

**CITY OF WATONGA OKLAHOMA
WATONGA, OKLAHOMA**

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

**FOR THE YEAR ENDED
JUNE 30, 2021**

CITY OF WATONGA, OKLAHOMA
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INDEPENDENT AUDITOR'S REPORT

To the City Council
City of Watonga, Oklahoma

Report on the Financial Statements

We have audited the accompanying financial statements of the governmental activities, the business-type activities, the aggregate discretely presented component units, each major fund, and the aggregate remaining fund information of the City of Watonga, Oklahoma, as of and for the year ended June 30, 2021, and the related notes to the financial statements, which collectively comprise the City of Watonga, Oklahoma's basic financial statements as listed in the table of contents.

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, the aggregate discretely presented component units, each major fund, and the aggregate remaining fund information of the City of Watonga, Oklahoma, as of June 30, 2021, 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.

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis, budgetary comparison, and pension liability information on pages 4–10 and 38–42 be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Other Information

The combining and individual nonmajor fund financial are the responsibility of management and were derived from and relate 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 or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the combining and individual 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 4, 2021, on our consideration of the City of Watonga, Oklahoma's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is solely to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the City of Watonga, Oklahoma's internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the City of Watonga, Oklahoma's internal control over financial reporting and compliance.

Jana A. Walker, CPA, PLLC

Jana A. Walker, CPA, PLLC
Woodward, Oklahoma
December 4, 2021

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, 2021. The City's financial performance is discussed and analyzed within the context of the accompanying financial statements and disclosures following this section. This discussion focuses on the City's primary government, and unless otherwise noted, component units reported separately from the primary government are not included. Please read it in conjunction with the City's financial statements, which follow this section.

FINANCIAL SUMMARY

- At June 30, 2021, the assets and deferred outflows of resources of the the City exceeded its liabilities and deferred inflows of resources by \$19,098,421 (net position). Of this amount \$2,358,909 (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 \$19,930,571 (as restated).
- The City's total net position are comprised of the following:
 - (1) Invested in capital assets, net of related debt of \$16,419,355 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 \$320,157.
 - (3) Unrestricted net position of \$2,358,909 represents the portion available to maintain the City's continuing obligations to citizens and creditors.
- Total liabilities of the City increased by \$611,203 (excludes prior period adjustment for Oklahoma Tax Commission for sales/use tax overpayment) during the fiscal year.
- After transfers of \$1,211,861 from business-type activities to governmental activities and \$789,480 to Mercy Hospital Watonga, net position of governmental activities decreased \$567,350 or 8.06%, and net position of business-type activities decreased \$264,800 or 2.00%.
- At the end of the current fiscal year, unreserved fund balance for the General Fund was \$1,372,554 or 38.75% of total General Fund expenditures, excluding transfers.

OVERVIEW OF THE FINANCIAL STATEMENTS

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

Government-wide Financial Statements

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

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

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

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

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

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

Fund Financial Statements

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

The City has three kinds of funds:

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

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

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

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

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

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

Notes to the financial statements

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

Other information

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

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

A FINANCIAL ANALYSIS OF THE CITY AS A WHOLE

Net Position

The City's combined net position at June 30, 2021 is \$19,098,421. This is a \$832,150 decrease (depreciation expense is \$1,782,094- a non-cash expense) over June 30, 2020 net position of \$19,930,571 (as restated due to OTC sales/use tax repayment). The City reported positive balances in total net position for both governmental and business-type activities, reporting \$6,121,902 and \$12,976,519, respectively.

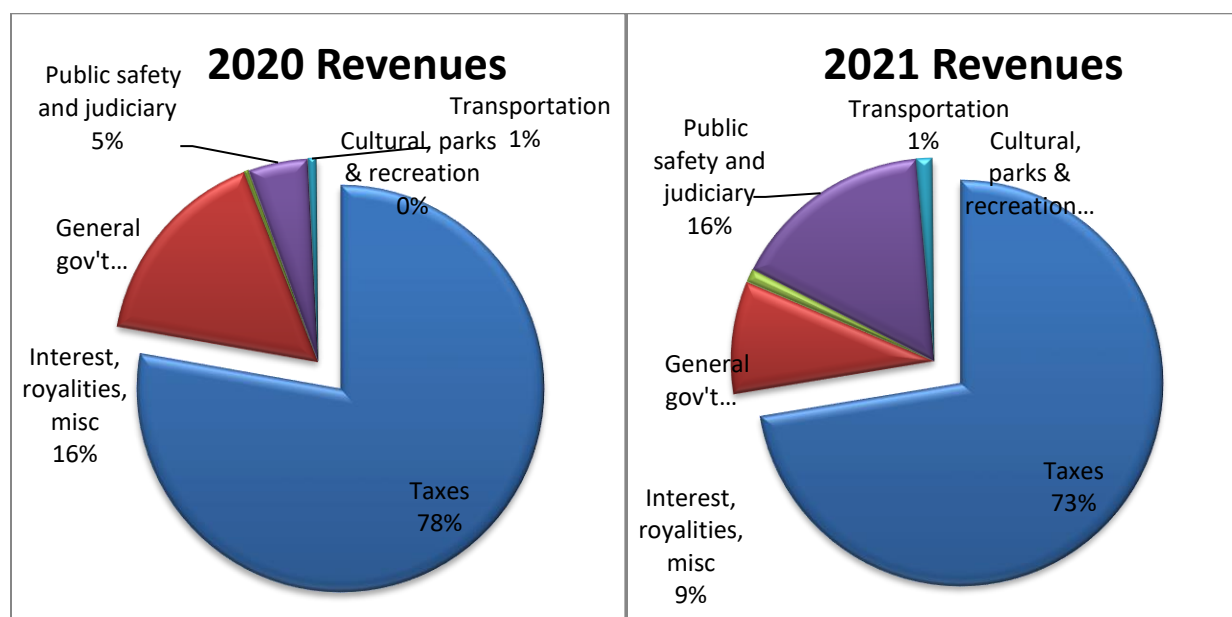
Summary of Net Position

	Governmental Activities		Business-type Activities		Totals		\$ Change	% Change
	2021	2020	2021	2020	2021	2020		
Current and other assets	\$ 2,898,677	\$ 2,900,748	\$ 2,064,431	\$ 2,098,422	\$ 4,963,108	\$ 4,999,170	\$ (36,062)	-0.7%
Other noncurrent assets	-	6,050	-	-	-	6,050	\$ (6,050)	
Capital assets, net	6,582,556	6,720,385	11,329,271	11,330,894	17,911,827	18,051,279	\$ (139,452)	-0.8%
Total assets	9,481,233	9,627,183	13,393,702	13,429,316	22,874,935	23,056,499	\$ (181,564)	-0.8%
Deferred outflows of resources	835,493	828,194	-	-	835,493	828,194	7,299	0.9%
Long-term liabilities	3,146,612	2,716,708	-	-	3,146,612	2,716,708	\$ 429,904	13.7%
Other liabilities	716,439	821,682	417,183	212,330	1,133,622	1,034,012	\$ 99,610	8.8%
Total liabilities	3,863,051	3,538,390	417,183	212,330	4,280,234	3,750,720	\$ 529,514	12.4%
Deferred inflows of resources	331,773	235,373	-	-	331,773	235,373	96,400	29.1%
Net position:								
Invested in capital assets, net of related debt	5,090,084	5,639,718	11,329,271	11,324,994	16,419,355	16,964,712	\$ (545,357)	-3.3%
Restricted	320,157	304,539	-	-	320,157	304,539	\$ 15,618	4.9%
Unrestricted	711,661	737,357	1,647,248	1,891,992	2,358,909	2,629,349	\$ (270,440)	-11.5%
Total net position	\$ 6,121,902	\$ 6,681,614	\$ 12,976,519	\$ 13,216,986	\$ 19,098,421	\$ 19,898,600	\$ (800,179)	-4.2%

