

**CITY OF WATONGA OKLAHOMA  
WATONGA, OKLAHOMA**

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

**FOR THE YEAR ENDED  
JUNE 30, 2020**

**CITY OF WATONGA, OKLAHOMA**  
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**For the fiscal year ended JUNE 30, 2020**

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## INDEPENDENT AUDITOR'S REPORT

To the City Council  
City of Watonga, Oklahoma

We have audited the accompanying financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the City of Watonga, Oklahoma, as of and for the year ended June 30, 2020, and the related notes to the financial statements, which collectively comprise the basic financial statements of the City of Watonga's primary government as listed in the table of contents.

### **Management's Responsibility for the Financial Statements**

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

### **Auditor's Responsibility**

Our responsibility is to express opinions on these financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

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

### **Opinions**

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the primary government of the City of Watonga, Oklahoma, as of June 30, 2020, 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.

### **Emphasis of Matter**

As discussed in Note 1, the financial statements referred to above include only the primary government of the City of Watonga, Oklahoma, which consists of all funds, organizations, institutions, agencies, departments, and offices that comprise the City's legal entity. These primary government financial statements do not include financial data for the City's legally separate component units, which accounting principles generally accepted in the United States of America require to be reported with the financial data of the City's primary government. As a result, the primary government financial statements do not purport to, and do not present fairly the financial position of the reporting entity of the City of Watonga, Oklahoma, as of June 30, 2020, the changes in its financial position or, where applicable, its cash flows thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America. Our opinion is not modified with respect to this matter.

We have audited, in accordance with auditing standards generally accepted in the United States of America, the financial statements of the reporting entity of the City of Watonga, Oklahoma, as of and for the year ended June 30, 2020, and our report thereon, dated December 7, 2020 expressed an unmodified opinion on those financial statements.

**Other Matters**

*Required Supplementary Information*

Accounting principles generally accepted in the United States of America require that management’s discussion and analysis, budgetary comparison information, and net pension schedules on page 4-10, 37, 38, and 39-41 be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing 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.

*Other 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 combining nonmajor fund financial statements are presented for purposes of additional analysis and are not a required part of the basic financial statements.

The combining nonmajor fund financial statements are the responsibility of management and were derived from and related directly to the underlying accounting and other records used to prepare the basic financial statements. Such 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 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 7 ,2020 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 agreement s and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on internal control over financial reporting on compliance. That report is an integral part of an audit performed in accordance with Government Auditing Standards in considering the City of Watonga, Oklahoma’s internal control over financial reporting and compliance.

**FSW&B CPAs-PLLC**

FSW&B CPAs-PLLC

Stillwater, Oklahoma  
December 7, 2020

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, 2020. The City's 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, 2020, the assets of the City exceeded its liabilities by \$20,255,345 (net position). Of this amount \$2,986,094 (unrestricted net position) may be used to meet the City's ongoing obligations to citizens and creditors. This compared to the previous year when assets exceeded liabilities by \$20,306,870 (as restated).
- The City's total net position are comprised of the following:
  - (1) Invested in capital assets, net of related debt of \$16,964,712 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 \$304,539.
  - (3) Unrestricted net position of \$2,986,094 represents the portion available to maintain the City's continuing obligations to citizens and creditors.
- Total liabilities of the City decreased by \$105,256 during the fiscal year.
- After transfers of \$912,136 from business-type activities to governmental activities and \$984,814 to Mercy Hospital Watonga, net position of governmental activities decreased \$509,629 or 6.75%, and net position of business-type activities increased \$458,104 or 3.59%.
- At the end of the current fiscal year, unreserved fund balance for the General Fund was \$1,839,624 or 52.97% 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).

### ***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. 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.

A FINANCIAL ANALYSIS OF THE CITY AS A WHOLE

**Net Position**

The City's combined net position at June 30, 2020 is \$20,255,345. This is a \$51,525 decrease (depreciation expense is \$1,753,181- a non-cash expense) over June 30, 2019 net position of \$20,306,870. The City reported positive balances in total net position for both governmental and business-type activities, reporting \$7,038,359 and \$13,216,986, respectively.

Summary of Net Position

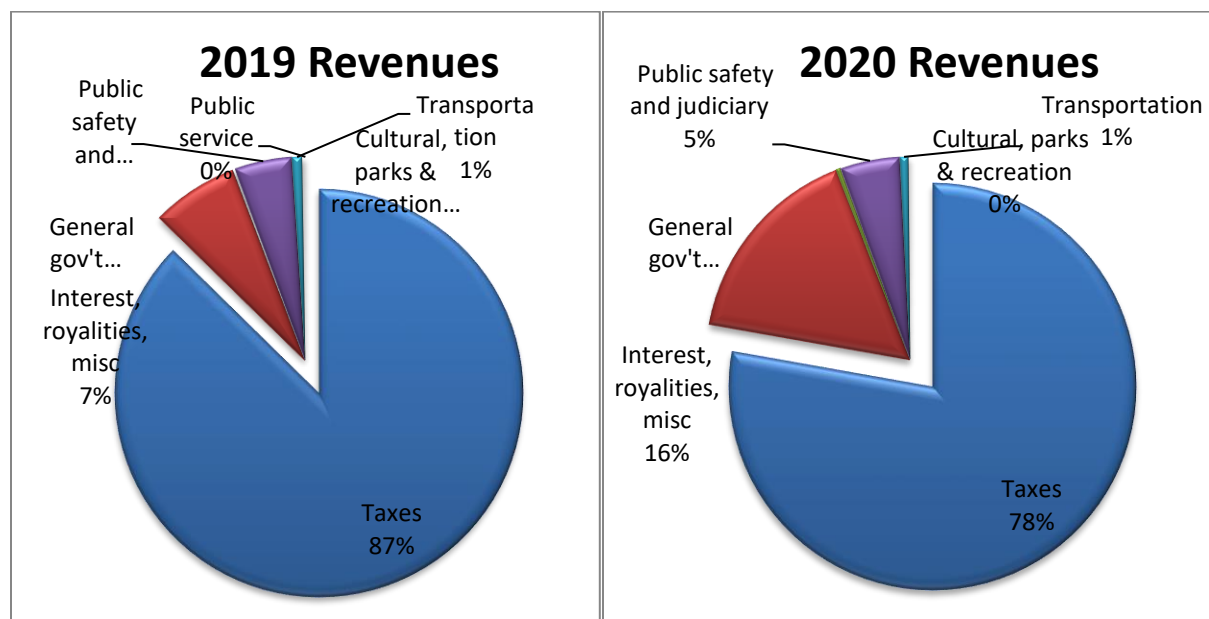
	Governmental Activities		Business-type Activities		Totals		\$ Change	% Change
	2020	2019	2020	2019	2020	2019		
Current and other assets	\$ 2,900,748	\$ 2,972,230	\$ 2,098,422	\$ 1,400,375	\$ 4,999,170	\$ 4,372,605	\$ 626,565	12.5%
Other noncurrent assets	6,050	-	-	-	6,050	-	\$ 6,050	
Capital assets	6,720,385	7,170,161	11,330,894	11,657,236	18,051,279	18,827,397	\$ (776,118)	-4.3%
<b>Total assets</b>	<b>9,627,183</b>	<b>10,142,391</b>	<b>13,429,316</b>	<b>13,057,611</b>	<b>23,056,499</b>	<b>23,200,002</b>	<b>\$ (143,503)</b>	<b>-0.6%</b>
<b>Deferred outflows of resources</b>	<b>828,194</b>	<b>935,654</b>	<b>-</b>	<b>-</b>	<b>828,194</b>	<b>935,654</b>	<b>(107,460)</b>	<b>-13.0%</b>
Long-term liabilities	2,716,708	2,763,890	-	5,900	2,716,708	2,769,790	\$ (53,082)	-2.0%
Other liabilities	464,937	208,774	212,330	292,829	677,267	501,603	\$ 175,664	25.9%
<b>Total liabilities</b>	<b>3,181,645</b>	<b>2,972,664</b>	<b>212,330</b>	<b>298,729</b>	<b>3,393,975</b>	<b>3,271,393</b>	<b>\$ 122,582</b>	<b>3.6%</b>
<b>Deferred inflows of resources</b>	<b>235,373</b>	<b>329,555</b>	<b>-</b>	<b>-</b>	<b>235,373</b>	<b>329,555</b>	<b>(94,182)</b>	<b>-40.0%</b>
<b>Net position:</b>								
Invested in capital assets, net of related debt	5,639,718	5,992,881	11,324,994	11,578,736	16,964,712	17,571,617	\$ (606,905)	-3.6%
Restricted	304,539	253,407	-	-	304,539	253,407	\$ 51,132	16.8%
Unrestricted	1,094,102	1,529,538	1,891,992	1,180,146	2,986,094	2,709,684	\$ 276,410	9.3%
<b>Total net position</b>	<b>\$ 7,038,359</b>	<b>\$ 7,775,826</b>	<b>\$ 13,216,986</b>	<b>\$ 12,758,882</b>	<b>\$ 20,255,345</b>	<b>\$ 20,534,708</b>	<b>\$ (279,363)</b>	<b>-1.4%</b>

