

**CITY OF WAURIKA, OKLAHOMA**

**ANNUAL FINANCIAL REPORT**

**FOR THE YEAR ENDED JUNE 30, 2012**



**MWH GROUP**  
CERTIFIED PUBLIC ACCOUNTANTS  
CONSULTANTS

**CITY OF WAURIKA, OKLAHOMA**  
 Annual Financial Report  
 For the Fiscal Year Ended June 30, 2012

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**MWH GROUP**  
CERTIFIED PUBLIC ACCOUNTANTS  
CONSULTANTS

City Council  
City of Waurika, Oklahoma  
Waurika, Oklahoma

**Report on the Financial Statements**

We have audited the accompanying modified cash basis financial statements of the governmental activities, the business-type activities, the discretely presented component unit, each major fund, and the aggregate remaining fund information of the City of Waurika, Oklahoma, as of and for the year ended June 30, 2012, and the related notes to the financial statements, which collectively comprise the City of Waurika, 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 the modified cash basis of accounting described in note 1; this includes determining that the modified cash basis of accounting is an acceptable basis for the preparation of the financial statements in the circumstances. Management is also responsible for the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

**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 modified cash basis financial position of the governmental activities, the business-type activities, the discretely presented component unit, each major fund, and the aggregate remaining fund information of the City of Waurika, Oklahoma, as of June 30, 2012, and the respective changes in modified cash basis financial position and, where applicable, cash flows thereof for the year then ended in accordance with the modified cash basis of accounting described in note 1.

## **Basis of Accounting**

We draw attention to note 1 of the financial statements, which describes the basis of accounting. The financial statements are prepared on the modified cash basis of accounting, which is a basis of accounting other than accounting principles generally accepted in the United States of America. Our opinion is not modified with respect to this matter.

## **Other Matters**

### *Supplementary and Other Information*

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the City of Waurika, Oklahoma's basic financial statements. The accompanying supplementary information including the individual statements of revenues, expenditures, and changes in fund balances – budget and actual for the general fund and EMS fund, and the Oklahoma Municipal Retirement Fund schedule of actuarial liabilities and funding progress; are presented for purposes of additional analysis and are not a required part of the basic financial statements. Such information has not been subjected to the auditing procedures applied in the audit of the basic financial statements, and accordingly, we do not express an opinion or provide any assurance on it.

The combining financial statements – modified cash basis presented on pages 28 and 29 of the report 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 financial statements are fairly stated in all material respects in relation to the basic financial statements as a whole on the basis of accounting described in note 1.

### **Other Reporting Required by Government Auditing Standards**

In accordance with *Government Auditing Standards*, we have also issued our report dated December 31, 2014, on our consideration of the City of Waurika, Oklahoma's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering City of Waurika, Oklahoma's internal control over financial reporting and compliance.

*MWH Group, P.C.*

MWH GROUP, P.C.

Wichita Falls, Texas  
May 8, 2015

**CITY OF WAURIKA, OKLAHOMA**

STATEMENT OF NET POSITION (MODIFIED CASH BASIS)

JUNE 30, 2012

	Primary Government			Component Unit
	Governmental	Business-type	Total	Waurika
	Activities	Activities		Development Trust
<b>Assets:</b>				
Cash and cash equivalents	\$ 132,277	\$ 123,776	\$ 256,053	\$ 23,286
Investments	-	117,808	117,808	-
Restricted cash and cash equivalents	91,673	104,867	196,540	-
Restricted investments	-	48,048	48,048	-
Notes receivable	-	-	-	85,720
Internal balances	(5,526)	5,526	-	-
<b>Total assets</b>	<b>218,424</b>	<b>400,025</b>	<b>618,449</b>	<b>109,006</b>
<b>Liabilities:</b>				
Refundable meter deposits	-	65,239	65,239	-
<b>Total liabilities</b>	<b>-</b>	<b>65,239</b>	<b>65,239</b>	<b>-</b>
<b>Net position:</b>				
Restricted for:				
Debt service	14,183	90,676	104,859	-
Other purposes	74,490	-	74,490	-
Unrestricted	129,751	244,110	373,861	109,006
<b>Total net position</b>	<b>\$ 218,424</b>	<b>\$ 334,786</b>	<b>\$ 553,210</b>	<b>\$ 109,006</b>

The accompanying notes are an integral part of this statement.

**CITY OF WAURIKA, OKLAHOMA**  
**STATEMENT OF ACTIVITIES (MODIFIED CASH BASIS)**  
**FOR THE YEAR ENDED JUNE 30, 2012**

Functions/Programs	Expenses	Program Revenues			Net (Expense) Revenue and Changes in Net Assets			
		Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	Primary Government			Component Unit
					Governmental Activities	Business-type Activities	Total	Waurika Development Trust
<b>Primary Government</b>								
<b>Governmental activities:</b>								
General government	\$ 87,415	\$ 1,040	\$ -	\$ -	\$ (86,375)	\$ -	\$ (86,375)	\$ -
Public safety	358,691	108,200	17,277	-	(233,214)	-	(233,214)	-
Highways and streets	93,871	-	-	-	(93,871)	-	(93,871)	-
Culture and recreation	67,938	2,952	13,271	-	(51,715)	-	(51,715)	-
Public health and welfare	167,615	182,484	-	12,683	27,552	-	27,552	-
<b>Debt service:</b>								
Principal on long-term debt	59,352	-	-	-	(59,352)	-	(59,352)	-
Interest on long-term debt	13,771	-	-	-	(13,771)	-	(13,771)	-
Total governmental activities	<u>848,653</u>	<u>294,676</u>	<u>30,548</u>	<u>12,683</u>	<u>(510,746)</u>	<u>-</u>	<u>(510,746)</u>	<u>-</u>
<b>Business-type activities:</b>								
Water	439,579	635,571	-	-	-	195,992	195,992	-
Sanitation	291,915	228,995	-	-	-	(62,920)	(62,920)	-
Sewer	17,276	174,362	-	-	-	157,086	157,086	-
Golf course	52,387	36,346	2,400	-	-	(13,641)	(13,641)	-
General government	300,548	16	-	-	-	(300,532)	(300,532)	-
Administration/legal	160,643	-	-	-	-	(160,643)	(160,643)	-
Total business-type activities	<u>1,262,348</u>	<u>1,075,290</u>	<u>2,400</u>	<u>-</u>	<u>-</u>	<u>(184,658)</u>	<u>(184,658)</u>	<u>-</u>
Total primary government	<u>\$ 2,111,001</u>	<u>\$ 1,369,966</u>	<u>\$ 32,948</u>	<u>\$ 12,683</u>	<u>(510,746)</u>	<u>(184,658)</u>	<u>(695,404)</u>	<u>-</u>
<b>Component units:</b>								
Economic Development	\$ -	\$ 16,001	\$ -	\$ -	-	-	-	16,001
Total component units	<u>\$ -</u>	<u>\$ 16,001</u>	<u>\$ -</u>	<u>\$ -</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>16,001</u>
<b>General revenues:</b>								
Sales and use tax					416,500	-	416,500	-
Franchise tax					63,108	-	63,108	-
Alcohol beverage tax					31,106	-	31,106	-
Ad-valorem tax					107,868	-	107,868	-
Public service taxes					23,422	-	23,422	-
Miscellaneous					31,241	7,099	38,340	-
Interest					527	5,697	6,224	1,106
Transfers					(130,953)	130,953	-	-
Total general revenues and transfers					<u>542,819</u>	<u>143,749</u>	<u>686,568</u>	<u>1,106</u>
Change in net position					32,073	(40,909)	(8,836)	17,107
Net position - beginning, as restated (see note 10)					<u>186,351</u>	<u>375,695</u>	<u>562,046</u>	<u>91,899</u>
Net position - ending					<u>\$ 218,424</u>	<u>\$ 334,786</u>	<u>\$ 553,210</u>	<u>\$ 109,006</u>

The accompanying notes are an integral part of this statement.