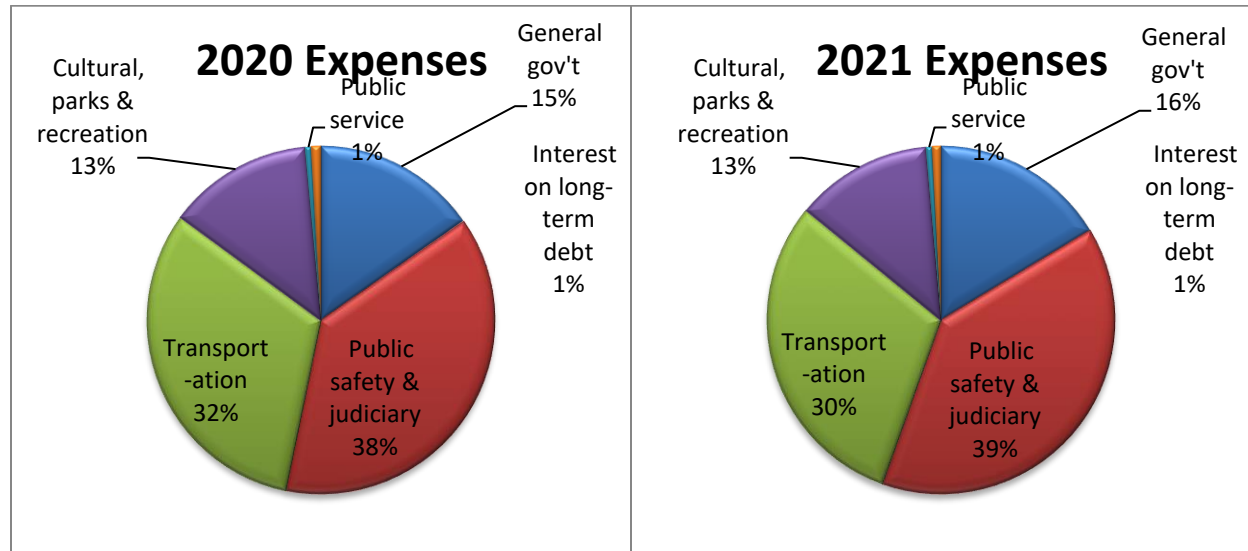
	Summary of Changes in Net Position							
	Governmental Activities		Business-type Activities		Total		\$ Change	% Change
	2021	2020	2021	2020	2021	2020		
Revenues								
Program revenues	\$ 485,428	\$ 238,149	\$ 4,822,779	\$ 4,865,185	\$ 5,308,207	\$ 5,103,334	\$ 204,873	4%
Taxes and other general revenues	2,971,757	3,762,361	3,471	6,586	2,975,228	3,768,947	(793,719)	-21%
Total revenues	3,457,185	4,000,510	4,826,250	4,871,771	8,283,435	8,872,281	(588,846)	-7%
Expenses								
General government	727,714	679,231	-	-	727,714	679,231	48,483	7%
Public safety and judiciary	1,739,192	1,683,585	-	-	1,739,192	1,683,585	55,607	3%
Transportation	1,352,010	1,412,720	-	-	1,352,010	1,412,720	(60,710)	-4%
Cultural, parks, and recreation	566,665	597,980	-	-	566,665	597,980	(31,315)	-5%
Public service	26,468	26,143	-	-	26,468	26,143	325	1%
Interest on long-term debt	34,867	37,802	-	-	34,867	37,802	(2,935)	-8%
Electric	-	-	2,346,484	2,050,324	2,346,484	2,050,324	296,160	14%
Water	-	-	361,647	333,575	361,647	333,575	28,072	8%
Sewer	-	-	322,132	306,227	322,132	306,227	15,905	5%
Sanitation	-	-	305,152	251,793	305,152	251,793	53,359	21%
Healthcare	-	-	63,626	69,166	63,626	69,166	(5,540)	-8%
Airport	-	-	303,694	309,879	303,694	309,879	(6,185)	-2%
Administration	-	-	176,454	180,567	176,454	180,567	(4,113)	-2%
Total expenses	4,446,916	4,437,461	3,879,189	3,501,531	8,326,105	7,938,992	387,113	5%
Excess (deficiency) before transfers	\$ (989,731)	\$ (436,951)	\$ 947,061	\$ 1,370,240	\$ (42,670)	\$ 933,289	\$ (975,959)	-105%
Transfers - internal	1,211,861	912,136	(1,211,861)	(912,136)	-	-	-	0%
Transfers to lessee- healthcare	(789,480)	(984,814)	-	-	(789,480)	(984,814)	195,334	0%
Change in net position	(567,350)	(509,629)	(264,800)	458,104	(832,150.00)	(51,525)	(780,625)	1515%
Beginning net position	7,038,359	7,775,826	13,216,986	12,758,882	20,255,345	20,534,708	(279,363)	-1%
Prior period adjustment	(349,107)	(227,838)	24,333	-	(324,774)	(227,838)	(96,936)	
Ending net position	\$ 6,121,902	\$ 7,038,359	\$ 12,976,519	\$ 13,216,986	\$ 19,098,421	\$ 20,255,345	\$ (1,156,924)	-6%

Revenues for the City decreased 6.64% from the prior year. This decrease in revenues is mainly attributable to a decrease in sales tax and pension change. Operating expenses increased compared prior fiscal year 2020 with a 4.88% change.

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

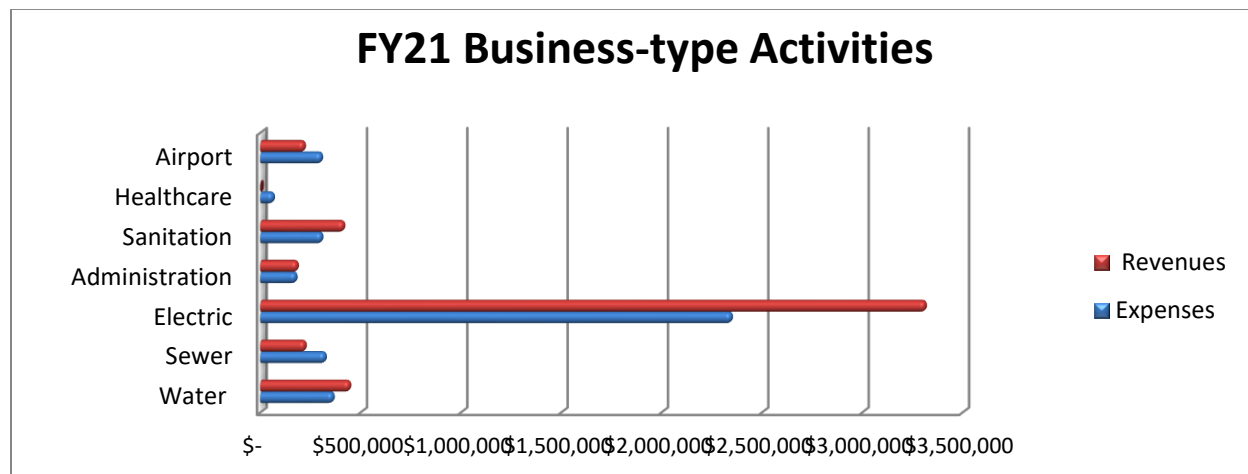


Taxes provided 73% of the City's governmental revenues in fiscal year 2021. Public safety and judiciary followed as the second major revenue source accounting for 16% of governmental revenues.



For the year ended June 30, 2021, total expenses for governmental activities were \$4,446,916. Of this amount, public safety and judiciary with \$1,739,192 was the largest operating service department at 39% of the total cost of services for governmental activities. These costs, as well as all other governmental activity expenses, were primarily funded by tax revenues and transfers in from the Light and Water fund. It should be noted that governmental expenses are adjusted from the fund statements to the government-wide statements for the purchase and construction of capital assets. Government-wide statement is full accrual; capital outlay expenses are eliminated and capital assets are reported.

Business-type Activities



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

For the fiscal year ended June 30, 2021, revenues from electric, water, sanitation, and administration covered the cost of operating their respective departments.

General Fund Budgetary Highlights

The adopted budget for the General Fund for fiscal year 2021 was \$3,756,839. Actual expenses were \$224,702 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, 2021, the City had \$17,856,227 invested in capital assets, net of related debt, including vehicles and equipment for police and fire operations, street improvements, and park facilities, in governmental activities and electric lines, water lines and sewer lines in business-type activities. Refer to the table below.

Primary Government Capital Assets (net of accumulated depreciation)

	Governmental Activities		Business-type Activities		Total	
	2021	2020	2021	2020	2021	2020
Non-Depreciable Assets						
Land	\$ 713,545	\$ 713,545	\$ 73,020	\$ 73,020	\$ 786,565	\$ 786,565
Construction in progress	53,829	-	283,823	60,190	337,652	60,190
Depreciable Assets						
Buildings	1,618,227	1,031,458	3,358,851	3,544,904	4,977,078	4,576,362
Machinery & equipment	879,983	1,018,081	575,765	584,564	1,455,748	1,602,645
Utility property & improvements	3,316,972	3,957,301	7,037,812	7,068,216	10,354,784	11,025,517
Totals	<u>\$ 6,582,556</u>	<u>\$ 6,720,385</u>	<u>\$ 11,329,271</u>	<u>\$ 11,330,894</u>	<u>\$ 17,911,827</u>	<u>\$ 18,051,279</u>

- In Governmental Activities, the most significant additions included the new City Hall building and liberty Theatre carpet in General government; new HVAC unit, and vests for the Police department; armory garage doors, overhead doors and improvements, radios, and bunker gear for the Fire department; tractor and linelazer painter, and drainage system for the street department; Huff Lorang building improvements, roof deck, tables/benches and garage door for the Parks department.
- In Business-type activities capital additions included motors, water meter, water pump, Lucky Star waterline, sewer lines, sensus customer portal, electric sectionalizers and several transformers.

Long-Term Debt

At year-end, the City had \$1,498,625 in long-term debt outstanding. The City's changes in long-term debt by type of debt are as follows:

Primary Government Long-Term Debt

	Governmental Activities		Business-type Activities	
	2021	2020	2021	2020
Notes payable	-	-	-	5,900
Capital lease obligation	508,625	80,304	-	-
Bonds payable	990,000	1,080,000	-	-
less current portion	(153,626)	(129,574)	-	(5,900)
Totals	<u>\$ 1,344,999</u>	<u>\$ 1,030,730</u>	<u>\$ -</u>	<u>\$ -</u>

ECONOMIC FACTORS AND NEXT YEARS'S BUDGET AND RATES

Economic Environment

The coronavirus pandemic has cast a shadow over the economic outlook for Oklahoma and the country as a whole. The economic contraction in the U.S. was unprecedented as local, state and federal leaders worked through impacts of the contraction caused by measures designed to suppress the transmission of coronavirus. The collapse in oil prices that occurred as a result of dramatic reduction in global oil demand as a result of the pandemic has had a significant impact on the oil and gas industry worldwide and Oklahoma as well but the recent rebound in energy prices has increased energy sector employment in the state and nation. The contraction in the oil and gas industry has been dramatic and the effects will continue to ripple through the economy as businesses in every facet of the oil and gas industry continue work through the challenges and seek to increase drilling rig counts.

