

**THE CITY OF COMMERCE,
OKLAHOMA
ANNUAL FINANCIAL STATEMENTS AND
INDEPENDENT AUDITOR'S REPORTS**

AS OF AND FOR THE FISCAL YEAR ENDED JUNE 30, 2011

CITY OF COMMERCE, OKLAHOMA
ANNUAL FINANCIAL REPORT
As of and for the Year Ended June 30, 2011

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CITY OF COMMERCE, OKLAHOMA
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INDEPENDENT AUDITOR'S REPORT



INDEPENDENT AUDITOR'S REPORT

Mayor and City Council
City of Commerce, Oklahoma

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 Commerce, Oklahoma, as of and for the year ended June 30, 2011, which collectively comprise the City's basic financial statements as listed in the table of contents. These financial statements are the responsibility of the City of Commerce, Oklahoma's management. Our responsibility is to express opinions on these financial statements based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinions.

As described in Note 1, the City of Commerce, Oklahoma, prepares its financial statements on the modified cash basis, which is a comprehensive basis of accounting other than generally accepted accounting principles.

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position – modified cash basis of the governmental activities, the business-type activities each major fund, and the aggregate remaining fund information of the City of Commerce, Oklahoma as of June 30, 2011, and the respective changes in financial position – modified cash basis and cash flows, where applicable, thereof for the year then ended in conformity with accounting principles generally accepted in the United States of America.

In accordance with *Government Auditing Standards*, we have also issued our report dated June 19, 2013 on our consideration of the City of Commerce, 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 the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be considered in conjunction with this report in considering the results of our audit.

The City of Commerce, Ottawa County, Oklahoma has not presented the Management's Discussion and Analysis required by the Governmental Accounting Standards Board (GASB) that the GASB has determined is necessary to supplement, although not required to be part of, the basic financial statements.

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the City of Commerce, Oklahoma's basic financial statements.

TURNER & Associates, PLLC

Vinita, Oklahoma
January 6, 2014

**CITY OF COMMERCE, OKLAHOMA
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BASIC FINANCIAL STATEMENTS – STATEMENT OF NET ASSETS AND ACTIVITIES

CITY OF COMMERCE, OKLAHOMA
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Statement of Net Assets (Modified Cash Basis) – June 30, 2011

	<u>Primary Government</u>			<u>Component Unit</u>
	<u>Governmental Activities</u>	<u>Business-Type Activities</u>	<u>Total</u>	<u>Mickey Mantle Memorial Trust Authority</u>
ASSETS				
Cash and cash equivalents	\$ 37,152	\$ 171,473	\$ 208,625	\$ 23,577
Investments	290,643	35,734	326,377	-
Internal balances	(20)	20	-	-
Cash and cash equivalents-restricted	-	60,041	60,041	-
Total assets	<u>\$ 327,775</u>	<u>\$ 267,268</u>	<u>\$ 595,043</u>	<u>\$ 23,577</u>
LIABILITIES				
Payroll withholding payable	4,435	-	4,435	-
Due to other governments	105,681	16,124	121,805	-
Deposits subject to refund - due in one year	-	12,008	12,008	-
Deposits subject to refund - due in more than one year	-	48,033	48,033	-
Total liabilities	<u>110,116</u>	<u>76,165</u>	<u>186,281</u>	<u>-</u>
NET ASSETS				
Restricted for grant purposes	9	-	9	-
Restricted for capital projects	-	149,266	149,266	-
Unrestricted	217,650	41,837	259,487	23,577
Total Net Assets	<u>\$ 217,659</u>	<u>\$ 191,103</u>	<u>\$ 408,762</u>	<u>\$ 23,577</u>

See accompanying notes to the basic financial statements.

CITY OF COMMERCE, OKLAHOMA
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Statement of Activities (Modified Cash Basis) – Year Ended June 30, 2011

Functions/Programs	Expenses	Program Revenues			Net (Expense) Revenue and Changes in Net Assets			Component Unit Mickey Mantle Memorial Trust Authority
		Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	Governmental Activities	Business-Type Activities	Total	
Primary Government:								
Governmental activities:								
General Government	\$ 239,502	-	\$ 10,654	\$ -	\$ (228,848)	\$ -	\$ (228,848)	\$ -
Public Safety	314,346	45,320	24,313	18,061	(226,652)	-	(226,652)	-
Highways and Streets	189,230	-	18,922	65,378	(104,930)	-	(104,930)	-
Culture and Recreation	16,781	-	-	-	(16,781)	-	(16,781)	-
Public Works	166,094	225,463	-	-	59,369	-	59,369	-
Debt service:								
Principal on long-term debt	32,220	-	-	-	(32,220)	-	(32,220)	-
Interest on long-term debt	4,962	-	-	-	(4,962)	-	(4,962)	-
Total governmental activities	<u>963,135</u>	<u>270,783</u>	<u>53,889</u>	<u>83,439</u>	<u>(555,024)</u>	<u>-</u>	<u>(555,024)</u>	<u>-</u>
Business-type activities:								
Water and sewer	473,660	509,003	-	-	-	35,343	35,343	-
Total business-type activities	<u>473,660</u>	<u>509,003</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>35,343</u>	<u>35,343</u>	<u>-</u>
Total primary government	<u>\$ 1,436,795</u>	<u>\$ 779,786</u>	<u>\$ 53,889</u>	<u>\$ 83,439</u>	<u>\$ (555,024)</u>	<u>35,343</u>	<u>(519,681)</u>	<u>-</u>
Component Unit:								
Culture and Recreation	<u>\$ 45,313</u>		<u>\$ -</u>					<u>\$ (45,313)</u>
General revenues:								
Taxes:								
Sales tax					237,142	-	237,142	-
Franchise and public service taxes					54,647	-	54,647	-
Intergovernmental revenue not restricted to specific programs					14,080	-	14,080	-
Investment income					3,804	1,245	5,049	271
Miscellaneous					79,997	-	79,997	63
Transfers - internal activity					97,000	(97,000)	-	-
Total general revenues and transfers					<u>486,670</u>	<u>(95,755)</u>	<u>390,915</u>	<u>334</u>
Change in net assets					(68,354)	(60,412)	(128,766)	(44,979)
Net assets - beginning					286,013	251,515	537,528	68,556
Net assets - ending					<u>\$ 217,659</u>	<u>\$ 191,103</u>	<u>\$ 408,762</u>	<u>\$ 23,577</u>

See accompanying notes to the basic financial statements.

