

CITY OF HOBART, OKLAHOMA
Annual Financial Statements and
Independent Auditor's Report
Fiscal Year June 30, 2021

CITY OF HOBART, OKLAHOMA

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Scott Northrip

*Certified Public Accountant
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INDEPENDENT AUDITOR'S REPORT

To the City Council
City of Hobart, Oklahoma

Report on the Financial Statements

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 the City of Hobart, Oklahoma, as of and for the year ended June 30, 2021, and the related notes to the financial statements, 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.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinions.

Auditor's Opinion

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, 2021, 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 July 7, 2022, 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 effectiveness of 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 City's internal control over financial reporting and compliance.

Other Matters and Information

The accounting principles generally accepted in the United States of America require management's discussion and analysis and budgetary comparison information on pages 7, 11, 17, and 21 through 34 be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

The accompanying schedule of expenditures of federal and state awards is presented for purposes of additional analysis as required by Title 2 U.S. Code of Federal Regulations (CFR) Part 200, Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards 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 combining and individual nonmajor fund financial statements and the schedule of expenditures of federal awards 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

July 7, 2022

CITY OF HOBART, OKLAHOMA

Management's Discussions and Analysis

For the Year Ended June 30, 2021

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, 2021. 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, 2021, the following financial highlights are considered noteworthy by the management:

- The City's General Fund ended the year with an unrestricted fund balance of \$1,208,286 which represents 74% of annual General Fund revenues.
- The City had an increase during the fiscal year 2021 in cash and investments in the amount of \$765,049.
- Total sales tax revenue collections amounted to \$1,369,083 which is an increase from 2020 by \$52,621 and there was a sales tax revenue increase of \$112,606 from the previous year. This translates into an increase in taxable sales of \$1,315,516.
- The City's business-type activities (PWA) decreased its long-term debt by 10.4% or \$270,520 during the fiscal year 2021.
- The City invested \$318,300 in capital assets during the fiscal year 2021 with funds received through grants of \$54,337 for capital assets.

The Upcoming Year

- For the upcoming fiscal year ending June 30, 2022, the City's adopted budget is fairly consistent with the 2021 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, 2021

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 2,700 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, 2021

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 2021, the unrestricted fund balance of the government-wide funds has increased by \$824,494. The percentage of unrestricted balance to revenues is 50%. The amount of unrestricted fund balance in the governmental funds increased by \$510,823, proprietary unrestricted fund balance increased by \$280,401, and component units increased by \$33,270.

Net Changes in Net Position

The Statement of Activities reflects a net increase in Net Position of \$592,994 for 2021.

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 33.3%. 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 of \$118,642. Use tax recorded an increase of \$53,381, sales tax increased by \$52,621, and Beverage tax had an increase of \$11,871.

Net Changes in Cash and Investments

The City had an increase during the fiscal year 2021 in cash and investments in the amount of \$765,049 or an increase of 22.8%. The City had an increase in its cash and investments of \$99,512 in the previous year.

Employee Wages and Benefits

The City paid wages of \$1,293,648 which was an increase of \$33,311 or 2.6% from the previous year. The City paid health insurance benefits of \$161,921, Social Security and Medicare tax of \$69,876, and retirement benefits of \$130,672 for a total of wages and benefits of \$1,656,117.

CITY OF HOBART, OKLAHOMA

Total Government Statement of Net Position-Modified Cash Method

As of June 30, 2021

	Governmental Funds	Proprietary Funds	TOTAL	Component Units
ASSETS:				
Cash & Cash Equivalents	\$ 2,090,004	\$ 1,137,786	\$ 3,227,790	\$ 124,165
Investments	-	-	-	-
Restricted Cash & Equivalents	-	-	-	-
Deposits	-	-	-	-
Due from others	23,893	-	23,893	64,146
Capital Assets:				
Construction in Progress	-	-	-	-
Loan Origination Fees - Net	-	13,537	13,537	-
Capital Assets, net of depreciation	4,397,123	7,317,123	11,714,246	818,608
TOTAL ASSETS	\$ 6,511,020	\$ 8,468,446	\$ 14,979,466	\$ 1,006,919
LIABILITIES AND NET POSITION:				
Liabilities:				
Draft Payables	\$ 321,540	\$ 9,097	\$ 330,637	\$ -
Due to Others	-	78,750	78,750	-
Long-term Liabilities and Leases:				
Due within one year	-	493,885	493,885	10,382
Due in more than one year	-	1,830,829	1,830,829	110,116
TOTAL LIABILITIES	\$ 321,540	\$ 2,412,561	\$ 2,734,101	\$ 120,498
Net Position:				
Restricted Fund Balance for:				
Reserved	\$ 114,174	\$ -	\$ 114,174	\$ -
Debt Service	-	-	-	-
Improvements & Economic Development	597,074	-	597,074	103,013
Other Government Funds	(371,146)	-	(371,146)	-
Invested in capital assets, net of debt	4,397,123	5,005,946	9,403,069	698,110
Unrestricted	1,452,255	1,049,939	2,502,194	85,298
TOTAL NET POSITION	\$ 6,189,480	\$ 6,055,885	\$ 12,245,365	\$ 886,421
TOTAL LIABILITIES AND NET POSITION	\$ 6,511,020	\$ 8,468,446	\$ 14,979,466	\$ 1,006,919