High-frequency indicators of national economic activity are pointing to a recovery. HIS Markit Inc reports job postings were only 4.6% below the January 2020 level. The number of seated diners in restaurants was 5.4% lower compared to the same period in 2019 and gasoline demand was close to normal. US hotel revenues were 91.9% of the January 2020 average. One area still recovering is box-office revenues, which recently stood at 57% below the comparable week in 2019 though this represents a dramatic improvement from prior weeks. According to Opportunity Insights, Oklahoma's drop in the employment rate is concentrated in low-wage jobs. Opportunity Insights also reports consumer spending well above pre-pandemic levels, primarily boosted during periods of federal stimulus payments. Consistent with the nation, both the number of small businesses that are open and small business revenues are dramatically below pre-pandemic levels. Following the nation, the Oklahoma economy will continue its recovery for the rest of 2021 and into 2022. Oklahoma's growth is forecast to be slower than growth nationwide, though unemployment will continue to be relatively lower in the state.

Fiscal Year 2022

The City falls under the Estimate of Needs budget law. Recurring revenues, including sales and use taxes, are budgeted at 90%. Utility revenue rate increases were budgeted at 3% in electric and garbage and at 4% for water and sewer. A new \$2 per meter fee surcharge for roll off rentals was added to assist with cost of City cleanup. A 4% pay increase was budgeted for employees earning less than \$20/hr while employees earning more than \$20/hr received pay increases of 2% on July 1 and will receive an additional 2% on January 1. 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, 2021

ASSETS	Primary Government			Component Unit
	Governmental Activities	Business-type Activities	Total	
Current Assets:				
Cash and cash equivalents	\$ 1,375,899	\$ 1,446,134	\$ 2,822,033	\$ 97,898
Investments	1,200,002	150,000	1,350,002	-
Sales, use & other taxes receivable	227,259	-	227,259	-
Accounts receivable (net)	23,871	363,299	387,170	-
Grants receivable	-	55,600	55,600	-
Prepays	22,063	-	22,063	-
Internal balances	(16,172)	49,398	33,226	-
Total current assets	<u>2,832,922</u>	<u>2,064,431</u>	<u>4,897,353</u>	<u>97,898</u>
Restricted assets:				
Cash and cash equivalents	65,755	-	65,755	-
Total restricted assets	<u>65,755</u>	<u>-</u>	<u>65,755</u>	<u>-</u>
Noncurrent Assets:				
Land and construction in progress	767,374	188,810	956,184	-
Other capital assets (net of accumulated depreciation)	5,815,182	11,140,461	16,955,643	1,052
Total noncurrent assets	<u>6,582,556</u>	<u>11,329,271</u>	<u>17,911,827</u>	<u>1,052</u>
Total assets	<u>9,481,233</u>	<u>13,393,702</u>	<u>22,874,935</u>	<u>98,950</u>
DEFERRED OUTFLOWS OF RESOURCES				
Deferred charges on pension obligations	\$ 835,493	\$ -	\$ 835,493	\$ -
LIABILITIES				
Current liabilities:				
Accounts payable	\$ 17,529	\$ 390,426	\$ 407,955	\$ -
Wages and benefits payable	60,366	12,857	73,223	-
Interest payable	2,428	-	2,428	-
Compensated absences	52,272	13,900	66,172	-
Other liabilities	-	-	-	-
Due to other governments	430,218	-	430,218	-
Notes payable, current	63,626	-	63,626	-
Bonds payable, current	90,000	-	90,000	-
Total current liabilities	<u>716,439</u>	<u>417,183</u>	<u>1,133,622</u>	<u>-</u>
Noncurrent liabilities:				
Pension liability	1,807,766	-	1,807,766	-
Notes payable	444,999	-	444,999	-
Bonds payable, net of premium	893,847	-	893,847	-
Total noncurrent liabilities	<u>3,146,612</u>	<u>-</u>	<u>3,146,612</u>	<u>-</u>
Total liabilities	<u>3,863,051</u>	<u>417,183</u>	<u>4,280,234</u>	<u>-</u>
DEFERRED INFLOWS OF RESOURCES				
Deferred charges on pension obligations	331,773	-	331,773	-
NET POSITION				
Invested in capital assets, net of related debt	5,090,084	11,329,271	16,419,355	-
Reserved for restricted purposes	320,157	-	320,157	98,950
Unrestricted	711,661	1,647,248	2,358,909	-
Total net position	<u>\$ 6,121,902</u>	<u>\$ 12,976,519</u>	<u>\$ 19,098,421</u>	<u>\$ 98,950</u>

City of Watonga, Oklahoma
Statement of Activities
Year Ended June 30, 2021

Functions/Programs	Expenses	Program Revenues		Primary	Component
		Charges for Services	Operating Grants and Contributions	Capital Grants & Contributions	Government
					Net (Expense)/ Revenue
Primary government					
Governmental activities:					
General government	\$ 727,714	\$ 6,877	\$ 5,931	\$ 28,000	\$ (686,906) \$ -
Public safety and judiciary	1,739,192	154,240	238,897	-	(1,346,055) -
Transportation	1,352,010	28,282	17,936	-	(1,305,792) -
Cultural, parks and recreation	566,665	-	5,265	-	(561,400) -
Public service	26,468	-	-	-	(26,468) -
Interest on long-term debt	34,867	-	-	-	(34,867) -
Total governmental activities	<u>4,446,916</u>	<u>189,399</u>	<u>268,029</u>	<u>28,000</u>	<u>(3,961,488) -</u>
Business-type activities:					
Water	361,647	443,956	-	-	82,309 -
Sewer	322,132	222,391	-	-	(99,741) -
Electric	2,346,484	3,312,781	-	-	966,297 -
Administration	176,454	179,548	-	-	3,094 -
Sanitation	305,152	414,506	-	-	109,354 -
Healthcare	63,626	-	-	-	(63,626) -
Airport	303,694	51,878	-	197,719	(54,097) -
Total business-type activities	<u>3,879,189</u>	<u>4,625,060</u>	<u>-</u>	<u>197,719</u>	<u>943,590 -</u>
Total primary government	<u>\$ 8,326,105</u>	<u>\$ 4,814,459</u>	<u>\$ 268,029</u>	<u>\$ 225,719</u>	<u>\$ (3,017,898) \$ -</u>
Component units					
Watonga Municipal Library	<u>\$ 4,958</u>	<u>\$ 4,141</u>	<u>\$ -</u>	<u>\$ 94,002</u>	<u>\$ 93,185</u>

City of Watonga, Oklahoma
Statement of Activities (continued)
Year Ended June 30, 2021

Changes in Net Position:

	Primary Government			Component Unit
	Governmental Activities	Business-type Activities	Total	
Net (expense)/revenue	\$ (3,961,488)	\$ 943,590	\$ (3,017,898)	\$ 93,185
General revenues:				
Taxes:				
Sales tax	2,056,108	-	2,056,108	-
Use tax	314,291	-	314,291	-
Franchise tax	25,172	-	25,172	-
Property tax	116,489	-	116,489	-
Other taxes	158,463	-	158,463	-
522 District income	195,000	-	195,000	-
Oil and gas royalties	195,713	-	195,713	-
Investment income	15,010	3,471	18,481	20
Pension change	(223,656)	-	(223,656)	-
Miscellaneous	119,167	-	119,167	-
Transfers-Internal activity	1,211,861	(1,211,861)	-	-
Transfers to lessee- healthcare	(789,480)	-	(789,480)	-
Total general revenues and transfers	<u>3,394,138</u>	<u>(1,208,390)</u>	<u>2,185,748</u>	<u>20</u>
Change in net position	(567,350)	(264,800)	(832,150)	93,205
Net position-beginning as previously reported	7,038,359	13,216,986	20,255,345	5,745
Prior period adjustment	(349,107)	24,333	(324,774)	-
Net position-ending	<u>\$ 6,121,902</u>	<u>\$ 12,976,519</u>	<u>\$ 19,098,421</u>	<u>\$ 98,950</u>

City of Watonga, Oklahoma
Balance Sheet
June 30, 2021

	<u>General Fund</u>	<u>Street and Alley Fund</u>	<u>Debt Service</u>	<u>Hospital Special Revenue</u>	<u>Sales Tax (Capital Improvement)</u>	<u>Non-Major Funds</u>	<u>Total Governmental Funds</u>
ASSETS							
Cash and cash equivalents	\$ 576,400	\$ 251,587	\$ 65,755	\$ -	\$ 291,943	\$ 255,969	\$ 1,441,654
Investments	1,140,002	-	-	-	60,000	-	1,200,002
Sales, use & other taxes receivable	135,086	2,355	460	71,486	17,872	-	227,259
Revenue & other receivable	23,871	-	-	-	-	-	23,871
Prepays	22,063	-	-	-	-	-	22,063
Total assets	<u>\$ 1,897,422</u>	<u>\$ 253,942</u>	<u>\$ 66,215</u>	<u>\$ 71,486</u>	<u>\$ 369,815</u>	<u>\$ 255,969</u>	<u>\$ 2,892,786</u>
LIABILITIES							
Accounts payable	\$ 17,529	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 17,529
Wages and benefits payable	60,366	-	-	-	-	-	60,366
Compensated absences	52,272	-	-	-	-	-	52,272
Due to other governments	378,529	-	-	34,459	17,230	-	430,218
Due to other funds	16,172	-	-	-	-	-	16,172
Total liabilities	<u>524,868</u>	<u>-</u>	<u>-</u>	<u>34,459</u>	<u>17,230</u>	<u>-</u>	<u>576,557</u>
FUND BALANCES							
Restricted	-	253,942	66,215	-	-	-	320,157
Committed	-	-	-	37,027	352,585	-	389,612
Assigned	-	-	-	-	-	255,969	255,969
Unassigned	1,372,554	-	-	-	-	-	1,372,554
Total fund balances	<u>1,372,554</u>	<u>253,942</u>	<u>66,215</u>	<u>37,027</u>	<u>352,585</u>	<u>255,969</u>	<u>2,338,292</u>
Total liabilities and fund balances	<u>\$ 1,897,422</u>	<u>\$ 253,942</u>	<u>\$ 66,215</u>	<u>\$ 71,486</u>	<u>\$ 369,815</u>	<u>\$ 255,969</u>	<u>\$ 2,914,849</u>
Total fund balance- total governmental funds							\$ 2,338,292
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							
							767,374
							27,975,653
							<u>(22,160,471)</u>
							6,582,556
Long-term portion of liabilities are not due and payable in the current period and are not reported							
							(983,847)
							(508,625)
							(2,428)
							-
							835,493
							(1,807,766)
							<u>(331,773)</u>
Net assets of governmental activities							<u>\$ 6,121,902</u>

