

City of Waurika, Oklahoma
Financial Statements
Year-End June 30, 2011

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City of Waurika, Oklahoma
Annual Financial Report
For the Fiscal Year Ended June 30, 2011

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INDEPENDENT AUDITOR'S REPORT

To the City Council
City of Waurika, Oklahoma

We have audited the accompanying 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 City of Waurika, Oklahoma as of and for the year ended June 30, 2011, which collectively comprise the City's basic financial statements as listed in the table of contents. These financial statements are the responsibility of City of Waurika, Oklahoma's management. 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 of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and the significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our 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 discretely presented component unit, each major fund, and the aggregate remaining fund information of the City of Waurika, Oklahoma, as of June 30, 2011, and the respective changes in financial position, and, where applicable, cash flows thereof for the year then ended in conformity with accounting principles generally accepted in the United States of America.

In accordance with *Government Auditing Standards*, we have also issued our report dated April 4, 2013, 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* and should be considered in assessing the results of our audit.

Accounting principles generally accepted in the United States of America require that the budgetary comparison information on page 30 be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by

100 E Street S.W., Suite 200 | Ardmore, OK 73401

Telephone (580) 223-6454 | FAX 1-800-858-9329

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 budgetary comparison 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.

Management has omitted the management discussion and analysis that the Governmental Accounting Standards Board require to be presented to supplement the basic financial statements. Such missing 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 Our opinion on the basic financial statements is not affected by the missing information

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the City of Waurika, Oklahoma's financial statements as a whole. The combining fund financial statements are presented for purposes of additional analysis and are not a required part of the financial statements. The combining fund financial statements are the responsibility of management and were derived from and relate directly to the underlying accounting and other records used to prepare the financial statements. The information has been subjected to the auditing procedures applied in the audit of the financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements or to the financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the information is fairly stated in all material respects in relation to the financial statements as a whole.

Rahhal Henderson Johnson, PLLC

Ardmore, Oklahoma
April 4, 2013

City of Waurika, Oklahoma
Statement of Net Assets
June 30, 2011

	Primary Government		
	Governmental Activities	Business-Type Activities	Total
ASSETS			
Cash and Cash Equivalent	\$ 188,877	\$ 308,516	\$ 497,393
Revenue Receivables	193,486	133,998	327,484
Restricted Cash	-	256,069	256,069
Internal Balances	(2,526)	2,526	-
Notes Receivable, current	-	20,933	20,933
Bond Issue Costs, net of amortization	-	14,868	14,868
Notes Receivable, noncurrent	-	12,720	12,720
Capital Assets			
Land and Construction in Progress	55,994	186,745	242,739
Other Capital Assets, Net of Depreciation	1,313,037	4,004,834	5,317,871
	<u>1,748,868</u>	<u>4,941,209</u>	<u>6,690,077</u>
Total Assets			
LIABILITIES AND NET ASSETS			
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
Refundable Meter Deposits	-	60,105	60,105
Long-term liabilities			
Due Within One Year	99,575	197,769	297,344
Due in More Than One Year	189,444	2,545,018	2,734,462
	<u>309,460</u>	<u>2,880,906</u>	<u>3,190,366</u>
Total Liabilities			
Net Assets			
Invested in Capital Assets, Net of Debt	1,091,417	1,448,792	2,540,209
Restricted for Debt Service	-	195,964	195,964
Restricted for Other Purposes	-	82,128	82,128
Unrestricted	347,991	333,419	681,410
	<u>1,439,408</u>	<u>2,060,303</u>	<u>3,499,711</u>
Total Net Assets			

See Accompanying Notes to Financial Statements

City of Waurika, Oklahoma
Statement of Activities
For the Year Ended June 30, 2011

	Program Revenues				Net (Expense) Revenue and Changes in Net Assets		
	Expenses	Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	Primary Government		
					Governmental Activities	Business-Type Activities	Total
Functions/Programs							
Primary Government							
Governmental Activities							
General Government	\$ 90,382	\$ 1,999	\$ 6,906	\$ -	\$ (81,477)	\$ -	\$ (81,477)
Public Safety	375,069	58,362	7,840	815,606	506,739	-	506,739
Highways and Streets	85,342	-	-	-	(85,342)	-	(85,342)
Culture and Recreation	48,836	-	9,167	-	(39,669)	-	(39,669)
Public Health and Welfare	156,496	138,963	9,575	-	(7,958)	-	(7,958)
Total Governmental Activities	<u>756,125</u>	<u>199,324</u>	<u>33,488</u>	<u>815,606</u>	<u>292,293</u>	<u>-</u>	<u>292,293</u>
Business-Type Activities							
Water	555,690	616,132	-	-	-	60,442	60,442
Sanitation	270,491	241,612	-	-	-	(28,879)	(28,879)
Sewer	58,446	165,980	-	-	-	107,534	107,534
Golf Course	36,101	41,766	3,456	-	-	9,121	9,121
General Government	108,825	44	297	-	-	(108,484)	(108,484)
Administration / Legal	146,876	-	-	-	-	(146,876)	(146,876)
Total Business Type Activities	<u>1,176,429</u>	<u>1,065,534</u>	<u>3,753</u>	<u>-</u>	<u>-</u>	<u>(107,142)</u>	<u>(107,142)</u>
Total Primary Government	<u>\$ 1,932,554</u>	<u>\$ 1,264,858</u>	<u>\$ 37,241</u>	<u>\$ 815,606</u>	<u>292,293</u>	<u>(107,142)</u>	<u>185,151</u>
General Revenues							
Sales and Use Tax					388,517	-	388,517
Franchise Tax					44,562	-	44,562
Alcohol Beverage Tax					28,958	-	28,958
Other Taxes					122,181	-	122,181
Interest					1,016	2,012	3,028
Transfers					(87,373)	87,373	-
Total General Revenues and Transfers					<u>497,861</u>	<u>89,385</u>	<u>587,246</u>
Change in Net Assets					790,154	(17,757)	772,397
Net Assets - Beginning, as restated					<u>649,254</u>	<u>2,078,060</u>	<u>2,727,314</u>
Net Assets - Ending					<u>\$ 1,439,408</u>	<u>\$ 2,060,303</u>	<u>\$ 3,499,711</u>

See Accompanying Notes to Financial Statements

City of Waurika, Oklahoma
Balance Sheet
Governmental Funds
June 30, 2011

	General Fund	Other Governmental Funds	Total
Assets			
Cash	\$ 99,895	\$ 88,980	\$ 188,875
Due from Other Funds	-	-	-
Revenue Receivable	191,854	1,632	193,486
Total Assets	\$ 291,749	\$ 90,612	\$ 382,361
 Liabilities			
Accounts Payable	\$ 4,964	\$ -	\$ 4,964
Accrued Expenses	13,077	-	13,077
Due to Other Funds	2,526	-	2,526
Deferred Revenue	70,245	-	70,245
Compensated Absences	1,393	-	1,393
Total Liabilities	92,205	-	92,205
 Fund Balances			
Restricted	8,768	63,075	71,843
Committed	-	17,555	17,555
Assigned	12,016	9,982	21,998
Unrestricted	178,760	-	178,760
Total Fund Balances	199,544	90,612	290,156
Total Liabilities and Fund Balances	\$ 291,749	\$ 90,612	

Amounts reported for governmental activities in the statement of net assets are different because:

Capital assets used in governmental activities are not financial resources and, therefore, are not reported in the fund.	1,369,031
Receivables collected more than 60 days after year-end are not available as current financial resources in the funds .	70,245
Interest expense is recorded as it accrues regardless of when paid.	(2,400)
Long term liabilities, including compensated absences, are not due and payable in the current period and therefore are not reported in the funds.	(287,624)
Net assets of governmental activities.	\$ 1,439,408

See Accompanying Notes to Financial Statements

City of Waurika, Oklahoma
Statement of Revenues, Expenditures and Changes in Fund Balances
Governmental Funds
For the Year Ended June 30, 2011

