

City of Comanche, Oklahoma
Financial Statements
Year-End June 30, 2017

City of Comanche, Oklahoma
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For the Fiscal Year Ended June 30, 2017

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INDEPENDENT AUDITOR'S REPORT

Members of the City Council
City of Comanche, Oklahoma

Report on the Financial Statements

We have audited the accompanying modified cash basis financial statements of the governmental activities, the business-type activities, each major fund, and aggregate remaining fund information of the City of Comanche, Oklahoma as of and for the year ended June 30, 2017, and the related notes to the financial statements, which collectively comprise the City'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 the modified cash basis of accounting described in Note I 2; this includes determining that the modified cash basis of accounting is an acceptable basis for preparation of the financial statements in the circumstances. Management is also responsible for 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 *Governmental 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 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 principles 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-modified cash basis of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the City of Comanche, Oklahoma, as of June 30, 2017, and the respective changes in financial position-modified cash basis, and cash flows, where applicable, thereof for the year then ended in accordance with the basis of accounting described in Note I 2.

Basis of Accounting

We draw your attention to Note 1 2 of the financial statements, which describes the basis of accounting. The financial statements are prepared on a modified cash basis of accounting other than accounting principles generally accepted in the United States of America. Our opinion is not modified with respect to that matter.

Other Matters

Supplementary Information

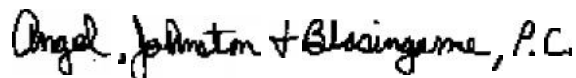
Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the Comanche, Oklahoma basic financial statements. The combining fund financial statements and schedule of federal and state awards are presented for additional analysis and are not a required part of the basic financial statements. The combining fund financial statements and schedule of federal and state awards are not a required part of the financial statements.

The combining fund financial statements and schedule of federal and state awards are the responsibility of management, and were derived from and related 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 fund financial statements and schedule of federal and state awards are fairly stated, in all material respects, in relation to the basic financial statements as a whole.

The budgetary comparison information on pages 40 and 41, which are the responsibility of management, are presented for purposes of additional analysis and are not a required part of the basic financial statements. Such information has not been subjected to the auditing procedures applied in the audit of the basic financial statements and accordingly, we do not express an opinion or provide any assurance on it.

Other Reporting Required by Governmental Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated May 3, 2018, on our consideration of the City'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* in considering the City's internal control over financial reporting and compliance.



Chickasha, Oklahoma
May 3, 2018

BASIC FINANCIAL STATEMENTS

City of Comanche, Oklahoma
Government-Wide Statement of Assets, Liabilities and Net Position – Modified Cash Basis
June 30, 2017

| | Primary Government | | |
|---------------------------------------|----------------------------|-----------------------------|---------------------|
| | Governmental Activities | Business-Type Activities | Total |
| ASSETS | | | |
| Cash | \$ 242,365 | \$ 68,251 | \$ 310,616 |
| Restricted Cash | - | 321,823 | 321,823 |
| Investments | 26,693 | 262,430 | 289,123 |
| Notes Receivable | - | 93,242 | 93,242 |
| Capital Assets | | | |
| Land | | | |
| and Construction in Progress | 892,611 | 108,000 | 1,000,611 |
| Capital Assets being depreciated, net | 1,486,059 | 4,464,246 | 5,950,305 |
| Total Assets | <u>\$ 2,647,728</u> | <u>\$ 5,317,992</u> | <u>\$ 7,965,720</u> |
| LIABILITIES | | | |
| Long-term Liabilities | | | |
| Due Within One Year | 24,866 | 203,283 | 228,149 |
| Due in More Than One Year | 58,905 | 2,110,204 | 2,169,109 |
| Total Liabilities | <u>\$ 83,771</u> | <u>\$ 2,313,487</u> | <u>\$ 2,397,258</u> |
| NET POSITION | | | |
| Net investment in capital assets | \$ 2,378,670 | \$ 2,485,142 | \$ 4,863,812 |
| Restricted | | | |
| Capital Projects | 101,005 | 109,934 | 210,939 |
| Cemetery | 11,186 | - | 11,186 |
| Retirees | 26,693 | - | 26,693 |
| Streets | 46,189 | - | 46,189 |
| Unrestricted | 214 | 409,429 | 409,643 |
| Total Net Position | <u>\$ 2,563,957</u> | <u>\$ 3,004,505</u> | <u>\$ 5,568,462</u> |