City of Watonga, Oklahoma
Statement of Revenues, Expenditures, and Changes in Fund Balances
Year Ended June 30, 2021

	General Fund	Street and Alley Fund	Debt Service	Hospital Special Revenue	Sales Tax (Capital Improve)	Non-Major Funds	Total Governmental Funds
REVENUES							
Sales tax	\$ 1,038,054	\$ -	\$ -	\$ 810,443	\$ 207,611	\$ -	\$ 2,056,108
Use tax	314,291	-	-	-	-	-	314,291
Franchise tax	25,172	-	-	-	-	-	25,172
Other taxes	132,761	25,702	-	-	-	-	158,463
Property taxes	-	-	116,489	-	-	-	116,489
522 District income	195,000	-	-	-	-	-	195,000
Licenses and permits	6,877	-	-	-	-	-	6,877
Rents & royalties	195,713	-	-	-	-	-	195,713
Fines and forfeitures	53,384	-	-	-	-	-	53,384
Charges for services	100,856	26,967	-	-	-	-	127,823
Intergovernmental revenues	11,788	17,936	-	-	-	229,076	258,800
Donations	-	-	-	-	28,000	2,000	30,000
Other revenues	125,965	1,315	-	-	-	431	127,711
Interest	14,366	259	84	-	301	-	15,010
Total revenues	<u>2,214,227</u>	<u>72,179</u>	<u>116,573</u>	<u>810,443</u>	<u>235,912</u>	<u>231,507</u>	<u>3,680,841</u>
EXPENDITURES							
Current							
General government:							
General government	405,169	-	300	-	-	-	405,469
Managerial	112,439	-	-	-	-	-	112,439
City clerk	90,872	-	-	-	-	-	90,872
City treasurer	18,889	-	-	-	-	-	18,889
City attorney	67,555	-	-	-	-	-	67,555
Total general government	<u>694,924</u>	<u>-</u>	<u>300</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>695,224</u>
Public safety and judiciary:							
Municipal court	25,335	-	-	-	-	-	25,335
Police	669,003	-	-	-	-	-	669,003
Fire	359,770	-	-	-	1,216	-	360,986
EMS	435,146	-	-	-	-	-	435,146
Code enforcement	113,007	-	-	-	-	-	113,007
Total public safety and judiciary	<u>1,602,261</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>1,216</u>	<u>1,603,477</u>
Transportation:							
Street	673,262	-	-	-	-	-	673,262
Total transportation	<u>673,262</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>673,262</u>
Cultural, parks and recreation:							
Library	220,514	-	-	-	-	6,604	227,118
Park	248,886	-	-	-	2,152	-	251,038
Total cultural, parks and recreation	<u>469,400</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>2,152</u>	<u>6,604</u>	<u>478,156</u>
Public service:							
Airport	26,468	-	-	-	-	-	26,468
Total public service	<u>26,468</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>26,468</u>
Capital outlay	75,981	50,029	-	-	683,078	1,415	810,503
Debt service							
Principal	-	-	90,000	-	156,679	-	246,679
Interest	-	-	32,805	-	2,240	-	35,045
Fiscal charges	-	-	-	-	-	-	-
Total expenditures	<u>3,542,296</u>	<u>50,029</u>	<u>123,105</u>	<u>-</u>	<u>844,149</u>	<u>9,235</u>	<u>4,568,814</u>
Excess (deficiency) of revenues over expenditures	<u>(1,328,069)</u>	<u>22,150</u>	<u>(6,532)</u>	<u>810,443</u>	<u>(608,237)</u>	<u>222,272</u>	<u>(887,973)</u>
OTHER FINANCING SOURCES (USES)							
Transfers in	1,292,583	-	-	-	152,441	-	1,445,024
Transfers out	(164,166)	-	-	(558)	(68,439)	-	(233,163)
Proceeds from capital lease obligation	-	-	-	-	585,000	-	585,000
Transfers out to lessee- healthcare	-	-	-	(789,480)	-	-	(789,480)
Total other financing sources and uses	<u>1,128,417</u>	<u>-</u>	<u>-</u>	<u>(790,038)</u>	<u>669,002</u>	<u>-</u>	<u>1,007,381</u>
Net change in fund balances	(199,652)	22,150	(6,532)	20,405	60,765	222,272	119,408
Fund balances - beginning as originally reported	1,839,624	231,792	72,747	71,081	319,050	33,697	2,567,991
Prior period adjustment	(267,418)	-	-	(54,459)	(27,230)	-	(349,107)
Fund balances - ending	<u>\$ 1,372,554</u>	<u>\$ 253,942</u>	<u>\$ 66,215</u>	<u>\$ 37,027</u>	<u>\$ 352,585</u>	<u>\$ 255,969</u>	<u>\$ 2,338,292</u>

City of Watonga, Oklahoma
Statement of Revenues, Expenditures, and Changes in Fund Balances
Year Ended June 30, 2021

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 \$ 119,408
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	810,663	
Depreciation expense	<u>(936,185)</u>	(125,522)

Government-Wide Statement of Activities report the cost of pension benefits
earned net of employee contributions is reported as an element of pension. (223,656)
The fund financial statements report pension contributions as expenditures.

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

Debt principal payments	90,000	
Capital lease principal payments	156,679	
Premium on bonds	563	
Proceeds from capital lease obligations	(585,000)	
Change in bond interest payable	178	

Change in Net Position of Governmental Activities \$ (567,350)

City of Watonga, Oklahoma
Statement of Net Position
Proprietary Fund
June 30, 2021

	Light and Water Fund	Hospital Authority Fund	Public Works Authority	Total Enterprise Funds
ASSETS				
Current assets:				
Cash and cash equivalents	\$ 1,340,920	\$ 11	\$ 105,203	\$ 1,446,134
Investments	150,000	-	-	150,000
Accounts receivable, net	363,299	-	-	363,299
Grants receivable	-	-	55,600	55,600
Due from other funds	49,398	-	-	49,398
Total current assets	<u>1,903,617</u>	<u>11</u>	<u>160,803</u>	<u>2,064,431</u>
Noncurrent assets:				
Capital assets (net)	<u>7,422,878</u>	<u>1,750,699</u>	<u>2,155,694</u>	<u>11,329,271</u>
Total noncurrent assets	<u>7,422,878</u>	<u>1,750,699</u>	<u>2,155,694</u>	<u>11,329,271</u>
Total assets	<u>\$ 9,326,495</u>	<u>\$ 1,750,710</u>	<u>\$ 2,316,497</u>	<u>\$ 13,393,702</u>
LIABILITIES				
Current liabilities:				
Accounts payable	\$ 332,681	\$ -	\$ 57,745	\$ 390,426
Wages and benefits payable	12,857	-	-	12,857
Compensated absences	13,900	-	-	13,900
Notes payable, current	-	-	-	-
Total current liabilities	<u>359,438</u>	<u>-</u>	<u>57,745</u>	<u>417,183</u>
Noncurrent liabilities:				
Notes payable, non-current	-	-	-	-
Total noncurrent liabilities	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Total liabilities	<u>359,438</u>	<u>-</u>	<u>57,745</u>	<u>417,183</u>
NET POSITION				
Invested in capital assets, net of related debt	7,422,878	1,750,699	2,155,694	11,329,271
Unrestricted	<u>1,544,179</u>	<u>11</u>	<u>103,058</u>	<u>1,647,248</u>
Total net position	<u>\$ 8,967,057</u>	<u>\$ 1,750,710</u>	<u>\$ 2,258,752</u>	<u>\$ 12,976,519</u>

City of Watonga, Oklahoma
Statement of Revenues, Expenses and Changes in Fund Net Position
Proprietary Funds
Year Ended June 30, 2021

	<u>Light and Water Fund</u>	<u>Hospital Authority Fund</u>	<u>Public Works Authority</u>	<u>Total Enterprise Funds</u>
<u>Operating revenues:</u>				
Charges for services:				
Water charges	\$ 443,956	\$ -	\$ -	\$ 443,956
Sewer charges	222,391	-	-	222,391
Electric charges	3,312,781	-	-	3,312,781
Sanitation charges	414,506	-	-	414,506
Sale of fuel	-	-	29,658	29,658
Penalties	39,669	-	-	39,669
Total charges for services	<u>4,433,303</u>	<u>-</u>	<u>29,658</u>	<u>4,462,961</u>
Lease and rental income	-	-	22,220	22,220
Other fees and charges	139,879	-	-	139,879
Total operating revenues	<u>4,573,182</u>	<u>-</u>	<u>51,878</u>	<u>4,625,060</u>
<u>Operating expenses:</u>				
Cost of sales	2,035,216		18,632	2,053,848
Personal services	523,381		-	523,381
Materials and supplies	278,582	-	5,785	284,367
Other services and charges	98,887	14	72,783	171,684
Depreciation and amortization	575,803	63,612	206,494	845,909
Total operating expenses	<u>3,511,869</u>	<u>63,626</u>	<u>303,694</u>	<u>3,879,189</u>
Net operating income	1,061,313	(63,626)	(251,816)	745,871
<u>Nonoperating revenue (expense):</u>				
Contributions	-	-	-	-
Investment income	3,397	-	74	3,471
Oil and gas royalties	-	-	-	-
Grant income	-	-	197,719	197,719
Interest expense	-	-	-	-
Total nonoperating revenue/(expense)	<u>3,397</u>	<u>-</u>	<u>197,793</u>	<u>201,190</u>
Net Income before contributions and transfers	1,064,710	(63,626)	(54,023)	947,061
<u>Contributions and transfers:</u>				
Transfers from other funds	-	11,725	68,300	80,025
Transfers to other funds	<u>(1,291,886)</u>	<u>-</u>	<u>-</u>	<u>(1,291,886)</u>
Change in net position	(227,176)	(51,901)	14,277	(264,800)
Net position-beginning of year	9,194,233	1,802,611	2,220,142	13,216,986
Prior period adjustment	<u>-</u>	<u>-</u>	<u>24,333</u>	<u>24,333</u>
Net position-end of year	<u>\$ 8,967,057</u>	<u>\$ 1,750,710</u>	<u>\$ 2,258,752</u>	<u>\$ 12,976,519</u>

