

**CITY OF WATONGA OKLAHOMA
WATONGA, OKLAHOMA**

**ANNUAL FINANCIAL STATEMENTS
AND ACCOMPANYING
INDEPENDENT AUDITOR'S REPORT**

**FOR THE YEAR ENDED
JUNE 30, 2023**

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City of Watonga, Oklahoma
Year Ended June 30, 2023
List of Principal Officials

City Manager
Karrie Beth Little

City Treasurer
Rodney Jacks

Mayor
Bill Seitter

Ward 1
Ladina (Tina) Willis

Ward 2
Adam Tock

Ward 3
Ryan Bruner

Ward 4
Travis Bradt

INDEPENDENT AUDITOR'S REPORT

To the City Council
City of Watonga, Oklahoma

Report on the Audit of the Financial Statements

Opinions

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 Watonga, Oklahoma, as of and for the year ended June 30, 2023, and the related notes to the financial statements, which collectively comprise the City of Watonga, Oklahoma's basic financial statements as listed in the table of contents.

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, each major fund, and the aggregate remaining fund information of the City of Watonga, Oklahoma, as of June 30, 2023, and the respective changes in financial position, and, where applicable, cash flows thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Basis for Opinions

We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Financial Statements section of our report. We are required to be independent of the City of Watonga, Oklahoma and to meet our other ethical responsibilities, in accordance with the relevant ethical requirements relating to our audit. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinions.

Responsibilities of Management for the Financial Statements

Management is responsible for the preparation and fair presentation of the financial statements in accordance with accounting principles generally accepted in the United States of America, and for 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.

In preparing the financial statements, management is required to evaluate whether there are conditions or events, considered in the aggregate, that raise substantial doubt about the City of Watonga, Oklahoma's ability to continue as a going concern for twelve months beyond the financial statement date, including any currently known information that may raise substantial doubt shortly thereafter.

Auditor's Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinions. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with generally accepted auditing standards and *Government Auditing Standards* will always detect a material misstatement when it exists. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.

Misstatements are considered material if there is a substantial likelihood that, individually or in the aggregate, they would influence the judgment made by a reasonable user based on the financial statements.

In performing an audit in accordance with generally accepted auditing standards and *Government Auditing Standards*, we:

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements.
- Obtain an understanding of internal control relevant to the audit 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 City of Watonga, Oklahoma’s internal control. Accordingly, no such opinion is expressed.
- Evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the financial statements.
- Conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about the City of Watonga, Oklahoma’s ability to continue as a going concern for a reasonable period of time.

We are required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit, significant audit findings, and certain internal control-related matters that we identified during the audit.

Required Supplementary Information

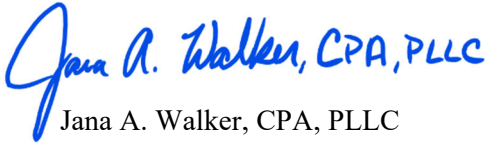
Accounting principles generally accepted in the United States of America require that the management’s discussion and analysis, budgetary comparison information and net pension schedules on pages 5–11 and 39–43 be presented to supplement the basic financial statements. Such information is the responsibility of management and, 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.

Supplementary Information

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the City of Watonga, Oklahoma’s basic financial statements. The accompanying combining nonmajor fund financial statements and schedule of expenditures of federal awards, as required by Title 2 U.S. *Code of Federal Regulations* Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards*, are presented for purposes of additional analysis and are not a required part of the basic financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the basic financial statements. The information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the combining nonmajor fund financial statements and the schedule of expenditures of federal awards are fairly stated, in all material respects, in relation to the basic financial statements as a whole.

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated December 26, 2023, on our consideration of the City of Watonga, 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 solely 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 City of Watonga, Oklahoma’s 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 City of Watonga, Oklahoma’s internal control over financial reporting and compliance.



Jana A. Walker, CPA, PLLC
Woodward, Oklahoma
December 26, 2023

Within this section, the City of Watonga's ("City") management provides narrative discussion and analysis of the financial performance of the City's for the fiscal year ended June 30, 2023. The City's financial performance is discussed and analyzed within the context of the accompanying financial statements and disclosures following this section. This discussion focuses on the City's primary government, and unless otherwise noted, component units reported separately from the primary government are not included. Please read it in conjunction with the City's financial statements, which follow this section.

FINANCIAL SUMMARY

- At June 30, 2023, the assets and deferred outflows of resources of the City exceeded its liabilities and deferred inflows of resources by \$24,012,725 (net position). Of this amount \$6,428,782 (unrestricted net position) may be used to meet the City's ongoing obligations to citizens and creditors. This compared to the previous year when assets exceeded liabilities by \$20,521,916 (as adjusted).
- The City's total net position are comprised of the following:
 - (1) Invested in capital assets, net of related debt of \$17,472,910 include property and equipment, net of accumulated depreciation, and reduced for outstanding debt related to the purchase of construction of capital assets.
 - (2) Restricted net position of \$111,033.
 - (3) Unrestricted net position of \$6,428,782 represents the portion available to maintain the City's continuing obligations to citizens and creditors.
- Total liabilities of the City increased by \$13,839,393 during the fiscal year primarily due to the water and sewer projects.
- After transfers of \$1,562,077 from business-type activities to governmental activities and \$947,005 to Mercy Hospital Watonga, net position of governmental activities increased \$340,791 or 5.22%, and net position of business-type activities increased \$3,150,018 or 22.56%.
- At the end of the current fiscal year, unreserved fund balance for the General Fund was \$2,443,769 or 67.31% of total General Fund expenditures, excluding transfers.

OVERVIEW OF THE FINANCIAL STATEMENTS

Management's Discussion and Analysis introduces the City's basic financial statements. The basic financial statements include: (1) government-wide financial statements, (2) fund financial statements, and (3) notes to the financial statements. The City also includes in this report additional information to supplement the basic financial statements.

Government-wide Financial Statements

The City's annual reporting includes two government-wide financial statements. These statements provide both long-term and short-term information about the City's overall status and are presented to demonstrate the extent the City has met its operating objective efficiently and effectively using all the resourced available and whether the City can continue to meet it objectives in the foreseeable future. Financial reporting at this level uses a perspective similar to that found in the private sector with its basis in full accrual accounting and elimination or reclassification of internal activities.

The first of these government-wide statements is the *Statement of Net Position*. This is the City-wide statement of financial position presenting information that includes all of the City's assets and liabilities, with the difference reported as net position. Over time, increases or decreases in net position may serve as a useful indication of whether the financial position of the City as a whole is improving or deteriorating. Evaluation of the overall economic health of the City would extend to other financial factors such as diversification of the taxpayer base or the condition of the City infrastructure in addition to the financial information provided in this report.

The second government-wide statement is the *Statement of Activities*, which reports how the City's net position changed during the current fiscal year and can be used to assess the City's operating results in its entirety and analyze how the City's programs are financed. All current year revenues and expenses are

included regardless of when cash is received or paid. An important purpose of the design of the statement of activities is to show the financial reliance of the City's distinct activities or functions on revenues provided by the City's taxpayers.

Both government-wide financial statements distinctively report governmental activities of the City that are principally supported by taxes and intergovernmental revenues, such as grants, and business-type activities that are intended to recover all or a significant portion of their costs through user fees and charges. Governmental activities include general government; public safety and judiciary; transportation; and cultural, parks, and recreation. Business-type activities include utility services, including electricity, water, and sanitation, provided by the City.

The City's financial reporting entity includes the funds of the City (primary government) and organization for which the City is accountable (component units). Most of these legally separate organizations are blended into the primary government for financial reporting purposes. Other organizations operate more independently or provide services directly to the citizens, though the City remains accountable for their activities. The Watonga Public Library is reported separately from the primary government, though included in the City's overall reporting entity.

Fund Financial Statements

A fund is an accountability unit used to maintain control over resources segregated for specific activities or objectives. The City uses funds to ensure and demonstrate compliance with finance-related laws and regulations and to demonstrate fiscal accountability. Within the basic financial statements, fund financial statements focus on the City's most significant funds rather than the City as a whole.

The City has three kinds of funds:

Governmental funds are reported in the fund financial statements and encompass essentially the same functions reported as governmental activities in the government-wide financial statements. However, the focus is different with fund statements reporting short-term fiscal accountability focusing on the use of spendable resources during the year and balances of spendable resources available at the end of the year. They are useful in evaluating annual financing requirements of governmental programs and the commitment of spendable resources for the near-term.

Since the government-wide focus includes the long-term view, comparisons between these two perspectives may provide insight into the long-term impact of short-term financing decisions. Both the governmental fund balance sheet and the governmental fund statement of revenues, expenditures, and changes in fund balances provide a reconciliation to the government-wide statements to assist in understanding the differences between these two perspectives.

Budgetary comparison statement is included in the basic financial statement for governmental funds deemed as major. This statement demonstrates compliance with the City's adopted and final revised budget.

Proprietary funds are reported in the fund financial statements and generally report services for which the City charges customers a fee. The City has one type of proprietary fund: enterprise funds. Enterprise funds essentially encompass the same functions reported as business-type activities in the government-wide statements. Services are provided to customers external to the City organization such as water, sanitation, and electric utilities.

Proprietary fund statements and statements for discretely presented component units (reporting similarly to proprietary funds) provide both long-term and short-term financial information consistent with the focus provided by the government-wide financial statements but with more detail.

Fiduciary funds such as the meter deposit funds are reported in the fiduciary fund financial statements, but are excluded from the government-wide reporting. Fiduciary fund financial statements report resources that are not available to fund City programs. Fiduciary fund financial statements report similarly to proprietary funds.

Notes to the financial statements

The accompanying notes to the financial statements provide information essential to a full understanding of the government-wide and fund financial statements. Those notes to the financial statement begin immediately following the basic financial statements.

Other information

In addition to the basic financial statements and accompanying notes, this report also presents required supplementary information concerning the City's pension benefits provided to its employees.

Major funds and component units are reported in the basic financial statements as discussed. Combining and individual statements and schedules for non-major and fiduciary funds are presented in a subsequent section of this report.

A FINANCIAL ANALYSIS OF THE CITY AS A WHOLE

Net Position

The City's combined net position at June 30, 2023 is \$24,012,725. This is a \$3,490,809 increase (depreciation expense is \$1,827,206- a non-cash expense) over June 30, 2022 net position of \$20,521,916. The City reported positive balances in total net position for both governmental and business-type activities, reporting \$6,902,056 and \$17,110,669, respectively.

Summary of Net Position

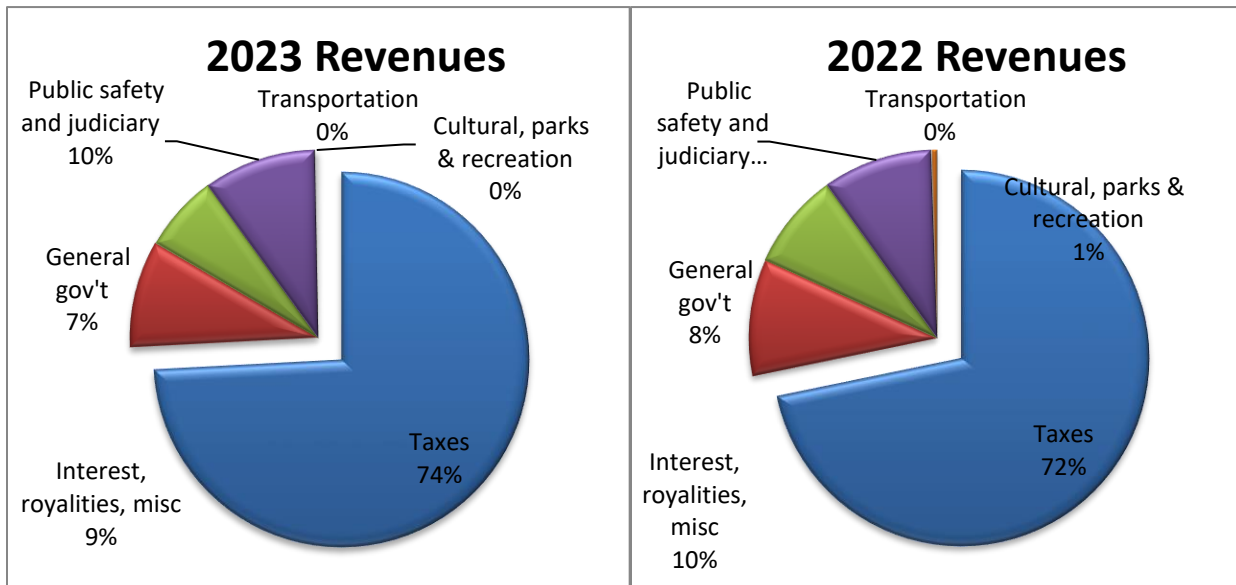
	Governmental Activities		Business-type Activities		Totals		\$ Change	% Change
	2023	2022	2023	2022	2023	2022		
Current and other assets	\$ 4,209,324	\$ 3,406,695	\$ 17,340,850	\$ 3,507,556	\$ 21,550,174	\$ 6,914,251	\$ 14,635,923	67.9%
Other noncurrent assets	54,612	376,349	-	-	54,612	376,349	\$ (321,737)	
Capital assets, net	5,275,502	5,989,588	13,430,484	11,268,074	18,705,986	17,257,662	\$ 1,448,324	7.7%
Total assets	9,539,438	9,772,632	30,771,334	14,775,630	40,310,772	24,548,262	\$ 15,762,510	39.1%
Deferred outflows of resources	2,013,025	705,733	-	-	2,013,025	705,733	1,307,292	64.9%
Long-term liabilities	2,745,968	1,711,808	13,075,000	-	15,820,968	1,711,808	\$ 14,109,160	89.2%
Other liabilities	476,446	516,899	585,665	814,979	1,062,111	1,331,878	\$ (269,767)	-25.4%
Total liabilities	3,222,414	2,228,707	13,660,665	814,979	16,883,079	3,043,686	\$ 13,839,393	82.0%
Deferred inflows of resources	1,427,993	1,688,393	-	-	1,427,993	1,688,393	(260,400)	-18.2%
Net position:								
Invested in capital assets, net of related debt	4,042,426	5,026,527	13,430,484	11,268,074	17,472,910	16,294,601	\$ 1,178,309	6.7%
Restricted	185,933	179,901	(74,900)	-	111,033	179,901	\$ (68,868)	-62.0%
Unrestricted	2,673,697	1,354,837	3,755,085	2,692,577	6,428,782	4,047,414	\$ 2,381,368	37.0%
Total net position	\$ 6,902,056	\$ 6,561,265	\$ 17,110,669	\$ 13,960,651	\$ 24,012,725	\$ 20,521,916	\$ 3,490,809	14.5%