**CITY OF WAURIKA, OKLAHOMA**  
**BALANCE SHEET**  
**GOVERNMENTAL FUNDS (MODIFIED CASH BASIS)**  
**JUNE 30, 2012**

	General Fund	EMS	Other Governmental Funds	Total Governmental Funds
<b>Assets:</b>				
Cash	\$ 95,687	\$ 10,111	\$ 26,479	\$ 132,277
Restricted cash	1,053	43,542	47,078	91,673
<b>Total assets</b>	<b>\$ 96,740</b>	<b>\$ 53,653</b>	<b>\$ 73,557</b>	<b>\$ 223,950</b>
<b>Liabilities:</b>				
Due to other funds	\$ 2,526	-	\$ 3,000	\$ 5,526
<b>Total liabilities</b>	<b>2,526</b>	<b>-</b>	<b>3,000</b>	<b>5,526</b>
<b>Fund balances:</b>				
Restricted	1,053	43,542	44,078	88,673
Committed	-	-	26,257	26,257
Assigned	36,328	10,111	222	46,661
Unassigned	56,833	-	-	56,833
<b>Total fund balances</b>	<b>94,214</b>	<b>53,653</b>	<b>70,557</b>	<b>218,424</b>
<b>Total liabilities, deferred inflows of resources, and fund balances</b>	<b>\$ 96,740</b>	<b>\$ 53,653</b>	<b>\$ 73,557</b>	<b>\$ 223,950</b>

The accompanying notes are an integral part of this statement.

**CITY OF WAURIKA, OKLAHOMA**

STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES  
 IN FUND BALANCES - GOVERNMENTAL FUNDS (MODIFIED CASH BASIS)  
 FOR THE YEAR ENDED JUNE 30, 2012

	General Fund	EMS	Other Governmental Funds	Total Governmental Funds
<b>Revenues:</b>				
Taxes	\$ 516,448	\$ 69,199	\$ 56,357	\$ 642,004
License	1,040	-	-	1,040
Fines	91,400	-	-	91,400
Miscellaneous	10,644	53	7,685	18,382
Interest	162	216	149	527
Intergovernmental	8,579	-	23,114	31,693
Charges for services	185,476	-	41,157	226,633
Total revenues	<u>813,749</u>	<u>69,468</u>	<u>128,462</u>	<u>1,011,679</u>
<b>Expenditures:</b>				
<b>Current:</b>				
General government	86,915	-	500	87,415
Public safety	328,625	-	30,066	358,691
Highways and streets	65,077	-	16,111	81,188
Culture and recreation	61,178	-	6,760	67,938
Public health and welfare	120,652	41,249	-	161,901
<b>Capital outlay:</b>				
Public health and welfare	5,714	-	-	5,714
Highways and streets	-	-	12,683	12,683
<b>Debt service:</b>				
Principal paid on long-term debt	8,745	16,948	33,659	59,352
Principal paid on long-term debt	366	3,052	10,353	13,771
Total expenditures	<u>677,272</u>	<u>61,249</u>	<u>110,132</u>	<u>848,653</u>
Excess (deficiency) of revenues over (under) expenditures	<u>136,477</u>	<u>8,219</u>	<u>18,330</u>	<u>163,026</u>
<b>Other financing sources (uses):</b>				
Transfers in	27,116	-	-	27,116
Transfers out	(158,069)	-	-	(158,069)
Total other financing sources (uses)	<u>(130,953)</u>	<u>-</u>	<u>-</u>	<u>(130,953)</u>
Change in fund balances	5,524	8,219	18,330	32,073
Fund balances - beginning, as restated (see note 10)	<u>88,690</u>	<u>45,434</u>	<u>52,227</u>	<u>186,351</u>
Fund balances - ending	<u>\$ 94,214</u>	<u>\$ 53,653</u>	<u>\$ 70,557</u>	<u>\$ 218,424</u>

The accompanying notes are an integral part of this statement.



**CITY OF WAURIKA, OKLAHOMA**  
**STATEMENT OF REVENUES, EXPENSES, AND CHANGES**  
**IN FUND NET POSITION - PROPRIETARY FUND (MODIFIED CASH BASIS)**  
**FOR THE YEAR ENDED JUNE 30, 2012**

	Waurika Public Works Authority
Operating revenues:	
Water	\$ 616,947
Sanitation	228,995
Sewer services	174,362
Golf course	38,746
Miscellaneous	7,115
Penalties	18,624
Total operating revenues	<u>1,084,789</u>
Operating expenses:	
Water	349,523
Sanitation	291,915
Sewer services	17,276
Golf course	37,151
General government	88,590
Administration/legal	160,643
Total operating expenses:	<u>945,098</u>
Operating income	<u>139,691</u>
Nonoperating revenues (expenses):	
Interest revenue	5,697
Debt service:	
Principal retirement	(197,752)
Interest expense	(119,498)
Total nonoperating revenues (expenses)	<u>(311,553)</u>
Loss before transfers	(171,862)
Other financing sources (uses):	
Transfers in	158,069
Transfers out	(27,116)
Total other financing sources (uses)	<u>130,953</u>
Change in net position	(40,909)
Net position - beginning, as restated (see note 10)	<u>375,695</u>
Net position - ending	<u>\$ 334,786</u>

The accompanying notes are an integral part of this statement.

**CITY OF WAURIKA, OKLAHOMA**  
**STATEMENT OF CASH FLOWS**  
**PROPRIETARY FUND (MODIFIED CASH BASIS)**  
**FOR THE YEAR ENDED JUNE 30, 2012**

	Waurika Public Works Authority
Cash flows from operating activities:	
Cash received from customers	\$ 1,089,924
Cash payments to vendors	(597,307)
Cash payments to employees	(347,791)
Net cash provided by operating activities	<u>144,826</u>
Cash flows from non-capital financing activities:	
Operating transfers from other funds	158,069
Operating transfers to other funds	(27,116)
Cash paid to other funds	(3,000)
Net cash provided by non-capital financing activities	<u>127,953</u>
Cash flows from capital and related financing activities:	
Principal paid on capital debt	(197,752)
Interest paid on capital debt	(119,498)
Net cash used by capital and related financing activities	<u>(317,250)</u>
Cash flows from investing activities:	
Purchase of investments	(165,856)
Interest income	5,697
Net cash used by capital and related financing activities	<u>(160,159)</u>
Net decrease in cash and cash equivalents	(204,630)
Cash and cash equivalents - beginning	<u>433,273</u>
Cash and cash equivalents - ending	<u>\$ 228,643</u>
As reported on the statement of net assets	
Cash and cash equivalents	\$ 123,776
Restricted cash and cash equivalents	104,867
	<u>228,643</u>
Reconciliation of operating income to net cash provided by operating activities:	
Operating income	\$ 139,691
Change in assets and liabilities:	
Customer deposits	5,135
Net cash provided by operating activities	<u>\$ 144,826</u>

The accompanying notes are an integral part of this statement.

**CITY OF WAURIKA, OKLAHOMA**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**FOR THE YEAR ENDED JUNE 30, 2012**

Note 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

**A. Description of government-wide financial statements**

The government-wide financial statements (i.e., the statement of net position and the statement of activities) report information on activities of the primary government and its component units. Governmental activities, which normally are supported by taxes and intergovernmental revenues, and other nonexchange transactions are reported separately from business-type activities, which rely to a significant extent on fees and charges to external customers for support.

The government-wide financial statements are reported on a modified cash basis of accounting. The modified cash basis of accounting is based on the recording of cash and cash equivalents and changes therein, and only recognizes revenues, expenses, assets, and liabilities resulting from cash transactions, adjusted for modifications that have substantial support in generally accepted accounting principles.

Only cash and cash equivalents and items that involve the receipt or disbursement of cash or cash equivalents during the period are recognized, except for the following modifications:

- (1) Interfund receivables and payables that arise from transactions and events involving cash or cash equivalents are recognized;
- (2) Assets that normally convert to cash or cash equivalents (e.g., certificates of deposit, marketable investments, and receivables resulting from loans) that arise from transactions and events involving cash or cash equivalents are recognized; and
- (3) Liabilities for cash or cash equivalents held on behalf of others, held in escrow, or received in advance of being earned or meeting eligibility requirements are recognized.

As a result of the use of this modified cash basis of accounting, certain transactions are not recorded in the financial statements. For example, accounts receivable and revenue for billed or provided services that have not been collected in cash are not accrued as revenue or receivables. Additionally, capital assets such as property, equipment, and infrastructure are not reported and long-term liabilities such as debt and compensated absences are also not reported.