**Summary of Statement of Activities**

	Governmental Activities		Business-type Activities		Total		\$ Change	% Change
	2020	2019	2020	2019	2020	2019		
<b>Revenues</b>								
Program revenues	\$ 238,149	\$ 302,812	\$ 4,865,185	\$ 4,220,557	\$ 5,103,334	\$ 4,523,369	\$ 579,965	13%
Taxes and other general revenues	3,762,361	5,172,240	6,586	20,838	3,768,947	5,193,078	(1,424,131)	-27%
<b>Total revenues</b>	<b>4,000,510</b>	<b>5,475,052</b>	<b>4,871,771</b>	<b>4,241,395</b>	<b>8,872,281</b>	<b>9,716,447</b>	<b>(844,166)</b>	<b>-9%</b>
<b>Expenses</b>								
General government	679,231	679,232	-	-	679,231	679,232	(1)	0%
Public safety and judiciary	1,683,585	1,718,723	-	-	1,683,585	1,718,723	(35,138)	-2%
Transportation	1,412,720	1,364,132	-	-	1,412,720	1,364,132	48,588	4%
Cultural, parks, and recreation	597,980	623,118	-	-	597,980	623,118	(25,138)	-4%
Public service	26,143	22,643	-	-	26,143	22,643	3,500	15%
Interest on long-term debt	37,802	37,305	-	-	37,802	37,305	497	1%
Electric	-	-	2,050,324	2,227,472	2,050,324	2,227,472	(177,148)	-8%
Water	-	-	333,575	358,025	333,575	358,025	(24,450)	-7%
Sewer	-	-	306,227	321,885	306,227	321,885	(15,658)	-5%
Sanitation	-	-	251,793	293,374	251,793	293,374	(41,581)	-14%
Healthcare	-	-	69,166	66,660	69,166	66,660	2,506	4%
Airport	-	-	309,879	330,708	309,879	330,708	(20,829)	-6%
Administration	-	-	180,567	236,962	180,567	236,962	(56,395)	-24%
<b>Total expenses</b>	<b>4,437,461</b>	<b>4,445,153</b>	<b>3,501,531</b>	<b>3,835,086</b>	<b>7,938,992</b>	<b>8,280,239</b>	<b>(341,247)</b>	<b>-4%</b>
Excess (deficiency) before transfers	\$ (436,951)	\$ 1,029,899	\$ 1,370,240	\$ 406,309	\$ 933,289	\$ 1,436,208	\$ (502,919)	-35%
Transfers - internal	912,136	(745,887)	(912,136)	745,887	-	-	-	0%
Transfers to lessee- healthcare	(984,814)	(1,245,164)	-	-	(984,814)	(1,245,164)	260,350	0%
<b>Increase (decrease) in net assets</b>	<b>\$ (509,629)</b>	<b>\$ (961,152)</b>	<b>\$ 458,104</b>	<b>\$ 1,152,196</b>	<b>\$ (51,525)</b>	<b>\$ 191,044</b>	<b>\$ (242,569)</b>	<b>-127%</b>

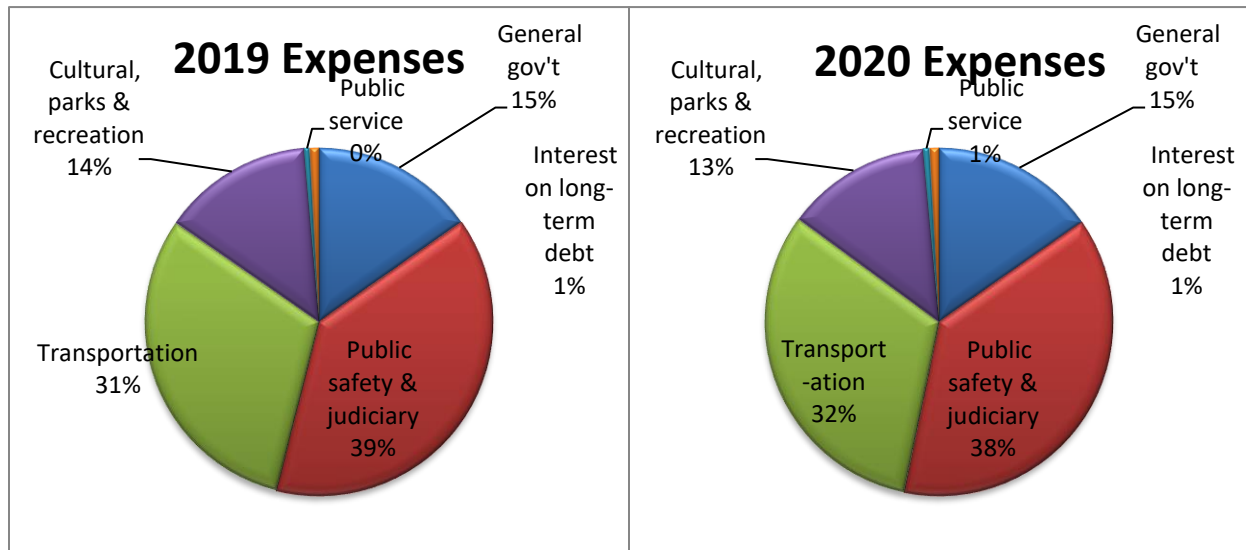
Revenues for the City decreased 6.51% from the prior year. This decrease in revenues is mainly attributable to a decrease in sales tax and pension change. Operating expenses decreased compared prior fiscal year 2019 with a 4.12% change.

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



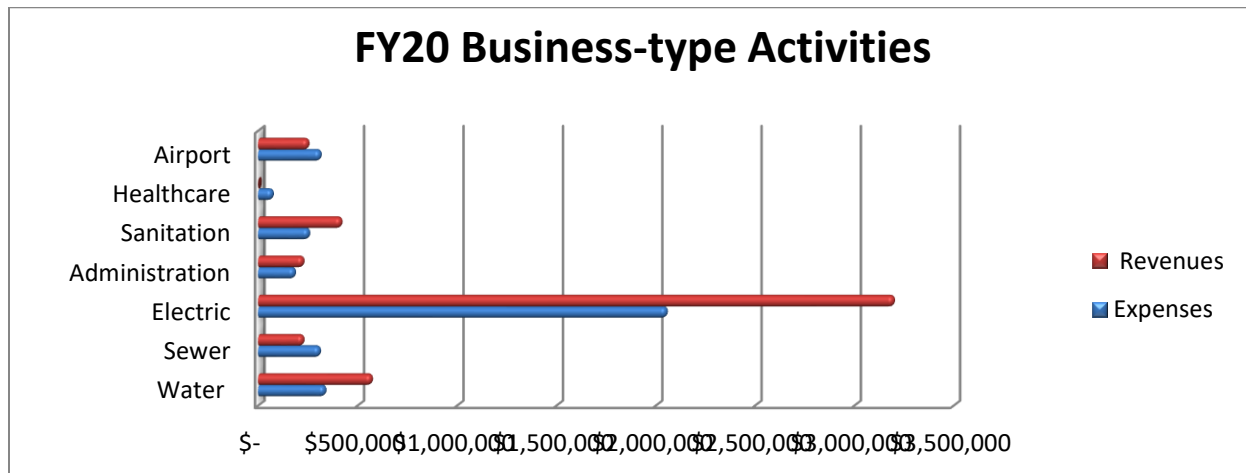
Taxes proved for 78% of the City's governmental revenues in fiscal year 2020. Interest and royalties followed as the second major revenue source accounting for 16% of governmental revenues.





For the year ended June 30, 20, total expenses for governmental activities were \$4,437,461. Of this amount, public safety and judiciary with \$1,683,585 was the largest operating service department at 38% of the total cost of services for governmental activities. These costs, as well as all other governmental activity expenses, were primarily funded by tax revenues and transfers in from the Light and Water fund. It should be noted that governmental expenses are adjusted from the fund statements to the government-wide statements for the purchase and construction of capital assets. Government-wide statement is full accrual; capital outlay expenses are eliminated and capital assets are reported.

**Business-type Activities**



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

For the fiscal year ended June 30, 2020, revenues from electric, water, administration and sanitation covered the cost of operating their respective departments.

**General Fund Budgetary Highlights**

The adopted budget for the General Fund for fiscal year 2020 was \$3,557,670. Actual expenses were \$72,219 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, 2020, the City had \$18,051,279 invested in capital assets, net of related debt, including vehicles and equipment for police and fire operations, street improvements, and park facilities, in governmental activities and electric lines, water lines and sewer lines in business-type activities. Refer to the table below.

**Primary Government Capital Assets (net of accumulated depreciation)**

	Governmental		Business-type		Total	
	Activities		Activities			
	2020	2019	2020	2019	2020	2019
Land	\$ 713,545	\$ 653,290	\$ 73,020	\$ 73,020	\$ 786,565	\$ 726,310
Buildings	1,031,458	820,184	3,544,904	3,562,293	4,576,362	4,382,477
Machinery & equipment	1,018,081	1,051,852	584,564	626,830	1,602,645	1,678,682
Utility property & improvements	3,957,301	4,597,630	7,068,216	7,314,892	11,025,517	11,912,522
Construction in progress	-	6,400	60,190	80,201	60,190	86,601
Totals	<u>\$ 6,720,385</u>	<u>\$ 7,129,356</u>	<u>\$ 11,330,894</u>	<u>\$ 11,657,236</u>	<u>\$ 18,051,279</u>	<u>\$ 18,786,592</u>

- In Governmental Activities, the most significant additions included Liberty Theatre marque and land in General government; 3 2019 Ford explorer police units, ODIS server package for the Police department; armory roof, doors, and lighting, bunker gear, and radios for the Fire department; exhaust fan and computers for the library; Pavilion and entrance makeover, and computer for the Parks department.
- In Business-type activities capital additions included water pumps, State Highway 33 waterline, sewer line for ion exchange, and several transformers.

**Long-Term Debt**

At year-end, the City had \$1,450,860 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		Business-type	
	Activities		Activities	
	2020	2019	2020	2019
Notes payable	-	-	5,900	78,500
Capital lease obligation	80,304	-	-	-
Bonds payable	1,080,000	1,170,000	-	-
less current portion	(129,574)	(90,000)	(5,900)	(72,600)
Totals	<u>\$ 1,030,730</u>	<u>\$ 1,080,000</u>	<u>\$ -</u>	<u>\$ 5,900</u>

## **ECONOMIC FACTORS AND NEXT YEARS'S BUDGET AND RATES**

### **Economic Environment**

Due to the current issue of the COVID19 pandemic and the dramatic drop in the Oil and Gas industry nationwide, Oklahoma municipalities have had to prepare for the economic impact of the two concurrent situations and try to adjust appropriately. Russell Evans, an economist based at Oklahoma City University, spoke at the City of Oklahoma City council meeting in mid-April 2020 referencing the local economy was already shaky at the start of the 2020 calendar year and the collapse in oil prices has exacerbated the challenges faced by Cities and the state.