City of Watonga, Oklahoma
Statement of Cash Flows
Proprietary Funds
Year Ended June 30, 2021

	Light and Water Fund	Hospital Authority Fund	Public Works Authority	Total Enterprise Funds
Cash flows from operating activities:				
Receipts from customers	\$ 4,618,979	\$ -	\$ 51,878	\$ 4,670,857
Payments to suppliers	(2,261,753)	(14)	(95,055)	(2,356,822)
Payments to employees	(521,305)	-	-	(521,305)
Net cash provided (used) by operating activities	<u>1,835,921</u>	<u>(14)</u>	<u>(43,177)</u>	<u>1,792,730</u>
Cash flows from non-capital financing activities:				
Receipts (payments) from interfund loan agreements	(33,151)	-	-	(33,151)
Oil & gas royalties	-	-	-	-
Transfers from other funds	-	11,725	68,300	80,025
Transfers to other funds	(1,291,886)	-	-	(1,291,886)
Net cash provided (used) by non-capital financing activities	<u>(1,325,037)</u>	<u>11,725</u>	<u>68,300</u>	<u>(1,245,012)</u>
Cash flows from capital and related financing activities:				
Capital grants and contributions	-	-	222,052	222,052
Purchases of capital assets	(634,186)	(11,725)	(198,375)	(844,286)
Principal paid on capital debt	-	-	(5,900)	(5,900)
Interest paid on capital debt	-	-	-	-
Net cash provided (used) by capital and related financing activities	<u>(634,186)</u>	<u>(11,725)</u>	<u>17,777</u>	<u>(628,134)</u>
Cash flows from investing activities:				
Investment income	3,397	-	74	3,471
Net cash provided (used) by investing activities	<u>3,397</u>	<u>-</u>	<u>74</u>	<u>3,471</u>
Net increase (decrease) in cash and cash equivalents	(119,905)	(14)	42,974	(76,945)
Cash & cash equivalents, June 30, 2020	1,460,825	25	62,229	1,523,079
Cash & cash equivalents, June 30, 2021	<u>\$ 1,340,920</u>	<u>\$ 11</u>	<u>\$ 105,203</u>	<u>\$ 1,446,134</u>
Cash, including time deposits	\$ 1,340,920	\$ 11	\$ 105,203	\$ 1,446,134
Total cash and cash equivalents, end of year	<u>\$ 1,340,920</u>	<u>\$ 11</u>	<u>\$ 105,203</u>	<u>\$ 1,446,134</u>
Reconciliation of operating income (loss) to net cash provided (used) by operating activities				
Operating income (loss)	\$ 1,061,313	\$ (63,626)	\$ (251,816)	\$ 745,871
Adjustments to reconcile operating income (loss) to net cash provided (used) by operating activities:				
Depreciation	575,803	63,612	206,494	845,909
Changes in assets and liabilities:				
(Increase) decrease in accounts receivable	45,797	-	-	45,797
Increase (decrease) in accounts payable	149,249	-	2,145	151,394
Increase (decrease) in wages and benefits payable	2,076	-	-	2,076
Increase (decrease) in other liabilities	1,683	-	-	1,683
Total adjustments	<u>774,608</u>	<u>63,612</u>	<u>208,639</u>	<u>1,046,859</u>
Net cash provided (used) by operating activities	<u>\$ 1,835,921</u>	<u>\$ (14)</u>	<u>\$ (43,177)</u>	<u>\$ 1,792,730</u>

City of Watonga, Oklahoma
Statement of Fiduciary Net Position
June 30, 2021

	<u>Meter Deposit Fund</u>	<u>Municipal Court Bond Fund</u>	<u>Total Agency Funds</u>
ASSETS			
Cash and cash equivalents	\$ 197,072	\$ 7,285	\$ 204,357
Cash and investments, restricted	127,000	-	127,000
Total assets	<u>\$ 324,072</u>	<u>\$ 7,285</u>	<u>\$ 331,357</u>
LIABILITIES			
Bonds and deposits subject to refund	\$ 324,072	\$ 7,285	\$ 331,357
Due to other funds	33,226	-	33,226
Total liabilities	<u>\$ 324,072</u>	<u>\$ 7,285</u>	<u>\$ 331,357</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, 2021.

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)

Agency Fund

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

Meter Deposit Fund

Accounts for utility deposits received by customers.

Municipal Court Bond Fund

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

Component Units

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

Discretely Presented Component Units

Watonga Municipal Library

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

B. Basic Financial Statements

Government-wide Financial Statements

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

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

Fund Financial Statements

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

Measurement Focus and Basis of Accounting

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

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

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

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

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

C. Budget Policy and Practice

Budget Approval

The City 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, 2021, 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 listed below.

Nonspendable

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

Restricted

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

Committed

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

Assigned

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

Unassigned

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

Use of Estimates

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

Prior Period Adjustments

A prior period adjustment for overpayments in sales tax by the Oklahoma Tax Commission in the amount of \$227,838 was made in order to conform to the current period's presentation. A positive prior period adjustment was also made for CARES Act Funds received in FY21.

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.

Property Tax

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

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

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

For the year ended June 30, 2021, the City's net assessed valuation of taxable property was \$18,949,398. The City levied 6.07 mills this year.

(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.

CITY OF WATONGA, OKLAHOMA
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2021

<u>Types of Investments</u>	Primary Government			
	<u>Fair Value/ Carrying Amount</u>	<u>Cost</u>	<u>Average Credit Quality/ Ratings (1)</u>	<u>Weighted Average Days to Maturity (2)</u>
Primary government				
<u>INVESTMENTS:</u>				
Certificates of deposit	\$ 1,350,002	\$ 1,350,002	N/A	134
Total investments	<u>1,350,002</u>	<u>1,350,002</u>		
 Total primary government investments	 <u>\$ 1,350,002</u>	 <u>\$ 1,350,002</u>		

RECONCILIATION TO STATEMENT OF NET POSITION

	<u>Governmental Activities</u>	<u>Business-type Activities</u>	<u>Total</u>
Investments, unrestricted	\$ 1,200,002	\$ 150,000	\$ 1,350,002
Total investments	<u>\$ 1,200,002</u>	<u>\$ 150,000</u>	<u>\$ 1,350,002</u>

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

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

Restricted Assets

	<u>Cash</u>
<i>Governmental Activities</i>	
Debt service sinking fund	\$ 65,755
GO bonds- hospital	-
Total Governmental Activities	<u>65,755</u>
Total Restricted Assets	<u>\$ 65,755</u>

CITY OF WATONGA, OKLAHOMA
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2021

Capital Assets

Changes in Capital Assets

	Primary Government			
	Balance at June 30, 2020	Additions	Deletions	Balance at June 30, 2021
<i>Governmental Activities</i>				
Non-Depreciable Assets				
Land	\$ 713,545	\$ -	\$ -	\$ 713,545
Construction in Progress	-	53,829	-	53,829
Depreciable Assets				
Buildings & structures	3,959,597	686,083	-	4,645,680
Machinery, furniture, & equipment	4,130,778	70,590	40,486	4,160,882
Infrastructure & improvements	19,169,091	-	-	19,169,091
Total	27,973,011	810,502	40,486	28,743,027
Less accumulated depreciation	21,252,626	936,185	28,340	22,160,471
Governmental fixed assets, net	<u>\$ 6,720,385</u>	<u>\$ (125,683)</u>	<u>\$ (12,146)</u>	<u>\$ 6,582,556</u>
<i>Business-type Activities</i>				
Non-Depreciable Assets				
Land	\$ 73,020	\$ -	\$ -	\$ 73,020
Construction in Progress	60,190	236,075	12,442	283,823
Depreciable Assets				
Buildings & structures	9,506,245	11,725	-	9,517,970
Machinery, furniture, & equipment	2,003,502	66,506	-	2,070,008
Infrastructure & improvements	19,855,815	542,422	-	20,398,237
Total	31,498,772	856,728	12,442	32,343,058
Less accumulated depreciation	20,167,878	845,909	-	21,013,787
Business-type fixed assets, net	<u>\$ 11,330,894</u>	<u>\$ 10,819</u>	<u>\$ (12,442)</u>	<u>\$ 11,329,271</u>
Total primary government	<u>\$ 18,051,279</u>	<u>\$ (114,864)</u>	<u>\$ (24,588)</u>	<u>\$ 17,911,827</u>
	Light & Water Fund	Watonga Hospital Authority	Public Works Authority	Total Business- Type
<i>Business-type Activities</i>				
Non-Depreciable Assets				
Land	\$ 48,070	\$ 3,950	\$ 21,000	\$ 73,020
Construction in progress	85,448	-	198,375	283,823
Depreciable Assets				
Buildings & structures	222,856	2,616,495	6,678,619	9,517,970
Machinery, furniture, & equipment	1,284,051	28,618	757,339	2,070,008
Infrastructure & improvements	20,398,237	-	-	20,398,237
Total	22,038,662	2,649,063	7,655,333	32,343,058
Less accumulated depreciation	(14,615,784)	(898,364)	(5,499,639)	(21,013,787)
Business-type fixed assets, net	<u>\$ 7,422,878</u>	<u>\$ 1,750,699</u>	<u>\$ 2,155,694</u>	<u>\$ 11,329,271</u>