The notes to the financial statements are an integral part of this statement

City of Comanche, Oklahoma
Government-Wide Statement of Revenues, Expenses and Changes in Net Position – Modified Cash Basis
For the Year Ended June 30, 2017

| Functions/Programs | Expenses | Program Revenues | | | Net (Expense) Revenue and Changes in Net Assets | | |
|---|---------------------|-------------------------|--|--|--|-----------------------------|-----------------------|
| | | Charges for Services | Operating Grants and Contributions | Capital Grants and Contributions | Governmental Activities | Business-Type Activities | Total |
| Primary Government | | | | | | | |
| Governmental Activities | | | | | | | |
| General Government | \$ 314,602 | \$ 7,462 | \$ 6,335 | \$ 67,977 | \$ (232,828) | \$ - | \$ (232,828) |
| Highways and Streets | 185,165 | - | - | - | (185,165) | - | (185,165) |
| Public Safety | 703,180 | 62,791 | 5,727 | 10,000 | (624,662) | - | (624,662) |
| Health and Welfare | 113,740 | 17,953 | 30,526 | - | (65,261) | - | (65,261) |
| Culture and Recreation | 49,753 | 31,890 | 2,721 | - | (15,142) | - | (15,142) |
| Cemetery | 78,894 | 50,110 | - | - | (28,784) | - | (28,784) |
| Interest | 1,604 | - | - | - | (1,604) | - | (1,604) |
| Total Governmental Activities | \$ 1,446,938 | \$ 170,206 | \$ 45,309 | \$ 77,977 | \$ (1,153,446) | \$ - | \$ (1,153,446) |
| Business-Type Activities | | | | | | | |
| General Government | \$ 204,865 | \$ - | \$ - | \$ - | \$ - | \$ (204,865) | \$ (204,865) |
| Electric | 1,458,097 | 1,731,766 | - | 77,598 | - | 351,267 | 351,267 |
| Water | 364,512 | 295,336 | - | - | - | (69,176) | (69,176) |
| Sewer | 170,433 | 150,097 | - | - | - | (20,336) | (20,336) |
| Sanitation | 234,572 | 250,583 | - | - | - | 16,011 | 16,011 |
| Economic Development | - | - | 73,000 | - | - | 73,000 | 73,000 |
| Total Business Type Activities | \$ 2,432,479 | \$ 2,427,782 | \$ 73,000 | \$ 77,598 | \$ - | \$ 145,901 | \$ 145,901 |
| Total Primary Government | \$ 3,879,417 | \$ 2,597,988 | \$ 118,309 | \$ 155,575 | \$ (1,153,446) | \$ 145,901 | \$ (1,007,545) |
| General Revenues | | | | | | | |
| Sales and Use Taxes | | | | | \$ 662,492 | \$ - | \$ 662,492 |
| Franchise Taxes | | | | | 32,615 | - | 32,615 |
| Motor Vehicle Taxes | | | | | 15,275 | - | 15,275 |
| Interest | | | | | 1,583 | 18,328 | 19,911 |
| Rents and Royalties | | | | | 55,533 | - | 55,533 |
| Miscellaneous | | | | | 20,752 | 83,823 | 104,575 |
| Gain (Loss) on Disposal of Assets | | | | | 5,410 | - | 5,410 |
| Transfers | | | | | 190,081 | (190,081) | - |
| Total General Revenues and Transfers | | | | | \$ 983,741 | \$ (87,930) | \$ 895,811 |
| Change in Net Position | | | | | \$ (169,705) | \$ 57,971 | \$ (111,734) |
| Net Position- Beginning | | | | | 2,733,662 | 2,946,534 | 5,680,196 |
| Net Position - Ending | | | | | \$ 2,563,957 | \$ 3,004,505 | \$ 5,568,462 |