The New York Times reported on April 24, grocery stores, pharmacies and other sellers of essential items experienced a surge of demand in March 2020, which was outweighed by a steep decline in other categories as shoppers restricted their spending. This will continue to be monitored since sales tax is the biggest source of revenue for many Cities. As the City stretches finances temporarily by trimming budgets and appropriating funds earmarked for other purposes, the economy recovery is expected to be slow.

### **Fiscal Year 2021**

The City falls under the Estimate of Needs budget law. Recurring revenues, including sales and use taxes, are budgeted at 90% of prior year collections however due to the increased sales tax in 2018 and 2019, sales tax was budgeted conservatively at 80% and use tax were budgeted even more conservatively at 28%. There were no utility revenue rate increases nor cost of living adjustments for employees budgeted due to the uncertainty of the pandemic. Utility capital improvement fees were also budgeted to assist the City in keeping updated equipment. This approach will ensure that any further decline in the economy can be absorbed by the City.

Operating expenses were budgeted conservatively based on prior year as well as current year.

## **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, 2020**

<b>ASSETS</b>	<b>Governmental Activities</b>	<b>Business-type Activities</b>	<b>Total</b>
Current Assets:			
Cash and cash equivalents	\$ 1,383,689	\$ 1,523,079	\$ 2,906,768
Investments	1,200,168	150,000	1,350,168
Sales, use & other taxes receivable	210,614	-	210,614
Accounts receivable (net)	51,287	409,096	460,383
Internal balances	(16,247)	16,247	-
Total current assets	<u>2,829,511</u>	<u>2,098,422</u>	<u>4,927,933</u>
Restricted assets:			
Cash and cash equivalents	71,237	-	71,237
Total restricted assets	<u>71,237</u>	<u>-</u>	<u>71,237</u>
Noncurrent Assets:			
Pension asset	6,050	-	6,050
Land and construction in progress	713,545	133,210	846,755
Other capital assets (net of accumulated depreciation)	6,006,840	11,197,684	17,204,524
Total noncurrent assets	<u>6,726,435</u>	<u>11,330,894</u>	<u>18,057,329</u>
Total assets	<u>9,627,183</u>	<u>13,429,316</u>	<u>23,056,499</u>
<b>DEFERRED OUTFLOWS OF RESOURCES</b>			
Deferred charges on pension obligations	\$ 828,194	\$ -	\$ 828,194
<b>LIABILITIES</b>			
Current liabilities:			
Accounts payable	\$ 700	\$ 183,432	\$ 184,132
Wages and benefits payable	55,670	10,781	66,451
Interest payable	2,606	-	2,606
Compensated absences	48,549	12,217	60,766
Other liabilities	-	-	-
Due to other governments	227,838	-	227,838
Notes payable, current	39,574	5,900	45,474
Bonds payable, current	90,000	-	90,000
Total current liabilities	<u>464,937</u>	<u>212,330</u>	<u>677,267</u>
Noncurrent liabilities:			
Pension liability	1,679,261	-	1,679,261
Notes payable	40,730	-	40,730
Bonds payable, net of premium	996,717	-	996,717
Total noncurrent liabilities	<u>2,716,708</u>	<u>-</u>	<u>2,716,708</u>
Total liabilities	<u>3,181,645</u>	<u>212,330</u>	<u>3,393,975</u>
<b>DEFERRED INFLOWS OF RESOURCES</b>			
Deferred charges on pension obligations	235,373	-	235,373
<b>NET POSITION</b>			
Invested in capital assets, net of related debt	5,639,718	11,324,994	16,964,712
Reserved for restricted purposes	304,539	-	304,539
Unrestricted	1,094,102	1,891,992	2,986,094
Total net position	<u>\$ 7,038,359</u>	<u>\$ 13,216,986</u>	<u>\$ 20,255,345</u>

**City of Watonga, Oklahoma**  
**Statement of Activities**  
**Year Ended June 30, 2020**

Functions/Programs	Expenses	Program Revenues			Net (Expense)/ Revenue
		Charges for Services	Operating Grants and Contributions	Capital Grants & Contributions	
Governmental activities:					
General government	\$ 679,231	\$ 3,897	\$ 11,326	\$ -	\$ (664,008)
Public safety and judiciary	1,683,585	176,987	12,771	-	(1,493,827)
Transportation	1,412,720	27,523	-	-	(1,385,197)
Cultural, parks and recreation	597,980	-	5,645	-	(592,335)
Public service	26,143	-	-	-	(26,143)
Interest on long-term debt	37,802	-	-	-	(37,802)
Total governmental activities	<u>4,437,461</u>	<u>208,407</u>	<u>29,742</u>	<u>-</u>	<u>(4,199,312)</u>
Business-type activities:					
Water	333,575	470,683	-	96,859	233,967
Sewer	306,227	223,284	-	-	(82,943)
Electric	2,050,324	3,194,863	-	-	1,144,539
Administration	180,567	216,605	-	-	36,038
Sanitation	251,793	414,283	-	-	162,490
Healthcare	69,166	-	-	-	(69,166)
Airport	309,879	66,497	-	182,111	(61,271)
Total business-type activities	<u>3,501,531</u>	<u>4,586,215</u>	<u>-</u>	<u>278,970</u>	<u>1,363,654</u>
Total primary government	<u>\$ 7,938,992</u>	<u>\$ 4,794,622</u>	<u>\$ 29,742</u>	<u>\$ 278,970</u>	<u>\$ (2,835,658)</u>

**City of Watonga, Oklahoma**  
**Statement of Activities (continued)**  
**Year Ended June 30, 2020**

**Changes in Net Position:**

	<b>Governmental Activities</b>	<b>Business-type Activities</b>	<b>Total</b>
Net (expense)/revenue	\$ (4,199,312)	\$ 1,363,654	\$ (2,835,658)
General revenues:			
Taxes:			
Sales tax	2,412,965	-	2,412,965
Use tax	287,702	-	287,702
Franchise tax	25,067	-	25,067
Property tax	123,476	-	123,476
Other taxes	152,443	-	152,443
522 District income	150,000	-	150,000
Oil and gas royalties	564,148	-	564,148
Investment income	22,708	6,586	29,294
Pension change	(50,684)	-	(50,684)
Miscellaneous	74,536	-	74,536
Transfers-Internal activity	912,136	(912,136)	-
Tranfers to lessee- healthcare	(984,814)	-	(984,814)
Total general revenues and transfers	<u>3,689,683</u>	<u>(905,550)</u>	<u>2,784,133</u>
Change in net position	(509,629)	458,104	(51,525)
Net position-beginning as previously reported	7,775,826	12,758,882	20,534,708
Prior period adjustment	(227,838)	-	(227,838)
Net position-ending	<u>\$ 7,038,359</u>	<u>\$ 13,216,986</u>	<u>\$ 20,255,345</u>

**City of Watonga, Oklahoma**  
**Balance Sheet**  
**June 30, 2020**

	<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>
<b>ASSETS</b>							
Cash and cash equivalents	\$ 878,847	\$ 229,865	\$ 71,237	\$ -	\$ 241,280	\$ 33,697	\$ 1,454,926
Investments	1,140,168	-	-	-	60,000	-	1,200,168
Sales, use & other taxes receivable	118,326	1,927	1,510	71,081	17,770	-	210,614
Revenue & other receivable	51,287	-	-	-	-	-	51,287
Total assets	<u>\$ 2,188,628</u>	<u>\$ 231,792</u>	<u>\$ 72,747</u>	<u>\$ 71,081</u>	<u>\$ 319,050</u>	<u>\$ 33,697</u>	<u>\$ 2,916,995</u>
<b>LIABILITIES</b>							
Accounts payable	\$ 700	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 700
Wages and benefits payable	55,670	-	-	-	-	-	55,670
Compensated absences	48,549	-	-	-	-	-	48,549
Due to other governments	227,838	-	-	-	-	-	227,838
Due to other funds	16,247	-	-	-	-	-	16,247
Total liabilities	<u>349,004</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>349,004</u>
<b>FUND BALANCES</b>							
Restricted	-	231,792	72,747	-	-	-	304,539
Committed	-	-	-	71,081	319,050	-	390,131
Assigned	-	-	-	-	-	33,697	33,697
Unassigned	1,839,624	-	-	-	-	-	1,839,624
Total fund balances	<u>1,839,624</u>	<u>231,792</u>	<u>72,747</u>	<u>71,081</u>	<u>319,050</u>	<u>33,697</u>	<u>2,567,991</u>
Total liabilities and fund balances	<u>\$ 2,188,628</u>	<u>\$ 231,792</u>	<u>\$ 72,747</u>	<u>\$ 71,081</u>	<u>\$ 319,050</u>	<u>\$ 33,697</u>	<u>\$ 2,916,995</u>
Total fund balance- total governmental funds							\$ 2,567,991
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							
					713,545		
					27,259,466		
					<u>(21,252,626)</u>		6,720,385
Long-term portion of liabilities are not due and payable in the current period and are not reported							
							(1,086,717)
							(80,304)
							(2,606)
							6,050
							828,194
							(1,679,261)
							<u>(235,373)</u>
Net assets of governmental activities							<u>\$ 7,038,359</u>

**City of Watonga, Oklahoma**  
**Statement of Revenues, Expenditures, and Changes in Fund Balances**  
**Year Ended June 30, 2020**

