

**CITY OF WATONGA OKLAHOMA
WATONGA, OKLAHOMA**

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

**FOR THE YEAR ENDED
JUNE 30, 2024**

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City of Watonga, Oklahoma
Year Ended June 30, 2024
List of Principal Officials

City Manager

Karrie Beth Little

City Treasurer

Kenya Smith

Mayor

Bill Seitter

Ward 1

Ladina (Tina) Willis

Ward 2

Kayla Ragsdale

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, 2024, 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, 2024, 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

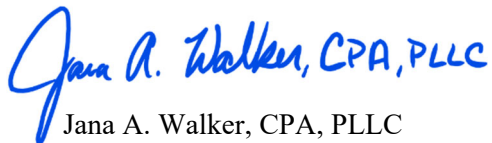
Accounting principles generally accepted in the United States of America require that the management's discussion and analysis, budgetary comparison information and net pension schedules on pages 5–11 and 40–44 be presented to supplement the basic financial statements. Such information is the responsibility 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 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 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 30, 2024, 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 30, 2024

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, 2024. 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, 2024, the assets and deferred outflows of resources of the City exceeded its liabilities and deferred inflows of resources by \$24,937,030 (net position). Of this amount \$5,791,851 (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 \$24,012,725 (as adjusted).
- The City's total net position are comprised of the following:
 - (1) Invested in capital assets, net of related debt of \$17,973,057 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 \$1,172,122.
 - (3) Unrestricted net position of \$5,791,851 represents the portion available to maintain the City's continuing obligations to citizens and creditors.
- Total liabilities of the City decreased by \$528,278 during the fiscal year due to a combination of lower accounts payable, paying down amount owed to Oklahoma Tax Commission for overpaid use tax, general obligation bond payments, and lower pension liability.
- After net transfers of \$519,469 from business-type activities to governmental activities and \$861,484 to Mercy Hospital Watonga, net position of governmental activities decreased \$187,968 or 2.72%, and net position of business-type activities increased \$1,112,273 or 6.5%.
- At the end of the current fiscal year, unreserved fund balance for the General Fund was \$3,021,675 or 86.23% 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-types 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, 2024 is \$24,937,30. This is a \$924,305 increase (depreciation expense is \$1,808,713- a non-cash expense) over June 30, 2023 net position of \$24,012,725. The City reported positive balances in total net position for both governmental and business-type activities, reporting \$6,714,088 and \$18,222,942, respectively.

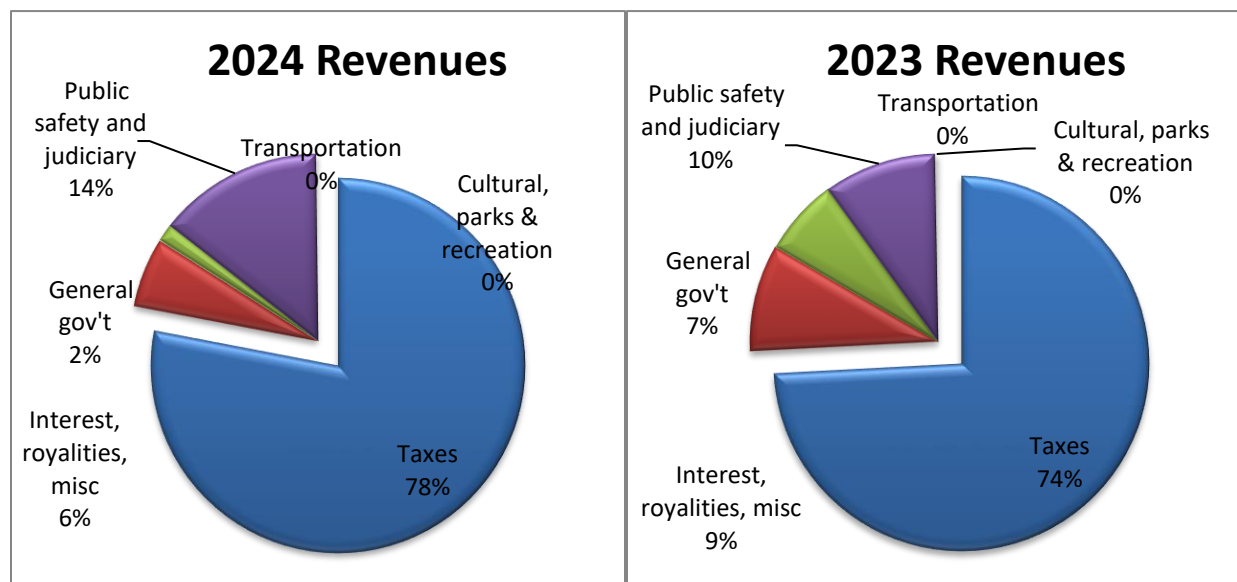
Summary of Net Position

	Governmental Activities		Business-type Activities		Totals		\$ Change	% Change
	2024	2023	2024	2023	2024	2023		
Current and other assets	\$ 4,298,706	\$ 4,209,324	\$ 17,272,045	\$ 17,340,850	\$ 21,570,751	\$ 21,550,174	\$ 20,577	0.1%
Other noncurrent assets	13,945	54,612	-	-	13,945	54,612	\$ (40,667)	
Capital assets, net	4,516,466	5,275,502	14,582,738	13,430,484	19,099,204	18,705,986	\$ 393,218	2.1%
Total assets	8,829,117	9,539,438	31,854,783	30,771,334	40,683,900	40,310,772	\$ 373,128	0.9%
Deferred outflows of resources	1,541,004	2,013,025	-	-	1,541,004	2,013,025	(472,021)	-30.6%
Long-term liabilities	2,427,006	2,745,968	12,875,000	13,075,000	15,302,006	15,820,968	\$ (518,962)	-3.4%
Other liabilities	295,954	476,446	756,841	585,665	1,052,795	1,062,111	\$ (9,316)	-0.9%
Total liabilities	2,722,960	3,222,414	13,631,841	13,660,665	16,354,801	16,883,079	\$ (528,278)	-3.2%
Deferred inflows of resources	933,073	1,427,993	-	-	933,073	1,427,993	(494,920)	-53.0%
Net position:								
Invested in capital assets, net of related debt	3,390,319	4,042,426	14,582,738	13,430,484	17,973,057	17,472,910	\$ 500,147	2.8%
Restricted	202,133	185,933	969,989	(74,900)	1,172,122	111,033	\$ 1,061,089	90.5%
Unrestricted	3,121,636	2,673,697	2,670,215	3,755,085	5,791,851	6,428,782	\$ (636,931)	-10.0%
Total net position	\$ 6,714,088	\$ 6,902,056	\$ 18,222,942	\$ 17,110,669	\$ 24,937,030	\$ 24,012,725	\$ 924,305	3.7%

