

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

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

**FOR THE YEAR ENDED
JUNE 30, 2014**

The City of Waurika, Oklahoma
Table of Contents
Year Ended June 30, 2014

INDEPENDENT AUDITOR'S REPORT	1-2
MANAGEMENT'S DISCUSSION AND ANALYSIS	3-9
Basic Financial Statements:	
<i>Government-wide Financial Statements:</i>	
Statement of Net Position	10
Statement of Activities	11-12
<i>Fund Financial Statements:</i>	
Balance Sheet – Governmental Funds	13
Statement of Revenues, Expenditures, and Changes in Fund Balances – Governmental Funds	14
Reconciliation of the Statement of Revenues, Expenditures, and Changes in Fund Balance of Governmental Funds to the Statement of Activities	15
Statement of Net Position – Proprietary Funds and Component Units	16
Statement of Revenues, Expenses and Changes in Fund Net Position - Proprietary Funds and Component Units	17
Statement of Cash Flows – Proprietary Funds and Component Units	18
Notes to Financial Statements	19-31
REQUIRED SUPPLEMENTARY INFORMATION	
Statement of Revenues, Expenditures, and Changes in Fund Balance Budget and Actual (Non-GAAP Budgetary Basis) – General Fund	32
SUPPLEMENTARY INFORMATION	
Combining Balance Sheet – Nonmajor Governmental Funds	33
Combining Statement of Revenues, Expenditures, and Changes in Fund Balances – Nonmajor Governmental Funds	34
REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING ON COMPLIANCE AND OTHER MATTERS BASED ON AN AUDIT OF FINANCIAL STATEMENTS PERFORMED IN ACCORDANCE WITH GOVERNMENTAL AUDITING STANDARDS	35-36
SCHEDULE OF FINDINGS AND RESPONSES	37-42



INDEPENDENT AUDITOR'S REPORT

To the City Council
City of Waurika, Oklahoma

Report on the Financial Statements

We have audited the accompanying financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the City of Waurika, Oklahoma, as of and for the year ended June 30, 2014, and the related notes to the financial statements, which collectively comprise the City of Waurika, Oklahoma's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

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

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

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

Opinions

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the City of Waurika, Oklahoma, as of June 30, 2014, and the respective changes in financial position, and, where applicable, cash flows thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis and budgetary comparison information on pages 3–9 and 32 be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Other Information

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the City of Waurika, Oklahoma's basic financial statements. The combining nonmajor fund financial statements are presented for purposes of additional analysis and are not a required part of the basic financial statements.

The combining nonmajor fund financial statements are the responsibility of management and were derived from and relate directly to the underlying accounting and other records used to prepare the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the combining nonmajor fund financial statements are fairly stated in all material respects in relation to the basic financial statements as a whole.

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated August 16, 2016, on our consideration of the City of Waurika, Oklahoma's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the City of Waurika, Oklahoma's internal control over financial reporting and compliance.

FSW&B CPAs-PLLC

FSW&B CPAs-PLLC
Woodward, OK
August 16, 2016

Our discussion and analysis of the City of Waurika's ("City") financial performance provides an overview of the City's financial activities for the fiscal year ended June 30, 2014. 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, 2014, the assets of the City exceeded its liabilities by \$1,590,934 (net position) compared to \$1,716,349. The City's total net position is comprised of the following:
 - (1) Invested in capital assets, net of related debt of \$924,334 include property and equipment, net of accumulated depreciation, and reduced for outstanding debt related to the purchase of construction of capital assets.
 - (2) Restricted net position of \$433,375 which consist mainly of restricted investment accounts related to the outstanding debt held by the City.
 - (3) Unrestricted net position of \$233,225 may be used to meet the City's ongoing obligations to citizens and creditors.
- After transfers of \$76,856 from governmental activities to business-type activities, net position of governmental activities decreased \$49,074 or 10%, and net position of business-type activities decreased \$76,341 or 6%. Overall the health of the City declined when compared to prior year by \$125,415 or 7% over prior year.

OVERVIEW OF THE FINANCIAL STATEMENTS

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

Government-wide Financial Statements

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

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

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

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

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

Fund Financial Statements

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

The City has two kinds of funds:

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

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

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

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

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

Notes to the financial statements

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

Other information

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

A FINANCIAL ANALYSIS OF THE CITY AS A WHOLE

Net Position

The City's combined net position decreased between fiscal years 2013 and 2014, noting a \$125,415 or 7% change. The following table provides a summary of the City's net position at June 30:

	Governmental Activities		Business-Type Activities		Total		Change	
	2013	2014	2013	2014	2013	2014	\$	%
Current assets	\$ 279,529	\$ 287,019	\$ 610,771	\$ 623,159	\$ 890,300	\$ 910,178	\$ 19,878	2%
Capital assets, net	421,198	379,463	3,113,165	2,905,947	3,534,363	3,285,410	(248,953)	-7%
Total assets	700,727	666,482	3,723,936	3,529,106	4,424,663	4,195,588	(229,075)	-5%
Current liabilities	79,412	96,898	245,400	201,286	324,812	298,184	(26,628)	-8%
Non-current liabilities	135,746	133,089	2,247,756	2,173,381	2,383,502	2,306,470	(77,032)	-3%
Total liabilities	215,158	229,987	2,493,156	2,374,667	2,708,314	2,604,654	(103,660)	-4%
Net assets								
Invested in capital assets, net of related debt	252,290	201,770	714,219	722,564	966,509	924,334	(42,175)	-4%
Restricted	76,244	157,707	246,615	275,668	322,859	433,375	110,516	34%
Unrestricted	157,035	77,018	269,946	156,207	426,981	233,225	(193,756)	-45%
Total net position	\$ 485,569	\$ 436,495	\$ 1,230,780	\$ 1,154,439	\$ 1,716,349	\$ 1,590,934	\$ (125,415)	-7%

Total assets of the City noted a 5% decline resulting from depreciation on capital assets in excess of additions for both governmental and business-type activities. Liabilities also reflected a decrease when compared to prior year at 4%. This decrease is a function of payments may on current liabilities during the fiscal period. Overall, the City's net position decreased 7% when compared to prior year.

Changes in Net Position

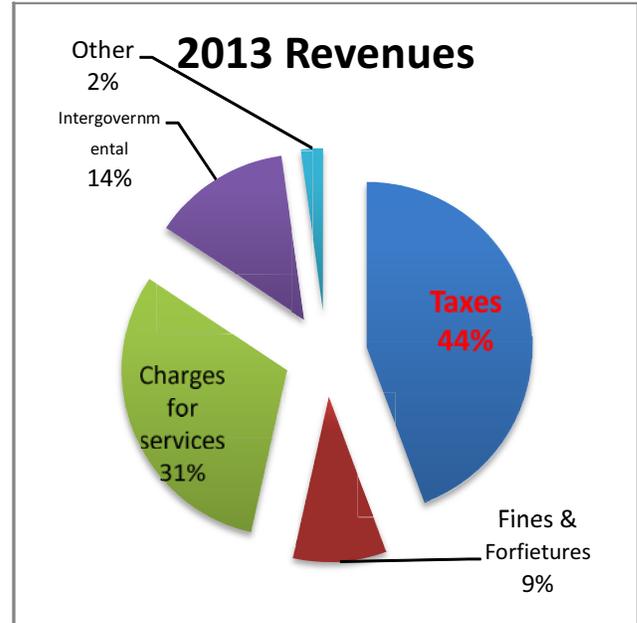
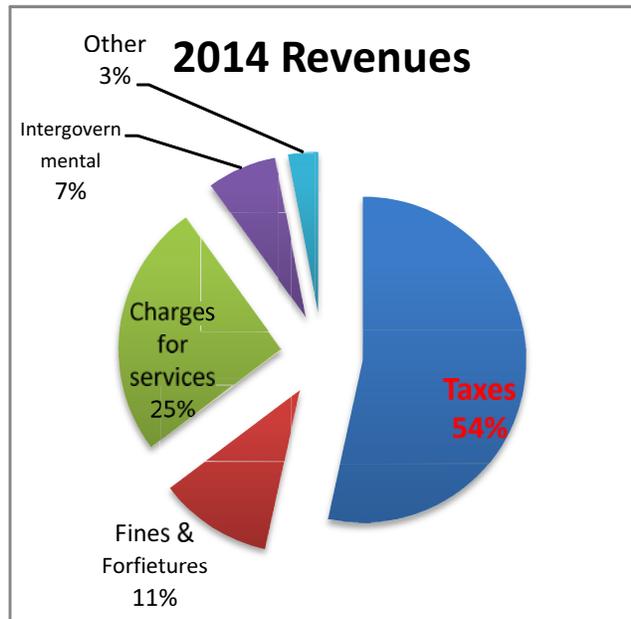
For the year ended June 30, 2014, net position of the primary government changed as follows:

	Governmental Activities		Business-type Activities		Total		Change	
	2013	2014	2013	2014	2013	2014	\$	%
Revenues								
Program revenues	\$ 637,168	\$ 454,378	\$ 1,227,419	\$ 1,195,581	\$ 1,864,587	\$ 1,649,959	\$ (214,628)	-12%
Taxes and other general revenues	548,672	533,938	1,847	1,254	550,519	535,192	(15,327)	-3%
Total revenues	1,185,840	988,316	1,229,266	1,196,835	2,415,106	2,185,151	(229,955)	-14%
Expenses								
General government	119,597	105,795	-	-	119,597	105,795	(13,802)	-12%
Public safety and judiciary	629,717	646,435	-	-	629,717	646,435	16,718	3%
Transportation	88,311	130,399	-	-	88,311	130,399	42,088	48%
Cultural, parks, and recreation	81,466	77,905	-	-	81,466	77,905	(3,561)	-4%
Water	-	-	485,384	451,084	485,384	451,084	(34,300)	-7%
Sewer	-	-	71,030	78,814	71,030	78,814	7,784	11%
Sanitation	-	-	276,404	262,404	276,404	262,404	(14,000)	-5%
Golf course	-	-	49,986	75,849	49,986	75,849	25,863	52%
Customer service	-	-	336,150	481,881	336,150	481,881	145,731	43%
Total expenses	919,091	960,534	1,218,954	1,350,032	2,138,045	2,310,566	(172,521)	-7%
Excess (deficiency) before transfers	\$ 266,749	\$ 27,782	\$ 10,312	\$ (153,197)	\$ 277,061	\$ (125,415)	\$ (402,476)	-145%
Transfers	(133,471)	(76,856)	133,471	76,856	-	-	-	0%
Increase (decrease) in net position	\$ 133,278	\$ (49,074)	\$ 143,783	\$ (76,341)	\$ 277,061	\$ (125,415)	\$ (402,476)	-145%

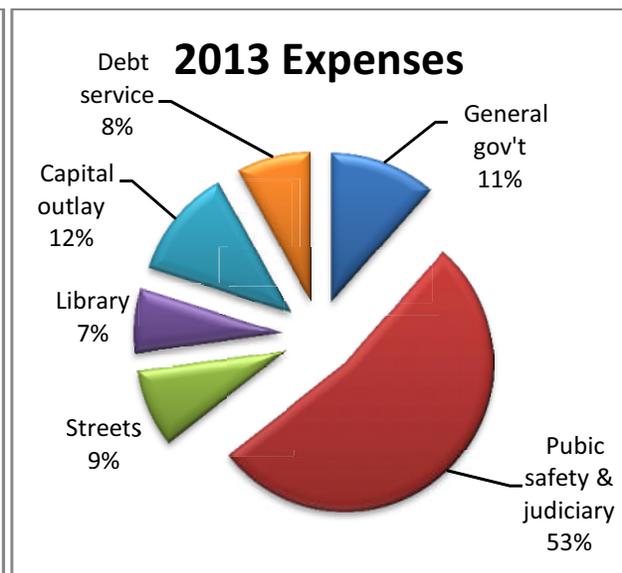
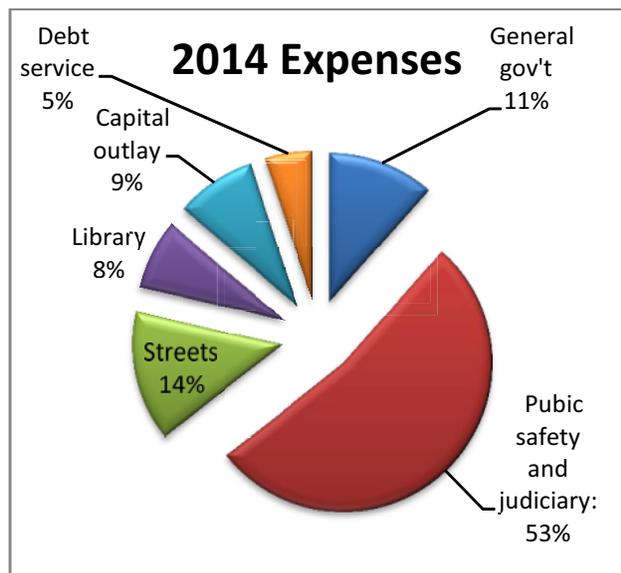
Total revenues for the City decreased 14% when compared to prior fiscal year. This majority of this decrease was noted in program revenues. Fiscal year 2013 reported grant funding for building construction in governmental activities. Business-type program revenues noted a slight decline in utility billings for services provided. In addition to the decrease in program revenues, the City noted a 3% decline in taxes and general revenues contributing to the overall decline in revenues when compared to 2013.

Expenses of the City remained consistent between periods with a 7% year over year change. Consistent with prior year, operating expenses were concentrated in public safety, water, and customer service departments. The Business-type activities of the City reflect a litigation accrual for the settlement with a former employee and the Department of Labor regarding overtime calculation.