	General Fund	Street and Alley Fund	Debt Service	Hospital Special Revenue	Sales Tax (Capital Improve)	Non-Major Funds	Total Governmental Funds
<b>REVENUES</b>							
Sales tax	\$ 1,206,483	\$ -	\$ -	\$ 965,186	\$ 241,296	\$ -	\$ 2,412,965
Use tax	287,702	-	-	-	-	-	287,702
Franchise tax	25,067	-	-	-	-	-	25,067
Other taxes	127,521	24,922	-	-	-	-	152,443
Property taxes	-	-	123,476	-	-	-	123,476
522 District income	150,000	-	-	-	-	-	150,000
Licenses and permits	3,897	-	-	-	-	-	3,897
Rents & royalties	564,148	-	-	-	-	-	564,148
Fines and forfeitures	48,281	-	-	-	-	-	48,281
Charges for services	128,706	26,748	-	-	-	-	155,454
Intergovernmental revenues	11,100	-	-	-	-	10,287	21,387
Donations	-	-	-	-	-	-	-
Other revenues	79,536	775	-	-	-	3,355	83,666
Interest	20,216	546	250	-	1,696	-	22,708
Total revenues	<u>2,652,657</u>	<u>52,991</u>	<u>123,726</u>	<u>965,186</u>	<u>242,992</u>	<u>13,642</u>	<u>4,051,194</u>
<b>EXPENDITURES</b>							
<b>Current</b>							
General government:							
General government	421,084	-	-	-	-	47,864	468,948
Managerial	50,841	-	-	-	-	-	50,841
City clerk	93,001	-	-	-	-	-	93,001
City treasurer	18,701	-	-	-	-	-	18,701
City attorney	25,482	-	-	-	-	-	25,482
Total general government	<u>609,109</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>47,864</u>	<u>656,973</u>
Public safety and judiciary:							
Municipal court	29,986	-	-	-	-	-	29,986
Police	693,916	-	-	-	-	-	693,916
Fire	286,995	-	-	-	-	7,535	294,530
EMS	429,573	-	-	-	-	-	429,573
Code enforcement	107,553	-	-	-	-	-	107,553
Total public safety and judiciary	<u>1,548,023</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>7,535</u>	<u>1,555,558</u>
Transportation:							
Street	727,527	530	-	-	-	-	728,057
Total transportation	<u>727,527</u>	<u>530</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>728,057</u>
Cultural, parks and recreation:							
Library	224,215	-	-	-	-	13,630	237,845
Park	266,672	-	-	-	1,196	-	267,868
Total cultural, parks and recreation	<u>490,887</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>1,196</u>	<u>13,630</u>	<u>505,713</u>
Public service:							
Airport	26,143	-	-	-	-	-	26,143
Total public service	<u>26,143</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>26,143</u>
Capital outlay	71,006	-	-	-	440,041	7,760	518,807
<b>Debt service</b>							
Principal	-	-	90,000	-	38,442	-	128,442
Interest	-	-	35,055	-	3,477	-	38,532
Fiscal charges	-	-	-	-	-	-	-
Total expenditures	<u>3,472,695</u>	<u>530</u>	<u>125,055</u>	<u>-</u>	<u>483,156</u>	<u>76,789</u>	<u>4,158,225</u>
Excess (deficiency) of revenues over expenditures	<u>(820,038)</u>	<u>52,461</u>	<u>(1,329)</u>	<u>965,186</u>	<u>(240,164)</u>	<u>(63,147)</u>	<u>(107,031)</u>
<b>OTHER FINANCING SOURCES (USES)</b>							
Transfers in	1,111,423	-	-	-	166,921	52,569	1,330,913
Transfers out	(236,750)	-	-	(1,050)	(180,977)	-	(418,777)
Proceeds from capital lease obligation	-	-	-	-	118,747	-	118,747
Transfers out to lessee- healthcare	-	-	-	(984,814)	-	-	(984,814)
Total other financing sources and uses	<u>874,673</u>	<u>-</u>	<u>-</u>	<u>(985,864)</u>	<u>104,691</u>	<u>52,569</u>	<u>46,069</u>
Net change in fund balances	54,635	52,461	(1,329)	(20,678)	(135,473)	(10,578)	(60,962)
Fund balances - beginning as originally reported	2,012,827	179,331	74,076	91,759	454,523	44,275	2,856,791
Prior period adjustment	(227,838)	-	-	-	-	-	(227,838)
Fund balances - ending	<u>\$ 1,839,624</u>	<u>\$ 231,792</u>	<u>\$ 72,747</u>	<u>\$ 71,081</u>	<u>\$ 319,050</u>	<u>\$ 33,697</u>	<u>\$ 2,567,991</u>



**City of Watonga, Oklahoma**  
**Statement of Revenues, Expenditures, and Changes in Fund Balances**  
**Year Ended June 30, 2020**

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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 \$ (60,962)

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	519,536	
Depreciation expense	<u>(927,778)</u>	(408,242)

Government-Wide Statement of Activities report the cost of pension benefits  
earned net of employee contributions is reported as an element of pension. (50,684)  
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 payments		38,442
Premium on bonds		563
Proceeds from capital lease obligations		(118,746)

Change in Net Position of Governmental Activities \$ (509,629)

**City of Watonga, Oklahoma**  
**Statement of Net Position**  
**Proprietary Fund**  
**June 30, 2020**

	<b>Light and Water Fund</b>	<b>Hospital Authority Fund</b>	<b>Public Works Authority</b>	<b>Total Enterprise Funds</b>
<b>ASSETS</b>				
Current assets:				
Cash and cash equivalents	\$ 1,460,825	\$ 25	\$ 62,229	\$ 1,523,079
Investments	150,000	-	-	150,000
Accounts receivable, net	409,096	-	-	409,096
Due from other funds	16,247	-	-	16,247
Total current assets	<u>2,036,168</u>	<u>25</u>	<u>62,229</u>	<u>2,098,422</u>
Noncurrent assets:				
Capital assets (net)	7,364,495	1,802,586	2,163,813	11,330,894
Total noncurrent assets	<u>7,364,495</u>	<u>1,802,586</u>	<u>2,163,813</u>	<u>11,330,894</u>
<b>Total assets</b>	<u>\$ 9,400,663</u>	<u>\$ 1,802,611</u>	<u>\$ 2,226,042</u>	<u>\$ 13,429,316</u>
<b>LIABILITIES</b>				
Current liabilities:				
Accounts payable	\$ 183,432	\$ -	\$ -	\$ 183,432
Wages and benefits payable	10,781	-	-	10,781
Compensated absences	12,217	-	-	12,217
Notes payable, current	-	-	5,900	5,900
Total current liabilities	<u>206,430</u>	<u>-</u>	<u>5,900</u>	<u>212,330</u>
Noncurrent liabilities:				
Notes payable, non-current	-	-	-	-
Total noncurrent liabilities	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
<b>Total liabilities</b>	<u>206,430</u>	<u>-</u>	<u>5,900</u>	<u>212,330</u>
<b>NET POSITION</b>				
Invested in capital assets, net of related debt	7,364,495	1,802,586	2,157,913	11,324,994
Unrestricted	1,829,738	25	62,229	1,891,992
<b>Total net position</b>	<u>\$ 9,194,233</u>	<u>\$ 1,802,611</u>	<u>\$ 2,220,142</u>	<u>\$ 13,216,986</u>

**City of Watonga, Oklahoma**  
**Statement of Revenues, Expenses and Changes in Fund Net Assets**  
**Proprietary Funds**  
**Year Ended June 30, 2020**

	<b>Light and Water Fund</b>	<b>Hospital Authority Fund</b>	<b>Public Works Authority</b>	<b>Total Enterprise Funds</b>
<b>Operating revenues:</b>				
Charges for services:				
Water charges	\$ 470,683	\$ -	\$ -	\$ 470,683
Sewer charges	223,284	-	-	223,284
Electric charges	3,194,863	-	-	3,194,863
Sanitation charges	414,283	-	-	414,283
Sale of fuel	-	-	24,172	24,172
Penalties	57,164	-	-	57,164
Total charges for services	<u>4,360,277</u>	<u>-</u>	<u>24,172</u>	<u>4,384,449</u>
Lease and rental income	-	-	23,323	23,323
Other fees and charges	159,441	-	19,002	178,443
Total operating revenues	<u>4,519,718</u>	<u>-</u>	<u>66,497</u>	<u>4,586,215</u>
<b>Operating expenses:</b>				
Cost of sales	1,760,881		22,393	1,783,274
Personal services	510,084		-	510,084
Materials and supplies	217,420	-	4,638	222,058
Other services and charges	74,044	4,900	80,306	159,250
Depreciation and amortization	560,057	64,266	201,080	825,403
Total operating expenses	<u>3,122,486</u>	<u>69,166</u>	<u>308,417</u>	<u>3,500,069</u>
Net operating income	1,397,232	(69,166)	(241,920)	1,086,146
<b>Nonoperating revenue (expense):</b>				
Contributions	-	-	-	-
Investment income	6,348	-	238	6,586
Oil and gas royalties	-	-	-	-
Grant income	96,859	-	182,111	278,970
Interest expense	-	-	(1,462)	(1,462)
Total nonoperating revenue/(expense)	<u>103,207</u>	<u>-</u>	<u>180,887</u>	<u>284,094</u>
<b>Net Income before contributions and transfers</b>	1,500,439	(69,166)	(61,033)	1,370,240
<b>Contributions and transfers:</b>				
Transfers from other funds	8,061	8,128	142,699	158,888
Transfers to other funds	(1,069,086)	-	(1,938)	(1,071,024)
<b>Change in net position</b>	439,414	(61,038)	79,728	458,104
Net position-beginning of year	8,754,819	1,863,649	2,140,414	12,758,882
Net position-end of year	<u>\$ 9,194,233</u>	<u>\$ 1,802,611</u>	<u>\$ 2,220,142</u>	<u>\$ 13,216,986</u>

