

**CITY OF WAURIKA, OKLAHOMA  
WAURIKA, OKLAHOMA**

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

**FOR THE YEAR ENDED  
JUNE 30, 2013**

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## INDEPENDENT AUDITOR'S REPORT

To the Board of Commissioners  
City of Waurika, Oklahoma

### **Report on the Financial Statements**

We have audited the accompanying financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the City of Waurika, Oklahoma, as of and for the year ended June 30, 2013, 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 accounting principles generally accepted in the United States of America; this includes the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

### ***Auditor's Responsibility***

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

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

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

### ***Opinions***

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the City of Waurika, Oklahoma, as of June 30, 2013, and the respective changes in financial position, and, where applicable, cash flows thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

## ***Other Matters***

### ***Required Supplementary Information***

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis and budgetary comparison information on pages 3–10 and 34 be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

### ***Other Information***

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

The combining nonmajor fund financial statements are the responsibility of management and were derived from and 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 nonmajor fund financial statements are fairly stated in all material respects in relation to the basic financial statements as a whole.

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

In accordance with *Government Auditing Standards*, we have also issued our report dated March 4, 2016, 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 the City of Waurika, Oklahoma's internal control over financial reporting and compliance.

**FSW&B CPAs-PLLC**

FSW&B CPA's-PLLC  
Woodward, Oklahoma  
March 4, 2016

Our discussion and analysis of the City of Waurika's ("City") financial performance provides an overview of the City's financial activities for the fiscal year ended June 30, 2013. The City's performance is discussed and analyzed within the context of the accompanying financial statements and disclosures following this section. This discussion focuses on the City's primary government, and unless otherwise noted, component units reported separately from the primary government are not included. Please read it in conjunction with the City's financial statements, which follow this section.

## FINANCIAL HIGHLIGHTS

- At June 30, 2013, the assets of the City exceeded its liabilities by \$1,716,349 (net position) compared to \$1,439,288, restated in prior year due to change in the basis of presentation. The City's total net position is comprised of the following:
  - (1) Invested in capital assets, net of related debt of \$966,509 include property and equipment, net of accumulated depreciation, and reduced for outstanding debt related to the purchase of construction of capital assets.
  - (2) Restricted net position of \$322,859 which consist mainly of restricted investment accounts related to the outstanding debt held by the City.
  - (3) Unrestricted net position of \$426,981 may be used to meet the City's ongoing obligations to citizens and creditors.
- After transfers of \$133,471 from governmental activities to business-type activities, net position of governmental activities increased \$133,278 or 38%, and net position of business-type activities increased \$143,783 or 13%. Overall the health of the City improved when compared to prior year by \$277,061 or 19% over prior year.

## OVERVIEW OF THE FINANCIAL STATEMENTS

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

### **Government-wide Financial Statements**

The City's annual reporting includes two government-wide financial statements. These statements provide both long-term and short-term information about the City's overall status. Financial reporting at this level uses a perspective similar to that found in the private sector with its basis in full accrual accounting and elimination or reclassification of internal activities.

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

The second government-wide statement is the *Statement of Activities*, which reports how the City's net position changed during the current fiscal year. All current year revenues and expenses are included regardless of when cash is received or paid. An important purpose of the design of the statement of activities is to show the financial reliance of the City's distinct activities or functions on revenues provided by the City's taxpayers.

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

The City's financial reporting entity includes the funds of the City (primary government) and organization for which the City is accountable (component units). The City has no discretely presented component units.

### ***Fund Financial Statements***

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

The City has two kinds of funds:

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

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

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

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

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

### ***Notes to the financial statements***

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

### ***Other information***

In addition to the basic financial statements and accompanying notes, this report presents certain *Required Supplementary Information* concerning the City's compliance with the approved and revised budget for major governmental funds.

A FINANCIAL ANALYSIS OF THE CITY AS A WHOLE

**Net Position**

The City's combined net position increased between fiscal years 2012 and 2013, noting a \$277,061 or 19% increase. The following table provides a summary of the City's net position at June 30:

	<b>Governmental Activities</b>	<b>Business-Type Activities</b>	<b>Total</b>
	<b>2013</b>	<b>2013</b>	<b>2013</b>
Current assets	\$ 279,529	\$ 610,771	\$ 890,300
Capital assets, net	421,198	3,113,165	3,534,363
<b>Total assets</b>	<b>700,727</b>	<b>3,723,936</b>	<b>4,424,663</b>
Current liabilities	79,412	245,400	324,812
Non-current liabilities	135,746	2,247,756	2,383,502
<b>Total liabilities</b>	<b>215,158</b>	<b>2,493,156</b>	<b>2,708,314</b>
Net assets			
Invested in capital assets, net of related debt	252,290	714,219	966,509
Restricted	76,244	246,615	322,859
Unrestricted	157,035	269,946	426,981
<b>Total net position</b>	<b>\$ 485,569</b>	<b>\$ 1,230,780</b>	<b>\$ 1,716,349</b>

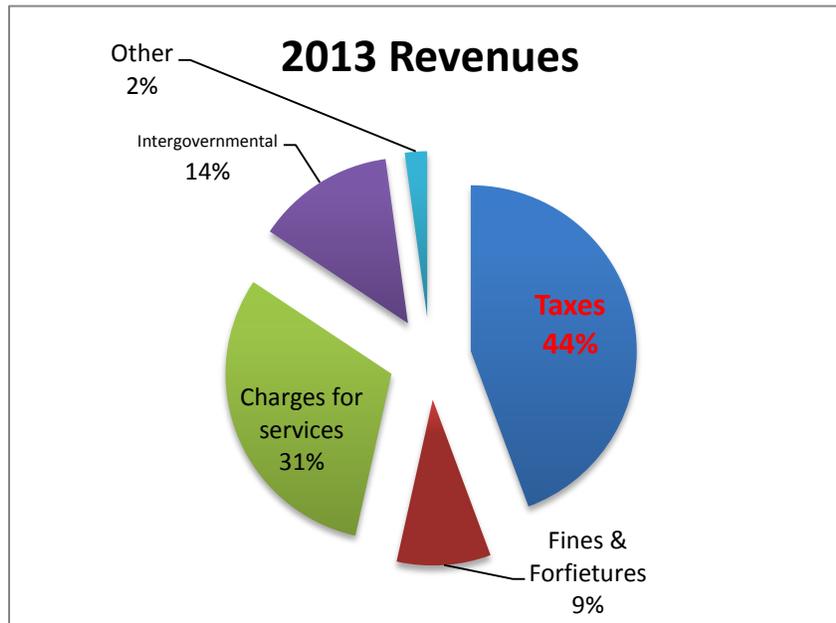
**Changes in Net Position**

For the year ended June 30, 2013, net position of the primary government changed as follows:

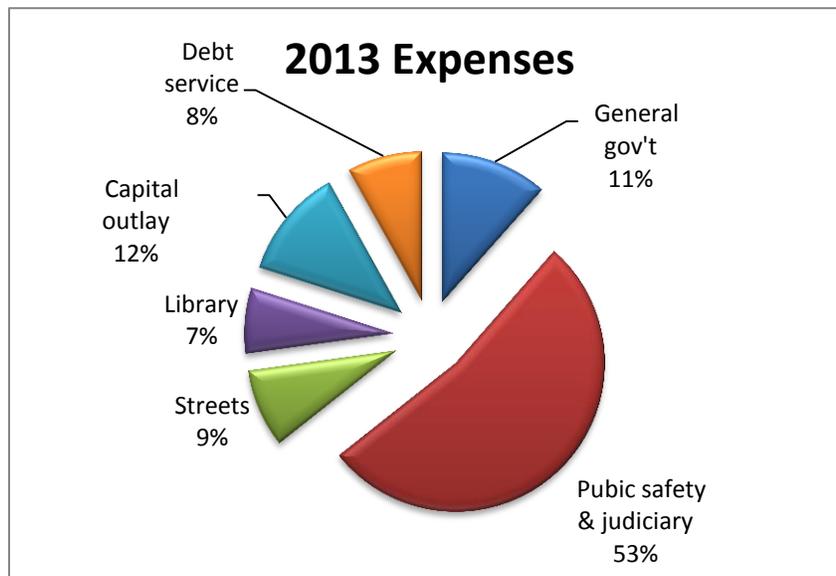
	<b>Governmental Activities</b>	<b>Business-type Activities</b>	<b>Total</b>
	<b>2013</b>	<b>2013</b>	<b>2013</b>
<b>Revenues</b>			
Program revenues	\$ 637,168	\$ 1,227,419	\$ 1,864,587
Taxes and other general revenues	548,672	1,847	550,519
<b>Total revenues</b>	<b>1,185,840</b>	<b>1,229,266</b>	<b>2,415,106</b>
<b>Expenses</b>			
General government	119,597	-	119,597
Public safety and judiciary	629,717	-	629,717
Transportation	88,311	-	88,311
Cultural, parks, and recreation	81,466	-	81,466
Water	-	485,384	485,384
Sewer	-	71,030	71,030
Sanitation	-	276,404	276,404
Golf course	-	49,986	49,986
Customer service	-	336,150	336,150
<b>Total expenses</b>	<b>919,091</b>	<b>1,218,954</b>	<b>2,138,045</b>
Excess (deficiency) before transfers	\$ 266,749	\$ 10,312	\$ 277,061
Transfers	(133,471)	133,471	-
<b>Increase (decrease) in net position</b>	<b>\$ 133,278</b>	<b>\$ 143,783</b>	<b>\$ 277,061</b>

Due to the change in presentation between fiscal years, a year over year comparison of revenues and expenses is excluded from discussion. As summarized above, both governmental and business-type activities reported an increase in net position, strongly support by program revenues. Operating expenses were concentrated in public safety, water, and customer service departments.