	General Fund	Other Governmental Funds	Total
	<u> </u>	<u> </u>	<u> </u>
REVENUE			
Taxes	\$ 467,175	\$ 50,066	\$ 517,241
License	1,172	-	1,172
Fines	40,792	-	40,792
Miscellaneous	6,186	9,675	15,861
Interest	5,812	482	6,294
Grants	5,071	11,597	16,668
Fire / Ambulance Runs	115,504	81,068	196,572
Total Revenue	<u>641,712</u>	<u>152,888</u>	<u>794,600</u>
EXPENDITURES			
Current			
General Government	55,614	500	56,114
Public Safety	272,530	24,014	296,544
Highways and Streets	75,257	11,567	86,824
Culture and Recreation	36,299	5,929	42,228
Public Health and Welfare	104,052	31,093	135,145
Capital Outlay			
General Government	1,468	-	1,468
Public Safety	5,475	-	5,475
Highways and Streets	-	53,573	53,573
Debt Service	8,750	48,351	57,101
Total Expenditures	<u>559,445</u>	<u>175,027</u>	<u>734,472</u>
Excess (Deficiency) of Revenues Over (Under) Expenditures	82,267	(22,139)	60,128
Other Financing Sources			
Transfers In	34,166	-	34,166
Transfers Out	(119,845)	(1,694)	(121,539)
Total Other Financing Sources	<u>(85,679)</u>	<u>(1,694)</u>	<u>(87,373)</u>
Net Change in Net Assets	(3,412)	(23,833)	(27,245)
Total Net Assets - Beginning, as restated	<u>202,956</u>	<u>114,445</u>	<u>317,401</u>
Total Net Assets - Ending	<u>\$ 199,544</u>	<u>\$ 90,612</u>	<u>\$ 290,156</u>

See Accompanying Notes to Financial Statements

City of Waurika, Oklahoma
Reconciliation of the Statement of Revenues, Expenditures and Changes in Fund Balances
Governmental Funds to the Statement of Activities
For the Year Ended June 30, 2011

Amounts reported for governmental activities
in the statement of activities are different because:

Net change in fund balances - total governmental funds \$ (27,245)

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. This is the amount by which capital outlay exceeded depreciation expense in the current period.

	Capital Outlay	\$ 875,212	
	Depreciation Expense	<u>(123,537)</u>	
			751,675

Because some revenue will not be collected for several months after fiscal year end they are not considered "available" revenues in the funds and are instead deferred. They are however, recorded as revenues in the statement of activities

23,459

Repayment of debt is an expenditure in the governmental funds, but repayment of debt reduced long-term liabilities in the statement of net assets

	Capital Lease Obligations	\$ 19,592	
	General Obligation Bonds	<u>25,000</u>	
			44,592

Interest on debt in the statement of activities differs from amounts reported in the governmental funds because interest is recorded as a use of current financial resources when paid but as it accrues in the statement of activities, regardless of when paid.

(2,400)

In the statement of activities, compensated absences are measured by amounts earned and unused during the year. In the governmental funds, expenditure is the amount of financial resources used (essentially the amounts actually paid). This year compensated absences earned were less than the amounts used.

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Change in net assets of governmental activities. \$ 790,154

See Accompanying Notes to Financial Statements

City of Waurika, Oklahoma
Statement of Net Assets
Proprietary Funds
June 30, 2011

	Waurika Public Works Authority	Waurika Development Trust	Total
ASSETS			
Current Assets			
Cash and Cash Equivalent	\$ 250,270	\$ 58,246	\$ 308,516
Restricted Cash	256,069	-	256,069
Revenue Receivables	133,998	-	133,998
Notes Receivable	-	20,932	20,932
Due from Other Funds	2,526	-	2,526
Bond Issue Costs	4,957	-	4,957
Total Current Assets	<u>647,820</u>	<u>79,178</u>	<u>726,998</u>
Noncurrent Assets			
Notes Receivable, net of current	-	12,720	12,720
Bond Issue Costs, net of current	9,911	-	9,911
Capital Assets			
Land	154,740	32,005	186,745
Vehicles	14,825	-	14,825
Machinery and Equipment	745,423	-	745,423
Water and Sewer System	5,943,925	-	5,943,925
Waurika Lake	905,438	-	905,438
Accumulated Depreciation	<u>(3,604,777)</u>	<u>-</u>	<u>(3,604,777)</u>
Total Noncurrent Assets	<u>4,169,485</u>	<u>44,725</u>	<u>4,214,210</u>
Total Assets	<u>4,817,305</u>	<u>123,903</u>	<u>4,941,208</u>
LIABILITIES AND EQUITY			
Current Liabilities			
Accounts Payable	41,517	-	41,517
Accrued Expenses	36,496	-	36,496
Refundable Meter Deposits	60,106	-	60,106
Notes Payable	196,539	-	196,539
Compensated Absences	1,230	-	1,230
Total Current Liabilities	<u>335,888</u>	<u>-</u>	<u>335,888</u>
Noncurrent Liabilities			
Compensated Absences	14,579	-	14,579
Notes Payable	<u>2,530,439</u>	<u>-</u>	<u>2,530,439</u>
Total Noncurrent Liabilities	<u>2,545,018</u>	<u>-</u>	<u>2,545,018</u>
Total Liabilities	<u>2,880,906</u>	<u>-</u>	<u>2,880,906</u>
Net Assets			
Invested in Capital Assets	1,418,017	32,005	1,450,022
Restricted for Debt Service	195,964	-	195,964
Restricted for Other Purposes	82,128	-	82,128
Unrestricted	<u>240,291</u>	<u>91,898</u>	<u>332,189</u>
Total Net Assets	<u>\$ 1,936,400</u>	<u>\$ 123,903</u>	<u>\$ 2,060,303</u>

See Accompanying Notes to Financial Statements

City of Waurika, Oklahoma
Statement of Revenues, Expenses and Changes in Fund Net Assets
Proprietary Funds
For the Year Ended June 30, 2011

	Waurika Public Works Authority	Waurika Development Trust	Total
Operating Revenues:			
Water	\$ 585,371	\$ -	\$ 585,371
Sanitation	241,612	-	241,612
Sewer	165,980	-	165,980
Golf Course	45,222	-	45,222
Miscellaneous	6,638	257	6,895
Penalties	24,208	-	24,208
Total Operating Revenue	<u>1,069,031</u>	<u>257</u>	<u>1,069,288</u>
Operating Expenses:			
Water	443,523	-	443,523
Sanitation	270,491	-	270,491
Sewer	58,446	-	58,446
Golf Course	33,847	-	33,847
General Government	86,257	-	86,257
Administration / Legal	149,510	-	149,510
Total Operating Expenses	<u>1,042,074</u>	<u>-</u>	<u>1,042,074</u>
Operating Income (Loss)	<u>26,957</u>	<u>257</u>	<u>27,214</u>
Nonoperating Revenues (Expenses):			
Debt Service Revenue	117,845	-	117,845
Interest Revenue	479	1,533	2,012
Interest Expense	(134,355)	-	(134,355)
Total Nonoperating Revenues(Expenses)	<u>(16,031)</u>	<u>1,533</u>	<u>(14,498)</u>
Income (Loss) before Transfers	10,926	1,790	12,716
Other Financing Sources (Uses):			
Transfers In	2,000	-	2,000
Transfers Out	(32,472)	-	(32,472)
Total Other Financing Sources	<u>(30,472)</u>	<u>-</u>	<u>(30,472)</u>
Net Change in Net Assets	(19,546)	1,790	(17,756)
Total Net Assets - Beginning, as restated	<u>1,955,946</u>	<u>122,113</u>	<u>2,078,059</u>
Total Net Assets - Ending	<u>\$ 1,936,400</u>	<u>\$ 123,903</u>	<u>\$ 2,060,303</u>

See Accompanying Notes to Financial Statements

City of Waurika, Oklahoma
Statement of Cash Flows
Proprietary Funds
For the Year Ended June 30, 2011