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



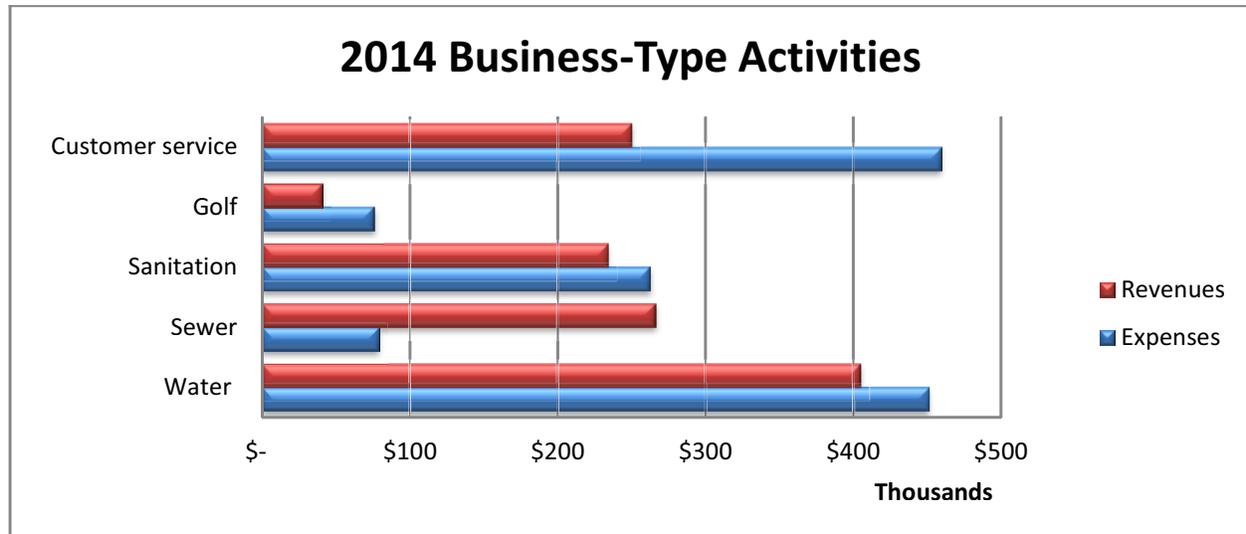
Taxes provided for 54% of the City's governmental revenues in fiscal year 2014, compared to 44% in prior year. Charges for services was the next largest source of revenue at 25%, which included ambulance runs, rural fire charges, and dispatch fees. The largest shift in revenue sources was intergovernmental revenues which declined 7% resulting from the decrease in grant funding when compared to prior year.



For the year ended June 30, 2014, total expenses for governmental activities amounted to \$898,147. Of this amount, public safety and judiciary with \$474,282, was the largest operating service department at 53% of the total cost of services for the City government, which is consistent with prior year. During the year, the City spent \$78,041 in capital assets and improvements. These costs, as well as all other governmental activity expenses, were primarily funded by tax revenues.

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

Business-type Activities



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

For the fiscal year ended June 30, 2014, revenues from sewer services covered the cost of operating their respective department.

General Fund Budgetary Highlights

The original adopted General Fund budget for fiscal year 2014 was \$654,100, an increase of \$16,580 over prior year's budget of \$637,520. The General Fund budget exceeded budgeted levels for the year ended June 30, 2014.

CAPITAL ASSET AND DEBT ADMINISTRATION

Capital Assets

At the end of June 30, 2014, the City had \$924,334 invested in capital assets, net of related debt, including vehicles and equipment for police and fire operations, street improvements, and park facilities, in governmental activities and water lines and sewer lines in business-type activities. Refer to the table below.

Primary Government Capital Assets (net of accumulated depreciation)

	Governmental		Business-type		Total	
	Activities		Activities			
	2013	2014	2013	2014	2013	2014
Land and construction in process	\$ -	\$ -	\$ 154,240	\$ 238,199	\$ 154,240	\$ 238,199
Buildings	166,884	162,063	-	-	166,884	162,063
Machinery & equipment	208,041	174,659	229,267	190,261	437,308	364,920
Utility property & improvements	46,273	42,741	2,645,698	2,477,487	2,691,971	2,520,228
Totals	\$ 421,198	\$ 379,463	\$ 3,029,205	\$ 2,905,947	\$ 3,450,403	\$ 3,285,410

The more significant capital asset additions for the City included:

- Fire Department truck
- Police Interceptor
- Greens mower for the Golf Course
- Air compressor for the Water department

Long-Term Debt

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

Primary Government Long-Term Debt

	Governmental Activities		Business-type Activities	
	2014	2013	2014	2013
Notes payable	177,693	-	2,183,383	2,567,854
less current portion	(44,604)	-	(82,180)	(256,319)
Totals	\$ 133,089	\$ -	\$ 2,101,203	\$ 2,311,535

ECONOMIC FACTORS AND NEXT YEARS'S BUDGET AND RATES

According to the Oklahoma Economic Report, the state's gross receipts are higher than ever before. State Treasurer, Ken Miller, stated when talking about July 2014 sales tax "collections have been higher than the same month of the prior year in 45 of the past 51 months, which indicates a steady economic expansion". Unemployment numbers from June 2014 reflect Oklahoma's relative economic strength compared to the nation as a whole, reporting 4.5% statewide compared to 6.1% nationally. The economic environment of the state sheds light on the local economy.

CONTACTING THE CITY'S FINANCIAL MANAGEMENT

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

City of Waurika, Oklahoma
Statement of Net Position
June 30, 2014

ASSETS	Governmental Activities	Business-type Activities	Total
Current Assets:			
Cash and cash equivalents	\$ 58,372	\$ 66,471	\$ 124,843
Investments	-	104,484	104,484
Accounts receivable (net)	46,858	117,286	164,144
Note receivable, current	-	59,250	59,250
Total current assets	<u>105,230</u>	<u>347,491</u>	<u>452,721</u>
Restricted assets:			
Cash and cash equivalents	181,789	212,173	393,962
Investments	-	63,495	63,495
Total restricted assets	<u>181,789</u>	<u>275,668</u>	<u>457,457</u>
Noncurrent Assets:			
Land and construction in progress	120,577	238,199	358,776
Other capital assets (net of accumulated depreciation)	258,886	2,667,748	2,926,634
Total noncurrent assets	<u>379,463</u>	<u>2,905,947</u>	<u>3,285,410</u>
Total assets	<u>\$ 666,482</u>	<u>\$ 3,529,106</u>	<u>\$ 4,195,588</u>
LIABILITIES			
Current liabilities:			
Accounts payable	\$ 40,809	\$ 108,396	\$ 149,205
Due from other funds	11,485	(11,485)	-
Payroll liabilities	-	22,195	22,195
Notes payable, current	44,604	82,180	126,784
Total current liabilities	<u>96,898</u>	<u>201,286</u>	<u>298,184</u>
Noncurrent liabilities:			
Meter deposit liability	-	72,178	72,178
Notes payable, non-current	133,089	2,101,203	2,234,292
Total noncurrent liabilities	<u>133,089</u>	<u>2,173,381</u>	<u>2,306,470</u>
Total liabilities	<u>229,987</u>	<u>2,374,667</u>	<u>2,604,654</u>
NET POSITION			
Net investment in capital assets	201,770	722,564	924,334
Reserved for restricted purposes	157,707	275,668	433,375
Unrestricted	77,018	156,207	233,225
Total net position	<u>\$ 436,495</u>	<u>\$ 1,154,439</u>	<u>\$ 1,590,934</u>

City of Waurika, Oklahoma
Statement of Activities
Year Ended June 30, 2014

Functions/Programs	Expenses	Program Revenues			Net (Expense)/ Revenue
		Charges for Services	Operating Grants and Contributions	Capital Grants & Contributions	
Governmental activities:					
General government	\$ 105,795	\$ 1,345	\$ -	\$ 12,544	\$ (91,906)
Public safety and judiciary	646,435	356,120	10,332	35,917	(244,066)
Transportation	130,399	-	19,264	-	(111,135)
Cultural, parks and recreation	77,905	1,251	17,605	-	(59,049)
Total governmental activities	960,534	358,716	47,201	48,461	(506,156)
Business-type activities:					
Water	451,084	404,782	-	-	(46,302)
Sewer	78,814	266,286	-	-	187,472
Sanitation	262,404	234,031	-	-	(28,373)
Golf course	75,849	38,654	1,900	-	(35,295)
Economic development	-	55	-	-	55
Customer service	481,881	249,873	-	-	(232,008)
Total business-type activities	1,350,032	1,193,681	1,900	-	(154,451)
Total primary government	\$ 2,310,566	\$ 1,552,397	\$ 49,101	\$ 48,461	\$ (660,607)