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



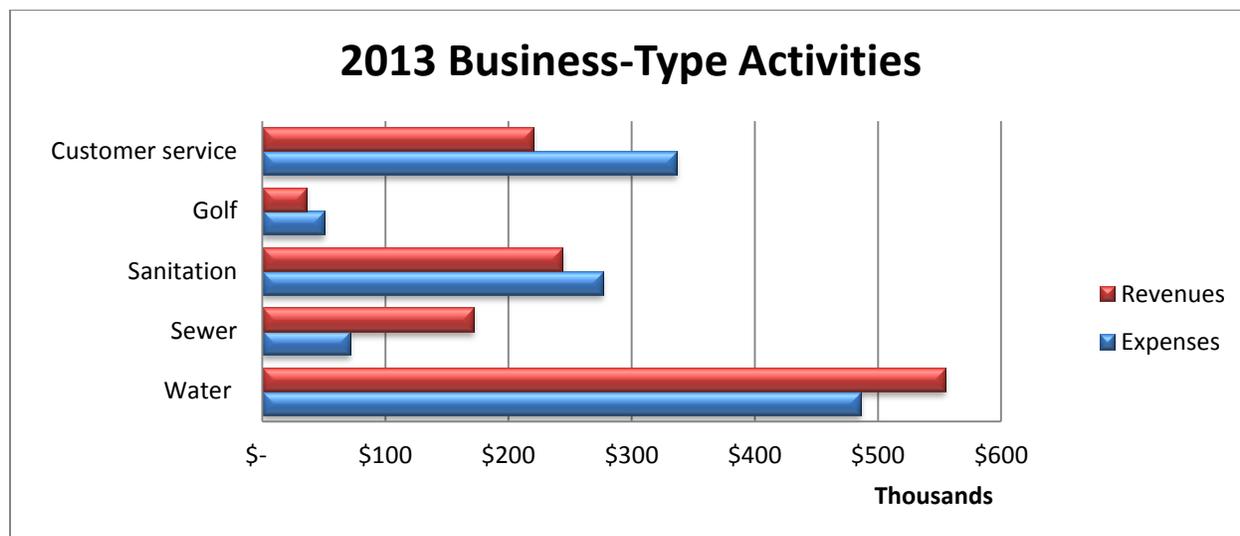
Taxes provided for 44% of the City's governmental revenues in fiscal year 2013. Charges for services was the next largest source of revenue at 31%, which included ambulance runs, rural fire charges, and dispatch fees.



For the year ended June 30, 2013, total expenses for governmental activities amounted to \$1,020,020. Of this amount, public safety and judiciary with \$539,388, was the largest operating service department at 53% of the total cost of services for the City government. During the year, the City spent \$122,577 in capital assets and improvements. These costs, as well as all other governmental activity expenses, were primarily funded by tax revenues.

It should be noted that governmental expenses are adjusted from the fund statements to the government-wide statements for the purchase and construction of capital assets. Government-wide statement is full accrual; capital outlay expenses are eliminated and capital assets are reported.

**Business-type Activities**



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

For the fiscal year ended June 30, 2013, revenues from water and sewer services covered the cost of operating their respective departments.

**General Fund Budgetary Highlights**

The original adopted General Fund budget for fiscal year 2013 was \$637,520. The General Fund budget complied with financial policies approved by the City.

**CAPITAL ASSET AND DEBT ADMINISTRATION**

**Capital Assets**

At the end of June 30, 2013, the City had \$966,509 invested in capital assets, net of related debt, including vehicles and equipment for police and fire operations, street improvements, and park facilities, in governmental activities and water lines and sewer lines in business-type activities. Refer to the table below.

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

	<b>Governmental Activities <u>2013</u></b>	<b>Business-type Activities <u>2013</u></b>	<b>Total <u>2013</u></b>
Land	\$ -	\$ 154,240	\$ 154,240
Buildings	166,884	-	166,884
Machinery & equipment	208,041	229,267	437,308
Utility property & improvements	46,273	2,645,698	2,691,971
<b>Totals</b>	<b>\$ 421,198</b>	<b>\$ 3,029,205</b>	<b>\$ 3,450,403</b>

The more significant capital asset additions for the City included:

- DOC building construction
- 2013 Chevy Silverado for the water department
- Golf carts
- Sewer sub-pump

**Long-Term Debt**

The following is a summary of debt obligations held by the City at June 30:

**Primary Government Long-Term Debt**  
Business-type Activities

	<u>2013</u>
Notes payable	2,567,854
less current portion	<u>(256,319)</u>
Totals	<u>\$ 2,311,535</u>

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

According to the Oklahoma Economic Report, the state's twelve-month gross receipts have reached an all-time high, surpassing the previous record set in December 2008. State Treasurer, Ken Miller, Oklahoma has "regained and moved past the ground it lost during the Great Recession". Although the national economy has been sluggish, Oklahoma has shown significant improvement. The economic environment of the state sheds light on that local economy, as the City has also seen improvement.

**CONTACTING THE CITY'S FINANCIAL MANAGEMENT**

This financial report is designed to provide our citizens, taxpayers, customers and creditors with a general overview of the City's finances and to show the City's accountability for the money it receives. If you have questions about this report or need additional financial information, contact the City Clerk's Office at Waurika City Hall.

**City of Waurika, Oklahoma**  
**Statement of Net Position**  
**June 30, 2013**

<b>ASSETS</b>	<b>Governmental Activities</b>	<b>Business-type Activities</b>	<b>Total</b>
Current Assets:			
Cash and cash equivalents	\$ 104,521	\$ 74,367	\$ 178,888
Investments	-	118,347	118,347
Due from other governments	40,112	-	40,112
Accounts receivable (net)	10,719	112,192	122,911
Note receivable, current	-	59,250	59,250
Total current assets	<u>155,352</u>	<u>364,156</u>	<u>519,508</u>
Restricted assets:			
Cash and cash equivalents	124,177	183,173	307,350
Investments	-	63,442	63,442
Total restricted assets	<u>124,177</u>	<u>246,615</u>	<u>370,792</u>
Noncurrent Assets:			
Land and construction in progress	120,577	23,819	144,396
Other capital assets (net of accumulated depreciation)	300,621	3,089,346	3,389,967
Total noncurrent assets	<u>421,198</u>	<u>3,113,165</u>	<u>3,534,363</u>
Total assets	<u>\$ 700,727</u>	<u>\$ 3,723,936</u>	<u>\$ 4,424,663</u>
 <b>LIABILITIES</b>			
Current liabilities:			
Accounts payable	\$ 37,724	\$ 30,769	\$ 68,493
Due from other funds	8,526	(8,526)	-
Notes payable, current	33,162	223,157	256,319
Total current liabilities	<u>79,412</u>	<u>245,400</u>	<u>324,812</u>
Noncurrent liabilities:			
Meter deposit liability	-	71,967	71,967
Notes payable, non-current	135,746	2,175,789	2,311,535
Total noncurrent liabilities	<u>135,746</u>	<u>2,247,756</u>	<u>2,383,502</u>
Total liabilities	<u>215,158</u>	<u>2,493,156</u>	<u>2,708,314</u>
 <b>NET POSITION</b>			
Net investment in capital assets	252,290	714,219	966,509
Reserved for restricted purposes	76,244	246,615	322,859
Unrestricted	157,035	269,946	426,981
Total net position	<u>\$ 485,569</u>	<u>\$ 1,230,780</u>	<u>\$ 1,716,349</u>

**City of Waurika, Oklahoma  
Statement of Activities  
Year Ended June 30, 2013**

Functions/Programs	Expenses	Program Revenues			Net (Expense)/ Revenue
		Charges for Services	Operating Grants and Contributions	Capital Grants & Contributions	
Governmental activities:					
General government	\$ 119,597	\$ 1,671	\$ -	\$ 3,329	\$ (114,597)
Public safety and judiciary	629,717	473,341	12,819	108,027	(35,530)
Transportation	88,311	-	18,427	-	(69,884)
Cultural, parks and recreation	81,466	1,003	18,551	-	(61,912)
Total governmental activities	<u>919,091</u>	<u>476,015</u>	<u>49,797</u>	<u>111,356</u>	<u>(281,923)</u>
Business-type activities:					
Water	485,384	554,332	-	-	68,948
Sewer	71,030	171,242	-	-	100,212
Sanitation	276,404	243,761	-	-	(32,643)
Golf course	49,986	35,957	-	-	(14,029)
Economic development	-	1,946	-	-	1,946
Customer service	336,150	220,181	-	-	(115,969)
Total business-type activities	<u>1,218,954</u>	<u>1,227,419</u>	<u>-</u>	<u>-</u>	<u>8,465</u>
Total primary government	<u>\$ 2,138,045</u>	<u>\$ 1,703,434</u>	<u>\$ 49,797</u>	<u>\$ 111,356</u>	<u>\$ (273,458)</u>

**City of Waurika, Oklahoma**  
**Statement of Activities (continued)**  
**Year Ended June 30, 2013**

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**Changes in Net Position:**

	<u>Governmental Activities</u>	<u>Business-type Activities</u>	<u>Total</u>
Net (expense)/revenue	\$ (281,923)	\$ 8,465	\$ (273,458)
General revenues:			
Taxes:			
Sales tax	420,456	-	420,456
Use tax	19,636	-	19,636
Franchise tax	46,437	-	46,437
Other taxes	60,859	-	60,859
Oil and gas royalties	-	-	-
Investment income	1,284	1,847	3,131
Transfers-Internal activity	(133,471)	133,471	-
Total general revenues and transfers	<u>415,201</u>	<u>135,318</u>	<u>550,519</u>
Change in net assets	133,278	143,783	277,061
Net position-beginning, restated	352,291	1,086,997	1,439,288
Net position-ending	<u>\$ 485,569</u>	<u>\$ 1,230,780</u>	<u>\$ 1,716,349</u>