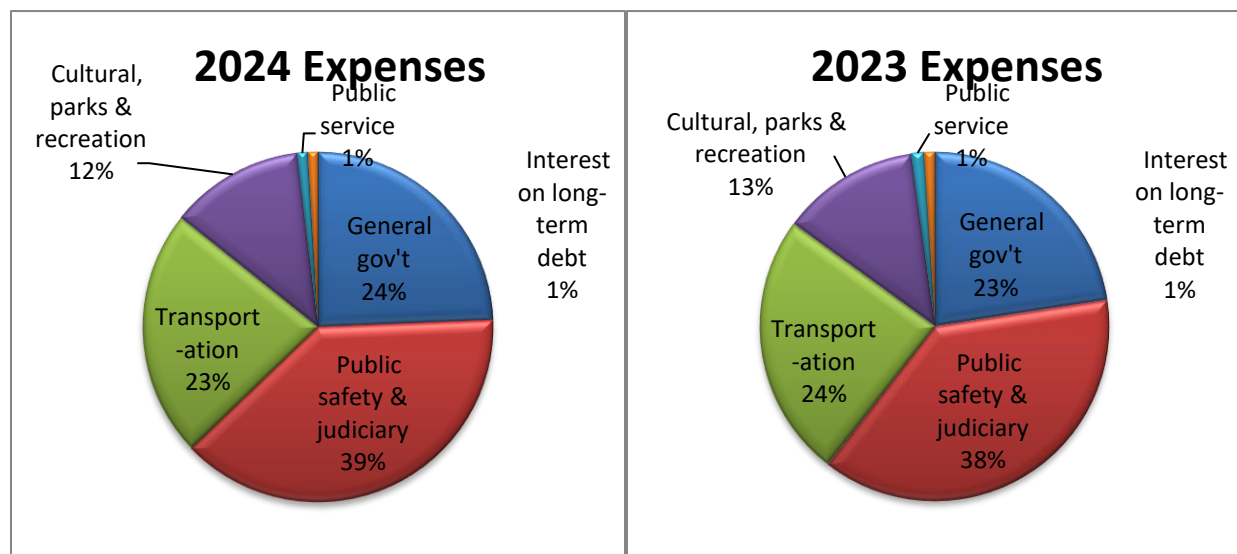
Summary of Changes in Net Position								
	Governmental Activities		Business-type Activities		Total		\$	%
	2024	2023	2024	2023	2024	2023	Change	Change
Revenues								
Program revenues	\$ 630,101	\$ 442,087	\$ 6,004,934	\$ 9,632,023	\$ 6,635,035	\$ 10,074,110	\$ (3,439,075)	-34%
Taxes and other general revenues	3,916,991	3,722,106	769,169	68,386	4,686,160	3,790,492	895,668	24%
Total revenues	4,547,092	4,164,193	6,774,103	9,700,409	11,321,195	13,864,602	(2,543,407)	-18%
Expenses								
General government	1,070,072	1,001,702	-	-	1,070,072	1,001,702	68,370	7%
Public safety and judiciary	1,690,570	1,684,011	-	-	1,690,570	1,684,011	6,559	0%
Transportation	1,005,578	1,087,892	-	-	1,005,578	1,087,892	(82,314)	-8%
Cultural, parks, and recreation	542,815	567,078	-	-	542,815	567,078	(24,263)	-4%
Public service	43,129	53,967	-	-	43,129	53,967	(10,838)	-20%
Interest on long-term debt	40,881	43,824	-	-	40,881	43,824	(2,943)	-7%
Electric	-	-	2,356,593	3,119,641	2,356,593	3,119,641	(763,048)	-24%
Water	-	-	653,901	420,992	653,901	420,992	232,909	55%
Sewer	-	-	707,594	496,990	707,594	496,990	210,604	42%
Sanitation	-	-	539,198	349,979	539,198	349,979	189,219	54%
Healthcare	-	-	60,380	60,380	60,380	60,380	-	0%
Airport	-	-	239,339	256,074	239,339	256,074	(16,735)	-7%
Economic development	-	-	59,139	17,170	59,139	17,170	41,969	
Administration	-	-	526,023	267,088	526,023	267,088	258,935	97%
Total expenses	4,393,045	4,438,474	5,142,167	4,988,314	9,535,212	9,426,788	108,424	1%
Excess (deficiency) before transfers	\$ 154,047	\$ (274,281)	\$ 1,631,936	\$ 4,712,095	\$ 1,785,983	\$ 4,437,814	\$ (2,651,831)	-60%
Transfers - internal	519,469	1,562,077	(519,663)	(1,562,077)	(194.00)	-	(194)	0%
Transfers to lessee- healthcare	(861,484)	(947,005)	-	-	(861,484)	(947,005)	85,521	0%
Change in net position	(187,968)	340,791	1,112,273	3,150,018	924,305.00	3,490,809	(2,566,504)	-74%
Beginning net position	6,902,056	6,530,859	17,110,669	13,960,651	24,012,725	20,491,510	3,521,215	17%
Prior period adjustment	-	30,406	-	-	-	30,406	(30,406)	
Ending net position	\$ 6,714,088	\$ 6,902,056	\$ 18,222,942	\$ 17,110,669	\$ 24,937,030	\$ 24,012,725	\$ 924,305	4%

Revenues for the City decreased 18.34% from the prior year. This decrease in revenues is mainly attributable to a decrease in grants, and an increase in utility revenues. Operating expenses increased compared prior fiscal year 2023 with a 1.29% change.

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

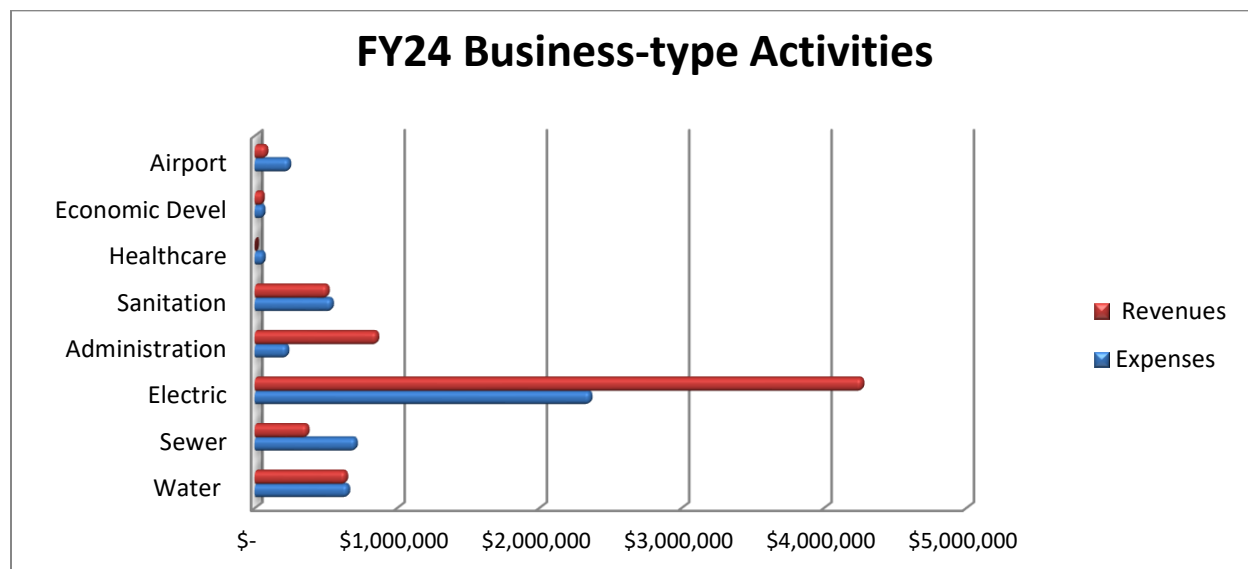


Taxes provided 78% of the City's governmental revenues in fiscal year 2024. Public safety and judiciary followed as the second major revenue source accounting for 14% of governmental revenues.



For the year ended June 30, 2024, total expenses for governmental activities were \$4,393,045. Of this amount, public safety and judiciary with \$1,690,570 was the largest operating service department at 39% 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, 2024, revenues from electric covered the cost of operating its respective department.

General Fund Budgetary Highlights

The adopted budget for the General Fund for fiscal year 2024 was \$3,805,438. Actual expenses were \$373,372 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, 2024, the City had \$17,973,057 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)

	<u>Governmental</u>		<u>Business-type</u>		<u>Total</u>	
	<u>Activities</u>		<u>Activities</u>			
Non-Depreciable Assets	2024	2023	2024	2023	2024	2023
Land	\$ 715,420	\$ 715,420	\$ 80,020	\$ 73,020	\$ 795,440	\$ 788,440
Construction in progress	32,500	32,500	1,803,528	367,309	1,836,028	399,809
Depreciable Assets						
Buildings	1,408,128	1,471,459	5,467,525	5,494,639	6,875,653	6,966,098
Machinery & equipment	698,465	738,865	830,217	830,318	1,528,682	1,569,183
Utility property & improvements	1,661,953	2,317,258	6,401,448	6,665,198	8,063,401	8,982,456
Totals	\$ 4,516,466	\$ 5,275,502	\$ 14,582,738	\$ 13,430,484	\$ 19,099,204	\$ 18,705,986

- In Governmental Activities, the most significant additions included solar power radar sign, police body cameras, fire extraction equipment, street department Ford F650 pickup, library early literacy stations, park Little Tikes commercial playground and various other smaller additions.

- In Business-type activities capital additions included pump vac assist, nitrate removal, dewatering improvements, electric garage doors, electric pine poles, power tower, transformers, generator and Zona Verde house.

Long-Term Debt

At year-end, the City had \$13,893,122 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	
	2024	2023	2024	2023
Notes payable	-	-	13,075,000	13,075,000
Capital lease obligation	410,609	428,102	-	-
Bonds payable net of premium	715,538	804,974	-	-
less current portion	(108,025)	(107,407)	(200,000)	-
Totals	<u>\$ 1,018,122</u>	<u>\$ 1,125,669</u>	<u>\$ 12,875,000</u>	<u>\$ 13,075,000</u>

ECONOMIC FACTORS AND NEXT YEARS'S BUDGET AND RATES

Economic Environment

In 2024, Oklahoma faces challenges with both a slowing national economy and weakness in energy prices. While oil price declines may boost the national economy, it in turn harms Oklahoma's economy. There is a more optimistic forecast for the national labor market and a greater weakness in energy prices. The net result is a slightly more pessimistic forecast for the Oklahoma labor market in the near term due to the forecast employment declines in the energy sector. Corresponding to the slowing of overall economic growth, employment growth is forecast to flatten out in both the nation and state in 2024. The easing of global supply chain constraints have brought down the rate of inflation.