**CITY OF COMMERCE, OKLAHOMA
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BASIC FINANCIAL STATEMENTS – GOVERNMENTAL FUNDS

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Governmental Funds Balance Sheet (Modified Cash Basis) – June 30, 2011

	General Fund	Other Governmental Funds	Totals
ASSETS			
Cash and cash equivalents	\$ 36,350	\$ 802	\$ 37,152
Investments	290,643	-	290,643
Due from other funds	32,640	-	32,640
 Total Assets	\$ 359,633	\$ 802	\$ 360,435
 LIABILITIES AND FUND BALANCES			
Liabilities:			
Accounts payable	4,435	-	4,435
Due to other funds	32,660	-	32,660
Due to other governments	105,681	-	105,681
 Total Liabilities	142,776	-	142,776
 Fund Balances:			
Restricted for:			
Grant purposes	-	9	9
Assigned for:			
Fire purposes	3,039	-	3,039
Capital projects	3,853	-	3,853
Unassigned	209,965	793	210,758
 Total Fund Balances	216,857	802	217,659
 Total Liabilities and Fund Balances	\$ 359,633	\$ 802	\$ 360,435

See accompanying notes to the basic financial statements.

CITY OF COMMERCE, OKLAHOMA
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Governmental Funds Statement of Revenues, Expenditures and Changes in Fund Balances
(Modified Cash Basis) – Year Ended June 30, 2011

	General Fund	Other Governmental Funds	Totals
Revenues:			
Taxes	\$ 291,789	\$ -	\$ 291,789
Intergovernmental	59,866	10,482	70,348
Charges for services	225,463	-	225,463
Fines & forfeitures	45,320	-	45,320
Licenses & permits	2,343	-	2,343
Investment income	3,804	-	3,804
Miscellaneous	87,582	6,246	93,828
Total Revenues	716,167	16,728	732,895
Expenditures:			
Current:			
General government	173,917	-	173,917
Sanitation	166,094	-	166,094
Police	253,144	12,011	265,155
Fire	25,725	-	25,725
Municipal court	19,382	-	19,382
Parks & recreation	16,781	-	16,781
Street	142,405	-	142,405
Managerial	3,888	-	3,888
Debt service:			
Principal retirement	32,220	-	32,220
Interest	4,962	-	4,962
Capital outlay	107,201	5,405	112,606
Total Expenditures	945,719	17,416	963,135
Excess (deficiency) of revenues over expenditures	(229,552)	(688)	(230,240)
Other Financing Sources (Uses):			
Loan proceeds	64,886	-	64,886
Transfers in	139,315	-	139,315
Transfer out	(42,315)	-	(42,315)
Total Other Financing Sources (Uses)	161,886	-	161,886
Net change in fund balances	(67,666)	(688)	(68,354)
Fund balances, beginning	284,523	1,490	286,013
Fund balances, ending	\$ 216,857	\$ 802	\$ 217,659

See accompanying notes to the basic financial statements.

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BASIC FINANCIAL STATEMENTS – PROPRIETARY FUND

**CITY OF COMMERCE, OKLAHOMA
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Proprietary Fund Statement of Net Assets (Modified Cash Basis) – June 30, 2011

	<u>Commerce Development Authority</u>
ASSETS	
Current assets:	
Cash and cash equivalents	\$ 171,473
Investments	35,734
Due from other funds	155
Total current assets	<u>207,362</u>
Non-current assets:	
Restricted Assets:	
Cash and cash equivalents	60,041
Total non-current assets	<u>60,041</u>
Total Assets	<u>\$ 267,403</u>
 LIABILITIES	
Current liabilities:	
Deposits subject to refund	\$ 12,008
Due to other funds	135
Due to other governments	16,124
Total current liabilities	<u>28,267</u>
Non-current liabilities:	
Deposits subject to refund	48,033
Total non-current liabilities	<u>48,033</u>
Total liabilities	<u>76,300</u>
 NET ASSETS	
Restricted for capital projects	149,266
Unrestricted	41,837
Total net assets	<u>\$ 191,103</u>

See accompanying notes to the basic financial statements.

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Proprietary Fund Statement of Revenues, Expenses and Changes in Net Assets (Modified Cash Basis) – Year Ended June 30, 2011

	Commerce Development Authority
Operating Revenues:	
Charges for services:	
Water	\$ 292,617
Sewer	124,885
Waterworks improvement fees	66,500
Miscellaneous	25,001
Total Operating Revenues	509,003
Operating Expenses:	
Water	108,578
Sewer operations	51,318
Administration	159,175
Total Operating Expenses	319,071
Operating Income	189,932
Non-Operating Revenues (Expenses):	
Investment income	1,245
Capital outlay	(111,740)
Debt service:	
Principal payments	(33,594)
Interest expense	(9,255)
Total Non-Operating Revenues (Expenses)	(153,344)
Income before transfers	36,588
Transfers out	(97,000)
Change in net assets	(60,412)
Total net assets - beginning	251,515
Total net assets - ending	\$ 191,103

See accompanying notes to the basic financial statements.