**B. The Reporting Entity**

The City of Waurika, Oklahoma (the City) is a charter city created under Title 11 of the Oklahoma Statutes. The governing body of the City is the City Council comprised of five elected members. The City Manager and City Treasurer are appointed by the City Council. The City Clerk is appointed by the City Manager. The City operates the public safety, streets and public works, health and welfare, culture and recreation, and administrative activities of the City. The accompanying financial statements present both the government itself, as legally defined, and two component units, which are legally separate entities for which the government is considered to be financially accountable. Blended component units are, in substance, part of the primary government's operations, even though they are legally separate entities. Thus, blended component units are appropriately presented as funds of the primary government. Discretely presented component units, on the other hand, are reported in separate columns in the financial statements to emphasize they are legally separate from the City.

**CITY OF WAURIKA, OKLAHOMA**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**FOR THE YEAR ENDED JUNE 30, 2012**

Note 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONT'D.)

Blended Component Unit

The Waurika Public Works Authority (WPWA) is a Title 60.O.S. public trust. The Authority serves all the citizens of the government and is governed by a board comprised of the government's elected officials. The rates for user charges and bond issuance authorizations are approved by the government's council and the legal liability for the general obligation portion of the Authority's debt remains with the government. The Authority is presented as an enterprise fund. WPWA is considered part of the primary government presentation for reporting purposes since there is a financial benefit/burden relationship and both entities are managed and governed by same group.

Discretely Presented Component Unit

The Waurika Development Trust (WDT) is a Title 60.O.S. public trust created to provide financing and promote industrial development in the City. The Mayor, City Manager, and Chamber President are trustees along with two other appointed trustees. The City is the sole beneficiary of WDT and will receive the remaining assets upon termination. The trust engages in business-type activities only and is reported as an enterprise fund. Separate financial statements for WDT are not issued.

**C. Basis of Accounting and Presentation**

The City's basic financial statements include both government-wide (reporting the City as a whole) and fund financial statements (reporting the City's major funds) and are both presented on the modified cash basis of accounting. Both government-wide and fund financial statements categorize primary activities as either governmental or business-type. The City's police and fire protection, ambulance services, court, street maintenance, library, and general administrative services are classified as governmental activities.

The City's water, sewer, sanitation, and golf course are classified as business-type activities.

*Government-Wide Financial Statements*

While separate government-wide and fund financial statements are presented, they are interrelated. The governmental activities column incorporates data from governmental funds, while business-type activities incorporate data from the government's enterprise fund. Separate financial statements are provided for governmental funds and proprietary funds.

As a general rule, the effect of interfund activity has been eliminated from the government-wide financial statements. Exceptions to this general rule are any payments-in-lieu of taxes where the amounts are reasonably equivalent in value to the interfund services provided and other charges between the government's public works function and various other functions of the government. Elimination of these charges would distort the direct costs and program revenues reported for the various functions concerned.

The government-wide Statement of Activities reports both the gross and net cost of each of the City's functions and business-type activities. The functions are also supported by general government revenues (sales and use taxes, certain intergovernmental revenues, etc.). The Statement of Activities reduces gross expenses (including depreciation) by related program revenues, operating, and capital grants. Program revenues must be directly associated with the function (police, fire, streets, etc.) or a business-type activity. Operating grants include operating-specific and discretionary grants while the capital grants column reports capital-specific

**CITY OF WAURIKA, OKLAHOMA**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**FOR THE YEAR ENDED JUNE 30, 2012**

Note 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONT'D.)

grants. The City has the following program revenues in each activity:

- General Government: Licenses and permits, operating grants
- Public Safety: Fines, fees, and operating grants
- Culture and Recreation: Donations and operating grants
- Public Health and Welfare: Ambulance fees and grants
- Business activities: User fees, donations, and operating grants

The net costs (by function or business-type activity) are normally covered by general revenue. This government-wide focus is more on the sustainability of the City as an entity and the change in the City's net assets resulting from the current year's activities.

*Fund Financial Statements*

The fund financial statements provide information about the government's funds and blended component unit. Separate statements for each fund category, governmental and proprietary, are presented. The emphasis of fund financial statements is on major funds, each displayed in a separate column. All remaining funds are aggregated and reported as nonmajor funds. The fund financial statements are presented on the modified cash basis of accounting.

The City reports the following major governmental funds:

The *general fund* is the government's primary operating fund. It accounts for all financial resources of the general government that are not accounted for in another fund.

The *EMS fund* is a special revenue fund that accounts for EMS district taxes collected whose use is limited by the voters for EMS expenditures.

The government reports the following nonmajor governmental funds and fund types:

*Special revenue funds* are used to account for and report the proceeds of specific revenue sources that are restricted or committed to expenditure for specified purposes other than debt service or capital projects. The City maintains special revenue funds for the following: street and alley, rural fire, library grant, CDBG grant, and summer reading.

*Debt service funds* are used to account for activity related to certain bond issuances. The City maintains debt service fund for the G.O. Bond.

The City reports the following as a major enterprise fund:

The *Waurika Public Works Authority fund* accounts for the activities of the Authority, a blended component unit of the government. The Authority operates the government's treatment plants, water distribution systems, sewer collection systems, and golf course.

During the course of operations the government has activity between funds for various purposes involving cash or cash equivalents. Any residual balances outstanding at year end are reported as due from/to other funds and advances to/from other funds. While these balances are reported in

**CITY OF WAURIKA, OKLAHOMA**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**FOR THE YEAR ENDED JUNE 30, 2012**

Note 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONT'D.)

fund financial statements, certain eliminations are made in the preparation of the government-wide financial statements. Balances between the funds included in governmental activities (i.e., the governmental funds) are eliminated so that only the net amount is included as internal balances in the governmental activities column.

Further, certain activity occurs during the year involving transfers of resources between funds involving cash or cash equivalents. In fund financial statements these amounts are reported at gross amounts as transfers in/out. While reported in fund financial statements, certain eliminations are made in the preparation of the government-wide financial statements. Transfers between the funds included in governmental activities are eliminated so that only the net amount is included as transfers in the governmental activities column.

**D. Budgetary Accounting and Control**

The City prepares its annual operating budget under the provisions of the Oklahoma Municipal Budget Act. In accordance with those provisions, the following process is used to adopt the annual budget:

- a. Prior to June 1, a budget is submitted to the City Council by management as a proposed operating budget for the fiscal year commencing July 1. The operating budget includes proposed expenditures and means of financing them.
- b. Public hearings are conducted at regular Council meetings to obtain taxpayer comments. Public hearings are held no later than 15 days prior to the beginning of the budget year.
- c. Subsequent to the public hearings but no later than seven days prior to July 1, the budget is legally enacted through passage of a resolution by the Council.
- d. Subsequent to enactment, the adopted budget is filed with the office of the State Auditor and Inspector.

All funds with revenues and/or expenditures as defined by State law are required to have annual budgets under this section of State law, except for funds of public trusts and authorities. The legal level of control at which expenditures may not legally exceed appropriations is the department level within a fund.

All transfers of and supplemental appropriations require approval of the City Council. The City prepared and adopted a legal annual budget for all governmental funds.

In accordance with Title 60 of the Oklahoma Statutes, the Waurika Public Works Authority and Waurika Development Trust are required to prepare an annual budget and submit a copy to the City as beneficiary. However, there are no further requirements such as form of budget, approval of the budget, or definition of a legal spending limit.

The annual operating budgets of the governmental funds are prepared and presented on a modified cash basis of accounting which is also the City's budgetary basis.

**CITY OF WAURIKA, OKLAHOMA**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**FOR THE YEAR ENDED JUNE 30, 2012**

Note 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONT'D.)

**D. Cash and cash equivalents**

The government's cash and cash equivalents are considered to be cash on hand, demand deposits, and short-term investments with original maturities of three months or less from the date of acquisition.