The notes to the financial statements are an integral part of this statement

City of Comanche, Oklahoma
Statement of Assets, Liabilities and Fund Balances– Modified Cash Basis
Governmental Funds
June 30, 2017

| | General Fund | Capital Improvements Fund | Other Governmental Funds | Total |
|-------------------------------------|-----------------|---------------------------------|--------------------------------|------------|
| Assets | | | | |
| Cash | \$ 26,376 | \$ 121,666 | \$ 94,323 | \$ 242,365 |
| Investments | 26,693 | - | - | 26,693 |
| Total Assets | \$ 53,069 | \$ 121,666 | \$ 94,323 | \$ 269,058 |
| Liabilities | | | | |
| Fund Balances | | | | |
| Restricted | \$ 26,693 | \$ 101,005 | \$ 57,375 | \$ 185,073 |
| Committed | 1,418 | - | 19,202 | 20,620 |
| Assigned | 19,511 | 20,661 | 17,746 | 57,918 |
| Unassigned | 5,447 | - | - | 5,447 |
| Total Fund Balances | 53,069 | 121,666 | 94,323 | 269,058 |
| Total Liabilities and Fund Balances | \$ 53,069 | \$ 121,666 | \$ 94,323 | |

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

Capital assets used in governmental activities are not financial resources and, therefore, are not reported in the fund.

| | | |
|----------------------------------|--------------|-----------|
| Capital Assets being depreciated | \$ 3,898,150 | |
| Accumulated Depreciation | (2,412,091) | 2,378,670 |

Long-term capital lease are not due and payable in the current period and accordingly are not reported as fund liabilities.

Net position of governmental activities.

| |
|--------------|
| (83,771) |
| \$ 2,563,957 |

The notes to the financial statements are an integral part of this statement

City of Comanche, Oklahoma
Statement of Revenues, Expenditures and
Changes in Fund Balance – Modified Cash Basis – Governmental Funds
For the Year Ended June 30, 2017

| | General Fund | Capital Improvements Fund | Other Governmental Funds | Total |
|--|---------------------|---------------------------------|--------------------------------|------------------------------|
| REVENUE | | | | |
| Taxes | \$ 484,253 | \$ 210,854 | \$ 15,275 | \$ 710,382 |
| Charges for Services | 70,668 | - | 33,694 | 104,362 |
| Interest | 1,211 | 334 | 38 | 1,583 |
| Rent and Royalties | 14,562 | - | 2,920 | 17,482 |
| License and Permits | 8,984 | - | - | 8,984 |
| Fines and Forfeitures | 60,503 | - | - | 60,503 |
| Intergovernmental | 4,835 | - | - | 4,835 |
| Donations | 2,721 | - | - | 2,721 |
| Grants | 25,377 | 53,429 | 20,484 | 99,290 |
| Miscellaneous | 55,225 | 11,455 | 10,375 | 77,055 |
| Total Revenue | <u>\$ 728,339</u> | <u>\$ 276,072</u> | <u>\$ 82,786</u> | <u>\$ 1,087,197</u> |
| EXPENDITURES | | | | |
| Current | | | | |
| General Government | \$ 285,205 | \$ - | \$ - | \$ 285,205 |
| Highways and Streets | 98,690 | - | 6,280 | 104,970 |
| Public Safety | 638,538 | - | 7,379 | 645,917 |
| Cemetery | 60,961 | - | 28 | 60,989 |
| Culture and Recreation | 16,269 | - | 55,133 | 71,402 |
| Capital Outlay | | | | |
| General Government | - | 55,132 | - | 55,132 |
| Cemetery | - | 5,753 | 12,065 | 17,818 |
| Culture and Recreation | - | 5,213 | - | 5,213 |
| Public Health and Welfare | - | 58,610 | - | 58,610 |
| Public Safety | 2,178 | 60,781 | 102 | 63,061 |
| Highways and Streets | - | 5,894 | 19,442 | 25,336 |
| Debt Service | | | | |
| Principal | - | 19,025 | - | 19,025 |
| Interest | - | 1,425 | - | 1,425 |
| Total Expenditures | <u>\$ 1,101,841</u> | <u>\$ 211,833</u> | <u>\$ 100,429</u> | <u>\$ 1,414,103</u> |
| Excess (Deficiency) of Revenues Over (Under) Expenditures | <u>\$ (373,502)</u> | <u>\$ 64,239</u> | <u>\$ (17,643)</u> | <u>\$ (326,906)</u> |
| Other Financing Sources | | | | |
| Lease Financing Proceeds | \$ - | \$ 28,606 | \$ - | \$ 28,606 |
| Transfers In | 812,202 | - | 14,818 | 827,020 |
| Transfers Out | (341,647) | (286,443) | (8,848) | (636,938) |
| Total Other Financing Sources | <u>\$ 470,555</u> | <u>\$ (257,837)</u> | <u>\$ 5,970</u> | <u>\$ 218,688</u> |
| Net Change in Fund Balances | \$ 97,053 | \$ (193,598) | \$ (11,673) | \$ (108,218) |
| Fund Balances - Beginning | <u>(43,984)</u> | <u>315,264</u> | <u>105,996</u> | <u>377,276</u> |
| Fund Balances - Ending | <u>\$ 53,069</u> | <u>\$ 121,666</u> | <u>\$ 94,323</u> | <u>\$ 269,058</u> |