CITY OF WATONGA, OKLAHOMA
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2021

Depreciation Expense

Primary Government			
Governmental Activities	Business-type Activities		
General government	\$ 33,213	Water	\$ 214,137
Public safety & judiciary	135,715	Sewer	206,322
Transportation	678,748	Electric	121,026
Cultural, parks & recreation	88,509	Administration	3,601
Total depreciation expense	\$ 936,185	Sanitation	30,717
		Hospital	63,612
		Airport	206,494
		Total depreciation expense	\$ 845,909

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. \$ 990,000

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. 40,625

On May 18, 2021, the City of Watonga entered into a lease purchase agreement with First State Bank for the purchase of the new City Hall building in the amount of \$585,000. After a down payment of \$117,000 on May 18, 2021, the loan carries an interest rate of 3.5% with 4 annual payments of \$32,601.77 beginning December 15, 2021. Effective on December 16, 2024 and thereafter on the 16th day of December every 5 years thereafter, the monthly payment owing under this Lease shall be recalculated using an interest rate equal to the lowest *Wall Street Journal* prime rate plus 0.25%; provided however the interest rate shall not fall below 3.5% per annum, maturing December 15, 2040. 468,000

\$ 1,498,625

Changes in Long-Term Debt

Type of Debt	Balance at July 1, 2020	Amount Issued	Amount Retired	Balance at June 30, 2021	Due Within One Year
Governmental activities:					
General Obligation bonds	\$ 1,080,000	\$ -	\$ 90,000	\$ 990,000	\$ 90,000
Lease obligations payable	80,304	585,000	156,679	508,625	63,626
Business-type activities:					
Komatsu Financial	5,900	-	5,900	-	-
Total business-type activities	\$ 5,900	\$ -	\$ 5,900	\$ -	\$ -
Total primary government	\$ 1,166,204	\$ 585,000	\$ 252,579	\$ 1,498,625	\$ 153,626

Annual Debt Service Requirements

Year Ending June 30	Governmental Activities		Business-type Activities	
	Principal	Interest	Principal	Interest
	2022	\$ 153,626	\$ 39,095	\$ -
2023	106,811	41,756	-	-
2024	107,407	38,730	-	-
2025	108,025	35,547	-	-
2026	108,664	32,207	-	-
2027-2031	553,740	106,339	-	-
2032-2036	213,500	42,749	-	-
2037-2040	146,852	15,985	-	-
Totals	\$ 1,498,625	\$ 352,408	\$ -	\$ -

(3) REVENUES AND EXPENSES

Interfund Transfers

C. Interfund Balances

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

	<u>Transfers In</u>	<u>Transfers Out</u>
GENERAL FUND		
Light and Water Fund	\$ 1,291,886	\$ -
Hospital Special Revenue Fund	558	-
Sales Tax (Capital Improvement) Fund	139	152,441
Hospital Authority	-	11,725
Total General Fund	<u>1,292,583</u>	<u>164,166</u>
HOSPITAL SPECIAL REVENUE FUND		
General Fund	-	558
Total Hospital Special Revenue Fund	<u>-</u>	<u>558</u>
SALES TAX (CAPITAL IMPROVEMENT) FUND		
General Fund	152,441	139
Public Works Authority	-	68,300
Total Sales Tax (Cap Improve) Fund	<u>152,441</u>	<u>68,439</u>
LIGHT AND WATER FUND		
General Fund	-	1,291,886
Total Light and Water Fund	<u>-</u>	<u>1,291,886</u>
PUBLIC WORKS AUTHORITY		
Sales Tax (Capital Improvement) Fund	68,300	-
Total Public Works Authority	<u>68,300</u>	<u>-</u>
HOSPITAL AUTHORITY		
General Fund	11,725	-
Total Hospital Authority	<u>11,725</u>	<u>-</u>
GRAND TOTAL	<u>\$ 1,525,049</u>	<u>\$ 1,525,049</u>

(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

CITY OF WATONGA, OKLAHOMA
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2021

A. Oklahoma Municipal Retirement Fund- Defined Benefit Plan

Plan Description

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

Benefits Provided

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

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

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

Contributions

Required contribution rates are actuarially measured each year and authorized through City Ordinance. Employees are required to contribute 4.0% of paid salary. For the year ended June 30, 2021, the City's contribution was 16.15%. Contributions to the pension plan from the City were \$225,434 for the year ended June 30, 2021.

Membership

Membership in the plan is as follows:

	As of July 1, 2021
Inactive employees & beneficiaries receiving benefits	24
Inactive employees entitled to but not yet receiving benefits	3
Active participants	39
Total	66

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

At June 30, 2021, the City reported a liability of \$1,093,570 for its proportionate share of the net pension liability. The net pension liability was measured as of July 1, 2020, 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, 2021, the City recognized pension expense of \$299,435. At June 30, 2021, the City reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Difference between expected and actual experience	\$ 76,427	\$ 194,179
Changes of assumptions	57,861	-
Net difference between projected and actual earnings on pension plan investments	133,830	33,719
Changes in proportion and differences between City contributions and proportionate share of contributions	-	-
City contributions subsequent to the measurement date	225,434	-
Total	\$ 493,552	\$ 227,898

CITY OF WATONGA, OKLAHOMA
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2021

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

Year ended June 30:	
2022	\$ 22,437
2023	22,051
2024	(19,772)
2025	15,504
2026	-
Thereafter	-
	<u>\$ 40,220</u>

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

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

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

The actuarial assumptions used in the July 1, 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 (2.75%). Best estimates of arithmetic real rates of return for each major asset class included in the pension plan's target asset allocation as of July 1, 2020 are summarized in the following table:

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

Discount rate: The discount rate used to value benefits was the long-term expected rate of return on plan investments, 7.50%, as prescribed by paragraph 26 of GASB 68 when the plan's fiduciary net position is projected to be sufficient to make projected benefit payments. The City has adopted a funding method that is designed to fund all benefits payable to participants over the course of their working careers. Any differences between actual and expected experience are funded over a fixed period to ensure all funds necessary to pay benefits have been contributed to the trust before those benefits are payable. Thus, in accordance with paragraph 29, the evaluations required by paragraph 27 to determine the sufficiency pension plan assets can be made without a separate projection of cash flows..

CITY OF WATONGA, OKLAHOMA
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2021

Changes in the Net Pension Liability

	Increase (Decrease)		
	Total Pension Liability	Plan Fiduciary Net Position	Net Pension Liability
	(a)	(b)	(a) - (b)
Balances at June 30, 2019	5,650,111	4,431,487	1,218,624
Changes for the year:			
Service cost	169,314	-	169,314
Interest cost	407,872	-	407,872
Differences between expected and actual experience	(249,965)	-	(249,965)
Assumption changes	-	-	-
Contributions - employer	-	225,616	(225,616)
Contributions - employee	-	54,737	(54,737)
Net investment income	-	180,984	(180,984)
Benefit payments, including refunds of employee contributions	(431,433)	(431,433)	-
Administrative expense	-	(9,062)	9,062
Other changes	-	-	-
Net changes	<u>(104,212)</u>	<u>20,842</u>	<u>(125,054)</u>
Balances at June 30, 2020	<u>\$ 5,545,899</u>	<u>\$ 4,452,329</u>	<u>\$ 1,093,570</u>

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

	1% Decrease (6.5%)	Current Discount Rate (7.5%)	1% Increase (8.5%)
City's proportionate share of the net pension liability/(asset)	1,676,968	1,093,570	600,286

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

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

Plan Description

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

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

Reporting

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

Funding Policies, Contribution Methods, & Benefit Provisions

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

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

Actuarial Assumptions

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

CITY OF WATONGA, OKLAHOMA
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2021

Trend Information

	Police Pension					Fire Pension				
	Actuarially Determined Contribution	City Proportionate Share	City Contribution	% Contributed	State Contribution	Actuarially Determined Contribution	City Proportionate Share	City Contribution	% Contributed	State Contribution
2021	\$39,475,000	\$34,699	\$44,226,000	24.84%	\$39,559,000	\$142,015,118	\$70,695	\$36,395,216	43.96%	\$103,591,633
2020	\$36,720,000	\$35,986	\$42,154,000	25.20%	\$39,559,000	\$150,174,973	\$65,466	\$37,693,595	45.30%	\$101,700,051
2019	\$32,798,000	\$28,108	\$40,135,000	25.64%	\$39,028,000	\$155,547,401	\$77,408	\$36,015,374	44.99%	\$100,333,324
2018	\$51,417,000	\$35,838	\$38,887,000	24.46%	\$34,283,000	\$141,509,975	\$67,877	\$34,567,211	43.04%	\$88,133,633
2017	\$45,054,000	\$31,267	\$38,533,000	25.12%	\$35,915,000	\$139,226,348	\$62,547	\$32,670,684	45.68%	\$92,330,270
2016	\$63,908,000	\$37,131	\$37,261,000	24.64%	\$35,490,000	\$142,494,951	\$67,910	\$29,001,438	44.44%	\$91,235,807
2015	\$90,283,000	\$,45,503	\$35,547,000	23.10%	\$31,329,000	\$162,103,277	\$79,268	\$31,518,945	40.90%	\$79,545,329

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

Net Pension Asset (Liability)

Proportionate Share

Police Pension

The Police Pension's net pension liability was allocated proportionately to the City of Watonga based on the ratio of the City's actual contributions to the Police pension, relative to the total contributions of the Police pension for the fiscal year ended June 30, 2020. The City's portion for 2020 was 0.0879% compared to .0948% for 2019.