Summary of Changes in Net Position

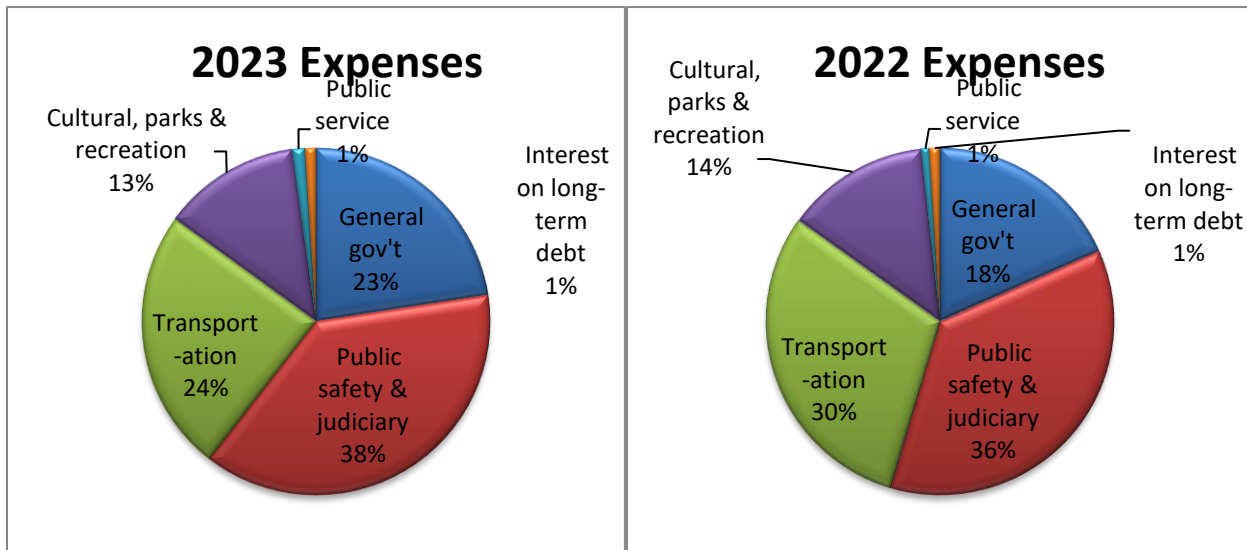
	Governmental Activities		Business-type Activities		Total		\$ Change	% Change
	2023	2022	2023	2022	2023	2022		
Revenues								
Program revenues	\$ 442,087	\$ 530,156	\$ 9,632,023	\$ 7,120,698	\$ 10,074,110	\$ 7,650,854	\$ 2,423,256	32%
Taxes and other general revenues	3,722,106	3,717,690	68,386	2,810	3,790,492	3,720,500	69,992	2%
Total revenues	4,164,193	4,247,846	9,700,409	7,123,508	13,864,602	11,371,354	2,493,248	22%
Expenses								
General government	1,001,702	811,447	-	-	1,001,702	811,447	190,255	23%
Public safety and judiciary	1,684,011	1,608,177	-	-	1,684,011	1,608,177	75,834	5%
Transportation	1,087,892	1,338,076	-	-	1,087,892	1,338,076	(250,184)	-19%
Cultural, parks, and recreation	567,078	592,624	-	-	567,078	592,624	(25,546)	-4%
Public service	53,967	35,446	-	-	53,967	35,446	18,521	52%
Interest on long-term debt	43,824	41,524	-	-	43,824	41,524	2,300	6%
Electric	-	-	3,119,641	3,141,966	3,119,641	3,141,966	(22,325)	-1%
Water	-	-	420,992	398,483	420,992	398,483	22,509	6%
Sewer	-	-	496,990	293,023	496,990	293,023	203,967	70%
Sanitation	-	-	349,979	246,508	349,979	246,508	103,471	42%
Healthcare	-	-	60,380	61,274	60,380	61,274	(894)	-1%
Airport	-	-	256,074	348,088	256,074	348,088	(92,014)	-26%
Economic development	-	-	17,170	-	17,170	0	17,170	
Administration	-	-	267,088	186,661	267,088	186,661	80,427	43%
Total expenses	4,438,474	4,427,294	4,988,314	4,676,003	9,426,788	9,103,297	323,491	4%
Excess (deficiency) before transfers	\$ (274,281)	\$ (179,448)	\$ 4,712,095	\$ 2,447,505	\$ 4,437,814	\$ 2,268,057	\$ 2,169,757	96%
Transfers - internal	1,562,077	1,463,373	(1,562,077)	(1,463,373)	-	-	-	0%
Transfers to lessee- healthcare	(947,005)	(874,968)	-	-	(947,005)	(874,968)	(72,037)	0%
Change in net position	340,791	408,957	3,150,018	984,132	3,490,809.00	1,393,089	2,097,720	151%
Beginning net position	6,530,859	6,121,902	13,960,651	12,976,519	20,491,510	19,098,421	1,393,089	7%
Prior period adjustment	30,406	-	-	-	30,406	-	30,406	
Ending net position	\$ 6,902,056	\$ 6,530,859	\$ 17,110,669	\$ 13,960,651	\$ 24,012,725	\$ 20,491,510	\$ 3,521,215	17%

Revenues for the City increased 21.93% over the prior year. This increase in revenues is mainly attributable to sales and use tax increase, grants, and an increase in utility revenues. Operating expenses increased compared prior fiscal year 2022 with an 3.55% change.

Graphic presentations of selected data from the summary table follow to assist in the analysis of the City's activities.

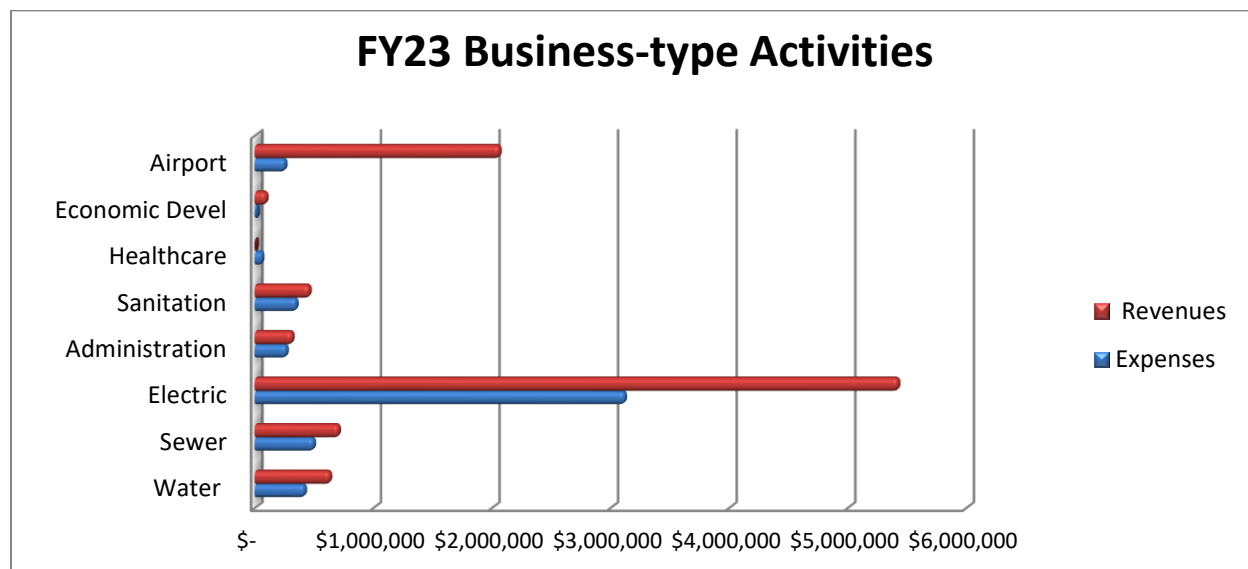


Taxes provided 74% of the City’s governmental revenues in fiscal year 2023. Public safety and judiciary followed as the second major revenue source accounting for 10% of governmental revenues.



For the year ended June 30, 2023, total expenses for governmental activities were \$4,438,474. Of this amount, public safety and judiciary with \$1,684,011 was the largest operating service department at 38% of the total cost of services for governmental activities. These costs, as well as all other governmental activity expenses, were primarily funded by tax revenues and transfers in from the Light and Water fund. It should be noted that governmental expenses are adjusted from the fund statements to the government-wide statements for the purchase and construction of capital assets. Government-wide statement is full accrual; capital outlay expenses are eliminated and capital assets are reported.

Business-type Activities



Business-type activities are shown comparing costs to revenues generated by the related services. Sanitation, Sewer, Water, and Electric activities are intended to be self-supporting with user charges and other revenues designed to recover costs. Other activities provide services with minimal user charges.

For the fiscal year ended June 30, 2023, revenues from electric, water, sanitation, airport and economic development covered the cost of operating their respective departments.

General Fund Budgetary Highlights

The adopted budget for the General Fund for fiscal year 2023 was \$4,128,915. Actual expenses were \$419,538 less than budgeted amounts. The General Fund budget complied with financial policies approved by the City.

CAPITAL ASSET AND DEBT ADMINISTRATION

Capital Assets

At the end of June 30, 2023, the City had \$17,472,910 invested in capital assets, net of related debt, including vehicles and equipment for police and fire operations, street improvements, and park facilities, in governmental activities and electric lines, water lines and sewer lines in business-type activities. Refer to the table below.

Primary Government Capital Assets (net of accumulated depreciation)

	Governmental Activities		Business-type Activities		Total	
	2023	2022	2023	2022	2023	2022
Non-Depreciable Assets						
Land	\$ 715,420	\$ 713,545	\$ 73,020	\$ 73,020	\$ 788,440	\$ 786,565
Construction in progress	32,500	-	367,309	539,739	399,809	539,739
Depreciable Assets						
Buildings	1,471,459	1,551,068	5,494,639	3,335,908	6,966,098	4,886,976
Machinery & equipment	738,865	831,748	830,318	685,605	1,569,183	1,517,353
Utility property & improvements	2,317,258	2,893,227	6,665,198	6,633,802	8,982,456	9,527,029
Totals	\$ 5,275,502	\$ 5,989,588	\$13,430,484	\$ 11,268,074	\$ 18,705,986	\$ 17,257,662

- In Governmental Activities, the most significant additions included copy machines, police department office renovations, computer network upgrades, street resurfacing, 60" mower and various other smaller additions.

- In Business-type activities capital additions included airport runway rehab, fire hydrants, water valves, Sludge King II- dewatering box, sewer line replacement, sanitary sewer improvements, electric poles, transformers, and a digital mapping.

Long-Term Debt

At year-end, the City had \$14,202,695 in long-term debt outstanding. The City’s changes in long-term debt by type of debt are as follows:

Primary Government Long-Term Debt

	Governmental Activities		Business-type Activities	
	2023	2022	2023	2022
Notes payable	-	-	13,075,000	-
Capital lease obligation	428,102	444,999	-	-
Bonds payable net of premium less current portion	804,974 (107,407)	894,411 (109,327)	-	-
Totals	\$ 1,125,669	\$ 1,230,083	\$ 13,075,000	\$ -

ECONOMIC FACTORS AND NEXT YEARS’S BUDGET AND RATES

Economic Environment

The national economy has shown surprising resilience to the Federal Reserve hikes in interest rates. The national forecast no longer forecasts a recession in the near term. Real gross domestic product (GDP) is forecasted from slow to 1.2% in 2024.

The Oklahoma economy continues to recover from the COVID-19 recession, with seasonally-adjusted employment now about 1.5% above the pre-pandemic peak that was reached in 2019. The current unemployment rate lies below the pre-pandemic level while the labor force pre-participation rate exceeds the pre-pandemic level. The slowing of the national economy and a forecast of relatively stable energy prices should cause growth to slow in Oklahoma.

The following are highlights from the 2023-2024 budget:

The 2023-2024 budget was prepared to provide a financial plan that identifies as closely as possible most revenues and expenses while providing flexibility to address circumstances that could change.

Fiscal Year 2024

Recurring revenues, including sales and use taxes, were budgeted at 90% of fiscal year 2023 amounts. No utility rate increases were budget- it is anticipated that the rates will be reviewed during the fiscal year and adjusted based on the water and sewer project responsibilities. The budget included various pay increases to align compensation with positions & responsibilities. \$15.4 million in capital improvements consisting primarily of the water and sewer projects, were budgeted to implement the vision of the City Council to increase investment in the City and infrastructure to assist with economic development and to improve the quality of life for the citizens of Watonga.

CONTACTING THE CITY’S FINANCIAL MANAGEMENT

This financial report is designed to provide our citizens, taxpayers, customers and creditors with a general overview of the City’s finances and to show the City’s accountability for the money it receives. If you have questions about this report or need additional financial information, contact the City Clerk’s Office at Watonga City Hall.

City of Watonga, Oklahoma
Statement of Net Position
June 30, 2023

ASSETS	Primary Government			Component Unit
	Governmental Activities	Business-type Activities	Total	
Current Assets:				
Cash and cash equivalents	\$ 2,429,555	\$ 3,600,948	\$ 6,030,503	\$ 114,357
Investments	1,240,318	150,000	1,390,318	-
Sales, use & other taxes receivable	219,350	-	219,350	-
Accounts receivable (net)	26,245	494,795	521,040	-
Grants receivable	-	165,091	165,091	-
Prepays	36,428	600	37,028	-
Internal balances	75,124	(70,684)	4,440	-
Total current assets	<u>4,027,020</u>	<u>4,340,750</u>	<u>8,367,770</u>	<u>114,357</u>
Restricted assets:				
Cash and cash equivalents	182,304	13,000,100	13,182,404	-
Total restricted assets	<u>182,304</u>	<u>13,000,100</u>	<u>13,182,404</u>	<u>-</u>
Noncurrent Assets:				
Pension asset	54,612	-	54,612	-
Land and construction in progress	747,920	440,329	1,188,249	-
Other capital assets (net of accumulated depreciation)	4,527,582	12,990,155	17,517,737	1,080
Total noncurrent assets	<u>5,330,114</u>	<u>13,430,484</u>	<u>18,760,598</u>	<u>1,080</u>
Total assets	<u><u>9,539,438</u></u>	<u><u>30,771,334</u></u>	<u><u>40,310,772</u></u>	<u><u>115,437</u></u>
DEFERRED OUTFLOWS OF RESOURCES				
Deferred charges on pension obligations	\$ 2,013,025	\$ -	\$ 2,013,025	\$ -
LIABILITIES				
Current liabilities:				
Accounts payable	\$ 99,891	\$ 509,235	\$ 609,126	\$ -
Wages and benefits payable	51,587	10,612	62,199	-
Interest payable	2,063	-	2,063	-
Compensated absences	55,458	11,300	66,758	-
Other liabilities	34,794	-	34,794	-
Due to other governments	125,246	-	125,246	-
Capital lease obligation, current	17,407	-	17,407	-
Bonds payable, current	90,000	-	90,000	-
Total current liabilities	<u>476,446</u>	<u>531,147</u>	<u>1,007,593</u>	<u>-</u>
Liabilities payable from restricted assets:				
Accrued payables	-	54,518	54,518	-
Total liabilities payable from restricted assets	<u>-</u>	<u>54,518</u>	<u>54,518</u>	<u>-</u>
Noncurrent liabilities:				
Pension liability	1,620,299	-	1,620,299	-
Notes payable	-	13,075,000	13,075,000	-
Capital lease obligation	410,695	-	410,695	-
Bonds payable, net of premium	714,974	-	714,974	-
Total noncurrent liabilities	<u>2,745,968</u>	<u>13,075,000</u>	<u>15,820,968</u>	<u>-</u>
Total liabilities	<u><u>3,222,414</u></u>	<u><u>13,660,665</u></u>	<u><u>16,883,079</u></u>	<u><u>-</u></u>
DEFERRED INFLOWS OF RESOURCES				
Deferred charges on pension obligations	1,427,993	-	1,427,993	-
NET POSITION				
Invested in capital assets, net of related debt	4,042,426	13,430,484	17,472,910	-
Reserved for restricted purposes	185,933	(74,900)	111,033	115,437
Unrestricted	2,673,697	3,755,085	6,428,782	-
Total net position	<u><u>\$ 6,902,056</u></u>	<u><u>\$ 17,110,669</u></u>	<u><u>\$ 24,012,725</u></u>	<u><u>\$ 115,437</u></u>

City of Watonga, Oklahoma
Statement of Activities
Year Ended June 30, 2023

Functions/Programs	Expenses	Program Revenues			Primary	Component
		Charges for Services	Operating Grants and Contributions	Capital Grants & Contributions	Government	Unit
						Net (Expense)/ Revenue
Primary government						
Governmental activities:						
General government	\$ 1,001,702	\$ 12,543	\$ 7,107	\$ 250,450	\$ (731,602)	\$ -
Public safety and judiciary	1,684,011	132,806	7,566	19,652	(1,523,987)	-
Transportation	1,087,892	945	-	-	(1,086,947)	-
Cultural, parks and recreation	567,078	71	10,947	-	(556,060)	-
Public service	53,967	-	-	-	(53,967)	-
Interest on long-term debt	43,824	-	-	-	(43,824)	-
Total governmental activities	<u>4,438,474</u>	<u>146,365</u>	<u>25,620</u>	<u>270,102</u>	<u>(3,996,387)</u>	<u>-</u>
Business-type activities:						
Water	420,992	633,073	-	-	212,081	-
Sewer	496,990	256,766	-	450,200	209,976	-
Electric	3,119,641	5,424,438	-	-	2,304,797	-
Administration	267,088	221,419	-	26,000	(19,669)	-
Sanitation	349,979	460,320	-	-	110,341	-
Healthcare	60,380	-	-	-	(60,380)	-
Airport	256,074	44,537	-	2,019,035	1,807,498	-
Economic development	17,170	96,235	-	-	79,065	-
Total business-type activities	<u>4,988,314</u>	<u>7,136,788</u>	<u>-</u>	<u>2,495,235</u>	<u>4,643,709</u>	<u>-</u>
Total primary government	<u>\$ 9,426,788</u>	<u>\$ 7,283,153</u>	<u>\$ 25,620</u>	<u>\$ 2,765,337</u>	<u>\$ 647,322</u>	<u>\$ -</u>
Component units						
Watonga Municipal Library	<u>\$ 830</u>	<u>\$ 7,424</u>	<u>\$ -</u>	<u>\$ -</u>		<u>\$ 6,594</u>