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Proprietary Fund Statement of Cash Flows (Modified Cash Basis) – Year Ended June 30, 2011

	<u>Commerce Development Authority</u>
CASH FLOWS FROM OPERATING ACTIVITIES	
Receipts from customers	\$ 509,003
Payments to suppliers	(141,908)
Payments to employees	(161,984)
Receipts of customer utility deposits	11,200
Refunds of customer utility deposits	(9,026)
Net Cash Provided by Operating Activities	<u>207,285</u>
CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES	
Transfers to other funds	(97,000)
Net Cash Provided by (Used in) Noncapital Financing Activities	<u>(97,000)</u>
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES	
Purchases of capital assets	(111,740)
Principal paid on capital debt	(33,594)
Interest and fiscal agent fees paid on capital debt	(9,255)
Net Cash Provided by (Used in) Capital and Related Financing Activities	<u>(154,589)</u>
CASH FLOWS FROM INVESTING ACTIVITIES	
Interest and dividends	1,245
Purchase of investments	(426)
Net Cash Provided by Investing Activities	<u>819</u>
Net Increase (decrease) in Cash and Cash Equivalents	(43,485)
Balance - beginning of the year	<u>274,999</u>
Balance - end of the year	<u>\$ 231,514</u>
Reconciliation to Statement of Net Position:	
Cash and cash equivalents	\$ 171,473
Restricted cash and cash equivalents - current	<u>60,041</u>
Total cash and cash equivalents	<u>\$ 231,514</u>
Reconciliation of operating income to net cash provided by operating activities:	
Operating income	\$ 189,932
Change in assets and liabilities:	
Due to other governments	15,179
Meter deposit liability	<u>2,174</u>
Net cash provided by operating activities	<u>\$ 207,285</u>

See accompanying notes to the basic financial statements.

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FOOTNOTES TO THE BASIC FINANCIAL STATEMENTS

1. Summary of Significant Accounting Policies

A. Financial Reporting Entity

The City's financial reporting entity includes three separate legal entities reported as the primary government as follows:

- **The City of Commerce** – operates the public safety, health and sanitation, streets and public works, culture and recreation, and administrative activities of the City.
- **The Commerce Development Authority (the Authority)** – that operates the water, and wastewater services of the City. The City of Commerce is the beneficiary of the authority and the City Council serves as the governing body of the authority.
- **The Mickey Mantle Memorial Trust Authority** – operates to purchase and hold property for the establishment of a museum to house memorabilia of Mickey Mantle, a professional baseball player raised in the City of Commerce.

In determining the financial reporting entity, the City complies with the provisions of Governmental Accounting Standards Board Statement No. 14, "*The Financial Reporting Entity*" and includes all component units for which the City is financially accountable.

The component units and Public Trusts established pursuant to Title 60 of Oklahoma State law. A Public Trust (Trust) has no taxing power. The Trusts are generally created to finance City services through issuance of revenue bonds or other non-general obligation debt and to enable the City Council to delegate certain functions to the governing body (Trustees) of the Trusts. The Trust generally retain title to assets which are acquired or constructed with the Trusts debt or other Trust generated resources. In addition, the City has leased certain existing assets at the creation of the Trust to the Trustees on a long-term basis. The City, as beneficiary of the Public Trusts, receives title to any residual assets when a Public Trust is dissolved.

The component units have the City Council as their governing body (trustees) and the City is able to impose its will on the Trust through required approval of all debt obligations issued by these entities.

As required by state law, all debt obligations incurred by the above trusts must be approved by two-thirds vote of the City Council. This is considered sufficient imposition of will to demonstrate financial accountability and to include the trust within the City's financial reporting entity. The public trusts do not issue separate annual financial statements.

B. Basis of Presentation and Accounting

Government-Wide Financial Statements:

The statement of net assets and activities are reported on a modified cash basis of accounting. The modified cash basis of accounting is based on the recording of cash and cash equivalents and changes therein, and only recognizes revenues, expenses, assets and liabilities resulting from cash transactions adjusted for modifications that have substantial support in generally accepted accounting principles. These modifications include adjustments for the following balances arising from cash transactions:

- cash-based interfund receivables and payables
- assets that normally convert to cash or cash equivalents (certificates of deposit, marketable investments, and receivable resulting from cash)
- liabilities for cash (or cash equivalents) held on behalf of others, or held in escrow

As a result of the use of this modified cash basis of accounting, certain assets and their related revenues (such as accounts receivable and revenue for billed or provided services not yet collected, and accrued revenue and receivables) and certain liabilities and their related expenses (such as accounts payable and expenses for goods or services received but not yet paid, and accrued expenses and liabilities) are not recorded in these financial statements.

Program revenues within the statement of activities are derived directly from each activity or from parties outside the City's taxpayers. The City has the following program revenues in each activity:

- General government: License and permits and penalties, operating grants
- Public safety: Fine revenue, fire runs and operating and capital grants
- Streets and highways: Gas excise and commercial vehicle taxes and capital grants
- Culture and recreation: Recreation fees and operating grants
- Public works: sanitation fees

Governmental Funds:

General Fund – The General Fund is the primary operating fund of the City and always classified as a major fund. It is used to account for all financial resources not accounted for and reported in another fund.

Special Revenue Funds – are used to account for and report the proceeds of specific revenue sources that are restricted to expenditures for specific purposes other than debt service or capital projects.

Capital Project Funds – are used to account for and report financial resources that are restricted for or intended for the expenditure of capital outlays, including the acquisition or construction of capital facilities and other capital assets.

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Proprietary Funds:

Enterprise Funds – are used to account for business-like 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 City’s governmental funds are comprised of the following:

Major Funds:

- General Fund – accounts for all activities not accounted for in other special-purpose funds
Certain internal accounts are now considered accounts of the General Fund with the implementation of GASB 54 include:
 - ODEQ
 - Volunteer Fire
 - Capital Project

Non-Major Funds (Reported as Other Governmental Funds):

Special Revenue Funds:

- EPA Fund – a special revenue fund used to account for expenditures related to EPA grant revenues.
- Police Fund – a special revenue fund used to account for activity related to reserve police officers.

Component Units:

- Mickey Mantle Memorial Trust Authority – operates to purchase and hold property for the establishment of a museum to house memorabilia of Mickey Mantle, a professional baseball player raised in the City of Commerce.