The following are highlights from the 2024-2025 budget:

The 2024-2025 budget was prepared primarily with the ongoing water and sewer projects but also 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 2025

Recurring revenues, including sales and use taxes, were budgeted at 90% of fiscal year 2024 amounts. Utility rate increases that were approved on March 19, 2024 in anticipation of water and sewer project responsibilities were budgeted. 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. Approximately \$15 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, 2024

ASSETS	Primary Government			Component Unit
	Governmental Activities	Business-type Activities	Total	
Current Assets:				
Cash and cash equivalents	\$ 2,287,195	\$ 2,791,077	\$ 5,078,272	\$ 24,512
Investments	1,240,002	150,000	1,390,002	100,000
Sales, use & other taxes receivable	267,052	-	267,052	-
Accounts receivable (net)	41,280	606,985	648,265	-
Grants receivable	-	-	-	-
Prepays	12,746	-	12,746	-
Internal balances	250,940	(229,510)	21,430	-
Total current assets	4,099,215	3,318,552	7,417,767	124,512
Restricted assets:				
Cash and cash equivalents	199,491	13,953,493	14,152,984	
Total restricted assets	199,491	13,953,493	14,152,984	-
Noncurrent Assets:				
Pension asset	13,945	-	13,945	
Land and construction in progress	747,920	1,883,548	2,631,468	-
Other capital assets (net of accumulated depreciation)	3,768,546	12,699,190	16,467,736	540
Total noncurrent assets	4,530,411	14,582,738	19,113,149	540
Total assets	8,829,117	31,854,783	40,683,900	125,052
DEFERRED OUTFLOWS OF RESOURCES				
Deferred charges on pension obligations	\$ 1,541,004	\$ -	\$ 1,541,004	\$ -
LIABILITIES				
Current liabilities:				
Accounts payable	\$ 3,983	\$ 417,912	\$ 421,895	\$ -
Wages and benefits payable	85,344	15,407	100,751	-
Interest payable	1,870	-	1,870	-
Compensated absences	59,171	15,018	74,189	-
Other liabilities	-	-	-	-
Due to other governments	37,561	-	37,561	-
Notes and leases payable, current	18,025	200,000	218,025	-
Bonds payable, current	90,000	-	90,000	-
Total current liabilities	295,954	648,337	944,291	-
Liabilities payable from restricted assets:				
Accrued payables	-	108,504	108,504	
Total liabilities payable from restricted assets	-	108,504	108,504	
Noncurrent liabilities:				
Pension liability	1,408,884	-	1,408,884	-
Notes payable	-	12,875,000	12,875,000	-
Capital lease obligation	392,584	-	392,584	-
Bonds payable, net of premium	625,538	-	625,538	-
Total noncurrent liabilities	2,427,006	12,875,000	15,302,006	-
Total liabilities	2,722,960	13,631,841	16,354,801	-
DEFERRED INFLOWS OF RESOURCES				
Deferred charges on pension obligations	933,073	-	933,073	-
NET POSITION				
Invested in capital assets, net of related debt	3,390,319	14,582,738	17,973,057	-
Reserved for restricted purposes	202,133	969,989	1,172,122	125,052
Unrestricted	3,121,636	2,670,215	5,791,851	-
Total net position	\$ 6,714,088	\$ 18,222,942	\$ 24,937,030	\$ 125,052

City of Watonga, Oklahoma
Statement of Activities
Year Ended June 30, 2024

Functions/Programs	Expenses	Program Revenues			Primary Government	Component Unit
		Charges for Services	Operating Grants and Contributions	Capital Grants & Contributions	Net (Expense)/Revenue	
Primary government						
Governmental activities:						
General government	\$ 1,070,072	\$ 307,420	\$ 56,857	\$ -	\$ (705,795)	\$ -
Public safety and judiciary	1,690,570	222,753	9,910	24,994	(1,432,913)	-
Transportation	1,005,578	1,358	-	-	(1,004,220)	-
Cultural, parks and recreation	542,815	130	6,679	-	(536,006)	-
Public service	43,129	-	-	-	(43,129)	-
Interest on long-term debt	40,881	-	-	-	(40,881)	-
Total governmental activities	4,393,045	531,661	73,446	24,994	(3,762,944)	-
Business-type activities:						
Water	653,901	639,694	-	-	(14,207)	-
Sewer	707,594	367,966	-	-	(339,628)	-
Electric	2,356,593	4,267,348	-	-	1,910,755	-
Administration	526,023	88,845	-	-	(437,178)	-
Sanitation	539,198	509,638	-	-	(29,560)	-
Healthcare	60,380	-	-	-	(60,380)	-
Airport	239,339	78,706	-	-	(160,633)	-
Economic development	59,139	52,737	-	-	(6,402)	-
Total business-type activities	5,142,167	6,004,934	-	-	862,767	-
Total primary government	\$ 9,535,212	\$ 6,536,595	\$ 73,446	\$ 24,994	\$ (2,900,177)	\$ -
Component units						
Watonga Municipal Library	\$ 701	\$ 4,695	\$ 2,300	\$ -		\$ 6,294

City of Watonga, Oklahoma
Statement of Activities (continued)
Year Ended June 30, 2024

Changes in Net Position:

	Primary Government			Component Unit
	Governmental Activities	Business-type Activities	Total	
Net (expense)/revenue	\$ (3,762,944)	\$ 862,767	\$ (2,900,177)	\$ 6,294
General revenues:				
Taxes:				
Sales tax	2,559,962	-	2,559,962	-
Use tax	350,980	-	350,980	-
Franchise tax	19,988	-	19,988	-
Property tax	106,435	-	106,435	-
Other taxes	124,306	-	124,306	-
522 District income	318,750	-	318,750	-
Oil and gas royalties	156,335	-	156,335	-
Investment income	68,264	769,169	837,433	3,127
Pension change	193,647	-	193,647	-
Miscellaneous	18,324	-	18,324	-
Transfers-Internal activity	519,469	(519,663)	(194)	194
Transfers to lessee- healthcare	(861,484)	-	(861,484)	-
Total general revenues and transfers	<u>3,574,976</u>	<u>249,506</u>	<u>3,824,482</u>	<u>3,321</u>
Change in net position	(187,968)	1,112,273	924,305	9,615
Net position-beginning	6,902,056	17,110,669	24,012,725	115,437
Net position-ending	<u>\$ 6,714,088</u>	<u>\$ 18,222,942</u>	<u>\$ 24,937,030</u>	<u>\$ 125,052</u>

City of Watonga, Oklahoma
Balance Sheet
Governmental Funds
June 30, 2024

	<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	\$ 1,592,257	\$ 152,672	\$ 46,819	\$ -	\$ 634,246	\$ 60,692	\$ 2,486,686
Investments	1,140,002	-	-	-	100,000	-	1,240,002
Sales, use & other taxes receivable	166,263	2,227	415	78,517	19,630	-	267,052
Revenue & other receivable	41,280	-	-	-	-	-	41,280
Due from other funds	276,830	-	-	-	-	5,472	282,302
Prepays	12,746	-	-	-	-	-	12,746
Total assets	<u>\$ 3,229,378</u>	<u>\$ 154,899</u>	<u>\$ 47,234</u>	<u>\$ 78,517</u>	<u>\$ 753,876</u>	<u>\$ 66,164</u>	<u>\$ 4,330,068</u>
LIABILITIES							
Accounts payable	\$ 3,983	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 3,983
Wages and benefits payable	85,344	-	-	-	-	-	85,344
Compensated absences	59,171	-	-	-	-	-	59,171
Other liabilities	-	-	-	-	-	-	-
Due to other governments	37,561	-	-	-	-	-	37,561
Due to other funds	21,644	-	-	-	9,718	-	31,362
Total liabilities	<u>207,703</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>9,718</u>	<u>-</u>	<u>217,421</u>
FUND BALANCES							
Restricted	-	154,899	47,234	-	-	-	202,133
Committed	-	-	-	78,517	744,158	-	822,675
Assigned	-	-	-	-	-	66,164	66,164
Unassigned	3,021,675	-	-	-	-	-	3,021,675
Total fund balances	<u>3,021,675</u>	<u>154,899</u>	<u>47,234</u>	<u>78,517</u>	<u>744,158</u>	<u>66,164</u>	<u>4,112,647</u>
Total liabilities and fund balances	<u>\$ 3,229,378</u>	<u>\$ 154,899</u>	<u>\$ 47,234</u>	<u>\$ 78,517</u>	<u>\$ 753,876</u>	<u>\$ 66,164</u>	<u>\$ 4,330,068</u>
Total fund balance- total governmental funds							\$ 4,112,647
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							
Land and construction in process						747,920	
Capital assets						28,733,902	
Less: Accumulated depreciation						<u>(24,965,356)</u>	
							4,516,466
Long-term portion of liabilities are not due and payable in the current period and are not reported							
Bonds payable, net							(715,538)
Capital lease obligation							(410,609)
Interest payable							(1,870)
Net pension asset							13,945
Pension related deferred outflows							1,541,004
Net pension liability							(1,408,884)
Pension related deferred inflows							<u>(933,073)</u>
Net assets of governmental activities							<u>\$ 6,714,088</u>