City of Waurika, Oklahoma
Statement of Activities (continued)
Year Ended June 30, 2014

Changes in Net Position:

	<u>Governmental Activities</u>	<u>Business-type Activities</u>	<u>Total</u>
Net (expense)/revenue	\$ (506,156)	\$ (154,451)	\$ (660,607)
General revenues:			
Taxes:			
Sales tax	389,798	-	389,798
Use tax	16,047	-	16,047
Franchise tax	45,608	-	45,608
Other taxes	70,524	-	70,524
Investment income	379	1,254	1,633
Other income	11,582	-	11,582
Transfers-Internal activity	(76,856)	76,856	-
Total general revenues and transfers	<u>457,082</u>	<u>78,110</u>	<u>535,192</u>
Change in net assets	(49,074)	(76,341)	(125,415)
Net position-beginning	485,569	1,230,780	1,716,349
Net position-ending	<u>\$ 436,495</u>	<u>\$ 1,154,439</u>	<u>\$ 1,590,934</u>

City of Waurika, Oklahoma
Balance Sheet
Governmental Funds
June 30, 2014

	General Fund	Non-Major Funds	Total Governmental Funds
ASSETS			
Cash and cash equivalents	\$ 61,074	\$ 179,087	\$ 240,161
Due from other governments	39,932	6,926	46,858
Total assets	\$ 101,006	\$ 186,013	\$ 287,019
LIABILITIES			
Accounts payable	\$ 37,279	\$ 3,530	\$ 40,809
Due to other funds	2,485	9,000	11,485
Current portion of long term debt	-	44,604	44,604
Total liabilities	39,764	57,134	96,898
FUND BALANCES			
Restricted	-	14,674	14,674
Committed	56,553	86,480	143,033
Assigned	8,488	27,725	36,213
Unassigned	(3,799)	-	(3,799)
Total fund balances	61,242	128,879	190,121
Total liabilities and fund balances	\$ 101,006	\$ 186,013	\$ 287,019
Total fund balance- total governmental funds			\$ 190,121

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

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

Land and construction in process	\$ 120,577	
Capital assets	1,129,363	
Less: Accumulated depreciation	(870,477)	379,463

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

Capital lease obligations	(33,089)	
General Obligation Bonds, Series 2004	(100,000)	(133,089)

Net position of governmental activities		\$ 436,495
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City of Waurika, Oklahoma
Statement of Revenues, Expenditures, and Changes in Fund Balances
Governmental Funds
June 30, 2014

	General Fund	Non-Major Funds	Total Governmental Funds
<u>REVENUES</u>			
Sales tax	\$ 389,798	\$ -	\$ 389,798
Use tax	16,047	-	16,047
Franchise tax	45,608	-	45,608
Other taxes	39,518	31,006	70,524
Licenses and permits	820	-	820
Fines and forfeitures	110,208	-	110,208
Charges for services	156,066	91,097	247,163
Intergovernmental revenues	2,254	65,641	67,895
Donations	525	4,490	5,015
Other revenues	10,290	12,987	23,277
Interest	239	140	379
Proceeds from debt issuance	-	44,826	44,826
Total revenues	<u>771,373</u>	<u>250,187</u>	<u>1,021,560</u>
<u>EXPENDITURES</u>			
General government:			
City clerk	42,201	-	42,201
General government	60,814	-	60,814
Total general government	<u>103,015</u>	<u>-</u>	<u>103,015</u>
Public safety and judiciary:			
Police	221,561	17,216	238,777
Municipal court	29,890	-	29,890
Fire	86,782	12,551	99,333
Ambulance	143,445	19,390	162,835
Total public safety and judiciary	<u>481,678</u>	<u>49,157</u>	<u>530,835</u>
Transportation:			
Street	112,707	16,047	128,754
Total transportation	<u>112,707</u>	<u>16,047</u>	<u>128,754</u>
Cultural, parks and recreation:			
Library	59,243	9,286	68,529
Total cultural, parks and recreation	<u>59,243</u>	<u>9,286</u>	<u>68,529</u>
Capital outlay	-	78,041	78,041
Debt service			
Principle	-	35,931	35,931
Interest expense	-	9,595	9,595
Total expenditures	<u>756,643</u>	<u>198,057</u>	<u>954,700</u>
Excess (deficiency) of revenues over expenditures	<u>14,730</u>	<u>52,130</u>	<u>66,860</u>
<u>OTHER FINANCING SOURCES (USES)</u>			
Transfers in	20,901	19,677	40,578
Transfers out	(106,669)	(10,765)	(117,434)
Total other financing sources and uses	<u>(85,768)</u>	<u>8,912</u>	<u>(76,856)</u>
Net change in fund balances	(71,038)	61,042	(9,996)
Fund balances - beginning	132,280	67,837	200,117
Fund balances - ending	<u>\$ 61,242</u>	<u>\$ 128,879</u>	<u>\$ 190,121</u>

City of Waurika, Oklahoma
Statement of Revenues, Expenditures, and Changes in Fund Balances
Governmental Funds
June 30, 2014

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 \$ (9,996)

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

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

Capital asset purchases capitalized	78,041	
Depreciation expense	<u>(119,806)</u>	(41,765)

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.

Proceeds from long-term debt issued	(44,826)	
Principle payments on debt	<u>47,513</u>	47,513

Change in Net Assets of Governmental Activities	<u><u>\$ (49,074)</u></u>
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City of Waurika, Oklahoma
Statement of Net Position
Proprietary Funds
June 30, 2014

	Public Works Authority	Waurika Development Trust Authority	Total Enterprise Funds
ASSETS			
Current assets:			
Cash and cash equivalents	\$ 14,327	\$ 52,144	\$ 66,471
Investments	104,484	-	104,484
Due from other funds	14,858	-	14,858
Accounts receivable, net	117,286	-	117,286
Note receivable, current	-	59,250	59,250
Total current assets	<u>250,955</u>	<u>111,394</u>	<u>362,349</u>
Current assets:			
Restricted assets:			
Cash, including time deposits	212,173	-	212,173
Investments	63,495	-	63,495
Total restricted assets	<u>275,668</u>	<u>-</u>	<u>275,668</u>
Noncurrent assets:			
Capital assets (net)	2,821,987	83,960	2,905,947
Total noncurrent assets	<u>2,821,987</u>	<u>83,960</u>	<u>2,905,947</u>
Total assets	<u>\$ 3,348,610</u>	<u>\$ 195,354</u>	<u>\$ 3,543,964</u>
LIABILITIES			
Current liabilities:			
Accounts payable	\$ 108,396	\$ -	\$ 108,396
Due to other funds	3,373	-	3,373
Payroll liabilities	22,195	-	22,195
Notes payable, current	82,180	-	82,180
Total current liabilities	<u>216,144</u>	<u>-</u>	<u>216,144</u>
Meter deposit liability	72,178	-	72,178
Notes payable, non-current	2,101,203	-	2,101,203
Total noncurrent liabilities	<u>2,173,381</u>	<u>-</u>	<u>2,173,381</u>
Total liabilities	<u>2,389,525</u>	<u>-</u>	<u>2,389,525</u>
NET POSITION			
Net investment in capital assets	638,604	83,960	722,564
Restricted	275,668	-	275,668
Unrestricted	44,813	111,394	156,207
Total net position	<u>\$ 959,085</u>	<u>\$ 195,354</u>	<u>\$ 1,154,439</u>

City of Waurika, Oklahoma
Statement of Revenues, Expenses and Changes in Fund Net Position
Proprietary Funds
Year Ended June 30, 2014

