

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

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

**FOR THE YEAR ENDED
JUNE 30, 2023**

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INDEPENDENT AUDITOR'S REPORT

To the City Council
City of Waurika, Oklahoma

Report on the Audit of the Financial Statements

Opinions

We have audited the accompanying financial statements of the governmental activities, the business-type activities, and each major fund of the City of Waurika, Oklahoma, as of and for the year ended June 30, 2023, 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.

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, and each major fund of the City of Waurika, Oklahoma, as of June 30, 2023, 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.

Basis for Opinions

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. Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Financial Statements section of our report. We are required to be independent of the City of Waurika, Oklahoma and to meet our other ethical responsibilities, in accordance with the relevant ethical requirements relating to our audit. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinions.

Responsibilities of Management for the Financial Statements

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

In preparing the financial statements, management is required to evaluate whether there are conditions or events, considered in the aggregate, that raise substantial doubt about the City of Waurika, Oklahoma's ability to continue as a going concern for twelve months beyond the financial statement date, including any currently known information that may raise substantial doubt shortly thereafter.

Auditor's Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinions. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with generally accepted auditing standards and *Government Auditing Standards* will always detect a material misstatement when it exists. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Misstatements are considered material if there is a substantial likelihood that, individually or in the aggregate, they would influence the judgment made by a reasonable user based on the financial statements.

In performing an audit in accordance with generally accepted auditing standards and *Government Auditing Standards*, we:

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements.
- Obtain an understanding of internal control relevant to the audit 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 City of Waurika, Oklahoma's internal control. Accordingly, no such opinion is expressed.
- Evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the financial statements.
- Conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about the City of Waurika, Oklahoma's ability to continue as a going concern for a reasonable period of time.

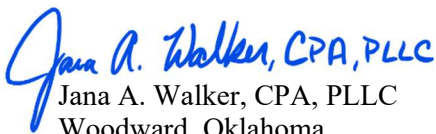
We are required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit, significant audit findings, and certain internal control-related matters that we identified during the audit.

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis, budgetary comparison information, and net pension schedules on pages 3–10 and 39–43 be presented to supplement the basic financial statements. Such information is the responsibility of management and, 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 Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated January 6, 2025, 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 solely to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the City of Waurika, Oklahoma's internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering City of Waurika, Oklahoma's internal control over financial reporting and compliance.


Jana A. Walker, CPA, PLLC
Woodward, Oklahoma

January 6, 2025

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, 2023. 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, 2023, the assets of the City exceeded its liabilities by \$4,875,812 (net position) compared to \$4,090,014 in the prior year. The City's total net position is comprised of the following:
 - (1) Invested in capital assets, net of related debt of \$2,080,420 includes 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 \$241,855 which consist mainly of bond funds and restricted investment accounts related to the outstanding debt held by the City.
 - (3) Unrestricted net position of \$2,553,537 may be used to meet the City's ongoing obligations to citizens and creditors.
- After transfers of \$100,000 to business-type activities from governmental activities, net position of governmental activities increased \$234,724 or 15%, and net position of business-type activities increased \$551,074 or 22%.

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 include general government; public safety and judiciary; transportation; and cultural, parks, and recreation. Business-types activities include utility services, including water, sewer, and sanitation, provided by the City.

The City's financial reporting entity includes the funds of the City (primary government) and organizations for which the City is accountable (component units). The Waurika Public Works Authority and Waurika Development Trust are separate legal entities which operate independently and provide services directly to the citizens though the City remains accountable for their actions. As such, the Waurika Public Works Authority and the Waurika Development Trust are reported separately from the primary government though included in the City's overall reporting entity. More comprehensive information about the City's component units can be found in footnotes.

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.

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 was as follows:

	Governmental Activities		Business-Type Activities		Totals		Change	
	2023	2022	2023	2022	2023	2022	\$	%
Current assets	\$ 251,644	\$ 498,396	\$ 2,509,353	\$ 1,818,884	\$ 2,760,997	\$ 2,317,280	\$ 443,717	19%
Pension assets	119,007	418,477	-	-	119,007	418,477	(299,470)	-72%
Capital assets, net	1,328,572	1,196,906	2,993,465	3,094,854	4,322,037	4,291,760	30,277	1%
Total assets	1,699,223	2,113,779	5,502,818	4,913,738	7,202,041	7,027,517	174,524	2%
Deferred outflows	506,394	124,108	-	-	506,394	124,108	382,286	308%
Current liabilities	(262,333)	(103,897)	763,489	543,495	501,156	439,598	61,558	14%
Pension liabilities	30,478	22,589	-	-	30,478	22,589	7,889	35%
Non-current liabilities	343,836	394,360	1,649,954	1,774,057	1,993,790	2,168,417	(174,627)	-8%
Total liabilities	111,981	313,052	2,413,443	2,317,552	2,525,424	2,630,604	(105,180)	-4%
Deferred inflows	307,199	373,122	-	-	307,199	373,122	(65,923)	-18%
Net assets								
Invested in capital assets, net of related debt	864,968	1,166,190	1,215,452	1,252,876	2,080,420	2,419,066	(338,646)	-14%
Restricted	119,007	273,935	122,848	118,676	241,855	392,611	(150,756)	-38%
Unrestricted	802,462	111,588	1,751,075	1,224,634	2,553,537	1,336,222	1,217,315	91%
Total net position	\$ 1,786,437	\$ 1,551,713	\$ 3,089,375	\$ 2,596,186	\$ 4,875,812	\$ 4,147,899	\$ 727,913	18%

The City reported positive balances in net position for both governmental and business-type activities.

Total assets remained consistent between years noting a 2% or \$174 thousand dollar increase. Deferred outflows increased based upon the most recent actuarial valuation related to the pension plans the City participates in.

Total liabilities also remained consistent between years with a \$105 thousand dollar or 4% decrease. Long-term liabilities noted the largest decrease due to regularly scheduled debt payments made during the year.

Changes in Net Position

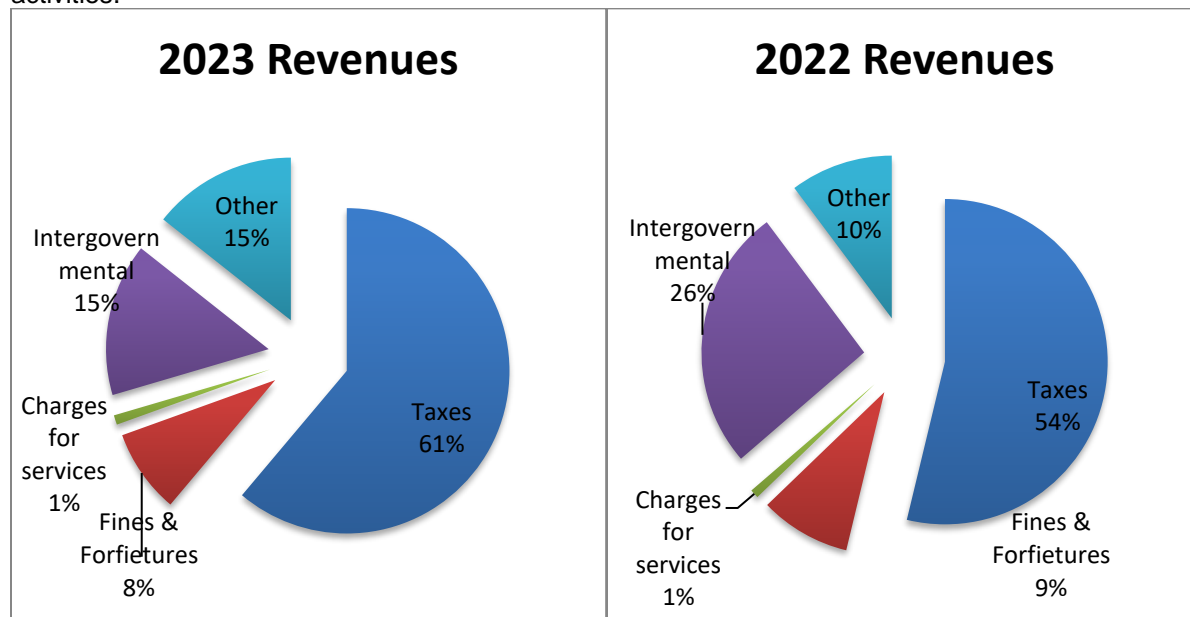
For the year ended June 30, 2023, net position of the primary government changed as follows:

	Governmental Activities		Business-type Activities		Totals		Change	
	2023	2022	2023	2022	2023	2022	\$	%
Revenues								
Program revenues	\$ 432,917	\$ 519,060	\$ 1,969,930	\$ 1,705,215	\$ 2,402,847	\$ 2,224,275	\$ 178,572	8%
Taxes and other general revenues	908,022	859,159	22,319	1,218	930,341	860,377	69,964	8%
Total revenues	1,340,939	1,378,219	1,992,249	1,706,433	3,333,188	3,084,652	248,536	8%
Expenses								
General government	71,121	249,224	-	-	71,121	249,224	(178,103)	-71%
Public safety and judiciary	677,748	533,854	-	-	677,748	533,854	143,894	27%
Transportation	349,479	312,838	-	-	349,479	312,838	36,641	12%
Cultural, parks, and recreation	107,867	111,021	-	-	107,867	111,021	(3,154)	-3%
Water	-	-	809,692	825,656	809,692	825,656	(15,964)	-2%
Sewer	-	-	111,528	55,722	111,528	55,722	55,806	100%
Sanitation	-	-	199,867	192,575	199,867	192,575	7,292	4%
Economic development	-	-	636	3,273	636	3,273	(2,637)	-81%
Customer service	-	-	219,452	216,840	219,452	216,840	2,612	1%
Total expenses	1,206,215	1,206,937	1,341,175	1,294,066	2,547,390	2,501,003	46,387	2%
Excess (deficiency) before transfers	\$ 134,724	\$ 171,282	\$ 651,074	\$ 412,367	\$ 785,798	\$ 583,649	\$ 202,149	35%
Transfers	100,000	310	(100,000)	(310)	-	-	-	0%
Increase (decrease) in net position	\$ 234,724	\$ 171,592	551,074	412,057	\$ 785,798	\$ 583,649	\$ 202,149	35%

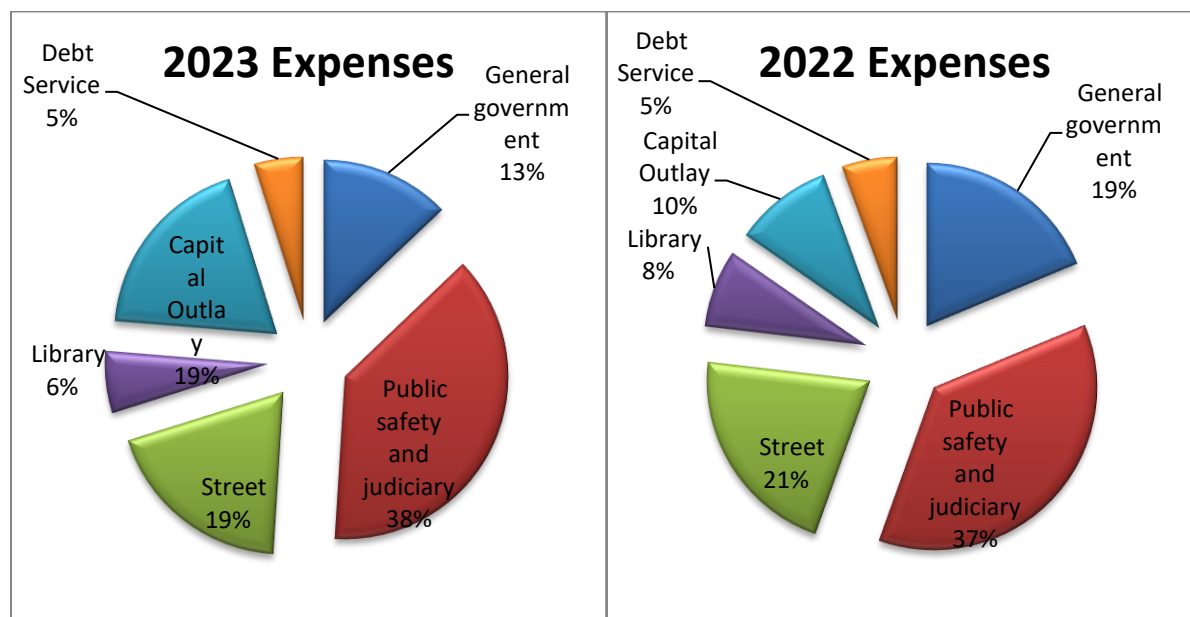
Total revenues for the City increased 8% or \$249 thousand dollars compared to prior fiscal year. Program revenues for business-type activities noted the most significant increase due to an increase in utility revenues.

Total expenses remained consistent between years with a 2% or \$46 thousand dollar change. Expenses shifted between departments when compared to prior year due to the needs of the citizens.

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



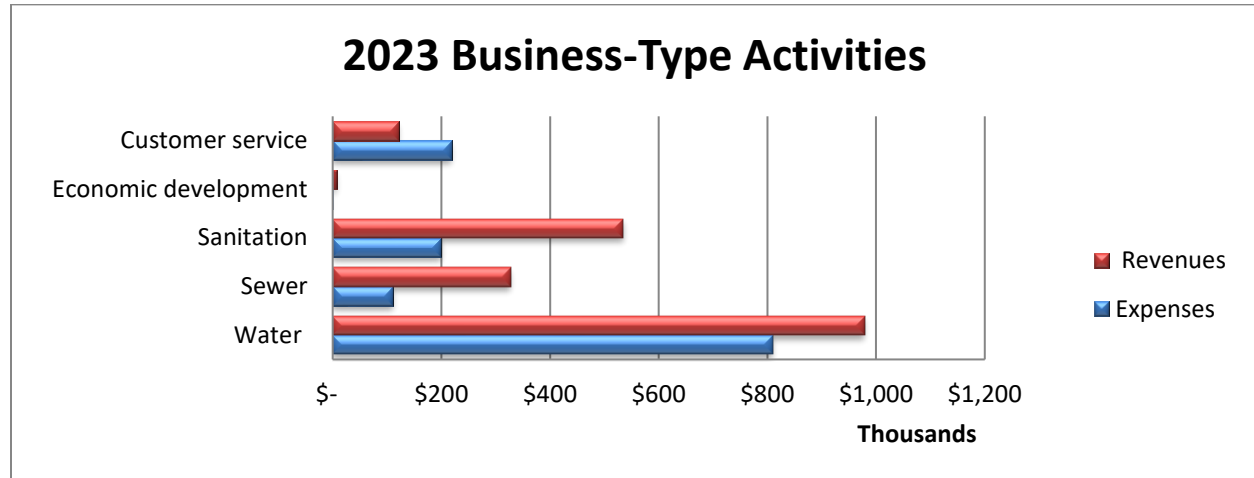
Taxes provided for 61% of the City's governmental revenues in fiscal year 2023 compared to 54% in fiscal year 2022. A shift in allocation of revenues is primarily due to intergovernmental revenues, which included federal funding thru CARES in prior fiscal year.



For the year ended June 30, 2023, total expenses for governmental activities amounted to \$1,465,081 compared to \$1,195,092 in prior year. Of this amount, public safety and judiciary with \$558,936, was the largest operating service departments at 38%.

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, and Water 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, 2023, revenues from water, sewer, and sanitation services covered the cost of operating their respective departments.

General Fund Budgetary Highlights

The original adopted General Fund budget for fiscal year 2023 was \$1,728,641. The City passed amendments during the fiscal year increasing the budget by \$284,275 for a final budget of \$2,012,916. Total expenditures for the City were \$1,417,189, which is \$595,727 less than the approved budget. The General Fund budget complied with financial policies approved by the City and the Oklahoma Municipal Budget Act.

CAPITAL ASSET AND DEBT ADMINISTRATION

Capital Assets

At the end of June 30, 2023, the City had \$2,080,420 invested in capital assets, net of accumulated depreciation, 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)

	Governmental Activities		Business-type Activities		Total	
	2023	2022	2023	2022	2023	2022
Land and construction in process	\$ 3,546	\$ -	\$ 244,199	\$ 238,199	\$ 247,745	\$ 238,199
Buildings	11,197	12,585	-	-	11,197	12,585
Machinery & equipment	461,547	435,909	322,238	207,937	783,785	643,846
Utility property & improvements	785,018	748,412	2,427,028	2,648,718	3,212,046	3,397,130
Totals	<u>\$ 1,261,308</u>	<u>\$ 1,196,906</u>	<u>\$ 2,993,465</u>	<u>\$ 3,094,854</u>	<u>\$ 4,254,773</u>	<u>\$ 4,291,760</u>

Long-Term Debt

At year-end, the City had \$2,024,268 in long-term debt outstanding, detailed below.

Primary Government Long-Term Debt

	Governmental Activities		Business-type Activities		Total	
	2023	2022	2023	2022	2023	2022
Notes payable	\$ 36,340	\$ 59,193	\$ 1,778,013	\$ 1,841,978	\$ 1,814,353	\$ 1,901,171
Bonds payable	360,000	390,000	-	-	360,000	390,000.00
Pension liability	30,478	22,589	-	-	30,478	22,589
Meter deposit liability	-	-	63,922	93,461	63,922	93,461
subtotal	426,818	471,782	1,841,935	1,935,439	2,268,753	2,407,221
less current portion	(52,504)	(54,833)	(191,981)	(161,382)	(244,485)	(216,215)
Totals	<u>\$ 374,314</u>	<u>\$ 416,949</u>	<u>\$ 1,649,954</u>	<u>\$ 1,774,057</u>	<u>\$ 2,024,268</u>	<u>\$ 2,191,006</u>

ECONOMIC FACTORS AND NEXT YEARS'S BUDGET AND RATES

According to the Oklahoma State University, Spears School of Business, *Economic Outlook 2023 Summer Update* "The state and national economies have recovered from the damage wrought by the COVID-19 pandemic. While income and output have long since risen above their pre-pandemic levels, in large part spurred by massive fiscal and monetary stimulus, state and national employment are just now returning to pre-pandemic levels. Yet, although the major economic aggregates have recovered, the economy has not fully returned to pre-pandemic form." The City has continued to be proactive in unknown changes resulting from the pandemic in the upcoming year as well as providing a strong foot forward in the future of this community.