City of Watonga, Oklahoma
Statement of Activities (continued)
Year Ended June 30, 2023

Changes in Net Position:

	Primary Government			Component Unit
	Governmental Activities	Business-type Activities	Total	
Net (expense)/revenue	\$ (3,996,387)	\$ 4,643,709	\$ 647,322	\$ 6,594
General revenues:				
Taxes:				
Sales tax	2,385,221	-	2,385,221	-
Use tax	355,765	-	355,765	-
Franchise tax	25,007	-	25,007	-
Property tax	114,943	-	114,943	-
Other taxes	128,018	-	128,018	-
522 District income	232,500	-	232,500	-
Oil and gas royalties	324,743	-	324,743	-
Investment income	20,667	68,386	89,053	1,835
Pension change	107,381	-	107,381	-
Miscellaneous	27,861	-	27,861	-
Transfers-Internal activity	1,562,077	(1,562,077)	-	-
Transfers to lessee- healthcare	(947,005)	-	(947,005)	-
Total general revenues and transfers	<u>4,337,178</u>	<u>(1,493,691)</u>	<u>2,843,487</u>	<u>1,835</u>
Change in net position	340,791	3,150,018	3,490,809	8,429
Net position-beginning as previously reported	6,530,859	13,960,651	20,491,510	107,008
Prior period adjustment	30,406	-	30,406	-
Net position-ending	<u>\$ 6,902,056</u>	<u>\$ 17,110,669</u>	<u>\$ 24,012,725</u>	<u>\$ 115,437</u>

City of Watonga, Oklahoma
Balance Sheet
Governmental Funds
June 30, 2023

	<u>General Fund</u>	<u>Street and Alley Fund</u>	<u>Debt Service</u>	<u>Hospital Special Revenue</u>	<u>Sales Tax (Capital Improvement)</u>	<u>Non-Major Funds</u>	<u>Total Governmental Funds</u>
ASSETS							
Cash and cash equivalents	\$ 1,403,829	\$ 127,105	\$ 55,199	\$ -	\$ 491,408	\$ 534,318	\$ 2,611,859
Investments	1,140,002	-	-	-	100,316	-	1,240,318
Sales, use & other taxes receivable	121,401	2,415	1,214	75,456	18,864	-	219,350
Revenue & other receivable	26,245	-	-	-	-	-	26,245
Due from other funds	101,015	-	-	-	-	5,472	106,487
Prepays	36,428	-	-	-	-	-	36,428
Total assets	<u>\$ 2,828,920</u>	<u>\$ 129,520</u>	<u>\$ 56,413</u>	<u>\$ 75,456</u>	<u>\$ 610,588</u>	<u>\$ 539,790</u>	<u>\$ 4,240,687</u>
LIABILITIES							
Accounts payable	\$ 96,421	\$ -	\$ -	\$ -	\$ 3,470	\$ -	\$ 99,891
Wages and benefits payable	51,587	-	-	-	-	-	51,587
Compensated absences	55,458	-	-	-	-	-	55,458
Other liabilities	34,794	-	-	-	-	-	34,794
Due to other governments	125,246	-	-	-	-	-	125,246
Due to other funds	21,645	-	-	-	9,718	-	31,363
Total liabilities	<u>385,151</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>13,188</u>	<u>-</u>	<u>398,339</u>
FUND BALANCES							
Restricted	-	129,520	56,413	-	-	-	185,933
Committed	-	-	-	75,456	597,400	-	672,856
Assigned	-	-	-	-	-	539,790	539,790
Unassigned	2,443,769	-	-	-	-	-	2,443,769
Total fund balances	<u>2,443,769</u>	<u>129,520</u>	<u>56,413</u>	<u>75,456</u>	<u>597,400</u>	<u>539,790</u>	<u>3,842,348</u>
Total liabilities and fund balances	<u>\$ 2,828,920</u>	<u>\$ 129,520</u>	<u>\$ 56,413</u>	<u>\$ 75,456</u>	<u>\$ 610,588</u>	<u>\$ 539,790</u>	<u>\$ 4,240,687</u>
Total fund balance- total governmental funds							\$ 3,842,348
Amounts reported for governmental activities in the Statement of Net Position are different because:							
Land and capital assets, net of accumulated depreciation, are not financial resources and, in the funds, and therefore, are not reported							
					747,920		
					28,569,098		
					<u>(24,041,516)</u>		5,275,502
Long-term portion of liabilities are not due and payable in the current period and are not reported							
							(804,974)
							(428,102)
							(2,063)
							54,612
							2,013,025
							(1,620,299)
							<u>(1,427,993)</u>
Net assets of governmental activities							<u>\$ 6,902,056</u>

City of Watonga, Oklahoma
Statement of Revenues, Expenditures, and Changes in Fund Balances
Governmental Funds
Year Ended June 30, 2023

	General Fund	Street and Alley Fund	Debt Service	Hospital Special Revenue	Sales Tax (Capital Improve)	Non-Major Funds	Total Governmental Funds
REVENUES							
Sales tax	\$ 1,192,611	\$ -	\$ -	\$ 954,088	\$ 238,522	\$ -	\$ 2,385,221
Use tax	355,765	-	-	-	-	-	355,765
Franchise tax	25,007	-	-	-	-	-	25,007
Other taxes	104,151	23,867	-	-	-	-	128,018
Property taxes	-	-	114,943	-	-	-	114,943
522 District income	232,500	-	-	-	-	-	232,500
Licenses and permits	7,857	-	-	-	-	-	7,857
Rents & royalties	324,743	-	-	-	-	-	324,743
Fines and forfeitures	33,631	-	-	-	-	-	33,631
Charges for services	99,175	765	-	-	-	-	99,940
Intergovernmental revenues	8,497	-	-	-	-	272,077	280,574
Donations	1,000	-	-	-	-	7,268	8,268
Other revenues	39,427	180	-	-	-	71	39,678
Interest	18,267	410	294	-	1,696	-	20,667
Total revenues	<u>2,442,631</u>	<u>25,222</u>	<u>115,237</u>	<u>954,088</u>	<u>240,218</u>	<u>279,416</u>	<u>4,056,812</u>
EXPENDITURES							
Current							
General government:							
General government	739,964	-	300	-	8,264	-	748,528
Managerial	122,944	-	-	-	-	-	122,944
City clerk	8,277	-	-	-	-	-	8,277
City treasurer	20,221	-	-	-	-	-	20,221
City attorney	53,426	-	-	-	-	-	53,426
Total general government	<u>944,832</u>	<u>-</u>	<u>300</u>	<u>-</u>	<u>8,264</u>	<u>-</u>	<u>953,396</u>
Public safety and judiciary:							
Municipal court	15,009	-	-	-	-	-	15,009
Police	646,437	-	-	-	1,622	28	648,087
Fire	371,792	-	-	-	-	826	372,618
EMS	430,589	-	-	-	-	-	430,589
Code enforcement	91,652	-	-	-	3,500	-	95,152
Total public safety and judiciary	<u>1,555,479</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>5,122</u>	<u>854</u>	<u>1,561,455</u>
Transportation:							
Street	387,037	15,822	-	-	-	-	402,859
Total transportation	<u>387,037</u>	<u>15,822</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>402,859</u>
Cultural, parks and recreation:							
Library	239,193	-	-	-	-	1,967	241,160
Park	248,164	-	-	-	-	-	248,164
Total cultural, parks and recreation	<u>487,357</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>1,967</u>	<u>489,324</u>
Public service:							
Airport	53,967	-	-	-	-	-	53,967
Total public service	<u>53,967</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>53,967</u>
Capital outlay	202,201	-	-	-	12,799	4,000	219,000
Debt service							
Principal	-	-	90,000	-	16,897	-	106,897
Interest	-	-	28,305	-	15,705	-	44,010
Fiscal charges	-	-	-	-	-	-	-
Total expenditures	<u>3,630,873</u>	<u>15,822</u>	<u>118,605</u>	<u>-</u>	<u>58,787</u>	<u>6,821</u>	<u>3,830,908</u>
Excess (deficiency) of revenues over expenditures	<u>(1,188,242)</u>	<u>9,400</u>	<u>(3,368)</u>	<u>954,088</u>	<u>181,431</u>	<u>272,595</u>	<u>225,904</u>
OTHER FINANCING SOURCES (USES)							
Transfers in	1,610,301	-	-	-	72,602	46,400	1,729,303
Transfers out	(94,686)	-	-	(742)	(19,453)	(52,345)	(167,226)
Transfers out to lessee- healthcare	-	-	-	(947,005)	-	-	(947,005)
Premium on bonds	-	-	-	-	-	-	-
Long-term debt issued	-	-	-	-	-	-	-
Total other financing sources and uses	<u>1,515,615</u>	<u>-</u>	<u>-</u>	<u>(947,747)</u>	<u>53,149</u>	<u>(5,945)</u>	<u>615,072</u>
Net change in fund balances	327,373	9,400	(3,368)	6,341	234,580	266,650	840,976
Fund balances - beginning	2,085,990	120,120	59,781	69,115	362,820	273,140	2,970,966
Prior period adjustment	30,406	-	-	-	-	-	30,406
Fund balances - ending	<u>\$ 2,443,769</u>	<u>\$ 129,520</u>	<u>\$ 56,413</u>	<u>\$ 75,456</u>	<u>\$ 597,400</u>	<u>\$ 539,790</u>	<u>\$ 3,842,348</u>

City of Watonga, Oklahoma
Statement of Revenues, Expenditures, and Changes in Fund Balances
Year Ended June 30, 2023

Reconciliation of the change in fund balances - total governmental funds
to the change in net position of governmental activities:

Net change in fund balances - total governmental funds \$ 840,976
Amounts reported for governmental activities in the Statement of Activities are
different because:

Governmental funds report capital outlays as expenditures. However, in the
statement of activities, the cost of those assets is allocated over their estimated
useful lives and reported as depreciation expense.

Capital asset purchases capitalized	219,000	
Depreciation expense	<u>(933,086)</u>	(714,086)

Government-Wide Statement of Activities report the cost of pension benefits
earned net of employee contributions is reported as an element of pension. 107,381
The fund financial statements report pension contributions as expenditures.

The proceeds of debt issuances provide current financial resources to governmental
funds, but issuing debt increases long-term liabilities in the statement of net position.
Repayment of debt principal is an expenditure in the governmental funds, but the
repayment reduces long-term liabilities in the statement of net position.

Debt principal payments	90,000	
Capital lease principal payments	16,897	
Premium on bonds	(563)	
Change in bond interest payable	186	

Change in Net Position of Governmental Activities	<u>\$ 340,791</u>
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City of Watonga, Oklahoma
Statement of Net Position
Proprietary Funds
June 30, 2023

	Light and Water Fund	Hospital Authority Fund	Public Works Authority	Economic Development Authority	Total Enterprise Funds
ASSETS					
Current assets:					
Cash and cash equivalents	\$ 3,425,908	\$ -	\$ 46,475	\$ 128,565	\$ 3,600,948
Investments	150,000	-	-	-	150,000
Accounts receivable, net	494,795	-	-	-	494,795
Grants receivable	-	-	165,091	-	165,091
Prepays	-	-	-	600	600
Due from other funds	20,613	-	-	-	20,613
Total current assets	<u>4,091,316</u>	<u>-</u>	<u>211,566</u>	<u>129,165</u>	<u>4,432,047</u>
Current assets:					
Restricted assets:					
Cash, including time deposits	13,000,100	-	-	-	13,000,100
Total restricted assets	<u>13,000,100</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>13,000,100</u>
Noncurrent assets:					
Capital assets (net)	7,563,372	1,629,045	4,188,109	49,958	13,430,484
Total noncurrent assets	<u>7,563,372</u>	<u>1,629,045</u>	<u>4,188,109</u>	<u>49,958</u>	<u>13,430,484</u>
Total assets	<u>\$ 24,654,788</u>	<u>\$ 1,629,045</u>	<u>\$ 4,399,675</u>	<u>\$ 179,123</u>	<u>\$ 30,862,631</u>
LIABILITIES					
Current liabilities:					
Accounts payable	\$ 484,491	\$ -	\$ 24,744	\$ -	\$ 509,235
Wages and benefits payable	10,612	-	-	-	10,612
Compensated absences	11,300	-	-	-	11,300
Due to other funds	381	-	40,958	49,958	91,297
Notes payable, current	-	-	-	-	-
Total current liabilities	<u>506,784</u>	<u>-</u>	<u>65,702</u>	<u>49,958</u>	<u>622,444</u>
Liabilities payable from restricted assets:					
Accrued interest payable	54,518	-	-	-	54,518
Total liabilities payable from restricted ass	<u>54,518</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>54,518</u>
Noncurrent liabilities:					
Notes payable, non-current	13,075,000	-	-	-	13,075,000
Total noncurrent liabilities	<u>13,075,000</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>13,075,000</u>
Total liabilities	<u>13,636,302</u>	<u>-</u>	<u>65,702</u>	<u>49,958</u>	<u>13,751,962</u>
NET POSITION					
Invested in capital assets, net of related debt	7,563,372	1,629,045	4,188,109	49,958	13,430,484
Unrestricted	3,455,114	-	145,864	79,207	3,680,185
Total net position	<u>\$ 11,018,486</u>	<u>\$ 1,629,045</u>	<u>\$ 4,333,973</u>	<u>\$ 129,165</u>	<u>\$ 17,110,669</u>

City of Watonga, Oklahoma
Statement of Revenues, Expenses and Changes in Net Position
Proprietary Funds
Year Ended June 30, 2023

	Light and Water Fund	Hospital Authority Fund	Public Works Authority	Economic Development Authority	Total Enterprise Funds
<u>Operating revenues:</u>					
Charges for services:					
Water charges	\$ 633,073	\$ -	\$ -	\$ -	\$ 633,073
Sewer charges	256,766	-	-	-	256,766
Electric charges	5,424,438	-	-	-	5,424,438
Sanitation charges	460,320	-	-	-	460,320
Sale of fuel	-	-	30,782	-	30,782
Penalties	70,113	-	-	-	70,113
Total charges for services	<u>6,844,710</u>	<u>-</u>	<u>30,782</u>	<u>-</u>	<u>6,875,492</u>
Lease and rental income	-	-	13,030	-	13,030
Other fees and charges	151,306	-	725	96,235	248,266
Total operating revenues	<u>6,996,016</u>	<u>-</u>	<u>44,537</u>	<u>96,235</u>	<u>7,136,788</u>
<u>Operating expenses:</u>					
Cost of sales	2,752,370	-	42,355	-	2,794,725
Personal services	492,241	-	-	-	492,241
Materials and supplies	260,973	-	879	2,936	264,788
Other services and charges	451,612	-	1,694	14,234	467,540
Depreciation and amortization	622,594	60,380	211,146	-	894,120
Total operating expenses	<u>4,579,790</u>	<u>60,380</u>	<u>256,074</u>	<u>17,170</u>	<u>4,913,414</u>
Net operating income	2,416,226	(60,380)	(211,537)	79,065	2,223,374
<u>Nonoperating revenue (expense):</u>					
Contributions	-	-	-	-	-
Investment income	64,066	-	4,320	-	68,386
Oil and gas royalties	-	-	-	-	-
Grant income	476,200	-	2,019,035	-	2,495,235
Debt issuance costs	(74,900)	-	-	-	(74,900)
Interest expense	-	-	-	-	-
Total nonoperating revenue/(expense)	<u>465,366</u>	<u>-</u>	<u>2,023,355</u>	<u>-</u>	<u>2,488,721</u>
Net Income before contributions and transfers	2,881,592	(60,380)	1,811,818	79,065	4,712,095
<u>Contributions and transfers:</u>					
Transfers from other funds	61,012	-	-	50,000	111,012
Transfers to other funds	(1,673,089)	-	-	-	(1,673,089)
Change in net position	1,269,515	(60,380)	1,811,818	129,065	3,150,018
Net position-beginning of year	9,748,971	1,689,425	2,522,155	100	13,960,651
Net position-end of year	<u>\$ 11,018,486</u>	<u>\$ 1,629,045</u>	<u>\$ 4,333,973</u>	<u>\$ 129,165</u>	<u>\$ 17,110,669</u>

City of Watonga, Oklahoma
Statement of Cash Flows
Proprietary Funds
Year Ended June 30, 2023