The City does not have a written investment policy that limits its investment choices other than the limitations stated in the *Oklahoma Statutes*. *Oklahoma Statutes* allow the City to invest in bonds of cities, school districts, or counties within the State of Oklahoma; public trust bonds whose beneficiary is a county, municipality, or school district, except industrial development bonds; direct obligations of the United States; and certificates of deposit. Public trusts created under O.S. Title 60, are not subject to the above investment limitations and are primarily governed by any restrictions in their trust or note indenture.

Investments consist of generally short-term certificates of deposit, reported at cost.

**E. Fund Balances and Net Position**

*Fund Balance Classification:* The governmental fund financial statements present fund balances based on classifications that comprise a hierarchy that is based primarily on the extent to which the entity is bound to honor constraints on the specific purposes for which amounts in the respective governmental funds can be spent. The classifications used in the governmental fund financial statements are as follows:

- **Nonspendable**—Amounts that cannot be spent either because they are in a nonspendable form or because they are legally or contractually required to be maintained intact.
- **Restricted**—Amounts that can be spent only for specific purposes because of the City Charter, the City Code, state or federal laws, or externally imposed conditions by grantors or creditors.
- **Committed**—Amounts that can be used only for specific purposes determined by a formal action by City Council ordinance.
- **Assigned**—Amounts that are designated by the Council for a particular purpose but are not spendable until a budget ordinance is passed or there is a majority vote approval (for capital projects or debt service) by City Council.
- **Unassigned**—All amounts not included in other spendable classifications.

It is the City's policy to first use restricted fund balance prior to the use of the unrestricted fund balance when expenditures have been incurred for purposes for which both restricted and unrestricted fund balance are available. The City's policy for the use of unrestricted fund balance amounts require that the committed amounts be reduced first, followed by the assigned amounts then the unassigned amounts when expenditures are incurred for purposes for which amounts in any of those unrestricted fund balance classifications could be used.

**CITY OF WAURIKA, OKLAHOMA**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**FOR THE YEAR ENDED JUNE 30, 2012**

Note 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONT'D.)

*Net Position*

Net position is divided into two components:

- Restricted net position—consist of net position with constraints placed on the 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
- Unrestricted—all other net position is reported in this category.

It is the City's policy to first use restricted net position prior to the use of unrestricted net position when expenses are incurred for purposes for which both restricted and unrestricted net position is available.

**F. Revenues and expenditures/expenses**

1. Program revenues

Amounts reported as *program revenues* include 1) charges to customers or applicants who purchase, use, or directly benefit from goods, services, or privileges provided by a given function or segment (e.g., licenses and permits), 2) fines and forfeitures, and 3) grants and contributions (including gas excise and commercial vehicle taxes) that are restricted to meeting the operational or capital requirements of a particular function or segment. All other taxes and fees, including those dedicated for specific purposes, and other internally dedicated resources are reported as general revenues rather than as program revenues.

2. Proprietary funds operating and nonoperating revenues and expenses

Proprietary funds distinguish operating revenues and expenses from nonoperating items. Operating revenues and expenses generally result from providing services and producing and delivering goods in connection with a proprietary fund's principal ongoing operations. The principal operating revenues of the public works fund are electric, water, sewer, and sanitation charges to customers for sales and services. Operating expenses for the enterprise fund include the cost of sales and services and administrative expenses. All revenues and expenses not meeting this definition are reported as nonoperating revenues and expenses.

**G. New Accounting Pronouncements**

The City early implemented the following accounting standard during fiscal year ended June 30, 2012:

*Governmental Accounting Standards Board Statement No. 63 – Financial Reporting of Deferred Outflows of Resources, Deferred Inflows of Resources and Net Position* - The only change required by implementation was the changing of the words "net assets" in the City's financial report to "net position".

*Governmental Accounting Standards Board Statement No. 65 – Items Previously Reported as Assets and Liabilities* - This standard includes a change that debt issuance costs, except for prepaid insurance, should be expensed when incurred.

**CITY OF WAURIKA, OKLAHOMA**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**FOR THE YEAR ENDED JUNE 30, 2012**

**Note 2 - DEPOSITS AND INVESTMENTS**

*Custodial Credit Risk - Deposits* - Custodial credit risk is the risk that in the event of a bank failure, the City's deposits may not be returned to it. The City does not have a written deposit policy for custodial credit risk, but *Oklahoma Statutes* required collateral for all uninsured deposits of municipal funds in financial institutions. As of June 30, 2012, the City's bank balances were not exposed to custodial credit risk.

*Concentration of Credit Risk* - The City places no limit on the amount it may invest in any one issuer.

*Restricted Cash* - Restricted cash and cash equivalents and investments in the WPWA at June 30, 2012 consists of amounts restricted for debt service of \$73,205, USDA debt reserve of \$14,471, and refundable meter deposits of \$65,239. Restricted cash in the General Fund consists of amounts restricted for grants. All other restricted assets are restricted for the purpose of the fund.

**Note 3 - FUND BALANCES**

As of June 30, 2012, governmental fund balance is composed of the following:

	General Fund	EMS	Other Governmental Funds	Total Governmental Funds
<b>Restricted</b>				
Grants	\$ 1,053	\$ -	\$ 8,679	\$ 9,732
Library	-	-	5,952	5,952
Emergency services	-	43,542	-	43,542
Debt service	-	-	14,183	14,183
Streets	-	-	15,264	15,264
<b>Total restricted</b>	<b>1,053</b>	<b>43,542</b>	<b>44,078</b>	<b>88,673</b>
<b>Committed</b>				
Rural fire department	-	-	26,257	26,257
<b>Total committed</b>	<b>-</b>	<b>-</b>	<b>26,257</b>	<b>26,257</b>
<b>Assigned</b>				
Emergency services	-	10,111	-	10,111
Police department	30,658	-	-	30,658
Depot	5,150	-	-	5,150
Library	469	-	-	469
Debt service	-	-	143	143
Streets	-	-	51	51
Other	51	-	28	79
<b>Total assigned</b>	<b>36,328</b>	<b>10,111</b>	<b>222</b>	<b>46,661</b>
<b>Unassigned</b>	<b>56,833</b>	<b>-</b>	<b>-</b>	<b>56,833</b>
	<b>\$ 94,214</b>	<b>\$ 53,653</b>	<b>\$ 70,557</b>	<b>\$ 218,424</b>

**CITY OF WAURIKA, OKLAHOMA**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**FOR THE YEAR ENDED JUNE 30, 2012**

Note 4 - INTERFUND RECEIVABLES, PAYABLES AND TRANSFERS

Advances From/To Other Funds consist of the following at June 30, 2012:

<u>Receivable Fund</u>	<u>Payable Fund</u>	<u>Amount</u>
WPWA	General Fund	\$ 2,526
WPWA	CDBG	<u>3,000</u>
Total		<u>\$ 5,526</u>

Transfers In/Out to Other Funds consist of the following at June 30, 2012:

<u>Transfer To</u>	<u>Transfer From</u>	<u>Amount</u>	<u>Purpose</u>
General fund	WPWA	\$ 18,005	Operating
WPWA	General Fund	145,069	Sales tax pledged for debt
General fund	WPWA	9,111	Debt Service
WPWA	General Fund	<u>13,000</u>	Operating
Total		<u>\$ 185,185</u>	

Reconciliation to fund financial statements:

	<u>Transfers In</u>	<u>Transfers Out</u>	<u>Net</u>
Government funds	\$ 27,116	\$ (158,069)	\$ (130,953)
Proprietary funds	<u>158,069</u>	<u>(27,116)</u>	<u>130,953</u>
Total	<u>\$ 185,185</u>	<u>\$ (185,185)</u>	<u>\$ -</u>

Note 5 - RISK MANAGEMENT

The City is exposed to various risks of loss (torts, theft of, damage to, or destruction of assets, business interruptions, errors and omissions, job-related illnesses or injuries to employees, and acts of God) and has established a risk management strategy that attempts to minimize losses and the carrying cost of insurance. There have been no significant reductions in insurance coverage from the prior year and settlements have not exceeded coverage in the past three years.

**General Liability, Physical Property, and Automobile Liability/ Physical Damage** - general liability, physical property, and automobile liability/physical damage are insured through the Oklahoma Municipal Assurance Group risk entity pool. Deductibles range from \$0 to \$5,000. Risk of loss retained is limited to the excess of insurance liability coverage limits set by OMAG.