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, 2021

	Governmental Funds	Proprietary Funds	TOTAL	Component Unit
REVENUES:				
Taxes	\$ 1,708,838	\$ -	\$ 1,708,838	\$ -
Franchise Fees	153,023	-	153,023	-
Intergovernmental	56,607	-	56,607	-
Charges for Services	155,203	2,487,443	2,642,646	117,938
Licenses and Permits	20,136	-	20,136	-
Capital & Operating Grants	263,973	-	263,973	-
Royalties	44,362	-	44,362	-
Fines	42,962	-	42,962	-
Donations	9,719	-	9,719	-
Investment Revenues	11,348	9,991	21,339	714
Miscellaneous Revenues	30,683	5,155	35,838	16,210
TOTAL REVENUES	\$ 2,496,854	\$ 2,502,589	\$ 4,999,443	\$ 134,862
EXPENDITURES:				
General Government	\$ 379,262	\$ 179,822	\$ 559,084	\$ 10,520
Public Safety	866,369	-	866,369	-
Culture & Recreation	407,000	112,332	519,332	40,496
Health & Welfare	258,624	294,360	552,984	-
Water & Sewer Operations	-	1,108,518	1,108,518	-
Interest Expense	-	62,913	62,913	6,308
Depreciation & Amortization	390,237	250,784	641,021	60,114
Airport	77,728	35,923	113,651	-
TOTAL EXPENDITURES	\$ 2,379,220	\$ 2,044,652	\$ 4,423,872	\$ 117,438
EXCESS REVENUES BEFORE TRANSFER	\$ 117,634	\$ 457,937	\$ 575,571	\$ 17,424
OTHER SOURCES (USES):				
Transfers In	\$ 168,092	\$ -	\$ 168,092	\$ 16,095
Transfers Out	(96,688)	(87,500)	(184,188)	-
TOTAL OTHER SOURCES (USES)	\$ 71,404	\$ (87,500)	\$ (16,096)	\$ 16,095
EXCESS (DEFICIENCY) OF REVENUES	\$ 189,038	\$ 370,437	\$ 559,475	\$ 33,519

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, 2021

- 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, Hobart Recreation Authority and Hobart Education Facilities 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 accounting and financial reporting provisions of GASB Statement No. 34, *Basic Financial Statements-and Management's Discussion and Analysis-for State and Local Governments*.

- A3. Cash and cash equivalents include 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, 2021

- 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 advalorem 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, 2021.

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.

Total sales tax revenue collections amounted to \$1,369,083 which is an increase from 2020 by \$52,621 and there was a sales tax revenue increase of \$112,606 from the previous year. This translates into an increase in taxable sales of \$1,315,516.

The City's governmental funds revenues increased by \$354,127, which was attributed mainly to an increase of grant revenues from Cares Act of \$247,554.

The City's governmental funds capital assets increased by \$204,745 with a majority for equipment. Depreciation amounted to \$390,237 for the year.

The cash and investments of the governmental funds increased by \$423,464 with the General Fund increasing by \$195,982, Ltd. Purpose increasing by \$224,970, and Other Government Funds increasing by \$2,512.

The City expenses for the governmental funds excluding capital outlay increased by \$2,357. General government decreased \$105,051 public safety increased \$78,121, culture & recreation increased \$20,646, health & welfare increased \$14,594, and airport decreased \$5,953.

The City's governmental funds had a increase in unreserved fund balance of \$374,530.

The City's governmental funds received \$71,404 more in transfers than paid to other funds during 2021 while the General fund received \$168,092 in transfers from other funds.

CITY OF HOBART, OKLAHOMA

Governmental Funds Statement of Net Position-Modified Cash Method As of June 30, 2021

	General	Ltd Purpose Hotel Tax & Sales Tax	Other Government Funds	TOTAL GOVERNMENT FUNDS
ASSETS:				
Cash & Cash Equivalents	\$ 1,208,286	\$ 597,074	\$ 284,644	\$ 2,090,004
Investments	-	-	-	-
Restricted Cash & Equivalents	-	-	-	-
Deposits	-	-	-	-
Due from other funds	-	-	23,893	23,893
TOTAL ASSETS	\$ 1,208,286	\$ 597,074	\$ 308,537	\$ 2,113,897
LIABILITIES AND NET POSITION:				
Liabilities:				
Negative Cash Balance	\$ -	\$ -	\$ 321,540	\$ 321,540
Due to others	-	-	-	-
TOTAL LIABILITIES	\$ -	\$ -	\$ 321,540	\$ 321,540
Net Position:				
Reserved Fund Balance for:				
Reserved	\$ -	\$ -	\$ 114,174	\$ 114,174
Fixed Assets & Economic Development	-	597,074	-	597,074
Other Government Funds	-	-	(371,146)	(371,146)
Unreserved Fund Balance	1,208,286	-	243,969	1,452,255
TOTAL NET POSITION	\$ 1,208,286	\$ 597,074	\$ (13,003)	\$ 1,792,357
TOTAL LIABILITIES AND NET POSITION	\$ 1,208,286	\$ 597,074	\$ 308,537	\$ 2,113,897