	Waurika Public Works Authority	Waurika Economic Development	Total
<i>CASH FLOWS FROM OPERATING ACTIVITIES</i>			
Receipts from Customers	\$ 1,088,340	\$ 257	\$ 1,088,597
Payments to Vendors	(525,466)	-	(525,466)
Payments to Employees	(301,482)	-	(301,482)
Net Cash Provided by Operating Activities	<u>261,392</u>	<u>257</u>	<u>261,649</u>
<i>CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES</i>			
Operating Transfers from Other Funds	2,000	-	2,000
Operating Transfers to Other Funds	(32,476)	-	(32,476)
Cash Received from Other Funds	1,410	-	1,410
Net Cash Used by Noncapital Financing Activities	<u>(29,066)</u>	<u>-</u>	<u>2,000</u>
<i>CASH FLOWS FROM CAPITAL FINANCING ACTIVITIES</i>			
Receipt from Taxes Levied for Repayment of Debt	117,845	-	117,845
Principal Paid on Capital Debt	(155,214)	-	(155,214)
Interest Paid on Capital Debt	(108,612)	-	(108,612)
Purchase of Capital Assets	(22,229)	-	(22,229)
Net Cash Used by Capital Financing Activities	<u>(168,210)</u>	<u>-</u>	<u>(168,210)</u>
<i>CASH FLOWS FROM INVESTING ACTIVITIES</i>			
Receipt from Loan Payments	-	20,321	20,321
Interest Income	479	1,533	2,012
Net Cash Provided by Investing Activities	<u>479</u>	<u>21,854</u>	<u>22,333</u>
Net Increase (Decrease) in Cash and Cash Equivalents	64,595	22,111	117,772
Cash and Cash Equivalents, Beginning of Year	441,744	36,135	477,879
Cash and Cash Equivalents, End of Year	<u>\$ 506,339</u>	<u>\$ 58,246</u>	<u>\$ 595,651</u>
As reported on Statement of Net Assets			
Cash and Cash Equivalent	\$ 250,270	\$ 58,246	\$ 308,516
Restricted Cash	256,069	-	256,069
	<u>506,339</u>	<u>58,246</u>	<u>564,585</u>
<i>Reconciliation of Operating Income to Net Cash Provided by Operating Activities</i>			
Operating Income (Loss)	\$ 26,957	\$ 257	\$ 27,214
Adjustments to Reconcile Operating Income to Net Cash Provided by Operating Activities			
Depreciation	256,843	-	256,843
Amortization of Bond Issuance Costs	4,956	-	4,956
Change in assets and liabilities			
Accounts Receivable	2,571	-	2,571
Accounts Payable	(28,300)	-	(28,300)
Accrued Expenses	(613)	-	(613)
Customer Deposits	16,738	-	16,738
Compensated Absences	(17,760)	-	(17,760)
Total Adjustments	<u>234,435</u>	<u>-</u>	<u>234,435</u>
Net Cash Provided by Operating Activities	<u>\$ 261,392</u>	<u>\$ 257</u>	<u>\$ 261,649</u>

See Accompanying Notes to Financial Statements

City of Waurika, Oklahoma
Notes to Financial Statements
For the Year Ended June 30, 2011

I. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The City of Waurika 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.

A. The Reporting Entity

For financial reporting purposes the financial statements included all funds and account groups over which the City Council exercises oversight responsibility. The criteria used to determine whether or not to include other entities in the financial statements were (1) the selection of governing authority, (2) designation of management, (3) ability to significantly influence operations, and (4) accountability for fiscal matters. Based on this criteria, the Waurika Municipal Authority and Waurika Development Trust are included.

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.

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 of Waurika. 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.

B. Basic financial statements

The financial statements of the City are prepared in accordance with generally accepted accounting principles (GAAP). The City's reporting entity applies all relevant Governmental Accounting Standards Board (GASB) pronouncements and applicable Financial Accounting Standards Board (FASB) pronouncements and Accounting Principles Board (APB) opinions issued on or before November 30, 1989, unless they conflict with GASB pronouncements. The City's reporting entity does not apply FASB pronouncements or APB opinions issued after November 30, 1989.

City of Waurika, Oklahoma
Notes to Financial Statements
For the Year Ended June 30, 2011

I. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - (continued)

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). 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

In the government-wide Statement of Net Assets, both the governmental and business-type activities columns (a) are presented on a consolidated basis by column (b) and are reported on a full accrual, economic resource basis, which recognizes all long-term assets and receivables as well as long-term debt and obligations.

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 capital grants column reports capital-specific 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 financial transactions of the City are reported in individual funds in the fund financial statements. Each fund is accounted for by providing a separate set of self-balancing accounts that comprise its assets, liabilities, fund equity, revenues and expenditures/expenses.

The emphasis in fund financial statements is on the major funds in either the governmental or business-type activities categories. Nonmajor funds by category are summarized in a single column. GASB No. 34 sets forth minimum criteria (percentage of the assets, liabilities, revenues or expenditures/expenses of either fund category or the governmental and enterprise combined) for determination of major funds.

City of Waurika, Oklahoma
Notes to Financial Statements
For the Year Ended June 30, 2011

I. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - (continued)

Governmental fund financial statements are reported using the *current financial resources measurement focus* and the *modified accrual basis of accounting*. Revenues are recognized as soon as they are both measurable and available. Revenues are considered to be *available* when they are collectible within the current period or soon enough thereafter to pay liabilities of the current period. For this purpose, the government considers revenues to be available if they are collected within 60 days of the end of the current fiscal period. Expenditures generally are recorded when a liability is incurred, as under accrual accounting. However, debt service expenditures, as well as expenditures related to compensated absences and claims and judgments, are recorded only when payment is due.

Sales taxes, franchise taxes, licenses, and interest associated with the current fiscal period are all considered to be susceptible to accrual and so have been recognized as revenues of the current fiscal period. All other revenue items are considered to be measurable and available only when cash is received by the government.

The focus of the governmental funds' measurement (in the fund statements) is upon determination of financial position and changes in financial position rather than upon net income. The City reports the following major governmental funds and fund types:

General Fund - The government's primary operating fund. It accounts for all financial resources of the general government, except those required to be accounted for in another fund.

The focus of proprietary fund measurement is upon determination of operating income, changes in net position, financial position and cash flows. The generally accepted accounting principles applicable are those similar to businesses in the private sector. The City reports the following major proprietary funds:

Enterprise funds – Enterprise funds are required to be used to account for operations for which a fee is charged to external users for goods or services and the activity is financed with debt that is solely secured by a pledge of the net revenues. The activities reported in these funds are reported as business-type activities in the government-wide financial statements. Waurika Municipal Authority fund accounts for the activities related to the provision of water, sewer and sanitation services and the golf course. It operates the treatment plants, water distribution systems, sewer collection systems and golf course. Waurika Development Trust accounts for economic development activities.

City of Waurika, Oklahoma
Notes to Financial Statements
For the Year Ended June 30, 2011

I. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - (continued)

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

Special Revenue Funds:

Street and Alley

Rural Fire

Library Grant

EMS

Debt Service Funds

GO Bond

The activities reported in these funds along with the general fund are reported as governmental activities in the government-wide financial statements.

C. Basis of Accounting

Basis of accounting refers to the point at which revenues and expenditures/expenses are recognized in the accounts and reported in the financial statements. It relates to the timing of the measurements made regardless of the measurement focus applied.

1. Accrual:

Both governmental and business-type activities in the government-wide financial statements and the proprietary and fiduciary fund financial statements are presented on the accrual basis of accounting. Property taxes are reported in the period for which levied. Other nonexchange revenues, including intergovernmental revenues and grants, are reported when all eligibility requirements have been met. Fees and charges and other exchange revenues are recognized when earned and expenses are recognized when incurred.

2. Modified Accrual:

The governmental funds financial statements are presented on the modified accrual basis of accounting. Under the modified accrual basis of accounting, revenues are recorded when susceptible to accrual; i.e., both measurable and available. "Available" means collectible within the current period or within 60 days after year end. Property tax revenues are recognized in the period for which levied provided they are also available. Intergovernmental revenues and grants are recognized when all eligibility requirements are met and the revenues are available. Expenditures are recognized when the related liability is incurred. Exceptions to this general rule include principal and interest on general obligation long-term debt and employee vacation and sick leave, which are recognized when due and payable.

City of Waurika, Oklahoma
Notes to Financial Statements
For the Year Ended June 30, 2011

I. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - (continued)

D. Assets, liabilities, and net assets or equity

1. *Deposits and investments*

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 for the government, as well as for its component units, are reported at cost, which approximates fair value.

2. *Receivables*

All receivables are reported net of estimated uncollectible amounts.