**City of Waurika, Oklahoma  
Balance Sheet  
Governmental Funds  
June 30, 2013**

	<u>General Fund</u>	<u>Non-Major Funds</u>	<u>Total Governmental Funds</u>
<b>ASSETS</b>			
Cash and cash equivalents	\$ 107,223	\$ 121,475	\$ 228,698
Due from other governments	36,600	3,512	40,112
Accounts receivable	10,719	-	10,719
Total assets	<u>\$ 154,542</u>	<u>\$ 124,987</u>	<u>\$ 279,529</u>
<b>LIABILITIES</b>			
Accounts payable	\$ 19,736	\$ 17,988	\$ 37,724
Due to other funds	2,526	6,000	8,526
Current portion of long term debt	-	33,162	33,162
Total liabilities	<u>22,262</u>	<u>57,150</u>	<u>79,412</u>
<b>FUND BALANCES</b>			
Restricted	-	11,435	11,435
Committed	10,719	54,090	64,809
Assigned	8,512	2,312	10,824
Unassigned	113,049	-	113,049
Total fund balances	<u>132,280</u>	<u>67,837</u>	<u>200,117</u>
Total liabilities and fund balances	<u>\$ 154,542</u>	<u>\$ 124,987</u>	<u>\$ 279,529</u>

Total fund balance- total governmental funds \$ 200,117

Amounts reported for governmental activities in the Statement of Net assets are different because:

Land and capital assets, net of accumulated depreciation, are not financial resources and, in the funds, and therefore, are not reported in the funds.

Land and construction in process	\$ 120,577	
Capital assets	1,051,292	
Less: Accumulated depreciation	<u>(750,671)</u>	421,198

Long-term portion of liabilities are not due and payable in the current period and are not reported in the funds.

Capital lease obligation	(10,746)	
General Obligation Bonds, Series 2004	<u>(125,000)</u>	<u>(135,746)</u>

Net position of governmental activities \$ 485,569

**City of Waurika, Oklahoma**  
**Statement of Revenues, Expenditures, and Changes in Fund Balances**  
**Governmental Funds**  
**June 30, 2013**

	General Fund	Non-Major Funds	Total Governmental Funds
<b><u>REVENUES</u></b>			
Sales tax	\$ 420,456	\$ -	\$ 420,456
Use tax	19,636	-	19,636
Franchise tax	46,437	-	46,437
Other taxes	39,307	-	39,307
Licenses and permits	1,671	-	1,671
Fines and forfeitures	108,581	-	108,581
Charges for services	284,283	81,480	365,763
Intergovernmental revenues	-	160,000	160,000
Donations	-	11,796	11,796
Other revenues	3,329	7,580	10,909
Interest	95	1,189	1,284
Total revenues	<u>923,795</u>	<u>262,045</u>	<u>1,185,840</u>
<b><u>EXPENDITURES</u></b>			
General government:			
City clerk	50,401	-	50,401
General government	66,416	-	66,416
Total general government	<u>116,817</u>	<u>-</u>	<u>116,817</u>
Public safety and judiciary:			
Police	183,531	25,599	209,130
Municipal court	19,136	-	19,136
Fire	78,245	12,336	90,581
Ambulance	192,529	28,012	220,541
Total public safety and judiciary	<u>473,441</u>	<u>65,947</u>	<u>539,388</u>
Transportation:			
Street	65,366	21,300	86,666
Total transportation	<u>65,366</u>	<u>21,300</u>	<u>86,666</u>
Cultural, parks and recreation:			
Library	59,348	13,004	72,352
Total cultural, parks and recreation	<u>59,348</u>	<u>13,004</u>	<u>72,352</u>
Capital outlay	7,376	115,201	122,577
Debt service	-	82,220	82,220
Total expenditures	<u>722,348</u>	<u>297,672</u>	<u>1,020,020</u>
Excess (deficiency) of revenues over expenditures	<u>201,447</u>	<u>(35,627)</u>	<u>165,820</u>
<b><u>OTHER FINANCING SOURCES (USES)</u></b>			
Transfers in	14,100	27,272	41,372
Transfers out	(174,843)	-	(174,843)
Total other financing sources and uses	<u>(160,743)</u>	<u>27,272</u>	<u>(133,471)</u>
Net change in fund balances	40,704	(8,355)	32,349
Fund balances - beginning, restated	91,576	76,192	167,768
Fund balances - ending	<u>\$ 132,280</u>	<u>\$ 67,837</u>	<u>\$ 200,117</u>

**City of Waurika, Oklahoma**  
**Statement of Revenues, Expenditures, and Changes in Fund Balances**  
**Governmental Funds**  
**June 30, 2013**

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Reconciliation of the change in fund balances - total governmental funds  
to the change in net assets of governmental activities:

Net change in fund balances - total governmental funds \$ 32,349

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

Governmental funds report capital outlays as expenditures. However, in the  
statement of activities, the cost of those assets is allocated over their estimated  
useful lives and reported as depreciation expense.

Capital asset purchases capitalized	122,577	
Depreciation expense	<u>(97,350)</u>	25,227

Repayment of debt principle is an expenditure in the governmental funds, but the repayment reduces long-term liabilities in the statement of net position.	<u>75,702</u>
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Change in Net Assets of Governmental Activities	<u><u>\$ 133,278</u></u>
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**City of Waurika, Oklahoma**  
**Statement of Net Position**  
**Proprietary Funds**  
**June 30, 2013**

	<b>Public Works Authority</b>	<b>Waurika Development Trust Authority</b>	<b>Total Enterprise Funds</b>
<b>ASSETS</b>			
Current assets:			
Cash and cash equivalents	\$ 22,328	\$ 52,039	\$ 74,367
Investments	118,347	-	118,347
Due from other funds	8,526	-	8,526
Accounts receivable, net	112,192	-	112,192
Note receivable, current	-	59,250	59,250
Total current assets	<u>261,393</u>	<u>111,289</u>	<u>372,682</u>
Current assets:			
Restricted assets:			
Cash, including time deposits	183,173	-	183,173
Investments	63,442	-	63,442
Total restricted assets	<u>246,615</u>	<u>-</u>	<u>246,615</u>
Noncurrent assets:			
Capital assets (net)	3,029,205	83,960	3,113,165
Total noncurrent assets	<u>3,029,205</u>	<u>83,960</u>	<u>3,113,165</u>
<b>Total assets</b>	<u>\$ 3,537,213</u>	<u>\$ 195,249</u>	<u>\$ 3,732,462</u>
<b>LIABILITIES</b>			
Current liabilities:			
Accounts payable	\$ 30,769	\$ -	\$ 30,769
Notes payable, current	223,157	-	223,157
Total current liabilities	<u>253,926</u>	<u>-</u>	<u>253,926</u>
Meter deposit liability	71,967	-	71,967
Notes payable, non-current	2,175,789	-	2,175,789
Total noncurrent liabilities	<u>2,247,756</u>	<u>-</u>	<u>2,247,756</u>
<b>Total liabilities</b>	<u>2,501,682</u>	<u>-</u>	<u>2,501,682</u>
<b>NET POSITION</b>			
Net investment in capital assets	630,259	83,960	714,219
Restricted	246,615	-	246,615
Unrestricted	158,657	111,289	269,946
<b>Total net position</b>	<u>\$ 1,035,531</u>	<u>\$ 195,249</u>	<u>\$ 1,230,780</u>

**City of Waurika, Oklahoma**  
**Statement of Revenues, Expenses and Changes in Fund Net Position**  
**Proprietary Funds**  
**Year Ended June 30, 2013**

	<b>Public Works Authority</b>	<b>Waurika Development Trust Authority</b>	<b>Total Enterprise Funds</b>
<b><u>Operating revenues:</u></b>			
Charges for services:			
Water charges	\$ 554,332	\$ -	\$ 554,332
Sewer charges	171,242	-	171,242
Sanitation charges	243,761	-	243,761
Golf charges	35,957	-	35,957
Utility surcharges	186,865	-	186,865
Penalties	23,056	-	23,056
Total charges for services	<u>1,215,213</u>	<u>-</u>	<u>1,215,213</u>
Lease and rental income	-	1,852	1,852
Other fees and charges	10,260	94	10,354
Total operating revenues	<u>1,225,473</u>	<u>1,946</u>	<u>1,227,419</u>
<b><u>Operating expenses:</u></b>			
Personal services	346,796	-	346,796
Materials and supplies	284,734	-	284,734
Other services and charges	234,361	-	234,361
Depreciation and amortization	241,527	-	241,527
Total operating expenses	<u>1,107,418</u>	<u>-</u>	<u>1,107,418</u>
Net operating income	118,055	1,946	120,001
<b><u>Nonoperating revenue (expense):</u></b>			
Investment income	1,847	-	1,847
Interest expense	(111,536)	-	(111,536)
Total nonoperating revenue (expense)	<u>(109,689)</u>	<u>-</u>	<u>(109,689)</u>
<b>Net income before contributions and transfers</b>	8,366	1,946	10,312
Transfers from other funds	147,571	-	147,571
Transfers to other funds	(14,100)	-	(14,100)
<b>Change in net position</b>	141,837	1,946	143,783
Net position-beginning of year	<u>893,694</u>	<u>193,303</u>	<u>1,086,997</u>
Net position-end of year	<u>\$ 1,035,531</u>	<u>\$ 195,249</u>	<u>\$ 1,230,780</u>