City of Watonga, Oklahoma
Statement of Revenues, Expenditures, and Changes in Fund Balances
Governmental Funds
Year Ended June 30, 2024

	General Fund	Street and Alley Fund	Debt Service	Hospital Special Revenue	Sales Tax (Capital Improve)	Non-Major Funds	Total Governmental Funds
<u>REVENUES</u>							
Sales tax	\$ 1,477,927	\$ -	\$ -	\$ 865,628	\$ 216,407	\$ -	\$ 2,559,962
Use tax	350,980	-	-	-	-	-	350,980
Franchise tax	19,988	-	-	-	-	-	19,988
Other taxes	100,987	23,319	-	-	-	-	124,306
Property taxes	-	-	106,435	-	-	-	106,435
522 District income	318,750	-	-	-	-	-	318,750
Licenses and permits	3,305	-	-	-	-	-	3,305
Rents & royalties	156,335	-	-	-	-	-	156,335
Fines and forfeitures	24,958	-	-	-	-	-	24,958
Charges for services	197,795	893	-	-	-	-	198,688
Intergovernmental revenues	37,299	-	-	-	-	31,673	68,972
Intracity fees	300,000	-	-	-	-	-	300,000
Donations	-	-	-	-	-	10,910	10,910
Other revenues	40,997	465	-	-	-	130	41,592
Interest	64,712	702	351	-	2,499	-	68,264
Total revenues	3,094,033	25,379	106,786	865,628	218,906	42,713	4,353,445
<u>EXPENDITURES</u>							
<u>Current</u>							
General government:							
General government	782,370	-	-	-	5,440	-	787,810
Managerial	132,515	-	-	-	-	-	132,515
City treasurer	44,546	-	-	-	-	-	44,546
City attorney	56,829	-	-	-	-	-	56,829
Total general government	1,016,260	-	-	-	5,440	-	1,021,700
Public safety and judiciary:							
Municipal court	22,362	-	-	-	-	-	22,362
Police	649,104	-	-	-	-	-	649,104
Fire	359,887	-	-	-	-	-	359,887
EMS	458,825	-	-	-	-	-	458,825
Code enforcement	82,318	-	-	-	-	-	82,318
Total public safety and judiciary	1,572,496	-	-	-	-	-	1,572,496
Transportation:							
Street	320,468	-	-	-	-	-	320,468
Total transportation	320,468	-	-	-	-	-	320,468
Cultural, parks and recreation:							
Library	235,202	-	-	-	-	865	236,067
Park	233,901	-	-	-	-	-	233,901
Total cultural, parks and recreation	469,103	-	-	-	-	865	469,968
Public service:							
Airport	43,129	-	-	-	-	-	43,129
Total public service	43,129	-	-	-	-	-	43,129
Capital outlay	82,943	-	-	-	81,860	-	164,803
<u>Debt service</u>							
Principal	-	-	90,000	-	17,493	-	107,493
Interest	-	-	25,965	-	15,109	-	41,074
Fiscal charges	-	-	-	-	-	-	-
Total expenditures	3,504,399	-	115,965	-	119,902	865	3,741,131
Excess (deficiency) of revenues over expenditures	(410,366)	25,379	(9,179)	865,628	99,004	41,848	612,314
<u>OTHER FINANCING SOURCES (USES)</u>							
Transfers in	1,429,375	-	-	-	48,025	-	1,477,400
Transfers out	(441,103)	-	-	(1,083)	(271)	(515,474)	(957,931)
Transfers out to lessee- healthcare	-	-	-	(861,484)	-	-	(861,484)
Premium on bonds	-	-	-	-	-	-	-
Long-term debt issued	-	-	-	-	-	-	-
Total other financing sources and uses	988,272	-	-	(862,567)	47,754	(515,474)	(342,015)
Net change in fund balances	577,906	25,379	(9,179)	3,061	146,758	(473,626)	270,299
Fund balances - beginning	2,443,769	129,520	56,413	75,456	597,400	539,790	3,842,348
Fund balances - ending	\$ 3,021,675	\$ 154,899	\$ 47,234	\$ 78,517	\$ 744,158	\$ 66,164	\$ 4,112,647

City of Watonga, Oklahoma
Statement of Revenues, Expenditures, and Changes in Fund Balances
Year Ended June 30, 2024

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 \$ 270,299

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	164,803	
Depreciation expense	<u>(923,840)</u>	(759,037)

Government-Wide Statement of Activities report the cost of pension benefits
earned net of employee contributions is reported as an element of pension. 193,647
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	17,493	
Premium on bonds	(563)	
Change in bond interest payable	193	

Change in Net Position of Governmental Activities	<u><u>\$ (187,968)</u></u>
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City of Watonga, Oklahoma
Statement of Net Position
Proprietary Funds
June 30, 2024

	Light and Water Fund	Hospital Authority Fund	Public Works Authority	Economic Development Authority	Total Enterprise Funds
ASSETS					
Current assets:					
Cash and cash equivalents	\$ 2,347,674	\$ -	\$ 268,289	\$ 175,114	\$ 2,791,077
Investments	150,000	-	-	-	150,000
Accounts receivable, net	606,985	-	-	-	606,985
Grants receivable	-	-	-	-	-
Prepays	-	-	-	-	-
Due from other funds	37,602	-	-	-	37,602
Total current assets	<u>3,142,261</u>	<u>-</u>	<u>268,289</u>	<u>175,114</u>	<u>3,585,664</u>
Current assets:					
Restricted assets:					
Cash, including time deposits	13,953,493	-	-	-	13,953,493
Total restricted assets	<u>13,953,493</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>13,953,493</u>
Noncurrent assets:					
Capital assets (net)	8,837,706	1,568,665	4,008,910	167,457	14,582,738
Total noncurrent assets	<u>8,837,706</u>	<u>1,568,665</u>	<u>4,008,910</u>	<u>167,457</u>	<u>14,582,738</u>
Total assets	<u>\$ 25,933,460</u>	<u>\$ 1,568,665</u>	<u>\$ 4,277,199</u>	<u>\$ 342,571</u>	<u>\$ 32,121,895</u>
LIABILITIES					
Current liabilities:					
Accounts payable	\$ 417,274	\$ -	\$ -	\$ 638	\$ 417,912
Wages and benefits payable	15,407	-	-	-	15,407
Compensated absences	15,018	-	-	-	15,018
Due to other funds	381	-	97,561	169,170	267,112
Notes payable, current	-	-	-	-	-
Total current liabilities	<u>448,080</u>	<u>-</u>	<u>97,561</u>	<u>169,808</u>	<u>715,449</u>
Liabilities payable from restricted assets:					
Accrued interest payable	108,504	-	-	-	108,504
Total liabilities payable from restricted assets	<u>108,504</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>108,504</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>13,631,584</u>	<u>-</u>	<u>97,561</u>	<u>169,808</u>	<u>13,898,953</u>
NET POSITION					
Invested in capital assets, net of related debt	8,837,706	1,568,665	4,008,910	167,457	14,582,738
Unrestricted	<u>3,464,170</u>	<u>-</u>	<u>170,728</u>	<u>5,306</u>	<u>3,640,204</u>
Total net position	<u>\$ 12,301,876</u>	<u>\$ 1,568,665</u>	<u>\$ 4,179,638</u>	<u>\$ 172,763</u>	<u>\$ 18,222,942</u>

City of Watonga, Oklahoma
Statement of Revenues, Expenses and Changes in Net Position
Proprietary Funds
Year Ended June 30, 2024

	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	\$ 639,694	\$ -	\$ -	\$ -	\$ 639,694
Sewer charges	367,966	-	-	-	367,966
Electric charges	4,267,348	-	-	-	4,267,348
Sanitation charges	509,638	-	-	-	509,638
Sale of fuel	-	-	55,170	-	55,170
Penalties	55,966	-	-	-	55,966
Total charges for services	5,840,612	-	55,170	-	5,895,782
Lease and rental income	-	-	23,520	-	23,520
Other fees and charges	32,879	-	16	52,737	85,632
Total operating revenues	5,873,491	-	78,706	52,737	6,004,934
<u>Operating expenses:</u>					
Cost of sales	1,935,980	-	49,234	-	1,985,214
Personal services	478,900	-	-	-	478,900
Materials and supplies	225,299	-	-	27,745	253,044
Other services and charges	999,174	-	10,906	28,581	1,038,661
Depreciation and amortization	642,481	60,380	179,199	2,813	884,873
Total operating expenses	4,281,834	60,380	239,339	59,139	4,640,692
Net operating income	1,591,657	(60,380)	(160,633)	(6,402)	1,364,242
<u>Nonoperating revenue (expense):</u>					
Investment income	763,605	-	5,564	-	769,169
Interest expense	(501,475)	-	-	-	(501,475)
Total nonoperating revenue/(expense)	262,130	-	5,564	-	267,694
Net Income before contributions and transfers	1,853,787	(60,380)	(155,069)	(6,402)	1,631,936
<u>Contributions and transfers:</u>					
Transfers from other funds	855,198	-	2,745	50,000	907,943
Transfers to other funds	(1,425,595)	-	(2,011)	-	(1,427,606)
Change in net position	1,283,390	(60,380)	(154,335)	43,598	1,112,273
Net position-beginning of year	11,018,486	1,629,045	4,333,973	129,165	17,110,669
Net position-end of year	<u>\$ 12,301,876</u>	<u>\$ 1,568,665</u>	<u>\$ 4,179,638</u>	<u>\$ 172,763</u>	<u>\$ 18,222,942</u>