	Light and Water Fund	Hospital Authority Fund	Public Works Authority	Economic Development Authority	Total Enterprise Funds
<u>Cash flows from operating activities:</u>					
Receipts from customers	\$ 7,133,757	\$ -	\$ 44,537	\$ 96,235	\$ 7,274,529
Payments to suppliers	(3,351,914)	-	(438,361)	(17,770)	(3,808,045)
Payments to employees	(495,681)	-	-	-	(495,681)
Net cash provided (used) by operating activities	3,286,162	-	(393,824)	78,465	2,970,803
<u>Cash flows from non-capital financing activities:</u>					
Receipts (payments) from interfund loan agreements	(4,441)	-	(2,252)	49,958	43,265
Oil & gas royalties	-	-	-	-	-
Transfers from other funds	61,012	-	-	50,000	111,012
Transfers to other funds	(1,673,089)	-	-	-	(1,673,089)
Net cash provided (used) by non-capital financing activities	(1,616,518)	-	(2,252)	99,958	(1,518,812)
<u>Cash flows from capital and related financing activities:</u>					
Capital grants and contributions	476,200	-	2,271,828	-	2,748,028
Purchases of capital assets	(981,543)	-	(1,970,511)	(49,958)	(3,002,012)
Proceeds from capital debt	13,075,000	-	-	-	13,075,000
Debt issuance costs paid	(74,900)	-	-	-	(74,900)
Interest paid on capital debt	-	-	-	-	-
Net cash provided (used) by capital and related financing activities	12,494,757	-	301,317	(49,958)	12,746,116
<u>Cash flows from investing activities:</u>					
Investment income	64,066	-	4,320	-	68,386
Net cash provided (used) by investing activities	64,066	-	4,320	-	68,386
Net increase (decrease) in cash and cash equivalent	14,228,467	-	(90,439)	128,465	14,266,493
Cash & cash equivalents, June 30, 2022	2,197,541	-	136,914	100	2,334,555
Cash & cash equivalents, June 30, 2023	<u>\$ 16,426,008</u>	<u>\$ -</u>	<u>\$ 46,475</u>	<u>\$ 128,565</u>	<u>\$ 16,601,048</u>
Cash, including time deposits	<u>\$ 16,426,008</u>	<u>\$ -</u>	<u>\$ 46,475</u>	<u>\$ 128,565</u>	<u>\$ 16,601,048</u>
Total cash and cash equivalents, end of year	<u><u>\$ 16,426,008</u></u>	<u><u>\$ -</u></u>	<u><u>\$ 46,475</u></u>	<u><u>\$ 128,565</u></u>	<u><u>\$ 16,601,048</u></u>
<u>Reconciliation of operating income (loss) to net cash provided (used) by operating activities</u>					
Operating income (loss)	\$ 2,416,226	\$ (60,380)	\$ (211,537)	\$ 79,065	\$ 2,223,374
Adjustments to reconcile operating income (loss) to net cash provided (used) by operating activities:					
Depreciation	622,594	60,380	211,146	-	894,120
Changes in assets and liabilities:					
(Increase) decrease in accounts receivable	137,741	-	-	-	137,741
(Increase) decrease in prepaids	-	-	-	(600)	(600)
Increase (decrease) in accounts payable	116,441	-	(393,433)	-	(276,992)
Increase (decrease) in wages and benefits pay	(3,440)	-	-	-	(3,440)
Increase (decrease) in other liabilities	(3,400)	-	-	-	(3,400)
Total adjustments	869,936	60,380	(182,287)	(600)	747,429
Net cash provided (used) by operating activities	\$ 3,286,162	\$ -	\$ (393,824)	\$ 78,465	\$ 2,970,803

City of Watonga, Oklahoma
Statement of Fiduciary Net Position
June 30, 2023

	<u>Meter Deposit Fund</u>	<u>Municipal Court Bond Fund</u>	<u>Total Agency Funds</u>
ASSETS			
Cash and cash equivalents	\$ 249,523	\$ 3,648	\$ 253,171
Cash and investments, restricted	127,000	-	127,000
Total assets	<u>\$ 376,523</u>	<u>\$ 3,648</u>	<u>\$ 380,171</u>
LIABILITIES			
Bonds and deposits subject to refund	\$ 372,082	\$ 3,648	\$ 375,730
Due to other funds	4,441	-	4,441
Total liabilities	<u>\$ 376,523</u>	<u>\$ 3,648</u>	<u>\$ 380,171</u>

(1) **ORGANIZATION**

The City of Watonga, Oklahoma, (the City) operates under a Council-Manager form of government under Title 11 of the *Oklahoma Statutes*. The City provides the following services to its citizens: public safety (police, fire and EMS), streets and highways, electric and water utilities, sanitation and solid waste services, culture and recreation, public improvements, planning and zoning, and general administrative services.

(2) **SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

The accounting and reporting framework and the more significant accounting principles and practices of the City of Watonga, Oklahoma ("City") are discussed in subsequent section of this note. The remainder of the notes is organized to provide explanations, including required disclosures of the City's financial activities for the fiscal year ended June 30, 2023.

A. Reporting Entity

Fund Types and Major Funds

Major Governmental Funds

General Fund

Reported as the primary fund of the City. This fund is used to account for all financial resources not reported in other funds.

Street and Alley Fund

Accounts for the legally restricted gasoline and commercial vehicle taxes. Funds are used for maintenance and repair of streets and street equipment.

Debt Service Fund

Accounts for the accumulation of financial resources for the payment of principal and interest on the City's general obligation debt.

Hospital Special Revenue Fund

Accounts for the 2% sales tax restricted for the Hospital Authority's capital expenditures and the transfer to the Hospital Authority.

Sales Tax (Capital Improvement) Fund

Accounts for the capital expenditures of the 1% limited purpose sales tax.

General Obligation Bonds

Accounts for the proceeds of the General Obligation Hospital Funding Bonds of 2013 which were issued June 1, 2013 to pay obligations incurred in the operations, equipping and maintenance of the Watonga Municipal Hospital as well as for all legal, financial and other costs relating to the issuance of the bonds.

Non-Major Governmental Funds

Grant Fund

Established as a special revenue fund to account for the City's grant programs

Library Fund

Established as a special revenue fund to account for the operations of the municipal library.

Major Proprietary Funds

Light and Water Fund

Accounts for the operating activities of the electric, water, sewer, and sanitation utilities of the City.

Public Works Authority

Accounts for the operating activities of the municipal airport.

Watonga Hospital Authority

Accounts for the leasing activities of the municipal hospital to Mercy.

Watonga Economic Development Authority

Accounts for the economic development for the City of Watonga

Fiduciary Component Units (reported in fiduciary financial statements)

Agency Fund

Accounts for fiduciary assets held by the City in a custodial capacity as an agent on behalf of others. The City's Agency Funds Are used to account for various deposits and bonds below:

Meter Deposit Fund

Accounts for utility deposits received by customers.

Municipal Court Bond Fund

Accounts for bonds held by the City related to the municipal court operations.

Component Units

The accompanying financial statements present the City's primary government and component units for which the City is considered to be financially accountable. Financial accountability is based primarily on certain authoritative, operational or financial relationships with the City (as distinct from legal relationships).

Discretely Presented Component Units

Watonga Municipal Library

Established to account for the operations of the Library. It is governed by a Board that is appointed by the City Council of the City of Watonga, OK.

B. Basic Financial Statements

Government-wide Financial Statements

The government-wide financial statements include the statement of net position and statement of activities. These statements report financial information for the City as a whole. The statements distinguish governmental activities, generally supported by taxes and City general revenues, from business-type activities, generally financed in whole or in part with fees charged to external customers. Individual funds are not displayed by the statements.

The statement of activities reports the expenses of a given function offset by program revenues directly connected with the functional program. A function is an assembly of similar activities and may include portions of a fund or summarize more than one fund to capture the expenses and program revenues associated with a distinct functional activity. Program revenues include: (1) charges for services with usage fees, fines and forfeitures, and other charges to users of the City's services; (2) operating grants and contributions which finance annual operating activities; and (3) capital grants and contributions which fund the acquisition, construction, or rehabilitation of capital assets. Taxes and other revenues sources not properly included with program revenues are reported as general revenues.

Fund Financial Statements

Fund financial statements are provided for governmental, proprietary, and fiduciary funds. Major individual governmental and enterprise funds are reported in separate columns.

Measurement Focus and Basis of Accounting

The financial statements of the City are prepared in accordance with accounting principles generally accepted in the United States (U.S. GAAP). The City's reporting entity applies all relevant Governmental Accounting Standards Board (GASB) pronouncements.

The government-wide statements report using the economic resources measurements focus and the accrual basis of accounting. Reimbursements are reported as reductions to expenses. Proprietary financial statements and financial statements of the City's component units also report using the same focus and basis of accounting. Revenues are recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of related cash flows.

Governmental fund financial statements are reported using current financial resources measurement focus and the modified accrual basis of accounting. Revenues are recognized when they are both measurable and available. Measurable means knowing or being able to reasonably estimate the amount. Available means collectible within the current period or soon enough thereafter to pay current liabilities. The City considered revenues to be available if they are collected within 60 days of the end of the fiscal year. Expenses are recorded when the related fund liability is incurred.

Major revenue sources susceptible to accrual include: sales and use taxes and intergovernmental revenues. In general, other revenues are recognized when cash is received.

Operating income reported in the proprietary fund financial statements includes revenues and expenses related to the primary, continuing operations of the fund. Principal operating revenues for proprietary funds are charges to customers for sales or services. Principal operating expenses are the costs of provided goods or services and include administrative expenses and depreciation of capital assets. Other revenues and expenses are classified as non-operating in the financial statements.

C. Budget Policy and Practice

Budget Approval

The City Manager submits an annual budget to the City Council in accordance with the Oklahoma Municipal Budget Act. Council sessions are held, the budget is presented to the City Council for review, and a public hearing is held to address priorities and the allocation of resources. In June, the City Council adopts the annual fiscal year budgets for City operating funds. Once approved, the City Council may amend the legally adopted budget when unexpected modifications are required in estimated revenues and appropriations. Public trusts submit budgets and other planning documents to their respective governing bodies.

Compliance

At June 30, 2023, the City was in material compliance with Oklahoma budgeting regulations.

D. Policies Related to Assets, Liabilities, and Fund Equity

Cash and Investments

For the purposes of the combined balance sheet and the statement of cash flows, "cash and cash equivalents" includes all demand deposits, savings accounts and certificates of deposits or short-term investments (including restricted assets) with an original maturity of three months or less. Deposits are stated at cost.

Investments are reported at fair value which is determined using market prices. Short-term investments are reported at cost, which approximates fair value.

Due from other governments

Significant receivables include sales tax, use tax, gasoline and motor vehicle tax receivables due from the state of Oklahoma and Blaine County. Sales and Use Tax are considered fully collectible.

Accounts Receivable

Significant receivables include amount due from customers primarily for utility services. These receivables are due within one year. Certain enterprise funds report accounts receivable net of an allowance for uncollectible accounts. The allowance amount is estimated using accounts receivable past due more than 90 days.

Restricted Assets

Restricted assets include assets legally restricted for capital projects at the hospital funded through sales tax directives. Restricted assets are current in nature and are reported with current assets in the financial statements.

When both restricted and unrestricted resources are available for use, it is the City's policy to use restricted resources first, then unrestricted resources as needed.

Interfund Balances

Generally, outstanding balances between funds reported as due to/due from other funds include outstanding charges by one fund to another for services for goods or miscellaneous receivables/payables between funds. Activity between funds that is representative of lending/borrowing arrangements outstanding at the end of the fiscal year and are described as due to/due from other funds.

Capital Assets, Depreciation, and Amortization

The City's property, plant, equipment, and infrastructure with useful lives of more than one year are stated at historical cost and reported in the government-wide financial statements. Proprietary capital assets are also reported in their respective fund financial statements. Donated assets are stated at fair value on the date donated. The City generally capitalized assets with cost of \$1,000 or more as purchase and construction outlay occur.

The cost of normal maintenance and repairs that do not add to the asset value or materially extend useful lives are not capitalized. Capital assets are depreciated using the straight-line method. When capital assets are disposed, the cost and applicable accumulated depreciation are removed from the respective accounts, and the resulting gain or loss is recorded in operations.

- Buildings 20-50 years
- Other improvements 10 years
- Machinery, furniture & equipment 5-25 years
- Infrastructure 20-40 years

Costs incurred during construction of long-lived assets are recorded as construction in progress and are not depreciated until placed in service.

Deferred Outflows/Inflows of Resources

In addition to assets, the statement of financial position will sometimes report a separate section for deferred outflows of resources. This separate financial statement element, *deferred outflows of resources*, represents a consumption of net position that applies to a future period and so will *not* be recognized as an outflow of resources (expense/expenditure) until then. The government has deferred inflows related to their defined benefit pension plans.

In addition to liabilities, the statement of financial position will sometimes report a separate section for deferred inflows of resources. This separate financial statement element, *deferred inflows of resources*, represents an acquisition of net position that applies to a future period and so will *not* be recognized as an inflow of resources (revenue) until that time. An example of an item which arises only under a modified accrual basis of accounting that qualifies for reporting in this category would be unavailable revenue from property taxes and special assessments. Accordingly, the item, *unavailable revenue*, is reported only in the governmental funds balance sheet. Those amounts would be deferred and recognized as an inflow of resources in the period that the amounts become available. The City has deferred outflows related to their defined benefit pension plans.

Compensated Absences

Full-time employees are granted vacation benefits in varying amounts to specified maximums depending on tenure with the City. Sick leave accrues to full-time employees at 1 day per month with a specified maximum of 65 days. Sick leave is not payable at the termination of employment. Employees are entitled to all accrued vacation leave upon termination. The estimated liabilities include required salary-related payments. Compensated absences are reported as accrued current liabilities in the government-wide and proprietary financial statements. Governmental funds report only matured compensated absences payable to currently terminating employees.

Long-Term Debt

In the government-wide, proprietary, and component unit financial statements, outstanding debt is reported as a liability.

Fund Equity

Fund Balance

The governmental fund financial statements report reserved fund balance for amounts not available for appropriation or legally restricted for specified purposes beyond the restrictions applicable to the fund.

Net Position

Both proprietary fund financial statements and government-wide financial statements report net position. Amounts invested in capital assets, net of related debt and legally restricted amounts are separated from unrestricted net position.

Invested in capital assets, net of related debt

The amount restricted 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 improvement of those assets.

Restricted net position

Amounts reported as restricted consist of net position with constraints placed on their use either by (1) external groups such as creditors, grantors, contributors, or laws and regulations of other governments; or (2) law through constitutional provisions or enabling legislation.

Governmental Fund Balances

The Governmental Accounting Standards Board (GASB) has issued Statement No. 54, *Fund Balance Reporting and Governmental Fund Type Definitions* (GASB 54). This Statement defines the different types of fund balances that a governmental entity must use for financial reporting purposes.

GASB 54 requires the fund balance amounts to be properly reported within one of the fund balance categories listed below.

Nonspendable

Fund balance associated with inventories, prepaids, long-term loans and notes receivable, and property held for resale (unless the proceeds are restricted, committed, or assigned),

Restricted

Fund balance category includes amounts that can be spent only for the specific purposes stipulated by constitution, external resource providers, or through enabling legislation,

Committed

Fund balance classification includes amounts that can be used only for the specific purposes determined by a formal action of the City Commission, the City's highest level of decision-making authority,

Assigned

Fund balance classification are intended to be used by the government for specific purposes but do not meet the criteria to be classified as restricted or committed, and

Unassigned

Fund balance is the residual classification for the government's general fund and includes all spendable amounts not contained in the other classifications

Use of Estimates

The preparation of financial statements in conformity with US GAAP requires management to make estimates and assumptions that affect certain reporting amounts and disclosures; accordingly, actual results could differ from those estimates.

Prior Period Adjustments

A prior period adjustment for prepaid insurance in the amount of \$30,406 was made to the governmental funds.

E. Policies Related to Revenues and Expenses

Program Revenues

Charges for Services

Program revenues reported with governmental activities include charges for services like permits and fees, park charges, and fines and forfeitures. Business-type activity charges for services include all operating income of proprietary funds.

Grants and Contributions

Governmental grants and contributions primarily consist of grants from Federal and state agencies. The nature of the grant determines if it is reported as operating or capital program revenues.

Business-type activity grants and contributions include donations from others as well as grants from Federal and state agencies.

General Revenues

General revenues reported with governmental activities include tax revenues and unrestricted investment income.

Sales Tax

Effective July 1, 2023 the City increased the sales tax levy from 5% to 6% based upon a vote of the citizens. The sales tax is levied on taxable sales within the City and is collected by the Oklahoma Tax Commission. Tax collections is remitted to the City in the month following receipt by the Tax Commission. A portion of the sales tax levied is restricted as to the use.