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, 2021

	General	Ltd Purpose Hotel Tax & Sales Tax	Other Government Funds	TOTAL GOVERNMENT FUNDS
REVENUES:				
Taxes	\$ 1,364,178	\$ 344,660	\$ -	\$ 1,708,838
Franchise Fees	88,559	-	64,464	153,023
Intergovernmental	4,797	51,810	-	56,607
Charges for Services	78,020	-	77,183	155,203
Licenses and Permits	20,136	-	-	20,136
Capital & Operating Grants	-	247,554	16,419	263,973
Royalties & Wind Leases	-	44,362	-	44,362
Fines	42,962	-	-	42,962
Donations	-	-	9,719	9,719
Investment Revenues	9,991	-	1,357	11,348
Miscellaneous Revenues	25,878	-	4,805	30,683
TOTAL REVENUES	\$ 1,634,521	\$ 688,386	\$ 173,947	\$ 2,496,854
EXPENDITURES:				
General Government	\$ 374,541	\$ 4,721	\$ -	\$ 379,262
Public Safety	844,809	1,070	20,490	866,369
Culture & Recreation	387,281	-	19,719	407,000
Health & Welfare	-	258,624	-	258,624
Airport	-	-	77,728	77,728
Capital Outlay	-	159,320	45,425	204,745
TOTAL EXPENDITURES	\$ 1,606,631	\$ 423,735	\$ 163,362	\$ 2,193,728
EXCESS (DEFICIENCY) OF REVENUES	\$ 27,890	\$ 264,651	\$ 10,585	\$ 303,126
OTHER SOURCES (USES):				
Transfers In	\$ 168,092	\$ -	\$ -	\$ 168,092
Transfers Out	-	(39,681)	(57,007)	(96,688)
TOTAL OTHER SOURCES (USES)	\$ 168,092	\$ (39,681)	\$ (57,007)	\$ 71,404
NET CHANGES IN FUND BALANCES	\$ 195,982	\$ 224,970	\$ (46,422)	\$ 374,530
Fund Balances - Beginning	1,012,304	372,104	33,419	1,417,827
FUND BALANCES - ENDING	\$ 1,208,286	\$ 597,074	\$ (13,003)	\$ 1,792,357

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, 2021

	Library Cash Fund	911 Fund	Airport Fund	Employee Medical Fund	Cemetery Perpetual Fund	Cemetery Care Fund	Municipal Court Fund	Seed Money Fund	Beautification Committee	Grant Fund	TOTAL
											GOVERNMENT FUNDS
Cash & Cash Equivalents	\$ 150,896	\$ 2,640	\$ -	\$ 2,159	\$ 44,743	\$ 15,740	\$ 5,984	\$ 14,202	\$ (612)	\$ 48,892	\$ 284,644
Investments	-	-	-	-	-	-	-	-	-	-	-
Restricted Cash & Equivalents	-	-	-	-	-	-	-	-	-	-	-
Deposits with insurance pool	-	-	-	-	-	-	-	-	-	-	-
Due from other funds	-	-	-	-	-	-	-	23,893	-	-	23,893
Capital Assets	-	-	-	-	-	-	-	-	-	-	-

TOTAL ASSETS \$ 150,896 \$ 2,640 \$ - \$ 2,159 \$ 44,743 \$ 15,740 \$ 5,984 \$ 38,095 \$ (612) \$ 48,892 \$ 308,537

LIABILITIES AND NET POSITION:

Liabilities:	
Due to other funds	\$ - \$ - \$ - \$ - \$ - \$ - \$ - \$ - \$ - \$ - \$ -
Due to others	321,540
TOTAL LIABILITIES	\$ - \$ - \$ 321,540 \$ - \$ - \$ - \$ - \$ - \$ - \$ - \$ - \$ 321,540

Net Position:	
Reserved Fund Balance	\$ - \$ 2,640 \$ (371,146) \$ 2,159 \$ 44,743 \$ 15,740
Unreserved Fund Balance	150,896 - 49,606 - - 5,984 38,095 (612)
TOTAL NET POSITION	\$ 150,896 \$ 2,640 \$ (321,540) \$ 2,159 \$ 44,743 \$ 15,740 \$ 5,984 \$ 38,095 \$ (612) \$ 48,892 \$ (13,003)

LIAB. AND NET POSITION \$ 150,896 \$ 2,640 \$ - \$ 2,159 \$ 44,743 \$ 15,740 \$ 5,984 \$ 38,095 \$ (612) \$ 48,892 \$ 308,537

CITY OF HOBART, OKLAHOMA

Other Governmental Funds Statement of Activities & Fund Balances-Modified Cash Method For the Year Ending June 30, 2021

	Library	911	Fund	Airport	Employee	Cemetery	Cemetery	Perpetual	Care	Municipal	Seed	Beaut.	Grant	TOTAL
	Cash	Fund	Fund	Fund	Medical	Perpetual	Care	Court	Money	Committee	Fund	Committee	Fund	OTHER
	Fund	Fund	Fund	Fund	Medical	Perpetual	Care	Court	Money	Committee	Fund	Committee	Fund	GOVERNMENT
REVENUES:														
Taxes	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Franchise Fees	-	64,464	-	-	-	-	-	-	-	-	-	-	-	64,464
Intergovernmental	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Charges for Services	-	-	74,122	-	-	-	1,350	1,711	-	-	-	-	-	77,183
Licenses and Permits	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Capital and Operating Grants	11,593	-	-	-	-	-	-	-	-	-	-	-	4,826	16,419
Royalties	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Fines	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Donations	3,391	-	-	-	-	560	-	-	-	1,000	4,768	-	-	9,719
Investment Revenues	-	-	-	-	-	1,357	-	-	-	-	-	-	-	1,357
Miscellaneous Revenues	-	-	96	-	-	-	-	-	-	-	-	-	4,709	4,805
TOTAL REVENUES	\$ 14,984	\$ 64,464	\$ 74,218	\$ -	\$ 1,917	\$ 1,350	\$ 1,711	\$ -	\$ -	\$ 1,000	\$ 14,303	\$ -	\$ 4,709	\$ 173,947
EXPENDITURES:														
General Government	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Public Safety	-	19,729	-	-	-	-	-	761	-	-	-	-	-	20,490
Streets	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Culture & Recreation	11,664	-	-	-	-	55	-	-	-	2,576	5,424	-	-	19,719
Health & Welfare	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Airport	-	-	77,727	-	-	-	-	-	-	-	-	-	-	77,727
Capital Outlay	-	-	45,425	-	-	-	-	-	-	-	-	-	-	45,425
TOTAL EXPENDITURES	\$ 11,664	\$ 19,729	\$ 123,152	\$ -	\$ 55	\$ -	\$ -	\$ 761	\$ -	\$ 2,576	\$ 5,424	\$ -	\$ 5,424	\$ 163,361
EXCESS OF REVENUES	\$ 3,320	\$ 44,735	\$ (48,934)	\$ -	\$ 1,862	\$ 1,350	\$ 950	\$ -	\$ -	\$ (1,576)	\$ 8,879	\$ -	\$ 8,879	\$ 10,586
OTHER SOURCES (USES):														
Transfers In	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Transfers Out	-	(50,000)	-	-	-	-	-	-	-	-	(7,007)	-	-	(57,007)
TOTAL OTHER	\$ -	\$ (50,000)	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ (7,007)	\$ -	\$ (7,007)	\$ (57,007)
NET CHANGES	\$ 3,320	\$ (5,265)	\$ (48,934)	\$ -	\$ 1,862	\$ 1,350	\$ 950	\$ -	\$ -	\$ (1,576)	\$ 1,872	\$ -	\$ 1,872	\$ (46,421)
Fund Balances - Beginning	147,576	7,905	(272,606)	2,159	42,881	14,390	5,034	38,095	965	47,020	33,419			
FUND BALANCES - ENDING	\$ 150,896	\$ 2,640	\$ (321,540)	\$ 2,159	\$ 44,743	\$ 15,740	\$ 5,984	\$ 38,095	\$ (611)	\$ 48,892	\$ (13,002)	\$ -	\$ 48,892	\$ (13,002)