3. *Capital assets*

Capital assets, which include property, plant, equipment, and infrastructure assets (e.g., roads, sidewalks, and similar items), are reported in the applicable governmental or business-type activities columns in the government-wide financial statements. Capital assets are defined by the government as assets with an initial individual cost of more than \$500 (amount not rounded) and an estimated useful life in excess of one year. Such assets are recorded at historical cost or estimated historical cost if purchased or constructed. Donated capital assets are recorded at estimated fair market value at the date of donation. The costs of normal maintenance and repairs that do not add to the value of the asset or materially extend assets lives are not capitalized. Major outlays for capital assets and improvements are capitalized as projects are constructed. Depreciation on all assets is provided on the straight line method over the following estimated useful lives:

City of Waurika, Oklahoma
Notes to Financial Statements
For the Year Ended June 30, 2011

I. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - (continued)

<u>Assets</u>	<u>Years</u>
Buildings	50
Infrastructure	30
Vehicles	5
Computer equipment	5
Machinery and equipment	10

4. *Compensated absences*

It is the government's policy to permit employees to accumulate earned but unused vacation benefits and sick leave benefits. All vacation pay is accrued when incurred in the government-wide and proprietary financial statements. The noncurrent portion (the amount estimated to be used in subsequent fiscal years) for governmental funds is reported only as a general long-term obligation in the government-wide statement of net assets and represents a reconciling item between the fund and government-wide presentations.

5. *Defining Program Revenues, Operating Revenues and Expenses:*

Amounts reported as *program revenues* include 1) charges to customers or applicants for goods, services or privileges provided. 2) operating grants and contributions, and 3) capital grants and contributions, including special assessments. Internally dedicated resources are reported as *general revenues* rather than as program revenues. Likewise, general revenues include all taxes.

The City's proprietary funds distinguish between *operating* and *nonoperating* revenues and expenses. Operating revenues and expenses of the City's enterprise funds consist of charges for services (including tap fees for the water fund and systems development charges for the sewer fund) and the costs of providing those services, including depreciation and excluding interest cost. All other revenues and expenses are reported as nonoperating.

6. *Bond Issuance Costs*

Costs of issuance are amortized over the life of the bond. using the straight line method.

City of Waurika, Oklahoma
Notes to Financial Statements
For the Year Ended June 30, 2011

I. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - (continued)

7. *Government-wide and Proprietary Fund Net Assets*

Government-wide and proprietary fund net position are divided into three components:

- Net investment in capital assets—consist of the historical cost of capital assets less accumulated depreciation and less any debt that remains outstanding that was used to finance those assets plus deferred outflows of resources less deferred inflows of resources related to those assets.
- Restricted net assets—consist of assets that are restricted by the City's creditors (for example, through debt covenants), by the state enabling legislation (through restrictions on shared revenues), by grantors (both federal and state), and by other contributors (including those who have donated to the City's parks endowment less related liabilities and deferred inflows of resources).
- Unrestricted—all other net assets is reported in this category.

8. *Governmental Fund Balances:*

Beginning July 1, 2010 the City Implemented GASB Statement No. 54 “Fund Balance Reporting and Governmental Fund Type Definitions.” This Statement more clearly defined fund balance categories to make the nature and extent of the constraints placed on a government’s fund balance more transparent. Changes to the fund presentation have been made to comply with this Statement.

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.

City of Waurika, Oklahoma
Notes to Financial Statements
For the Year Ended June 30, 2011

I. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - (continued)

- **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.

9. *Use of Restricted Resources:*

When an expense is incurred that can be paid using either restricted or unrestricted resources (net assets), the City's policy is to first apply the expense toward restricted resources and then toward unrestricted resources. In governmental funds, the City's policy is to first apply the expenditure toward restricted fund balance and then to other, less-restrictive classifications—committed and then assigned fund balances before using unassigned fund balances.

10. *Interfund Activity:*

Interfund activity is reported as either loans, services provided, reimbursements or transfers. Loans are reported as interfund receivables and payables as appropriate and are subject to elimination upon consolidation. Services provided, deemed to be at market or near market rates, are treated as revenues and expenditures/expenses. Reimbursements are when one fund incurs a cost, charges the appropriate benefiting fund and reduces its related cost as a reimbursement. All other interfund transactions are treated as transfers. Transfers between governmental or between proprietary funds are netted as part of the reconciliation to the government-wide financial statements.

11. *Estimates:*

The preparation of financial statements in conformity with generally accepted accounting principles requires the City to make estimates and assumptions that affect certain reported amount and disclosures. Accordingly, actual results may differ from those estimates.

City of Waurika, Oklahoma
Notes to Financial Statements
For the Year Ended June 30, 2011

I. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - (continued)

12. *Property Tax Revenues:*

The City is authorized by state law to levy property taxes which consists of ad valorem taxes on real and personal property within the City. The County Assessor, upon receipt of the certification of tax levies from the county excise board, extends the tax levies on the tax roll for submission to the county treasurer prior to October 1. The county treasurer must commence tax collection within fifteen days of receipt of the tax rolls. The first half of taxes is due prior to January 1. The second half is due prior to April 1.

If the first payment is not made timely, the entire tax becomes due and payable on January 2. Second half of taxes become delinquent on April 1 of the year following the year of assessment. If not paid by the following October 1, the property is offered for sale for the amount of taxes due. The owner has two years to redeem the property by paying the taxes and penalty owed. If at the end of the two years the owner has not done so, the purchaser is issued a deed to the property.

II. RECONCILIATION OF GOVERNMENT-WIDE AND FUND FINANCIAL STATEMENTS

A. Explanation of certain differences between the governmental fund balance sheet and the government-wide statement of net assets

The governmental fund balance sheet includes a reconciliation of the \$1,149,252 difference between *fund balance - total governmental funds* and *net assets - governmental activities* as reported in the government-wide statement of net assets.

One element of that reconciliation explains that “long-term liabilities are not due and payable in the current period and therefore are not reported in the funds.”

Long term debt	\$ 277,612
Compensated absences	<u>10,012</u>
Net adjustment to reduce <i>fund balance - total governmental funds</i> to arrive at <i>net assets - governmental activities</i>	<u>\$ 287,624</u>

City of Waurika, Oklahoma
Notes to Financial Statements
For the Year Ended June 30, 2011

II. RECONCILIATION OF GOVERNMENT-WIDE AND FUND FINANCIAL STATEMENTS -- (continued)

Another element of that reconciliation is capital assets used in governmental activities that are not financial resources.

Capital Assets	\$ 1,955,480
Accumulated Depreciation	<u>(586,449)</u>
	<u><u>\$ 1,369,031</u></u>

III. BUDGETARY INFORMATION

The city manager submits an annual budget to the City Council in accordance with the City Charter and the Oklahoma Municipal Budget Act. In June the City Council adopts annual fiscal year appropriated budgets for all city funds.

The appropriated budget is prepared by fund, department and categories (personnel services, materials and supplies, other services and charges, capital outlay, debt services and transfers). Transfers of appropriations between departments within a fund require the approval of the City Manager. Transfers of appropriations between funds and supplements to the budget require City Council approval. The legal level of budgetary control (i.e., the level at which expenditures may not legally exceed appropriations) is the department level.

IV. 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, 2011, 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 in the WPWA at June 30, 2011 consists of the Debt Service Fund in the amount of \$73,348, Escrow funds held by Waurika Master Conservancy District in the amount of \$100,593 and refundable meter deposits of \$82,128.

City of Waurika, Oklahoma
Notes to Financial Statements
For the Year Ended June 30, 2011

V. RECEIVABLES

Receivables as of June 30, 2011 for the government's individual major funds and nonmajor funds in the aggregate, including the applicable allowances for uncollectible accounts, are as follows:

	<u>General</u>	<u>WPWA</u>	<u>Other Funds</u>	<u>Total</u>
Taxes	\$ 74,120	\$ -	\$ 1,632	\$ 75,752
Customers	164,384	190,694	-	355,078
Allowance	<u>(46,650)</u>	<u>(56,696)</u>	<u>-</u>	<u>(103,346)</u>
Net total receivables	<u>\$ 191,854</u>	<u>\$ 133,998</u>	<u>\$ 1,632</u>	<u>\$ 327,484</u>

VI. CAPITAL ASSETS

Capital asset activity for the year ended June 30, 2011 was as follows:

Primary Government

	<u>Beginning Balance</u>	<u>Increases</u>	<u>Decreases</u>	<u>Ending Balance</u>
<i>Government Activities:</i>				
Land	\$ -	\$ 4,144	\$ -	\$ 4,144
Construction in progress	-	51,850	-	51,850
Total capital assets, not being depreciated	<u>-</u>	<u>55,994</u>	<u>-</u>	<u>55,994</u>
<i>Capital assets, being depreciated</i>				
Buildings	\$ 109,174	\$ 811,362	\$ -	\$ 920,536
Furniture and Fixtures	28,116	-	-	28,116
Vehicles	292,552	157,202	-	449,754
Machinery and Equipment	405,228	29,557	-	434,785
Infrastructure	66,295	-	-	66,295
Total capital assets, being depreciated	<u>901,365</u>	<u>998,121</u>	<u>-</u>	<u>1,899,486</u>
Less Accumulated Depreciation	<u>462,912</u>	<u>123,537</u>	<u>-</u>	<u>586,449</u>
Total capital assets, being depreciated, net	<u>438,453</u>	<u>874,584</u>	<u>-</u>	<u>1,313,037</u>
Governmental activities capital assets, net	<u>438,453</u>	<u>930,578</u>	<u>-</u>	<u>1,369,031</u>

City of Waurika, Oklahoma
Notes to Financial Statements
For the Year Ended June 30, 2011

VI. CAPITAL ASSETS - (continued)

	<u>Beginning Balance</u>	<u>Increases</u>	<u>Decreases</u>	<u>Ending Balance</u>
<i>Business-type Activities:</i>				
<i>Capital assets, not being depreciated</i>				
Land	\$ 186,245	\$ 500	\$ -	\$ 186,745
Construction in progress	201,941		(201,941)	-
Total capital assets, not being depreciated	<u>388,186</u>	<u>500</u>	<u>(201,941)</u>	<u>186,745</u>
<i>Capital assets, being depreciated</i>				
Computers and Electronics	72,090	-	(38,381)	33,709
Vehicles	12,125	5,000	(2,300)	14,825
Machinery and Equipment	656,605	55,109	-	711,714
Infrastructure	4,947,406	201,941	-	5,149,347
Waurika Lake	816,358	883,659	-	1,700,017
Total capital assets, being depreciated	<u>6,504,584</u>	<u>1,145,709</u>	<u>-</u>	<u>7,609,612</u>
Less Accumulated Depreciation	<u>3,350,235</u>	<u>256,843</u>	<u>(2,300)</u>	<u>3,604,778</u>
Total capital assets, being depreciated, net	<u>3,154,349</u>	<u>888,866</u>	<u>-</u>	<u>4,004,834</u>
Business activities capital assets, net	<u>3,542,535</u>	<u>889,366</u>	<u>-</u>	<u>4,191,579</u>
Total Primary Government	<u>\$ 3,980,988</u>	<u>\$1,819,944</u>	<u>\$ -</u>	<u>\$ 5,560,610</u>

Depreciation expense was charged to functions/programs of the primary government as follows:

Government activities:	
General government	\$ 16,713
Public safety	75,296
Highways and streets	1,668
Public Health and Welfare	24,594
Culture and Recreation	5,266
Total depreciation expense	<u>\$ 123,537</u>
Business-type activities	
Water	\$ 213,198
Sewer	39,036
Golf	3,140
General government	1,469
Total depreciation expense	<u>\$ 256,843</u>

City of Waurika, Oklahoma
Notes to Financial Statements
For the Year Ended June 30, 2011

VII. INTERFUND RECEIVABLES, PAYABLES AND TRANSFERS

Advances From/To Other Funds consist of the following at June 30,2011:

<u>Receivable Fund</u>	<u>Payable Fund</u>	<u>Amount</u>
WPWA	General Fund	\$ 2,526
		\$ 2,526

The General Fund receives sales tax in which the Waurika Public Works Authority and the City of Waurika have a Sales tax agreement to transfer 1% of the 3% of sales tax collected to the WPWA, the balance is remaining portion of transfer related to the sales tax for fiscal year 2011.

Transfers In/Out to Other Funds consist of the following at June 30, 2011:

		Transfer From			Total
		General Fund	Other Governmental Funds	Waurika Public Works Authority	
T r a n s f e r	General Fund		\$ 1,694	\$ 32,472	\$ 34,166
	Waurika Public Works Authority	119,845	-	-	119,845
	Total	\$ 119,845	\$ 1,694	\$ 32,472	\$ 154,011

Purpose of the transfers were for operations, purchase of equipment, sales tax transfers for debt service payments, reimbursement of expenses, transfer of excess earnings.

City of Waurika, Oklahoma
Notes to Financial Statements
For the Year Ended June 30, 2011

VIII. LONG-TERM LIABILITIES

A summary of long-term liability activity for the year ended June 30, 2011, is as follows:

	Beginning Balance	Additions	Reductions	Ending Balance	Due within One Year
Primary Government					
Governmental Activities					
Capital Lease Obligations	\$ 36,996	\$ 60,210	\$ 19,592	\$ 77,614	\$ 73,182
General Obligation Bonds	225,000	-	25,000	200,000	25,000
Compensated Absences	15,809	504	4,907	11,406	1,393
	<u>277,805</u>	<u>60,714</u>	<u>49,499</u>	<u>289,020</u>	<u>99,575</u>
Business-Type Activities					
Waurika Master Conservancy District	379,702	883,658	13,276	1,250,084	39,652
Revenue Bonds	505,000	-	110,000	395,000	125,000
Notes Payable	1,111,678	-	29,784	1,081,894	31,887
Compensated Absences	11,292	5,357	841	15,808	1,230
	<u>2,007,672</u>	<u>889,015</u>	<u>153,901</u>	<u>2,742,786</u>	<u>197,769</u>
	<u>\$ 2,285,477</u>	<u>\$ 949,729</u>	<u>\$ 203,400</u>	<u>\$ 3,031,806</u>	<u>\$ 297,344</u>

Debt at June 30, 2011, is comprised of the following:

Type of Indebtedness(purpose)	Maturity	Interest Rates	Annual Principal Installments	Original Issue Amount	Outstanding at June 30, 2011
<u>Governmental Activities</u>					
General Obligation Bonds (Financed fire truck equipment)	June, 2019	2.05-5.05%	\$ 25,000	\$ 320,000	\$ 200,000
<u>Business-Type Activities</u>					
Waurika Master Conservancy District (financed costs of purchase of 3.161% of additional Waurika Lake water supply)	October, 2035	4.23%	Varies	883,658	883,658
Waurika Master Conservancy District (financed costs of purchase of 2.4% of Waurika Lake water supply)	June, 2027	3.46%	30,215	564,350	366,426
Utility System Refunding Revenue Bonds (financed refunding of capital improvement debt)	May, 2014	4.3-5.8%	Variable	1,545,000	395,000
Rural Development Note Payable #1 (supplemented refunding of capital improvement debt)	May, 2041	4.50%	4,915	1,082,500	967,682
Rural Development Note Payable #2 (supplemented refunding of capital improvement debt)	May, 2041	4.50%	454	100,000	89,399
Banking Institution Note Payable (financed purchase of 15 golf carts)	November, 2012	5.00%	971	37,500	15,961
Banking Institution Note Payable (financed purchase of 5 golf carts)	November, 2013	4.76%	324	12,500	8,852

City of Waurika, Oklahoma
Notes to Financial Statements
For the Year Ended June 30, 2011

VIII. LONG-TERM LIABILITIES(continued)

General obligation bonds issued for governmental activity purposes are liquidated by the debt service (GO Bond) fund. Debt issued for business-type activities is repaid by the WPWA.

Utility System Refunding Revenue Bonds

Pledged Revenues: The note is secured by assignment of sales tax and utility revenues. City of Waurika complied with all applicable debt covenants of the Revenue Bonds at June 30,2011.

Rural Development Note Payable #2

Flow of Funds - The disposition of gross revenues are restricted in the bond indenture to the following order of priority:

1. Payment of the cost and expenses of and incidental to the operation and ordinary maintenance of the mortgaged property.
2. Use of any remainder for any proper purpose considered appropriate by the Authority.