Future Plans of the City

The City has adopted a budget that will meet the continuing needs of the City.

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, 122 S. Main, Waurika, Oklahoma, 73573

City of Waurika, Oklahoma
Statement of Net Position
June 30, 2023

ASSETS	Governmental Activities	Business-type Activities	Total
Current Assets:			
Cash and cash equivalents	\$ 178,911	\$ 1,135,448	\$ 1,314,359
Investments	-	1,014,573	1,014,573
Due from other governments	72,733	-	72,733
Accounts receivable (net)	-	149,263	149,263
Note receivable	-	23,299	23,299
Fines receivable	-	-	-
Other assets	-	-	-
Total current assets	<u>251,644</u>	<u>2,322,583</u>	<u>2,574,227</u>
Restricted assets:			
Cash and cash equivalents	119,007	115,061	234,068
Investments	-	71,709	71,709
Total restricted assets	<u>119,007</u>	<u>186,770</u>	<u>305,777</u>
Noncurrent Assets:			
Pension asset	67,264	-	67,264
Land and construction in progress	3,546	244,199	247,745
Other capital assets (net of accumulated depreciation)	1,257,762	2,749,266	4,007,028
Total noncurrent assets	<u>1,328,572</u>	<u>2,993,465</u>	<u>4,322,037</u>
Total assets	<u>\$ 1,699,223</u>	<u>\$ 5,502,818</u>	<u>\$ 7,202,041</u>
DEFERRED OUTFLOW OF RESOURCES			
Deferred charges on pension obligations	<u>506,394</u>	<u>-</u>	<u>506,394</u>
LIABILITIES			
Current liabilities:			
Accounts payable	\$ 106,689	\$ 72,132	\$ 178,821
Payroll liabilities	49,496	20,175	69,671
Due from other funds	(471,132)	471,132	-
Accrued interest payable	1,234	8,069	9,303
Notes payable, current	22,504	191,981	214,485
Bonds payable, current	30,000	-	30,000
Total current liabilities	<u>(261,209)</u>	<u>763,489</u>	<u>502,280</u>
Noncurrent liabilities:			
Pension liability	30,478	-	30,478
Meter deposit liability	-	63,922	63,922
Notes payable, non-current	13,836	1,586,032	1,599,868
Bonds payable, non-current	330,000	-	330,000
Total noncurrent liabilities	<u>374,314</u>	<u>1,649,954</u>	<u>2,024,268</u>
Total liabilities	<u>113,105</u>	<u>2,413,443</u>	<u>2,526,548</u>
DEFERRED INFLOW OF RESOURCES			
Deferred charges on pension obligations	<u>307,199</u>	<u>-</u>	<u>307,199</u>
NET POSITION			
Net investment in capital assets	864,968	1,215,452	2,080,420
Reserved for restricted purposes	119,007	122,848	241,855
Unrestricted	801,338	1,751,075	2,552,413
Total net position	<u>\$ 1,785,313</u>	<u>\$ 3,089,375</u>	<u>\$ 4,874,688</u>

City of Waurika, Oklahoma
Statement of Activities
Year Ended June 30, 2023

Functions/Programs	Expenses	Program Revenues			Net (Expense)/ Revenue
		Charges for Services	Operating Grants and Contributions	Capital Grants & Contributions	
Governmental activities:					
General government	\$ 77,009	\$ 10,819	\$ 179,442	\$ -	\$ 113,252
Public safety and judiciary	671,860	124,156	84,481	-	(463,223)
Transportation	349,479	-	10,488	-	(338,991)
Cultural, parks and recreation	107,867	3	23,528	-	(84,336)
Total governmental activities	<u>1,206,215</u>	<u>134,978</u>	<u>297,939</u>	<u>-</u>	<u>(773,298)</u>
Business-type activities:					
Water	809,692	978,591	-	-	168,899
Sewer	111,528	297,859	-	30,000	216,331
Sanitation	199,867	534,756	-	-	334,889
Golf course	-	-	-	-	-
Economic development	636	7,003	-	-	6,367
Customer service	219,452	121,721	-	-	(97,731)
Total business-type activities	<u>1,341,175</u>	<u>1,939,930</u>	<u>-</u>	<u>30,000</u>	<u>628,755</u>
Total primary government	<u>\$ 2,547,390</u>	<u>\$ 2,074,908</u>	<u>\$ 297,939</u>	<u>\$ 30,000</u>	<u>\$ (144,543)</u>

City of Waurika, Oklahoma
Statement of Activities (continued)
Year Ended June 30, 2023

Changes in Net Position:

	Governmental Activities	Business-type Activities	Total
Net (expense)/revenue	\$ (773,298)	\$ 628,755	\$ (144,543)
General revenues:			
Taxes:			
Sales tax	482,377	-	482,377
Use tax	135,914	-	135,914
Franchise tax	67,813	-	67,813
Other taxes	133,813	-	133,813
Investment income	9,985	22,319	32,304
Other income	76,996	-	76,996
Transfers-Internal activity	100,000	(100,000)	-
Total general revenues and transfers	<u>1,006,898</u>	<u>(77,681)</u>	<u>929,217</u>
Change in net assets	233,600	551,074	784,674
Net position-beginning	1,551,713	2,538,301	4,090,014
Net position-ending	<u><u>\$ 1,785,313</u></u>	<u><u>\$ 3,089,375</u></u>	<u><u>\$ 4,874,688</u></u>

City of Waurika, Oklahoma
Balance Sheet
Governmental Funds
June 30, 2023

	General Fund	Special Revenue Fund	Total Governmental Funds
ASSETS			
Cash and cash equivalents	\$ 252,793	\$ 45,125	\$ 297,918
Due from other funds	330,481	432,494	762,975
Taxes receivable	71,567	1,166	72,733
Accounts receivable	-	-	-
Fines receivable	-	-	-
Other assets	-	-	-
Total assets	<u>\$ 654,841</u>	<u>\$ 478,785</u>	<u>\$ 1,133,626</u>
LIABILITIES			
Accounts payable	\$ 106,276	\$ 413	\$ 106,689
Accrued payroll liabilities	49,496	-	49,496
Due to other funds	280,843	11,000	291,843
Accrued interest payable	110	1,124	1,234
Current portion of long term debt	52,504	-	52,504
Total liabilities	<u>489,229</u>	<u>12,537</u>	<u>501,766</u>
FUND BALANCES			
Restricted	-	46,243	46,243
Committed	-	-	-
Assigned	73,882	-	73,882
Unassigned	91,730	420,005	511,735
Total fund balances	<u>165,612</u>	<u>466,248</u>	<u>631,860</u>
Total liabilities and fund balances	<u>\$ 654,841</u>	<u>\$ 478,785</u>	<u>\$ 1,133,626</u>
Total fund balance- total governmental funds			\$ 631,860
Amounts reported for governmental activities in the Statement of Net Position are different because:			
Land and capital assets, net of accumulated depreciation, are not financial resources and, in the funds, and therefore, are not reported in the funds.			
Land and construction in process		\$ 3,546	
Capital assets		3,170,446	
Less: Accumulated depreciation		<u>(1,912,684)</u>	1,261,308
Long-term portion of liabilities are not due and payable in the current period and are not reported in the funds.			
Capital lease obligations		(13,836)	
General obligation bond payable		(330,000)	
Net deferred outflows/(outflows)		199,195	
Net pension asset		67,264	
Net pension liabilities		<u>(30,478)</u>	(107,855)
Net position of governmental activities			<u>\$ 1,785,313</u>

City of Waurika, Oklahoma
Statement of Revenues, Expenditures, and Changes in Fund Balances
Governmental Funds
Year Ended June 30, 2023

	General Fund	Special Revenue Fund	Total Governmental Funds
<u>REVENUES</u>			
Sales tax	\$ 482,377	\$ -	\$ 482,377
Use tax	135,914	-	135,914
Franchise tax	67,813	-	67,813
Other taxes	89,964	43,849	133,813
Licenses and permits	10,219	-	10,219
Fines and forfeitures	112,031	-	112,031
Charges for services	12,728	-	12,728
Intergovernmental revenues	203,746	-	203,746
Donations	90,864	-	90,864
Other revenues	81,449	-	81,449
Proceeds from debt issuance	-	-	-
Interest	9,591	394	9,985
Total revenues	<u>1,296,696</u>	<u>44,243</u>	<u>1,340,939</u>
<u>EXPENDITURES</u>			
General government:			
General government	193,873	8	193,881
Total general government	<u>193,873</u>	<u>8</u>	<u>193,881</u>
Public safety and judiciary:			
Police	373,631	-	373,631
Municipal court	16,460	-	16,460
Fire	162,957	-	162,957
Total public safety and judiciary	<u>553,048</u>	<u>-</u>	<u>553,048</u>
Transportation:			
Street	278,167	2,838	281,005
Total transportation	<u>278,167</u>	<u>2,838</u>	<u>281,005</u>
Cultural, parks and recreation:			
Library	81,868	-	81,868
Parks	7,886	-	7,886
Total cultural, parks and recreation	<u>89,754</u>	<u>-</u>	<u>89,754</u>
Capital outlay	277,591	-	277,591
Debt service			
Principle	22,853	30,000	52,853
Interest expense	1,903	16,170	18,073
Total expenditures	<u>1,417,189</u>	<u>49,016</u>	<u>1,466,205</u>
Excess (deficiency) of revenues over expenditures	<u>(120,493)</u>	<u>(4,773)</u>	<u>(125,266)</u>
<u>OTHER FINANCING SOURCES (USES)</u>			
Transfers in	100,000	-	100,000
Transfers out	-	-	-
Total other financing sources and uses	<u>100,000</u>	<u>-</u>	<u>100,000</u>
Net change in fund balances	(20,493)	(4,773)	(25,266)
Fund balances - beginning	186,105	471,021	657,126
Prior period adjustment	-	-	-
Fund balances - ending	<u>\$ 165,612</u>	<u>\$ 466,248</u>	<u>\$ 631,860</u>

City of Waurika, Oklahoma
Statement of Revenues, Expenditures, and Changes in Fund Balances
Governmental Funds
Year Ended June 30, 2023

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 \$ (25,266)

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	277,591	
Depreciation expense	<u>(213,189)</u>	64,402

In the statement of activities, the cost of pension benefits earned net of
employee contributions are reported as an component of pension expense.
The fund financial statements report pension contributions as expenditures.