	Public Works Authority	Waurika Development Trust Authority	Total Enterprise Funds
<u>Operating revenues:</u>			
Charges for services:			
Water charges	\$ 404,782	\$ -	\$ 404,782
Sewer charges	266,286	-	266,286
Sanitation charges	234,031	-	234,031
Golf charges	38,654	-	38,654
Utility surcharges	209,716	-	209,716
Penalties	25,780	-	25,780
Total charges for services	<u>1,179,249</u>	<u>-</u>	<u>1,179,249</u>
Lease and rental income	-	-	-
Other fees and charges	14,377	55	14,432
Total operating revenues	<u>1,193,626</u>	<u>55</u>	<u>1,193,681</u>
<u>Operating expenses:</u>			
Personal services	386,932	-	386,932
Materials and supplies	200,176	-	200,176
Other services and charges	424,691	-	424,691
Depreciation and amortization	244,906	-	244,906
Total operating expenses	<u>1,256,705</u>	<u>-</u>	<u>1,256,705</u>
Net operating income	(63,079)	55	(63,024)
<u>Nonoperating revenue (expense):</u>			
Investment income	1,204	50	1,254
Donations	1,900	-	1,900
Interest expense	(93,327)	-	(93,327)
Total nonoperating revenue (expense)	<u>(90,223)</u>	<u>50</u>	<u>(90,173)</u>
Net income before contributions and transfers	(153,302)	105	(153,197)
Transfers from other funds	80,856	-	80,856
Transfers to other funds	(4,000)	-	(4,000)
Change in net position	(76,446)	105	(76,341)
Net position-beginning of year	<u>1,035,531</u>	<u>195,249</u>	<u>1,230,780</u>
Net position-end of year	<u>\$ 959,085</u>	<u>\$ 195,354</u>	<u>\$ 1,154,439</u>

City of Waurika, Oklahoma
Statement of Cash Flows
Proprietary Funds
Year Ended June 30, 2014

	Public Works Authority	Waurika Development Trust Authority	Total Enterprise Funds
<u>Cash flows from operating activities:</u>			
Receipts from customers	\$ 1,188,532	\$ 55	\$ 1,188,587
Payments to suppliers	(547,240)	-	(547,240)
Payments to employees	(364,737)	-	(364,737)
Net cash provided (used) by operating activities	276,555	55	276,610
<u>Cash flows from non-capital financing activities:</u>			
Transfers from other funds	80,856	-	80,856
Transfers to other funds	(4,000)	-	(4,000)
Net cash provided (used) by non-capital financing activities	76,856	-	76,856
<u>Cash flows from capital and related financing activities:</u>			
Purchase of capital assets	(37,688)	-	(37,688)
Issuance of capital debt	17,986	-	17,986
Principal paid on capital debt	(233,549)	-	(233,549)
Interest paid on capital debt	(80,365)	-	(80,365)
Net cash provided (used) by capital and related financing activities	(333,616)	-	(333,616)
<u>Cash flows from investing activities:</u>			
Investment income	1,204	50	1,254
Net cash provided (used) by investing activities	1,204	50	1,254
Net increase (decrease) in cash and cash equivalents	20,999	105	21,104
Cash & cash equivalents, June 30, 2013	205,501	52,039	257,540
Cash & cash equivalents, June 30, 2014	<u>\$ 226,500</u>	<u>\$ 52,144</u>	<u>\$ 278,644</u>
Cash, including time deposits	\$ 14,327	\$ 52,144	\$ 66,471
Restricted cash, including time deposits	212,173	-	212,173
Total cash and cash equivalents, end of year	<u>\$ 226,500</u>	<u>\$ 52,144</u>	<u>\$ 278,644</u>
<u>Reconciliation of operating income (loss) to net cash provided (used) by operating activities</u>			
Operating income (loss)	\$ (63,079)	\$ 55	\$ (63,024)
Adjustments to reconcile operating income (loss) to net cash provided (used) by operating activities:			
Depreciation	244,906	-	244,906
Changes in assets and liabilities:			
(Increase) decrease in accounts receivable	(5,094)	-	(5,094)
(Increase) decrease in other receivable	-	-	-
Increase (decrease) in accounts payable	77,627	-	77,627
Increase (decrease) in payroll liabilities	22,195	-	22,195
Total adjustments	339,634	-	339,634
Net cash provided (used) by operating activities	\$ 276,555	\$ 55	\$ 276,610

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

A. Organization

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

The Reporting Entity

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

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

Blended Component Units Reported with Primary Government

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

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

B. Basis of Presentation

Government-Wide Financial Statements:

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

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

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

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

Fund Financial Statements:

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

Measurement Focus and Basis of Accounting

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

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

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

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

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

Restricted Assets

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

Use of Estimates

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

Interfund Balances

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

C. Fund Types and Major Funds

Governmental Funds

General Fund

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

Special Revenue Funds

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

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

PROPRIETARY FUND TYPES

Enterprise Funds

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

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

D. Budgets and Budgetary Accounting

Budget Policy and Practice

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

Budgetary Control

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

Budget Basis of Accounting

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

For the year ended June 30, 2014, the City spent in excess of approved budgeted amounts.

E. Assets, Liabilities and Equity

Cash and Investments

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

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

Allowance for Uncollectible Accounts

Significant receivables include amounts due from customers primarily for utility services. These receivables are due within one year. The City has established an allowance for collectible accounts of \$61,262 based on management's prior experience using past due amounts more than 60 to 90 days. Management does not believe there are significant losses in excess of the allowance.

Property, Plant and Equipment

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

Government-Wide Statements:

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

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

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

Fund Financial Statement:

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

Long-Term Debt

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

Equity Classifications

Governmental Fund Balances

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

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

Nonspendable

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

Restricted

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

Committed

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

Assigned

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

Unassigned

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

Net Position

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

Net investment in capital assets

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

Restricted net position

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

Unrestricted net position

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

Deferred Outflows of Resources and Deferred Inflows of Resources

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

F. Revenues, Expenditures and Expenses

Sales Tax

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

Charges for Services

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

Grants and Contributions

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

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

Interfund Transfers

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

(2) DETAIL NOTES ON TRANSACTION CLASSES/ACCOUNTS

A. Cash and Investments

Deposits

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

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

Investments

The City invests primarily in certificates of deposit.

<u>Types of Investments</u>	<u>Fair Value/ Carrying Amount</u>	<u>Cost</u>	<u>Average Credit Quality/ Ratings (1)</u>	<u>Weighted Average Months to Maturity (2)</u>
Primary government				
<u>INVESTMENTS:</u>				
Certificates of deposit	\$ 167,979	\$ 167,979	N/A	7.3
Total investments	<u>167,979</u>	<u>167,979</u>		
 Total primary government investments	 <u>\$ 167,979</u>	 <u>\$ 167,979</u>		

RECONCILIATION TO STATEMENT OF NET ASSETS

	<u>Business-type Activities</u>
Investments, unrestricted	\$ 104,484
Investments, restricted	63,495
Total investments	<u>\$ 167,979</u>

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

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

B. PROPERTY, PLANT AND EQUIPMENT

Governmental Activities:

A summary of the changes in the governmental activities fixed assets at June 30, 2014 follows:

	<u>Balance at July 1, 2013</u>	<u>Additions</u>	<u>Deletions</u>	<u>Balance at June 30, 2014</u>
Construction in process	\$ 120,577	\$ -	\$ -	\$ 120,577
Buildings & structures	109,174	-	-	109,174
Machinery, furniture, & equipment	873,657	78,041	-	951,698
Infrastructure & improvements	68,491	-	-	68,491
Total	1,171,899	78,041	-	1,249,940
Less accumulated depreciation	750,671	119,806	-	870,477
Fixed assets, net	<u>\$ 421,228</u>	<u>\$ (41,765)</u>	<u>\$ -</u>	<u>\$ 379,463</u>

CITY OF WAURIKA, OKLAHOMA
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2014

Business-Type Activities:

A summary of the proprietary fund types fixed assets at June 30, 2014 follows:

	Balance at July 1, 2013	Additions	Deletions	Balance at June 30, 2014
Land	\$ 238,199	\$ -	\$ -	\$ 238,199
Machinery, furniture, & equipment	986,006	37,688	-	1,023,694
Infrastructure	5,926,799	-	-	5,926,799
Total	7,151,004	37,688	-	7,188,692
Less accumulated depreciation	4,037,839	244,906	-	4,282,745
Fixed assets, net	\$ 3,113,165	\$ (207,218)	\$ -	\$ 2,905,947

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

Governmental Activities		Business-type Activities	
General government	\$ 2,780	Water	\$ 166,532
Public safety & judiciary	106,005	Sewer	55,264
Transportation	1,645	Sanitation	1,888
Cultural, parks & recreation	9,376	Customer service	2,428
		Golf operations	18,794
Total depreciation expense	\$ 119,806	Total depreciation expense	\$ 244,906

C. LONG-TERM DEBT

The City held the following long-term debt obligations at June 30, 2014:

Governmental activities:

Capital Leases

Capital lease agreement with FB&T for 2011 Dodge Charger for the Police department with an original amount of \$26,173 carrying an interest rate of 3.35%, maturing April 2015	\$ 10,636
Capital lease agreement with FB&T for a Chevy truck for the Fire department with an original amount of \$17,701 carrying an interest rate of 4.75%, maturing December 2015	14,932
Capital lease agreement with FB&T for 2013 Ford Interceptor for the Police department with an original amount of \$27,125 carrying an interest rate of 3.6%, maturing July 2016	27,125

General Obligation Bonds

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

	125,000
Total governmental activities	\$ 177,693

CITY OF WAURIKA, OKLAHOMA
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2014

Business-type activities:

Notes Payable

Note payable to Waurika Lake Master Conservancy District (WLMC) in the amount of \$298,425 issued August 23, 1977 for water storage. The note carries an interest rate of 3.463% with annual payments in September, maturing in August 2027.	\$ 112,899
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.	248,058
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.	797,650
Note payable to United States Department of Agriculture, Rural Development dated May 2001 with an original amount of \$1,082,500 carrying an interest rate of 4.5%. Loan matures May 2041.	919,006
Note payable to United States Department of Agriculture, Rural Development dated May 2001 with an original amount of \$100,00 carrying an interest rate of 4.5%. Loan matures May 2041.	84,831
Note payable to FB&T for the purchase of a pickup for the water department. Loan was issued in April 2013 with an original amount of \$19,690 at 3.5% interest, maturing in April 2016. Annual payments are made on the note.	13,345
Note payable for the purchase of 5 golf carts with the original amount of \$12,500 at 4.75% interest, maturing November 2013.	-
Note payable to FB&T for the purchase of golf carts with the original amount of \$13,246 at 3.5% interest, maturing March 2014.	-
Note payable to FB&T for the purchase of golf carts with the original amount of \$17,986 at 4.75% interest, maturing November 2014.	7,595

Bonds Payable

Waurika Public Works Authority Utility System Refunding Revenue Bonds, Series 1998 issued in May 1998 maturing May 2014 with an original amount of \$270,000 at an interest rate of 5.8%.	-
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Total business-type activities	\$ 2,183,384
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CITY OF WAURIKA, OKLAHOMA
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2014

Changes in Long-Term Debt:

The following is a summary of changes in long-term debt for the year ended June 30, 2014:

<u>Type of Debt</u>	<u>Balance at July 1, 2013</u>	<u>Amount Issued</u>	<u>Amount Retired</u>	<u>Balance at June 30, 2014</u>	<u>Due Within One Year</u>
Governmental activities:					
<i>Capital Leases</i>					
FB&T Police 2011 Charger	\$ 18,908	\$ -	\$ 8,162	\$ 10,746	\$ 8,162
FB&T Fire truck	-	17,701	2,769	14,932	5,142
FB&T Police 2013 Ford	-	27,125	-	27,125	6,300
<i>G O Bonds</i>					
2004 General Obligation bonds	150,000	-	25,000	125,000	25,000
Total governmental activities	<u>\$ 168,908</u>	<u>\$ 44,826</u>	<u>\$ 35,931</u>	<u>\$ 177,803</u>	<u>\$ 44,604</u>
Business-type activities:					
<i>Notes Payable</i>					
WLMC 1977 Water Storage	119,686	-	6,788	112,898	7,023
WLMC 1977 South Facility	262,973	-	14,915	248,058	15,432
WLMC 2010 Water Storage	822,044	-	24,394	797,650	25,892
Rural Development 91-01	936,256	-	17,250	919,006	18,027
Rural Development 91-03	86,423	-	1,591	84,832	1,664
FB&T Water pickup	19,690	-	6,345	13,345	6,547
Note Payable - Golf carts #2	1,898	-	1,898	-	-
FB&T Golf carts	9,976	-	9,976	-	-
FB&T Golf carts	-	17,986	10,391	7,595	7,595
<i>Bonds Payable</i>					
Refunding Bonds, Series 1998	140,000	-	140,000	-	-
Total business-type activities	<u>\$ 2,398,946</u>	<u>\$ 17,986</u>	<u>\$ 233,548</u>	<u>\$ 2,183,384</u>	<u>\$ 82,180</u>

Annual Debt Service Requirements:

The annual debt service requirements to maturity, including principal and interest, for long-term debt held by business-type activities as of June 30, 2014 follow:

<u>Year Ending June 30</u>	<u>Governmental Activities</u>				<u>Business-type Activities</u>	
	<u>Capital Leases</u>		<u>Bonds Payable</u>		<u>Notes Payable</u>	
	<u>Principal</u>	<u>Interest</u>	<u>Principal</u>	<u>Interest</u>	<u>Principal</u>	<u>Interest</u>
2015	\$ 19,604	\$ 2,571	\$ 25,000	\$ 6,875	\$ 82,180	\$ 73,691
2016	20,803	2,079	25,000	6,875	79,256	70,905
2017	12,396	1,521	25,000	4,125	75,824	68,245
2018	-	-	25,000	2,750	78,479	65,590
2019	-	-	25,000	1,375	81,226	62,842
2019-2023	-	-	-	-	450,836	269,509
2024-2028	-	-	-	-	470,929	186,786
2029-2033	-	-	-	-	437,790	111,748
2034-2038	-	-	-	-	313,851	42,003
2039-2041	-	-	-	-	113,013	3,690
Totals	<u>\$ 52,803</u>	<u>\$ 6,171</u>	<u>\$ 125,000</u>	<u>\$ 22,000</u>	<u>\$ 2,183,384</u>	<u>\$ 955,009</u>

D. INTERFUND TRANSACTIONS AND BALANCES

Interfund transactions for the year ended June 30, 2014 were as follows:

	Due From	Due To
GENERAL FUND		
Public Works Authority	\$ -	\$ 2,485
Ambulance District	-	-
GRANT MANAGEMENT FUND		
Public Works Authority	-	9,000
PUBLIC WORKS AUTHORITY		
General Fund	2,485	-
Grant Management Fund	9,000	-
	\$ 11,485	\$ 11,485
	Transfers In	Transfers Out
GENERAL FUND		
Library Special Revenue Fund	\$ 3,050	\$ -
Fire Special Revenue Fund	7,715	-
G O Bond Fund	-	1,717
Police Special Revenue Fund	6,136	24,096
Public Works Authority	4,000	80,856
Total General Fund	10,136	104,952
LIBRARY SPECIAL REVENUE FUND		
General Fund	-	3,050
Total Library Special Revenue Fund	-	3,050
FIRE SPECIAL REVENUE FUND		
General Fund	-	7,715
Total Fire Special Revenue Fund	-	7,715
G O BOND FUND		
General Fund	1,717	-
Total G O Bond Fund	1,717	-
POLICE SPECIAL REVENUE FUND		
General Fund	24,096	6,136
Total Police Special Revenue Fund	24,096	6,136
PUBLIC WORKS AUTHORITY		
General Fund	80,856	4,000
Total Public Works Authority	80,856	4,000
GRAND TOTAL	\$ 127,570	\$ 127,570

(3) RETIREMENT PLANS

The City participates in three employee pension systems as follows:

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

A. Oklahoma Municipal Retirement Fund

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

For the year ended June 30, 2014, the following amounts related to the defined contribution plan:

Payroll for covered employees	\$426,485
Employer (City) contributions made	\$39,509

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.

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	By City Ordinance
- Authorization	Yes
- Actuarially Determined	8.78% of covered payroll
- Employer Rate	4% of covered payroll
- Employee Rate	
c. Period Required to Vest	10 years of vesting service
d. Eligibility for Distribution	<ul style="list-style-type: none"> - Normal retirement at age 65 with 10 years of vesting service. - 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. - Disability retirement upon total and permanent disability with 10 years of service. - 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.
e. Benefit Determination Base	Final average salary – the average of the five highest consecutive annual salaries out of the last 10 years of service.
f. Benefit Determination Methods:	
- Normal Retirement	3% of final average compensation multiplied by the number of years of credited service.
- Early Retirement	Payable starting at normal retirement or the accrued benefit reduced 5% per year for commencement prior to normal retirement age.
- Disability Retirement	Payable upon disablement without reduction for early payment
- Death Benefit	50% of employee's accrued benefit, see above
- Prior to 10 Years Service	Return of employee contributions with accrued interest.
g. Form of Benefit Payments	Normal form of payment of the accrued benefit is a monthly lifetime annuity with 10 years certain. Other retirement benefits are available under actuarially equivalent optional forms.

Employees Covered by Benefit Terms

Active Employees	14
Deferred Vested Former Employees	1
Retirees or Retiree Beneficiaries	<u>5</u>
Total	<u>20</u>

Contribution Requirements

The City Commission has the authority to set and amend contribution rates by ordinance for the OkMRF defined benefit plan in accordance with O.S. Title 11, Section 48-102. The contribution rates for the current fiscal year have been made in accordance with an actuarially determined rate. The actuarially determined rate is 8.78% of covered payroll. Employees contribute a fixed 4% to the plan in accordance with the plan provisions adopted by the City Commission.

Actuarial Assumptions

- | | |
|--|-------------------------------|
| a. Date of last Actuarial Valuation | March 2014 |
| b. Significant Actuarial Assumptions Used: | |
| 1. Rate of Return on Investments | 7.5% per annum |
| 2. Pay increases | Rates by age |
| 3. Retirement Age | Rates by age |
| 4. Mortality Table | UP 1994 mortality (projected) |
| 5. Asset Value | Actuarial method |
| c. Actuarial cost method | Entry age normal |

B. Oklahoma Firefighter's Pension and Retirement Systems

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

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

Benefits for members hired prior to November 1, 2014 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, 2014 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 \$1,020 (fiscal year contributions).

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

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 granted to a participant, that participant is no longer allowed to apply for an increase in the dollar amount of the benefit at a subsequent date.

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

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

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

(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.

(5) SUBSEQUENT EVENTS

Subsequent to year end, the City settled litigation with the former employee and the Department of Labor regarding the calculation and payment of overtime benefits. The financial statements reflect an accrual of \$22,195 in salary obligation. The issue was settled in October 2015.

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, 2014

	<u>Budget</u>	<u>Revisions</u>	<u>Revised Budget</u>	<u>Actual</u>	<u>Variance - Favorable (Unfavorable)</u>
REVENUES					
Sales tax	\$ 400,300	\$ -	\$ 400,300	\$ 389,798	\$ (10,502)
Franchise tax	43,100	-	43,100	45,608	2,508
Other taxes	36,500	-	36,500	55,565	19,065
Licenses and permits	600	-	600	820	220
Fines and forfeitures	63,200	-	63,200	110,208	47,008
Charges for services	144,100	-	144,100	156,066	11,966
Intergovernmental revenues	-	-	-	2,254	2,254
Other revenues	200	-	200	10,290	10,090
Interest	100	-	100	239	139
Total revenues	<u>688,100</u>	<u>-</u>	<u>688,100</u>	<u>770,848</u>	<u>82,748</u>
EXPENDITURES					
<u>General government:</u>					
Clerk	41,600	-	41,600	42,201	(601)
General government	67,300	-	67,300	60,814	6,486
<u>Public safety and judiciary:</u>					
Police	211,900	-	211,900	221,561	(9,661)
Municipal Court	28,300	-	28,300	29,890	(1,590)
Fire	81,600	-	81,600	86,782	(5,182)
Ambulance	92,000	-	92,000	143,445	(51,445)
<u>Transportation:</u>					
Street	75,000	-	75,000	92,391	(17,391)
<u>Culture and recreation:</u>					
Library	56,400	-	56,400	59,243	(2,843)
Total expenditures	<u>654,100</u>	<u>-</u>	<u>654,100</u>	<u>736,327</u>	<u>(82,227)</u>
Revenue over (under) expenditures	34,000	-	34,000	34,521	164,975
OTHER FINANCING SOURCES (USES)					
Operating transfers in/(out)	(36,300)	-	(36,300)	(85,768)	(49,468)
Carry forward from prior year	32,200	-	32,200	-	(32,200)
Net other financing sources (uses)	<u>(4,100)</u>	<u>-</u>	<u>(4,100)</u>	<u>(85,768)</u>	<u>(81,668)</u>
Revenues and other financing sources over (under) expenditures and other uses	29,900	-	29,900	(51,247)	83,307
Fund balance at beginning of year (Non-GAAP budgetary basis)				<u>222,230</u>	
Fund balance at end of year (Non-GAAP budgetary basis)				<u>\$ 170,983</u>	
ADJUSTMENTS TO GENERALLY ACCEPTED ACCOUNTING PRINCIPLES					
Revenue and transfer in accruals				(63,019)	
Expense and transfer out accruals				<u>(46,722)</u>	
Fund balance at end of year (GAAP basis)				<u>\$ 61,242</u>	