As of June 30, 2011, annual debt service requirements are as follows:

Year	General Obligation Bonds		Revenue Bonds		Waurika Master Conservancy		Notes Payable	
	Principal	Interest	Principal	Interest	Principal	Interest	Principal	Interest
2012	25,000	9,450	125,000	22,530	39,652	47,009	31,887	48,079
2013	25,000	8,975	130,000	15,530	42,473	46,081	26,540	46,655
2014	25,000	7,975	140,000	8,120	43,574	44,802	20,431	45,617
2015	25,000	6,875	-	-	45,014	43,361	19,694	44,733
2016	25,000	6,875	-	-	46,318	42,006	20,599	43,829
2017-2021	75,000	8,250	-	-	252,948	187,600	118,091	204,049
2022-2026	-	-	-	-	300,319	137,785	147,826	174,314
2027-2031	-	-	-	-	231,806	83,769	185,048	137,092
2032-2036	-	-	-	-	247,980	33,141	231,642	90,498
2037-2041	-	-	-	-	-	-	280,136	32,189
	<u>\$ 200,000</u>	<u>\$ 48,400</u>	<u>\$ 395,000</u>	<u>\$ 46,180</u>	<u>\$ 1,250,084</u>	<u>\$ 665,554</u>	<u>\$ 1,081,894</u>	<u>\$ 867,055</u>

Capital Leases

The City has entered into lease agreements as lessee for financing the acquisition of equipment. The lease agreement qualifies as a capital lease for accounting purposes and, therefore, has been recorded at the present value of future minimum payments as of the inception date.

The assets acquired through capital leases are as follows:

City of Waurika, Oklahoma
Notes to Financial Statements
For the Year Ended June 30, 2011

VIII. LONG-TERM LIABILITIES (continued)

Equipment and vehicles	\$ 121,402
less accumulated depreciation	<u>(23,941)</u>
	<u><u>\$ 97,461</u></u>

The future minimum lease obligations and the net present value of these minimum lease payments as of June 30, 2011 were as follows:

	Year Ending June 30	
	<u>2012</u>	\$ 77,058
	2013	<u>4,727</u>
Present value of future minimum lease payments		\$ 81,785
	less: Interest	<u>(4,137)</u>
Net Minimum lease payments		\$ 77,648
	Current portion	<u>(73,182)</u>
	Long-term portion	<u><u>\$ 4,466</u></u>

IX. GOVERNMENTAL FUND BALANCE

Governmental fund balances as of June 30, 2011 consisted of the following:

	General Fund	Other Governmental Funds	Total Governmental Funds
Restricted			
Grants	\$ 8,768	\$ -	\$ 8,768
Library	-	1,294	1,294
Emergency Services	-	35,592	35,592
Debt Service	-	10,870	10,870
Streets	-	15,319	15,319
Total Restricted	<u>8,768</u>	<u>63,075</u>	<u>71,843</u>
Committed			
Rural Fire Department	-	17,555	17,555
Total Committed	<u>-</u>	<u>17,555</u>	<u>17,555</u>
Assigned			
Emergency Services	-	9,842	9,842
Police Department	6,796	-	6,796
Depot	3,897	-	3,897
Library	469	-	469
Debt Service	-	140	140
Other	854	-	854
Total Assigned	<u>12,016</u>	<u>9,982</u>	<u>21,998</u>
Unassigned	<u>178,760</u>	<u>-</u>	<u>178,760</u>
	<u><u>\$ 199,544</u></u>	<u><u>\$ 90,612</u></u>	<u><u>\$ 290,156</u></u>

City of Waurika, Oklahoma
Notes to Financial Statements
For the Year Ended June 30, 2011

X. PENSION PLAN

Municipal Retirement Plan

The City of Waurika participates in a defined benefit plan with the Oklahoma Municipal Retirement Fund (OMRF). The City of Waurika and its employees participate in the Oklahoma Municipal Retirement Fund. 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 City of Waurika, Waurika Municipal Authority, and employees are established and may be amended by the OMRF board. Employees are required to contribute 2.5% of their annual covered salary. City of Waurika and Waurika Municipal Authority are required to contribute at an actuarially determined rate; the rate at June 30, 2011 is 14.13 percent of covered payroll.

Annual Pension Cost: The required contribution was determined as part of the March 31, 2010 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, 2010
Actuarial Cost Method	Entry Age Normal
Asset Valuation Method	5 year smoothed market
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	Contribution	Cost	Net Pension
Ending	Rate	(APC)	Obligation
June 30			
2009	5.68%	15,095	\$ -
2010	10.09%	21,551	-
2011	10.09%	21,551	-

City of Waurika, Oklahoma
Notes to Financial Statements
For the Year Ended June 30, 2011

X. PENSION PLAN (continued)

Funded Status and Funding Progress

The funded status of the plan as of January 1, 2011, 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
\$ 695,242	\$ 761,859	\$ 66,617	91.26%	\$ 370,829	17.96%

The schedule of funding progress presented as required supplementary information immediately following the notes to the financial statements, presents multiyear trend information about whether the actuarial value of plan assets is increasing or decreasing over time relative to the AAL for benefits.

XI. 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 my 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.

XII. COMMITMENTS AND CONTINGENCIES

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

City of Waurika, Oklahoma
Notes to Financial Statements
For the Year Ended June 30, 2011

XII. COMMITMENTS AND CONTINGENCIES

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.

XIII. SUBSEQUENT EVENTS

In April 2012, the City of Waurika financed a promissory note of \$26,173 for the purchase of a new police car payable in one principal payment of \$26,173 plus accrued interest at a rate of 3.350% due on April 27, 2013.

In May 2012, the Waurika Development Trust Authority entered into a promissory note receivable of \$73,000, together with interest at the rate of 3.00% per annum on the unpaid balance until paid in full. The payments will be \$15,940 each year with the first payment due in June 1, 2013 and the 1st day of June for the Five years, until paid.

In August 2012, the City received a Consent Order from the Oklahoma Department of Environmental Quality (DEQ) which requires that certain tasks to be performed to upgrade the public water supply system. DEQ assessed a total penalty of Thirty Five Thousand Dollars (\$35,000). The City has paid Seven Thousand Five Hundred Dollars (\$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 by June 1, 2013 or they will have to pay the remaining Twenty Seven Thousand Five Hundred dollars (\$27,500) of the fine.

In March 2013, the City of Waurika financed a promissory note of \$13,246 for the purchase of Golf Cart Batteries payable monthly of \$1,125 for 12 months at an interest rate of 3.50% with final payment due March 20, 2014.

XIV. RESTATEMENT

The City determined that certain transactions were recorded incorrectly in a prior year.

Governmental Activities: In the government-wide statements: Accounts receivable was understated \$113,375 due to omission of ambulance billings. Additionally capital assets in the amount of \$102,000 were omitted and compensated absences were overstated \$7,150 and accounts payable and court bonds payable were overstated \$39,914. These restatements had a corresponding effect on change in net assets.

General Fund: In the general fund, accounts receivable were understated \$113,275 and deferred revenue was understated \$46,786. Accounts payable was overstated \$27,849. These restatements had a corresponding effect on change in fund balance.

City of Waurika, Oklahoma
Unaudited Statement of Revenues, Expenditures and Changes
In Fund Balances- Budget and Actual
For the Year Ended June 30, 2011

	Budgeted Amounts		Budgetary Basis Amounts	Variance With Final Budget
	Original	Final		
REVENUE				
Taxes	\$ 441,100	\$ 445,580	\$ 450,067	\$ 4,487
License	800	800	1,172	372
Fines	40,000	40,000	61,720	21,720
Interest	4,000	4,000	520	(3,480)
Miscellaneous	8,000	8,000	4,888	(3,112)
Grants	10,000	10,000	5,069	(4,931)
Fire / Ambulance Runs	106,400	126,579	115,504	(11,075)
Total Revenue	<u>610,300</u>	<u>634,959</u>	<u>638,940</u>	<u>3,981</u>
EXPENDITURES				
Current				
General Government	128,000	107,510	106,837	673
Public Safety	214,800	282,879	282,646	233
Highways and Streets	110,000	82,000	81,501	499
Culture and Recreation	40,000	36,300	36,201	99
Public Health & Welfare	96,000	104,770	104,760	10
Total Expenditures	<u>588,800</u>	<u>613,459</u>	<u>611,945</u>	<u>1,514</u>
Excess (Deficiency) of Revenues Over (Under) Expenditures	<u>21,500</u>	<u>21,500</u>	<u>26,995</u>	<u>5,495</u>
Other Financing Sources				
Transfers In	-	-	31,166	31,166
Transfers Out	(123,000)	(123,000)	(117,845)	5,155
Total Other Financing Sources	<u>(123,000)</u>	<u>(123,000)</u>	<u>(86,679)</u>	<u>36,321</u>
Net Change in Fund Balance	(101,500)	(101,500)	(59,684)	41,816
Total Net Assets - Beginning	<u>102,000</u>	<u>102,000</u>	<u>188,234</u>	<u>86,234</u>
Total Net Assets - Ending	<u>\$ 500</u>	<u>\$ 500</u>	<u>\$ 128,550</u>	<u>\$ 128,050</u>

City of Waurika, Oklahoma
Oklahoma Municipal Retirement Fund
Unaudited Schedule of Funding Progress
June 30, 2011

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
1/1/2002	567,258	343,195	(224,063)	165.29%	248,819	(90.05%)
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%

See notes to required supplementary information

City of Waurika, Oklahoma
Notes to Required Supplementary Information
June 30, 2011

A. Budget Process

The city manager submits an annual budget to the City Council in accordance with the City Charter and the Oklahoma Municipal Budget Act. In June the City Council adopts annual fiscal year appropriated budgets for all city funds.