One percent (1%) is restricted and recorded as sales tax revenue in the Hospital Special Revenue Fund for capital improvements at the Hospital. One half percent (1/2 %) is restricted and recorded in the Sales Tax (Capital Improvement) Fund to development of the Huff-Lorang Park, other park improvements, police and fire department use, and other capital improvements. One percent (1%) is restricted and reported as healthcare transfer to Mercy Hospital in accordance with the lease dated June 22, 2012 (See note (5)C. for further information). One percent (1%) is restricted to make payments on a 30 year low interest rate OWRB loan issued for needed water and sewer projects in the City.

The remaining two percent (2 1/2%) is unrestricted and is recorded as sales tax revenue within the General Fund.

Property Tax

Under State law, municipalities are limited in their ability to levy a property tax. Such tax may only be levied to repay principal and interest on general obligation bonded debt approved by voters and any court-assessed judgments.

The property tax levy, as determined by the City's debt service needs, is submitted to the County Excise Board for approval. County assessors, elected officials, determine the taxable value of real estate and personal property in the County. A State Board of Equalization hears complaints on real estate values with the power to equalize assessments. Under present State law, the ratio of assessed value to true value cannot exceed 35%.

Property taxes levied by the City are billed and collected by the County Treasurer's Office and remitted to the City in the month following collection. Property taxes are levied normally in October and are due in equal installments on December 31 and March 31. Property taxes unpaid for the fiscal year are attached by an enforceable lien on property in the following October.

For the year ended June 30, 2023, the City's net assessed valuation of taxable property was \$19,882,298. The City levied 5.57 mills this year.

(3) ASSETS, LIABILITIES, AND NET POSITION OR FUND BALANCE

A. Assets

Deposits and Investments

Deposits

Custodial credit risk for deposits is the risk that in the event of a bank failure, the City's deposits may not be returned or the City will not be able to recover collateral securities in the possession of an outside party. The City's deposits are secured by collateral values at market or par, whichever is lower, less the amount covered by the Federal Deposit Insurance Corporation (FDIC). Deposited funds may be invested in certificates of deposit in institutions with an established record of fiscal health and service.

Interest rate risk is the risk that changes in interest rates will adversely affect the fair value of an investment. Investments held for longer periods are subject to increased risk of adverse interest rate changes.

Investments

The City invests primarily in certificates of deposit. Investment securities are exposed to various risks such as interest rate risk and credit risk.

CITY OF WATONGA, OKLAHOMA
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2023

<u>Types of Investments</u>	Primary Government			
	<u>Fair Value/ Carrying Amount</u>	<u>Cost</u>	<u>Average Credit Quality/ Ratings (1)</u>	<u>Weighted Average Days to Maturity (2)</u>
Primary government				
<u>INVESTMENTS:</u>				
Certificates of deposit	\$ 1,390,318	\$ 1,390,318	N/A	290.5
Total investments	<u>1,390,318</u>	<u>1,390,318</u>		
 Total primary government investments	 <u>\$ 1,390,318</u>	 <u>\$ 1,390,318</u>		

RECONCILIATION TO STATEMENT OF NET POSITION

	<u>Governmental Activities</u>	<u>Business-type Activities</u>	<u>Total</u>
Investments, unrestricted	\$ 1,240,318	\$ 150,000	\$ 1,390,318
Total investments	<u>\$ 1,240,318</u>	<u>\$ 150,000</u>	<u>\$ 1,390,318</u>

(1) Ratings are provided where applicable to indicate associated **Credit Risk**. N/A indicates not applicable.

(2) **Interest rate risk** is estimated using either duration or weighted average days to maturity depending on the respective policy.

Restricted Assets

	<u>Cash</u>	<u>Investments</u>	<u>Total</u>
<i>Governmental Activities:</i>			
Debt service sinking fund	\$ 55,199	\$ -	\$ 55,199
Street & alley funds	127,105	-	-
Total Governmental Activities:	<u>182,304</u>	<u>-</u>	<u>55,199</u>
 <i>Business-Type Activities:</i>			
Light & Water Fund			
OWRB 2023 Project	13,000,100	-	13,000,100
 Total Restricted Assets	 <u>\$ 13,182,404</u>	 <u>\$ -</u>	 <u>\$ 13,055,299</u>

CITY OF WATONGA, OKLAHOMA
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2023

Capital Assets

Changes in Capital Assets

	Primary Government			
	<u>Balance at June 30, 2022</u>	<u>Additions</u>	<u>Deletions</u>	<u>Balance at June 30, 2023</u>
<i>Governmental Activities</i>				
Non-Depreciable Assets				
Land	\$ 713,545	\$ 1,875	\$ -	\$ 715,420
Construction in Progress	-	32,500	-	32,500
Depreciable Assets				
Buildings & structures	4,689,084	19,500	-	4,708,584
Machinery, furniture, & equipment	4,304,161	87,723	-	4,391,884
Infrastructure & improvements	19,391,228	77,402	-	19,468,630
Total	29,098,018	219,000	-	29,317,018
Less accumulated depreciation	23,108,430	933,086	-	24,041,516
Governmental fixed assets, net	<u>\$ 5,989,588</u>	<u>\$ (714,086)</u>	<u>\$ -</u>	<u>\$ 5,275,502</u>
<i>Business-type Activities</i>				
Non-Depreciable Assets				
Land	\$ 73,020	\$ -	\$ -	\$ 73,020
Construction in Progress	539,739	330,243	502,673	367,309
Depreciable Assets				
Buildings & structures	9,766,918	2,395,646	-	12,162,564
Machinery, furniture, & equipment	2,268,651	247,048	-	2,515,699
Infrastructure & improvements	20,502,388	586,266	-	21,088,654
Total	33,150,716	3,559,203	502,673	36,207,246
Less accumulated depreciation	21,882,642	894,120	-	22,776,762
Business-type fixed assets, net	<u>\$ 11,268,074</u>	<u>\$ 2,665,083</u>	<u>\$ (502,673)</u>	<u>\$ 13,430,484</u>
Total primary government	<u>\$ 17,257,662</u>	<u>\$ 1,950,997</u>	<u>\$ (502,673)</u>	<u>\$ 18,705,986</u>

	<u>Light & Water Fund</u>	<u>Watonga Hospital Authority</u>	<u>Public Works Authority</u>	<u>Economic Development Authority</u>	<u>Total Business- Type</u>
<i>Business-type Activities</i>					
Non-Depreciable Assets					
Land	\$ 48,070	\$ 3,950	\$ 21,000	\$ -	\$ 73,020
Construction in progress	317,351	-	-	49,958	367,309
Depreciable Assets					
Buildings & structures	222,856	2,616,495	9,323,213	-	12,162,564
Machinery, furniture, & equipment	1,723,767	28,618	763,314	-	2,515,699
Infrastructure & improvements	21,088,654	-	-	-	21,088,654
Total	23,400,698	2,649,063	10,107,527	49,958	36,207,246
Less accumulated depreciation	(15,837,326)	(1,020,018)	(5,919,418)	-	(22,776,762)
Business-type fixed assets, net	<u>\$ 7,563,372</u>	<u>\$ 1,629,045</u>	<u>\$ 4,188,109</u>	<u>\$ 49,958</u>	<u>\$ 13,430,484</u>

CITY OF WATONGA, OKLAHOMA
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2023

Depreciation Expense

		Primary Government	
Governmental Activities		Business-type Activities	
General government	\$ 47,743	Water	\$ 226,986
Public safety & judiciary	122,556	Sewer	222,919
Transportation	685,033	Electric	130,204
Cultural, parks & recreation	77,754	Administration	4,754
Total depreciation expense	\$ 933,086	Sanitation	37,731
		Hospital	60,380
		Airport	211,146
		Total depreciation expense	\$ 894,120

B. Liabilities

Notes Payable

Governmental Activities

The City of Watonga issued General Obligation Hospital Funding Bonds of 2013 dated June 1, 2013 in the amount of \$1,700,000 to be used for obligations incurred in the operations, equipping and maintenance of Watonga Municipal Hospital as well as all legal, financial, and other costs relating to the issuance of the bonds. Payments are made semi-annually with a variable interest rate ranging from 2.00% to 3.6%. The bonds mature June 1, 2032. \$ 810,000

On May 18, 2021, the City of Watonga entered into a lease purchase agreement with First State Bank for the purchase of the new City Hall building in the amount of \$585,000. After a down payment of \$117,000 on May 18, 2021, the loan carries an interest rate of 3.5% with 4 annual payments of \$32,601.77 beginning December 15, 2021. Effective on December 16, 2024 and thereafter on the 16th day of December every 5 years thereafter, the monthly payment owing under this Lease shall be recalculated using an interest rate equal to the lowest *Wall Street Journal* prime rate plus 0.25%; provided however the interest rate shall not fall below 3.5% per annum, maturing December 15, 2040. 428,189

\$ 1,238,189

Business-Type Activities

On June 7, 2023, the Watonga Public Works Authority finalized a loan with Oklahoma Water Resources Board for construction of a water treatment plant and wastewater plant in the amount of \$13,075,000. The loan bears interest of 5% with monthly payments of \$64,816.52 beginning July 15, 2023. Principal payments begin on October 1, 2023 and continue annually thereafter, maturing on October 1, 2053. \$ 13,075,000

\$ 13,075,000

Changes in Long-Term Debt

Type of Debt	Balance at July 1, 2022	Amount Issued	Amount Retired	Balance at June 30, 2023	Due Within One Year
Governmental activities:					
General Obligation bonds	\$ 900,000	\$ -	\$ 90,000	\$ 810,000	\$ 90,000
Lease obligations payable	444,999	-	16,897	428,102	17,407
Business-type activities:					
Oklahoma Water Resources Board	-	13,075,000	-	13,075,000	-
Total business-type activities	\$ -	\$ 13,075,000	\$ -	\$ 13,075,000	\$ -
Total primary government	\$ 1,344,999	\$ 13,075,000	\$ 106,897	\$ 14,313,102	\$ 107,407

CITY OF WATONGA, OKLAHOMA
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2023

Annual Debt Service Requirements

Year Ending June 30	Governmental Activities		Business-type Activities	
	Principal	Interest	Principal	Interest
	2024	\$ 107,407	\$ 38,730	\$ -
2025	108,025	35,547	200,000	608,851
2026	108,664	32,207	210,000	598,191
2027	109,327	28,710	220,000	587,011
2028	110,013	25,099	230,000	575,311
2029-2033	471,233	74,141	1,355,000	2,677,786
2034-2038	132,420	30,589	1,740,000	2,277,256
2039-2043	91,013	6,535	2,215,000	1,797,622
2044-2048	-	-	2,730,000	1,265,014
2049-2053	-	-	3,400,000	579,494
2054	-	-	775,000	17,728
Totals	\$ 1,238,102	\$ 271,558	\$ 13,075,000	\$ 11,485,739

(4) REVENUES AND EXPENSES

Interfund Transfers

C. Interfund Balances

Transfers within the Primary Government primarily represent operating transfers from Light & Water Fund to General Fund and the majority of the remainder of the transfers are for capital projects.

	<u>Transfers In</u>	<u>Transfers Out</u>
GENERAL FUND		
Light and Water Fund	\$ 1,594,087	\$ 4,686
Grant Fund	6,931	-
Hospital Special Revenue Fund	742	-
Sales Tax (Capital Improvement) Fund	3,152	40,000
Library Special Revenue	5,389	-
Economic Development Fund	-	50,000
Total General Fund	<u>1,610,301</u>	<u>94,686</u>
HOSPITAL SPECIAL REVENUE FUND		
General Fund	-	742
Total Hospital Special Revenue Fund	<u>-</u>	<u>742</u>
SALES TAX (CAPITAL IMPROVEMENT) FUND		
General Fund	40,000	3,152
Light and Water Fund	32,602	16,301
Total Sales Tax (Cap Improve) Fund	<u>72,602</u>	<u>19,453</u>
GRANT FUND		
General fund	-	6,931
Light & Water Fund	46,400	40,025
Total Grant Fund	<u>46,400</u>	<u>46,956</u>
LIBRARY SPECIAL REVENUE		
General Fund	-	5,389
Total Library Special Revenue Fund	<u>-</u>	<u>5,389</u>
ECONOMIC DEVELOPMENT FUND		
General Fund	50,000	-
Total Economic Development Fund	<u>50,000</u>	<u>-</u>
LIGHT AND WATER FUND		
General Fund	4,686	1,594,087
Grant Fund	40,025	46,400
Sales Tax (Capital Improvement) Fund	16,301	32,602
Total Light and Water Fund	<u>61,012</u>	<u>1,673,089</u>
GRAND TOTAL	\$ 1,840,315	\$ 1,840,315

(5) PENSION AND POST-EMPLOYMENT PLANS

The City participates in three employee pension systems as follows:

<u>Name of Plan</u>	<u>Type of Plan</u>
Oklahoma Municipal Retirement Fund	Agent Multiple Employer – Defined Benefit Plan
Oklahoma Police Pension and Retirement Fund	Cost Sharing Multiple Employer – Defined Benefit Plan
Oklahoma Firefighter Pension and Retirement Fund	Cost Sharing Multiple Employer – Defined Benefit Plan

A. Oklahoma Municipal Retirement Fund- Defined Benefit Plan

Plan Description

Substantially all of the City's full-time employees, except police and firefighters, participate in a defined benefit pension plan adopted by the City and administered by the Oklahoma Municipal Retirement System (OMRF), which was established to administer pension plans for municipal employees. OMRF issues a publically available financial report that can be obtained at www.okmrf.org.

Benefits Provided

OMRF provides retirement, disability, and death benefits. Retirement benefits are determined as 3 percent of the employee's final average compensation multiplied by the employee's years of service; final average compensation is the average of the 5 highest consecutive years of salaries out of the last 10 years of service. Vesting requires 7 years of service. Members are eligible for normal retirement at age 65 with 10 years of vested service or age 62 with 30 years of vested service. The benefit is payable immediately. Early retirement is available after age 55 with 10 years of vested service. Early retirement benefits are paid at the normal retirement age, or reduced 5% per year for commencement prior to the normal retirement age.

Disability retirement is provided for member's total and permanent disability after 10 or more years of service. The accrued benefit is payable upon disablement without reduction for early payment.

In-service death benefits are payable after vesting at 50% of the accrued benefit until the death of the spouse or remarriage. If the member was not vested at the time of in-service death, member contributions are returned, if any, with interest.

Contributions

Required contribution rates are actuarially measured each year and authorized through City Ordinance. Employees are required to contribute 4.0% of paid salary. For the year ended June 30, 2023, the City's contribution was 11.89%. Contributions to the pension plan from the City were \$207,748 for the year ended June 30, 2023.

Membership

Membership in the plan is as follows:

	<u>As of July 1, 2022</u>
Inactive employees & beneficiaries receiving benefits	24
Inactive employees entitled to but not yet receiving benefits	3
Active participants	34
Total	61

Pension Liabilities, Pension Expense, and Deferred Outflows of Resources and Deferred Inflows of Resources related to OPPRS

At June 30, 2023, the City reported a liability of \$759,342 for its proportionate share of the net pension liability. The net pension liability was measured as of July 1, 2022, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of that date. The City's proportion of the net pension liability was based on a projection of the City's long-term share of contributions to the pension plan relative to the projected contributions of all participating municipalities, actuarially determined.

Changes to the actuarial valuation between the measurement date of the net pension liability and the City's reporting dates are not expected to have a significant effect on the net pension liability.

For the year ended June 30, 2023, the City recognized pension expense of \$66,381. At June 30, 2023, the City reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

CITY OF WATONGA, OKLAHOMA
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	<u>Deferred Outflows of Resources</u>	<u>Deferred Inflows of Resources</u>
Difference between expected and actual experience	\$ 2,022	\$ 227,257
Changes of assumptions	3,005	132,922
Net difference between projected and actual earnings on pension plan investments	942,651	536,005
Changes in proportion and differences between City contributions and proportionate share of contributions	-	-
City contributions subsequent to the measurement date	207,748	-
Total	<u><u>\$ 1,155,426</u></u>	<u><u>\$ 896,184</u></u>

Other amounts reported deferred inflows and outflows of resources related to pensions will be recognized in pension expense as follows:

Year ended June 30:

2024	\$ (84,019)
2025	(48,744)
2026	(35,558)
2027	219,815
2028	-
Thereafter	-
	<u><u>\$ 51,494</u></u>

Actuarial assumptions: The total pension liability in the June 30, 2020 actuarial valuation was determined using the following actuarial assumptions, applied to all periods included in the measurement:

Inflation	2.75 percent
Salary increases	4.5% to 7.5%
Investment rate of return	7.50 percent, net of pension plan investment expense and inflation

Mortality rates were based on the PubG-2010. Valuation rates are projected for mortality improvement by the Society of Actuaries' table AA based upon the employee's year of birth.