**City of Waurika, Oklahoma**  
**Statement of Cash Flows**  
**Proprietary Funds**  
**Year Ended June 30, 2013**

	<b>Public Works Authority</b>	<b>Waurika Development Trust Authority</b>	<b>Total Enterprise Funds</b>
<b><u>Cash flows from operating activities:</u></b>			
Receipts from customers	\$ 1,113,281	\$ 28,416	\$ 1,141,697
Payments to suppliers	(488,326)	-	(488,326)
Payments to employees	(346,796)	-	(346,796)
<b>Net cash provided (used) by operating activities</b>	<b>278,159</b>	<b>28,416</b>	<b>306,575</b>
<b><u>Cash flows from non-capital financing activities:</u></b>			
Transfers from other funds	147,571	-	147,571
Transfers to other funds	(14,100)	-	(14,100)
<b>Net cash provided (used) by non-capital financing activities</b>	<b>133,471</b>	<b>-</b>	<b>133,471</b>
<b><u>Cash flows from capital and related financing activities:</u></b>			
Purchase of capital assets	(112,371)	-	(112,371)
Issuance of capital debt	32,936	-	32,936
Principal paid on capital debt	(203,779)	-	(203,779)
Interest paid on capital debt	(153,405)	-	(153,405)
<b>Net cash provided (used) by capital and related financing activities</b>	<b>(436,619)</b>	<b>-</b>	<b>(436,619)</b>
<b><u>Cash flows from investing activities:</u></b>			
Investment income	1,847	-	1,847
<b>Net cash provided (used) by investing activities</b>	<b>1,847</b>	<b>-</b>	<b>1,847</b>
Net increase (decrease) in cash and cash equivalents	(23,142)	28,416	5,274
Cash & cash equivalents, June 30, 2012	228,643	23,623	252,266
Cash & cash equivalents, June 30, 2013	<u>\$ 205,501</u>	<u>\$ 52,039</u>	<u>\$ 257,540</u>
Cash, including time deposits	\$ 22,328	\$ 52,039	\$ 74,367
Restricted cash, including time deposits	183,173	-	183,173
Total cash and cash equivalents, end of year	<u>\$ 205,501</u>	<u>\$ 52,039</u>	<u>\$ 257,540</u>
<b><u>Reconciliation of operating income (loss) to net cash provided (used) by operating activities</u></b>			
Operating income (loss)	\$ 118,055	\$ 1,946	\$ 120,001
Adjustments to reconcile operating income (loss) to net cash provided (used) by operating activities:			
Depreciation	241,527	-	241,527
Changes in assets and liabilities:			
(Increase) decrease in accounts receivable	(112,192)	-	(112,192)
(Increase) decrease in other receivable	-	26,470	26,470
Increase (decrease) in accounts payable	30,769	-	30,769
Total adjustments	160,104	26,470	186,574
<b>Net cash provided (used) by operating activities</b>	<b>\$ 278,159</b>	<b>\$ 28,416</b>	<b>\$ 306,575</b>

(1) **SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

**A. Organization**

The City of Waurika, Oklahoma (the "City") operates under a City Charter which was established in March 1951. The City's financial reporting entity includes the primary government (City of Waurika) and the component units noted below. The accounting and reporting framework and significant accounting principles of the City are discussed in subsequent sections of the footnotes.

***The Reporting Entity***

The City is governed by a Board of City Commissioners. The Board, consisting of five elected individuals, is responsible for appointing a City Manager. The City provides municipal services including police and fire protection, street and alley maintenance, and parks and recreation.

The accompanying financial statements present the City's primary government and component units over which the City exercises significant influence. Significant influence or accountability is based primarily on operational or financial relationships with the City.

**Blended Component Units Reported with Primary Government**

Waurika Public Works Authority (WPWA) – The WPWA is a public trust established under 60 O.S. SS 176 with the City as the beneficiary. WPWA operates the water, sewer, sanitation, and golf operations of the City. The Authority is governed by a Board comprised of the City's commissioners. The City is required to approve all debt obligations issued by the WPWA. The WPWA is reported as an enterprise fund.

Waurika Development Trust (WDT) – The WDT is a public trust established under 60 O.S. SS 176 with the City as the beneficiary to provide financing and promote industrial development within the City. The Mayor, City Manager, and Chamber President serves as trustees along with 2 additional appointees. The WDT is reported as an enterprise fund.

**B. Basis of Presentation**

***Government-Wide Financial Statements:***

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

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

Governmental activities generally are financed through taxes, intergovernmental revenues, and other non-exchange revenues. Business-type activities are financed in whole or in part by fees charged to external parties for goods or utility services.

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

***Fund Financial Statements:***

Fund financial statements of the reporting entity are organized into funds each of which is considered to be separate accounting entities. Each fund is accounted for by providing a separate set of self-balancing accounts which constitute its assets, liabilities, fund equity, revenues, and expenditures/expenses. Funds are organized into three major categories: governmental, proprietary, and fiduciary. The City has no fiduciary funds.

***Measurement Focus and Basis of Accounting***

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

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

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

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

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

***Restricted Assets***

When both restricted and unrestricted resources are available for use, it is the City's policy to use restricted resources first, then unrestricted resources as needed. Restricted assets and liabilities current in nature are reported with current assets and current liabilities in the financial statements.

***Use of Estimates***

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

***Interfund Balances***

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

**C. Fund Types and Major Funds**

**Governmental Funds**

***General Fund***

The General Fund is the primary operating fund of the City and is always classified as a major fund. It is used to account for all activities except those legally or administratively required to be accounted for in another fund. The General Fund is considered a major fund in accordance with GASB criteria.

***Special Revenue Funds***

Special Revenue Funds are used to account for the proceeds of specific revenue sources that are legally or administratively restricted to expenditures for specified purposes. The reporting entity includes the following special revenue funds:

<b>FUND</b>	<b>BRIEF DESCRIPTION</b>
<u>Street &amp; Alley Fund</u>	Accounts gas excise and motor vehicle taxes used in the repair of streets and alleys
<u>Library Special Revenue</u>	Accounts for the operations of the City's municipal library and grant receipts
<u>Rural Fire Special Revenue</u>	Accounts for the City's rural fire dues
<u>G O Bond Fund</u>	Accounts for general obligation bonds used for the purchase of a fire truck and related equipment
<u>Grant Management</u>	Accounts for grants received by the City
<u>Ambulance District</u>	Accounts for the operations of the Ambulance service
<u>Police Special Revenue</u>	Accounts for donations and equipment purchases of the police department

**PROPRIETARY FUND TYPES**

***Enterprise Funds***

Enterprise Funds are used to account for business-type activities provided to the general public. These activities are financed primarily by user charges and the measurement of financial activity focuses on net income measurement similar to the private sector. The reporting entity includes the following enterprises funds:

FUND	BRIEF DESCRIPTION
<u>Waurika Public Works Authority</u>	Accounts for the activities of the Authority in providing water, sewer, sanitation, and golf services to the public.
<u>Waurika Development Trust</u>	Accounts for the economic development of the City.

**D. Budgets and Budgetary Accounting**

***Budget Policy and Practice***

The City Manager submits an annual budget to the Board of Commissioners in accordance with the Oklahoma Municipal Budget Act. The budget is presented to the Commissioners for review; public hearings are held to address priorities and the allocation of resources. In June, the Commission adopts the annual fiscal year budgets for City operating funds. Budget amendments or supplements may be made during the year when unexpected modifications are required in estimated revenues and appropriations. Budget amendments are recommended by the City Manager and must be approved by the Commission. Public trusts submit budgets and other planning documents to their respective governing bodies. Other funds budgeted on a project-length basis are also subjected to the Commission review and approval process.

***Budgetary Control***

Each fund's appropriated budget is prepared on an object level basis. Revenues are budgeted by source. Expenditures are budgeted by department and object class as follows: personal services, other services and charges, supplies, capital outlay, transfers, and debt service. This legal level of control is by department within a fund. Expenditures may not exceed appropriations at this level. Budget revisions at this level are subject to final review by the Commission. Within these control levels, management may transfer appropriations without Commission approval. Revisions to the budget were made throughout the year.

***Budget Basis of Accounting***

The combined statement of revenues, expenditures and changes in fund balances (budget and actual) present comparisons of legally adopted budgets with actual data on a budgetary basis. The budgetary basis of accounting differs from GAAP in that the cash basis of accounting is used. Revenues are budgeted in the year receipt is expected; and expenditures, which include encumbrances, are budgeted in the year that the applicable purchase orders are expected to be issued. All appropriations (including encumbered) lapse at year-end; any open encumbrances to be honored in the subsequent budget year are reappropriated in the next fiscal year's budget. As a result, no reserve for encumbrances is reported at year-end.

For the year ended June 30, 2013, the City did not exceed approved budgeted amounts.

**E. Assets, Liabilities and Equity**

***Cash and Investments***

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

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

***Allowance for Uncollectible Accounts***

Significant receivables include amounts due from customers primarily for utility services. These receivables are due within one year. The City has established an allowance for collectible accounts based on management's prior experience using past due amounts more than 60 to 90 days. Management does not believe there are significant losses in excess of the allowance.

**Property, Plant and Equipment**

The accounting treatment over property, plant and equipment (fixed assets) depends on whether the assets are used in governmental fund operations or proprietary fund operations and whether they are reported in the government-wide or fund financial statements.

**Government-Wide Statements:**

In the government-wide financial statements, fixed assets are accounted for as capital assets. All fixed assets are valued at historical cost or estimated historical cost, if actual is unavailable, except for donated fixed assets which are recorded at their estimated fair value at the date of donation. The cost of normal maintenance and repairs that do not add to the asset value or materially extend the useful life of the assets are not capitalized.