**City of Watonga, Oklahoma**  
**Statement of Cash Flows**  
**Proprietary Funds**  
**Year Ended June 30, 2020**

	<b>Light and Water Fund</b>	<b>Hospital Authority Fund</b>	<b>Public Works Authority</b>	<b>Total Enterprise Funds</b>
<b>Cash flows from operating activities:</b>				
Receipts from customers	\$ 4,472,962	\$ -	\$ 66,497	\$ 4,539,459
Payments to suppliers	(2,064,308)	(4,900)	(110,144)	(2,179,352)
Payments to employees	(509,113)	-	-	(509,113)
<b>Net cash provided (used) by operating activities</b>	<b>1,899,541</b>	<b>(4,900)</b>	<b>(43,647)</b>	<b>1,850,994</b>
<b>Cash flows from non-capital financing activities:</b>				
Receipts (payments) from interfund loan agreements	(14,540)	-	-	(14,540)
Oil & gas royalties	-	-	-	-
Transfers from other funds	8,061	8,128	142,699	158,888
Transfers to other funds	(1,069,086)	-	(1,938)	(1,071,024)
<b>Net cash provided (used) by non-capital financing activities</b>	<b>(1,075,565)</b>	<b>8,128</b>	<b>140,761</b>	<b>(926,676)</b>
<b>Cash flows from capital and related financing activities:</b>				
Capital grants and contributions	96,859	-	182,111	278,970
Purchases of capital assets	(310,083)	(3,228)	(185,750)	(499,061)
Principal paid on capital debt	-	-	(72,600)	(72,600)
Interest paid on capital debt	-	-	(1,462)	(1,462)
<b>Net cash provided (used) by capital and related financing activities</b>	<b>(213,224)</b>	<b>(3,228)</b>	<b>(77,701)</b>	<b>(294,153)</b>
<b>Cash flows from investing activities:</b>				
Investment income	6,348	-	238	6,586
<b>Net cash provided (used) by investing activities</b>	<b>6,348</b>	<b>-</b>	<b>238</b>	<b>6,586</b>
Net increase (decrease) in cash and cash equivalents	617,100	-	19,651	636,751
Cash & cash equivalents, June 30, 2019	843,725	25	42,578	886,328
Cash & cash equivalents, June 30, 2020	<u>\$ 1,460,825</u>	<u>\$ 25</u>	<u>\$ 62,229</u>	<u>\$ 1,523,079</u>
Cash, including time deposits	<u>\$ 1,460,825</u>	<u>\$ 25</u>	<u>\$ 62,229</u>	<u>\$ 1,523,079</u>
Total cash and cash equivalents, end of year	<u><u>\$ 1,460,825</u></u>	<u><u>\$ 25</u></u>	<u><u>\$ 62,229</u></u>	<u><u>\$ 1,523,079</u></u>
<b>Reconciliation of operating income (loss) to net cash provided (used) by operating activities</b>				
Operating income (loss)	\$ 1,397,232	\$ (69,166)	\$ (241,920)	\$ 1,086,146
Adjustments to reconcile operating income (loss) to net cash provided (used) by operating activities:				
Depreciation	560,057	64,266	201,080	825,403
Changes in assets and liabilities:				
(Increase) decrease in accounts receivable	(46,756)	-	-	(46,756)
Increase (decrease) in accounts payable	(13,896)	-	(2,807)	(16,703)
Increase (decrease) in wages and benefits payable	971	-	-	971
Increase (decrease) in other liabilities	1,933	-	-	1,933
Total adjustments	502,309	64,266	198,273	764,848
<b>Net cash provided (used) by operating activities</b>	<b>\$ 1,899,541</b>	<b>\$ (4,900)</b>	<b>\$ (43,647)</b>	<b>\$ 1,850,994</b>

**City of Watonga, Oklahoma**  
**Statement of Fiduciary Net Position**  
**June 30, 2020**

	<u>Meter Deposit Fund</u>	<u>Municipal Court Bond Fund</u>	<u>Total Agency Funds</u>
<b>ASSETS</b>			
Cash and cash equivalents	\$ 176,033	\$ 6,359	\$ 182,392
Cash and investments, restricted	127,000	-	127,000
Total assets	<u>\$ 303,033</u>	<u>\$ 6,359</u>	<u>\$ 309,392</u>
<b>LIABILITIES</b>			
Bonds and deposits subject to refund	\$ 303,033	\$ 6,359	\$ 309,392
Total liabilities	<u>\$ 303,033</u>	<u>\$ 6,359</u>	<u>\$ 309,392</u>

(1) **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, 2020.

**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.

**Fiduciary Component Units (reported in fiduciary financial statements)**

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.

**Related Organizations**

Related organizations are excluded from the financial reporting entity because the City's accountability does not extend beyond making appointments. Audited financial statements are available from the respective organizations.

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. The annual audited report may be obtained from the Watonga Municipal Library, 301 North Prouty Avenue, 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 follows the Estimate of Needs based budgeting. The budget is submitted on the required form no later than August 27. Revenues estimated for the General Fund are limited to 90% of the prior year recurring revenues plus any unreserved fund balance carry-over. The Council approves the budget.

***Compliance***

At June 30, 2020, the City was in material compliance with Oklahoma budgeting regulations.

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

***Cash and Investments***

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

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

***Due from other governments***

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

***Accounts Receivable***

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

***Restricted Assets***

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

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

***Interfund Balances***

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

***Capital Assets, Depreciation, and Amortization***

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

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

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

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

***Deferred Outflows/Inflows of Resources***

In addition to assets, the statement of financial position will sometimes report a separate section for deferred outflows of resources. This separate financial statement element, *deferred outflows of resources*, represents a consumption of net position that applies to a future period and so will *not* be recognized as an outflow of resources (expense/expenditure) until then. The government does not have any items that qualify for reporting in this category.

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 does not currently have any items that qualify as a deferred inflow of resources.

***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 list 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.

Certain reclassifications have been made to prior period balances in order to conform to the current period's presentation.

**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 January 2012, the City increased the sales tax levy from 4% to 5% 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).

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

**(2) 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.

<u>Types of Investments</u>	<u>Primary Government</u>			
	<u>Fair Value/ Carrying Amount</u>	<u>Cost</u>	<u>Average Credit Quality/ Ratings (1)</u>	<u>Weighted Average Days to Maturity (2)</u>
<b>Primary government</b>				
<b><u>INVESTMENTS:</u></b>				
Certificates of deposit	\$ 1,350,168	\$ 1,350,168	N/A	134
Total investments	<u>1,350,168</u>	<u>1,350,168</u>		
Total primary government investments	<u>\$ 1,350,168</u>	<u>\$ 1,350,168</u>		

**RECONCILIATION TO STATEMENT OF NET POSITION**

	<u>Governmental Activities</u>	<u>Business-type Activities</u>	<u>Total</u>
Investments, unrestricted	\$ 1,200,168	\$ 150,000	\$ 1,350,168
Total investments	<u>\$ 1,200,168</u>	<u>\$ 150,000</u>	<u>\$ 1,350,168</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.

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**Restricted Assets**

	Cash
<i>Governmental Activities</i>	
Debt service sinking fund	\$ 71,237
GO bonds- hospital	-
Total Governmental Activities	71,237
<b>Total Restricted Assets</b>	<b>\$ 71,237</b>

**Capital Assets**

**Changes in Capital Assets**

	Primary Government			
	Balance at June 30, 2019	Additions	Deletions	Balance at June 30, 2020
<u><i>Governmental Activities</i></u>				
Land	\$ 653,290	\$ 60,255	\$ -	\$ 713,545
Buildings & structures	3,660,707	298,890	-	3,959,597
Machinery, furniture, & equipment	3,964,716	166,062	-	4,130,778
Infrastructure & improvements	19,169,091	-	-	19,169,091
Construction in Progress	6,400	-	6,400	-
		-	-	
Total	27,454,204	525,207	6,400	27,973,011
Less accumulated depreciation	20,324,848	927,778	-	21,252,626
Governmental fixed assets, net	<u>\$ 7,129,356</u>	<u>\$ (402,571)</u>	<u>\$ (6,400)</u>	<u>\$ 6,720,385</u>
<u><i>Business-type Activities</i></u>				
Land	\$ 73,020	\$ -	\$ -	\$ 73,020
Buildings & structures	9,293,697	212,548	-	9,506,245
Machinery, furniture, & equipment	1,977,957	25,545	-	2,003,502
Infrastructure & improvements	19,574,836	280,979	-	19,855,815
Construction in Progress	80,201	30,329	50,340	60,190
Total	30,999,711	549,401	50,340	31,498,772
Less accumulated depreciation	19,342,475	825,403	-	20,167,878
Business-type fixed assets, net	<u>\$ 11,657,236</u>	<u>\$ (276,002)</u>	<u>\$ (50,340)</u>	<u>\$ 11,330,894</u>
<b>Total primary government</b>	<u>\$ 18,786,592</u>	<u>\$ (678,573)</u>	<u>\$ (56,740)</u>	<u>\$ 18,051,279</u>

**CITY OF WATONGA, OKLAHOMA**  
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	<u>Light &amp; Water Fund</u>	<u>Watonga Hospital Authority</u>	<u>Public Works Authority</u>	<u>Total Business- Type</u>
<i><u>Business-type Activities</u></i>				
Land	\$ 48,070	\$ 3,950	\$ 21,000	\$ 73,020
Buildings & structures	222,856	2,604,770	6,678,619	9,506,245
Machinery, furniture, & equipment	1,217,545	28,618	757,339	2,003,502
Infrastructure & improvements	19,855,815	-	-	19,855,815
Construction in progress	60,190	-	-	60,190
Total	21,404,476	2,637,338	7,456,958	31,498,772
Less accumulated depreciation	<u>(14,039,981)</u>	<u>(834,752)</u>	<u>(5,293,145)</u>	<u>(20,167,878)</u>
Business-type fixed assets, net	<u>\$ 7,364,495</u>	<u>\$ 1,802,586</u>	<u>\$ 2,163,813</u>	<u>\$ 11,330,894</u>

**Depreciation Expense**

Primary Government			
<u>Governmental Activities</u>		<u>Business-type Activities</u>	
General government	\$ 22,821	Water	\$ 206,542
Public safety & judiciary	128,027	Sewer	209,487
Transportation	684,663	Electric	113,897
Cultural, parks & recreation	92,267	Administration	3,417
Total depreciation expense	<u>\$ 927,778</u>	Sanitation	26,714
		Hospital	64,266
		Airport	201,080
		Total depreciation expense	<u>\$ 825,403</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. \$ 1,080,000