The actuarial assumptions used in the July 1, 2021 valuation were based on the results of an actuarial experience study for the period ended July 1, 2016 through June 30, 2020.

The long-term expected rate of return on pension plan investments was determined using a building-block method in which best-estimate ranges of expected future real rates of return (expected returns, net of pension plan investment expense and inflation) are developed for each major asset class. These ranges are combined to produce the long-term expected rate of return by weighting the expected future real rates of return by the target asset allocation percentage and by adding expected inflation (2.75%). Best estimates of arithmetic real rates of return for each major asset class included in the pension plan's target asset allocation as of July 1, 2020 are summarized in the following table:

	<u>Target Allocation</u>	<u>Real Return</u>	<u>Weighted Return</u>
Large cap stocks - S&P 500	25%	5.80%	1.45%
Small/mid cap stocks - Russell 2500	10%	6.40%	0.64%
Long/short equity - MSCI ACWI	10%	5.00%	0.50%
International stocks - MSCI EAFE	20%	6.20%	1.24%
Fixed income bonds - Barclay's Capital Aggregate	30%	2.30%	0.69%
Real estate - NCREIF	5%	4.60%	0.23%
Cash equivalents - 3 month Treasury	0%	0.00%	0.00%
	100%		
		Average Real Return	4.75%
		Inflation	<u>2.75%</u>
		Long term expected return	<u><u>7.50%</u></u>

Discount rate: The discount rate used to value benefits was the long-term expected rate of return on plan investments, 7.50%, as prescribed by paragraph 26 of GASB 68 when the plan's fiduciary net position is projected to be sufficient to make projected benefit payments. The City has adopted a funding method that is designed to fund all benefits payable to participants over the course of their working careers. Any differences between actual and expected experience are funded over a fixed period to ensure all funds necessary to pay benefits have been contributed to the trust before those benefits

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are payable. Thus, in accordance with paragraph 29, the evaluations required by paragraph 27 to determine the sufficiency pension plan assets can be made without a separate projection of cash flows..

Changes in the Net Pension Liability

	Increase (Decrease)		
	Total Pension Liability (a)	Plan Fiduciary Net Position (b)	Net Pension Liability (a) - (b)
Balances at June 30, 2021	5,672,956	5,603,053	69,903
Changes for the year:			
Service cost	156,562	-	156,562
Interest cost	411,076	-	411,076
Differences between expected and actual experience	(137,904)	-	(137,904)
Assumption changes	(178,757)	-	(178,757)
Contributions - employer	-	201,553	(201,553)
Contributions - employee	-	53,727	(53,727)
Net investment income	-	(684,194)	684,194
Benefit payments, including refunds of employee contributions	(390,951)	(390,951)	-
Administrative expense	-	(9,548)	9,548
Other changes	-	-	-
Net changes	(139,974)	(829,413)	689,439
Balances at June 30, 2022	\$ 5,532,982	\$ 4,773,640	\$ 759,342

Sensitivity of the City's proportionate share of the net pension liability to changes in the discount rate: The following presents the City's proportionate share of the net pension liability calculated using the discount rate of 7.5 percent, as well as what the City's proportionate share of the net pension liability would be if it were calculated using a discount rate that is 1-percentage-point lower (6.5 percent) or 1-percentage-point higher (8.5 percent) than the current rate:

	1% Decrease (6.5%)	Current Discount Rate (7.5%)	1% Increase (8.5%)
City's proportionate share of the net pension liability/(asset)	1,329,012	759,342	275,306

Pension plan fiduciary net position: Detailed information about the pension plan's fiduciary net position is available in the separately issued OMRF financial report.

B. Defined Benefit Cost-Sharing, Multiple Employer Pension Plans

Plan Description

The City of Watonga, as the employer, participates in two statewide, cost-sharing, multiple-employer defined benefit plans on behalf of police officers and firefighters.

Under Title 36-312.1 of the State of Oklahoma Statutes, 14% and 34% of taxes collected for insurance premium taxes is allocated and distributed to the Oklahoma Police Pension and Retirement System and the Oklahoma Firefighters Pension Retirement System, respectively. This provides ear-marked state taxes to help with the financing burden for the police and fire plans. The expected employer contributions expected to be funded by the State are not considered in the calculations of the net pension asset/liability and related deferred inflows, deferred outflows and pension expense.

Reporting

The required supplementary information schedules of funding progress immediately following the notes to the financial statements presents certain ten-year trend information for as many years for which information measured in conformity with the requirements of GASB 68 is available. Detailed information about the Oklahoma Police and Firefighter Plans' fiduciary net position is available in the separately issued Oklahoma Police Pension report and the Oklahoma Firefighters Pension report. Copies of these reports may be obtained from the respective state retirement systems: Oklahoma Police Pension and Retirement System, 1001 NW 63rd Street, Suite 305, Oklahoma City OK 73116-7335 (or www.ok.gov/OPPRS), and the Oklahoma Firefighters Pension and Retirement System at 4545 N Lincoln Blvd., Suite 265, Oklahoma City, OK 73105 (or www.ok.gov/fprs).

Funding Policies, Contribution Methods, & Benefit Provisions

	Police Pension	Firefighters Pension
Eligibility to participate	All full-time officers employed by a participating municipality, not less than 21 years of age or more than 45 years of age when hired	All full-time or voluntary firefighters of a participating municipality hired before age 45
Authority establishing contribution obligations & benefit provisions	State Statute	State Statute
Plan members' contribution rate	8% of covered payroll	9% of covered payroll
City's contribution rate	13% of covered payroll	14% of covered payroll
Period required to vest	10 years	10 years
Benefits and eligibility for distribution (full-time)	20 years credited service, 2 ½% of final average salary multiplied by the years of credited service with a maximum of 30 years considered, if vested, at or after age 50, or after 10 but before 20 years of credited service, with reduced benefits	20 years credited service, 2 ½% final average salary multiplied by the years of credited service with a maximum of 30 years considered; if vested, at or after age 50, or after 10 but before 20 years of credited service, with reduced benefits
Benefits and eligibility for distribution (volunteer)	N/A	20 years credited service equal to \$7.53 per month per year of service, with a maximum of 30 years considered
Deferred retirement option	Yes, 20 years credited service with additional option to participate in deferred option plan for a maximum of 5 years	Yes, 20 years credited service with additional option to participate in deferred option plan for a maximum of 5 years

These two plans are administered by agencies of the State of Oklahoma and funded by contributions from participants, employers, insurance premium taxes, and state appropriations, as necessary.

Actuarial Assumptions

	Police Pension	Firefighters Pension
Valuation date	7/1/22	7/1/22
Provisions for:		
Disability benefits	Yes	Yes
Death benefits	Yes	Yes
Actuarial cost method	Entry age	Entry age
Amortization method	Level dollar, open	Level dollar, closed
Amortization period	5 years	30 years
Actuarial asset valuation method	5-year smoothed	An expected actuarial value is determined equal to the prior year's actuarial value of assets plus cash flow (excluding realized and unrealized gains losses) for the year ended on the valuation date and assuming a 7.5% interest return. 20% of any (gain) loss is amortized over 5 years. The result is constrained to a value of 80% to 120% of the fair value at the valuation
Investment rate of return	7.5%	7.5%
Projected salary increases	3.5% to 12%	2.75% to 10.50%
Cost of living increases (maximum)	1/3 to ½ of the increase or decrease of any adjustment to the base salary of a regular police officer, based on an increase in base salary of 3.5% (wage inflation)	Paid firefighters with 20 years of service prior to May 26, 1983 receive an increase of half of the dollar amt of a 2.75% of an increase in base pay. No COLA is assumed for members not eligible for this increase
Inflation	3.5%	2.75%
Source of mortality assumptions	RP-2000 Combined Blue Collar Healthy Table with age set back 4 years with fully generational improvement using scale AA	RP-2010 Public Safety Table with generational mortality improvement using MP-2018
Experience study	Actuarial assumptions were based upon results of an experience study covering the period July, 2012 to June, 2017	Actuarial assumptions were based upon results of an experience study covering the period July 1, 2013 to July 30, 2018

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Trend Information

	Police Pension					Fire Pension				
	Actuarially Determined Contribution	City Proportionate Share	City Contribution	% Contributed	State Contribution	Actuarially Determined Contribution	City Proportionate Share	City Contribution	% Contributed	State Contribution
2023	\$35,777,000	\$24,364	\$46,124,000	24.23%	\$39,848,000	\$150,350,348	\$98,985	\$37,851,725	42.81%	\$102,442,025
2022	\$44,682,000	\$35,075	\$44,405,000	21.31%	\$28,368,000	\$151,539,372	\$94,762	\$37,220,559	35.15%	\$72,923,900
2021	\$39,475,000	\$34,689	\$44,226,000	24.84%	\$40,295,000	\$142,015,118	\$70,695	\$36,395,216	43.96%	\$103,591,633
2020	\$36,720,000	\$35,986	\$42,154,000	25.20%	\$39,559,000	\$150,174,973	\$65,466	\$37,693,595	45.30%	\$101,700,051
2019	\$32,798,000	\$28,108	\$40,135,000	25.64%	\$39,028,000	\$155,547,401	\$77,408	\$36,015,374	44.99%	\$100,333,324
2018	\$51,417,000	\$35,838	\$38,887,000	24.46%	\$34,283,000	\$141,509,975	\$67,877	\$34,567,211	43.04%	\$88,133,633
2017	\$45,054,000	\$31,267	\$38,533,000	25.12%	\$35,915,000	\$139,226,348	\$62,547	\$32,670,684	45.68%	\$92,330,270
2016	\$63,908,000	\$37,131	\$37,261,000	24.64%	\$35,490,000	\$142,494,951	\$67,910	\$29,001,438	44.44%	\$91,235,807
2015	\$90,283,000	\$45,503	\$35,547,000	23.10%	\$31,329,000	\$162,103,277	\$79,268	\$31,518,945	40.90%	\$79,545,329

Trend information showing the progress of the systems in accumulating sufficient assets to pay benefits when due is presented in the annual financial reports of the respective plans. Copies of these reports may be obtained from the respective state retirement systems: Oklahoma Police Pension and Retirement System, 1001 NW 63rd Street, Suite 305, Oklahoma City OK 73116-7335 (or www.ok.gov/OPPRS), and the Oklahoma Firefighters Pension and Retirement System at 4545 N Lincoln Blvd., Suite 265, Oklahoma City, OK 73105 (or www.ok.gov/fprs).

Net Pension Asset (Liability)

Proportionate Share

Police Pension

The Police Pension's net pension liability was allocated proportionately to the City of Watonga based on the ratio of the City's actual contributions to the Police pension, relative to the total contributions of the Police pension for the fiscal year ended June 30, 2023. The City's portion for 2022 was 0.0681% compared to .0785% for 2021.

Firefighters Pension

The Firefighters Pension's net pension liability was allocated proportionately to the City of Watonga based on the ratio of the City's actual contributions, relative to the total contributions for the fiscal year ended June 30, 2023. The City's portion for 2022 was 0.065836% compared to 0.062533% for 2021.

Net Pension Asset (Liability)

	Police Pension		Firefighters Pension	
	Total	Proportionate Share	Total	Proportionate Share
Total pension liability	(2,928,775,000)	(1,994,496)	(4,285,580,433)	(2,821,455)
Fiduciary net position	3,008,967,000	2,049,107	2,977,845,962	1,960,495
Net pension asset (liability)	<u>80,192,000</u>	<u>54,611</u>	<u>(1,307,734,471)</u>	<u>(860,960)</u>

Plan fiduciary net position as a percentage of the total pension liability	102.74%	117.07%	69.49%	84.24%
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CITY OF WATONGA, OKLAHOMA
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	Total Pension Liability		Plan Fiduciary Net Position		Net Pension Liability	
	(a)		(b)		(a) - (b)	
	<u>POLICE</u>	<u>FIRE</u>	<u>POLICE</u>	<u>FIRE</u>	<u>POLICE</u>	<u>FIRE</u>
Beginning balance *	1,913,775	2,751,535	2,240,462	2,317,961	(326,687)	433,574
Service cost	48,283	43,862	-	-	48,283	43,862
Interest cost	138,585	202,038	-	-	138,585	202,038
Benefit term changes	-	-	-	-	-	-
Differences btwn expected and actual experience	28,245	27,121	-	-	28,245	27,121
Assumption changes	-	-	-	-	-	-
Contributions - employer	-	-	31,410	30,240	(31,410)	(30,240)
Contributions - employee	-	-	19,814	19,213	(19,814)	(19,213)
Contributions - State of OK	-	-	27,136	67,444	(27,136)	(67,444)
Net investment income	-	-	(133,853)	(269,776)	133,853	269,776
Benefit payments, including refunds	(134,393)	(203,101)	(134,393)	(203,101)	-	-
Administrative expense	-	-	(1,471)	(1,487)	1,471	1,487
Ending balance	\$ 1,994,495	\$ 2,821,455	\$ 2,049,105	\$ 1,960,494	\$ (54,610)	\$ 860,961

* Represents the beginning balance based on current year proportionate shares therefore, amounts will not equal amount reported in required supplementary information for the prior year

Rate of Return and Discount Rate

Rate of Return

Police Pension

The annual money-weighted rate of return on pension plan investments, net of pension plan investment expense was 3.36%. The money-weighted rate of return expresses the investment performance, net of investment expense, adjusted for the changing amounts actually invested.

Firefighters Pension

The annual money-weighted rate of return on pension plan investments, net of pension plan investment expense was 4.03%. The money-weighted rate of return expresses the investment performance, net of investment expense, adjusted for the changing amounts actually invested.

Long-term Expected Rate of Return and Target Allocations

Police Pension

The long-term expected rate of return on pension plan investments was determined using a building block method in which best-estimate ranges of expected future real rates of return (expected returns, net of pension plan investment expense and inflation) are developed for each major asset class. These ranges are combined to produce the long-term expected rate of return by weighting the expected future real rates of return by the target asset allocation percentage and by adding expected inflation. Best estimates of arithmetic real rates of return for each major asset class included in the pension plan's target asset allocation.

Firefighters Pension

The long-term expected rate of return on pension plan investments was determined using a building block method in which best-estimate ranges of expected future real rates of return (expected returns, net of pension plan investment expense and inflation) are developed for each major asset class. These ranges are combined to produce the long-term expected rate of return by weighting the expected future real rates of return by the target asset allocation percentage and by adding expected inflation. Best estimates of arithmetic real rates of return for each major asset class included in the pension plan's target asset allocation.

	<u>Police Pension</u>		<u>Firefighters Pension</u>
	<u>Long-term Expected Rate of Return</u>		<u>Long-term Expected Rate of Return</u>
Fixed income	3.22%	Fixed income	3.53%
Domestic equity	4.55%	Domestic equity	5.73%
International equity	8.5%	International equity	8.5%
Real estate	7.97%	Real estate	7.97%
Private equity	9.36%	Other assets	4.73%
Commodities	0.00%		

Discount Rate

Police Pension

The discount rate used to measure the total pension liability was 7.5%. The projection of cash flows used to determine the discount rate assumed that contributions from plan members will be made at the current contribution rate and that contributions from employers will be made at contractually required rates, determined by Oklahoma statutes. Projected cash flows also assume the State of Oklahoma will continue contributing 14% of the insurance premium, as established by Oklahoma statute. Based on these assumptions, the pension plan's fiduciary net position was projected to be available to make all projected future benefit payments of current plan members. Therefore, the long-term expected rate of return on the Plan's investments was applied to all periods of projected benefit payments to determine the total pension liability.

Firefighters Pension

The discount rate used to measure the total pension liability was 7.5%. The projection of cash flows used to determine the discount rate assumed that contributions from plan members will be made at the current contribution rate and that contributions from employers will be made at contractually required rates, determined by Oklahoma statutes. Projected cash flows also assume the State of Oklahoma will continue contributing an allocation of the insurance premiums, as established by Oklahoma statute. Prior to July 1, 2020, the Plan was allocated 36% of the Statewide insurance premiums tax (25.2% effective 9/1/2020). The Plan will also receive \$40,625 each year from 7/1/2020 through 6/30/2027. Based on these assumptions, the Plan's fiduciary net position was projected to be available to make all projected future benefit payments of current plan members. Therefore, the long-term expected rate of return on the Plan's investments was applied to all periods of projected benefit payments to determine the total pension liability. The long-term expected rate of return remained at 7.5% to reflect the expected asset allocation.