City of Watonga, Oklahoma
Statement of Cash Flows
Proprietary Funds
Year Ended June 30, 2024

	Light and Water Fund	Hospital Authority Fund	Public Works Authority	Economic Development Authority	Total Enterprise Funds
Cash flows from operating activities:					
Receipts from customers	\$ 5,761,301	\$ -	\$ 78,706	\$ 52,737	\$ 5,892,744
Payments to suppliers	(3,223,952)	-	(84,884)	(55,088)	(3,363,924)
Payments to employees	(474,105)	-	-	-	(474,105)
Net cash provided (used) by operating activities	2,063,244	-	(6,178)	(2,351)	2,054,715
Cash flows from non-capital financing activities:					
Receipts (payments) from interfund loan agreements	(16,989)	-	56,603	119,212	158,826
Oil & gas royalties	-	-	-	-	-
Transfers from other funds	855,198	-	2,745	50,000	907,943
Transfers to other funds	(1,425,595)	-	(2,011)	-	(1,427,606)
Net cash provided (used) by non-capital financing activities	(587,386)	-	57,337	169,212	(360,837)
Cash flows from capital and related financing activities:					
Capital grants and contributions	-	-	165,091	-	165,091
Purchases of capital assets	(1,916,815)	-	-	(120,312)	(2,037,127)
Proceeds from capital debt	-	-	-	-	-
Debt issuance costs paid	-	-	-	-	-
Interest paid on capital debt	(447,489)	-	-	-	(447,489)
Net cash provided (used) by capital and related financing activities	(2,364,304)	-	165,091	(120,312)	(2,319,525)
Cash flows from investing activities:					
Investment income	763,605	-	5,564	-	769,169
Net cash provided (used) by investing activities	763,605	-	5,564	-	769,169
Net increase (decrease) in cash and cash equivalent	(124,841)	-	221,814	46,549	143,522
Cash & cash equivalents, June 30, 2023	16,426,008	-	46,475	128,565	16,601,048
Cash & cash equivalents, June 30, 2024	<u>\$ 16,301,167</u>	<u>\$ -</u>	<u>\$ 268,289</u>	<u>\$ 175,114</u>	<u>\$ 16,744,570</u>
Cash, including time deposits	<u>\$ 16,301,167</u>	<u>\$ -</u>	<u>\$ 268,289</u>	<u>\$ 175,114</u>	<u>\$ 16,744,570</u>
Total cash and cash equivalents, end of year	<u>\$ 16,301,167</u>	<u>\$ -</u>	<u>\$ 268,289</u>	<u>\$ 175,114</u>	<u>\$ 16,744,570</u>
Reconciliation of operating income (loss) to net cash provided (used) by operating activities					
Operating income (loss)	\$ 1,591,657	\$ (60,380)	\$ (160,633)	\$ (6,402)	\$ 1,364,242
Adjustments to reconcile operating income (loss) to net cash provided (used) by operating activities:					
Depreciation	642,481	60,380	179,199	2,813	884,873
Changes in assets and liabilities:					
(Increase) decrease in accounts receivable	(112,190)	-	-	-	(112,190)
(Increase) decrease in prepaids	-	-	-	600	600
Increase (decrease) in accounts payable	(67,217)	-	(24,744)	638	(91,323)
Increase (decrease) in wages and benefits pay:	4,795	-	-	-	4,795
Increase (decrease) in other liabilities	3,718	-	-	-	3,718
Total adjustments	<u>471,587</u>	<u>60,380</u>	<u>154,455</u>	<u>4,051</u>	<u>690,473</u>
Net cash provided (used) by operating activities	\$ 2,063,244	\$ -	\$ (6,178)	\$ (2,351)	\$ 2,054,715

City of Watonga, Oklahoma
Statement of Fiduciary Net Position
June 30, 2024

	Meter Deposit Fund	Municipal Court Bond Fund	Total Agency Funds
ASSETS			
Cash and cash equivalents	\$ 192,569	\$ 10,324	\$ 202,893
Cash and investments, restricted	127,000	-	127,000
Total assets	<u>\$ 319,569</u>	<u>\$ 10,324</u>	<u>\$ 329,893</u>
LIABILITIES			
Bonds and deposits subject to refund	\$ 298,139	\$ 10,324	\$ 308,463
Due to other funds	21,430	-	21,430
Total liabilities	<u>\$ 319,569</u>	<u>\$ 10,324</u>	<u>\$ 329,893</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, 2024.

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, 2024, 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

They 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.

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, 2024, the City's net assessed valuation of taxable property was \$20,245,377. The City levied 5.53 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, 2024

<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	\$ 1,390,002	\$ 1,390,002	N/A	284.21
Total investments	<u>1,390,002</u>	<u>1,390,002</u>		
Total primary government investments	<u>\$ 1,390,002</u>	<u>\$ 1,390,002</u>		

RECONCILIATION TO STATEMENT OF NET POSITION

	<u>Governmental Activities</u>	<u>Business-type Activities</u>	<u>Total</u>
Investments, unrestricted	\$ 1,240,002	\$ 150,000	\$ 1,390,002
Total investments	<u>\$ 1,240,002</u>	<u>\$ 150,000</u>	<u>\$ 1,390,002</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	\$ 46,819	\$ -	\$ 46,819
Street & alley funds	<u>152,672</u>	<u>-</u>	<u>152,672</u>
Total Governmental Activities:	<u>199,491</u>	<u>-</u>	<u>199,491</u>
<i>Business-Type Activities:</i>			
Light & Water Fund			
OWRB 2023 Project	13,645,296	-	13,645,296
OWRB 2023 Debt Service	<u>308,197</u>	<u>-</u>	<u>308,197</u>
	<u>13,953,493</u>	<u>-</u>	<u>13,953,493</u>
Total Restricted Assets	<u>\$ 14,152,984</u>	<u>\$ -</u>	<u>\$ 14,152,984</u>

CITY OF WATONGA, OKLAHOMA
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2024

Capital Assets

Changes in Capital Assets

	Primary Government			
	Balance at June 30, 2023	Additions	Deletions	Balance at June 30, 2024
<u><i>Governmental Activities</i></u>				
Non-Depreciable Assets				
Land	\$ 715,420	\$ -	\$ -	\$ 715,420
Construction in Progress	32,500	-	-	32,500
Depreciable Assets				
Buildings & structures	4,708,584	31,724	-	4,740,308
Machinery, furniture, & equipment	4,391,884	133,080	-	4,524,964
Infrastructure & improvements	19,468,630	-	-	19,468,630
Total	29,317,018	164,804	-	29,481,822
Less accumulated depreciation	24,041,516	923,840	-	24,965,356
Governmental fixed assets, net	<u>\$ 5,275,502</u>	<u>\$ (759,036)</u>	<u>\$ -</u>	<u>\$ 4,516,466</u>
<u><i>Business-type Activities</i></u>				
Non-Depreciable Assets				
Land	\$ 73,020	\$ 7,000	\$ -	\$ 80,020
Construction in Progress	367,309	1,695,459	259,240	1,803,528
Depreciable Assets				
Buildings & structures	12,162,564	180,500	-	12,343,064
Machinery, furniture, & equipment	2,515,699	112,510	-	2,628,209
Infrastructure & improvements	21,088,654	300,898	-	21,389,552
Total	36,207,246	2,296,367	259,240	38,244,373
Less accumulated depreciation	22,776,762	884,873	-	23,661,635
Business-type fixed assets, net	<u>\$ 13,430,484</u>	<u>\$ 1,411,494</u>	<u>\$ (259,240)</u>	<u>\$ 14,582,738</u>
Total primary government	<u>\$ 18,705,986</u>	<u>\$ 652,458</u>	<u>\$ (259,240)</u>	<u>\$ 19,099,204</u>

	Light & Water Fund	Watonga Hospital Authority	Public Works Authority	Economic Development Authority	Total Business- Type
<u><i>Business-type Activities</i></u>					
Non-Depreciable Assets					
Land	\$ 48,070	\$ 3,950	\$ 21,000	\$ 7,000	\$ 80,020
Construction in progress	1,803,528	-	-	-	1,803,528
Depreciable Assets					
Buildings & structures	241,186	2,616,495	9,323,213	162,170	12,343,064
Machinery, furniture, & equipment	1,835,177	28,618	763,314	1,100	2,628,209
Infrastructure & improvements	21,389,552	-	-	-	21,389,552
Total	25,317,513	2,649,063	10,107,527	170,270	38,244,373
Less accumulated depreciation	(16,479,807)	(1,080,398)	(6,098,617)	(2,813)	(23,661,635)
Business-type fixed assets, net	<u>\$ 8,837,706</u>	<u>\$ 1,568,665</u>	<u>\$ 4,008,910</u>	<u>\$ 167,457</u>	<u>\$ 14,582,738</u>

CITY OF WATONGA, OKLAHOMA
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2024

Depreciation Expense

		Primary Government	
<u>Governmental Activities</u>		<u>Business-type Activities</u>	
General government	\$ 47,809	Water	\$ 233,860
Public safety & judiciary	118,074	Sewer	231,064
Transportation	685,110	Electric	133,568
Cultural, parks & recreation	72,847	Administration	7,935
Total depreciation expense	<u>\$ 923,840</u>	Sanitation	36,054
		Hospital	60,380
		Airport	179,199
		Economic development	2,813
		Total depreciation expense	<u>\$ 884,873</u>

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.