On May 7, 2019 the City of Watonga entered into a lease purchase agreement with Oklahoma State Bank for the purchase of 3 police units totalling \$118,746.59. The loan carries a fixed interest rate of 2.92% with 3 annual payments of \$41,919.23 beginning on May 7, 2020 with final payment due May 7, 2022. 80,304

\$ 1,160,304

**Business-Type Activities**

On August 29, 2016, PWA entered into an agreement with Komatsu Financial for the purchase of a hydraulic excavator in the amount of \$154,200. After a down payment of \$13,000, the loan carries a fixed interest rate of 0.00% for 48 months, maturing August 2020. 5,900

\$ 5,900

**CITY OF WATONGA, OKLAHOMA**  
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**Changes in Long-Term Debt**

Type of Debt	Balance at July 1, 2019	Amount Issued	Amount Retired	Balance at June 30, 2020	Due Within One Year
<b>Governmental activities:</b>					
General Obligation bonds	\$ 1,170,000	\$ -	\$ 90,000	\$ 1,080,000	\$ 90,000
Oklahoma State Bank	-	118,746	38,442	80,304	39,574
<b>Business-type activities:</b>					
Komatsu Financial	41,300	-	35,400	5,900	5,900
Cornerstone Bank	37,200	-	37,200	-	-
Total business-type activities	<u>\$ 78,500</u>	<u>\$ -</u>	<u>\$ 72,600</u>	<u>\$ 5,900</u>	<u>\$ 5,900</u>
<b>Total primary government</b>	<u>\$ 1,248,500</u>	<u>\$ 118,746</u>	<u>\$ 201,042</u>	<u>\$ 1,166,204</u>	<u>\$ 135,474</u>

**Annual Debt Service Requirements**

Year Ending June 30	Governmental Activities		Business-type Activities	
	Principal	Interest	Principal	Interest
	2021	\$ 129,574	\$ 32,900	\$ 5,900
2022	130,730	29,494	-	-
2023	90,000	25,965	-	-
2024	90,000	23,535	-	-
2025	90,000	20,970	-	-
2026-2030	450,000	65,205	-	-
2031-2032	180,000	3,375	-	-
Totals	<u>\$ 1,160,304</u>	<u>\$ 201,444</u>	<u>\$ 5,900</u>	<u>\$ -</u>

**C. Net Position**

The financial statements for 2019 have been restated for the effect of a prior period adjustment which resulted in a change of (\$228,838) in previously reported 2019 changes of net position. The adjustment was made due to the Oklahoma Tax Commission making an adjustment of \$227,838 as a result of an extensive audit of a company's sales occurring from February, 2016 through December, 2017 for sales that did not occur within the City limits.

**(3) REVENUES AND EXPENSES**

*Interfund Transfers*

**C. Interfund Balances**

	<u>Transfers In</u>	<u>Transfers Out</u>
GENERAL FUND		
Light and Water Fund	\$ 1,069,086	\$ 6,123
Hospital Special Revenue Fund	1,050	-
Sales Tax (Capital Improvement) Fund	41,287	166,921
Grant Fund	-	52,569
Hospital Authority	-	4,900
Public Works Authority	-	6,237
Total General Fund	1,111,423	236,750
HOSPITAL SPECIAL REVENUE FUND		
General Fund	-	1,050
Total Hospital Special Revenue Fund	-	1,050
SALES TAX (CAPITAL IMPROVEMENT) FUND		
General Fund	166,921	41,287
Public Works Authority	-	136,462
Hospital Authority	-	3,228
Total Sales Tax (Cap Improve) Fund	166,921	180,977
GRANT FUND		
General Fund	52,569	-
Total Grant Fund	52,569	-
LIGHT AND WATER FUND		
General Fund	6,123	1,069,086
Public Works Authority	1,938	-
Total Light and Water Fund	8,061	1,069,086
PUBLIC WORKS AUTHORITY		
General Fund	6,237	-
Sales Tax (Capital Improvement) Fund	136,462	-
Light and Water Fund	-	1,938
Total Public Works Authority	142,699	1,938
HOSPITAL AUTHORITY		
General Fund	4,900	-
Sales Tax (Capital Improvement) Fund	3,228	-
Total Hospital Authority	8,128	-
GRAND TOTAL	\$ 1,489,801	\$ 1,489,801

**(4) PENSION AND POST-EMPLOYMENT PLANS**

The City participates in three employee pension systems as follows:

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

**A. Oklahoma Municipal Retirement Fund- Defined Benefit Plan**

Plan Description

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

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are eligible for normal retirement at age 65 with 7 years of vested service. The benefit is payable immediately. Early retirement is available after age 55 with 7 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 7 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, 2020, the City's contribution was 16.32%. Contributions to the pension plan from the City were \$226,714 for the year ended June 30, 2020.

Membership

Membership in the plan is as follows:

	<b>As of July 1, 2020</b>
Inactive employees & beneficiaries receiving benefits	25
Inactive employees entitled to but not yet receiving benefits	3
Active participants	39
<b>Total</b>	<b>67</b>

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

At June 30, 2020, the City reported a liability of \$1,218,624 for its proportionate share of the net pension liability. The net pension liability was measured as of July 1, 2019, 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, 2020, the City recognized pension expense of \$334,815. At June 30, 2020, the City reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	<b>Deferred Outflows of Resources</b>	<b>Deferred Inflows of Resources</b>
Difference between expected and actual experience	\$ 146,017	\$ 21,677
Changes of assumptions	109,393	-
Net difference between projected and actual earnings on pension plan investments	72,798	67,438
Changes in proportion and differences between City contributions and proportionate share of contributions	-	-
City contributions subsequent to the measurement date	226,714	-
<b>Total</b>	<b>\$ 554,922</b>	<b>\$ 89,115</b>

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

**Year ended June 30:**

2021	\$	124,386
2022		52,434
2023		52,049
2024		10,224
2025		-
Thereafter		-
	<b>\$</b>	<b>239,093</b>

*Actuarial assumptions:* The total pension liability in the June 30, 2019 actuarial valuation was determined using the following actuarial assumptions, applied to all periods included in the measurement:

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Inflation	2.75 percent
Salary increases	5.07 percent, average
Investment rate of return	7.50 percent, net of pension plan investment expense and inflation

Mortality rates were based on the UP 1994 with projected mortality improvement. 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, 2020 valuation were based on the results of an actuarial experience study for the period ended July 1, 2007 through June 30, 2011.

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 (3.0%). 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, 2017 are summarized in the following table:

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

*Discount rate:* The discount rate used to measure the total pension liability was 7.50 percent, as the plan's net fiduciary 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 the member's working career. 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. Therefore, no separate cash flow projection is required to determine the sufficiency of the plan assets. The 20 year tax free bond yield of 3.29% was used in the analysis.

Changes in the Net Pension Liability

	<b>Increase (Decrease)</b>		
	<b>Total Pension Liability (a)</b>	<b>Plan Fiduciary Net Position (b)</b>	<b>Net Pension Liability (a) - (b)</b>
<b>Balances at June 30, 2018</b>	5,338,572	4,222,137	1,116,435
<b>Changes for the year:</b>			
Service cost	154,257	-	154,257
Interest cost	385,629	-	385,629
Differences between expected and actual experience	69,413	-	69,413
Assumption changes	103,181	-	103,181
Contributions - employer	-	273,439	(273,439)
Contributions - employee	-	57,676	(57,676)
Net investment income	-	287,786	(287,786)
Benefit payments, including refunds of employee contributions	(400,941)	(400,941)	-
Administrative expense	-	(8,610)	8,610
Other changes	-	-	-
<b>Net changes</b>	<b>311,539</b>	<b>209,350</b>	<b>102,189</b>
<b>Balances at June 30, 2019</b>	<b>\$ 5,650,111</b>	<b>\$ 4,431,487</b>	<b>\$ 1,218,624</b>

*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 7.75 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 (6.75 percent) or 1-percentage-point higher (8.75 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)	1,804,622	1,218,624	721,649

*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 63<sup>rd</sup> Street, Suite 305, Oklahoma City OK 73116-7335 (or [www.ok.gov/OPPRS](http://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](http://www.ok.gov/fprs)).

***Funding Policies, Contribution Methods, & Benefit Provisions***

	<b>Police Pension</b>	<b>Firefighters Pension</b>
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.

**CITY OF WATONGA, OKLAHOMA**  
**NOTES TO FINANCIAL STATEMENTS**  
**JUNE 30, 2020**

**Actuarial Assumptions**

	<b>Police Pension</b>	<b>Firefighters Pension</b>
Valuation date	7/1/19	7/1/19
Provisions for:		
Disability benefits	Yes	Yes
Death benefits	Yes	Yes
Actuarial cost method	Entry age	Entry age
Amortization method	Level dollar, closed	Level dollar, closed
Amortization period	5 years	30 years
Actuarial asset valuation method	5-year smoothed	An expected actuarial value is determined equal to the prior year's actuarial value of assets plus cash flow (excluding realized and unrealized gains losses) for the year ended on the valuation date and assuming a 7.5% interest return. 20% of any (gain) loss is amortized over 5 years. The result is constrained to a value of 80% to 120% of the fair value at the valuation
Investment rate of return	7.5%	7.5%
Projected salary increases	4.5% to 17% average, including inflation	2.75% to 10.50%
Cost of living increases (maximum)	Up to ½ of the increase of any adjustment to the base salary of a regular police officer, based on an increase in base salary	Paid firefighters with 20 years of service prior to May 26, 1983 receive an increase of half of the dollar amt of a 2.75% of an increase in base pay. No COLA is assumed for members not eligible for this increase
Inflation	2.75%	3%
Source of mortality assumptions	RP-2000 Blue Collar Healthy Combined table with fully generational improvement using scale AA	RP-2000 Blue Collar Healthy Combined table with fully generational improvement using scale AA
Experience study	Actuarial assumptions were based upon results of an experience study covering the period July 1, 2007 through June 30, 2012	Actuarial assumptions were based upon results of an experience study covering the period July 1, 2007 through June 30, 2012

**Trend Information**

	<b>Police Pension</b>				<b>Fire Pension</b>					
	Actuarially Determined Contribution	City Proportionate Share	City Contribution	% Contributed	State Contribution	Actuarially Determined Contribution	City Proportionate Share	City Contribution	% Contributed	State Contribution
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	24.12%	\$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 63<sup>rd</sup> Street, Suite 305, Oklahoma City OK 73116-7335 (or [www.ok.gov/OPPRS](http://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](http://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, 2019. The City's portion for 2019 was 0.0948% compared to .0857% for 2018.