The governmental funds are reported on a modified cash basis of accounting and current financial resources measurement focus. Only current financial assets and liabilities resulting from cash transactions are included on the fund balance sheets. The operating statements present sources and uses of available spendable financial resources during a given period. These fund financial statements use fund balance as their measure of available spendable financial resources at the end of the period.

Proprietary Funds:

The City’s proprietary funds are comprised of the following:

- Commerce Development Authority Fund – accounts for the operation of the water and wastewater activities

The proprietary funds are reported on a modified cash basis, as defined above, and economic resources measurement focus.

For purposes of the statement of revenues, expenses and changes in fund net assets, operating revenues and expenses are considered those whose cash flows are related to operating activities, while revenues and expenses related to financing, capital and investing activities are reported as non-operating or transfers and contributions.

C. Cash, Cash Equivalents, and Investments

Cash and cash equivalents includes all demand and savings accounts, certificates of deposit, and any short-term investments with an original maturity of three months or less, and open-end government mutual funds.

Investments consist of long-term certificates of deposits and are reported at cost.

D. Assets Other Than Cash

Assets other than cash are reported at the amount of cash and cash equivalents associated with the transaction or event that resulted in their acquisition.

E. Compensated Absences

As a result of the use of the modified cash basis of accounting, liabilities related to accrued compensated absences are not recorded in the financial statements. Expenditures/expenses related to compensated absences are recorded when paid. The amount of accrued compensated absences for accumulated, unpaid compensatory time that would be due employees upon termination is reported as a commitment in Note 8.

F. Fund Balances and Net Assets

Fund Balances:

Governmental fund equity is classified as fund balance. Since the City has implemented GASB Statement 54, fund balance is further classified as nonspendable, restricted, committed, assigned, and unassigned. Beginning fund balances have been restated to reflect the below stated classifications in compliance with GASB Statement 54. More information is provided in Note 11. These classifications are defined as:

- a. Nonspendable – includes amounts that cannot be spent because they are either (a) not in spendable form or (b) legally or contractually required to be maintained intact.
- b. Restricted – consists of fund balance with constraints placed on the use of resources either by (1) external groups such as creditors, grantors, contributors, or laws or regulations of other governments, or (2) laws through constitutional provisions or enabling legislation.
- c. Committed – includes amounts that can only be used for specific purposes pursuant to constraints imposed by formal action of the City’s highest level of decision-making authority. The City’s highest level of decision-making authority is made by ordinance.

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- d. Assigned – includes amounts that are constrained by the City’s intent to be used for specific purposes but are neither restricted nor committed. Assignments of fund balance may be made by the City Council action or management decision when the City Council has delegated that authority. Assignments for transfers and interest income for governmental funds are made through the budgetary process.
- e. Unassigned – represents fund balance that has not been assigned to other funds and has not been restricted, committed, or assigned to specific purposes within the general fund.

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

Net Assets:

Net assets are displayed in two components:

- a. *Restricted net assets* - Consists of net assets with constraints placed on the use either by 1) external groups such as creditors, grantors, contributors, or laws and regulations of other governments, or 2) law through constitutional provisions or enabling legislation.
- b. *Unrestricted net assets* - All other net assets that do not meet the definition of “restricted.”

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

G. Internal and Interfund Balances and Transfers

The City’s policy is to eliminate interfund transfers and balances in the statement of activities and net assets to avoid the grossing up of balances. Only the residual balances transferred between governmental and business-type activities are reported as internal transfers and internal balances then offset in the total column in the government-wide statements. Internal transfers and balances between funds are not eliminated in the fund financial statements.

2. Deposits and Investments

For the year ended June 30, 2011, the City recognized \$5,049 of investment income. Most of the City’s deposits are in demand and short-term time deposits with maturity dates of a year or less. At June 30, 2011, the primary government held the following deposits and investments:

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Type	Carrying Value
Primary Government	
Deposits:	
Demand deposits	\$ 268,666
Time deposits-certificates of deposit	326,377
	\$ 595,043
Reconciliation to the Statement of Net Assets:	
Cash and cash equivalents	\$ 208,625
Investments	326,377
Cash and cash equivalents - restricted	60,041
	\$ 595,043
Component Unit	
Mickey Mantle Memorial Trust Authority	
Deposits:	
Demand deposits	\$ 23,577
	\$ 23,577
Reconciliation to the Statement of Net Assets:	
Cash and cash equivalents	\$ 23,577
	\$ 23,577

Custody Credit Risk - Custodial credit risk is the risk that in the event of a bank failure, the government deposits may not be returned to it. The City is governed by the State Public Deposit Act which requires that the City obtain and hold collateral whose fair value exceeds the amount of uninsured deposits. Investment securities are exposed to custody credit risk if the securities are uninsured, are not registered in the name of the government, and if held by either a counterparty or a counterparty's trust, department or agent, but not in the government's name.

As of June 30, 2011, the City was not exposed to custodial credit risk as defined above.

Investment Interest Rate Risk - the City does not have a formal investment policy that limits investment maturities as a means of managing its exposure to fair value losses arising from increasing interest rates.

Investment Credit Risk - The City has no investment policy that limits its investment choices other than the limitations of state law that generally authorize investments in: (1) full faith and credit, direct obligations of the U. S. Government, its agencies and instrumentalities, and the State of Oklahoma and certain mortgage insured federal debt; (2) certificates of deposit or savings accounts that are either insured or secured with acceptable collateral; (3) negotiable certificates of deposit, prime bankers acceptances, prime commercial paper and repurchase agreements with certain limitations; (4) county, municipal or school district tax supported debt obligations, bond or revenue anticipation notes, money judgments, or bond or revenue anticipation notes of public trusts whose beneficiary is a county, municipality or school district; and government money market funds regulated by the SEC. These investment limitations do not apply to the City's public trusts.