141,611

Proceeds from debt issuance provides current financial resources to governmental funds,
but issuing debt increases long-term liabilities in the statement of net position.
Repayment of debt principle is an expenditure in the governmental funds,
but the repayment reduces long-term liabilities in the statement of net position.

Principle payments on debt	52,853	
Issuance of debt	<u>-</u>	

Change in Net Assets of Governmental Activities	<u><u>\$ 233,600</u></u>
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City of Waurika, Oklahoma
Statement of Net Position
Proprietary Funds
June 30, 2023

	Public Works Authority	Waurika Development Trust Authority	Total Enterprise Funds
ASSETS			
Current assets:			
Cash and cash equivalents	\$ 1,031,078	\$ 104,370	\$ 1,135,448
Investments	1,014,573	-	1,014,573
Due from other funds	26,513	300	26,813
Accounts receivable, net	149,263	-	149,263
Note receivable, current	-	23,299	23,299
Other assets	-	-	-
Total current assets	<u>2,221,427</u>	<u>127,969</u>	<u>2,349,396</u>
Current assets:			
Restricted assets:			
Cash, including time deposits	115,061	-	115,061
Investments	71,709	-	71,709
Total restricted assets	<u>186,770</u>	<u>-</u>	<u>186,770</u>
Noncurrent assets:			
Capital assets (net)	2,909,505	83,960	2,993,465
Total noncurrent assets	<u>2,909,505</u>	<u>83,960</u>	<u>2,993,465</u>
Total assets	<u>\$ 5,317,702</u>	<u>\$ 211,929</u>	<u>\$ 5,529,631</u>
LIABILITIES			
Current liabilities:			
Accounts payable	\$ 72,132	\$ -	\$ 72,132
Payroll liabilities	20,175	-	20,175
Due to other funds	497,945	-	497,945
Accrued interest payable	8,069	-	8,069
Notes payable, current	191,981	-	191,981
Total current liabilities	<u>790,302</u>	<u>-</u>	<u>790,302</u>
Meter deposit liability	63,922	-	63,922
Notes payable, non-current	1,586,032	-	1,586,032
Total noncurrent liabilities	<u>1,649,954</u>	<u>-</u>	<u>1,649,954</u>
Total liabilities	<u>2,440,256</u>	<u>-</u>	<u>2,440,256</u>
NET POSITION			
Net investment in capital assets	1,131,492	83,960	1,215,452
Restricted	122,848	-	122,848
Unrestricted	<u>1,623,106</u>	<u>127,969</u>	<u>1,751,075</u>
Total net position	<u>\$ 2,877,446</u>	<u>\$ 211,929</u>	<u>\$ 3,089,375</u>

City of Waurika, Oklahoma
Statement of Revenues, Expenses and Changes in Fund Net Position
Proprietary Funds
Year Ended June 30, 2023

	Public Works Authority	Waurika Development Trust Authority	Total Enterprise Funds
<u>Operating revenues:</u>			
Charges for services:			
Water charges	\$ 978,591	\$ -	\$ 978,591
Sewer charges	297,859	-	297,859
Sanitation charges	534,756	-	534,756
Golf charges	-	-	-
Utility surcharges	1,122	-	1,122
Penalties	37,379	-	37,379
Total charges for services	<u>1,849,707</u>	<u>-</u>	<u>1,849,707</u>
Rental income	3,000	4,003	7,003
Other fees and charges	83,220	-	83,220
Total operating revenues	<u>1,935,927</u>	<u>4,003</u>	<u>1,939,930</u>
<u>Operating expenses:</u>			
Personal services	313,770	-	313,770
Materials and supplies	125,649	-	125,649
Other services and charges	544,247	636	544,883
Depreciation and amortization	312,532	-	312,532
Total operating expenses	<u>1,296,198</u>	<u>636</u>	<u>1,296,834</u>
Net operating income	639,729	3,367	643,096
<u>Nonoperating revenue (expense):</u>			
Investment income	21,090	1,229	22,319
Grant income	30,000	-	30,000
Bad debt expense	-	-	-
Interest expense	(44,341)	-	(44,341)
Total nonoperating revenue (expense)	<u>6,749</u>	<u>1,229</u>	<u>7,978</u>
Net Income before contributions and transfers	646,478	4,596	651,074
Transfers from other funds	-	-	-
Transfers to other funds	<u>(100,000)</u>	<u>-</u>	<u>(100,000)</u>
Change in net position	546,478	4,596	551,074
Net position-beginning of year	<u>2,330,968</u>	<u>207,333</u>	<u>2,538,301</u>
Net position-end of year	<u><u>\$ 2,877,446</u></u>	<u><u>\$ 211,929</u></u>	<u><u>\$ 3,089,375</u></u>

City of Waurika, Oklahoma
Statement of Cash Flows
Proprietary Funds
Year Ended June 30, 2023

	Public Works Authority	Waurika Development Trust Authority	Total Enterprise Funds
<u>Cash flows from operating activities:</u>			
Receipts from customers	\$ 1,885,320	\$ 28,827	\$ 1,914,147
Payments to suppliers	(672,191)	(636)	(672,827)
Payments to employees	(309,825)	-	(309,825)
Net cash provided (used) by operating activities	<u>903,304</u>	<u>28,191</u>	<u>931,495</u>
<u>Cash flows from non-capital financing activities:</u>			
Transfers from other funds	-	-	-
Transfers to other funds	(100,000)	-	(100,000)
Net cash provided (used) by non-capital financing activities	<u>(100,000)</u>	<u>-</u>	<u>(100,000)</u>
<u>Cash flows from capital and related financing activities:</u>			
Purchase of capital assets	(211,143)	-	(211,143)
Sale of capital assets	-	-	-
Principal paid on capital debt	(180,681)	-	(180,681)
Issuance of capital debt	116,715	-	116,715
Interest paid on capital debt	(46,351)	-	(46,351)
Net cash provided (used) by capital and related financing activities	<u>(321,460)</u>	<u>-</u>	<u>(321,460)</u>
<u>Cash flows from investing activities:</u>			
Investment income	21,090	1,229	22,319
Purchase of investments	(127,716)	-	(127,716)
Net cash provided (used) by investing activities	<u>(106,626)</u>	<u>1,229</u>	<u>(105,397)</u>
Net increase (decrease) in cash and cash equivalents	375,218	29,420	404,638
Cash & cash equivalents, beginning of the year	770,921	74,950	845,871
Cash & cash equivalents, end of the year	<u>\$ 1,146,139</u>	<u>\$ 104,370</u>	<u>\$ 1,250,509</u>
Cash, including time deposits	\$ 1,031,078	\$ 104,370	\$ 1,135,448
Restricted cash, including time deposits	115,061	-	115,061
Total cash and cash equivalents, end of year	<u>\$ 1,146,139</u>	<u>\$ 104,370</u>	<u>\$ 1,250,509</u>
<u>Reconciliation of operating income (loss) to net cash provided (used) by operating activities</u>			
Operating income (loss)	\$ 639,729	\$ 3,367	\$ 643,096
Adjustments to reconcile operating income (loss) to net cash provided (used) by operating activities:			
Depreciation	312,532	-	312,532
Changes in assets and liabilities:			
(Increase) decrease in accounts receivable	(50,607)	24,420	(26,187)
(Increase) decrease in other assets	-	404	404
Increase (decrease) in accounts payable	(2,295)	-	(2,295)
Increase (decrease) in payroll liabilities	3,945	-	3,945
Increase (decrease) in intercompany liabilities	-	-	-
Total adjustments	<u>263,575</u>	<u>24,824</u>	<u>288,399</u>
Net cash provided (used) by operating activities	<u>\$ 903,304</u>	<u>\$ 28,191</u>	<u>\$ 931,495</u>

(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, and sanitation services 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 Fund

Special Revenue Fund is 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 activities:

- Accounts for gas excise and motor vehicle taxes used in the repair of streets and alleys
- Accounts for the operations of the City's municipal library and grant receipts
- Accounts for the operations of the Ambulance service

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 enterprise 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 subject 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, 2023, the City complied with the budget in all material respects.