Depreciation of all exhaustible fixed assets is recorded as an allocated expense in the Statement of Activities, with accumulated depreciation reflected in the Statement of Net Position. Proprietary fund and similar component unit fixed assets are recorded in the respective funds or component units and depreciated using the straight-line method. When proprietary fund fixed assets are disposed, the cost and applicable accumulated depreciation is removed from the respective accounts, and the resulting gain or loss is recorded in operations. Estimated useful lives, in years, for depreciable assets are as follows:

- |                                    |             |
|------------------------------------|-------------|
| • Buildings                        | 10-25 years |
| • Other improvements               | 10-25 years |
| • Machinery, furniture & equipment | 3-10 years  |
| • Infrastructure                   | 10-20 years |

**Fund Financial Statement:**

In the fund financial statements, fixed assets used in governmental fund operations are accounted for as capital outlay expenditures of the governmental fund upon acquisition. Fixed assets used in proprietary fund operations are accounted for the same as in the government-wide statements.

**Long-Term Debt**

In the government-wide and proprietary financial statements, outstanding debt is reported as a liability.

**Equity Classifications**

**Governmental Fund Balances**

The Governmental Accounting Standards Board (GASB) has issued Statement No. 54, *Fund Balance Reporting and Governmental Fund Type Definitions* (GASB 54). This Statement defines the different types of fund balances that a governmental entity must use for financial reporting purposes.

GASB 54 requires the fund balance amounts to be properly reported within one of the fund balance categories list below.

**Nonspendable**

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

**Restricted**

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

**Committed**

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

**Assigned**

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

**Unassigned**

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

**Net Position**

Both proprietary fund financial statements and government-wide financial statements report net position. Amounts invested in capital assets, net of related debt and legally restricted amounts are separated from unrestricted net position.

**Net investment in capital assets**

The amount restricted consists of capital assets including restricted capital assets, net of accumulated depreciation and reduced by the outstanding balances of any bonds, mortgages, notes, or other borrowings that are attributable to the acquisition, construction, or improvement of those assets.

**Restricted net position**

Amounts reported as restricted consist of net position with constraints placed on their use either by (1) external groups such as creditors, grantors, contributors, or laws and regulations of other governments; or (2) law through constitutional provisions or enabling legislation.

**Unrestricted net position**

This consists of net position that does not meeting the criteria of "restricted" or "net investment in capital assets".

**Deferred Outflows of Resources and Deferred Inflows of Resources**

In addition to assets and liabilities, the statement of financial position and the governmental fund balance sheet may report separate sections of deferred outflows of resources and deferred inflows of resources. Deferred outflows of resources represent a consumption of net position that applies to a future period which will not be recognized as an outflow of resources until that time. Deferred inflows of resources represent an acquisition of net position that applies to a future period which will not be recognized as an inflow of resources until that time.

**F. Revenues, Expenditures and Expenses**

**Sales Tax**

The City levied a 3% sales tax on taxable sales within the City. The sales tax is collected by the Oklahoma Tax Commission and remitted to the City in the month following receipt by the Tax Commission. There are no restrictions on the sales tax receipts received by the City.

**Charges for Services**

Program revenues reported with governmental activities include charges for services like permits and fees, dispatch services, ambulance runs, and fines and forfeitures. Business-type activity charges for services include all operating income of proprietary funds, including water, sewer, and sanitation services.

**Grants and Contributions**

Governmental grants and contributions primarily consist of grants from Federal and state agencies. The nature of the grant determines if it is reported as operating or capital program revenues.

Business-type activity grants and contributions include donations from others as well as grants from Federal and state agencies.

**Interfund Transfers**

Permanent reallocation of resources between funds of the reporting entity is classified as interfund transfers. Recurring transfers for operational purposes are classified as "operating transfers", while non-recurring transfers of equity are reported as "residual equity transfers".

**(2) DETAIL NOTES ON TRANSACTION CLASSES/ACCOUNTS**

**A. Cash and Investments**

***Deposits***

Custodial credit risk for deposits is the risk that in the event of a bank failure, the City's deposits may not be returned or the City will not be able to recover collateral securities in the possession of an outside party. The City's deposits are secured by collateral values at market or par, whichever is lower, less the amount covered by the Federal Deposit Insurance Corporation (FDIC). Deposited funds may be invested in certificates of deposit in institutions with an established record of fiscal health and service.

Interest rate risk is the risk that changes in interest rates will adversely affect the fair value of an investment. Investments held for longer periods are subject to increased risk of adverse interest rate changes.

**Investments**

The City invests primarily in certificates of deposit.

<u>Types of Investments</u>	<u>Fair Value/ Carrying Amount</u>	<u>Cost</u>	<u>Average Credit Quality/ Ratings (1)</u>	<u>Weighted Average Months to Maturity (2)</u>
<b>Primary government</b>				
<b><u>INVESTMENTS:</u></b>				
Certificates of deposit	\$ 181,789	\$ 181,789	N/A	7.5
Total investments	181,789	181,789		
 Total primary government investments	\$ 181,789	\$ 181,789		

**RECONCILIATION TO STATEMENT OF NET ASSETS**

	<u>Governmental Activities</u>
Investments, unrestricted	\$ 118,347
Investments, restricted	63,442
Total investments	\$ 181,789

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

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

**B. PROPERTY, PLANT AND EQUIPMENT**

**Governmental Activities:**

A summary of the changes in the governmental activities fixed assets at June 30, 2013 follows:

	<u>Balance at July 1, 2012</u>	<u>Additions</u>	<u>Deletions</u>	<u>Balance at June 30, 2013</u>
Construction in process	\$ 12,683	\$ 107,894	\$ -	\$ 120,577
Buildings & structures	109,174	-	-	109,174
Machinery, furniture, & equipment	861,139	12,518	-	873,657
Infrastructure & improvements	66,296	2,165	-	68,461
Total	1,049,292	122,577	-	1,171,869
Less accumulated depreciation	653,321	97,350	-	750,671
 Fixed assets, net	\$ 395,971	\$ 25,227	\$ -	\$ 421,198

**CITY OF WAURIKA, OKLAHOMA**  
**NOTES TO FINANCIAL STATEMENTS**  
**JUNE 30, 2013**

**Business-Type Activities:**

A summary of the proprietary fund types fixed assets at June 30, 2013 follows:

	<b>Balance at July 1, 2012</b>	<b>Additions</b>	<b>Deletions</b>	<b>Balance at June 30, 2013</b>
Land	\$ 238,199	\$ -	\$ -	\$ 238,199
Machinery, furniture, & equipment	879,857	106,149	-	986,006
Infrastructure	5,920,577	6,222	-	5,926,799
Total	7,038,633	112,371	-	7,151,004
Less accumulated depreciation	3,796,313	241,526	-	4,037,839
Fixed assets, net	<u>\$ 3,242,320</u>	<u>\$ (129,155)</u>	<u>\$ -</u>	<u>\$ 3,113,165</u>

Depreciation expense was charged to functions in the statement of activities as follows:

<b>Governmental Activities</b>		<b>Business-type Activities</b>	
General government	\$ 2,780	Water	\$ 171,464
Public safety & judiciary	83,811	Sewer	52,614
Transportation	1,645	Sanitation	1,888
Cultural, parks & recreation	9,114	Customer service	2,428
		Golf operations	13,132
Total depreciation expense	<u>\$ 97,350</u>	Total depreciation expense	<u>\$ 241,526</u>

**C. LONG-TERM DEBT**

The City held the following long-term debt obligations at June 30, 2013:

**Governmental activities:**

*Capital Leases*

Capital lease agreement with FB&T for an Ambulance with an original amount of \$60,210 carrying 4.5% interest, maturing February 2012	\$ -
Capital lease agreement with FB&T for 2011 Dodge Charger for the Police department with an original amount of \$26,173 carrying an interest rate of 3.35%, maturing April 2014. The agreement is renewed annually.	18,908

*General Obligation Bonds*

City of Waurika General Obligation Bonds, Series 2004 issued in June 2004 with proceeds used for a fire truck and equipment. The original issue was \$320,000 at 5.5% interest, maturing June 2019. Principle payments are made semi-annually.	<u>150,000</u>
Total governmental activities	<u>\$ 168,908</u>

**Business-type activities:**

*Notes Payable*

Note payable to Waurika Lake Master Conservancy District (WLMC) in the amount of \$298,425 issued August 23, 1977 for water storage. The note carries an interest rate of 3.463% with annual payments in September, maturing in August 2027.	\$ 119,686
Note payable to Waurika Lake Master Conservancy District (WLMC) in the amount of \$470,247 issued August 23, 1977 for the south conveyance facility. The note carries an interest rate of 3.463% with annual payments in September, maturing in August 2027.	262,973
Note payable to Waurika Lake Master Conservancy District (WLMC) issued in October 2010 for water storage. The original amount of the note was \$883,657.55 with a variable interest rate, maturing October 2035. Payments are made monthly.	822,044
Note payable to United States Department of Agriculture, Rural Development dated May 2001 with an original amount of \$1,082,500 carrying an interest rate of 4.5%. Loan matures May 2041.	936,256
Note payable to United States Department of Agriculture, Rural Development dated May 2001 with an original amount of \$100,000 carrying an interest rate of 4.5%. Loan matures May 2041.	86,423
Note payable to FB&T for the purchase of a pickup for the water department. Loan was issued in April 2013 with an original amount of \$19,690 at 3.5% interest, maturing in April 2016. Annual payments are made on the note.	19,690
Note payable for the purchase of 15 golf carts with the original amount of \$37,500 at 4.75% interest, maturing November 2012.	-
Note payable for the purchase of 5 golf carts with the original amount of \$12,500 at 4.75% interest, maturing November 2013.	1,898
Note payable to FB&T for the purchase of golf carts with the original amount of \$13,246 at 3.5% interest, maturing March 2014.	9,976