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, 2020. The City's portion for 2020 was 0.04978% compared to 0.043593% for 2019.

Net Pension Asset (Liability)

	Police Pension		Firefighters Pension	
	Total	Proportionate Share	Total	Proportionate Share
Total pension liability	(2,736,156,000)	(2,405,081)	(4,103,055,244)	(2,042,501)
Fiduciary net position	2,621,311,000	2,304,132	2,871,141,949	1,429,254
Net pension asset (liability)	<u>(114,845,000)</u>	<u>(100,949)</u>	<u>(1,231,913,295)</u>	<u>(613,247)</u>
Plan fiduciary net position as a percentage of the total pension liability	95.80%	95.80%	69.98%	69.98%

CITY OF WATONGA, OKLAHOMA
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2021

	<u>Total Pension Liability</u>		<u>Plan Fiduciary Net Position</u>		<u>Net Pension Liability</u>	
	<u>(a)</u>		<u>(b)</u>		<u>(a) - (b)</u>	
	<u>POLICE</u>	<u>FIRE</u>	<u>POLICE</u>	<u>FIRE</u>	<u>POLICE</u>	<u>FIRE</u>
Beginning balance *	2,296,364	1,937,461	2,301,975	1,411,452	(5,611)	526,009
Service cost	59,982	32,277	-	-	59,982	32,277
Interest cost	166,945	143,081	-	-	166,945	143,081
Benefit term changes	38,426	-	-	-	38,426	-
Differences btwn expected and actual experience	-	53,657	-	-	-	53,657
Assumption changes	(13,189)	-	-	-	(13,189)	-
Contributions - employer	-	-	38,875	22,359	(38,875)	(22,359)
Contributions - employee	-	-	24,006	14,239	(24,006)	(14,239)
Contributions - State of OK	-	-	35,419	51,568	(35,419)	(51,568)
Net investment income	-	-	49,055	54,684	(49,055)	(54,684)
Benefit payments, including refunds	(143,447)	(123,975)	(143,447)	(123,975)	-	-
Administrative expense	-	-	(1,751)	(1,073)	1,751	1,073
Ending balance	\$ 2,405,081	\$ 2,042,501	\$ 2,304,132	\$ 1,429,254	\$ 100,949	\$ 613,247

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

Rate of Return and Discount Rate

Rate of Return

Police Pension

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

Firefighters Pension

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

Long-term Expected Rate of Return and Target Allocations

Police Pension

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

Firefighters Pension

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

	<u>Police Pension</u>		<u>Firefighters Pension</u>
	<u>Long-term Expected Rate of Return</u>		<u>Long-term Expected Rate of Return</u>
Fixed income	5.11%	Fixed income	4.38%
Domestic equity	6.80%	Domestic equity	7.41%
International equity	11.45%	International equity	9.82%
Real estate	8.60%	Real estate	7.70%
Private equity	11.58%	Other assets	5.67%
Commodities	0.00%		

Discount Rate

Police Pension

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

Firefighters Pension

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

Sensitivity of Net Pension Liability to Changes in the Discount Rate

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

	<u>Rate</u>	Police Pension Net Pension <u>Asset(Liability)</u>	<u>Rate</u>	Firefighters Pension Net Pension <u>Asset(Liability)</u>
1% decrease	6.5%	(356,611)	6.5%	(796,413)
Current single discount rate	7.5%	(100,949)	7.5%	(613,247)
1% increase	8.5%	115,288	8.5%	(459,998)

Other Post-Employment Benefits

For the year ended June 30, 2021, 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) UNCERTAINTIES

On March 11, 2020 the World Health Organization declared COVID-19 a global pandemic and recommended worldwide mitigation measures. The extent of COVID-19's effect on the City's operational and financial performance will depend on future developments, including the duration, spread and intensity of the pandemic, all of which are uncertain and difficult to predict considering the rapidly evolving landscape. As a result, it is not currently possible to ascertain the overall impact of COVID-19 on the City's operations. However, if the pandemic continues to evolve it is likely to have a negative impact on revenue with the City's largest source of income for operations being sales tax as well as other tax revenues, cultural and recreation charges.

The information is provided for informational purposes only.

Management has evaluated subsequent events through December 4, 2021, 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, 2021

	Original Budget	Revisions	Revised Budget	Actual	Variance - Favorable (Unfavorable)
REVENUES					
Sales tax	\$ 989,860	\$ -	\$ 989,860	\$ 1,037,507	\$ 47,647
Use tax	275,224	(70,000)	205,224	296,885	91,661
Cigarette tax	20,226	-	20,226	18,669	(1,557)
Franchise Tax	24,282	-	24,282	25,172	890
Alcoholic beverage tax	82,638	30,000	112,638	115,245	2,607
Police fines & court fees	62,375	(35,000)	27,375	51,176	23,801
Intergovernmental revenues	-	-	-	19,426	19,426
522 District income	145,000	50,000	195,000	195,000	-
Ambulance receipts	100,000	13,000	113,000	126,064	13,064
Rentals, sales, miscellaneous	34,616	79,000	113,616	125,965	12,349
Oil & gas income	200,000	(15,000)	185,000	195,713	10,713
Licenses & permits	5,700	1,000	6,700	6,877	177
Interest Income	15,000	-	15,000	14,366	(634)
Total revenues	1,954,921	53,000	2,007,921	2,228,065	220,144
EXPENDITURES					
General government:					
General government:	426,419	20,000	446,419	427,459	18,960
Managerial:	128,858	-	128,858	112,194	16,664
City Clerk:	92,606	3,000	95,606	91,872	3,734
City Treasurer:	18,607	2,000	20,607	18,842	1,765
City Attorney:	45,000	30,000	75,000	66,695	8,305
Total General government:	711,490	55,000	766,490	717,062	49,428
Public safety and judiciary:					
Municipal Court:	29,969	-	29,969	25,311	4,658
Police Department:	721,835	-	721,835	671,683	50,152
Fire Department:	364,723	45,000	409,723	383,719	26,004
EMS:	452,246	-	452,246	440,082	12,164
Code Enforcement:	150,104	(30,000)	120,104	109,097	11,007
Total	1,718,877	15,000	1,733,877	1,629,892	103,985
Transportation:					
Street:	710,543	25,000	735,543	696,013	39,530
Total	710,543	25,000	735,543	696,013	39,530
Culture and recreation:					
Library:	227,534	-	227,534	217,246	10,288
Park:	277,875	(11,000)	266,875	245,824	21,051
Total Culture and recreation:	505,409	(11,000)	494,409	463,070	31,339
Public services					
Airport:	26,520	-	26,520	26,100	420
Total Public services	26,520	-	26,520	26,100	420
Total expenditures	3,672,839	84,000	3,756,839	3,532,137	224,702
Revenue over (under) expenditures	(1,717,918)	(31,000)	(1,748,918)	(1,304,072)	444,846

City of Watonga, Oklahoma
 General Fund
 Budget and Actual (Non-GAAP Budgetary Basis)
 Year Ended June 30, 2021

	<u>Original Budget</u>	<u>Revisions</u>	<u>Revised Budget</u>	<u>Actual</u>	<u>Variance - Favorable (Unfavorable)</u>
<u>OTHER FINANCING SOURCES (USES)</u>					
Operating transfers in/(out)	1,285,677	(170,251)	1,115,426	874,673	(240,753)
Net other financing sources (uses)	<u>1,285,677</u>	<u>(170,251)</u>	<u>1,115,426</u>	<u>874,673</u>	<u>(240,753)</u>
Revenues and other financing sources over (under) expenditures and other uses	(432,241)	(201,251)	(633,492)	(429,399)	204,093
Fund balance at beginning of year (Non-GAAP budgetary basis)	1,939,569	1,939,569	1,939,569	1,575,500	(364,069)
Fund balance at end of year (Non-GAAP budgetary basis)	<u>\$ 1,507,328</u>	<u>\$ 1,738,318</u>	<u>\$ 1,306,077</u>	<u>\$ 1,146,101</u>	<u>\$ (159,976)</u>
ADJUSTMENTS TO GENERALLY ACCEPTED ACCOUNTING PRINCIPLES					
Revenue and transfer accruals				226,453	
Fund balance at end of year (GAAP basis)				<u>\$ 1,372,554</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

	<u>2015*</u>	<u>2016*</u>	<u>2017*</u>	<u>2018*</u>	<u>2019*</u>	<u>2020*</u>	<u>2021*</u>
City's portion of the net pension liability (asset)	0.0504%	0.0581%	0.0694%	0.0697%	0.0857%	0.0948%	0.0879%
City's proportionate share of the net pension liability (asset)	\$ (16,966)	\$ 2,371	\$ 106,352	\$ 5,363	\$ (40,805)	\$ (6,050)	\$ 100,949
City's covered-employee payroll	\$ 145,881	\$ 171,812	\$ 205,829	\$ 208,677	\$ 264,582	\$ 307,400	\$ 299,020
City's proportionate share of the net pension liability (asset) as a percentage of its covered-employee payroll	-11.63%	1.38%	51.67%	2.57%	-15.42%	-1.97%	33.76%
Plan fiduciary net position as a percentage of the total pension liability	101.53%	99.82%	93.50%	99.68%	101.89%	100.24%	95.80%