As of June 30, 2011, the City did not hold any securities with credit ratings since they are all non-negotiable time deposits.

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

Restricted Cash and Investments – The amounts reported as restricted assets on the Proprietary Fund Statement of Net Assets are comprised of amounts restricted for utility deposits. The restricted assets as of June 30, 2011 are as follows:

<u>Type of Restricted Assets</u>	<u>Current Cash and Cash Equivalents</u>
Utility Deposits	\$ 60,041
Total Proprietary Fund Restricted Assets	<u>\$ 60,041</u>

3. Sales Tax Revenue

Sales tax revenue represents a 3 cent tax on each dollar of taxable sales. All three cents is recorded in the General Fund.

4. Property Tax Levy

The City presently levies no property tax. In accordance with state law, a municipality may only levy a property tax to retire general obligation debt approved by the voters and to pay judgments rendered against the City.

5. Internal and Interfund Balances and Transfers

Balances:

Interfund balances between activities at June 30, 2011, were as follows:

<u>Due From</u>	<u>Due To</u>	<u>Amount</u>	<u>Nature of Interfund Balance</u>
General Fund	CDA	\$ 155	Reclassifications
General Fund	ODEQ	\$ 32,505	Grant revenue
CDA	General Fund	135	Reclassifications
		<u>\$ 32,795</u>	

Reconciliation to Fund Financial Statements:

	<u>Due From Other Funds</u>	<u>Due to Other Funds</u>	<u>Internal Balance</u>
Governmental Funds	\$ 32,640	(32,660)	\$ (20)
Proprietary Funds	155	(135)	20
Total	<u>\$ 32,795</u>	<u>\$ (32,795)</u>	<u>\$ -</u>

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Transfers:

Internal transfers between funds and activities for the year ended June 30, 2011, were as follows:

<u>Transfer From</u>	<u>Transfer To</u>	<u>Amount</u>	<u>Purpose of Transfer</u>
General Fund	ODEQ Fund	\$ 42,315	Operating subsidy
CDA	General Fund	97,000	Operating subsidy
		<u>\$ 139,315</u>	

Reconciliation to Fund Financial Statements:

	<u>Transfers In</u>	<u>Transfers Out</u>	<u>Net Transfers</u>
Governmental Activities	\$ 139,315	\$ 42,315	\$ 97,000
Business-Type Activities	-	97,000	(97,000)
Total	<u>\$ 139,315</u>	<u>\$ 139,315</u>	<u>\$ -</u>

6. Risk Management

The City is exposed to various risks of loss related to torts; theft of, damage to, or destruction of assets; errors and omissions; injuries to employees; employee health and life; and natural disasters. The City manages these various risks of loss by securing commercial insurance for all risks, except for participation in the Oklahoma Municipal Assurance Group risk entity pool for certain coverage. Management believes such insurance coverage is sufficient to preclude any significant uninsured losses to the City. Settled claims have not exceeded this insurance coverage in any of the past three fiscal years.

7. Employee Retirement Plan Participation

The City of Commerce participates in three pension or retirement plans:

- Oklahoma Firefighter’s Pension and Retirement System (OFPRS) – a statewide cost-sharing plan
- Oklahoma Police Pension and Retirement System (OPPRS) – a statewide cost-sharing plan
- Oklahoma Public Employees Retirement System (OPERS) – a statewide cost-sharing plan

OFPRS

The City of Commerce, as the employer, participates in a statewide cost-sharing multiple employer defined benefit pension plan through the Oklahoma Firefighter’s Pension and Retirement System (OFPRS) as a result of the employment of paid and volunteer firefighters. The OFPRS defined benefit pension plan provides retirement and disability benefits, annual cost-of-living adjustments, and death benefits to plan members and beneficiaries. Pursuant to the requirements of Title 11, section 22-102, the City must participate in the plan if they employ fulltime or volunteer firefighters. For 2009 and 2011, the City's annual required contribution was \$1,140 and \$1,380, respectively for the OFPRS plan and was equal to the City's actual contribution for each year. Due to the timing of payments, the City did not make payments during FY 2010.

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The OFPRS issues a publicly available financial report that includes financial statements and required supplementary information. That report may be obtained by writing to:

OFPRS
4545 N. Lincoln Blvd., Suite 265
Oklahoma City, OK 73105-3414

OPPRS

The City of Commerce, as the employer, participates in a statewide cost-sharing multiple employer defined benefit pension plan through the Oklahoma Police Pension and Retirement System (OPPRS) as a result of the employment of police officers. The OPPRS defined benefit pension plan provides retirement and disability benefits, annual cost-of-living adjustments, and death benefits to plan members and beneficiaries. Pursuant to the requirements of Title 11, section 22-102, the City must participate in the plan if they employ fulltime police officers. For 2009, 2010, and 2011, the City's annual required contribution was \$6,611, \$6,804, and \$18,528 respectively, for the OPPRS plan and was equal to the City's actual contribution for each year.

The OPPRS issues a publicly available financial report that includes financial statements and required supplementary information. That report may be obtained by writing to:

OPPRS
1001 N.W. 63rd, Suite 605
Oklahoma City, OK 73116-7335

OPERS

The City of Commerce, as the employer, participates in a statewide cost-sharing multiple employer defined benefit pension plan through the Oklahoma Public Employees Retirement System (OPERS) for all full-time employees with the exception of the fire and police department. The employee's contribution rate is 3.5% and the City's contribution rate is 15.5%. For 2009, 2010, and 2011, the City's annual required contribution was \$32,293, \$19,630, and \$18,918 respectively, for the OPERS plan and was equal to the City's actual contribution for each year.