The notes to the financial statements are an integral part of this statement

City of Comanche, Oklahoma
Reconciliation of the Statement of Revenues, Expenditures and
Changes in Fund Balance – Modified Cash Basis – Governmental Funds
to the Statement of Revenue, Expenses and Changes in Net Position – Modified Cash Basis
For the Year Ended June 30, 2017

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

Net change in fund balances - total governmental funds \$ (108,218)

Governmental funds report capital outlays as expenditures. However, in the statement of activities the cost of those assets is located over their estimated useful lives and reported as depreciation expense. This is the amount by which depreciation expense exceeded capital outlay in the current period. (36,514)

The issuance of long-term debt (e.g. bonds, leases) provides current financial resources to governmental funds, while the repayment of the principal of long-term debt consumes the current financial resources of governmental funds. Neither transaction, however, has any effect on net assets.

This amount is the net effect of these differences in the treatment of long-term debt and related items. (16,549)

Change in net position of governmental activities. \$ (169,705)

City of Comanche, Oklahoma
Statement of Assets, Liabilities, Net Position – Modified Cash Basis – Proprietary Fund
June 30, 2017

| | Comanche Utilities Authority |
|---|------------------------------------|
| ASSETS | |
| Current Assets | |
| Cash and Cash Equivalent | \$ 68,253 |
| Restricted Cash and Cash Equivalent | 202,995 |
| Current Investment | 16,060 |
| Current Note Receivable | 23,316 |
| Total Current Assets | \$ 310,624 |
| Noncurrent Assets | |
| Restricted Cash | 118,828 |
| Investments | 246,370 |
| Note Receivable | 69,925 |
| Capital Assets | |
| Land and Construction in Progress | 108,000 |
| Other Capital Assets, Net of Depreciation | 4,464,246 |
| Total Noncurrent Assets | \$ 5,007,369 |
| Total Assets | \$ 5,317,993 |
| LIABILITIES | |
| Current Liabilities | |
| Refundable Meter Deposits | 37,000 |
| Notes Payable - Current | 166,283 |
| Total Current Liabilities | \$ 203,283 |
| Noncurrent Liabilities | |
| Refundable Meter Deposits | 39,780 |
| Notes Payable | 2,070,424 |
| Total Noncurrent Liabilities | 2,110,204 |
| Total Liabilities | \$ 2,313,487 |
| NET POSITION | |
| Invested in Capital Assets, Net of Related Debt | 2,485,142 |
| Restricted for Rural Development Loans | 109,934 |
| Unrestricted | 409,430 |
| Total Net Position | \$ 3,004,506 |

The notes to the financial statements are an integral part of this statement

City of Comanche, Oklahoma
Statement of Revenue, Expenses and Changes in Net Position – Modified Cash Basis – Proprietary Fund
For the Year Ended June 30, 2017