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 in certificates of deposit.

CITY OF WAURIKA, OKLAHOMA
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2023

B. PROPERTY, PLANT AND EQUIPMENT

Governmental Activities:

A summary of the changes in the governmental activities fixed assets at June 30, 2023 follows:

	Balance at July 1, 2022	Additions	Deletions	Balance at June 30, 2023
Construction in process	\$ 3,546	\$ -	\$ -	\$ 3,546
Buildings & structures	109,174	-	-	109,174
Machinery, furniture, & equipment	1,824,051	179,466	-	2,003,517
Infrastructure & improvements	959,630	98,125	-	1,057,755
Total	2,896,401	277,591	-	3,173,992
Less accumulated depreciation	1,699,495	213,189	-	1,912,684
Fixed assets, net	<u>\$ 1,196,906</u>	<u>\$ 64,402</u>	<u>\$ -</u>	<u>\$ 1,261,308</u>

Business-Type Activities:

A summary of the proprietary fund types fixed assets at June 30, 2023 follows:

	Balance at July 1, 2022	Additions	Deletions	Balance at June 30, 2023
Land	\$ 238,199	\$ -	\$ -	\$ 238,199
Construction in process	6,000	-	-	6,000
Machinery, furniture, & equipment	1,344,520	190,152	-	1,534,672
Infrastructure	7,595,786	20,991	-	7,616,777
Total	9,184,505	211,143	-	9,395,648
Less accumulated depreciation	6,089,651	312,532	-	6,402,183
Fixed assets, net	<u>\$ 3,094,854</u>	<u>\$ (101,389)</u>	<u>\$ -</u>	<u>\$ 2,993,465</u>

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

Governmental Activities		Businesss-type Activities	
General government	\$ 9,245	Water	\$ 254,362
Public safety & judiciary	117,357	Sewer	58,170
Transportation	68,474		
Cultural, parks & recreation	18,113		
Total depreciation expense	<u>\$ 213,189</u>	Total depreciation expense	<u>\$ 312,532</u>

C. LONG-TERM DEBT

The City held the following long-term debt obligations at June 30, 2023:

Governmental Activities:

Capital Leases

Capital lease agreement with First Bank & Trust Co. for a 2019 Ford F350 for the Street department with an original amount of \$36,210 carrying an interest rate of 4.25%, maturing April 2020	\$ 6,606
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Capital lease agreement with First Bank & Trust Co. for a 2019 Chevy Tahoe for the Police department with an original amount of \$36,524 carrying an interest rate of 4.25%, maturing August 2020	9,194
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Capital lease agreement with First Bank & Trust Co. for a 2022 Ford F250 for the Fire department with an original amount of \$32,055 carrying an interest rate of 3.75%, maturing January 2026	20,540
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General Obligation Bond

General obligation bonds of \$450,000 were issued November 2018 for a 15 year term with an average interest rate of 3.93%. Funding was used for equipment including ladder truck, rescue truck, related fire and ambulance tools, as well storm sirens.	360,000
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Total governmental activities	\$ 396,340
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Business-Type Activities:

Capital Leases

Capital lease agreement with First Bank & Trust Co. for a 2021 Ford F250 for the Administration with an original amount of \$35,326 carrying an interest rate of 3.99%, maturing August 2024	\$ 22,606
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Capital lease agreement with Security State Bank for a Caterpillar backhoe loader with an original amount of \$116,715 carrying an interest rate of 2.75%, maturing September 2026	95,788
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CITY OF WAURIKA, OKLAHOMA
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2023

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. 30,652

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. 67,331

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. 87,402

Note payable to the Waurika Lake Master Conservancy District (WLMC) issued in fiscal year 2018 to refinance a 2010 note held by the District. Original amount of the note was \$632,200 with a variable interest rate due September 2035. 451,481

Note payable to the Oklahoma Water Resource Board issued in fiscal year 2018 to refinance two debt obligations held by the Authority. Original amount of the note was \$975,000 with a variable interest rate due September 2031. 685,000

Note payable to the Oklahoma Water Resource Board issued November 2019 under the Clean Water SRF program to acquire and install automatic meter readers and pay related financing costs. Original amount of the note was a \$400,000 line of credit. During the construction period, the Authority will pay only interest on the funds drawn from the line. Principal and interest payments are expected to begin September 2020. At June 30, 2020, no funds were drawn on the line of credit. 337,753

Total business-type activities \$ 1,778,013

Changes in Long-Term Debt:

The following is a summary of changes in long-term debt for the year ended June 30, 2023:

<u>Type of Debt</u>	<u>Balance at July 1, 2022</u>	<u>Amount Issued</u>	<u>Amount Retired</u>	<u>Balance at June 30, 2023</u>	<u>Due Within One Year</u>
Governmental activities:					
<i>Capital Leases</i>					
FB&T Street 2019 Ford 350	\$ 14,199	\$ -	\$ 7,593	\$ 6,606	\$ 6,606
FB&T Police 2019 Tahoe	16,758	-	7,564	9,194	7,904
FB&T Fire 2022 Ford F250	28,236	-	7,696	20,540	7,994
<i>G O Bonds</i>					
2018 General Obligation bonds	390,000	-	30,000	360,000	30,000
Total governmental activities	<u>\$ 449,193</u>	<u>\$ -</u>	<u>\$ 52,853</u>	<u>\$ 396,340</u>	<u>\$ 52,504</u>
Business-type activities:					
<i>Capital Leases</i>					
FB&T Admin 2021 Ford 250	\$ 29,338	\$ -	\$ 6,731	\$ 22,607	\$ 7,027
Caterpillar backhoe loader	-	116,715	20,927	95,788	28,567
<i>Notes Payable</i>					
WLMC 1977 Water Storage	40,192	-	9,540	30,652	9,785
WLMC 1977 South Facility	88,296	-	20,965	67,331	21,482
WLMC 2010 Water Storage	87,402	-	-	87,402	-
OWRB 2018 refi of 2010	483,797	-	32,317	451,480	34,508
OWRB 2018 refi	750,000	-	65,000	685,000	65,000
OWRB 2019 Clean Water SRF	362,953	-	25,200	337,753	25,612
Total business-type activities	<u>\$ 1,841,978</u>	<u>\$ 116,715</u>	<u>\$ 180,680</u>	<u>\$ 1,778,013</u>	<u>\$ 191,981</u>

CITY OF WAURIKA, OKLAHOMA
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2023

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, 2023 follow:

Year Ending June 30	Governmental Activities			Business-type Activities		
	Capital Leases	Bonds Payable		Capital Leases	Notes Payable	
	Payment	Principal	Interest	Payment	Principal	Interest
2024	22,504	30,000	13,559	35,594	156,387	54,100
2025	9,604	30,000	12,380	36,680	164,304	48,587
2026	4,232	30,000	11,201	37,834	167,306	41,880
2027	-	30,000	10,022	8,287	141,514	36,539
2028	-	30,000	8,843	-	142,433	34,894
2029-2033	-	150,000	26,528	-	697,945	110,722
2033-2038	-	60,000	5,306	-	189,729	13,661
Totals	<u>\$ 36,340</u>	<u>\$ 360,000</u>	<u>\$ 87,839</u>	<u>\$ 118,395</u>	<u>\$ 1,659,618</u>	<u>\$ 340,383</u>

D. INTERFUND TRANSACTIONS AND BALANCES

Interfund transactions for the year ended June 30, 2023 were as follows:

	<u>Due From</u>	<u>Due To</u>
GENERAL FUND		
Public Works Authority	\$ 325,709	\$ 37,770
Special Revenue Fund	-	243,144
SPECIAL REVENUE FUND		
General Fund	243,144	-
Public Works Authority	189,650	11,000
PUBLIC WORKS AUTHORITY		
General Fund	37,770	325,709
Special Revenue Fund	11,000	189,650
	<u>\$ 807,273</u>	<u>\$ 807,273</u>
	<u>Transfers In</u>	<u>Transfers Out</u>
GENERAL FUND		
Public Works Authority	\$ 100,000	\$ -
Total General Fund	<u>100,000</u>	<u>-</u>
PUBLIC WORKS AUTHORITY		
General Fund	\$ -	\$ 100,000
Total Public Works Authority	<u>-</u>	<u>100,000</u>
GRAND TOTAL	<u>\$ 100,000</u>	<u>\$ 100,000</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
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, 2023, the following amounts related to the defined contribution plan:

For the year ended June 30, 2023, the following amounts related to the defined contribution plan:

Payroll for covered employees	\$ 506,807
Employer (City) contributions made	\$ 36,489

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. 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.

CITY OF WAURIKA, OKLAHOMA
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2023

Eligibility Factors and Benefit Provisions

Provision	OkMRF Plan
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	
- Authorization	By City Ordinance
- Actuarially Determined	Yes
- Employer Rate	8.06% of covered payroll
- Employee Rate	4% of covered payroll
c. Period Required to Vest	10 years of vesting service
d. Eligibility for Distribution	<p>- Normal retirement at age 65 with 10 years of vesting service.</p> <p>- 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.</p> <p>- Disability retirement upon total and permanent disability with 10 years of service.</p> <p>- 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.</p>
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

<u>Employees Covered by Benefit Terms</u>	
Active Employees	13
Deferred Vested Former Employees	7
Retirees or Retiree Beneficiaries	6
Total	26

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 as stated in the table above.