**Worker's Compensation** - Workers' compensation is insured through CompSource Oklahoma. Risk of loss retained is limited to the excess of insurance liability coverage limits set by CompSource Oklahoma.

**CITY OF WAURIKA, OKLAHOMA**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**FOR THE YEAR ENDED JUNE 30, 2012**

**Note 6 - EMPLOYEE RETIREMENT PLAN PARTICIPATION**

The City participates in two pension or retirement plans:

1. Oklahoma Firefighter's Pension and Retirement (OFPRS) – a statewide cost-sharing plan
2. Oklahoma Municipal Retirement Fund Defined Benefit Plan (OMRF) – an agent multiple-employer defined benefit plan

Municipal Retirement Plan:

The City of Waurika participates in a defined benefit plan with the Oklahoma Municipal Retirement Fund (OMRF). All regular full time employees, except those covered under another retirement system, are eligible. Employees are vested at 10 years.

The OMRF issues a publicly available financial report that includes financial statements and the required supplementary information that can be obtained at City Hall.

Funding Policy: The contribution requirements of the City, Waurika Municipal Authority, and employees are established and may be amended by the OMRF board. Employees are required to contribute 4% of their annual covered salary. The City and Waurika Municipal Authority are required to contribute at an actuarially determined rate; the rate at June 30, 2012 is 12.94 percent of covered payroll.

Annual Pension Cost: The required contribution was determined as part of the March 31, 2011 actuarial valuation using the entry age normal actuarial cost method.

Significant actuarial assumptions used to compute the annual contribution requirement are as follows:

Valuation Date	January 1, 2011
Actuarial Cost Method	Entry Age Normal
Asset Valuation Method	Actuarial method
Actuarial Assumptions:	
Investment rate of return	7.5 percent
Projected salary increases	Rates by age
Inflation at	3 percent per year

Three Year Trend Information:

Year Ending June 30	Contribution Rate	Cost (APC)	Contributed	Net Pension Obligation
2010	10.09%	\$ 21,551	100%	-
2011	10.13%	33,154	100%	-
2012	12.94%	51,541	100%	-

**CITY OF WAURIKA, OKLAHOMA**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**FOR THE YEAR ENDED JUNE 30, 2012**

Note 7 - EMPLOYEE RETIREMENT PLAN PARTICIPATION (CONT'D.)

Funded Status and Funding Progress:

The funded status of the plan as of January 1, 2012, the most recent actuarial valuation date, is as follows:

Actuarial Value of Assets (a)	Actuarial Accrued Liability (AAL) Entry Age (b)	Unfunded AAL (UAAL) (b-a)	Funded Ratio (a/b)	Covered Payroll (c)	UAAL as a Percentage of Covered Payroll (b-a)/c
\$ 745,243	\$ 798,147	\$ 52,904	93.37%	\$381,627	13.86%

*Firefighter Pension System:*

Plan Summary Information: The City, as the employer, participates in a statewide cost sharing multiple employer defined benefit pension plan through the Oklahoma Firefighter's Pension and Retirement System. (OFPRS). OFPRS plan provides retirement and disability benefits, annual cost-of-living adjustments and death benefits to plan members and beneficiaries. Pursuant to the requirements of Oklahoma Statutes Title 11, section 22-102, the City must participate if they employ full-time or volunteer firefighters.

The OFPRS issues a publically available financial report that includes financial statements and required supplementary information. The report may be obtained by writing to OFPRS, 4545 N. Lincoln Blvd. Suite 265, Oklahoma City, Oklahoma 73105-3414.

Funding Policy OFPRS plan members that are volunteer firefighters are not required to contribute to the plan. The City is required by state law to contribute \$60 per year for each volunteer firefighter. The plan is funded by contributions from participants, employers, insurance premium taxes, and state appropriations, as necessary.

Three Year Trend Information:

Year Ending June 30	Required Contribution	Amount Contributed	Percentage Contributed
2010	\$ 1,200	\$ 1,200	100%
2011	1,260	1,260	100%
2012	1,200	1,200	100%

Note 8 - LONG-TERM OBLIGATIONS

As a result of the use of the modified cash basis of accounting in this report, obligations related to long-term debt and other obligations are not reported as liabilities in the financial statements. However, these long-term debt obligations are disclosed below by type.

**CITY OF WAURIKA, OKLAHOMA**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**FOR THE YEAR ENDED JUNE 30, 2012**

Note 8 - LONG-TERM OBLIGATIONS (CONT'D.)

***Bonds and notes payable***

<u>Type of Commitment</u>	<u>Purpose</u>	<u>Final Maturity</u>	<u>Interest Rate</u>	<u>Original Principal Amount</u>	<u>Principal Balance 6/30/2012</u>
<u>Governmental activities:</u>					
General Obligation Bonds	Finance fire truck equipment	June, 2019	5.50%	\$ 320,000	\$ 175,000
Note payable	Finance purchase of Chevy Tahoe	January, 2012	5.50%	16,692	-
Note payable	Finance purchase of ambulance	February, 2013	5.00%	43,437	43,437
Note payable	Finance purchase of police car	April, 2013	3.35%	26,173	26,173
Total governmental activities				<u>\$ 406,302</u>	<u>\$ 244,610</u>
<u>Business-type activities:</u>					
WMCD (3.161%)	Financed costs of 3.161% of additional Waurika Lake water supply	October, 2035	4.23%	\$ 883,658	\$ 861,531
WMCD (2.4%)	Financed costs of purchase of 2.4% of Waurika Lake water supply	June, 2027	3.46%	672,723	382,660
Utility system refunding Revenue bonds	Financed refunding of capital improvement debt	May, 2014	5.50%	1,545,000	270,000
Rural development note payable #1	Supplemented refunding of capital improvement debt	May, 2041	4.50%	967,682	951,927
Rural development note payable #2	Supplemented refunding of capital improvement debt	May, 2041	4.50%	89,399	87,944
Note payable	Financed purchase of 15 golf carts	November, 2012	4.75%	37,500	4,830
Note payable	Financed purchase of 5 golf carts	November, 2013	4.75%	12,500	5,033
Total business-type activities				<u>\$ 4,208,462</u>	<u>\$2,563,925</u>

The following adjustments were made to the total commitments outstanding at the end of the prior year, June 30, 2011, to properly account for payments when remitted and total amount owed:

1. Note payable to First Farmers National Bank was decreased by \$8,745
2. Commitment to Waurika Master Conservancy District was increased by the net amount of \$35,246
3. Note payable to NBC OK for 5 golf carts was decreased by \$548

**CITY OF WAURIKA, OKLAHOMA**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**FOR THE YEAR ENDED JUNE 30, 2012**

Note 8 - LONG-TERM OBLIGATIONS (CONT'D.)

A summary of long-term commitments activity for the year ended June 30, 2012, is as follows:

	Beginning Balance (as restated)	Additions	Reductions	Ending Balances	Due Within One Year
Primary government					
Governmental activities:					
Promissory notes	\$ 68,869	\$ 26,348	\$ 25,607	\$ 69,610	\$ 69,610
General obligation bonds	200,000	-	25,000	175,000	25,000
Total governmental activities	<u>268,869</u>	<u>26,348</u>	<u>50,607</u>	<u>244,610</u>	<u>94,610</u>
Business-type activities:					
WMCD	1,285,330	-	41,140	1,244,190	24,340
Revenue bonds	395,000	-	125,000	270,000	130,000
Notes Payable	1,081,347	-	31,612	1,049,735	26,558
Total business-type activities	<u>2,761,677</u>	<u>-</u>	<u>197,752</u>	<u>2,563,925</u>	<u>180,898</u>
Total long-term commitments	<u>\$3,030,546</u>	<u>\$ 26,348</u>	<u>\$ 248,359</u>	<u>\$2,808,535</u>	<u>\$275,508</u>

Debt service requirements to maturity:

Governmental activities:

	General Obligation Bonds		Notes payable	
	Principal	Interest	Principal	Interest
2013	\$ 25,000	\$ 8,975	\$ 69,610	\$ 2,317
2014	25,000	7,975	-	-
2015	25,000	6,875	-	-
2016	25,000	6,875	-	-
2017	75,000	8,250	-	-
Totals	<u>\$ 175,000</u>	<u>\$ 38,950</u>	<u>\$ 69,610</u>	<u>\$ 2,317</u>

**CITY OF WAURIKA, OKLAHOMA**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**FOR THE YEAR ENDED JUNE 30, 2012**

Note 8 - LONG-TERM OBLIGATIONS (CONT'D.)