| | <u>Comanche Utilities Authority</u> |
|--|---|
| Operating Revenues: | |
| Electric | \$ 1,733,241 |
| Water | 250,457 |
| Sewer | 150,097 |
| Sanitation | 250,583 |
| Fees and Penalties | 122,144 |
| Miscellaneous | 85,557 |
| Total Operating Revenue | <u>\$ 2,592,079</u> |
| | |
| Operating Expenses: | |
| Sanitation Services | 234,572 |
| Water | 324,777 |
| Electric | 1,410,197 |
| Line Maintenance | 169,233 |
| General Administration | 207,750 |
| Total Operating Expenses | <u>\$ 2,346,529</u> |
| | |
| Operating Income (Loss) | <u>\$ 245,550</u> |
| | |
| Nonoperating Revenues (Expenses): | |
| Grants | 73,000 |
| Assets purchased for Governmental funds | (2,177) |
| Interest Income | 18,330 |
| Interest Expense | (88,827) |
| Total Nonoperating Revenues (Expenses) | <u>\$ 326</u> |
| | |
| Income (loss) before contributions and transfers | 245,876 |
| | |
| Capital Contributions | 562 |
| Transfers In | 428,070 |
| Transfers Out | (616,536) |
| | |
| Net Change in Net Position | \$ 57,972 |
| Total Net Position - Beginning | <u>2,946,534</u> |
| Total Net Position- Ending | <u>\$ 3,004,506</u> |

The notes to the financial statements are an integral part of this statement

City of Comanche, Oklahoma
Statement of Cash Flows – Modified Cash Basis – Proprietary Fund
For the Year Ended June 30, 2017

| | Comanche Utilities Authority |
|--|------------------------------------|
| CASH FLOWS FROM OPERATING ACTIVITIES | |
| Receipts from Customers | \$ 2,594,879 |
| Payments to Employees for Services | (397,165) |
| Payments to Vendors for Goods and Services | (1,677,244) |
| Net Cash Provided by Operating Activities | <u>\$ 520,470</u> |
| CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES | |
| Interfund Transfers from Other Funds | \$ 272,399 |
| Cash Received from Nonoperating Grants | 73,000 |
| Interfund Transfers to Other Funds | (533,976) |
| Net Cash Used by Noncapital Financing Activities | <u>\$ (188,577)</u> |
| CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES | |
| Purchase of Capital Assets | \$ (30,159) |
| Cash received from Taxes Levied for Capital Purposes or Repayment of Capital Debt | 155,671 |
| Capital Contributions | (2,177) |
| Principal Paid on Capital Debt | (148,619) |
| Interest Paid on Capital Debt | (88,827) |
| Net Cash Used by Capital Financing Activities | <u>\$ (114,111)</u> |
| CASH FLOWS FROM INVESTING ACTIVITIES | |
| Interest Income | \$ 18,330 |
| Economic Development Program Loan Payments | 11,648 |
| Cash Received from Restricted Accounts | 4,158 |
| Cash Received from Sale of Investments | 15,101 |
| Net Cash Used by Investing Activities | <u>\$ (34,263)</u> |
| Net Increase in Cash and Cash Equivalents | \$ 183,519 |
| Cash and Cash Equivalents, Beginning of Year | 87,729 |
| Cash and Cash Equivalents, End of Year | <u>\$ 271,248</u> |
| As shown on the Statement of Financial Position | |
| Cash and Cash Equivalent | \$ 68,253 |
| Restricted Cash and Cash Equivalent | 202,995 |
| | <u>\$ 271,248</u> |
| Reconciliation of Operating Income to Net Cash Provided by Operating Activities | |
| Operating Income | \$ 245,550 |
| Adjustments to Reconcile Operating Income to Net Cash Provided by Operating Activities | |
| Depreciation | 272,121 |
| Gain (Loss) on Disposal of Assets | 1,995 |
| Decrease in Refundable Meter Deposits | 804 |
| Total Adjustments | <u>274,920</u> |
| Net Cash Provided by Operating Activities | \$ 520,470 |

The Comanche Public Works Authority received \$526 of contributed assets through governmental funds.

The notes to the financial statements are an integral part of this statement

City of Comanche, Oklahoma
Notes to Financial Statements
June 30, 2017

I. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

II. The Reporting Entity

The City of Comanche, Oklahoma, (the City) is a charter city operating under a Council-Manager form of government authorized by the charter and Title 11 of the Oklahoma statutes. The governing body of the City is the City Council comprised of five elected members. The appointed City Manager is the administrative head of the City.

The accompanying financial statements present the City of Comanche and its component units, entities for which the government is considered to be financially accountable. Blended component units, although legally separate entities, are, in substance, part of the government's operations.