The OPERS issues a publicly available financial report that includes financial statements and required supplementary information. That report may be obtained by writing to:

OPERS
21011 N. Lincoln Blvd., Room 580
Oklahoma City, OK 73105

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8. Commitments and Contingencies

For the year ended June 30, 2011, the reporting entity's long-term debt changed as follows:

	Balance <u>July 1, 2010</u>	<u>Additions</u>	<u>Deductions</u>	Balance <u>June 30, 2011</u>	<u>Amount Due Within One Year</u>
<i>Governmental:</i>					
Capital lease payable	\$ 76,680	\$ 64,886	\$ 32,220	\$ 109,346	\$ 33,941
Total governmental activities	<u>\$ 76,680</u>	<u>\$ 64,886</u>	<u>\$ 32,220</u>	<u>\$ 109,346</u>	<u>\$ 33,941</u>
<i>Business-Type:</i>					
Notes payable	\$ 349,417	\$ 19,923	\$ 33,594	\$ 335,746	\$ 34,542
Total business-type activities	<u>349,417</u>	<u>19,923</u>	<u>33,594</u>	<u>335,746</u>	<u>34,542</u>
Total long-term debt	<u>\$ 426,097</u>	<u>\$ 84,809</u>	<u>\$ 65,814</u>	<u>\$ 445,092</u>	<u>\$ 68,483</u>

Governmental Activities:

At June 30, 2011, the governmental activities long-term payable from taxes and other general revenues include the following:

Capital Lease Obligations Payable:

Lease obligation for purchase of a fire truck, payable in annual installments of \$14,451, interest of 5.00%, with last payment due December 1, 2015. \$43,110

Lease obligation for real property, payable in annual installments of \$4,000, with last payment due February 10, 2013. 8,000

Lease obligation with Commerce Industrial Development Corporation for purchase of real property payable in 5 annual installments of \$5,000, with last payment due April 1, 2012. 5,000

Lease obligation for 2008 Ford Explorer for police department, payable in monthly installments of \$528, interest of 3.29%, with last payment due July 15, 2013. 12,543

Lease obligation for 2010 Kubota Mini Excavator for street department, payable in monthly installments of \$646, interest of 4.25%, with last payment due July 15, 2017. 40,693

Total Capital Lease Payable \$109,346

Current portion \$33,941

Non-current portion 75,405

Total Capital Lease Payable \$109,346

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Business-Type Activities:

Long-term commitments payable from net revenues generated by the utility resources or other resources pledged to the City's business-type activities at June 30, 2011, includes the following:

Notes Payable:

2003 Series Clean Water ORF Promissory Note to Oklahoma Water Resources Board, original issue amount of \$577,000, secured by utilities revenues, payable in semi-annual installments, interest rate at 2.55%, final maturity September 15, 2023. \$320,567

Note payable for computers, payable in monthly installments of \$507, interest of 3.75%, with final payment February 17, 2014. 15,179

Total Notes Payable \$335,746

	Current portion	\$34,542
	Non-current portion	<u>301,204</u>
	Total Notes Payable	<u>\$335,746</u>

Long-term debt service requirements to maturity are as follows:

Year Ended June 30,	<u>Governmental Activities</u>	
	Capital	
	<u>Lease Obligations</u>	
	<u>Principal</u>	<u>Interest</u>
2012	33,941	3,595
2013	29,640	2,895
2014	25,139	1,868
2015	6,690	1,060
2016	6,690	1,060
2017-2018	7,246	1,149
Total	\$ 109,346	\$ 11,627

Year Ended June 30,	<u>Business Type Activities</u>	
	<u>Notes Payable</u>	
	<u>Principal</u>	<u>Interest</u>
2012	34,542	8,577
2013	27,778	7,799
2014	26,456	7,093
2015	23,251	6,242
2016	23,842	5,652
2017-2021	128,925	18,545
2022-2024	70,952	2,782
Total	\$ 335,746	\$ 56,690

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Compensated Absences:

As a result of the City's use of the modified cash basis of accounting, accrued liabilities related to compensated absences (vacation and comp leave) earned but unpaid at year-end are not reflected in the basic financial statements. The compensated absence commitment at June 30, 2011 was \$17,875 with \$14,123 payable from the General Fund and \$3,752 payable from the CDA.

Litigation:

The City and its public trusts are parties to various legal proceedings or have threatened litigation which normally occurs in the course of municipal governmental operations. The financial statements do not include accruals or provisions for loss contingencies that may result from these proceedings. State Constitution and statutes provide for the levy of an ad valorem tax over a three-year period by a Sinking Fund for the payment of any court assessed judgment rendered against the City. (This provision is not available to public trusts.) While the outcome of the above noted proceedings or threatened litigation 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.

Federal and State Award Programs:

The City of Commerce participates in various federal or state grant/loan programs from year to year. In Fiscal Year 2011, the City's involvement in federal and state award programs was significant. 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. The City has not been notified of any noncompliance with federal or state award requirements.

Consent Order:

The City of Commerce is subject to an on-going Consent Order issued by the Oklahoma Department of Environmental Quality, which was executed by the City on February 06, 2009. This consent order supersedes three previous consent orders, 01-067 (July 19, 2001), 01-067A (November 15, 2002), and 01-067B (January 24, 2006). The Consent Order addresses violations of the NPDES permit issued to the City to operate a wastewater treatment plant. These administrative proceedings relate to another proceeding, wherein the parties entered into a Consent Order on February 7, 1996. The City has been subject to a Consent Order since that time. The City is seeking to bring the publicly owned wastewater treatment plant into compliance with the NPDES permit and is working aggressively to negotiate a mutually acceptable compliance plan with the Department of Environmental Quality. The estimated cost of bringing the plant into compliance is \$900,000-\$3,500,000 depending on current negotiations with a land owner. In addition, the City has been ordered to pay \$70,000 for failing to comply with the task schedule as set forth in Consent Order, Case No. 08-229.

Budgetary Compliance

The City was required to adopt appropriations for all funds of the City of Commerce's legal entity. The level at which expenditures should not exceed appropriations is at the department level within a fund as provided by the Municipal Budget Act. Transfers of appropriation may be approved by the City management; however, supplemental appropriations must be approved by the City Council and subsequently filed with the State Auditor's Office. The City did not prepare budgets for special revenue funds.