Actuarial Assumptions

a. Date of last Actuarial Valuation	March 2023
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

Discount Rate – The discount rate used to value benefits was the long-term expected rate of return on plan investments, 7.5% since the plan's net fiduciary position is projected to be sufficient to make projected benefit payments.

The City has adopted a funding method that is designed to fund all benefits payable to participants over the course of their working careers. Any differences between actual and expected experience are funded over a fixed period to ensure all funds necessary to pay benefits have been contributed to the trust before those benefits are payable. Thus, the sufficiency of pension plan assets was made without a separate projection of cash flows.

The long-term expected rate of return on pension plan investments was determined using a building-block method in which best-estimate ranges of expected future real rates of return (expected returns, net of pension plan investment expense and inflation) are developed for each major asset class. These ranges are combined to produce the long-term expected rate of return by weighting the expected future real rates of return by the target asset allocation percentage and by adding expected inflation (3.0%). Best estimates of arithmetic real rates of return for each major asset class included in the pension plan's target asset allocation as of July 1, 2022 are summarized in the following table:

CITY OF WAURIKA, OKLAHOMA
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	Target Allocation	Real Return	Weighted Return
Large Cap Stocks	25%	5.80%	1.45%
Small/Mid Cap Stocks - Russell 2500	10%	6.40%	0.64%
Long/Short Equity - MSCI A CWI	10%	5.00%	0.50%
International Stocks - MSCI EA FE	20%	6.20%	1.24%
Fixed Income Bonds - Barclay's Capital Aggregate	30%	2.30%	0.69%
Real Estate - NCREIF	5%	4.60%	0.23%
Cash Equivalents - 3 Month Treasury	0%	0.00%	0.00%
	100%		

Average Real Return 4.75%

Inflation 2.75%

Long Term Expected Return 7.50%

Changes in Net Pension Liability – The total pension liability was determined based on an actuarial valuation performed as of July 1, 2022 which is also the measurement date. There were no changes in assumptions or changes in benefit terms that affected measurement of the total pension liability. There were also no changes between the measurement date of July 1, 2022 and the City's report ending date of June 30, 2023, that would have had a significant impact on the net pension liability. The following table reports the components of changes in net pension liability:

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

	1% Decrease (6.5%)	Current Discount Rate (7.5%)	1% Increase (8.5%)
City's proportionate share of the net pension liability/(asset)	\$ 93,087	\$ (42,345)	\$ (154,937)

The City reported \$(4,162) in pension expense for the year ended June 30, 2023. At June 30, 2023, the City reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Difference between expected and actual experience	\$ 31,980	\$ 26,727
Changes of assumptions	2,437	23,535
Net difference between projected and actual earnings on pension plan investments	237,417	136,315
Changes in proportion and differences between City contributions and proportionate share of contributions	-	-
City contributions subsequent to the measurement date	36,489	-
Total	<u>\$ 308,323</u>	<u>\$ 186,577</u>

Amounts reported as deferred outflows of resources and deferred inflows of resources related to pensions will be recognized in pension expense as follows:

Year ended June 30:		
2024	\$	8,636
2025		11,165
2026		8,294
2027		57,144
2028		18
Thereafter		-

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.

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 \$1,080 (fiscal year contributions).

Pension Liabilities, Pension Expense, and Deferred Outflows of Resources and Deferred Inflows of Resources Related to Pensions – At June 30, 2023, the City reported a net pension liability of \$30,478 for its proportionate share of the net pension asset. The net pension asset was measured as of July 1, 2022, and the total pension liability used to calculate the net pension asset was determined by an actuarial valuation as of July 1, 2022. The City's proportion of the net pension asset was based on the City's contributions received by the pension plan relative to the total contributions received by pension plan for all participating employers as of June 30, 2022. Based upon this information, the City's proportion was 0.002331%.

For the year ended June 30, 2023, the City recognized pension expense of \$4,236. At June 30, 2023, the City reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

CITY OF WAURIKA, OKLAHOMA
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2023

	<u>Deferred Outflows of Resources</u>	<u>Deferred Inflows of Resources</u>
Difference between expected and actual experience	\$ 3,913	\$ 154
Changes of assumptions	-	194
Net difference between projected and actual earnings on pension plan investments	13,458	9,916
Changes in proportion and differences between City contributions and proportionate share of contributions	-	-
City contributions subsequent to the measurement date	<u>1,080</u>	<u>-</u>
Total	<u>\$ 18,451</u>	<u>\$ 10,264</u>

Amounts reported as deferred outflows of resources and deferred inflows of resources related to pensions will be recognized in pension expense as follows:

Year ended June 30:		
2023	\$	2,973
2024		1,546
2025		439
2026		3,228
2027		-

Actuarial Assumptions – The total pension liability was determined by an actuarial valuation as of July 1, 2022, using the following actuarial assumptions, applied to all prior periods included in the measurement:

Inflation:	3%
Salary increases:	4.5% to 17.0% average, including inflation
Investment rate of return:	7.5% net of pension plan investment expense
Mortality rates:	Active employees (pre-retirement) RP-2000 Blue Collar: Healthy Combined table with age set back 4 years with fully generational improvement using Scale AA.
	Active employees (post-retirement) and nondisabled pensioners: RP-2000 Blue Collar Healthy Combined table with fully generational improvement using Scale AA.
	Disabled pensioners: RP-2000 Blue Collar Healthy Combined table with age set forward 4 years with fully generational improvement using Scale AA.

The actuarial assumptions used in the July 1, 2022, valuation were based on the results of an actuarial experience study for the period July 1, 2012 to June 30, 2017.

The long-term expected rate of return on pension plan investments was determined using a building block method in which best-estimate ranges of expected future real rates of return (expected returns, net of pension plan investment expense, and inflation) are developed for each major asset class. These ranges are combined to produce the long-term expected rate of return by weighting the expected future real rates of return by the target asset allocation percentage and by adding expected inflation. Best estimates of arithmetic real rates of return for each major asset class included in the pension plan's target asset allocation as of June 30, 2022, are summarized in the following table:

<u>Long-Term Expected Asset Class</u>	<u>Long-Term Expected Real Rate of Return</u>
Fixed income	2.83%
Domestic equity	6.47%
International equity	6.98%
Real Estate	5.50%
Private Equity	5.96%
Other assets	3.08%

The current allocation policy is that approximately 60% of assets in equity instruments, including public equity, long-short hedge, venture capital, and private equity strategies; approximately 25% of assets in fixed income to include investment grade bonds, high yield and non-dollar denominated bonds, convertible bonds, and low volatility hedge fund strategies; and 15% of assets in real assets to include real estate, commodities, and other strategies.

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

Sensitivity of the Net Pension Liability to Changes in the Discount Rate – The following presents the net pension liability of the employers calculated using the discount rate of 7.5%, as well as what the Plan's net pension liability would be if it were calculated using a discount rate that is 1-percent point lower (6.5%) or 1-percentage-point higher (8.5%) than the current rate:

	<u>1% Decrease (6.5%)</u>	<u>Current Discount Rate (7.5%)</u>	<u>1% Increase (8.5%)</u>
City's proportionate share of the net pension liability/(asset)	\$ 39,280	\$ 22,589	\$ 23,125

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.

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.

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

CITY OF WAURIKA, OKLAHOMA
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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 \$9,963 from the City.

Pension Liabilities, Pension Expense, and Deferred Outflows of Resources and Deferred Inflows of Resources Related to Pensions – At June 30, 2023, the City reported a net pension asset of \$24,919 for its proportionate share of the net pension asset. The net pension asset was measured as of July 1, 2022, and the total pension liability used to calculate the net pension asset was determined by an actuarial valuation as of July 1, 2022. The City's proportion of the net pension asset was based on the City's contributions received by the pension plan relative to the total contributions received by pension plan for all participating employers as of June 30, 2022. Based upon this information, the City's proportion was 0.000311%.

For the year ended June 30, 2023, the City recognized pension expense of \$(5,955). At June 30, 2023, the City reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	<u>Deferred Outflows of Resources</u>	<u>Deferred Inflows of Resources</u>
Difference between expected and actual experience	\$ 12,223	\$ 2,714
Changes of assumptions	868	-
Net difference between projected and actual earnings on pension plan investments	131,960	107,644
Changes in proportion and differences between City contributions and proportionate share of contributions	-	-
City contributions subsequent to the measurement date	9,963	-
Total	<u><u>\$ 155,014</u></u>	<u><u>\$ 110,358</u></u>

Amounts reported as deferred outflows of resources and deferred inflows of resources related to pensions will be recognized in pension expense as follows:

Year ended June 30:		
2023	\$	7,831
2024		2,057
2025		(6,625)
2026		29,894
2027		1,563

Actuarial Assumptions – The total pension liability was determined by an actuarial valuation as of July 1, 2022, using the following actuarial assumptions, applied to all prior periods included in the measurement:

Inflation:	3%
Salary increases:	4.5% to 17.0% average, including inflation
Investment rate of return:	7.5% net of pension plan investment expense
Mortality rates:	Active employees (pre-retirement) RP-2000 Blue Collar: Healthy Combined table with age set back 4 years with fully generational improvement using Scale AA.
	Active employees (post-retirement) and nondisabled pensioners: RP-2000 Blue Collar Healthy Combined table with fully generational improvement using Scale AA.
	Disabled pensioners: RP-2000 Blue Collar Healthy Combined table with age set forward 4 years with fully generational improvement using Scale AA.