Blended Component Unit

The Comanche Utilities Authority (CPWA) was created February 9, 1971, for the use and benefit of the beneficiary, City of Comanche, to furnish, construct, administer and finance any public works facilities or improvements for public purposes under the laws of the State of Oklahoma. The City Council of the City of Comanche acts as the Board of Trustees of the Comanche Utilities Authority. The rates for user charges and bond issuance authorizations are approved by the government council and the legal liability for the general obligation portion of the Authority's debt remains with the government. The Authority is reported as an enterprise fund.

I2. Government-wide and fund financial statements

Government-Wide Financial Statements

The government-wide financial statements (i.e., the statement of assets, liabilities and net position – modified cash basis and the statement of revenues, expenses and changes in net position – modified cash basis) report information on all of the nonfiduciary activities of the primary government and its component units. For the most part, the effect of interfund activity has been removed from these statements. *Governmental activities*, which normally are supported by taxes and intergovernmental revenues, are reported separately from *business-type activities*, which rely to a significant extent on fees and charges for support.

City of Comanche, Oklahoma
Notes to Financial Statements
June 30, 2017

The statement of revenues, expenses and changes in net position – modified cash basis demonstrates the degree to which the direct expenses of a given function or segment is offset by program revenues. *Direct expenses* are those that are clearly identifiable with a specific function or segment. *Program revenues* include 1) charges to customers or applicants who purchase, use, or directly benefit from goods, services, or privileges provided by a given function or segment and 2) grants and contributions that are restricted to meeting the operational or capital requirements of a particular function or segment. The City has the following program revenues in each activity:

- General Government – license and permits
- Highways and Streets –capital grants
- Public Safety – fines and forfeitures, rural fire district dues, donations, restricted grants
- Economic Development – restricted grants
- Health and Welfare – restricted grants
- Culture and Recreation – hunting and fishing, camping and rental fees
- Cemetery – cemetery openings/closings and lot sales

Taxes and other items not properly included among program revenues are reported instead as *general revenues* even if restricted for a specific purpose.

The government-wide financial statements of the City are presented using the economic resource measurement focus within the limitations of the modified cash basis of accounting, which is a basis other than GAAP as established by GASB. This basis of accounting involves modifications to the cash basis of accounting to report in the statement of assets, liabilities and net position cash transactions or events that provide a benefit or result in an obligation that covers a period greater than the period in which the cash transaction or event occurred. Such modifications include the following:

- Capital assets are recorded as assets when purchased and related depreciation is recorded.
- Long-term debt is recorded when incurred.

As a general rule the effect of interfund activity has been eliminated from the government-wide financial statements. Exceptions to this general rule are payments-in-lieu of taxes and other charges between the government’s water and sewer function and various other functions of the government. Elimination of these charges would distort the direct costs and program revenues reported for the various functions concerned.

Fund Financial Statements

Separate financial statements are provided for governmental funds and proprietary funds.

City of Comanche, Oklahoma
Notes to Financial Statements
June 30, 2017

Major individual governmental funds and major individual enterprise funds are reported as separate columns in each fund-type financial statements.

Governmental funds are used to account for essentially the same functions reported as governmental activities in the government-wide financial statements. Governmental funds focus on a current financial resources measurement within the limitations of the modified cash basis of accounting. Only current financial assets and liabilities are generally included on the statement of assets, liabilities and fund balance. Their operating statements present sources and uses of available spendable financial resources during a given period. These funds use fund balance as their measure of available spendable financial resources at the end of the period.

The City reports the following major government funds which are displayed in separate columns:

General Fund - is the Government's primary operating fund. It accounts for all financial resources of the general government, except those required to be accounted for in another fund. The general fund also includes internal funds formally accounted for as special revenue funds: emergency services, grants, abatement, pension retirement, hunting and fishing, fire grant, drug forfeitures, court, Gayle Ashbury fund, and special projects fund.

Capital Improvement Fund - is a capital projects fund which accounts for dedicated sales tax and other restricted revenue sources to be used for capital improvements.

Aggregated Nonmajor Governmental Funds (reported as other governmental funds):

- Cemetery Care Fund – accounts for 12.5 percent of cemetery revenues restricted by State law for cemetery capital improvements
- Rural Fire – accounts for annual dues assessments
- Street and Alley.- accounts for State shared gasoline excise and commercial vehicle taxes legally restricted for street and alley purposes.