CITY OF HOBART, OKLAHOMA
Footnotes to Governmental Funds Financial Statements
For the Year Ended June 30, 2021

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 statements 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, 2021

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, 2021, the proprietary funds reported operating income on a modified cash basis, before inter-fund transfers, interest, and depreciation, of \$749,643. The current annual note payments are \$496,640 which indicated an ability to make its payments from its revenues without inter-fund transfers. This indicates that in fiscal year 2021, the rates charged for utility services were sufficient to fund the combined costs of operation of all utilities without decreasing expenditures, however, some larger improvements are being considered which will make the need for additional loan proceeds. The change in net position increased from 2020 by \$370,437 with net transfers to other funds of \$87,500.

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 2021 shows net revenues before interest and depreciation of 1.5 times. This represents a debt service coverage that is above Oklahoma Water Resources Board's and management's desired minimum.

The City's proprietary funds decreased its long-term debt by 10.4% during the year ending June 30, 2021 or a decrease of \$270,520. There were new loan proceeds during the year of \$161,944 for water improvement projects.

The operating and other revenues, excluding grants, of the proprietary fund increased by \$79,090 or 3.1%. Water sales increased by \$40,319 while sewer and sanitation revenues increased from the previous year. The amount collected from the Rocky Line Rehab fee amounted to \$337,378.

The cash and investments of the proprietary funds increased by \$288,241.

The City's proprietary funds operating expenditures excluding depreciation increased by \$37,219.

The City's proprietary funds spent \$70,300 in capital assets during the year.

CITY OF HOBART, OKLAHOMA
Proprietary Funds Statement of Net Position
(Modified Cash Basis)
As of June 30, 2021

ASSETS:

Current Assets:

Cash & Cash Equivalents	\$ 886,804
Investments	250,982
Total Current Assets	<u>\$ 1,137,786</u>

Noncurrent Assets:

Loan Origination Fees - Net	\$ 13,537
Construction In Progress	-
Capital Assets:	
Land	216,700
Other Capital Assets, net of depreciation	7,100,423
Total Noncurrent Assets	<u>\$ 7,330,660</u>

TOTAL ASSETS

\$ 8,468,446

LIABILITIES AND NET POSITION:

Current Liabilities:

Draft Payables & Overdrawn Accounts	\$ 9,097
Due to depositors	78,750
Current portion of noncurrent liabilities	493,885
Total Current Liabilities	<u>\$ 581,732</u>

Noncurrent Liabilities:

Notes payable	\$ 2,324,714
Capital lease payable	-
Less: Current portion of noncurrent liabilities	(493,885)
Total Noncurrent Liabilities	<u>\$ 1,830,829</u>

TOTAL LIABILITIES

\$ 2,412,561

Net Position:

Restricted Fund Balance for:	
Debt Service	\$ -
System Improvements	-
Invested in capital assets, net of debt	5,005,946
Unrestricted Fund Balance	1,049,939

TOTAL NET POSITION

\$ 6,055,885

TOTAL LIABILITIES AND NET POSITION

\$ 8,468,446

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, 2021

OPERATING REVENUES:	
Water	\$ 1,414,282
Sewer	305,114
Sanitation	679,337
Connect, Reconnect & Transfer fees	29,726
Late fees	34,141
Reimbursements	12,843
Miscellaneous Revenues	<u>5,155</u>
Total Operating Revenues	<u>\$ 2,480,598</u>
OPERATING EXPENSES:	
Administration	\$ 179,822
Water & Sewer operations	1,108,518
Solid Waste	294,360
Recreation	112,332
Airport	35,923
Depreciation & Amortization	<u>250,784</u>
Total Operating Expenses	<u>\$ 1,981,739</u>
OPERATING INCOME (LOSS)	<u>\$ 498,859</u>
OTHER REVENUES (EXPENSES):	
Investment Revenues	\$ 9,991
Gain (Loss) on the Sale of Assets	-
Farm Rent	12,000
Interest Expense	(62,913)
Total Other Revenues(Expenses)	<u>\$ (40,922)</u>
NET INCOME (LOSS) BEFORE TRANSFERS	<u>\$ 457,937</u>
Transfers In	-
Transfers Out	<u>(87,500)</u>
CHANGES IN NET POSITION	<u>\$ 370,437</u>
Net Position - Beginning	<u>5,685,448</u>
NET POSITION - ENDING	<u><u>\$ 6,055,885</u></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, 2021