The actuarial assumptions used in the July 1, 2022, valuation were based on the results of an actuarial experience study for the period July 1, 2012 to June 30, 2017.

The long-term expected rate of return on pension plan investments was determined using a building block method in which best-estimate ranges of expected future real rates of return (expected returns, net of pension plan investment expense, and inflation) are developed for each major asset class. These ranges are combined to produce the long-term expected rate of return by weighting the expected future real rates of return by the target asset allocation percentage and by adding expected inflation. Best estimates of arithmetic real rates of return for each major asset class included in the pension plan's target asset allocation as of June 30, 2022, are summarized in the following table:

<u>Long-Term Expected Asset Class</u>	<u>Long-Term Expected Real Rate of Return</u>
Fixed income	2.83%
Domestic equity	6.47%
International equity	6.98%
Real Estate	5.50%
Private Equity	5.96%
Other assets	3.08%

The current allocation policy is that approximately 60% of assets in equity instruments, including public equity, long-short hedge, venture capital, and private equity strategies; approximately 25% of assets in fixed income to include investment grade bonds, high yield and non-dollar denominated bonds, convertible bonds, and low volatility hedge fund strategies; and 15% of assets in real assets to include real estate, commodities, and other strategies.

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

Sensitivity of the Net Pension Liability to Changes in the Discount Rate – The following presents the net pension liability of the employers calculated using the discount rate of 7.5%, as well as what the Plan's net pension liability would be if it were calculated using a discount rate that is 1-percent point lower (6.5%) or 1-percentage-point higher (8.5%) than the current rate:

	1% Decrease (6.5%)	Current Discount Rate (7.5%)	1% Increase (8.5%)
Town's proportionate share of the net pension liability/(asset)	72,258	(24,940)	(107,095)

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.

(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, 2023

	<u>Budget</u>	<u>Amendments</u>	<u>Revised Budget</u>	<u>Actual</u>	<u>Variance from Budget</u>
REVENUES					
Sales tax	\$ 411,764	\$ 40,000	\$ 451,764	\$ 482,377	\$ 30,613
Franchise tax	30,599	30,000	60,599	67,813	7,214
Other taxes	164,519	27,000	191,519	225,878	34,359
Licenses and permits	500	9,500	10,000	10,219	219
Fines and forfeitures	109,527	(4,230)	105,297	112,031	6,734
Charges for services	38,397	2,125	40,522	12,728	(27,794)
Intergovernmental revenues	416,530	140,560	557,090	203,746	(353,344)
Other revenues	10,000	58,741	68,741	172,313	103,572
Interest	250	500	750	9,591	8,841
Total revenues	1,182,086	304,196	1,486,282	1,296,696	(189,586)
EXPENDITURES					
<u>General government:</u>					
General government	568,383	678	569,061	195,001	374,060
<u>Public safety and judiciary:</u>					
Police	335,564	217,484	553,048	546,266	6,782
Municipal Court	26,000	(5,000)	21,000	16,460	4,540
Fire	168,059	33,600	201,659	170,653	31,006
<u>Transportation:</u>					
Street	522,386	32,513	554,899	399,055	155,844
<u>Culture and recreation:</u>					
Library	95,249	-	95,249	81,868	13,381
Parks	13,000	5,000	18,000	7,886	10,114
Total expenditures	1,728,641	284,275	2,012,916	1,417,189	595,727
Revenue over (under) expenditures	(546,555)	19,921	(526,634)	(120,493)	406,141
OTHER FINANCING SOURCES (USES)					
Operating transfers in/(out)	400,000	100,000	500,000	100,000	(400,000)
Carry forward from prior year	-	-	-	-	-
Net other financing sources (uses)	400,000	100,000	500,000	100,000	(400,000)
Revenues and other financing sources over (under) expenditures and other uses	(146,555)	119,921	(26,634)	(20,493)	
Fund balance at beginning of year (Non-GAAP budgetary basis)				330,905	
Fund balance at end of year (Non-GAAP budgetary basis)				<u>\$ 310,412</u>	
ADJUSTMENTS TO GENERALLY ACCEPTED ACCOUNTING PRINCIPLES					
Revenue and expense accruals				(144,800)	
Fund balance at end of year (GAAP basis)				<u>\$ 165,612</u>	

Schedules of Required Supplementary Information

SCHEDULE OF THE CITY'S PROPORTIONATE SHARE OF THE NET PENSION LIABILITY
Oklahoma Fire Pension Retirement Plan
Year Ended June 30, 2023

	<u>2015*</u>	<u>2016*</u>	<u>2017*</u>	<u>2018*</u>	<u>2019*</u>	<u>2020*</u>	<u>2021*</u>	<u>2022*</u>	<u>2023*</u>
City's portion of the net pension liability (asset)	0.0027%	0.0025%	0.2605%	0.0000%	0.0016%	0.0028%	0.0000%	0.0034%	0.0034%
City's proportionate share of the net pension liability (asset)	\$ 28,065	\$ 26,638	\$ 31,821	\$ -	\$ 17,842	\$ 29,288	\$ -	\$ 22,589	\$ 22,589
City's covered-employee payroll	\$ 39,470	\$ 37,204	\$ 42,159	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
City's proportionate share of the net pension liability (asset) as a percentage of its covered-employee payroll	71%	72%	75%	0%	0%	0%	0%	0%	0%
Plan fiduciary net position as a percentage of the total pension liability	78.25%	97.49%	100.00%	100.00%	100.00%	100.00%	0.00%	0.00%	0.00%

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

SCHEDULE OF CITY CONTRIBUTIONS
Oklahoma Fire Pension Retirement Plan

	<u>2015*</u>	<u>2016*</u>	<u>2017*</u>	<u>2018*</u>	<u>2019*</u>	<u>2020*</u>	<u>2021*</u>	<u>2022*</u>	<u>2023*</u>
Contractually required contribution	\$ 1,020	\$ 960	\$ 1,020	\$ 860	\$ 860	\$ 1,200	\$ -	\$ 1,560	\$ 1,560
Contributions in relation to the contractually required contribution	<u>(1,020)</u>	<u>(960)</u>	<u>(1,020)</u>	<u>(860)</u>	<u>(860)</u>	<u>(1,200)</u>	<u>-</u>	<u>(1,560)</u>	<u>(1,560)</u>
Contribution deficiency (excess)	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
City's covered-employee payroll	\$ 39,470	\$ 37,204	\$ 42,159	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Contributions as a percentage of covered-employee payroll	2.58%	2.58%	2.42%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%

** Only the current fiscal year is presented because 10-year data is not yet available

Schedules of Required Supplementary Information

SCHEDULE OF THE CITY'S PROPORTIONATE SHARE OF THE NET PENSION LIABILITY
Oklahoma Police Pension Retirement Plan
Year Ended June 30, 2023

	<u>2017*</u>	<u>2018*</u>	<u>2019*</u>	<u>2020*</u>	<u>2021*</u>	<u>2022*</u>	<u>2023*</u>
City's portion of the net pension liability (asset)	0.0002%	0.0108%	0.0190%	0.0206%	0.0926%	0.0265%	0.0265%
City's proportionate share of the net pension liability (asset)	\$ 36,580	\$ 831	\$ (9,073)	\$ (1,316)	\$ 33,529	\$ (127,124)	\$ (127,124)
City's covered-employee payroll	\$ 111,462	\$ 60,332	\$ 67,229	\$ 96,392	\$ 95,576	\$ 111,307	\$ 111,307
City's proportionate share of the net pension liability (asset) as a percentage of its covered-employee payroll	33%	1%	-13%	-1%	35%	-114%	-114%
Plan fiduciary net position as a percentage of the total pension liability	99.98%	100.00%	100.01%	100.00%	99.98%	100.08%	100.08%

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

SCHEDULE OF CITY CONTRIBUTIONS
Oklahoma Police Pension Retirement Plan

	<u>2017*</u>	<u>2018*</u>	<u>2019*</u>	<u>2020*</u>	<u>2021*</u>	<u>2022*</u>	<u>2023*</u>
Contractually required contribution	\$ 9,157	\$ 7,843	\$ 8,740	\$ 12,531	\$ 12,425	\$ 14,470	\$ 14,470
Contributions in relation to the contractually required contribution	<u>(9,157)</u>	<u>(7,843)</u>	<u>(8,740)</u>	<u>(12,531)</u>	<u>(12,425)</u>	<u>(14,470)</u>	<u>(14,470)</u>
Contribution deficiency (excess)	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
City's covered-employee payroll	\$ 111,462	\$ 60,332	\$ 67,229	\$ 96,392	\$ 95,576	\$ 111,307	\$ 111,307
Contributions as a percentage of covered-employee payroll	8.22%	13.00%	13.00%	13.00%	13.00%	13.00%	13.00%