11. Subsequent Events

- On March 18, 2011, the City purchased property at 219 Commerce Avenue for \$30,000 and transferred it to the Commerce Development Authority. This property was subsequently sold on March 13, 2012 to a church for \$40,000, to be repaid on an installment basis, with the Commerce Development Authority carrying the note.
- On July 22, 2011, a court ordered judgment was rendered against the City in the amount of \$267,000, and an additional court ordered judgment was rendered against the City December 10, 2013 in the amount of \$173,061. The City's counsel plans on filing an application to assess and levy a property tax to pay this judgment.

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SUPPLEMENTAL AND OTHER INFORMATION

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Budgetary Comparison Schedule (Modified Cash Basis) – Year Ended June 30, 2011

	GENERAL FUND			
	Budgeted Amounts		Actual Amounts, Budgetary Basis	Variance with Final Budget Positive (Negative)
	Original	Final		
Beginning Budgetary Fund Balance:	\$ -	\$ -	\$ (44,194)	\$ (44,194)
Resources (Inflows):				
Taxes	322,900	322,900	291,789	(31,111)
Intergovernmental	21,000	21,000	59,866	38,866
Charges for services	211,600	211,600	225,463	13,863
Fines and forfeitures	44,800	44,800	45,320	520
Licenses and permits	3,200	3,200	2,343	(857)
Investment income	-	-	24	24
Miscellaneous	14,000	14,000	79,997	65,997
Loan proceeds	-	-	64,886	64,886
Transfers in	130,000	130,000	139,315	9,315
Total Resources (Inflows)	<u>747,500</u>	<u>747,500</u>	<u>909,003</u>	<u>161,503</u>
Amounts available for appropriation	<u>\$747,500</u>	<u>\$747,500</u>	<u>\$864,809</u>	<u>\$117,309</u>
Charges to Appropriations (Outflows):				
Managerial	4,000	4,000	3,888	112
City attorney	28,200	28,200	-	28,200
Municipal court	22,000	22,000	19,382	2,618
Police department	227,900	227,900	277,060	(49,160)
Fire department	22,200	22,200	27,178	(4,978)
Street & sanitation department	300,000	300,000	362,477	(62,477)
Park department	6,000	6,000	16,781	(10,781)
General government	132,210	132,210	224,082	(91,872)
Total Charges to Appropriations	<u>742,510</u>	<u>742,510</u>	<u>930,848</u>	<u>(188,338)</u>
Ending Budgetary Fund Balance	<u>\$ 4,990</u>	<u>\$ 4,990</u>	<u>\$ (66,039)</u>	<u>\$ (71,029)</u>
Reconciliation to Statement of Revenues, Expenditures and Changes in Fund Balance:				
ODEQ Account			276,004	
Volunteer Fire Account			3,039	
Capital Project Account			3,853	
Total General Fund Fund Balance			<u>\$ 216,857</u>	

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Footnotes to Budgetary Comparison Schedules:

Budget Law

The city prepares its annual operating budget under the provisions of the Municipal Budget Act of 1979 (the "Budget Act"). In accordance with those provisions, the following process is used to adopt the annual budget:

- a. Prior to June 1, the City Manager submits to the City Council a proposed operating budget for the fiscal year commencing the following July 1.
 - b. Public hearings are conducted to obtain citizen comments. At least one public hearing must be held no later than 15 days prior to July 1.
 - c. Subsequent to the public hearings but no later than seven days prior to July 1, the budget is adopted by resolution of the City Council.
 - d. By July 1, the adopted budget is filed with the Office of State Auditor and Inspector.
1. All funds of the city with revenues and expenditures are required to have annual budgets under this section of the state law, except funds of public trusts or authorities. The legal level of control at which expenditures may not legally exceed appropriations is the department within a fund.
 2. Transfers of appropriations between departments and supplemental appropriations require City Council approval. The City Manager may transfer appropriations between object categories within a department without City Council approval. Supplemental appropriations must also be filed with the Office of State Auditor and Inspector.
 3. The City only prepared an annual budget for the General Fund and the CDA proprietary fund.
 4. In the General Fund, the City had negative variances in the following departments and for the following amounts:

General Fund – Police Department	\$ 49,160
General Fund – Fire department	4,978
General Fund – Street & Sanitation Department	62,477
General Fund – Park Department	10,781
General Fund – General Government	91,872

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Combining Balance Sheet – Nonmajor Governmental Funds (Modified Cash Basis) – June 30, 2011

	<u>Special Revenue Funds</u>		<u>Totals</u>
	<u>EPA Fund</u>	<u>Police Reserve Fund</u>	
ASSETS			
Cash and cash equivalents	\$ 9	\$ 793	\$ 802
Total Assets	<u>9</u>	<u>793</u>	<u>802</u>
LIABILITIES AND FUND BALANCES			
Liabilities:			
Due to other funds	-	-	-
Total Liabilities	<u>-</u>	<u>-</u>	<u>-</u>
Fund Balances:			
Restricted for:			
Grant purposes	9	-	9
Assigned for:			
Police	-	793	793
	<u>\$ 9</u>	<u>\$ 793</u>	<u>\$ 802</u>

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Combining Schedule of Revenues, Expenditures and Changes in Fund Balance – Nonmajor Governmental Funds (Modified Cash Basis) – Year Ended June 30, 2011

	<u>Special Revenue Funds</u>		<u>Totals</u>
	<u>EPA Fund</u>	<u>Police Reserve Fund</u>	
Revenues:			
Intergovernmental	\$ -	\$ 10,482	\$ 10,482
Miscellaneous	-	6,246	6,246
Total Revenues	<u>-</u>	<u>16,728</u>	<u>16,728</u>
Expenditures:			
Current:			
Police	-	12,011	12,011
Capital outlay	-	5,405	5,405
Total Expenditures	<u>-</u>	<u>17,416</u>	<u>17,416</u>
Excess of revenues over expenditures	-	(688)	(688)
Other Financing Sources (Uses):			
Transfers in	-	-	-
Total Other Financing Sources (Uses)	<u>-</u>	<u>-</u>	<u>-</u>
Net change in fund balances	-	(688)	(688)
Fund balances, beginning	9	1,481	1,490
Fund balances, ending	<u>\$ 9</u>	<u>\$ 793</u>	<u>\$ 802</u>