Sensitivity of Net Pension Liability to Changes in the Discount Rate

The following table presents the City's proportionate allocation of the total pension liability of the Police Pension and Firefighters Pension would be if it were calculated using a discount rate that is 1-percentage-point lower or 1-percentage-point higher than the current rate and the resulting net pension asset (liability):

	<u>Rate</u>	Police Pension Net Pension <u>Asset(Liability)</u>	<u>Rate</u>	Firefighters Pension Net Pension <u>Asset(Liability)</u>
1% decrease	6.5%	(158,228)	6.5%	(1,109,413)
Current single discount rate	7.5%	54,612	7.5%	(860,957)
1% increase	8.5%	234,514	8.5%	(653,141)

Other Post-Employment Benefits

For the year ended June 30, 2023, the City provided no post-employment benefits (other than pension) to terminated employees.

(6) COMMITMENTS AND CONTINGENCIES

A. Litigation

The City is a party to various legal proceedings which normally occur in the course of governmental operations. The financial statements do not include accrual or provisions for loss contingencies that may result from these proceedings. 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.

B. Grant Program Involvement

In the normal course of operations, the City participates in various federal or state grant/loan programs from year to year. The grant/loan programs are often subject to additional audits by agents of the granting or loaning agency, the purpose of which is to ensure compliance with the specific conditions of the grant or loan. Any liability for reimbursement, which may arise as a result of these audits, cannot be reasonably determined at this time, although it is believed the amount, if any, would not be material.

C. Mercy Hospital Watonga Inc. Lease

On June 22, 2012 the Watonga Municipal Hospital Authority entered into an agreement to sublease the hospital for a seven year period commencing July 1, 2012 (initial term). The lease will be extended for thirteen additional one year terms unless the lessee gives written notice to the Authority at least 180 days prior to the end of the initial term or any renewal term of its desire to terminate the lease. The consideration for the lease is \$1 per year (for leasing the premises).

The Authority transferred cash and equivalents, patient accounts receivable and supplies inventory, all equipment used in the operation of the hospital. No consideration was provided. The lessee (Mercy) also assumed the Authority's accruals for salary expense, accrued employee benefits, and accrued compensated absences. The building and improvements remain property of the Authority and is leased by Mercy Hospital Watonga Inc. as noted above.

The lessee is permitted to terminate the lease, either during the initial term or any renewal term, at any time upon 120 days written notice to the Authority. Upon this sublease being terminated, the Authority will be obligated to purchase all of the lessee's property and equipment, inventory and supplies, and any other leased property on the date of termination.

Management has evaluated subsequent events through December 26, 2023, the date the financial statements were available to be issued.

City of Watonga, Oklahoma
General Fund
Budget and Actual (Non-GAAP Budgetary Basis)
Year Ended June 30, 2023

	Original Budget	Revisions	Revised Budget	Actual	Variance - Favorable (Unfavorable)
REVENUES					
Sales tax	\$ 1,055,283	\$ 129,401	\$ 1,184,684	\$ 1,184,634	\$ (50)
Use tax	212,550	20,000	232,550	265,486	32,936
Cigarette tax	15,673	619	16,292	16,292	-
Franchise Tax	23,184	-	23,184	25,007	1,823
Alcoholic beverage tax	90,278	(1,000)	89,278	88,984	(294)
Police fines & court fees	50,050	-	50,050	48,648	(1,402)
Intergovernmental revenues	-	8,500	8,500	8,497	(3)
522 District income	210,000	22,500	232,500	232,500	-
Ambulance receipts	106,839	(10,000)	96,839	100,340	3,501
Rentals, sales, miscellaneous	42,000	22,000	64,000	39,427	(24,573)
Oil & gas income	261,926	42,000	303,926	324,743	20,817
Licenses & permits	3,500	4,000	7,500	7,857	357
Interest Income	9,000	4,000	13,000	18,267	5,267
Total revenues	<u>2,080,283</u>	<u>242,020</u>	<u>2,322,303</u>	<u>2,360,682</u>	<u>38,379</u>
EXPENDITURES					
General government:					
General government:	698,923	178,051	876,974	812,318	64,656
Managerial:	111,514	20,000	131,514	124,147	7,367
City Clerk:	30,379	(18,950)	11,429	10,641	788
City Treasurer:	18,949	2,000	20,949	20,833	116
City Attorney:	50,000	5,000	55,000	50,800	4,200
Total General government:	<u>909,765</u>	<u>186,101</u>	<u>1,095,866</u>	<u>1,018,739</u>	<u>77,127</u>
Public safety and judiciary:					
Municipal Court:	33,184	(12,857)	20,327	16,603	3,724
Police Department:	755,557	14,577	770,134	671,569	98,565
Fire Department:	379,219	31,325	410,544	386,630	23,914
EMS:	422,861	58,000	480,861	447,950	32,911
Code Enforcement:	145,057	(44,111)	100,946	91,941	9,005
Total	<u>1,735,878</u>	<u>46,934</u>	<u>1,782,812</u>	<u>1,614,693</u>	<u>168,119</u>
Transportation:					
Street:	574,977	(20,000)	554,977	472,391	82,586
Total	<u>574,977</u>	<u>(20,000)</u>	<u>554,977</u>	<u>472,391</u>	<u>82,586</u>
Culture and recreation:					
Library:	284,975	38,000	322,975	283,135	39,840
Park:	290,785	26,500	317,285	267,067	50,218
Total Culture and recreation:	<u>575,760</u>	<u>64,500</u>	<u>640,260</u>	<u>550,202</u>	<u>90,058</u>
Public services					
Airport:	50,000	5,000	55,000	53,352	1,648
Total Public services	<u>50,000</u>	<u>5,000</u>	<u>55,000</u>	<u>53,352</u>	<u>1,648</u>
Total expenditures	<u>3,846,380</u>	<u>282,535</u>	<u>4,128,915</u>	<u>3,709,377</u>	<u>419,538</u>
Revenue over (under) expenditures	(1,766,097)	(40,515)	(1,806,612)	(1,348,695)	457,917

City of Watonga, Oklahoma
General Fund
Budget and Actual (Non-GAAP Budgetary Basis)
Year Ended June 30, 2023

	<u>Original Budget</u>	<u>Revisions</u>	<u>Revised Budget</u>	<u>Actual</u>	<u>Variance - Favorable (Unfavorable)</u>
<u>OTHER FINANCING SOURCES (USES)</u>					
Operating transfers in/(out)	1,590,276	(68,820)	1,521,456	1,515,615	(5,841)
Net other financing sources (uses)	<u>1,590,276</u>	<u>(68,820)</u>	<u>1,521,456</u>	<u>1,515,615</u>	<u>(5,841)</u>
Revenues and other financing sources over (under) expenditures and other uses	(175,821)	(109,335)	(285,156)	166,920	452,076
Fund balance at beginning of year (Non-GAAP budgetary basis)	778,953		778,953	2,128,029	1,349,076
Fund balance at end of year (Non-GAAP budgetary basis)	<u>\$ 603,132</u>	<u>\$ (109,335)</u>	<u>\$ 493,797</u>	<u>\$ 2,294,949</u>	<u>\$ 1,801,152</u>
ADJUSTMENTS TO GENERALLY ACCEPTED ACCOUNTING PRINCIPLES					
Prior period adjustment				\$ 30,406	
Revenue and transfer accruals				118,414	
Fund balance at end of year (GAAP basis)				<u>\$ 2,443,769</u>	

City of Watonga, Oklahoma
Schedules of Required Supplementary Information

Oklahoma Police Pension Retirement Plan

	2023	2022	2021	2020	2019	2018	2017	2016	2015
Valuation date	7/1/2022	7/1/2021	7/1/2020	7/1/2019	7/1/2018	7/1/2017	7/1/2016	7/1/2015	7/1/2014
Proportionate share	0.0681%	0.0785%	0.0879%	0.0948%	0.0857%	0.0697%	0.0694%	0.0581%	0.0504%
Proportionate share of the net pension liability (asset)	(54,611)	(376,577)	100,949	(6,052)	(40,823)	5,361	106,282	2,369	(16,969)
Proportionate share of the net pension liability (asset) of the State and other municipalities	(80,137,389)	(479,339,423)	114,744,051	(6,377,948)	(47,594,177)	7,686,639	153,037,718	4,074,631	(33,652,031)
Total plan net pension liability (asset)	(80,192,000)	(479,716,000)	114,845,000	(6,384,000)	(47,635,000)	7,692,000	153,144,000	4,077,000	(33,669,000)
Plan fiduciary net position as a percentage of the total pension liability	102.74%	117.07%	95.80%	100.24%	101.89%	99.68%	93.50%	99.82%	101.53%
Covered payroll	241,619	268,138	299,036	307,400	264,582	208,494	205,707	171,573	145,909
Plan net pension liability as a percentage of covered payroll	-22.60%	-140.44%	33.76%	-1.97%	-15.43%	2.57%	51.67%	1.38%	-11.63%
Schedule of Employer Contributions for Cost Sharing Plans (4):									
Contractually Required Contribution (CRC) (5)	35,293	35,293	38,276	40,064	33,968	27,029	26,624	21,366	18,326
Contributions in Relation to CRC (6)	35,293	35,293	38,276	40,064	33,968	27,029	26,624	21,366	18,326
Contribution deficiency	-	-	-	-	-	-	-	-	-
Covered payroll	271,485	271,485	294,431	308,185	261,292	207,915	204,800	164,354	140,969
Contributions as a percentage of covered payroll	13.00%	13.00%	13.00%	13.00%	13.00%	13.00%	13.00%	13.00%	13.00%

(1) Amounts presented above represent the City's proportionate share presented in Note 4A

(2) This schedule is presented to illustrate the requirement to show information for 10 years. However results for valuation dates before June 30, 2014 are not available. This information will be developed prospectively until eventually 10 years of information is available

(3) The proportionate share percentages is rounded for the annual financial report so amount may vary from actuals

(4) The amounts reported represent amounts paid and covered payroll for the fiscal year indicated

(5) Contractually required contribution amounts presented do not include amounts provided by the State of Oklahoma

City of Watonga, Oklahoma
Schedules of Required Supplementary Information

Oklahoma Fire Pension Retirement Plan

	2023	2022	2021	2020	2019	2018	2017	2016	2015
Valuation date	7/1/2022	7/1/2021	7/1/2020	7/1/2019	7/1/2018	7/1/2017	7/1/2016	7/1/2015	7/1/2014
Proportionate share	0.065836%	0.062533%	0.049780%	0.043593%	0.049765%	0.047966%	0.044925%	0.047658%	0.048900%
Proportionate share of the net pension liability (asset)	860,960	411,821	613,246	460,632	560,178	603,280	548,855	505,846	502,862
Proportionate share of the net pension liability (asset) of the State and other municipalities	<u>1,306,873,511</u>	<u>658,154,666</u>	<u>1,231,300,049</u>	<u>1,056,205,371</u>	<u>1,125,086,253</u>	<u>1,257,120,371</u>	<u>1,221,165,652</u>	<u>1,060,902,403</u>	<u>1,027,844,981</u>
Total plan net pension liability (asset)	<u>1,307,734,471</u>	<u>658,566,487</u>	<u>1,231,913,295</u>	<u>1,056,666,003</u>	<u>1,125,646,431</u>	<u>1,257,723,651</u>	<u>1,221,714,507</u>	<u>1,061,408,249</u>	<u>1,028,347,843</u>
Plan fiduciary net position as a percentage of the total pension liability	69.49%	84.24%	69.98%	72.85%	70.73%	66.61%	64.87%	68.27%	68.12%
Covered payroll	215,776	195,944	158,535	134,151	150,833	136,738	122,924	128,932	132,799
Plan net pension liability as a percentage of covered payroll	399.01%	210.17%	386.82%	343.37%	371.39%	441.19%	446.50%	392.34%	378.66%
Schedule of Employer Contributions for Cost Sharing Plans (4):									
Contractually Required Contribution (CRC) (5)	28,440	28,440	22,371	18,873	20,721	19,087	17,593	18,230	18,293
Contributions in Relation to CRC (6)	<u>28,440</u>	<u>28,440</u>	<u>22,371</u>	<u>18,873</u>	<u>20,721</u>	<u>19,087</u>	<u>17,593</u>	<u>18,230</u>	<u>18,293</u>
Contribution deficiency	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Covered payroll	203,143	203,143	159,793	134,807	148,007	136,336	125,664	130,214	130,664
Contributions as a percentage of covered payroll	14.00%	14.00%	14.00%	14.00%	14.00%	14.00%	14.00%	14.00%	14.00%

(1) Amounts presented above represent the City's proportionate share presented in Note 4A

(2) This schedule is presented to illustrate the requirement to show information for 10 years. However results for valuation dates before June 30, 2014 are not available. This information will be developed prospectively until eventually 10 years of information is available

(3) The proportionate share percentages is rounded for the annual financial report so amount may vary from actuals

(4) The amounts reported represent amounts paid and covered payroll for the fiscal year indicated

(5) Contractually required contribution amounts presented do not include amounts provided by the State of Oklahoma

City of Watonga, Oklahoma
Schedules of Required Supplementary Information

SCHEDULE OF CHANGES IN THE CITY'S NET PENSION LIABILITY AND RELATED RATIOS

	Oklahoma Municipal Retirement Fund								
	SINCE INITIAL APPLICATION								
	2023*	2022*	2021*	2020*	2019*	2018*	2017*	2016*	2015*
Total pension liability									
Service cost	\$ 156,562	\$ 170,099	\$ 169,314	\$ 154,257	\$ 141,281	\$ 141,556	\$ 113,795	\$ 101,924	\$ 94,016
Interest	411,076	403,208	407,872	385,629	365,731	366,151	349,144	346,942	344,182
Changes in benefit terms	-	-	-	-	-	-	-	-	-
Differences between expected and actual experience	(137,904)	(100,426)	(249,965)	69,413	150,737	(76,787)	126,877	(97,383)	-
Changes in assumptions	(178,757)	-	-	103,181	-	110,723	-	-	-
Benefit payments, including refunds of employee contributions	(390,951)	(345,824)	(431,433)	(400,941)	(384,233)	(394,876)	(346,760)	(300,240)	(316,592)
Net change in total pension liability	\$ (139,974)	\$ 127,057	\$ (104,212)	\$ 311,539	\$ 273,516	\$ 146,767	\$ 243,056	\$ 51,243	\$ 121,606
Total pension liability - beginning	5,672,956	5,545,899	5,650,111	5,338,572	5,065,056	4,918,289	4,675,233	4,623,990	4,502,384
Total pension liability - ending (a)	\$ 5,532,982	\$ 5,672,956	\$ 5,545,899	\$ 5,650,111	\$ 5,338,572	\$ 5,065,056	\$ 4,918,289	\$ 4,675,233	\$ 4,623,990
Plan fiduciary net position									
Contributions - employer	201,553	225,412	225,616	273,439	258,451	237,106	205,322	174,467	174,211
Contributions - employee	53,727	55,661	54,737	57,676	54,496	49,996	43,341	37,827	37,065
Net investment income	(684,194)	1,224,547	180,984	287,786	293,083	449,026	31,175	102,538	537,354
Benefit payments, including refunds of employee contributions	(390,951)	(345,824)	(431,433)	(400,941)	(384,233)	(394,876)	(346,760)	(300,240)	(316,592)
Administrative expense	(9,548)	(9,072)	(9,062)	(8,610)	(8,240)	(7,877)	(7,326)	(7,695)	(7,923)
Other	-	-	-	-	-	-	-	-	-
Net change in plan fiduciary net position	(829,413)	1,150,724	20,842	209,350	213,557	333,375	(74,248)	6,897	424,115
Plan fiduciary net position - beginning	5,603,053	4,452,329	4,431,487	4,222,137	4,008,580	3,675,205	3,749,453	3,742,556	3,318,441
Plan fiduciary net position - ending (b)	\$ 4,773,640	\$ 5,603,053	\$ 4,452,329	\$ 4,431,487	\$ 4,222,137	\$ 4,008,580	\$ 3,675,205	\$ 3,749,453	\$ 3,742,556
City's net pension liability - ending (a) - (b)	\$ 759,342	\$ 69,903	\$ 1,093,570	\$ 1,218,624	\$ 1,116,435	\$ 1,056,476	\$ 1,243,084	\$ 925,780	\$ 881,434
Plan fiduciary net position as a percentage of the total pension liability	86.28%	98.77%	80.28%	78.43%	79.09%	79.14%	74.73%	80.20%	80.94%
Covered-employee payroll	\$ 1,311,455	\$ 1,282,725	\$ 1,372,686	\$ 1,373,983	\$ 1,268,247	\$ 1,179,085	\$ 1,125,894	\$ 938,273	\$ 876,408
City's net pension liability as a percentage of covered-employee payroll	57.90%	5.45%	79.67%	88.69%	88.03%	89.60%	110.41%	98.67%	100.57%