** Only the current fiscal year is presented because 10-year data is not yet available

Schedules of Required Supplementary Information

SCHEDULE OF CHANGES IN THE CITY'S NET PENSION LIABILITY AND RELATED RATIOS
Oklahoma Municipal Retirement Plan
Year Ended June 30, 2023

	2015*	2016*	2017*	2018*	2019*	2020*	2021*	2022*	2023*
Total pension liability									
Service cost	\$ 42,741	\$ 40,407	\$ 46,850	\$ 34,316	\$ 42,088	\$ 36,191	\$ 42,752	\$ 37,858	\$ 37,858
Interest	60,081	59,862	66,488	69,504	70,426	74,554	76,402	80,517	80,517
Changes in benefit terms	-	-	-	-	-	-	-	-	-
Differences between expected and actual experience	-	40,480	(13,588)	(16,858)	14,863	(31,551)	2,607	(37,084)	(37,084)
Changes in assumptions	-	-	-	23,162	-	11,901	-	-	-
Benefit payments, including refunds of employee contributions	(71,663)	(53,795)	(56,786)	(65,012)	(70,932)	(73,798)	(58,834)	(75,270)	(75,270)
Net change in total pension liability	\$ 31,159	\$ 86,954	\$ 42,964	\$ 45,112	\$ 56,445	\$ 17,297	\$ 62,927	\$ 6,021	\$ 6,021
Total pension liability - beginning	767,654	798,813	885,767	928,731	973,843	1,030,288	1,047,585	1,110,512	1,116,533
Total pension liability - ending (a)	<u>\$ 798,813</u>	<u>\$ 885,767</u>	<u>\$ 928,731</u>	<u>\$ 973,843</u>	<u>\$ 1,030,288</u>	<u>\$ 1,047,585</u>	<u>\$ 1,110,512</u>	<u>\$ 1,116,533</u>	<u>\$ 1,122,554</u>
Plan fiduciary net position									
Contributions - employer	36,226	30,618	18,998	21,285	19,257	24,051	25,999	24,042	24,042
Contributions - employee	16,502	15,016	11,932	12,803	12,036	12,642	12,636	12,771	12,771
Net investment income	138,619	26,498	8,188	116,777	77,022	73,302	45,424	311,015	311,015
Benefit payments, including refunds of employee contributions	(71,662)	(53,795)	(56,786)	(65,012)	(70,932)	(73,798)	(58,834)	(75,270)	(75,270)
Administrative expense	(2,053)	(1,990)	(1,905)	(2,054)	(2,152)	(2,215)	(2,309)	(2,306)	(2,306)
Other	-	-	-	-	-	-	-	-	-
Net change in plan fiduciary net position	117,632	16,347	(19,573)	83,799	35,231	33,982	22,916	270,252	270,252
Plan fiduciary net position - beginning	847,301	964,933	981,280	961,707	1,045,506	1,080,737	1,114,719	1,137,635	1,407,887
Plan fiduciary net position - ending (b)	<u>\$ 964,933</u>	<u>\$ 981,280</u>	<u>\$ 961,707</u>	<u>\$ 1,045,506</u>	<u>\$ 1,080,737</u>	<u>\$ 1,114,719</u>	<u>\$ 1,137,635</u>	<u>\$ 1,407,887</u>	<u>\$ 1,678,139</u>
City's net pension liability - ending (a) - (b)	<u>\$ (166,120)</u>	<u>\$ (95,513)</u>	<u>\$ (32,976)</u>	<u>\$ (71,663)</u>	<u>\$ (50,449)</u>	<u>\$ (67,134)</u>	<u>\$ (27,123)</u>	<u>\$ (291,354)</u>	<u>\$ (555,585)</u>
Plan fiduciary net position as a percentage of the total pension liability	120.80%	110.78%	103.55%	107.36%	104.90%	106.41%	102.44%	126.09%	149.49%
Covered-employee payroll	\$ 337,975	\$ 377,523	\$ 274,102	\$ 315,948	\$ 268,825	\$ 336,006	\$ 293,767	\$ 223,164	\$ 223,164
City's net pension liability as a percentage of covered-employee payroll	-49.15%	-25.30%	-12.03%	-22.68%	-18.77%	-19.98%	-9.23%	-130.56%	-248.96%

Schedules of Required Supplementary Information

SCHEDULE OF THE CITY'S PROPORTIONATE SHARE OF THE NET PENSION LIABILITY
Oklahoma Municipal Retirement Plan
Year Ended June 30, 2023

	<u>2015*</u>	<u>2016*</u>	<u>2017*</u>	<u>2018*</u>	<u>2019*</u>	<u>2020*</u>	<u>2021*</u>	<u>2022*</u>	<u>2023*</u>
City's portion of the net pension liability (asset)	0.0409%	0.0340%	0.1970%	0.2141%	2.5913%	2.6728%	2.7278%	3.3758%	4.0237%
City's proportionate share of the net pension liability (asset)	\$ (166,120)	\$ (95,513)	\$ (32,976)	\$ (71,663)	\$ (50,449)	\$ (67,134)	\$ (27,123)	\$ (291,354)	\$ (555,585)
City's covered-employee payroll	\$ 337,975	\$ 377,523	\$ 274,102	\$ 315,948	\$ 268,825	\$ 336,006	\$ 293,767	\$ 223,164	\$ 223,164
City's proportionate share of the net pension liability (asset) as a percentage of its covered-emplc	-49.15%	-25.30%	-12.03%	-22.68%	-18.77%	-19.98%	-9.23%	-130.56%	-248.96%
Plan fiduciary net position as a percentage of the total pension liability	119.53%	109.73%	103.43%	106.85%	104.67%	106.02%	102.38%	120.69%	133.11%

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

SCHEDULE OF CITY CONTRIBUTIONS
Oklahoma Municipal Retirement Plan

	<u>2015*</u>	<u>2016*</u>	<u>2017*</u>	<u>2018*</u>	<u>2019*</u>	<u>2020*</u>	<u>2021*</u>	<u>2022*</u>	<u>2023*</u>
Actuarially determined contribution	\$ 36,226	\$ 30,618	\$ 30,930	\$ 32,354	\$ 23,275	\$ 26,912	\$ 24,863	\$ 30,622	\$ 30,622
Contributions in relation to the actuarially determined contribution	(36,226)	(30,618)	(30,930)	(32,354)	(23,275)	(26,912)	(24,863)	(30,622)	(30,622)
Contribution deficiency (excess)	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
City's covered-employee payroll	\$ 337,975	\$ 377,523	\$ 274,102	\$ 315,948	\$ 268,825	\$ 336,006	\$ 293,767	\$ 223,164	\$ 223,164
Contributions as a percentage of covered-employee payroll	10.72%	8.11%	11.28%	10.24%	8.66%	8.01%	8.46%	13.72%	13.72%

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

To the City Council
City of 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, and each major fund of City of Waurika, Oklahoma, as of and for the year ended June 30, 2023, and the related notes to the financial statements, which collectively comprise City of Waurika, Oklahoma's basic financial statements and have issued our report thereon dated January 6, 2025.

Report on Internal Control over Financial Reporting

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

A *deficiency in internal control* exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, misstatements, on a timely basis. A *material weakness* is a deficiency, or a combination of deficiencies, in internal control, such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented, or detected and corrected, on a timely basis. A *significant deficiency* is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or, significant deficiencies. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses. However, material weaknesses or significant deficiencies may exist that were not identified.

Report on Compliance and Other Matters

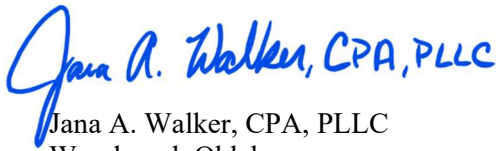
As part of obtaining reasonable assurance about whether City of Waurika, Oklahoma's financial statements are free from material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the financial statements. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards* and which are described in the accompanying schedule of findings and responses as items 2023-001.

City of Waurika, Oklahoma's Response to Findings

Government Auditing Standards requires the auditor to perform limited procedures on the City of Waurika, Oklahoma's response to the findings identified in our audit and described in the accompanying schedule of findings and responses. The City of Waurika, Oklahoma's response was not subjected to the other auditing procedures applied in the audit of the financial statements and, accordingly, we express no opinion on the response.

Purpose of This Report

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the entity's internal control or on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the entity's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.



Jana A. Walker, CPA, PLLC
Woodward, Oklahoma
January 6, 2025

City of Waurika, Oklahoma
Schedule of Findings and Responses
Year Ended June 30, 2023

FINDING 2023-001 Lack of Timely Filed Audit

Condition: Audit report issued after allotted 180 days from year end.

Criteria: In accordance with Oklahoma State Statute 11 O.S. §17-105 -113; 60 O.S. § 180.1-.3 the City shall furnish copies of the reports of the financial audit within 180 days after the end of each fiscal year.

Cause: Unavailable information to complete workpapers for auditor.

Effect or Potential Effect: State Statute violation.

Recommendation: Ensure records are available for inspection after year end in a timely manner.

Response: Management will make arrangements to have their records inspected quicker after year end to ensure the timely completion of an audit. Due to the lack of governmental auditors registered in the State of Oklahoma, it is next to impossible to schedule an audit to be completed by December 31st each year. We have engaged a new auditing firm to accelerate the completion of our annual audit requirement.