*Bonds Payable*

Waurika Public Works Authority Utility System Refunding Revenue Bonds, Series 1998 issued in May 1998 maturing May 2014 with an original amount of \$270,000 at an interest rate of 5.8%.	140,000
Total business-type activities	\$ 2,398,946

**CITY OF WAURIKA, OKLAHOMA**  
**NOTES TO FINANCIAL STATEMENTS**  
**JUNE 30, 2013**

**Changes in Long-Term Debt:**

The following is a summary of changes in long-term debt for the year ended June 30, 2013:

<u>Type of Debt</u>	<u>Balance at July 1, 2012</u>	<u>Amount Issued</u>	<u>Amount Retired</u>	<u>Balance at June 30, 2013</u>	<u>Due Within One Year</u>
<b>Governmental activities:</b>					
<i>Capital Leases</i>					
FB&T Ambulance	\$ 43,437	\$ -	\$ 43,437	\$ -	\$ -
FB&T Police 2011 Charger	26,173	-	7,265	18,908	8,162
<i>G O Bonds</i>					
2004 General Obligation bonds	175,000	-	25,000	150,000	25,000
Total governmental activities	<u>\$ 244,610</u>	<u>\$ -</u>	<u>\$ 75,702</u>	<u>\$ 168,908</u>	<u>\$ 33,162</u>
<b>Business-type activities:</b>					
<i>Notes Payable</i>					
WLMC 1977 Water Storage	126,247	-	6,561	119,686	6,788
WLMC 1977 South Facility	277,389	-	14,416	262,973	14,915
WLMC 2010 Water Storage	845,870	-	23,826	822,044	24,394
Rural Development 91-01	951,927	-	15,671	936,256	17,250
Rural Development 91-03	87,944	-	1,521	86,423	1,591
FB&T Water pickup	-	19,690	-	19,690	6,345
Note Payable - Golf carts #1	4,826	-	4,826	-	-
Note Payable - Golf carts #2	5,585	-	3,687	1,898	1,898
FB&T Golf carts	-	13,246	3,270	9,976	9,976
<i>Bonds Payable</i>					
Refunding Bonds, Series 1998	270,000	-	130,000	140,000	140,000
Total business-type activities	<u>\$ 2,569,788</u>	<u>\$ 32,936</u>	<u>\$ 203,778</u>	<u>\$ 2,398,946</u>	<u>\$ 223,157</u>

**Annual Debt Service Requirements:**

The annual debt service requirements to maturity, including principal and interest, for long-term debt held by business-type activities as of June 30, 2013 follow:

**CITY OF WAURIKA, OKLAHOMA**  
**NOTES TO FINANCIAL STATEMENTS**  
**JUNE 30, 2013**

Year Ending June 30	Governmental Activities				Business-type Activities			
	Capital Leases		Bonds Payable		Notes Payable		Bonds Payable	
	Principal	Interest	Principal	Interest	Principal	Interest	Principal	Interest
2014	\$ 8,162	\$ 238	\$ 25,000	\$ 7,975	\$ 83,157	\$ 92,951	\$ 140,000	\$ 8,120
2015	8,022	316	25,000	6,875	77,754	73,625	-	-
2016	2,724	82	25,000	6,875	79,256	70,905	-	-
2017	-	-	25,000	8,250	75,824	68,245	-	-
2018	-	-	25,000	-	78,479	65,590	-	-
2019-2023	-	-	25,000	-	435,585	284,760	-	-
2024-2028	-	-	-	-	488,531	203,346	-	-
2029-2033	-	-	-	-	422,980	126,557	-	-
2034-2038	-	-	-	-	355,083	53,593	-	-
2039-2041	-	-	-	-	162,297	8,322	-	-
<b>Totals</b>	<b>\$ 18,908</b>	<b>\$ 636</b>	<b>\$ 150,000</b>	<b>\$ 29,975</b>	<b>\$ 2,258,946</b>	<b>\$ 1,047,894</b>	<b>\$ 140,000</b>	<b>\$ 8,120</b>

**D. INTERFUND TRANSACTIONS AND BALANCES**

Interfund transactions for the year ended June 30, 2013 were as follows:

	<u>Due From</u>	<u>Due To</u>
GENERAL FUND		
Public Works Authority	\$ -	\$ 2,526
GRANT MANAGEMENT FUND		
Public Works Authority	6,000	-
PUBLIC WORKS AUTHORITY		
General Fund	2,526	-
Grant Management Fund	-	6,000
	<u>\$ 8,526</u>	<u>\$ 8,526</u>
	<u>Transfers In</u>	<u>Transfers Out</u>
GENERAL FUND		
Police Special Revenue Fund	\$ -	\$ 27,272
Public Works Authority	14,100	147,571
Total General Fund	<u>14,100</u>	<u>174,843</u>
POLICE SPECIAL REVENUE FUND		
General Fund	27,272	-
Total Police Special Revenue Fund	<u>27,272</u>	<u>-</u>
PUBLIC WORKS AUTHORITY		
General Fund	147,571	14,100
Total Public Works Authority	<u>147,571</u>	<u>14,100</u>
<b>GRAND TOTAL</b>	<u>\$ 188,943</u>	<u>\$ 188,943</u>

**(3) RETIREMENT PLANS**

The City participates in three employee pension systems as follows:

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

**A. Oklahoma Municipal Retirement Fund**

The City contributes to a cost-sharing, multiple-employer defined benefit pension plan adopted by the City and administered by the Oklahoma Municipal Retirement System, which was established to administer pension plans for municipal employees. The plan is administered by JP Morgan Chase Bank of Oklahoma City, Oklahoma. According to state law, the authority for establishing or amending the plan's provisions rests with the City Commission. The defined contribution plan is available to all full-time employees not already participating in another plan. In a defined contribution plan, benefits depend solely on amounts contributed to the plan, investment earnings, and forfeitures of other participants' benefits that may be allocated to such participant's account. Benefits vest after 10 years of service.

For the year ended June 30, 2013, the following amounts related to the defined contribution plan:

Payroll for covered employees	\$425,362
Employer (City) contributions made	\$51,217

*Plan Description* – The City contributes to the OkMRF for all eligible employees except for those covered by the Police and Firefighter Pension Systems. The plan is an agent multiple employer - defined benefit plan administered by OkMRF. The OkMRF plan issues a separate financial report and can be obtained from OkMRF or from their website: [www.okmrf.org/reports.html](http://www.okmrf.org/reports.html). Benefits are established or amended by the City Commission in accordance with O.S. Title 11, Section 48-101-102.

*Summary of Significant Accounting Policies* – For purposes of measuring the net pension liability, deferred outflows of resources and deferred inflows of resources related to pensions, and pension expense, information about the fiduciary net position of the City's plan and additions to/deductions from the City's fiduciary net position have been determined on the same basis as they are reported by OkMRF. For this purpose, benefit payments are recognized when due and payable in accordance with the benefit terms. Investments are reported at fair value based on published market prices. Detailed information about the OkMRF plans' fiduciary net position is available in the separately issued OkMRF financial report.

Eligibility Factors and Benefit Provisions

<u>Provision</u>	<u>OkMRF Plan</u>
a. Eligible to Participate	Full-time, employees of the City or Authority, except police, firefighters, and other employees who are covered under another approved system. The Plan has a 6 month probationary period.
b. Contributions Requirement	By City Ordinance
- Authorization	Yes
- Actuarially Determined	10.19% of covered payroll
- Employer Rate	4% of covered payroll
- Employee Rate	
c. Period Required to Vest	10 years of vesting service
d. Eligibility for Distribution	<ul style="list-style-type: none"> <li>- Normal retirement at age 65 with 10 years of vesting service.</li> <li>- Early Retirement after age 55 with 10 years or more of vesting and 80 points. Points are equal to age plus completed years of service.</li> <li>- Disability retirement upon total and permanent disability with 10 years of service.</li> <li>- Death benefits with 10 years of vesting service, if married, 50% of accrued benefit payable to spouse until death or remarriage, if single, 50% of the accrued benefit is payable for 10 years certain.</li> </ul>
e. Benefit Determination Base	Final average salary – the average of the five highest consecutive annual salaries out of the last 10 years of service.
f. Benefit Determination Methods:	
- Normal Retirement	3% of final average compensation multiplied by the number of years

- |                             |   |
|-----------------------------|---|
|                             | of credited service.  |
| - Early Retirement          | Payable starting at normal retirement or the accrued benefit reduced 5% per year for commencement prior to normal retirement age.   |
| - Disability Retirement     | Payable upon disablement without reduction for early payment  |
| - Death Benefit             | 50% of employee's accrued benefit, see above  |
| - Prior to 10 Years Service | Return of employee contributions with accrued interest.   |
| g. Form of Benefit Payments | Normal form of payment of the accrued benefit is a monthly lifetime annuity with 10 years certain. Other retirement benefits are available under actuarially equivalent optional forms. |

Employees Covered by Benefit Terms

Active Employees	14
Deferred Vested Former Employees	2
Retirees or Retiree Beneficiaries	<u>4</u>
Total	<u>20</u>

Contribution Requirements

The City Commission has the authority to set and amend contribution rates by ordinance for the OkMRF defined benefit plan in accordance with O.S. Title 11, Section 48-102. The contribution rates for the current fiscal year have been made in accordance with an actuarially determined rate. The actuarially determined rate is 10.19% of covered payroll. Employees contribute a fixed 4% to the plan in accordance with the plan provisions adopted by the City Commission.