**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, 2019. The City's portion for 2019 was 0.043593% compared to 0.049765% for 2018.

**CITY OF WATONGA, OKLAHOMA**  
**NOTES TO FINANCIAL STATEMENTS**  
**JUNE 30, 2020**

*Net Pension Asset (Liability)*

	Police Pension		Firefighters Pension	
	Total	Proportionate Share	Total	Proportionate Share
Total pension liability	(2,612,473,000)	(2,476,625)	(3,892,046,591)	(1,696,662)
Fiduciary net position	2,618,857,000	2,482,675	2,835,380,588	1,236,025
Net pension asset (liability)	6,384,000	6,050	(1,056,666,003)	(460,637)

Plan fiduciary net position as a percentage of the total pension liability	100.24%	100.24%	72.85%	72.85%
----------------------------------------------------------------------------	---------	---------	--------	--------

	Total Pension Liability		Plan Fiduciary Net Position		Net Pension Liability	
	(a)		(b)		(a) - (b)	
	POLICE	FIRE	POLICE	FIRE	POLICE	FIRE
<b>Beginning balance *</b>	2,384,989	1,676,387	2,430,147	1,185,684	(45,158)	490,703
Service cost	61,409	28,878	-	-	61,409	28,878
Interest cost	173,447	123,905	-	-	173,447	123,905
Benefit term changes	-	-	-	-	-	-
Differences btwn expected and actual experience	4,181	(11,533)	-	-	4,181	(11,533)
Assumption changes	-	(14,565)	-	-	-	(14,565)
Contributions - employer	-	-	39,962	18,910	(39,962)	(18,910)
Contributions - employee	-	-	24,812	11,922	(24,812)	(11,922)
Contributions - State of OK	-	-	37,502	44,334	(37,502)	(44,334)
Net investment income	-	-	99,428	82,545	(99,428)	(82,545)
Benefit payments, including refunds	(147,401)	(106,410)	(147,401)	(106,410)	-	-
Administrative expense	-	-	(1,775)	(960)	1,775	960
<b>Ending balance</b>	<b>\$ 2,476,625</b>	<b>\$ 1,696,662</b>	<b>\$ 2,482,675</b>	<b>\$ 1,236,025</b>	<b>\$ (6,050)</b>	<b>\$ 460,637</b>

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

Rate of Return and Discount Rate

*Rate of Return*

Police Pension

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

Firefighters Pension

The annual money-weighted rate of return on pension plan investments, net of pension plan investment expense was 14.36%. The money-weighted rate of return expresses the investment performance, net of investment expense, adjusted for the changing amounts actually invested.

*Long-term Expected Rate of Return and Target Allocations*

Police Pension

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

Firefighters Pension

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

**CITY OF WATONGA, OKLAHOMA**  
**NOTES TO FINANCIAL STATEMENTS**  
**JUNE 30, 2020**

expected inflation. Best estimates of arithmetic real rates of return for each major asset class included in the pension plan's target asset allocation.

<u>Police Pension</u>		<u>Firefighters Pension</u>	
	Long-term Expected Rate of Return		Long-term Expected Rate of Return
Fixed income	5.11%	Fixed income	4.90%
Domestic equity	6.80%	Domestic equity	7.07%
International equity	11.45%	International equity	9.19%
Real estate	8.60%	Real estate	7.99%
Private equity	11.58%	Other assets	5.57%
Commodities	0.00%		
	<u>Target Allocation</u>		<u>Target Allocation</u>
US Large Cap Equity	15.00%	Equity	62.00%
Long/Short Equity	15.00%	Fixed Income	20.00%
Private Equity	10.00%	Real Estate	18.00%
US Small/Mid Cap Equity	5.00%		
Emerging Markets Equity	5.00%		
Int'l Developed Mkts Equity	10.00%		
Loew Volatility Strategies	10.00%		
Global Fixed Income	15.00%		
Real Assets	15.00%		

**Discount Rate**

**Police Pension**

The discount rate used to measure the total pension liability was 7.5%. The projection of cash flows used to determine the discount rate assumed that contributions from plan members will be made at the current contribution rate and that contributions from employers will be made at contractually required rates, determined by State statutes. Projected cash flows also assume the State of Oklahoma will continue contributing 14% of the insurance premium, as established by 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 pension plan 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 the Fund's contributions will continue to follow the current funding policy. Total covered employee payroll is assumed to grow at 4% per year. The total statewide insurance premium tax is assumed to grow at 3% per year. In addition, the allocation of the tax to the System is assumed to be 36% for the entire projection period. The Normal Cost Rate for future members is assumed to be 21.52% for all years. Based on those assumptions, the pension plan's fiduciary net position was projected to be available to make all projected future benefit payments of current plan members for all future years and hence, the blended GASB discount rate is equal to the long-term rate of return. Therefore, the long-term expected rate of return on pension plan investments of 7.5% was applied to all periods of projected benefit payments to determine the total pension liability. The long-term expected rate of return remained at 7.5% to reflect the expected asset allocation.

**Sensitivity of Net Pension Liability to Changes in the Discount Rate**

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

	<u>Rate</u>	Police Pension Net Pension <u>Asset(Liability)</u>	<u>Rate</u>	Firefighters Pension Net Pension <u>Asset(Liability)</u>
1% decrease	6.5%	(257,814)	6.5%	(594,806)
Current single discount rate	7.5%	6,050	7.5%	(460,637)
1% increase	8.5%	229,154	8.5%	(313,297)

**Other Post-Employment Benefits**

For the year ended June 30, 2020, the City provided no post-employment benefits (other than pension) to terminated employees.

**(5) 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.

**(6) SUBSEQUENT EVENTS**

On March 15, 2020, the State of Oklahoma issued a state of emergency due to the COVID-19 pandemic, following CDCP guidelines. The result of the state of emergency was a massive disruption in businesses, with shut down of non-essential businesses and hundreds of employees laid off. The impact of the shut down is unmeasurable at this time. However, the City is considered an essential business. At the time of issue date, there have been no difficulties in continued operations and no interruptions in services.

The information is provided for informational purposes only.

Management has evaluated subsequent events through December 7, 2020, 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, 2020**

	<u>Original Budget</u>	<u>Revisions</u>	<u>Revised Budget</u>	<u>Actual</u>	<u>Variance - Favorable (Unfavorable)</u>
<b>REVENUES</b>					
Sales tax	\$ 1,357,427	\$ (125,500)	\$ 1,231,927	\$ 1,232,331	\$ 404
Use tax	200,000	150,000	350,000	368,359	18,359
Cigarette tax	27,087	(3,000)	24,087	24,211	124
Franchise Tax	26,688	-	26,688	25,067	(1,621)
Alcoholic beverage tax	75,834	20,000	95,834	102,228	6,394
Police fines & court fees	77,375	(20,000)	57,375	62,191	4,816
Intergovernmental revenues	-	-	-	11,100	11,100
522 District income	145,000	5,000	150,000	150,000	-
Ambulance receipts	100,000	-	100,000	106,676	6,676
Rentals, sales, miscellaneous	76,103	5,000	81,103	79,179	(1,924)
Oil & gas income	120,000	440,000	560,000	564,148	4,148
Licenses & permits	5,700	(2,000)	3,700	3,897	197
Interest Income	-	20,000	20,000	20,216	216
Total revenues	<u>2,211,214</u>	<u>489,500</u>	<u>2,700,714</u>	<u>2,749,603</u>	<u>48,889</u>
<b>EXPENDITURES</b>					
<u>General government:</u>					
General government:	415,151	23,500	438,651	438,344	307
Managerial:	22,098	26,500	48,598	48,216	382
City Clerk:	99,550	(5,000)	94,550	93,578	972
City Treasurer:	19,739	-	19,739	18,607	1,132
City Attorney:	64,433	(40,000)	24,433	22,756	1,677
Total General government:	<u>620,971</u>	<u>5,000</u>	<u>625,971</u>	<u>621,501</u>	<u>4,470</u>
<u>Public safety and judiciary:</u>					
Municipal Court:	24,658	10,000	34,658	29,938	4,720
Police Department:	781,902	(80,000)	701,902	695,467	6,435
Fire Department:	274,228	30,000	304,228	300,380	3,848
EMS:	409,086	35,000	444,086	434,846	9,240
Code Enforcement:	120,556	-	120,556	107,703	12,853
Total	<u>1,610,430</u>	<u>(5,000)</u>	<u>1,605,430</u>	<u>1,568,334</u>	<u>37,096</u>
<u>Transportation:</u>					
Street:	676,126	65,000	741,126	723,744	17,382
Total	<u>676,126</u>	<u>65,000</u>	<u>741,126</u>	<u>723,744</u>	<u>17,382</u>
<u>Culture and recreation:</u>					
Library:	243,189	-	243,189	235,192	7,997
Park:	283,954	30,000	313,954	310,680	3,274
Total Culture and recreation:	<u>527,143</u>	<u>30,000</u>	<u>557,143</u>	<u>545,872</u>	<u>11,271</u>
<u>Public services</u>					
Airport:	26,000	2,000	28,000	26,000	2,000
Total Public services	<u>26,000</u>	<u>2,000</u>	<u>28,000</u>	<u>26,000</u>	<u>2,000</u>
Total expenditures	<u>3,460,670</u>	<u>97,000</u>	<u>3,557,670</u>	<u>3,485,451</u>	<u>72,219</u>
Revenue over (under) expenditures	(1,249,456)	392,500	(856,956)	(735,848)	121,108