CASH FLOWS FROM OPERATING ACTIVITIES:

Receipts from customers	\$ 2,475,443
Payments to suppliers	(1,116,586)
Payments to employees & benefits	(606,529)
Miscellaneous Revenues	5,155
Net Cash Provided by Operating Activities	<u>\$ 757,483</u>

CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES:

Purchase of capital assets	\$ (70,300)
Payments for loan origination fees	-
Proceeds from long term notes	161,944
Restricted cash used to pay on debt	-
Principal paid on debt	(432,464)
Interest paid on debt	(62,913)
Net Cash Used In Capital & Related Financing Activities	<u>\$ (403,733)</u>

CASH FLOWS FROM INVESTING ACTIVITIES:

Investment Revenues	\$ 9,991
Farm Rent	12,000
Net Cash Provided from Investing Activities	<u>\$ 21,991</u>

CASH FLOWS FROM OTHER ACTIVITIES:

Transfers In	\$ -
Transfers Out	(87,500)
Net Cash Used in Other Activities	<u>\$ (87,500)</u>

INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS

Cash Balance - Beginning	\$ 288,241
	<u>849,545</u>

CASH BALANCE - ENDING

<u>\$ 1,137,786</u>

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

Operating Income (Loss)	\$ 498,859
Adjustments to reconcile operating income to net cash provided (used) by Operating Activities:	
Depreciation expense	246,272
Amortized loan origination fees	4,512
Change in assets and liabilities:	
Draft Payable	1,735
Meter Deposits	6,105

Net Cash Provided from Operating Activities

<u>\$ 757,483</u>

CITY OF HOBART, OKLAHOMA
Footnotes to Proprietary Funds Financial Statements
For the Year Ended June 30, 2021

- 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 sweep accounts.
- 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) \$	6,385	\$ 6,385	2.72%	9-15-21	\$ 12,754
Bonds Payable –Ser 2015 (b)	412,652	370,000	1.87%	10-1-22	374,146
Bonds Payable -Ser 2017 (c)	<u>1,905,678</u>	<u>117,500</u>	2.43%	4-1-27	109,740
Total Long-term debt	<u>\$ 2,324,715</u>	<u>\$ 493,885</u>			

Note (b) received \$153,402 of proceeds available and payments on note c will increase in 2023 when notes b has matured. Note (c) received \$8,542 of available proceeds.

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>
2023	0	42,652	322,500
2024	0	0	462,500
2025	0	0	477,500
2026	0	0	442,500

Management's Discussion and Analysis on the Budgetary Results:

The General Fund reported actual budgetary basis revenues before transfers above final estimates by \$227,446 or a 13.9% positive variance. General Fund actual expenditures were less than final appropriations by \$123,056 or a 7.1% favorable variance excluding capital outlay. For the year ended June 30, 2021, budgetary fund balance increased by \$195,983 leaving a balance of \$1,002,382, or 57.9% of appropriations.

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

CITY OF HOBART, OKLAHOMA
 Budgetary Comparison Schedule of General Fund
 For the Year Ended June 30, 2021

	GENERAL FUND			
	Budgeted Amounts		Actual Amounts	Variance Positive (Negative)
	Original	Final		
Beginning Budgetary Fund Balance	\$ 806,399	\$ 806,399	\$ 806,399	\$ -
Resources (Inflows):				
TAXES:				
Sales Tax 3%	\$ 910,000	\$ 910,000	\$ 1,026,812	\$ 116,812
Use Tax	95,000	95,000	188,581	93,581
Cigarette Tax	11,000	11,000	13,205	2,205
Alcohol Beverage Tax	75,000	75,000	105,097	30,097
Gas Tax	6,250	6,250	5,835	(415)
Motor Vehicle Tax	23,000	23,000	24,648	1,648
Total Taxes	\$ 1,120,250	\$ 1,120,250	\$ 1,364,178	\$ 243,928
INTERGOVERNMENTAL:				
Reimbursed Revenue	\$ 6,575	\$ 6,575	\$ -	\$ (6,575)
Fire Calls, Inspections & memberships	5,300	5,300	4,597	(703)
Rental Income	200	200	200	-
Total Intergovernmental	\$ 12,075	\$ 12,075	\$ 4,797	\$ (7,278)
FRANCHISE FEES:				
PSO	\$ 64,500	\$ 64,500	\$ 59,635	\$ (4,865)
Cable	14,750	14,750	11,716	(3,034)
ONG	15,000	15,000	17,208	2,208
SW Bell	1,000	1,000	-	(1,000)
Total Franchise Fees	\$ 95,250	\$ 95,250	\$ 88,559	\$ (6,691)
CHARGES FOR SERVICES:				
Swimming Pool	\$ 12,500	\$ 12,500	\$ 8,309	\$ (4,191)
Cemetery Revenues	4,000	4,000	9,450	5,450
Ambulance Fees	45,000	45,000	44,182	(818)
Other Charges	15,350	15,350	16,079	729
Total Charges for Services	\$ 76,850	\$ 76,850	\$ 78,020	\$ 1,170
LICENSES AND PERMITS	\$ 9,650	\$ 9,650	\$ 20,136	\$ 10,486
GRANTS	\$ -	\$ -	\$ -	\$ -
FINES:				
Police	\$ 61,500	\$ 61,500	\$ 42,315	\$ (19,185)
Other Fines & Court Costs	1,750	1,750	647	(1,103)
Total Fines	\$ 63,250	\$ 63,250	\$ 42,962	\$ (20,288)
DONATIONS	\$ -	\$ -	\$ -	\$ -