\$ 720,000

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.

410,609

\$ 1,130,609

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 \$67,083.93 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

<u>Type of Debt</u>	<u>Balance at July 1, 2023</u>	<u>Amount Issued</u>	<u>Amount Retired</u>	<u>Balance at June 30, 2024</u>	<u>Due Within One Year</u>
Governmental activities:					
General Obligation bonds	\$ 810,000	\$ -	\$ 90,000	\$ 720,000	\$ 90,000
Lease obligations payable	428,102	-	17,493	410,609	18,025
Business-type activities:					
Oklahoma Water Resources Board	13,075,000	-	-	13,075,000	200,000
Total business-type activities	<u>\$ 13,075,000</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 13,075,000</u>	<u>\$ 200,000</u>
Total primary government	<u>\$ 14,313,102</u>	<u>\$ -</u>	<u>\$ 107,493</u>	<u>\$ 14,205,609</u>	<u>\$ 308,025</u>

CITY OF WATONGA, OKLAHOMA
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2024

Annual Debt Service Requirements

Year Ending June 30	Governmental Activities		Business-type Activities	
	Principal	Interest	Principal	Interest
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	110,723	21,374	245,000	562,961
2030-2034	385,180	60,699	1,425,000	2,605,506
2035-2039	137,119	25,890	1,830,000	2,184,436
2040-2044	61,558	3,645	2,310,000	1,699,817
2045-2049	-	-	2,850,000	1,141,394
2050-2054	-	-	3,555,000	420,786
Totals	<u>\$ 1,130,609</u>	<u>\$ 233,171</u>	<u>\$ 13,075,000</u>	<u>\$ 10,984,264</u>

(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.

CITY OF WATONGA, OKLAHOMA
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2024

	<u>Transfers In</u>	<u>Transfers Out</u>
GENERAL FUND		
Light and Water Fund	\$ 1,409,294	\$ 356,634
Grant Fund	10,053	-
Sales Tax (Capital Improvement) Fund	1,354	31,724
Library Special Revenue	6,679	-
Economic Development Fund	-	50,000
Public Works Authority	1,995	2,745
Total General Fund	<u>1,429,375</u>	<u>441,103</u>
MUNICIPAL LIBRARY		
Library Special Revenue	194	-
Total Street & Alley Fund	<u>194</u>	<u>-</u>
HOSPITAL SPECIAL REVENUE FUND		
General Fund	-	1,083
Total Hospital Special Revenue Fund	<u>-</u>	<u>1,083</u>
SALES TAX (CAPITAL IMPROVEMENT) FUND		
General Fund	31,724	271
Light and Water Fund	16,301	-
Total Sales Tax (Cap Improve) Fund	<u>48,025</u>	<u>271</u>
GRANT FUND		
General fund	-	10,053
Light & Water Fund	-	498,548
Total Grant Fund	<u>-</u>	<u>508,601</u>
LIBRARY SPECIAL REVENUE		
General Fund	-	6,679
Municipal Library	-	194
Total Library Special Revenue Fund	<u>-</u>	<u>6,873</u>
ECONOMIC DEVELOPMENT FUND		
General Fund	50,000	-
Total Economic Development Fund	<u>50,000</u>	<u>-</u>
LIGHT AND WATER FUND		
General Fund	356,634	1,409,294
Grant Fund	498,548	-
Sales Tax (Capital Improvement) Fund	-	16,301
Public Works Authority	16	-
Total Light and Water Fund	<u>855,198</u>	<u>1,425,595</u>
PUBLIC WORKS AUTHORITY		
General Fund	2,745	1,995
Light and Water Fund	-	16
Total Public Works Authority	<u>2,745</u>	<u>2,011</u>
GRAND TOTAL	<u>\$ 2,385,537</u>	<u>\$ 2,385,537</u>

(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	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

CITY OF WATONGA, OKLAHOMA
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JUNE 30, 2024

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, 2024, the City's required contribution was 10.13%. Contributions to the pension plan from the City were \$206,246 for the year ended June 30, 2024.

Membership

Membership in the plan is as follows:

	<u>As of July 1, 2023</u>
Inactive employees & beneficiaries receiving benefits	26
Inactive employees entitled to but not yet receiving benefits	5
Active participants	36
Total	<u>67</u>

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

At June 30, 2024, the City reported a liability of \$705,879 for its proportionate share of the net pension liability. The net pension liability was measured as of July 1, 2023, 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, 2024, the City recognized pension expense of \$71,658. At June 30, 2024, the City reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	<u>Deferred Outflows of Resources</u>	<u>Deferred Inflows of Resources</u>
Difference between expected and actual experience	\$ 68,491	\$ 108,605
Changes of assumptions	-	87,087
Net difference between projected and actual earnings on pension plan investments	688,542	418,554
Changes in proportion and differences between City contributions and proportionate share of contributions	-	-
City contributions subsequent to the measurement date	206,246	-
Total	<u>\$ 963,279</u>	<u>\$ 614,246</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:

2025	\$ (39,931)
2026	(26,746)
2027	224,768
2028	(15,304)
2029	-
Thereafter	-
	<u>\$ 142,787</u>

Actuarial assumptions: The total pension liability in the June 30, 2023 actuarial valuation was determined using the following actuarial assumptions, applied to all periods included in the measurement:

CITY OF WATONGA, OKLAHOMA
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Inflation	2.75 percent
Salary increases	5.0% to 8.0%
Investment rate of return	7.25 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, 2023 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:

	Target Allocation	Real Return	Weighted Return
Large cap stocks - S&P 500	25%	4.55%	1.14%
Small/mid cap stocks - Russell 2500	10%	5.00%	0.50%
International developed mkts equity - MSCI EAFE	20%	6.20%	1.24%
International emerging mkts equity - MSCI EAFE	5%	6.40%	0.32%
Private equity - MSCI ACWI net div	5%	6.05%	0.30%
US fixed income bonds - Barclay's US	20%	2.55%	0.51%
Real estate - NCREIF	15%	4.95%	0.74%
Cash equivalents - 3 month Treasury	0%	15.00%	0.00%
	100%		
	Average Real Return		4.75%
	Inflation		2.75%
	Long term expected return		7.50%

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 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..

CITY OF WATONGA, OKLAHOMA
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JUNE 30, 2024

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, 2022	5,532,982	4,773,640	759,342
Changes for the year:			
Service cost	146,867	-	146,867
Interest cost	401,625	-	401,625
Differences between expected and actual experience	92,608	-	92,608
Assumption changes	-	-	-
Contributions - employer	-	216,414	(216,414)
Contributions - employee	-	57,792	(57,792)
Net investment income	-	430,904	(430,904)
Benefit payments, including refunds of employee contributions	(362,507)	(362,507)	-
Administrative expense	-	(10,547)	10,547
Other changes	-	-	-
Net changes	278,593	332,056	(53,463)
Balances at June 30, 2023	\$ 5,811,575	\$ 5,105,696	\$ 705,879

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)	1,300,983	705,879	203,259

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	7/1/23	7/1/23
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	21 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. Any difference in the actual FVA and expected FVA is amortized over 5 years. The result is constrained to a value of 80% to 120% of the fair value at the valuation date.
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

CITY OF WATONGA, OKLAHOMA
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		assumed for members not eligible for this increase
Inflation	2.75%	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

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
2024	\$35,002,000	\$15,996	\$49,095,000	24.77%	\$44,456,000	\$151,503,140	\$82,548	\$45,285,476	46.38%	\$114,291,486
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, 2024. The City's portion for 2023 was 0.0457% compared to .0681% for 2022.