Business-type activities:

	Revenue Bonds		Waurika Master Conservancy		Notes Payable	
	Principal	Interest	Principal	Interest	Principal	Interest
2013	\$ 130,000	\$ 15,530	\$ 24,340	\$ 34,260	\$ 26,558	\$ 46,642
2014	140,000	8,120	46,517	46,989	20,137	45,612
2015	-	-	48,059	45,457	19,694	44,734
2016	-	-	49,468	43,877	20,599	43,829
2017	-	-	50,905	42,510	21,546	42,882
2018-2022	-	-	279,142	187,229	123,516	198,624
2023-2027	-	-	332,933	132,220	154,617	167,523
2028-2032	-	-	209,732	79,066	193,549	128,591
2033-2037	-	-	203,094	26,762	242,283	79,857
2038-2041	-	-	-	-	227,236	20,665
Totals	<u>\$ 270,000</u>	<u>\$ 23,650</u>	<u>\$ 1,244,190</u>	<u>\$ 638,370</u>	<u>\$ 1,049,735</u>	<u>\$ 818,959</u>

Pledge of Future Revenues

Utility System Refunding Revenue Bonds

Pledged Revenues: The bond is secured by assignment of sales tax and utility revenues. The City complied with all applicable debt covenants of the Revenue Bonds at June 30, 2012. The total principal and interest for the remainder of the life of these bonds is \$293,650. Pledged net revenues were \$278,177. Debt service payments for the current year were 52.32% of pledged revenues.

Grant Programs

In the normal course of operations; the City participates in various federal and state grant programs from year to year. Amounts received or receivable from grantor agencies are often subject to audit and adjustment by the grantor agency. Any disallowed claims, including amounts already collected, may constitute a liability of the applicable fund. The amount, if any, of expenditures which may be disallowed by the grantor agency cannot be determined at this time, although the City expects such amounts, if any, to be immaterial.

**CITY OF WAURIKA, OKLAHOMA**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**FOR THE YEAR ENDED JUNE 30, 2012**

Note 9 - NOTES RECEIVABLE

The Waurika Development Trust (WDT) has advanced funds to two entities. These notes bear interest at 3% and are receivable in monthly installments of \$29,034. The cumulative notes receivable payments to be received by year are as follows:

2013	\$26,322
2014	14,127
2015	14,557
2016	15,000
2017	<u>15,714</u>
	<u>\$85,720</u>

Note 10 - RESTATEMENT

Effective July 1, 2012, the City adopted the modified cash basis of accounting because it more closely matches the basis the City uses on a daily basis to account for financial activities. In addition, the City implemented GASB 65. The effect of these changes on net position of the City as of July 1, 2011 is as follows:

	Primary Government		Total
	Governmental Activities	Business-Type Activities/ Enterprise Fund	
Net position at July 1, 2011, as originally stated	\$ 1,439,408	\$ 2,060,303	\$ 3,499,711
Cash and cash equivalents	-	(58,248)	(58,248)
Restricted cash	-	(73,063)	(73,063)
Revenue receivables	(193,486)	(133,998)	(327,484)
Capital assets	(1,369,031)	(4,191,579)	(5,560,610)
Notes receivable	-	(33,653)	(33,653)
Bond issue costs	-	(14,868)	(14,868)
Accounts payable	4,964	41,518	46,482
Accrued employee expenses	13,077	10,753	23,830
Accrued interest payable	2,400	25,743	28,143
Long-term liabilities	<u>289,019</u>	<u>2,742,787</u>	<u>3,031,806</u>
Net position at July 1, 2011, as restated	<u>\$ 186,351</u>	<u>\$ 375,695</u>	<u>\$ 562,046</u>

**CITY OF WAURIKA, OKLAHOMA**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**FOR THE YEAR ENDED JUNE 30, 2012**

Note 10 – RESTATEMENT (CONT'D.)

	Governmental Funds		
	General Fund	Other Governmental Funds	Total
Net position at July 1, 2011, as originally stated	\$ 199,544	\$ 90,612	\$ 290,156
Revenue receivables	(191,854)	(1,632)	(193,486)
Accounts payable	4,964	-	4,964
Accrued employee expenses	13,077	-	13,077
Deferred revenue	70,247	-	70,247
Compensated absences	1,393	-	1,393
Fund balance for CDBG, previously reported with the General Fund	(8,681)	8,681	-
Net position at July 1, 2011, as restated	<u>\$ 88,690</u>	<u>\$ 97,661</u>	<u>\$ 186,351</u>

Note 11 – COMMITMENTS AND CONTINGENCIES

The City is subject to claims and lawsuits which arise primarily in the ordinary course of business. It is the opinion of management and the Council that the disposition or ultimate resolution of such claims and lawsuits will not have a material adverse effect on the financial position of the City.

The City participates in certain federal and state assisted grant programs. Those programs are subject to program compliance audits by the grantors or their representatives. Any liability for reimbursement which may arise as a result of these audits is not believed to be material.

Note 12 - SUBSEQUENT EVENTS

In August 2012, the City received a Consent Order from the Oklahoma Department of Environmental Quality (DEQ) which requires that certain tasks be performed to upgrade the public water supply system. DEQ assessed a total penalty of \$35,000. The City has paid \$7,500 to DEQ subsequent to year end. The City has reached an agreement with DEQ to complete the required task outlined in the consent order or they will have to pay the remaining \$27,500 of the fine.

In April 2015, the Waurika Emergency Medical Services District (EMS) Board formally elected to separate from the City. The separation of these entities may impact future financial reporting.

In March 2013, the City executed a note for \$13,246 for the purchase of Golf Cart Batteries. The note provides for monthly payments of \$1,125, including interest at 3.50%, and a final payment date of March 20, 2014.

In April 2013, the City executed a note for \$19,690 to finance the purchase of a Water Department Truck. The note provides for monthly payments of \$7,048, including interest at 3.60%, and a final payment date of April 17, 2016.

In December 2013, the City executed a note for \$17,701 to finance the purchase of a Fire Department Truck. The note provides for monthly payments of \$529, including interest at 4.75%, and a final payment date of December 23, 2014.

**CITY OF WAURIKA, OKLAHOMA**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**FOR THE YEAR ENDED JUNE 30, 2012**

**Note 12 - SUBSEQUENT EVENTS (CONT'D.)**

In April 2014, the City executed a note for \$10,636 to finance the purchase of a Police Vehicle. The note provides for monthly payments of \$886, including interest at 3.50%, and a final payment date of April 9, 2015.

In July 2014, the City executed a note for \$20,976 to finance the purchase of a Police Vehicle. The note provides for monthly payments of \$1,748, including interest at 3.50%, and a final payment date of July 15, 2015.

In November 2014, the Waurika Public Works Authority executed a note for \$71,000 to finance the purchase of 25 Golf Carts. The note provides for monthly payments of \$1,599, including interest at 3.25%, and a final payment date of April 15, 2019.

Additionally, in November 2014 the Waurika Public Works Authority executed a note for \$130,000 to finance the purchase of 96 Water Membranes. The note provides for monthly payments of \$2,397, including interest at 3.95%, and a final payment date of November 30, 2019.