(Continued on Next Page)

CITY OF HOBART, OKLAHOMA
 Budgetary Comparison Schedule of General Fund - Continued
 For the Year Ended June 30, 2021

	GENERAL FUND			
	Budgeted Amounts		Actual Amounts	Variance Positive (Negative)
	Original	Final		
INVESTMENT REVENUES	\$ 8,250	\$ 8,250	\$ 9,991	\$ 1,741
MISCELLANEOUS REVENUES	\$ 21,500	\$ 21,500	\$ 25,878	\$ 4,378
TRANSFERS FROM OTHER FUNDS	345,000	345,000	168,092	(176,908)
TOTAL RESOURCES (INFLOWS)	\$ 1,752,075	\$ 1,752,075	\$ 1,802,613	\$ 50,538
AMOUNT AVAILABLE TO APPROPRIATE	\$ 2,558,474	\$ 2,558,474	\$ 2,609,012	\$ 50,538
APPROPRIATIONS (OUTFLOWS):				
CITY CLERK:				
Personnel services	\$ 87,916	\$ 87,916	\$ 82,895	\$ 5,021
Materials & Supplies	1,200	1,200	1,221	(21)
Others services & charges	5,585	5,585	1,423	4,162
Total City Clerk	\$ 94,701	\$ 94,701	\$ 85,539	\$ 9,162
CITY ATTORNEY/JUDGE:				
Personnel services	\$ 29,614	\$ 29,614	\$ 32,338	\$ (2,724)
Materials & supplies	200	200	206	(6)
Other services & charges	650	650	90	560
Total City Attorney	\$ 30,464	\$ 30,464	\$ 32,634	\$ (2,170)
GROUNDS:				
Personnel services	\$ 180,276	\$ 180,276	\$ 175,405	\$ 4,871
Materials & supplies	76,500	76,500	71,272	5,228
Other services & charges	80,060	80,060	60,901	19,159
Capital outlay	-	-	-	-
Total Groundskeeping	\$ 336,836	\$ 336,836	\$ 307,578	\$ 29,258
POLICE:				
Personnel services	\$ 484,362	\$ 484,362	\$ 449,473	\$ 34,889
Materials & supplies	31,250	31,250	24,053	7,197
Other services & charges	52,350	52,350	71,627	(19,277)
Capital Outlay	-	-	-	-
Total Police	\$ 567,962	\$ 567,962	\$ 545,153	\$ 22,809
MUNICIPAL COURT:				
Cleet & OSBI	\$ -	\$ -	\$ 6,647	\$ (6,647)
Total Municipal Court	\$ -	\$ -	\$ 6,647	\$ (6,647)

(Continued on Next Page)

CITY OF HOBART, OKLAHOMA
 Budgetary Comparison Schedule of General Fund - Continued
 For the Year Ended June 30, 2021

	GENERAL FUND			
	Budgeted Amounts		Actual Amounts	Variance Positive (Negative)
	Original	Final		
FIRE:				
Personnel services	\$ 254,575	\$ 254,575	\$ 238,731	\$ 15,844
Materials & supplies	16,800	16,800	6,491	10,309
Other services & charges	27,850	27,850	15,151	12,699
Capital Outlay	-	-	-	-
Total Fire	\$ 299,225	\$ 299,225	\$ 260,373	\$ 38,852
LIBRARY:				
Personnel services	\$ 72,588	\$ 72,588	\$ 68,520	\$ 4,068
Materials & supplies	3,200	3,200	1,069	2,131
Other services & charges	12,875	12,875	10,113	2,762
Total Library	\$ 88,663	\$ 88,663	\$ 79,702	\$ 8,961
GENERAL GOVERNMENT:				
Personnel services	\$ 14,532	\$ 14,532	\$ 6,732	\$ 7,800
Materials & supplies	11,275	11,275	10,540	735
Other services & charges	285,353	285,353	271,732	13,621
Capital Outlay	675	675	-	675
Total General Government	\$ 311,835	\$ 311,835	\$ 289,004	\$ 22,831
TRANSFERS TO OTHER FUNDS	\$ -	\$ -	\$ -	\$ -
TOTAL APPROPRIATIONS	\$ 1,729,686	\$ 1,729,686	\$ 1,606,630	\$ 123,056
ENDING BUDGETARY FUND BALANCE	\$ 828,788	\$ 828,788	\$ 1,002,382	\$ 173,594

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, 2021

Managements Discussions and Analysis on Deposits and Investment Risk:

For the year ended June 30, 2021, the City recognized \$22,053 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 savings accounts. The investment income decreased by \$5,816 from the previous year's income or 20.8% from a decrease in the rates.

The City's 2021 total cash and investment balances of \$3,351,955 have increased during the year by \$765,049 or 22.8%.

Schedule of Deposits and Investments:

Demand Deposits	\$ 3,350,940
Cash on Hand	<u>1,015</u>
Total	<u>\$ 3,351,955</u>

Reconciliation to Statement of Net Position:

Governmental Funds	\$ 2,090,004
Proprietary Funds	1,137,786
Component Units	<u>124,165</u>
Total	<u>\$ 3,351,955</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, 2021

During the year ended June 30, 2021, the City purchased capital assets of \$204,745 through the Governmental Funds and \$70,300 through the Proprietary Funds. The City's component units, Hobart Recreation Authority purchased assets in the amount of \$43,255 and Hobart Economic Development Authority purchased none. The City received grant funds of \$134,301 to offset the cost of the assets. The City borrowed \$161,944 funds for the purchase of capital assets but paid the remaining through reserves and current revenues.

As of June 30, 2021, the City owned approximately \$40.3 million of capital assets with accumulated depreciation on the depreciable capital assets totaling approximately \$27.8 million. This indicates that, on the average, these City capital assets have approximately 31.0% of their depreciable useful life remaining.