City of Watonga, Oklahoma  
 General Fund  
 Budget and Actual (Non-GAAP Budgetary Basis)  
 Year Ended June 30, 2020

	<u>Original Budget</u>	<u>Revisions</u>	<u>Revised Budget</u>	<u>Actual</u>	<u>Variance - Favorable (Unfavorable)</u>
<b>OTHER FINANCING SOURCES (USES)</b>					
Operating transfers in/(out)	1,010,000	(115,000)	895,000	874,673	(20,327)
Net other financing sources (uses)	<u>1,010,000</u>	<u>(115,000)</u>	<u>895,000</u>	<u>874,673</u>	<u>(20,327)</u>
Revenues and other financing sources over (under) expenditures and other uses	(239,456)	277,500	38,044	138,825	100,781
Fund balance at beginning of year (Non-GAAP budgetary basis)	1,939,569	1,939,569	1,939,569	1,711,731	(227,838)
Fund balance at end of year (Non-GAAP budgetary basis)	<u>\$ 1,700,113</u>	<u>\$ 2,217,069</u>	<u>\$ 1,977,613</u>	<u>\$ 1,850,556</u>	<u>\$ (127,057)</u>
<b>ADJUSTMENTS TO GENERALLY ACCEPTED ACCOUNTING PRINCIPLES</b>					
Revenue and transfer accruals				(10,932)	
Fund balance at end of year (GAAP basis)				<u>\$ 1,839,624</u>	

**City of Watonga, Oklahoma**  
**Schedules of Required Supplementary Information**

**SCHEDULE OF THE CITY'S PROPORTIONATE SHARE OF THE NET PENSION LIABILITY**

**Oklahoma Police Pension Retirement Plan**

	<b>2019*</b>	<b>2020*</b>
City's portion of the net pension liability (asset)	0.0857%	0.0948%
City's proportionate share of the net pension liability (asset)	\$ (40,805)	\$ (6,050)
City's covered-employee payroll	\$ 264,582	\$ 307,400
City's proportionate share of the net pension liability (asset) as a percentage of its covered-employee payroll	-15.42%	-1.97%
Plan fiduciary net position as a percentage of the total pension liability	101.89%	100.24%

\* The amount presented for each fiscal year were determined as of the fiscal year-end that occurred previous

**SCHEDULE OF CITY CONTRIBUTIONS**

**Oklahoma Police Pension Retirement Plan**

	<b>2019*</b>	<b>2020*</b>
Actuarially determined employer contribution	\$ 28,108	\$ 35,986
Actual employer contributions	(34,396)	(39,962)
Actual non-employer contributions	(33,447)	(37,502)
Contribution deficiency (excess)	\$ (39,735)	\$ (41,478)
City's covered-employee payroll	\$ 264,582	\$ 307,400
Contributions as a percentage of covered-employee payroll	25.64%	25.20%



**City of Watonga, Oklahoma  
Schedules of Required Supplementary Information**

**SCHEDULE OF THE CITY'S PROPORTIONATE SHARE OF THE NET PENSION LIABILITY**

**Oklahoma Fire Pension Retirement Plan**

	<u>2019*</u>	<u>2020*</u>
City's portion of the net pension liability (asset)	0.049765%	0.043593%
City's proportionate share of the net pension liability (asset)	\$ 560,175	\$ 460,637
City's covered-employee payroll	\$ 150,833	\$ 134,151
City's proportionate share of the net pension liability (asset) as a percentage of its covered-employee payroll	371.39%	343.37%
Plan fiduciary net position as a percentage of the total pension liability	70.73%	72.85%

\* The amount presented for each fiscal year were determined as of the fiscal year-end that occurred previous

**SCHEDULE OF CITY CONTRIBUTIONS**

**Oklahoma Fire Pension Retirement Plan**

	<u>2019*</u>	<u>2020*</u>
Actuarially determined contribution	\$ 77,408	\$ 65,466
Contributions in relation to the actuarially determined contribution- employers	(17,923)	(16,432)
Contributions in relation to the actuarially determined contribution- State of OK	<u>(49,931)</u>	<u>(44,334)</u>
Contribution deficiency (excess)	<u>\$ 9,554</u>	<u>\$ 4,700</u>
City's covered-employee payroll	\$ 150,833	\$ 134,151
Contributions as a percentage of covered-employee payroll	44.99%	45.30%

**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**

	<b>2019*</b>	<b>2020*</b>
<b>Total pension liability</b>		
Service cost	\$ 141,281	\$ 154,257
Interest	365,731	385,629
Changes in benefit terms	-	-
Differences between expected and actual experience	150,737	69,413
Changes in assumptions	-	103,181
Benefit payments, including refunds of employee contributions	(384,233)	(400,941)
<b>Net change in total pension liability</b>	<b>\$ 273,516</b>	<b>\$ 311,539</b>
<b>Total pension liability - beginning</b>	<b>5,065,056</b>	<b>5,338,572</b>
<b>Total pension liability - ending (a)</b>	<b>\$ 5,338,572</b>	<b>\$ 5,650,111</b>
 <b>Plan fiduciary net position</b>		
Contributions - employer	258,451	273,439
Contributions - employee	54,496	57,676
Net investment income	293,083	287,786
Benefit payments, including refunds of employee contributions	(384,233)	(400,941)
Administrative expense	(8,240)	(8,610)
Other	-	-
<b>Net change in plan fiduciary net position</b>	<b>213,557</b>	<b>209,350</b>
<b>Plan fiduciary net position - beginning</b>	<b>4,008,580</b>	<b>4,222,137</b>
<b>Plan fiduciary net position - ending (b)</b>	<b>\$ 4,222,137</b>	<b>\$ 4,431,487</b>
 <b>City's net pension liability - ending (a) - (b)</b>	<b>\$ 1,116,435</b>	<b>\$ 1,218,624</b>
 <b>Plan fiduciary net position as a percentage of the total pension liability</b>	<b>79.09%</b>	<b>78.43%</b>
<b>Covered-employee payroll</b>	<b>\$ 1,268,247</b>	<b>\$ 1,373,983</b>
<b>City's net pension liability as a percentage of covered-employee payroll</b>	<b>88.03%</b>	<b>88.69%</b>

**City of Watonga, Oklahoma**  
**Combining Balance Sheet**  
**Non-Major Governmental Funds**  
**June 30, 2020**

	<u>Grant Fund</u>	<u>Library Fund</u>	<u>Total Non-Major Funds</u>
<b>ASSETS</b>			
Cash and cash equivalents	\$ 27,751	\$ 5,946	\$ 33,697
Investments	-	-	-
Total assets	<u>\$ 27,751</u>	<u>\$ 5,946</u>	<u>\$ 33,697</u>
<b>LIABILITIES</b>			
Accounts payable	\$ -	\$ -	\$ -
Total liabilities	<u>-</u>	<u>-</u>	<u>-</u>
<b>FUND BALANCES</b>			
Assigned	27,751	5,946	33,697
Total fund balances	<u>27,751</u>	<u>5,946</u>	<u>33,697</u>
Total liabilities and fund balances	<u>\$ 27,751</u>	<u>\$ 5,946</u>	<u>\$ 33,697</u>

**City of Watonga, Oklahoma**  
**Combining Statement of Revenues, Expenditures, and Changes in Fund Balances**  
**Non-Major Governmental Funds**  
**Year Ended June 30, 2020**

	Grant Fund	Library Fund	Total Non-Major Funds
<b><u>REVENUES</u></b>			
Rents & royalties	\$ -	\$ -	\$ -
Intergovernmental revenue	4,642	5,645	10,287
Donations	-	-	-
Other revenues	3,355	-	3,355
Interest income	-	-	-
Total revenues	<u>7,997</u>	<u>5,645</u>	<u>13,642</u>
<b><u>EXPENDITURES</u></b>			
General government:			
General government	47,864	-	47,864
Total general government	<u>47,864</u>	<u>-</u>	<u>47,864</u>
Public safety and judiciary:			
Police	-	-	-
Fire	7,535	-	7,535
Total public safety and judiciary	<u>7,535</u>	<u>-</u>	<u>7,535</u>
Cultural, parks and recreation:			
Library	-	13,630	13,630
Total cultural, parks and recreation	<u>-</u>	<u>13,630</u>	<u>13,630</u>
Capital outlay	4,705	3,055	7,760
Total expenditures	<u>60,104</u>	<u>16,685</u>	<u>76,789</u>
Excess (deficiency) of revenues over expenditures	<u>(52,107)</u>	<u>(11,040)</u>	<u>(63,147)</u>
<b><u>OTHER FINANCING SOURCES (USES)</u></b>			
Transfers in	52,569	-	52,569
Transfers out	-	-	-
Total other financing sources and uses	<u>52,569</u>	<u>-</u>	<u>52,569</u>
Net change in fund balances	462	(11,040)	(10,578)
Fund balances - beginning	27,289	16,986	44,275
Fund balances - ending	<u>\$ 27,751</u>	<u>\$ 5,946</u>	<u>\$ 33,697</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, each major fund, and the aggregate remaining fund information of the City of Watonga, Oklahoma, as of and for the year ended June 30, 2020, and the related notes to the financial statements, which collectively comprise the City of Watonga, Oklahoma's basic financial statements, and have issued our report thereon dated December 7, 2020.

**Internal Control over Financial Reporting**

In planning and performing our audit of the financial statements, we considered the City of Watonga, Oklahoma's internal control over financial reporting (internal control) to determine the 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 the City of Watonga, Oklahoma's internal control. Accordingly, we do not express an opinion on the effectiveness of the 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 may exist that have not been identified.

**Compliance and Other Matters**

As part of obtaining reasonable assurance about whether the 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 determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

**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.

**FSW&B CPAs-PLLC**

FSW&B CPAs-PLLC

Stillwater, Oklahoma

December 7, 2020