***Other Supplementary Information***

**CITY OF WAURIKA, OKLAHOMA**

UNAUDITED STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES  
 IN FUND BALANCES - BUDGET AND ACTUAL  
 GENERAL FUND  
 FOR THE YEAR ENDED JUNE 30, 2012

	Budgeted Amounts		Budgetary Basis Amounts	Variance With Final Budget
	Original	Final		
<b>Revenues:</b>				
Taxes	\$ 451,000	\$ 525,708	\$ 516,448	\$ (9,260)
License	800	800	1,040	240
Fines	61,400	90,459	91,400	941
Miscellaneous	1,000	1,000	10,644	9,644
Interest	1,000	6,752	162	(6,590)
Intergovernmental	5,000	5,000	8,579	3,579
Charges for services	105,000	182,484	185,476	2,992
Total revenues	<u>625,200</u>	<u>812,203</u>	<u>813,749</u>	<u>1,546</u>
<b>Expenditures:</b>				
<b>Current:</b>				
General government	81,000	96,924	86,915	10,009
Public safety	234,000	366,714	337,736	28,978
Highways and streets	95,000	95,000	65,077	29,923
Culture and recreation	40,000	61,437	61,178	259
Public health and welfare	100,000	130,633	126,366	4,267
Total expenditures	<u>550,000</u>	<u>750,708</u>	<u>677,272</u>	<u>73,436</u>
Excess (deficiency) of revenues over (under) expenditures	<u>75,200</u>	<u>61,495</u>	<u>136,477</u>	<u>74,982</u>
<b>Other financing sources (uses):</b>				
Transfers in	-	-	27,116	27,116
Transfers out	(123,000)	(123,000)	(158,069)	(35,069)
Total other financing sources (uses)	<u>(123,000)</u>	<u>(123,000)</u>	<u>(130,953)</u>	<u>(7,953)</u>
Net change in fund balances	(47,800)	(61,505)	5,524	67,029
Total fund balances - beginning	<u>47,800</u>	<u>80,004</u>	<u>88,690</u>	<u>-</u>
Total fund balances - ending	<u>\$ -</u>	<u>\$ 18,499</u>	<u>\$ 94,214</u>	<u>\$ 67,029</u>

**CITY OF WAURIKA, OKLAHOMA**

UNAUDITED STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES  
IN FUND BALANCES - BUDGET AND ACTUAL

EMS FUND

FOR THE YEAR ENDED JUNE 30, 2012

	Budgeted Amounts		Budgetary Basis Amounts	Variance With Final Budget
	Original	Final		
Revenues:				
Taxes	\$ 67,157	\$ 67,157	\$ 69,199	\$ 2,042
Interest	241	241	216	(25)
Miscellaneous	3,602	3,602	53	(3,549)
Total revenues	<u>71,000</u>	<u>71,000</u>	<u>69,468</u>	<u>(1,532)</u>
Expenditures:				
Current:				
Public health and welfare	<u>110,328</u>	<u>110,328</u>	<u>61,249</u>	<u>49,079</u>
Total expenditures	<u>110,328</u>	<u>110,328</u>	<u>61,249</u>	<u>49,079</u>
Net change in fund balances	(39,328)	(39,328)	8,219	47,547
Fund balances - beginning	<u>39,328</u>	<u>39,328</u>	<u>45,434</u>	<u>6,106</u>
Fund balances - ending	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 53,653</u>	<u>\$ 53,653</u>

**CITY OF WAURIKA, OKLAHOMA**  
**SCHEDULE OF ACTUARIAL LIABILITIES AND FUNDING PROGRESS**  
**OKLAHOMA MUNICIPAL RETIREMENT FUND**

Actuarial Valuation Date	Actuarial Value of Assets (a)	Actuarial Accrued Liability (AAL) Entry Age (b)	Unfunded AAL (UAAL) (b-a)	Funded Ratio (a/b)	Covered Payroll (c)	UAAL as a Percentage of Covered Payroll (b-a)/c
1/1/2003	\$ 533,795	\$ 466,924	\$ (66,871)	114.32%	\$ 245,898	-27.19%
1/1/2004	567,500	522,788	(44,712)	108.55%	245,570	-18.21%
1/1/2005	607,534	529,179	(78,355)	114.81%	204,050	-38.40%
1/1/2006	644,990	532,830	(112,160)	121.05%	199,312	-56.27%
1/1/2007	670,303	593,360	(76,943)	112.97%	129,458	-59.43%
1/1/2008	693,413	619,873	(73,540)	111.86%	250,802	-29.32%
1/1/2009	644,436	626,251	(18,185)	102.90%	241,024	-7.54%
1/1/2010	652,829	679,208	26,379	96.12%	282,976	9.32%
1/1/2011	695,242	761,859	66,617	91.26%	370,829	17.96%
1/1/2012	745,243	798,147	52,904	93.37%	381,627	13.86%

**CITY OF WAURIKA, OKLAHOMA**  
**COMBINING BALANCE SHEET**  
**NONMAJOR GOVERNMENTAL FUNDS (MODIFIED CASH BASIS)**  
**JUNE 30, 2012**

	Special Revenue Funds					Debt Service Fund	Total
	CDBG Grant	Rural Fire	Library Grant	Summer Reading	Street & Alley	G O Bond	
Assets:							
Cash	\$ 28	\$ 26,257	\$ -	\$ -	\$ 51	\$ 143	\$ 26,479
Restricted cash	11,679	-	718	5,234	15,264	14,183	47,078
<b>Total assets</b>	<b>\$ 11,707</b>	<b>\$ 26,257</b>	<b>\$ 718</b>	<b>\$ 5,234</b>	<b>\$ 15,315</b>	<b>\$ 14,326</b>	<b>\$ 73,557</b>
Liabilities:							
Due to other funds	\$ 3,000	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 3,000
<b>Total liabilities</b>	<b>3,000</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>3,000</b>
Fund balances:							
Restricted	8,679	-	718	5,234	15,264	14,183	44,078
Committed	-	26,257	-	-	-	-	26,257
Assigned	28	-	-	-	51	143	222
<b>Total fund balances</b>	<b>8,707</b>	<b>26,257</b>	<b>718</b>	<b>5,234</b>	<b>15,315</b>	<b>14,326</b>	<b>70,557</b>
<b>Total liabilities, deferred inflows of resources, and fund balances</b>	<b>\$ 11,707</b>	<b>\$ 26,257</b>	<b>\$ 718</b>	<b>\$ 5,234</b>	<b>\$ 15,315</b>	<b>\$ 14,326</b>	<b>\$ 73,557</b>

**CITY OF WAURIKA, OKLAHOMA**

COMBINING STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES  
 IN FUND BALANCES - NONMAJOR GOVERNMENTAL FUNDS (MODIFIED CASH BASIS)  
 FOR THE YEAR ENDED JUNE 30, 2012

	Special Revenue Funds					Debt Service Fund	Total
	CDBG Grant	Rural Fire	Library Grant	Summer Reading	Street & Alley	G O Bond	
Revenues:							
Taxes	\$ -	\$ -	\$ -	\$ -	\$ 17,688	\$ 38,669	\$ 56,357
Charges for services	-	41,157	-	-	-	-	41,157
Miscellaneous	-	2,285	-	5,400	-	-	7,685
Interest	27	-	-	-	51	71	149
Intergovernmental	12,683	4,413	6,018	-	-	-	23,114
Total revenues	<u>12,710</u>	<u>47,855</u>	<u>6,018</u>	<u>5,400</u>	<u>17,739</u>	<u>38,740</u>	<u>128,462</u>
Expenditures:							
Current:							
General government	-	-	-	-	-	500	500
Public safety	-	30,066	-	-	-	-	30,066
Culture and recreation	-	-	6,594	166	-	-	6,760
Highways and streets	-	-	-	-	16,111	-	16,111
Capital outlay							
Public health and welfare	12,683	-	-	-	-	-	12,683
Debt service							
Principal retirement	-	8,659	-	-	-	25,000	33,659
Interest expense	-	428	-	-	-	9,925	10,353
Total expenditures	<u>12,683</u>	<u>39,153</u>	<u>6,594</u>	<u>166</u>	<u>16,111</u>	<u>35,425</u>	<u>110,132</u>
Excess (deficiency) of revenues over (under) expenditures	<u>27</u>	<u>8,702</u>	<u>(576)</u>	<u>5,234</u>	<u>1,628</u>	<u>3,315</u>	<u>18,330</u>
Net change in fund balances	27	8,702	(576)	5,234	1,628	3,315	18,330
Total fund balances - beginning, as restated	<u>8,680</u>	<u>17,555</u>	<u>1,294</u>	<u>-</u>	<u>13,687</u>	<u>11,011</u>	<u>52,227</u>
Total fund balances - ending	<u>\$ 8,707</u>	<u>\$ 26,257</u>	<u>\$ 718</u>	<u>\$ 5,234</u>	<u>\$ 15,315</u>	<u>\$ 14,326</u>	<u>\$ 70,557</u>



## Independent Auditor's Report

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*

City Council  
City of Waurika, Oklahoma  
Waurika, Oklahoma

Members of the City Council:

We have audited, 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, the financial statements of the governmental activities, the business-type activities, the discretely presented component unit, each major fund, and the aggregate remaining fund information of the City of Waurika, Oklahoma, as of and for the year ended June 30, 2012, and the related notes to the financial statements, which collectively comprise the City of Waurika, Oklahoma's basic financial statements and have issued our report thereon dated May 8, 2015.