Total combined depreciation for the year ending June 30, 2021 amounted to \$701,135.

CITY OF HOBART
SCHEDULE OF CAPITAL ASSETS:

PROPRIETARY FUND ASSETS:

For the Year 6/30/2020	Balance 7/1/2020	Additions	Deletions	Balance 6-30-2021
Land	\$ 216,700.00	\$ -	\$ -	\$ 216,700.00
Building	420,671.00	-	-	420,671.00
Machinery & Equipment	678,322.44	-	-	678,322.44
Vehicles	158,764.00	17,300.00	-	176,064.00
Utility System	25,379,762.36	53,000.00	-	25,432,762.36
Infrastructure	446,698.38	-	-	446,698.38
TOTAL	\$ 27,300,918.18	\$ 70,300.00	\$ -	\$ 27,371,218.18
-				
ACCUMULATED DEPRECIATION:				
Building	\$ 305,155.43	\$ 6,257.74	\$ -	\$ 311,413.17
Machinery & Equipment	563,075.97	16,103.65	-	579,179.62
Vehicles	137,479.00	5,670.00	-	143,149.00
Utility System	18,546,501.62	203,350.97	-	18,749,852.59
Infrastructure	255,610.65	14,889.94	-	270,500.59
TOTAL ACCUM. DEP.	\$ 19,807,822.67	\$ 246,272.30	\$ -	\$ 20,054,094.97
NET FIXED ASSETS	\$ 7,493,095.51	\$ (175,972.30)	\$ -	\$ 7,317,123.21

HOBART ECONOMIC DEVELOP AUTHORITY:

	Beginning Balance	Additions	Deletions	Ending Balance
Buildings	\$ 459,700.70	\$ -	\$ -	\$ 459,700.70
Accumulated Depreciation	184,583.03	14,583.34	-	199,166.37
NET FIXED ASSETS FOR HEDA	\$ 275,117.67	\$ (14,583.34)	\$ -	\$ 260,534.33

HOBART RECREATION AUTHORITY:

	Beginning Balance	Additions	Deletions	Ending Balance
Buildings	473,850.00	-	-	473,850.00
Machinery & Equipment	245,220.14	43,255.00	(3,750.00)	284,725.14
Land & Improvements	239,389.28	-	-	239,389.28
TOTAL	\$ 958,459.42	\$ 43,255.00	\$ (3,750.00)	\$ 997,964.42
ACCUMULATED DEPRECIATION:				
Buildings	182,556.34	16,357.66	-	198,914.00
Machinery & Equipment	154,925.50	23,653.77	(2,250.00)	176,329.27
Land & Improvements	59,128.22	5,519.29	-	64,647.51
TOTAL ACCUM. DEPRECIATION	\$ 396,610.06	\$ 45,530.72	\$ (2,250.00)	\$ 439,890.78
NET FIXED ASSETS - RECREATION	\$ 561,849.36	\$ (2,275.72)	\$ (1,500.00)	\$ 558,073.64

CITY OF HOBART
SCHEDULE OF CAPITAL ASSETS:

GENERAL FIXED ASSET GROUP:

For the Year 6/30/2021	Balance 7/1/2020	Additions	Deletions	Balance 6-30-2021
Land & Improvements	\$ 1,865,956.45	\$ -	\$ -	\$ 1,865,956.45
Building	3,039,989.65	-	-	3,039,989.65
Machinery & Equipment	1,822,903.49	159,320.06	-	1,982,223.55
Vehicles	1,320,033.82	-	-	1,320,033.82
Infrastructure	3,259,837.13	45,424.59	-	3,305,261.72
TOTAL	\$ 11,308,720.54	\$ 204,744.65	\$ -	\$ 11,513,465.19
-				
ACCUMULATED DEPRECIATION:				
-				
Land Improvements	\$ 1,216,692.66	\$ 42,326.70	\$ -	\$ 1,259,019.36
Building	1,670,839.35	111,498.93	-	1,782,338.28
Machinery & Equipment	1,520,008.46	70,551.91	-	1,590,560.37
Vehicles	1,255,854.71	37,860.45	-	1,293,715.16
Infrastructure	1,062,709.74	127,999.20	-	1,190,708.94
TOTAL ACCUM. DEP.	\$ 6,726,104.92	\$ 390,237.19	\$ -	\$ 7,116,342.11
NET FIXED ASSETS	\$ 4,582,615.62	\$ (185,492.54)	\$ -	\$ 4,397,123.08

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, 2021

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>
2019	36,889	23,906	60,973
2020	38,337	24,718	61,931
2021	38,128	26,502	66,042

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, 2021

The City of Hobart participated in various federal and state grant programs during the year ending June 30, 2021. 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 \$263,973 in federal and state awards in the year ending June 30, 2021. This represents 5.1% of the City's total revenues for the fiscal year.