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Combining Balance Sheet – General Fund Accounts (Modified Cash Basis) – June 30, 2011

	<u>General Fund</u>	<u>ODEQ Account</u>	<u>Volunteer Fire Account</u>	<u>Capital Project Account</u>	<u>Totals</u>
ASSETS					
Cash and cash equivalents	\$ 8,767	\$ 24,544	\$ 3,039	\$ -	\$ 36,350
Investments	2,825	283,965	-	3,853	290,643
Due from other funds	32,640	-	-	-	32,640
Total Assets	<u>\$ 44,232</u>	<u>308,509</u>	<u>3,039</u>	<u>3,853</u>	<u>\$ 359,633</u>
LIABILITIES AND FUND BALANCES					
Liabilities:					
Payroll withholding payable	4,435	-	-	-	4,435
Due to other funds	155	32,505	-	-	32,660
Due to other governments	105,681	-	-	-	105,681
Total Liabilities	<u>110,271</u>	<u>32,505</u>	<u>-</u>	<u>-</u>	<u>142,776</u>
Fund Balances:					
Assigned for:					
Fire purposes	-	-	3,039	-	3,039
Capital projects	-	-	-	3,853	3,853
Unassigned	(66,039)	276,004	-	-	209,965
Total Fund Balances	<u>(66,039)</u>	<u>276,004</u>	<u>3,039</u>	<u>3,853</u>	<u>216,857</u>
Total Liabilities and Fund Balances	<u>\$ 44,232</u>	<u>\$ 308,509</u>	<u>\$ 3,039</u>	<u>\$ 3,853</u>	<u>\$ 359,633</u>

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**Combining Schedule of Revenues, Expenditures and Changes in Fund Balance – General Fund
Accounts (Modified Cash Basis) – Year Ended June 30, 2011**

	<u>General Fund</u>	<u>ODEQ Account</u>	<u>Volunteer Fire Account</u>	<u>Capital Project Account</u>	<u>Totals</u>
Revenues:					
Taxes	\$ 291,789	\$ -	\$ -	\$ -	\$ 291,789
Intergovernmental	59,866	-	-	-	59,866
Charges for services	225,463	-	-	-	225,463
Fines & forfeitures	45,320	-	-	-	45,320
Licenses & permits	2,343	-	-	-	2,343
Investment income	24	3,734	-	46	3,804
Miscellaneous	79,997	-	7,585	-	87,582
Total Revenues	<u>704,802</u>	<u>3,734</u>	<u>7,585</u>	<u>46</u>	<u>716,167</u>
Expenditures:					
Current:					
General government	172,767	1,150	-	-	173,917
Sanitation	166,094	-	-	-	166,094
Police	253,144	-	-	-	253,144
Fire	12,004	-	13,721	-	25,725
Municipal court	19,382	-	-	-	19,382
Parks & recreation	16,781	-	-	-	16,781
Street	142,405	-	-	-	142,405
Managerial	3,888	-	-	-	3,888
Debt service:					
Principal retirement	32,220	-	-	-	32,220
Interest	4,962	-	-	-	4,962
Capital outlay	107,201	-	-	-	107,201
Total Expenditures	<u>930,848</u>	<u>1,150</u>	<u>13,721</u>	<u>-</u>	<u>945,719</u>
Excess (deficiency) of revenues over expenditures	(226,046)	2,584	(6,136)	46	(229,552)
Other Financing Sources (Uses):					
Loan proceeds	64,886	-	-	-	64,886
Transfers in	139,315	-	-	-	139,315
Transfer out	-	(42,315)	-	-	(42,315)
Total Other Financing Sources (Uses)	<u>204,201</u>	<u>(42,315)</u>	<u>-</u>	<u>-</u>	<u>161,886</u>
Net change in fund balances	(21,845)	(39,731)	(6,136)	46	(67,666)
Fund balances (deficit), beginning	(44,194)	315,735	9,175	3,807	284,523
Fund balances (deficit), ending	<u>\$ (66,039)</u>	<u>\$ 276,004</u>	<u>\$ 3,039</u>	<u>\$ 3,853</u>	<u>\$ 216,857</u>

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INTERNAL CONTROL AND COMPLIANCE



**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**

Mayor and City Council
City of Commerce, Oklahoma

We have audited the financial statements of the business-type activities of the City of Commerce, Ottawa County, Oklahoma, as of and for the year ended June 30, 2011, which collectively comprise the District's basic financial statements and have issued our report thereon dated January 6, 2014. The City of Commerce, Ottawa County, did not present the Management's Discussion and Analysis that accounting principles generally accepted in the United States of America require to supplement, although not to be part of, the basic financial statements. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

Internal Control Over Financial Reporting

In planning and performing our audit, we considered the City's internal control over financial reporting as a basis for designing our auditing procedures for the purpose of expressing our opinion on the basis financial statements, but not for the purpose of expressing an opinion on the effectiveness of the City's internal control over financial reporting. Accordingly, we do not express an opinion on the effectiveness of the City's internal control over financial reporting.

Our consideration of internal control over financial reporting was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control over financial reporting that might be deficiencies, significant deficiencies, or material weaknesses. However, as described in the accompanying schedule of findings and questioned costs, we identified certain deficiencies in internal control over financial reporting, describe in the accompanying schedule of findings and questioned costs that we consider to be material weaknesses in internal control over financial reporting.

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

A *significant deficiency* is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the City's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

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

TURNER & Associates, PLC

Vinita, Oklahoma
January 6, 2014