### Internal Control Over Financial Reporting

In planning and performing our audit of the financial statements, we considered City of Waurika, Oklahoma's internal control over financial reporting (internal control) to determine the audit procedures that are appropriate in the circumstances for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of City of Waurika, Oklahoma's internal control. Accordingly, we do not express an opinion on the effectiveness of City of Waurika, Oklahoma's internal control.

Our consideration of internal control was for the limited purpose described in the preceding paragraph and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies and therefore, material weaknesses or significant deficiencies may exist that were not identified. However, as described in the accompanying schedule of findings and responses, we identified certain deficiencies in internal control that we consider to be material weaknesses and significant deficiencies.

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. We consider the deficiency described in finding 2012-1 through 2012-3 in the accompanying schedule of findings and responses to be a material weakness.

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. We consider the deficiency described in finding 2012-4 in the accompanying schedule of findings and responses to be a significant deficiency.

## **Compliance and Other Matters**

As part of obtaining reasonable assurance about whether City of Waurika, Oklahoma's financial statements are free from material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards* and which are described in the accompanying schedule of findings and responses as item 2012-5.

### **City of Waurika, Oklahoma's Response to Findings**

City of Waurika, Oklahoma's response to the findings identified in our audit is described in the accompanying schedule of findings and responses. City of Waurika, Oklahoma's response was not subjected to the auditing procedures applied in the audit of the financial statements and, accordingly, we express no opinion on it.

### **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 City of Waurika, Oklahoma'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 City of Waurika, Oklahoma's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.



MWH GROUP, P.C.

Wichita Falls, Texas  
May 8, 2015

**CITY OF WAURIKA, OKLAHOMA  
SCHEDULE OF FINDINGS AND RESPONSES  
FOR THE YEAR ENDED JUNE 30, 2012**

**A. Summary of Auditor's Results**

Type of auditor's report issued:	Unmodified
Internal control over financial reporting:	
Material weakness(es) identified?	<u>  X  </u> Yes <u>      </u> No
Reportable condition(s) identified that are not considered to be material weaknesses?	<u>  X  </u> Yes <u>      </u> None Reported
Noncompliance material to financial statements noted?	<u>  X  </u> Yes <u>      </u> No

**B. Financial Statement Findings**

**Finding 2012-1: Material Weakness: Segregation of Duties**

*Condition and Criteria:* Internal controls are not optimal due to the lack of segregation of duties.

*Cause:* The size of the City's accounting and administrative staff precludes certain internal controls that would be preferred if the office staff were large enough in number to provide optimum segregation of duties.

*Effect:* There is a possibility that misstatements would not be detected or prevented by management or employees in a timely manner while performing their normal functions.

*Recommendations:* We recommend that the City always be aware of their deficiencies in internal control resulting from their small number of accounting and administrative staff. We recommend that the City be open to opportunities to improve their internal controls as the opportunities present themselves. Below we have listed several such areas to consider, although the list is not all inclusive.

- Someone other than the treasurer should receive the bank statements directly from the bank and review them thoroughly before they are given to the treasurer for reconciliation. An alternative procedure could be to have the bank mail a duplicate copy of the bank statements to a third party for review and separate filing. Also, someone other than the treasurer should review the bank reconciliations monthly.
- Journal entries should be reviewed by a person outside of the general ledger function. It should be noted on each journal entry who prepared the entry, the date, and who approved the journal entry.
- Someone from outside the accounts receivable function should open the mail and night deposit boxes and list all remittances. The daily lists should be compared periodically with details in the cash book, by an employee who has no access to cash. The daily lists should indicate who prepared the list, the date, and who compared the list to the cash book. Also, the employee who records entries in the cash receipts book should not have access to the accounts receivable ledger.
- Signed checks should not be given back to the person preparing the checks and posting them to the general ledger. They should also be mailed by someone other than the preparer.
- A monthly review should be performed to ensure detailed records and reconciliations agree to the general ledger amounts for items such as accounts payable and interfund transfers.

This monthly review should be completed and documented by someone who does not perform the functions related to that account.

- The following payroll procedures should be performed by different individuals: preparing payroll checks, reviewing and authorizing payroll payments, and editing the payroll master file.

*Response:* The City is aware of the limitations it has with regard to internal control because of the limited number of office staff. As a result, the City will always be aware of its need to improve internal controls when the opportunity presents itself, and will remain committed to the involvement of the City Council in oversight and review of City functions and financial affairs.

#### Finding 2012-2: Material Weakness: Payroll

*Condition and Criteria:* There are limited internal controls in place to ensure that payroll is accurately computed and distributed to employees. Additionally, the City does not maintain all necessary documentation in the personnel files of all relevant employee information, including approved pay rates. Personnel files should be maintained in a secure location. Employee time cards should be approved by department heads.

*Cause:* The City's procedures do not include an adequate review of payroll calculations before payroll checks or direct deposits are distributed to employees. Employee information is not adequately documented or maintained.

*Effect:* There is a risk of misappropriation of assets.

*Recommendations:* We recommend that the City implement additional controls around the payroll process to ensure payments are accurate. We also recommend that the City maintain personnel files that include pertinent employee information and approved employee pay rates.

*Response:* The City is aware of the weaknesses in the payroll process and is working to implement additional controls.

#### 2012-3 Material Weakness: Journal Entries

*Condition and Criteria:* Journal entries do not have all proper documentation and approval to provide adequate control. Year-end entries completed by the consultant are not always reviewed by management to ensure they are in agreement with the entries.

*Cause:* The City's procedures do not provide for adequate monitoring over journal entries and year end entries.

*Effect:* There is a risk of misappropriation of assets.

*Recommendation:* We recommend that the City implement formal policies and procedures in regards to the approval of all journal entries during the year, including those prepared by a consultant. The policies and procedures should also require that entries, after their approval, are posted to the City's general ledger on a timely basis and prior to the start of the audit.

*Management Response:* Procedures have already been changed to keep journal entries made and supporting documentation attached. Procedures will also be implemented to ensure review of journal entries in a timely manner and posting to the general ledger prior to the start of the audit.

#### 2012-4 Significant Deficiency: Court Citations

*Condition and Criteria:* A reliable internal control structure should be in place to provide adequate accountability of citations issued. There is a lack of monitoring of the citation (ticket) sequences of citations issued by police officers or by the court clerk. In addition, officers do not sign for ticket books when they are issued.

*Cause:* The City's procedures do not provide for proper internal controls related to court revenues.

*Effect:* There is a risk of misappropriation of assets.

*Recommendation:* The sequence of citation numbers should be tracked by management, and the officer should verify that he is responsible for the ticket book issued by signing a log sheet.

*Management Response:* Police Department will initiate procedures to track numerical sequences of citations and have officers sign when issued ticket book.

#### 2012-5 Compliance: Purchase Orders

*Condition and Criteria:* Oklahoma Statute Title 62 Section 310.1 states that purchase orders should be created prior to purchases and invoices should be attached to purchase orders. Purchase orders are not being encumbered prior to ordering goods or services and supporting documentation was not attached.

*Cause:* The City staff does not have adequate training surrounding internal control activities related to purchase orders.

*Effect:* The City is in noncompliance with Oklahoma Statutes, and there is a risk of misappropriation of assets.

*Recommendation:* Procedures need to be implemented to ensure that purchase orders are encumbered prior to purchasing goods/services and all invoices and supporting documentation is attached to purchase orders before payment.

*Management Response:* We will continue to stress the importance of obtaining purchase orders before ordering goods/services and make sure supporting documentation is obtained prior to payment.