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

	Street & Alley Fund	Library Special Revenue	Rural Fire Special Revenue	G O Bond Fund	Grant Management Fund	Ambulance District	Police Special Revenue	Total Non-Major Funds
ASSETS								
Cash and cash equivalents	\$ 11,553	\$ 15,417	\$ 20,738	\$ 720	\$ 52,163	\$ 78,479	\$ 17	\$ 179,087
Due from other governments	4,279	-	-	1,212	-	1,435	-	6,926
Total assets	<u>\$ 15,832</u>	<u>\$ 15,417</u>	<u>\$ 20,738</u>	<u>\$ 1,932</u>	<u>\$ 52,163</u>	<u>\$ 79,914</u>	<u>\$ 17</u>	<u>\$ 186,013</u>
LIABILITIES								
Accounts payable	\$ 1,158	\$ 1,279	\$ -	\$ -	\$ 16	\$ 100	\$ 977	\$ 3,530
Due to other funds	-	-	-	-	9,000	-	-	9,000
Current portion of long term debt	-	-	5,142	25,000	-	-	14,462	44,604
Total liabilities	<u>1,158</u>	<u>1,279</u>	<u>5,142</u>	<u>25,000</u>	<u>9,016</u>	<u>100</u>	<u>15,439</u>	<u>57,134</u>
FUND BALANCES								
Restricted	14,674	-	-	-	-	-	-	14,674
Committed	-	14,138	15,596	(23,068)	-	79,814	-	86,480
Assigned	-	-	-	-	43,147	-	(15,422)	27,725
Total fund balances	<u>14,674</u>	<u>14,138</u>	<u>15,596</u>	<u>(23,068)</u>	<u>43,147</u>	<u>79,814</u>	<u>(15,422)</u>	<u>128,879</u>
Total liabilities and fund balances	<u>\$ 15,832</u>	<u>\$ 15,417</u>	<u>\$ 20,738</u>	<u>\$ 1,932</u>	<u>\$ 52,163</u>	<u>\$ 79,914</u>	<u>\$ 17</u>	<u>\$ 186,013</u>

**City of Elk City, Oklahoma
Combining Balance Sheet
Non-Major Governmental Funds (continued)
June 30, 2014**

	Street & Alley Fund	Library Special Revenue	Rural Fire Special Revenue	G O Bond Fund	Grant Management Fund	Ambulance District	Police Special Revenue	Total Non-Major Funds
REVENUES								
Intergovernmental revenue	\$ 19,264	\$ 5,986	\$ 4,474	\$ 31,006	\$ 35,917	\$ -	\$ -	\$ 96,647
Charges for services	-	-	19,760	-	-	71,337	-	91,097
Other income	-	7,329	1,152	-	-	-	4,506	12,987
Donations	-	4,290	200	-	-	-	-	4,490
Interest income	22	-	-	12	25	81	-	140
Proceeds from debt issuance	-	-	17,701	-	-	-	27,125	44,826
Total revenues	19,286	17,605	43,287	31,018	35,942	71,418	31,631	250,187
EXPENDITURES								
Public safety and judiciary:								
Police	-	-	-	-	1,668	-	15,548	17,216
Fire	-	-	12,051	500	-	-	-	12,551
Ambulance	-	-	-	-	-	19,390	-	19,390
Total public safety and judiciary	-	-	12,051	500	1,668	19,390	15,548	49,157
Transportation:								
Street	16,047	-	-	-	-	-	-	16,047
Total transportation	16,047	-	-	-	-	-	-	16,047
Cultural, parks and recreation:								
Library	-	9,286	-	-	-	-	-	9,286
Total cultural, parks and recreation	-	9,286	-	-	-	-	-	9,286
Capital outlay	-	-	32,201	-	-	9,263	33,527	78,041
Debt service	-	-	2,769	25,000	-	-	8,162	35,931
Principle	-	-	405	7,975	-	-	1,215	9,595
Interest expense	-	-	47,426	33,475	1,668	28,653	58,452	198,057
Total expenditures	16,047	12,336	47,426	33,475	1,668	28,653	58,452	198,057
Excess (deficiency) of revenues over expenditures	3,239	5,269	(4,139)	(2,457)	34,274	42,765	(26,821)	52,130
OTHER FINANCING SOURCES (USES)								
Transfers in/(out)	-	(3,050)	(7,715)	1,717	-	-	17,960	8,912
Total other financing sources and uses	-	(3,050)	(7,715)	1,717	-	-	17,960	8,912
Net change in fund balances	3,239	2,219	(11,854)	(740)	34,274	42,765	(8,861)	61,042
Fund balances - beginning	11,435	11,919	27,450	(22,328)	8,873	37,049	(6,561)	67,837
Fund balances - ending	\$ 14,674	\$ 14,138	\$ 15,596	\$ (23,068)	\$ 43,147	\$ 79,814	\$ (15,422)	\$ 128,879

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, each major fund, and the aggregate remaining fund information of the City of Waurika, Oklahoma, as of and for the year ended June 30, 2014, and the related notes to the financial statements, which collectively comprise the City of Waurika, Oklahoma's basic financial statements and have issued our report thereon dated August 16, 2016.

Internal Control over Financial Reporting

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

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

A deficiency in internal control exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, misstatements on a timely basis. *A material weakness* is a deficiency, or a combination of deficiencies, in internal control such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented, or detected and corrected on a timely basis. We consider the deficiencies described in the accompanying schedule of findings and responses to be material weaknesses: Finding 2014-2.

A significant deficiency is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance. We consider the deficiencies described in the accompany schedule of findings and responses to be significant deficiencies: Finding 2014-1.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the City of Waurika, Oklahoma's financial statements are free from material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed 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: Finding 2014-3.

City of Waurika, Oklahoma's Response to Findings

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

Purpose of this Report

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

FSW&B CPAs-PLLC

FSW&B CPAs-PLLC
Woodward, OK
August 16, 2016

City of Waurika, Oklahoma
Schedule of Findings and Responses
For the Year Ended June 30, 2014

Finding 2014-1 Segregation of Duties

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

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

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

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

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

Finding 2014-2 Payroll

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

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

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

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

Response: The City is aware of the weaknesses in the payroll process and is working to implement additional controls. Subsequent to year end specialized accounting consultants have been hired.

City of Waurika, Oklahoma
Schedule of Findings and Responses
For the Year Ended June 30, 2014

Finding 2014-3: Budget Compliance

Condition and Criteria: For the year ended June 30, 2014, the City spent in excess of approved budgeted amounts. Oklahoma Budget Law requires local government entities to amend the original budget when actual expenditures exceed budgeted expenditures.

Cause: The City neglected to amend the budget when actual expenditures exceeded budgeted.

Effect: The City was out of compliance during the current fiscal year with required laws in the State of Oklahoma.

Recommendation: We recommend that management implement a monthly schedule of budget to actual for expenditures and amend the budget when actual expenses exceed budgeted expenses.

Response: Management has hired outside accounting consultants to help aid in the budget process. Management will amend the budget as needed and submit to the governing body.

City of Waurika, Oklahoma
Summary Schedule of Prior Year Findings and Responses
For the Year Ended June 30, 2014

Finding 2013-1 Segregation of Duties

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

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

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

Current Status: Condition existed as of June 30, 2014 and is reported in the current year schedule of findings and responses.

Finding 2013-2 Payroll

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

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City of Waurika, Oklahoma
Schedule of Findings and Responses
For the Year Ended June 30, 2014

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City of Waurika, Oklahoma
Schedule of Findings and Responses
For the Year Ended June 30, 2014

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Cause: The City neglected to amend the budget when actual expenditures exceeded budgeted.

Effect: The City was out of compliance during the current fiscal year with required laws in the State of Oklahoma.

Recommendation: We recommend that management implement a monthly schedule of budget to actual for expenditures and amend the budget when actual expenses exceed budgeted expenses.

Response: Management has hired outside accounting consultants to help aid in the budget process. Management will amend the budget as needed and submit to the governing body.

City of Waurika, Oklahoma
Summary Schedule of Prior Year Findings and Responses
For the Year Ended June 30, 2014

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