Actuarial Assumptions

- |  |                               |
|--|-------------------------------|
| a. Date of last Actuarial Valuation        | March 2013                    |
| b. Significant Actuarial Assumptions Used: |                               |
| 1. Rate of Return on Investments           | 7.5% per annum                |
| 2. Pay increases                           | Rates by age                  |
| 3. Retirement Age                          | Rates by age                  |
| 4. Mortality Table                         | UP 1994 mortality (projected) |
| 5. Asset Value                             | Actuarial method              |
| c. Actuarial cost method                   | Entry age normal              |

**B. Oklahoma Firefighter's Pension and Retirement Systems**

Plan Description – The City of Waurika, as the employer, participates in the Firefighters Pension & Retirement – a cost-sharing multiple-employer defined benefit pension plan administered by the Oklahoma Firefighters Pension & Retirement System (FPRS). Title 11 of the Oklahoma State Statutes grants the authority to establish and amend the benefit terms to the FPRS. FPRS issues a publicly available financial report that can be obtained at [www.ok.gov/fprs](http://www.ok.gov/fprs).

Benefits provided – FPRS provides retirement, disability and death benefits to members of the plan.

Benefits for members hired prior to November 1, 2013 are determined as 2.5 percent of the employee's final average compensation times the employee's years of service and have reached the age of 50 or have completed 20 years of service, whichever is later. For volunteer firefighters, the monthly pension benefit for normal retirement is \$150.60 per month. Benefits vest with 10 years or more service.

Benefits for members hired after November 1, 2013 are determined as 2.5 percent of the employee's final average compensation times the employee's years of service and have reached the age of 50 or have completed 22 years of service, whichever is later. For volunteer firefighters, the monthly pension benefit for normal retirement is \$165.66 per month. Benefits vest with 11 years or more service.

All firefighters are eligible for immediate disability benefits. For paid firefighters, the disability in-the-line-of-duty benefit for firefighters with less than 20 years of service is equal to 50% of final average monthly compensation, based on the most recent 30 months of service. For firefighters with over 20 years of service, a disability in-the-line-of-duty is calculated based on 2.5% of final average monthly compensation, based on the most recent 30 months, per years of service, with a maximum of 30 years of service. For disabilities not-in-the-line-of-duty, the benefit is limited to only those with less than 20 years of service and is 50% of final average monthly compensation, based on the most recent 60-month salary as opposed to 30 months. For volunteer firefighters, the not-in-the-line-of-duty disability is also limited to only those with less than 20 years of service and is \$7.53 per year of service. For volunteer firefighters, the in-the-line-of-duty pension is \$150.60 with less than 20 years of service, or \$7.53 per year of service, with a maximum of 30 years.

A \$5,000 lump sum death benefit is payable to the qualified spouse or designated recipient upon the participant's death. The \$5,000 death benefit does not apply to members electing the vested benefit.

Contributions – The contributions requirements of the Plan are at an established rate determined by Oklahoma Statute and are not based on actuarial calculations. Employees are required to contribute 9% of their annual pay. Participating cities are required to contribute 14% of the employees' annual pay. Contributions to the pension plan from the City were \$1,270 (fiscal year contributions).

Pension plan fiduciary net position – Detailed information about the pension plan's fiduciary net position is available in the separately issued financial report of the FPRS; which can be located at [www.ok.gov/fprs](http://www.ok.gov/fprs).

### **C. Oklahoma Police Pension and Retirement Systems**

Plan description – The City of Waurika, as the employer, participates in the Oklahoma Police Pension and Retirement Plan – a cost-sharing multiple-employer defined benefit pension plan administered by the Oklahoma Police Pension and Retirement System (OPPRS). Title 11 of the Oklahoma State Statutes, through the Oklahoma Legislature, grants the authority to establish and amend the benefit terms to the OPPRS. OPPRS issues a publicly available financial report that can be obtained at [www.ok.gov/OPPRS](http://www.ok.gov/OPPRS).

Benefits provided – OPPRS provides retirement, disability, and death benefits to members of the plan. The normal retirement date under the Plan is the date upon which the participant completes 20 years of credited service, regardless of age. Participants become vested upon completing 10 years of credited service as a contributing participant of the Plan. No vesting occurs prior to completing 10 years of credited service. Participants' contributions are refundable, without interest, upon termination prior to normal retirement. Participants who have completed 10 years of credited service may elect a vested benefit in lieu of having their accumulated contributions refunded. If the vested benefit is elected, the participant is entitled to a monthly retirement benefit commencing on the date the participant reaches 50 years of age or the date the participant would have had 20 years of credited service had employment continued uninterrupted, whichever is later.

Monthly retirement benefits are calculated at 2.5% of the final average salary (defined as the average paid base salary of the officer over the highest 30 consecutive months of the last 60 months of credited service) multiplied by the years of credited service, with a maximum of 30 years of credited service considered. Monthly benefits for participants due to permanent disability incurred in the line of duty are 2.5% of the participants' final average salary multiplied by 20 years. This disability benefit is reduced by stated percentages for partial disability based on the percentage of impairment. After 10 years of credited service, participants who retire due to disability incurred from any cause are eligible for a monthly benefit based on 2.5% of their final average salary multiplied by the years of service. This disability benefit is also reduced by stated percentages for partial disability based on the percentage of impairment. Effective July 1, 1998, once a disability benefit is granted to a participant, that participant is no longer allowed to apply for an increase in the dollar amount of the benefit at a subsequent date.

Survivor's benefits are payable in full to the participant's beneficiary upon the death of a retired participant. The beneficiary of any active participant killed in the line of duty is entitled to a pension benefit.

Contributions – The contributions requirements of the Plan are at an established rate determine by Oklahoma Statute and are not based on actuarial calculations. Employees are required to contribute 8% percent of their annual pay. Participating cities are required to contribute 13% of the employees' annual pay. Contributions to the pension plan from the City were \$8,400.

Pension plan fiduciary net position – Detailed information about the pension plan's fiduciary net position is available in the separately issued financial report of the OPPRS; which can be located at [www.ok.gov/OPPRS](http://www.ok.gov/OPPRS).

(4) **COMMITMENTS AND CONTINGENCIES**

A. **Litigation**

The City is a party to various legal proceedings which normally occur in the course of governmental operations. The financial statements do not include accrual or provisions for loss contingencies that may result from these proceedings. While the outcome of the above noted proceedings cannot be predicted, due to the insurance coverage maintained by the City and the State statute relating to judgments, the City feels that any settlement or judgment not covered by insurance would not have a material adverse effect on the financial condition of the City.

B. **Grant Program Involvement**

In the normal course of operations, the City participates in various federal or state grant/loan programs from year to year. The grant/loan programs are often subject to additional audits by agents of the granting or loaning agency, the purpose of which is to ensure compliance with the specific conditions of the grant or loan. Any liability for reimbursement, which may arise as a result of these audits, cannot be reasonably determined at this time, although it is believed the amount, if any, would not be material.

**City of Waurika, Oklahoma**  
**General Fund**  
**Statement of Revenues, Expenditures, Encumbrances, and Changes in Fund Balance**  
**Budget and Actual (Non-GAAP Budgetary Basis)**  
**Year Ended June 30, 2013**

	<u>Budget</u>	<u>Revisions</u>	<u>Revised Budget</u>	<u>Actual</u>	<u>Variance - Favorable (Unfavorable)</u>
<b>REVENUES</b>					
Sales tax	\$ 380,000	\$ -	\$ 380,000	\$ 420,456	\$ 40,456
Franchise tax	50,000	-	50,000	46,437	(3,563)
Other taxes	37,000	-	37,000	58,943	21,943
Licenses and permits	600	-	600	1,671	1,071
Fines and forfeitures	60,000	-	60,000	108,581	48,581
Charges for services	194,700	-	194,700	284,283	89,583
Intergovernmental revenues	5,000	-	5,000	-	(5,000)
Other revenues	1,000	-	1,000	3,329	2,329
Interest	150	-	150	95	(55)
Total revenues	<u>728,450</u>	<u>-</u>	<u>728,450</u>	<u>923,795</u>	<u>195,345</u>
<b>EXPENDITURES</b>					
<u>General government:</u>					
Clerk	50,510	-	50,510	50,401	109
General government	72,000	-	72,000	70,292	1,708
<u>Public safety and judiciary:</u>					
Police	190,500	-	190,500	187,031	3,469
Municipal Court	22,500	-	22,500	19,136	3,364
Fire	79,010	-	79,010	78,245	765
Ambulance	95,000	-	95,000	93,562	1,438
<u>Transportation:</u>					
Street	68,000	-	68,000	65,366	2,634
<u>Culture and recreation:</u>					
Library	60,000	-	60,000	59,348	652
Total expenditures	<u>637,520</u>	<u>-</u>	<u>637,520</u>	<u>623,381</u>	<u>14,139</u>
Revenue over (under) expenditures	90,930	-	90,930	300,414	181,206
<b>OTHER FINANCING SOURCES (USES)</b>					
Operating transfers in/(out)	(123,000)	-	(123,000)	(160,743)	(37,743)
Carry forward from prior year	32,200	-	32,200	-	(32,200)
Net other financing sources (uses)	<u>(90,800)</u>	<u>-</u>	<u>(90,800)</u>	<u>(160,743)</u>	<u>(69,943)</u>
Revenues and other financing sources over (under) expenditures and other uses	130	-	130	139,671	111,263
Fund balance at beginning of year (Non-GAAP budgetary basis)				<u>82,559</u>	
Fund balance at end of year (Non-GAAP budgetary basis)				<u>\$ 222,230</u>	
<b>ADJUSTMENTS TO GENERALLY ACCEPTED ACCOUNTING PRINCIPLES</b>					
Revenue and transfer in accruals				(109,686)	
Expense and transfer out accruals				19,736	
Fund balance at end of year (GAAP basis)				<u>\$ 132,280</u>	