City of Watonga, Oklahoma
Combining Balance Sheet
Non-Major Governmental Funds
June 30, 2023

	Grant Fund	Library Fund	Total Non-Major Funds
ASSETS			
Cash and cash equivalents	\$ 533,389	\$ 929	\$ 534,318
Due from other funds	5,472	-	5,472
Total assets	<u>\$ 538,861</u>	<u>\$ 929</u>	<u>\$ 539,790</u>
LIABILITIES			
Accounts payable	\$ -	\$ -	\$ -
Total liabilities	<u>-</u>	<u>-</u>	<u>-</u>
FUND BALANCES			
Assigned	538,861	929	539,790
Total fund balances	<u>538,861</u>	<u>929</u>	<u>539,790</u>
Total liabilities and fund balances	<u>\$ 538,861</u>	<u>\$ 929</u>	<u>\$ 539,790</u>

City of Watonga, Oklahoma
Combining Statement of Revenues, Expenditures, and Changes in Fund Balances
Non-Major Governmental Funds
Year Ended June 30, 2023

	Grant Fund	Library Fund	Total Non-Major Funds
<u>REVENUES</u>			
Rents & royalties	\$ -	\$ -	\$ -
Intergovernmental revenue	264,030	8,047	272,077
Donations	7,268	-	7,268
Other revenues	-	71	71
Interest income	-	-	-
Total revenues	<u>271,298</u>	<u>8,118</u>	<u>279,416</u>
<u>EXPENDITURES</u>			
General government:			
General government	-	-	-
Total general government	<u>-</u>	<u>-</u>	<u>-</u>
Public safety and judiciary:			
Police	28	-	28
Fire	826	-	826
Total public safety and judiciary	<u>854</u>	<u>-</u>	<u>854</u>
Cultural, parks and recreation:			
Library	-	1,967	1,967
Total cultural, parks and recreation	<u>-</u>	<u>1,967</u>	<u>1,967</u>
Capital outlay	4,000	-	4,000
Total expenditures	<u>4,854</u>	<u>1,967</u>	<u>6,821</u>
Excess (deficiency) of revenues over expenditures	266,444	6,151	272,595
<u>OTHER FINANCING SOURCES (USES)</u>			
Transfers in	46,400	-	46,400
Transfers out	(46,956)	(5,389)	(52,345)
Total other financing sources and uses	<u>(556)</u>	<u>(5,389)</u>	<u>(5,945)</u>
Net change in fund balances	265,888	762	266,650
Fund balances - beginning	272,973	167	273,140
Fund balances - ending	<u>\$ 538,861</u>	<u>\$ 929</u>	<u>\$ 539,790</u>

INDEPENDENT AUDITOR'S 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 Watonga, Oklahoma

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of the governmental activities, the business-type activities, the aggregate discretely presented component units, each major fund, and the aggregate remaining fund information of City of Watonga, Oklahoma, as of and for the year ended June 30, 2023, and the related notes to the financial statements, which collectively comprise City of Watonga, Oklahoma's basic financial statements and have issued our report thereon dated December 26, 2023.

Report on Internal Control over Financial Reporting

In planning and performing our audit of the financial statements, we considered City of Watonga, Oklahoma's internal control over financial reporting (internal control) as a basis for designing audit procedures that are appropriate in the circumstances for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of City of Watonga, Oklahoma's internal control. Accordingly, we do not express an opinion on the effectiveness of City of Watonga, 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 was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or, significant deficiencies. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses. However, material weaknesses or significant deficiencies may exist that were not identified.

Report on Compliance and Other Matters

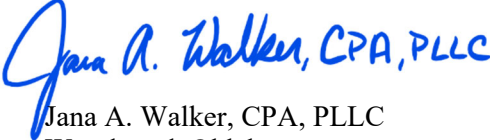
As part of obtaining reasonable assurance about whether City of Watonga, Oklahoma's financial statements are free from material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the financial statements. 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 instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards* and which are described in the accompanying schedule of findings and questioned costs as items 2023-001 and 2023-002.

City of Watonga, Oklahoma's Response to Findings

Government Auditing Standards requires the auditor to perform limited procedures on the City of Watonga, Oklahoma's response to the findings identified in our audit and described in the accompanying schedule of findings and questioned costs. The City of Watonga, Oklahoma's response was not subjected to the other auditing procedures applied in the audit of the financial statements and, accordingly, we express no opinion on the response.

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.

Jana A. Walker, CPA, PLLC

Jana A. Walker, CPA, PLLC
Woodward, Oklahoma
December 26, 2023

INDEPENDENT AUDITOR'S REPORT ON COMPLIANCE FOR EACH MAJOR PROGRAM
AND ON INTERNAL CONTROL OVER COMPLIANCE REQUIRED BY THE UNIFORM GUIDANCE

To the City Council
City of Watonga, Oklahoma

Report on Compliance for Each Major Federal Program

Opinion on Each Major Federal Program

We have audited City of Watonga, Oklahoma's compliance with the types of compliance requirements identified as subject to audit in the OMB *Compliance Supplement* that could have a direct and material effect on each of City of Watonga, Oklahoma's major federal programs for the year ended June 30, 2023. City of Watonga, Oklahoma's major federal programs are identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs.

In our opinion, City of Watonga, Oklahoma complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on each of its major federal programs for the year ended June 30, 2023.

Basis for Opinion on Each Major Federal Program

We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and the audit 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). Our responsibilities under those standards and the Uniform Guidance are further described in the Auditor's Responsibilities for the Audit of Compliance section of our report.

We are required to be independent of City of Watonga, Oklahoma and to meet our other ethical responsibilities, in accordance with relevant ethical requirements relating to our audit. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion on compliance for each major federal program. Our audit does not provide a legal determination of City of Watonga, Oklahoma's compliance with the compliance requirements referred to above.

Responsibilities of Management for Compliance

Management is responsible for compliance with the requirements referred to above and for the design, implementation, and maintenance of effective internal control over compliance with the requirements of laws, statutes, regulations, rules, and provisions of contracts or grant agreements applicable to City of Watonga, Oklahoma's federal programs.

Auditor's Responsibilities for the Audit of Compliance

Our objectives are to obtain reasonable assurance about whether material noncompliance with the compliance requirements referred to above occurred, whether due to fraud or error, and express an opinion on City of Watonga, Oklahoma's compliance based on our audit. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with generally accepted auditing standards, *Government Auditing Standards*, and the Uniform Guidance will always detect material noncompliance when it exists. The risk of not detecting material noncompliance resulting from fraud is higher than for that resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Noncompliance with the compliance requirements referred to above is considered material if there is a substantial likelihood that, individually or in the aggregate, it would influence the judgment made by a reasonable user of the report on compliance about City of Watonga, Oklahoma's compliance with the requirements of each major federal program as a whole.

In performing an audit in accordance with generally accepted auditing standards, *Government Auditing Standards*, and the Uniform Guidance, we:

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material noncompliance, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding City of Watonga, Oklahoma’s compliance with the compliance requirements referred to above and performing such other procedures as we considered necessary in the circumstances.
- Obtain an understanding of City of Watonga, Oklahoma’s internal control over compliance relevant to the audit in order to design audit procedures that are appropriate in the circumstances and to test and report on internal control over compliance in accordance with the Uniform Guidance, but not for the purpose of expressing an opinion on the effectiveness of City of Watonga, Oklahoma’s internal control over compliance. Accordingly, no such opinion is expressed.

We are required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and any significant deficiencies and material weaknesses in internal control over compliance that we identified during the audit.

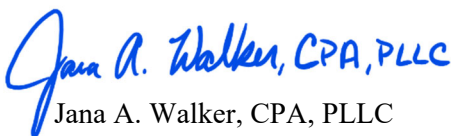
Report on Internal Control over Compliance

A deficiency in internal control over compliance exists when the design or operation of a control over compliance does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, noncompliance with a type of compliance requirement of a federal program on a timely basis. *A material weakness in internal control over compliance* is a deficiency, or a combination of deficiencies, in internal control over compliance, such that there is a reasonable possibility that material noncompliance with a type of compliance requirement of a federal program will not be prevented, or detected and corrected, on a timely basis. *A significant deficiency in internal control over compliance* is a deficiency, or a combination of deficiencies, in internal control over compliance with a type of compliance requirement of a federal program that is less severe than a material weakness in internal control over compliance, yet important enough to merit attention by those charged with governance.

Our consideration of internal control over compliance was for the limited purpose described in the Auditor’s Responsibilities for the Audit of Compliance section above and was not designed to identify all deficiencies in internal control over compliance that might be material weaknesses or significant deficiencies in internal control over compliance. Given these limitations, during our audit we did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses, as defined above. However, material weaknesses or significant deficiencies in internal control over compliance may exist that were not identified.

Our audit was not designed for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, no such opinion is expressed.

The purpose of this report on internal control over compliance is solely to describe the scope of our testing of internal control over compliance and the results of that testing based on the requirements of the Uniform Guidance. Accordingly, this report is not suitable for any other purpose.

A handwritten signature in blue ink that reads "Jana A. Walker, CPA, PLLC".

Jana A. Walker, CPA, PLLC
Woodward, Oklahoma
December 26, 2023

City of Watonga, Oklahoma
Schedule of Expenditures of Federal Awards
Year Ended June 30, 2023

<u>Federal Grantor/Pass-Through Grantor/Program Title</u>	<u>Federal CFDA Number</u>	<u>Project Identification</u>	<u>Grant Number or Pass-Through Entity Identifying Number</u>	<u>Program or Award Amount</u>	<u>Federal Expenditures</u>
U.S. Department of Housing and Urban Development					
Direct Programs					
Community Development Block Grant	14.218		18241 CDBG 21	345,200	345,200
Community Development Block Grant	14.218		18353 CDBG CIP 21	26,000	26,000
Sub-total U.S. Department of Housing and Urban Development				<u>\$ 371,200</u>	<u>\$ 371,200</u>
U.S. Department of Transportation Federal Aviation Administration					
Direct Programs					
Airport Improvement Program	20.106	044929065	AIP3-40-0104-014-2021	2,527,442	1,970,512
CARES Act Airport Grant	20.106		AIP3-40-0104-013-2020	30,000	-
Airport Coronavirus Response Program/CRRSA	20.106		AIP3-40-0104-015-2021	13,000	-
Airport Rescue Grants/ARPA	20.106		AIP3-40-0104-016-2022	32,000	-
Sub-total U.S. Department of Transportation				<u>\$ 2,602,442</u>	<u>\$ 1,970,512</u>
Institute of Museum and Library Services					
Passed-Through Oklahoma Department of Libraries					
Friends of Libraries in Oklahoma - Ready2Read	45.310	NA	NA	2,000	2,000
Category Two E-Rate grant	45.310	NA	NA	865	865
Grants to States	45.310	NA	NA	5,182	5,182
Sub-total Institute of Museum and Library Services				<u>\$ 8,047</u>	<u>\$ 8,047</u>
U.S. Department of Homeland Security					
Pass-Through Oklahoma Department of Emergency Management					
Disaster Grants - FEMA DR 4575 Severe Winter Storm - Debris Removal	97.036			30,359	
Disaster Grants - FEMA - Rhea Fire - received from Dewey County	97.036			3,527	
Sub-total U.S. Department of Homeland Security				<u>\$ 33,886</u>	<u>\$ -</u>
U.S. Department of Treasury					
Direct Programs					
COVID-19 - Coronavirus State and Local Fiscal Recovery Funds	21.027		NA	250,450	-
Total of Expenditures of Federal Awards				<u>\$ 3,015,575</u>	<u>\$ 2,349,759</u>

Note A - This schedule was prepared on an accrual (GAAP) basis of accounting consistent with the preparation of the basic financial statements.

CITY OF WATONGA, OKLAHOMA
Notes to Schedule of Expenditures of Federal Awards
June 30, 2023

Basis of Presentation - The accompanying schedule of expenditures of federal awards (the Schedule) includes the federal award activity of City of Watonga, Oklahoma under programs of the federal government for the year ended June 30, 2023. 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 Watonga, Oklahoma, it is not intended to and does not present the financial position, changes in net position, or cash flows of the City of Watonga, Oklahoma.

Summary of Significant Accounting Policies - Expenditures reported in the Schedule are reported on the accrual 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. Also, there were no awards passed through to sub-recipients.

Indirect Cost Rate - The City of Watonga, Oklahoma has elected not to use the 10% de minimis indirect cost rate allowed under the Uniform Guidance.

**City of Watonga, Oklahoma
 Schedule of Findings and Questioned Cost
 Year Ended June 30, 2023**

SECTION I – SUMMARY OF AUDITOR’S RESULTS

Financial Statements

Type of auditor’s report issued: Unmodified

Internal control over financial reporting:
 Material weakness(es) identified? _____yes X no

Significant deficiency(ies) identified? _____yes X none reported

Noncompliance material to financial statements noted? _____yes X no

Federal Awards

Internal control over major federal programs:
 Material weakness(es) identified? _____yes X no

Significant deficiency(ies) identified? _____yes X none reported

Type of auditor’s report issued on noncompliance
 for major federal programs: Unmodified

Any audit findings disclosed that are required to be
 reported in accordance with 2 CFR 200.516(a)? _____yes X no

Identification of major federal programs:

<u>Assistance Listing Number(s)</u>	<u>Name of Federal Program or Cluster</u>
20.106	Airport Improvement Program

Dollar threshold used to distinguish
 Between Type A and Type B programs: _____ \$750,000 _____

Auditee qualified as low-risk auditee? _____ Yes X no

(Continued)

SECTION II – FINANCIAL STATEMENT FINDINGS

FINDING 2023-001 Lack of Timely Filed Audit

Condition: Audit report issued after allotted 150 days from year end.

Criteria: In accordance with the Oklahoma Water Resource Board loan agreement, Article II, 2.7(D)(4) the City shall furnish copies of the reports of the financial audit within 150 days after the end of each fiscal year.

Cause: Unavailable information to complete workpapers for auditor.

Effect or Potential Effect: Debt covenant violation.

Recommendation: Ensure records are available for inspection after year end in a timely manner.

Response: Management will make arrangements to have their records inspected quicker after year end to ensure the timely completion of an audit. Due to the lack of governmental auditors registered in the State of Oklahoma, it is next to impossible to schedule an audit to be complete by November 30th which is 31 days earlier than required by the State Statute.

FINDING 2023-001 General Fund Expenditures

Condition: General fund dollars in the amount of \$2,870 were used to purchase food, candy, and holiday decoration for employee luncheons that did not have a clear and legitimate training purpose defined. Additionally, \$619 was identified as paid for funeral flowers for town employees' family members from the general fund. Although the amounts identified were not considered material to the financial statements, such expenditures are in violation of applicable State Law requirements.

Criteria: Employee luncheons are allowable if such luncheons are not too frequent and arguably have a legitimate purpose of training. Additionally, all town expenditures should have a legitimate town expense purpose.

Cause: Unclear staff learning objectives for such events and unclear purpose of town expenditures as a result of management override of controls.

Effect or Potential Effect: Improper general fund spending of municipal funds.

Recommendation: Set a clear training agenda and learning objective at each gathering and ensure they are not too frequent and have a legitimate training purpose. In the event management wants to spend funds for social events possibly related to the town we suggest employee use their personal money and refrain from using municipal funds to support such events.

Response: Management will ensure the learning objectives are clear for all staff members to understand the stated purpose of such meetings. Additionally, these meetings will be limited in occurrence. All expenditures of public funds will be solely used for public purposes.

(Continued)

SECTION III – FEDERAL AWARDS FINDINGS AND QUESTIONED COSTS

None.

SECTION IV – PRIOR YEAR FINDINGS

There was no Single Audit performed in the prior year and no financial statement findings reported.

SECTION V – CORRECTIVE ACTION PLAN

During the initial year of debt issuance from the Oklahoma Water Resource Board, additional information was not available in a timely manner to complete the audit. Going forward the initial year information is now available, and documents will be ready for inspection in a timelier manner to complete the audit prior to the OWRB requirements. All expenditures of public funds will be solely used for public purposes.