* 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

	<u>2015*</u>	<u>2016*</u>	<u>2017*</u>	<u>2018*</u>	<u>2019*</u>	<u>2020*</u>	<u>2021*</u>
Actuarially determined employer contribution	\$ 45,503	\$ 37,131	\$ 31,267	\$ 35,838	\$ 28,108	\$ 34,811	\$ 34,699
Actual employer contributions	(17,916)	(21,649)	(26,742)	(27,104)	(34,396)	(39,962)	(38,875)
Actual non-employer contributions	<u>(15,790)</u>	<u>(20,620)</u>	<u>(24,925)</u>	<u>(23,895)</u>	<u>(33,447)</u>	<u>(37,502)</u>	<u>(35,419)</u>
Contribution deficiency (excess)	<u>\$ 11,797</u>	<u>\$ (5,138)</u>	<u>\$ (20,399)</u>	<u>\$ (15,162)</u>	<u>\$ (39,735)</u>	<u>\$ (42,653)</u>	<u>\$ (39,595)</u>
City's covered-employee payroll	\$ 145,881	\$ 171,812	\$ 205,829	\$ 208,677	\$ 264,582	\$ 307,400	\$ 299,020
Contributions as a percentage of covered-employee payroll	23.10%	24.60%	25.10%	24.44%	25.64%	25.20%	24.85%

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>2015*</u>	<u>2016*</u>	<u>2017*</u>	<u>2018*</u>	<u>2019*</u>	<u>2020*</u>	<u>2021*</u>
City's portion of the net pension liability (asset)	0.048900%	0.047658%	0.044925%	0.047966%	0.049765%	0.043593%	0.049780%
City's proportionate share of the net pension liability (asset)	\$ 503,321	\$ 505,846	\$ 548,851	\$ 603,276	\$ 560,175	\$ 460,637	\$ 613,247
City's covered-employee payroll	\$ 132,922	\$ 128,931	\$ 122,923	\$ 136,738	\$ 150,833	\$ 134,151	\$ 158,535
City's proportionate share of the net pension liability (asset) as a percentage of its covered-employee payroll	378.66%	392.34%	446.50%	441.19%	371.39%	343.37%	386.82%
Plan fiduciary net position as a percentage of the total pension liability	68.12%	68.27%	64.87%	66.61%	70.73%	72.85%	69.98%

* 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>2015*</u>	<u>2016*</u>	<u>2017*</u>	<u>2018*</u>	<u>2019*</u>	<u>2020*</u>	<u>2021*</u>
Actuarially determined contribution	\$ 79,269	\$ 67,910	\$ 62,547	\$ 67,877	\$ 77,408	\$ 65,466	\$ 70,695
Contributions in relation to the actuarially determined contribution- employers	(15,413)	(13,822)	(14,677)	(16,581)	(17,923)	(16,432)	(18,118)
Contributions in relation to the actuarially determined contribution- State of OK	<u>(38,898)</u>	<u>(43,481)</u>	<u>(41,479)</u>	<u>(42,274)</u>	<u>(49,931)</u>	<u>(44,334)</u>	<u>(51,568)</u>
Contribution deficiency (excess)	<u>\$ 24,958</u>	<u>\$ 10,608</u>	<u>\$ 6,391</u>	<u>\$ 9,022</u>	<u>\$ 9,554</u>	<u>\$ 4,700</u>	<u>\$ 1,010</u>
City's covered-employee payroll	\$ 132,922	\$ 128,931	\$ 122,923	\$ 136,738	\$ 150,833	\$ 134,151	\$ 158,535
Contributions as a percentage of covered-employee payroll	40.86%	44.44%	45.68%	43.04%	44.99%	45.30%	43.96%

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						
	2015*	2016*	2017*	2018*	2019*	2020*	2021*
Total pension liability							
Service cost	\$ 94,016	\$ 101,924	\$ 113,795	\$ 141,556	\$ 141,281	\$ 154,257	\$ 169,314
Interest	344,182	346,942	349,144	366,151	365,731	385,629	407,872
Changes in benefit terms	-	-	-	-	-	-	-
Differences between expected and actual experience	-	(97,383)	126,877	(76,787)	150,737	69,413	(249,965)
Changes in assumptions	-	-	-	110,723	-	103,181	-
Benefit payments, including refunds of employee contributions	(316,592)	(300,240)	(346,760)	(394,876)	(384,233)	(400,941)	(431,433)
Net change in total pension liability	\$ 121,606	\$ 51,243	\$ 243,056	\$ 146,767	\$ 273,516	\$ 311,539	\$ (104,212)
Total pension liability - beginning	4,502,384	4,623,990	4,675,233	4,918,289	5,065,056	5,338,572	5,650,111
Total pension liability - ending (a)	<u>\$ 4,623,990</u>	<u>\$ 4,675,233</u>	<u>\$ 4,918,289</u>	<u>\$ 5,065,056</u>	<u>\$ 5,338,572</u>	<u>\$ 5,650,111</u>	<u>\$ 5,545,899</u>
Plan fiduciary net position							
Contributions - employer	174,211	174,467	205,322	237,106	258,451	273,439	225,616
Contributions - employee	37,065	37,827	43,341	49,996	54,496	57,676	54,737
Net investment income	537,354	102,538	31,175	449,026	293,083	287,786	180,984
Benefit payments, including refunds of employee contributions	(316,592)	(300,240)	(346,760)	(394,876)	(384,233)	(400,941)	(431,433)
Administrative expense	(7,923)	(7,695)	(7,326)	(7,877)	(8,240)	(8,610)	(9,062)
Other	-	-	-	-	-	-	-
Net change in plan fiduciary net position	424,115	6,897	(74,248)	333,375	213,557	209,350	20,842
Plan fiduciary net position - beginning	3,318,441	3,742,556	3,749,453	3,675,205	4,008,580	4,222,137	4,431,487
Plan fiduciary net position - ending (b)	<u>\$ 3,742,556</u>	<u>\$ 3,749,453</u>	<u>\$ 3,675,205</u>	<u>\$ 4,008,580</u>	<u>\$ 4,222,137</u>	<u>\$ 4,431,487</u>	<u>\$ 4,452,329</u>
City's net pension liability - ending (a) - (b)	<u>\$ 881,434</u>	<u>\$ 925,780</u>	<u>\$ 1,243,084</u>	<u>\$ 1,056,476</u>	<u>\$ 1,116,435</u>	<u>\$ 1,218,624</u>	<u>\$ 1,093,570</u>
Plan fiduciary net position as a percentage of the total pension liability	80.94%	80.20%	74.73%	79.14%	79.09%	78.43%	80.28%
Covered-employee payroll	\$ 876,408	\$ 938,273	\$ 1,125,894	\$ 1,179,085	\$ 1,268,247	\$ 1,373,983	\$ 1,372,686
City's net pension liability as a percentage of covered-employee payroll	100.57%	98.67%	110.41%	89.60%	88.03%	88.69%	79.67%

City of Watonga, Oklahoma
Combining Balance Sheet
Non-Major Governmental Funds
June 30, 2021

	Grant Fund	Library Fund	Total Non-Major Funds
ASSETS			
Cash and cash equivalents	\$ 252,777	\$ 3,192	\$ 255,969
Investments	-	-	-
Total assets	<u>\$ 252,777</u>	<u>\$ 3,192</u>	<u>\$ 255,969</u>
LIABILITIES			
Accounts payable	\$ -	\$ -	\$ -
Total liabilities	<u>-</u>	<u>-</u>	<u>-</u>
FUND BALANCES			
Assigned	<u>252,777</u>	<u>3,192</u>	<u>255,969</u>
Total fund balances	<u>252,777</u>	<u>3,192</u>	<u>255,969</u>
Total liabilities and fund balances	<u>\$ 252,777</u>	<u>\$ 3,192</u>	<u>\$ 255,969</u>

City of Watonga, Oklahoma
Combining Statement of Revenues, Expenditures, and Changes in Fund Balances
Non-Major Governmental Funds
Year Ended June 30, 2021

	Grant Fund	Library Fund	Total Non-Major Funds
REVENUES			
Rents & royalties	\$ -	\$ -	\$ -
Intergovernmental revenue	223,811	5,265	229,076
Donations	2,000	-	2,000
Other revenues	431	-	431
Interest income	-	-	-
Total revenues	<u>226,242</u>	<u>5,265</u>	<u>231,507</u>
EXPENDITURES			
General government:			
General government	-	-	-
Total general government	<u>-</u>	<u>-</u>	<u>-</u>
Public safety and judiciary:			
Police	-	-	-
Fire	1,216	-	1,216
Total public safety and judiciary	<u>1,216</u>	<u>-</u>	<u>1,216</u>
Cultural, parks and recreation:			
Library	-	6,604	6,604
Total cultural, parks and recreation	<u>-</u>	<u>6,604</u>	<u>6,604</u>
Capital outlay			
Total expenditures	<u>1,216</u>	<u>8,019</u>	<u>9,235</u>
Excess (deficiency) of revenues over expenditures	<u>225,026</u>	<u>(2,754)</u>	<u>222,272</u>
OTHER FINANCING SOURCES (USES)			
Transfers in	-	-	-
Transfers out	-	-	-
Total other financing sources and uses	<u>-</u>	<u>-</u>	<u>-</u>
Net change in fund balances	225,026	(2,754)	222,272
Fund balances - beginning	27,751	5,946	33,697
Fund balances - ending	<u>\$ 252,777</u>	<u>\$ 3,192</u>	<u>\$ 255,969</u>

INDEPENDENT AUDITOR'S REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING AND
ON COMPLIANCE AND OTHER MATTERS BASED ON AN AUDIT OF FINANCIAL STATEMENTS
PERFORMED IN ACCORDANCE WITH *GOVERNMENT AUDITING STANDARDS*

To the City Council
City of Watonga, Oklahoma

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of the governmental activities, the business-type activities, the aggregate discretely presented component units, each major fund, and the aggregate remaining fund information of the City of Watonga, Oklahoma as of and for the year ended June 30, 2021, 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 4, 2021.

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) as a basis for designing audit procedures that are appropriate in the circumstances for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of 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 financial statements. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed 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.

Jana A. Walker, CPA, PLLC

Jana A. Walker, CPA, PLLC
Woodward, Oklahoma
December 4, 2021