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, 2024. 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	(2,992,769,000)	(1,367,695)	(4,426,932,181)	(2,412,058)
Fiduciary net position	3,023,309,000	1,381,652	3,136,681,733	1,709,052
Net pension asset (liability)	30,540,000	13,957	(1,290,250,448)	(703,006)
Plan fiduciary net position as a percentage of the total pension liability	101.02%	101.02%	70.85%	70.85%

CITY OF WATONGA, OKLAHOMA
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2024

	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 *	1,338,450	2,335,041	1,375,098	1,622,509	(36,648)	712,532
Service cost	33,628	37,921	-	-	33,628	37,921
Interest cost	96,734	171,338	-	-	96,734	171,338
Benefit term changes	86	-	-	-	86	-
Differences btwn expected and actual experience	29,757	44,681	-	-	29,757	44,681
Assumption changes	(31,828)	-	-	-	(31,828)	-
Contributions - employer	-	-	22,436	29,077	(22,436)	(29,077)
Contributions - employee	-	-	14,075	18,507	(14,075)	(18,507)
Contributions - State of OK	-	-	20,316	62,273	(20,316)	(62,273)
Net investment income	-	-	49,841	154,906	(49,841)	(154,906)
Benefit payments, including refunds	(99,131)	(176,922)	(99,131)	(176,922)	-	-
Administrative expense	-	-	(984)	(1,297)	984	1,297
Ending balance	\$ 1,367,696	\$ 2,412,059	\$ 1,381,651	\$ 1,709,053	\$ (13,955)	\$ 703,006

* 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 3.67%. 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. The inflation factor added back was 2.62% Best estimates of arithmetic real rates of return for each major asset class included in the pension plan's target asset allocation are summarized in the following table.

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. The inflation factor added back was 2.62% for 2023 Best estimates of arithmetic real rates of return for each major asset class included in the pension plan's target asset allocation are summarized in the following table.

<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	5.78%	Fixed income	5.80%
Domestic equity	7.73%	Domestic equity	9.49%
International equity	11.55%	International equity	11.55%
Real estate	7.66%	Real estate	8.48%
Private equity	11.64%	Other assets	6.47%

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, 36.0% effective 7/1/2021, 37.8% effective 7/1/2022, 36.0% effective 7/1/2027). 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.

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):

		Police Pension		Firefighters Pension
	Rate	Net Pension Asset(Liability)	Rate	Net Pension Asset(Liability)
1% decrease	6.5%	(131,775)	6.5%	(916,047)
Current single discount rate	7.5%	13,957	7.5%	(703,006)
1% increase	8.5%	137,346	8.5%	(524,847)

Other Post-Employment Benefits

For the year ended June 30, 2024, 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 30, 2024, 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, 2024

	<u>Original Budget</u>	<u>Revisions</u>	<u>Revised Budget</u>	<u>Actual</u>	<u>Variance - Favorable (Unfavorable)</u>
<u>REVENUES</u>					
Sales tax	\$ 1,471,413	\$ (71,000)	\$ 1,400,413	\$ 1,078,209	\$ (322,204)
Use tax	255,803	-	255,803	262,016	6,213
Cigarette tax	15,296	-	15,296	15,465	169
Franchise Tax	15,447	4,000	19,447	19,988	541
Alcoholic beverage tax	81,986	2,000	83,986	85,022	1,036
Police fines & court fees	50,050	(20,000)	30,050	24,058	(5,992)
Intergovernmental revenues	-	37,299	37,299	37,299	-
522 District income	240,000	78,750	318,750	318,750	-
Ambulance receipts	70,987	105,000	175,987	183,661	7,674
Rentals, sales, miscellaneous	21,000	25,000	46,000	40,997	(5,003)
Oil & gas income	323,061	(162,000)	161,061	156,335	(4,726)
Licenses & permits	5,500	(2,000)	3,500	3,305	(195)
Intracity fees	300,000	-	300,000	300,000	-
Interest Income	64,000	-	64,000	64,712	712
Total revenues	<u>2,914,543</u>	<u>(2,951)</u>	<u>2,911,592</u>	<u>2,589,817</u>	<u>(321,775)</u>
<u>EXPENDITURES</u>					
<u>General government:</u>					
General government:	782,049	61,765	843,814	795,657	48,157
Managerial:	124,589	7,500	132,089	128,718	3,371
City Treasurer:	26,472	20,500	46,972	41,499	5,473
City Attorney:	50,000	10,000	60,000	53,629	6,371
Total General government:	<u>983,110</u>	<u>99,765</u>	<u>1,082,875</u>	<u>1,019,503</u>	<u>63,372</u>
<u>Pubic safety and judiciary:</u>					
Municipal Court:	25,000	-	25,000	20,762	4,238
Police Department:	772,281	(41,817)	730,464	656,798	73,666
Fire Department:	403,061	(20,000)	383,061	347,059	36,002
EMS:	543,650	(50,000)	493,650	445,552	48,098
Code Enforcement:	94,025	-	94,025	80,295	13,730
Total	<u>1,838,017</u>	<u>(111,817)</u>	<u>1,726,200</u>	<u>1,550,466</u>	<u>175,734</u>
<u>Transportation:</u>					
Street:	562,730	(140,000)	422,730	354,909	67,821
Total	<u>562,730</u>	<u>(140,000)</u>	<u>422,730</u>	<u>354,909</u>	<u>67,821</u>
<u>Culture and recreation:</u>					
Library:	269,421	-	269,421	236,586	32,835
Park:	254,212	-	254,212	227,473	26,739
Total Culture and recreation:	<u>523,633</u>	<u>-</u>	<u>523,633</u>	<u>464,059</u>	<u>59,574</u>
<u>Public services</u>					
Airport:	50,000	-	50,000	43,129	6,871
Total Public services	<u>50,000</u>	<u>-</u>	<u>50,000</u>	<u>43,129</u>	<u>6,871</u>
Total expenditures	<u>3,957,490</u>	<u>(152,052)</u>	<u>3,805,438</u>	<u>3,432,066</u>	<u>373,372</u>
Revenue over (under) expenditures	(1,042,947)	149,101	(893,846)	(842,249)	51,597

City of Watonga, Oklahoma
General Fund
Budget and Actual (Non-GAAP Budgetary Basis)
Year Ended June 30, 2024

	<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)	<u>1,190,000</u>	<u>(245,252)</u>	<u>944,748</u>	<u>988,272</u>	<u>43,524</u>
Net other financing sources (uses)	<u>1,190,000</u>	<u>(245,252)</u>	<u>944,748</u>	<u>988,272</u>	<u>43,524</u>
Revenues and other financing sources over (under) expenditures and other uses	147,053	(96,151)	50,902	146,023	95,121
Fund balance at beginning of year (Non-GAAP budgetary basis)	2,520,670		2,520,670	2,443,769	(76,901)
Fund balance at end of year (Non-GAAP budgetary basis)	<u>\$ 2,667,723</u>	<u>\$ (96,151)</u>	<u>\$ 2,571,572</u>	<u>\$ 2,589,792</u>	<u>\$ 18,220</u>
ADJUSTMENTS TO GENERALLY ACCEPTED ACCOUNTING PRINCIPLES					
Prior period adjustment				\$ -	
Revenue and transfer accruals				<u>431,883</u>	
Fund balance at end of year (GAAP basis)				<u>\$ 3,021,675</u>	

City of Watonga, Oklahoma
Schedules of Required Supplementary Information

Oklahoma Police Pension Retirement Plan

	2024	2023	2022	2021	2020	2019	2018	2017	2016	2015
Valuation date	7/1/2023	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	0.0457%	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)	(13,957)	(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	<u>(30,526,043)</u>	<u>(80,137,389)</u>	<u>(479,339,423)</u>	<u>114,744,051</u>	<u>(6,377,948)</u>	<u>(47,594,177)</u>	<u>7,686,639</u>	<u>153,037,718</u>	<u>4,074,631</u>	<u>(33,652,031)</u>
Total plan net pension liability (asset)	<u>(30,540,000)</u>	<u>(80,192,000)</u>	<u>(479,716,000)</u>	<u>114,845,000</u>	<u>(6,384,000)</u>	<u>(47,635,000)</u>	<u>7,692,000</u>	<u>153,144,000</u>	<u>4,077,000</u>	<u>(33,669,000)</u>
Covered payroll	172,588	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	<u>-8.09%</u>	<u>-22.60%</u>	<u>-140.44%</u>	<u>33.76%</u>	<u>-1.97%</u>	<u>-15.43%</u>	<u>2.57%</u>	<u>51.67%</u>	<u>1.38%</u>	<u>-11.63%</u>
Plan fiduciary net position as a percentage of the total pension liability	<u>101.02%</u>	<u>102.74%</u>	<u>117.07%</u>	<u>95.80%</u>	<u>100.24%</u>	<u>101.89%</u>	<u>99.68%</u>	<u>93.50%</u>	<u>99.82%</u>	<u>101.53%</u>
Schedule of Employer Contributions for Cost Sharing Plans (4):										
Contractually Required Contribution (CRC) (5)	22,333	31,712	35,293	38,276	40,064	33,968	27,029	26,624	21,366	18,326
Contributions in Relation to CRC (6)	<u>22,333</u>	<u>31,712</u>	<u>35,293</u>	<u>38,276</u>	<u>40,064</u>	<u>33,968</u>	<u>27,029</u>	<u>26,624</u>	<u>21,366</u>	<u>18,326</u>
Contribution deficiency	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Covered payroll	<u>171,792</u>	<u>243,938</u>	<u>271,485</u>	<u>294,431</u>	<u>308,185</u>	<u>261,292</u>	<u>207,915</u>	<u>204,800</u>	<u>164,354</u>	<u>140,969</u>
Contributions as a percentage of covered payroll	<u>13.00%</u>	<u>13.00%</u>	<u>13.00%</u>	<u>13.00%</u>	<u>13.00%</u>	<u>13.00%</u>	<u>13.00%</u>	<u>13.00%</u>	<u>13.00%</u>	<u>13.00%</u>

