 6/30/2014	Balance 7/1/2013	Additions	Deletions	Balance 6/30/2014
Land & Improvements	\$ 1,726,946.28	\$ -	\$ -	\$ 1,726,946.28
Building	2,807,697.41	86,753.01	-	2,894,450.42
Machinery & Equipment	1,404,213.84	85,525.37	-	1,489,739.21
Vehicles	1,222,974.33	19,500.00	(11,292.00)	1,231,182.33
Infrastructure	1,592,973.83	371,149.08	-	1,964,122.91
TOTAL	\$ 8,754,805.69	\$ 562,927.46	\$ (11,292.00)	\$ 9,306,441.15
ACCUMULATED DEPRECIATION:				
Land Improvements	\$ 657,497.33	\$ 120,744.24	\$ -	\$ 778,241.57
Building	1,014,952.84	96,072.49	-	1,111,025.33
Machinery & Equipment	887,300.16	100,071.67	-	987,371.83
Vehicles	911,597.87	70,753.18	(10,388.64)	971,962.41
Infrastructure	400,960.34	61,005.20	-	461,965.54
TOTAL ACCUM. DEP.	\$ 3,872,308.54	\$ 448,646.78	\$ (10,388.64)	\$ 4,310,566.68
NET FIXED ASSETS	\$ 4,882,497.15	\$ 114,280.68	\$ (903.36)	\$ 4,995,874.47

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, 2014

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>
2012	38,813	18,686	50,420
2013	37,344	19,227	53,365
2014	39,997	20,357	54,995

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, 2014

The City of Hobart participated in various federal and state grant programs during the year ending June 30, 2014. 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 \$119,460 in federal and state awards in the year ending June 30, 2014. This represents 2.6% of the City's total revenues for the fiscal year.

The REAP Grant and the Main Street Sidewalk Projects were completed during the year. The City received Grant funds from ODOT after the year end in the amount of \$209,286.53 for the Main Street Sidewalk Project.

CITY OF HOBART, OKLAHOMA
SCHEDULE OF EXPENDITURES OF FEDERAL & STATE AWARDS
For the Year Ending June 30, 2014

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 Transportation:					
Hobart Main Street Sidewalk Project	N/A	STP-138E(170)EH	\$ 320,000	\$ 76,040	\$ 320,000
			-	-	-
			<u>\$ 320,000</u>	<u>\$ 76,040</u>	<u>\$ 320,000</u>
Oklahoma Dept. of Library:					
Library Books & Materials	N/A		\$ 9,765	\$ 9,765	\$ 9,765
South Western Oklahoma Development Authority:					
REAP Grant	N/A	12-KW-12003	\$ 100,000	\$ 14,697	\$ 14,697
Oklahoma Dept. of Emergency Management:					
Emergency Management	N/A		\$ 10,000	\$ 10,000	\$ 10,000
Oklahoma Dept. of Agriculture:					
Forestry Grant	N/A		\$ 8,958	\$ 8,958	\$ 8,958
TOTAL STATE AWARDS			\$ 448,723	\$ 119,460	\$ 363,420

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 Hobart Main Street Sidewalk Project reimbursed the City \$208,286.53 on September 2, 2014. The grant was reimbursed by the state at 80% of the project cost.

CITY OF HOBART

Component Units Statement of Net Position-Modified Cash Method As of June 30, 2014

ASSETS:	HEDA	Recreation	TOTAL
Cash & Equivelant	\$ 44,271	\$ 13,072	\$ 57,343
Investments	-	-	-
Restricted Cash	-	-	-
Deposits w/ insurance pool	-	-	-
Due from others	54,834	-	54,834
Capital Assets, net of depreciation	359,873	713,145	1,073,018
TOTAL ASSETS	\$ 458,978	\$ 726,217	\$ 1,185,195
LIABILITIES:			
Due to other funds	\$ 7,453	\$ -	\$ 7,453
Liability - due within one year	11,375	-	11,375
Liability - due over one year	206,726	-	206,726
TOTAL LIABILITIES	\$ 225,554	\$ -	\$ 225,554
NET POSITION:			
Reserved for economic development	\$ 99,105	\$ -	\$ 99,105
Reserved for capital assets, net of liab	153,147	713,145	866,292
Unreserved	(18,828)	13,072	(5,756)
TOTAL NET POSITION	\$ 233,424	\$ 726,217	\$ 959,641
TOTAL LIABIABILITIES & NET POSITION	\$ 458,978	\$ 726,217	\$ 1,185,195

CITY OF HOBART

Component Units Statement of Activities-Modified Cash Method For the Year Ending June 30, 2014

	<u>HEDA</u>	<u>Recreation</u>	<u>TOTAL</u>
REVENUES:			
Taxes	\$ -	\$ -	\$ -
Intergovernmental	-	-	-
Charges for services	33,394	48,093	81,487
Grants	-	-	-
Royalties	-	-	-
Investment receipts	1,899	-	1,899
Miscellaneous receipts	101	2,474	2,575
Donations	-	-	-
	-	-	-
TOTAL REVENUES	\$ 35,394	\$ 50,567	\$ 85,961
EXPENDITURES:			
General Govt	\$ 38,430	\$ -	\$ 38,430
Public Safety	-	-	-
Culture & Recreation	-	46,649	46,649
Health & Welfare	-	-	-
Airport	-	-	-
Capital Outlay & Lease	-	-	-
Interest Expense	13,592	-	13,592
Depreciation Expense	17,844	36,235	54,079
	-	-	-
TOTAL EXPENDITURES	\$ 69,866	\$ 82,884	\$ 152,750
TRANSFERS:			
Transfers In	\$ 5,000	\$ 25,380	\$ 30,380
Transfers Out	-	-	-
TOTAL TRANSFERS	\$ 5,000	\$ 25,380	\$ 30,380
EXCESS RECEIPTS OR EXPEND.	\$ (29,472)	\$ (6,937)	\$ (36,409)
FUND BALANCE - BEGINNING	262,896	733,154	996,050
FUND BALANCE - END	\$ 233,424	\$ 726,217	\$ 959,641

CITY OF HOBART, OKLAHOMA
Footnotes to Component Units Financial Statements
For the Year Ended June 30, 2014

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)	\$ 48,013	\$ 5,883	6.0%
Notes Payable – Great Plains Nat'l (b)	<u>170,088</u>	<u>5,492</u>	6.0%
 Total Long-term debt	 <u>\$ 218,101</u>	 <u>\$ 11,375</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>
2016	6,240	5,831
2017	6,619	6,191
2018	7,021	6,573
2019	7,422	6,954

Management's Discussion and Analysis on the Component Units:

The total component units cash and equivalents increased during the year in the amount of \$10,882 or 19.0%.

The total revenues of the component units decreased by \$21,357 or 19.9%.

The total expenditures excluding depreciation of the component units increased by \$19,532 or 19.8%.

The capital assets for the component units increased by \$25,380.

The fund balance of the component units decreased by \$36,409 during the year.

The debt of the component units decreased by \$10,461 during the year.

CITY OF HOBART, OKLAHOMA
Management's Discussions and Analysis – Internal Control and Compliance
For the Year Ended June 30, 2014

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, 2014, 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, 2014, which collectively comprises the City's basic financial statements and have issued our report thereon dated June 23, 2015.

Internal Control over Financial Reporting

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

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. A significant deficiency is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

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.

MEMBER:
American Institute of Certified Public Accountants & Oklahoma Society of Certified Public Accountants

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 June 23, 2015.

Purpose of this Report

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

Scott Northrip, CPA

Scott Northrip, CPA

June 23, 2015