**City of Waurika, Oklahoma  
Combining Balance Sheet  
Non-Major Governmental Funds  
June 30, 2013**

	<b>Street &amp; Alley Fund</b>	<b>Library Special Revenue</b>	<b>Rural Fire Special Revenue</b>	<b>G O Bond Fund</b>	<b>Grant Management Fund</b>	<b>Ambulance District</b>	<b>Police Special Revenue</b>	<b>Total Non-Major Funds</b>
<b>ASSETS</b>								
Cash and cash equivalents	\$ 12,455	\$ 12,108	\$ 30,022	\$ 1,948	\$ 15,857	\$ 46,503	\$ 2,582	\$ 121,475
Due from other governments	1,556	-	-	724	-	1,232	-	3,512
Total assets	<u>\$ 14,011</u>	<u>\$ 12,108</u>	<u>\$ 30,022</u>	<u>\$ 2,672</u>	<u>\$ 15,857</u>	<u>\$ 47,735</u>	<u>\$ 2,582</u>	<u>\$ 124,987</u>
<b>LIABILITIES</b>								
Accounts payable	\$ 2,576	\$ 189	\$ 2,572	\$ -	\$ 984	\$ 10,686	\$ 981	\$ 17,988
Due to other funds	-	-	-	-	6,000	-	-	6,000
Current portion of long term debt	-	-	-	25,000	-	-	8,162	33,162
Total liabilities	<u>2,576</u>	<u>189</u>	<u>2,572</u>	<u>25,000</u>	<u>6,984</u>	<u>10,686</u>	<u>9,143</u>	<u>57,150</u>
<b>FUND BALANCES</b>								
Restricted	11,435	-	-	-	-	-	-	11,435
Committed	-	11,919	27,450	(22,328)	-	37,049	-	54,090
Assigned	-	-	-	-	8,873	-	(6,561)	2,312
Total fund balances	<u>11,435</u>	<u>11,919</u>	<u>27,450</u>	<u>(22,328)</u>	<u>8,873</u>	<u>37,049</u>	<u>(6,561)</u>	<u>67,837</u>
Total liabilities and fund balances	<u>\$ 14,011</u>	<u>\$ 12,108</u>	<u>\$ 30,022</u>	<u>\$ 2,672</u>	<u>\$ 15,857</u>	<u>\$ 47,735</u>	<u>\$ 2,582</u>	<u>\$ 124,987</u>

**City of Waurika, Oklahoma  
Combining Balance Sheet  
Non-Major Governmental Funds  
June 30, 2013**

	Street & Alley Fund	Library Special Revenue	Rural Fire Special Revenue	G O Bond Fund	Grant Management Fund	Ambulance District	Police Special Revenue	Total Non-Major Funds
<b>REVENUES</b>								
Intergovernmental revenue	\$ 18,427	\$ 7,510	\$ 4,484	\$ 21,552	\$ 108,027	\$ -	\$ -	\$ 160,000
Charges for services	-	-	15,120	-	-	66,360	-	81,480
Other income	-	170	2,268	-	-	-	5,142	7,580
Donations	-	10,871	925	-	-	-	-	11,796
Interest income	29	1	-	48	33	1,078	-	1,189
Total revenues	<u>18,456</u>	<u>18,552</u>	<u>22,797</u>	<u>21,600</u>	<u>108,060</u>	<u>67,438</u>	<u>5,142</u>	<u>262,045</u>
<b>EXPENDITURES</b>								
Public safety and judiciary:								
Police	-	-	-	-	-	-	25,599	25,599
Fire	-	-	12,336	-	-	-	-	12,336
Ambulance	-	-	-	-	-	28,012	-	28,012
Total public safety and judiciary	<u>-</u>	<u>-</u>	<u>12,336</u>	<u>-</u>	<u>-</u>	<u>28,012</u>	<u>25,599</u>	<u>65,947</u>
Transportation:								
Street	21,300	-	-	-	-	-	-	21,300
Total transportation	<u>21,300</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>21,300</u>
Cultural, parks and recreation:								
Library	-	13,004	-	-	-	-	-	13,004
Total cultural, parks and recreation	<u>-</u>	<u>13,004</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>13,004</u>
Capital outlay	-	-	7,307	-	107,894	-	-	115,201
Debt service	-	-	-	34,475	-	39,345	8,400	82,220
Total expenditures	<u>21,300</u>	<u>13,004</u>	<u>19,643</u>	<u>34,475</u>	<u>107,894</u>	<u>67,357</u>	<u>33,999</u>	<u>297,672</u>
Excess (deficiency) of revenues over expenditures	<u>(2,844)</u>	<u>5,548</u>	<u>3,154</u>	<u>(12,875)</u>	<u>166</u>	<u>81</u>	<u>(28,857)</u>	<u>(35,627)</u>
<b>OTHER FINANCING SOURCES (USES)</b>								
Transfers in/(out)	-	-	-	-	-	-	27,272	27,272
Total other financing sources and uses	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>27,272</u>	<u>27,272</u>
Net change in fund balances	(2,844)	5,548	3,154	(12,875)	166	81	(1,585)	(8,355)
Fund balances - beginning, restated	14,279	6,371	24,296	(9,453)	8,707	36,968	(4,976)	76,192
Fund balances - ending	<u>\$ 11,435</u>	<u>\$ 11,919</u>	<u>\$ 27,450</u>	<u>\$ (22,328)</u>	<u>\$ 8,873</u>	<u>\$ 37,049</u>	<u>\$ (6,561)</u>	<u>\$ 67,837</u>



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

To the Board of Commissioners  
City of Waurika, Oklahoma

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the City of Waurika, Oklahoma, as of and for the year ended June 30, 2013, 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 March 4, 2016.

**Internal Control over Financial Reporting**

In planning and performing our audit of the financial statements, we considered the 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 the City of Waurika, Oklahoma's internal control. Accordingly, we do not express an opinion on the effectiveness of the 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 deficiencies described in the accompanying schedule of findings and responses to be material weaknesses: Finding 2013-2.

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 deficiencies described in the accompany schedule of findings and responses to be significant deficiencies: Finding 2013-1.

**Compliance and Other Matters**

As part of obtaining reasonable assurance about whether the 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 no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

## **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 entity's internal control or on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the entity's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

*FSW&B CPAs-PLLC*

FSW&B CPAs-PLLC  
Woodward, Oklahoma  
March 4, 2016

City of Waurika, Oklahoma  
Schedule of Findings and Responses  
For the Year Ended June 30, 2013

Finding 2013-1 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.

*Potential 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.

*Recommendation:* We recommend that the City always be aware of their deficiencies in internal control resulting from their small number of business office and administrative staff. We recommend that the City be open to opportunities to improve their internal controls as opportunities present themselves.

*Response:* The City has hired accounting consultants in order to mitigate risk associated with the lack of segregation of duties.

Finding 2013-2 Payroll

*Condition and Criteria:* Internal controls should be in place to ensure that payroll is accurately computed and distributed to employees. Additionally, the City should maintain documentation of all relevant employee information including approved pay rates in the personnel files, and 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 were distributed to employees. Employee information is not adequately documented or maintained.

*Potential 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. Subsequent to year end specialized accounting consultants have been hired

City of Waurika, Oklahoma  
Schedule of Prior Year Findings and Responses  
For the Year Ended June 30, 2013

Finding 2012-1: Material Weakness: Segregation of Duties

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

*Recommendations:* We recommend that the City always be aware of their deficiencies in internal control resulting from their small number of business office 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.

- 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. 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.
- 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. 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.
- 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 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.

*Current Status:* As of year end June 30, 2013 this finding still existed and is reported in the current year as Finding 2013-1.

Finding 2012-2: Material Weakness: Payroll

*Condition and Criteria:* Internal controls should be in place to ensure that payroll is accurately computed and distributed to employees. Additionally, the City should maintain documentation of all relevant employee information<sup>1</sup> including approved pay rates<sup>1</sup> in the personnel files, and personnel files should be maintained in a secure location. Employee time cards should be approved by department heads.

*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.

*Current Status:* The City is aware of the weaknesses in the payroll process and is working to implement additional controls. As of June 30, 2013 this finding still existed and is reported in the current year as Finding 2013-2.

City of Waurika, Oklahoma  
Schedule of Prior Year Findings and Responses  
For the Year Ended June 30, 2013

Finding 2012-3: Material Weakness: Journal Entries

*Condition and Criteria:* Non-standard journal entries should have proper documentation and approval to provide adequate control. Year-end entries completed by the consultant should be reviewed by management to ensure they are in agreement with entries. Journal entries are not reviewed and supporting documentation is not kept with entries.

*Recommendation:* We recommend that the City implement a formal policy and procedures in regards to non-standard 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.

*Current Status:* Procedures were changed to keep journal entries made and supporting documentation attached. Procedures were implemented to ensure review of consultant's journal entries at year end and entries are made to general ledger prior to audit.

Finding 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 issued by police officers or by court clerk. Officers do not sign for ticket books when they are issued.

*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.

*Current Status:* Police Department initiated procedures to track numerical sequences of citations and have officers signed when issued ticket book.

Finding 2012-5: 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.

*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.

*Current Status:* No reportable findings during the current year.