CITY OF HOBART, OKLAHOMA
SCHEDULE OF EXPENDITURES OF FEDERAL & STATE AWARDS
For the Year Ending June 30, 2021

Federal/State Grantor/Pass thru Agency Grantor/Program Title	Federal CFDA Number	Pass thru Grant Number	Award Amount	Receipts	Expenditures
FEDERAL AWARDS:					
U.S. Treasury Department:					
CARES Act			\$ -	\$ 247,554	\$ 159,790
U.S. Dept. of Transportation: FAA					
Airport Improvement Program	20.106		\$ -	\$ -	\$ 45,425
TOTAL FEDERAL FUNDS			\$ -	\$ 247,554	\$ 205,215
STATE AWARDS:					
Oklahoma Dept. of Library:					
Library Books & Materials	N/A		\$ 11,593	\$ 11,593	\$ 11,593
Oklahoma Dept. of Agriculture:					
Forestry Grant	N/A		\$ 4,826	\$ 4,826	\$ 4,826
TOTAL STATE AWARDS			\$ 16,419	\$ 16,419	\$ 16,419

Notes to Schedule of Expenditures of Federal & State Awards:

H1. BASIS OF PRESENTATION

The accompanying schedule of expenditures of federal awards (the Schedule) includes the federal award activity of the City of Hobart, OK under programs of the federal government for the year ended June 30, 2021. The information in this Schedule is presented in accordance with the requirements of Title 2 U.S. Code of Federal Regulations Part 200, Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards (Uniform Guidance). Because the Schedule presents only a selected portion of the operations of the City of Hobart, it is not intended to and does not present the financial position, changes in net position, or cash flows of the City of Hobart, OK.

H2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Expenditures reported on the Schedule are reported on the modified cash basis of accounting. Such expenditures are recognized following the cost principles contained in the Uniform Guidance, wherein certain types of expenditures are not allowable or are limited as to reimbursement.

CITY OF HOBART

Component Units Statement of Net Position-Modified Cash Method As of June 30, 2021

ASSETS:	HEDA	Education Facilities	Recreation	TOTAL
Cash & Equivelant Investments	\$ 65,677	\$ 4,471	\$ 54,017	\$ 124,165
Restricted Cash	-	-	-	-
Deposits w/ insurance pool	-	-	-	-
Due from others	64,146	-	-	64,146
Capital Assets, net of depreciation	260,534	-	558,074	818,608
TOTAL ASSETS	\$ 390,357	\$ 4,471	\$ 612,091	\$ 1,006,919
LIABILITIES:				
Due to other funds	\$ -	\$ -	\$ -	\$ -
Liability - due within one year	10,382	-	-	10,382
Liability - due over one year	110,116	-	-	110,116
TOTAL LIABILITIES	\$ 120,498	\$ -	\$ -	\$ 120,498
NET POSITION:				
Reserved for economic development	\$ 103,013	\$ -	\$ -	\$ 103,013
Reserved for capital assets, net of liab	140,036	-	558,074	698,110
Unreserved	26,810	4,471	54,017	85,298
TOTAL NET POSITION	\$ 269,859	\$ 4,471	\$ 612,091	\$ 886,421
TOTAL LIABILITIES & NET POSITION	\$ 390,357	\$ 4,471	\$ 612,091	\$ 1,006,919

CITY OF HOBART

Component Units Statement of Activities-Modified Cash Method For the Year Ending June 30, 2021

	HEDA	Education Facilities	Recreation	TOTAL
REVENUES:				
Taxes	\$ -	\$ -	\$ -	\$ -
Intergovernmental	-	-	-	-
Charges for services	48,000	-	69,938	117,938
Grants	-	-	-	-
Royalties	-	-	-	-
Investment receipts	714	-	-	714
Miscellaneous receipts	-	776	15,434	16,210
Donations	-	-	-	-
TOTAL REVENUES	\$ 48,714	\$ 776	\$ 85,372	\$ 134,862
EXPENDITURES:				
General Govt	\$ 9,520	\$ 1,000	\$ -	\$ 10,520
Public Safety	-	-	-	-
Culture & Recreation	-	-	40,496	40,496
Health & Welfare	-	-	-	-
Airport	-	-	-	-
Capital Outlay & Lease	-	-	-	-
Interest Expense	6,308	-	-	6,308
Depreciation Expense	14,583	-	45,531	60,114
TOTAL EXPENDITURES	\$ 30,411	\$ 1,000	\$ 86,027	\$ 117,438
TRANSFERS:				
Transfers In	\$ -	\$ -	\$ 16,095	\$ 16,095
Transfers Out	-	-	-	-
TOTAL TRANSFERS	\$ -	\$ -	\$ 16,095	\$ 16,095
EXCESS RECEIPTS OR EXPEND.	\$ 18,303	\$ (224)	\$ 15,440	\$ 33,519
FUND BALANCE - BEGINNING	251,556	4,695	596,651	852,902
FUND BALANCE - END	\$ 269,859	\$ 4,471	\$ 612,091	\$ 886,421

CITY OF HOBART, OKLAHOMA
Footnotes to Component Units Financial Statements
For the Year Ended June 30, 2021

11. The component units of the City consist of the Hobart Economic Development Authority (HEDA), the Hobart Recreation Authority, and the Education Facilities 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.

12. 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	<u>120,498</u>	<u>10,382</u>	6.5%
Total Long-term debt	<u>\$ 120,498</u>	<u>\$ 10,382</u>	

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

<u>Year Ended</u>	<u>Note</u>
2023	10,997
2024	11,616
2025	12,667
2026	13,647

Management's Discussion and Analysis on the Component Units:

The total component units' cash and equivalents increased during the year in the amount of \$47,117 or 40.0%.

The amount due from others decreased \$19,422 or 23.4%.

The total revenues of the component units increased by \$25,808 or 19.1%.

The total expenditures excluding depreciation of the component units decreased by \$17,493 or 23.4%.

The capital assets for the component units increased by \$39,505.

The unreserved fund balance increased by \$33,270 during the year.

The debt of the component units decreased by \$17,956 during the year.

CITY OF HOBART, OKLAHOMA
Management's Discussions and Analysis – Internal Control and Compliance
For the Year Ended June 30, 2021

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, 2021, 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.

Management did make changes to the policies in the personnel handling cash, location of cash, personnel taking the deposits to the bank, and management reconciling bank statements.

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, 2021, which collectively comprises the City's basic financial statements and have issued our report thereon dated July 7, 2022.

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 July 7, 2022.

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

July 7, 2022