The appropriated budget is prepared by fund, department and categories (personnel services, materials and supplies, other services and charges, capital outlay, debt services and transfers). Transfers of appropriations between departments within a fund require the approval of the City Manager. Transfers of appropriations between funds and supplements to the budget require City Council approval. The legal level of budgetary control (i.e., the level at which expenditures may not legally exceed appropriations) is the department level.

B. Basis of Accounting

The budget is prepared on the cash basis of accounting where cash receipts are recognized as revenue at the date of receipt and cash payments are recognized as expenditures at the date of payment.

C. Budgetary Comparisons

Budgetary comparison information is required to be presented for the general fund and each major special revenue fund with a legally adopted budget. The Waurika Public Works Authority is not legally required to adopt a budget for its general fund.

D. Budget to Actual Reconciliation

Sources/inflows of resources	
Actual amounts (budgetary basis) "Total Revenue" from the budgetary comparison schedule	\$ 638,940
Differences - budget to GAAP:	
Revenue available as current resources but not yet received is revenue for financial reporting	(5,522)
Some funds are reported internally as separate funds but as part of the general fund for financial reporting	<u>8,294</u>
Total revenues as reported on the statement of revenues, expenditures, and changes in fund balances-governmental funds	<u>\$ 641,712</u>
Uses/outflows of resources	
Actual amounts (budgetary basis) "Total Expenditures" from the budgetary comparison schedule	\$ 611,945
Differences - budget to GAAP:	
Expenditures are recognized when incurred for financial reporting	(59,151)
Some funds are reported internally as separate funds but as part of the general fund for financial reporting	<u>6,651</u>
Total expenditures as reported on the statement of revenues, expenditures, and changes in fund balances-governmental funds	<u>\$ 559,445</u>

City of Waurika, Oklahoma
Combining Balance Sheet
Nonmajor Governmental Funds
June 30, 2011

	<u>G O</u> <u>Bond</u>	<u>Street</u> <u>& Alley</u>	<u>Rural</u> <u>Fire</u>	<u>Library</u> <u>Grant</u>	<u>EMS</u>	<u>Total</u>
Assets						
Cash	\$ 11,010	\$ 13,687	\$ 17,555	\$ 1,294	\$ 45,434	\$ 88,980
Due From Other Funds	-	-	-	-	-	-
Revenue Receivable	-	1,632	-	-	-	1,632
	<u> </u>	<u> </u>	<u> </u>	<u> </u>	<u> </u>	<u> </u>
Total Assets	<u><u>\$ 11,010</u></u>	<u><u>\$ 15,319</u></u>	<u><u>\$ 17,555</u></u>	<u><u>\$ 1,294</u></u>	<u><u>\$ 45,434</u></u>	<u><u>\$ 90,612</u></u>
Liabilities						
Account Payable	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Due to Other Funds	-	-	-	-	-	-
	<u> </u>	<u> </u>	<u> </u>	<u> </u>	<u> </u>	<u> </u>
Total Liabilities	<u> </u>	<u> </u>	<u> </u>	<u> </u>	<u> </u>	<u> </u>
Fund Balances						
Restricted	10,870	15,319	-	1,294	35,592	63,075
Committed	-	-	17,555	-	-	17,555
Assigned	140	-	-	-	9,842	9,982
Unrestricted	-	-	-	-	-	-
	<u> </u>	<u> </u>	<u> </u>	<u> </u>	<u> </u>	<u> </u>
Total Fund Balances	<u>11,010</u>	<u>15,319</u>	<u>17,555</u>	<u>1,294</u>	<u>45,434</u>	<u>90,612</u>
Total Liabilities						
and Fund Balance	<u><u>\$ 11,010</u></u>	<u><u>\$ 15,319</u></u>	<u><u>\$ 17,555</u></u>	<u><u>\$ 1,294</u></u>	<u><u>\$ 45,434</u></u>	<u><u>\$ 90,612</u></u>

City of Waurika, Oklahoma
Combining Statement of Revenues, Expenditures, and Changes in Fund Balances
Nonmajor Governmental Funds
For the Year Ended June 30, 2011

	G O Bond	Street & Alley	Rural Fire	Library Grant	EMS	Total
REVENUE						
Taxes	\$ 32,182	\$ 17,884	\$ -	\$ -	\$ -	\$ 50,066
Fire / Ambulance Runs	-	-	17,570	-	63,498	81,068
Miscellaneous	-	-	100	-	9,575	9,675
Interest	140	75	-	-	267	482
Grants	-	-	4,398	7,199	-	11,597
Total Revenue	<u>32,322</u>	<u>17,959</u>	<u>22,068</u>	<u>7,199</u>	<u>73,340</u>	<u>152,888</u>
EXPENDITURES						
Current						
General Government	500	-	-	-	-	500
Public Safety	-	-	24,014	-	-	24,014
Culture and Recreation	-	-	-	5,929	-	5,929
Highways and Streets	-	11,567	-	-	-	11,567
Public Health and Welfare	-	-	-	-	31,093	31,093
Capital Outlay						
Public Health and Welfare	-	-	25,033	-	28,540	53,573
Debt Service	35,788	-	4,727	-	7,836	48,351
Total Expenditures	<u>36,288</u>	<u>11,567</u>	<u>53,774</u>	<u>5,929</u>	<u>67,469</u>	<u>175,027</u>
Excess (Deficiency) of Revenues Over (Under) Expenditures	(3,966)	6,392	(31,706)	1,270	5,871	(22,139)
Other Financing Sources						
Transfers Out	(1,694)	-	-	-	-	(1,694)
Net Change in Assets	(5,660)	6,392	(31,706)	1,270	5,871	(23,833)
Total Net Assets - Beginning	<u>16,670</u>	<u>8,927</u>	<u>49,261</u>	<u>24</u>	<u>39,563</u>	<u>114,445</u>
Total Net Assets - Ending	<u>\$ 11,010</u>	<u>\$ 15,319</u>	<u>\$ 17,555</u>	<u>\$ 1,294</u>	<u>\$ 45,434</u>	<u>\$ 90,612</u>



**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 Waurika, Oklahoma

We have audited 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 City of Waurika, Oklahoma, as of and for the year ended June 30, 2011, which collectively comprise City of Waurika, Oklahoma's basic financial statements and have issued our report thereon dated April 4, 2013. Our report included an explanatory paragraph that management had not included management discussion and analysis and that our opinion was not affected. 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.

Internal Control Over Financial Reporting

Management of City of Waurika, Oklahoma, is responsible for establishing and maintaining effective internal control over financial reporting. In planning and performing our audit, we considered City of Waurika, Oklahoma's internal control over financial reporting as a basis for designing our auditing procedures 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 over financial reporting. Accordingly, we do not express an opinion on the effectiveness of the City of Waurika, Oklahoma's internal control over financial reporting.

Our consideration of internal control over financial reporting was for the limited purpose described in the preceding paragraph and was not designed to identify all deficiencies in internal control over financial reporting that might be significant deficiencies, or material weaknesses and therefore, there can be no assurance that all deficiencies, significant deficiencies, or material weaknesses have been identified. However, as described in the accompanying schedule of findings and responses, we identified certain deficiencies in internal control over financial reporting that we consider to be material weaknesses.

100 E Street S.W., Suite 200 | Ardmore, OK 73401

Telephone (580) 223-6454 | FAX 1-800-858-9329

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 deficiencies described in the accompanying schedule of findings and responses to be material weaknesses. 2011-1 through 2011-8.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether City of Waurika, Oklahoma's financial statements are free of 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 questioned costs as items 2011-5 and 2011-6.