(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

	2024	2023	2022	2021	2020	2019	2018	2017	2016	2015
Valuation date	7/1/2023	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	0.054486%	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)	703,006	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	1,289,547,442	1,306,873,511	658,154,666	1,231,300,049	1,056,205,371	1,125,086,253	1,257,120,371	1,221,165,652	1,060,902,403	1,027,844,981
Total plan net pension liability (asset)	1,290,250,448	1,307,734,471	658,566,487	1,231,913,295	1,056,666,003	1,125,646,431	1,257,723,651	1,221,714,507	1,061,408,249	1,028,347,843
Covered payroll	187,471	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	374.99%	399.01%	210.17%	386.82%	343.37%	371.39%	441.19%	446.50%	392.34%	378.66%
Plan fiduciary net position as a percentage of the total pension liability	70.85%	69.49%	84.24%	69.98%	72.85%	70.73%	66.61%	64.87%	68.27%	68.12%
Schedule of Employer Contributions for Cost Sharing Plans (4):										
Contractually Required Contribution (CRC) (5)	28,415	30,508	28,440	22,371	18,873	20,721	19,087	17,593	18,230	18,293
Contributions in Relation to CRC (6)	28,415	30,508	28,440	22,371	18,873	20,721	19,087	17,593	18,230	18,293
Contribution deficiency	-	-	-	-	-	-	-	-	-	-
Covered payroll	202,964	217,914	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%	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									
	2024*	2023*	2022*	2021*	2020*	2019*	2018*	2017*	2016*	2015*
Total pension liability										
Service cost	\$ 146,867	\$ 156,562	\$ 170,099	\$ 169,314	\$ 154,257	\$ 141,281	\$ 141,556	\$ 113,795	\$ 101,924	\$ 94,016
Interest	401,625	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	92,608	(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	(362,507)	(390,951)	(345,824)	(431,433)	(400,941)	(384,233)	(394,876)	(346,760)	(300,240)	(316,592)
Net change in total pension liability	\$ 278,593	\$ (139,974)	\$ 127,057	\$ (104,212)	\$ 311,539	\$ 273,516	\$ 146,767	\$ 243,056	\$ 51,243	\$ 121,606
Total pension liability - beginning	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	4,502,384
Total pension liability - ending (a)	<u>\$ 5,811,575</u>	<u>\$ 5,532,982</u>	<u>\$ 5,672,956</u>	<u>\$ 5,545,899</u>	<u>\$ 5,650,111</u>	<u>\$ 5,338,572</u>	<u>\$ 5,065,056</u>	<u>\$ 4,918,289</u>	<u>\$ 4,675,233</u>	<u>\$ 4,623,990</u>
Plan fiduciary net position										
Contributions - employer	216,414	201,553	225,412	225,616	273,439	258,451	237,106	205,322	174,467	174,211
Contributions - employee	57,792	53,727	55,661	54,737	57,676	54,496	49,996	43,341	37,827	37,065
Net investment income	430,904	(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	(362,507)	(390,951)	(345,824)	(431,433)	(400,941)	(384,233)	(394,876)	(346,760)	(300,240)	(316,592)
Administrative expense	(10,547)	(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	332,056	(829,413)	1,150,724	20,842	209,350	213,557	333,375	(74,248)	6,897	424,115
Plan fiduciary net position - beginning	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	3,318,441
Plan fiduciary net position - ending (b)	<u>\$ 5,105,696</u>	<u>\$ 4,773,640</u>	<u>\$ 5,603,053</u>	<u>\$ 4,452,329</u>	<u>\$ 4,431,487</u>	<u>\$ 4,222,137</u>	<u>\$ 4,008,580</u>	<u>\$ 3,675,205</u>	<u>\$ 3,749,453</u>	<u>\$ 3,742,556</u>
City's net pension liability - ending (a) - (b)	<u>\$ 705,879</u>	<u>\$ 759,342</u>	<u>\$ 69,903</u>	<u>\$ 1,093,570</u>	<u>\$ 1,218,624</u>	<u>\$ 1,116,435</u>	<u>\$ 1,056,476</u>	<u>\$ 1,243,084</u>	<u>\$ 925,780</u>	<u>\$ 881,434</u>
Plan fiduciary net position as a percentage of the total pension liability	87.85%	86.28%	98.77%	80.28%	78.43%	79.09%	79.14%	74.73%	80.20%	80.94%
Covered-employee payroll	\$ 1,482,891	\$ 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	47.60%	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, 2024

	Grant Fund	Library Fund	Total Non-Major Funds
ASSETS			
Cash and cash equivalents	\$ 60,692	\$ -	\$ 60,692
Due from other funds	5,472	-	5,472
Total assets	<u>\$ 66,164</u>	<u>\$ -</u>	<u>\$ 66,164</u>
LIABILITIES			
Accounts payable	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
Total liabilities	<u>-</u>	<u>-</u>	<u>-</u>
FUND BALANCES			
Assigned	66,164	-	66,164
Total fund balances	<u>66,164</u>	<u>-</u>	<u>66,164</u>
Total liabilities and fund balances	<u>\$ 66,164</u>	<u>\$ -</u>	<u>\$ 66,164</u>

City of Watonga, Oklahoma
Combining Statement of Revenues, Expenditures, and Changes in Fund Balances
Non-Major Governmental Funds
Year Ended June 30, 2024

	Grant Fund	Library Fund	Total Non-Major Funds
<u>REVENUES</u>			
Rents & royalties	\$ -	\$ -	\$ -
Intergovernmental revenue	24,994	6,679	31,673
Donations	10,910	-	10,910
Other revenues	-	130	130
Interest income	-	-	-
Total revenues	<u>35,904</u>	<u>6,809</u>	<u>42,713</u>
<u>EXPENDITURES</u>			
General government:			
General government	-	-	-
Total general government	<u>-</u>	<u>-</u>	<u>-</u>
Public safety and judiciary:			
Police	-	-	-
Fire	-	-	-
Total public safety and judiciary	<u>-</u>	<u>-</u>	<u>-</u>
Cultural, parks and recreation:			
Library	-	865	865
Total cultural, parks and recreation	<u>-</u>	<u>865</u>	<u>865</u>
Capital outlay	-	-	-
Total expenditures	<u>-</u>	<u>865</u>	<u>865</u>
Excess (deficiency) of revenues over expenditures	<u>35,904</u>	<u>5,944</u>	<u>41,848</u>
<u>OTHER FINANCING SOURCES (USES)</u>			
Transfers in	-	-	-
Transfers out	(508,601)	(6,873)	(515,474)
Total other financing sources and uses	<u>(508,601)</u>	<u>(6,873)</u>	<u>(515,474)</u>
Net change in fund balances	(472,697)	(929)	(473,626)
Fund balances - beginning	538,861	929	539,790
Fund balances - ending	<u>\$ 66,164</u>	<u>\$ -</u>	<u>\$ 66,164</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, 2024, 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 30, 2024.

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

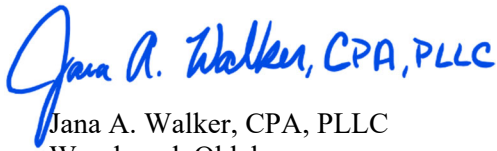
As part of obtaining reasonable assurance about whether City of Watonga, Oklahoma's financial statements are free from material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct 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 responses as items 2024-001.

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 responses. 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
Woodward, Oklahoma
December 30, 2024

**City of Watonga, Oklahoma
Schedule of Findings and Responses
Year Ended June 30, 2024**

FINDING 2024-001 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 completed by November 30th, which is 31 days earlier than required by the State Statute.

**City of Watonga, Oklahoma
Schedule of Prior Year Findings and Responses
Year Ended June 30, 2024**

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.

Current Year Status: Reported as finding 2024-001.

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.

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 from such events and unclear purpose of town expenditures.

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, you want to spend funds for social events possibly related to the town employees should use their personal money and refrain from using municipal funds to support such events.

Current Year Status: No current year finding.