We noted certain other matters that we reported to management of City of Waurika, Oklahoma in a separate letter dated April 4, 2013

City of Waurika, Oklahoma's response to the findings identified in our audit is described in the accompanying schedule of findings and questioned costs. We did not audit City of Waurika, Oklahoma's response and, accordingly, we express no opinion on it.

This report is intended solely for the information and use of management, City Council, others within the entity, and federal awarding agencies and pass-through entities and is not intended to be and should not be used by anyone other than these specified parties.

Rahhal Henderson Johnson, PLLC

Ardmore, Oklahoma

April 4, 2013

City of Waurika, Oklahoma
Schedule of Findings and Responses
For the Year Ended June 30, 2011

2011-01 ***Financial Reporting***

Condition – Material adjustments were necessary to prepare the financial statements and classifications of fund balance in accordance with GASB 54.

Criteria – Effective internal controls over financial reporting includes the identification and analysis of the risk of material misstatements in the financial statements. The responsibility of the financial statements remains with the management even when the preparation of the financial statements is transferred to a service provider. An individual with sufficient awareness of or experience in accounting principles and disclosure requirements should be designated to oversee the preparation of the financial statements.

Context – Material adjustments were necessary at fund level and government wide level that were related to court, ambulance, utility receivables and revenues, meter deposits, Long term debt and related activities, accounts payable, notes receivable, fixed assets, compensated absences, due to/due from and transfers.

Effect – Material adjustment were necessary that were identified as part of the audit process.

Cause – The City did not have adequate review process over the year end reporting process.

Recommendation – We recommend that the City implement a process to oversee year end entries and financial statements prepared by consultant and determine that they are appropriate and are supported by the City’s records.

Management Response – The City has a new computer system and new staff which will aid in the better monitoring and oversight of daily operations as well as the year end close procedures. Procedures will be implemented to review consultant’s entries and financial statements.

2011-02 ***Segregation of Duties***

Condition –Lack of segregation of duties related to daily cash collections through the Utility Department and lack of segregation of duties over the billings, collections adjustments and deposits of utility revenues. Also all cashiers work from the same drawer and there is no reconciliation of mail receipts to daily cash receipt reports.

Criteria – Accounting policies and procedures should specify the appropriate segregation of duties over cash receipts. There should be adequate segregation of

City of Waurika, Oklahoma
Schedule of Findings and Responses
For the Year Ended June 30, 2011

duties among those who: open mail and collect cash, prepare deposits, deposit cash receipts, post cash receipts to customer accounts, authorized adjustments and process customer complaints. Individual cashiers should be assigned their own cash drawers and should close out and balance their drawers daily. Cash receipts should be deposited intact and promptly and reconciled to daily receipt summary reports as to cash and checks received.

Context – City did not have proper internal controls implemented regarding cash collections and utility billings, adjustments and collections.

Effect – Risk of misappropriation of assets

Cause – Lack of proper internal controls to separate incompatible duties and controls over daily cash receipts, billings, and adjustments

Recommendation – We recommend the following.

1. All cashiers need to be assigned separate cash draws. Multiple individuals should not use the same cash drawer.
2. Each cashier needs to issue pre-numbered receipts for each transaction and maintain documentation of the receipt sequence issued, accounting for any voided receipts with the daily deposit.
3. Each cashier needs to reconcile their drawer at the end of each day to the receipt report for their transactions and account for the receipt sequence used.
4. Mail receipts need to be opened and posted by someone other than a cashier if possible. Otherwise, the mail needs to be opened by a non-cashier and a tape or other listing of items received prepared. The mail receipts can then be given to a cashier to post. Those postings need to be compared to the listing of items received by someone other than the cashier.
5. Daily cash receipts need to be reconciled to general ledger postings daily by a non-cashier.
6. Utility Adjustments need to be reviewed and authorized.

Management Response – The City agrees with the recommendation and is working towards separate cash draws and will have individual open the mail and keep a mail log, separate from the person who will receipt the mail into the system and reconciliation will be completed.

City of Waurika, Oklahoma
Schedule of Findings and Responses
For the Year Ended June 30, 2011

2011-03 ***Court Citations***

Condition –Lack of monitoring of the citation (ticket) sequences issued by police officers or by court clerk. Officers do not sign for ticket books when they are issued.

Criteria – A reliable internal control structure should be in place to provide adequate accountability of citations issued.

Context – City did not have proper internal controls implemented regarding issuance of court citations and tracking of sequences.

Effect – Risk of misappropriation of assets

Cause – Lack of proper internal controls related to court revenues.

Recommendation – Sequence of citation numbers should be tracked by management and officer should verify that he is responsible for the ticket book issued by signing log sheet.

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

2011-04 ***Time Cards***

Condition –Employee time cards are not being approved by department heads

Criteria – A reliable internal control structure should be in place to provide proper authorization of payroll.

Context – City did not have proper internal controls implemented regarding approval of payroll.

Effect – Risk of over expenditures of funds and misappropriation of assets

Cause – Lack of proper internal controls related to court revenues.

Recommendation – All time cards should be approved by department head or management.

Management Response – Procedures will be established to require time cards be approved by department head or management.

City of Waurika, Oklahoma
Schedule of Findings and Responses
For the Year Ended June 30, 2011

2011-05 **Daily Deposits**

Condition –Daily deposits are not being made within one day of receipt.

Criteria – Oklahoma Statute Title 62 Section 517.3 states the treasurer of every public entity shall deposit funds daily not later than the immediate next banking day.

Context – During testing of deposits, 22 of 71 deposits tested of proprietary deposits and 13 of the 28 governmental deposits tested were not deposited within the next business day.

Effect – Noncompliance with Oklahoma Statutes and risk of misappropriation of assets

Cause – City did not have proper procedures to complete timely deposits.

Recommendation – Procedures need to be implemented to ensure that deposits are being made within the next business day.

Management Response – City is aware of statute and making sure deposits are completed timely.

2011-06 **Purchase Orders**

Condition –Purchase orders are not being encumbered prior to order goods or services and supporting documentation was not attached.

Criteria – Oklahoma Statute Title 62 Section 310.1 states that purchase orders should be created prior to purchases and invoices should be attached purchase orders.

Context – During testing of Purchase Orders 5 out of 25 purchase orders were dated after the invoice date and 1 out of the 25 did not have supporting invoice.

Effect – Noncompliance with Oklahoma Statutes and risk of misappropriation of assets

Cause – Lack of staff training surrounding internal controls activities related to purchase orders.

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.

City of Waurika, Oklahoma
Schedule of Findings and Responses
For the Year Ended June 30, 2011

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.

2011-07 **Fixed Assets**

Condition – Material adjustments were required to properly state the fixed assets at year end, construction in progress and accumulated depreciation in current year and prior period adjustments.

Criteria – The City should have adequate internal controls to properly capture fixed assets and the calculation of depreciation for reporting purposes.

Context – Material adjustments were required to account for the donated fire truck, ambulance building construction in progress and donated land which included buildings.

Effect – Understatement of Fixed Assets

Cause – Lack of formal policy and procedures and understanding that donated assets should be captured into the City records and Construction in Progress should also be tracked.

Recommendation – We recommend that the City implement a formal fixed asset policy as well as procedures to track activity throughout the year that are related to fixed assets, so at year end entries can be properly made.

Management Response – We will work on creating a fixed asset policy as well as establishing procedures to track fixed assets throughout the year.

2011-08 **Journal Entries**

Condition – Non Standard journal entries are not being reviewed and supporting documentation not being kept with entries. Also year-end close entries are not being reviewed by management after prepared by consultant.

Criteria – Non-Standard journal entries should have proper documentation and approval to provide adequate control over non standard entries made to the general ledger. Year end entries completed by the consultant should be reviewed by Management to ensure they are in agreement with entries and that they are reasonable and supported by the City's records.

Context – During testing it was determined no documentation was kept or approval

City of Waurika, Oklahoma
Schedule of Findings and Responses
For the Year Ended June 30, 2011

was completed over non-standard journal entries completed by the City. During audit material adjustments were still were required to account for the activity of the City for the fiscal year.

Effect – Risk of misappropriation of assets.

Cause – Lack of monitoring over journal entries and year end entries.

Recommendation – We recommend that the City implement a formal policy and procedures in regards to nonstandard journal entries during the year as well as procedures to review the entries prepared by the consultant prior to the audit starting. All entries made by the consultant need to be made to the City’s general ledger 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 consultant’s journal entries at year end and entries are made to general ledger prior to audit.