The City reports the Comanche Utilities Authority (CPWA) as a major proprietary fund. CPWA accounts for the activities related to the provision of electric, water sewer and sanitation services to businesses and residents. CPWA also has an economic development revolving loan fund. It operates the water and sewer treatment plants, water distribution system, sewer collections systems and pump stations.

Proprietary funds utilize an economic resources measurement focus within the limitations of modified cash basis of accounting. The accounting objectives of this measurement focus are the determination of operating income, changes in net

City of Comanche, Oklahoma
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position (or cost recovery), net financial position and cash flows. All assets, deferred outflows, liabilities and deferred inflows associated with their activates are generally reported modified as follows:

- Capital assets are recorded as assets when purchased and related depreciation is recorded.
- Long-term debt is recorded when incurred.

Major Fund: Comanche Utilities Authority (CPWA) – accounts for the operation of the electric, water, sewer, and sanitation activities.

Proprietary funds distinguish *operating* revenues and expenses from *nonoperating* items. Operating revenues and expenses generally result from providing services and producing and delivering goods in connection with a proprietary fund’s principal ongoing operations. The principal operating revenues of the City’s enterprise fund are charges to customers for sales and services. Operating expenses for enterprise funds include the cost of sales and services, administrative expenses, and depreciation on capital assets. All revenues and expenses not meeting this definition are reported as nonoperating revenues and expenses.

II. ASSETS, LIABILITIES, AND NET POSITION OR EQUITY

III. Deposits and investments

For purposes of the statement of cash flows, the City considers short-term investments with original maturities of three months or less from the date of acquisition to be cash equivalents

Oklahoma Statutes authorize the City to invest in direct obligations of the United States Government, its agencies or instrumentalities; collateralized or insured certificates of deposits of financial institutions located in the state of Oklahoma or fully-insured certificates of deposits of financial institutions located outside the state; savings accounts, and county, municipal or school district general obligation debt.

The City does not have a specific policy limiting the concentration amount that may be invested with one issuer. The City has no formal policy on managing credit risk.

Public trusts created under Oklahoma Statutes Title 60 are not subject to the above investment limitations and are primarily governed by any restrictions in their trust or note indenture. CPWA has not specific policy but follows the state statutes for the City.

II2. Interfund transactions

Interfund receivables and payables arise from interfund transactions and are recorded in the period transacted. Transfers are used to move revenues from the fund that statute or budget requires to collect them to the fund that statute or budget requires to expend them and to

City of Comanche, Oklahoma
Notes to Financial Statements
June 30, 2017

move unrestricted revenue collected to finance various programs accounted for in other funds in accordance with budgetary authorizations.

II3. Restricted assets

Certain proceeds of the Authority's notes payable, as well as certain resources set aside for their repayment, are classified as restricted assets on the statement of assets, liabilities and net position – modified cash basis because they are maintained in separate bank accounts and their use is limited by applicable loan covenants. The debt service reserve accounts are used to report resources set aside to make debt payments, make up potential futures deficiencies, or to meet unexpected contingencies or to fund asset renewals and replacements. Customer utility deposits, refunded upon termination of service or applied to final bill, and Rural Enterprise revolving loan funds are also reported as restricted cash.

II4. Capital assets

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

Property, plant, and equipment of the primary government, as well as the component units, are depreciated using the straight line method over the following estimated useful lives:

| <u>Assets</u> | <u>Years</u> |
|-------------------------|--------------|
| Buildings | 50 |
| Infrastructure | 25 |
| System infrastructure | 30 |
| Vehicles | 5 |
| Machinery and equipment | 10 |

II5. Fund equity

Governmental Fund Balance Classification: The governmental fund financial statements present fund balances based on classifications that comprise a hierarchy that is based primarily on the extent to which the entity is bound to honor constraints on the specific purposes for which amounts in the respective governmental funds can be spent. The

City of Comanche, Oklahoma
Notes to Financial Statements
June 30, 2017

classifications used in the governmental fund financial statements are as follows:

Nonspendable: This classification includes amounts that cannot be spent because they are either (a) not in spendable form or (b) are legally or contractually required to be maintained intact. City of Comanche, Oklahoma did not have any nonspendable resources as of June 30, 2017.

Restricted: This classification includes amounts for which constraints have been placed on the use of the resources either (a) externally imposed by creditors (such as through a debt covenant), grantors, contributors, or laws or regulations of other governments, or (b) imposed by law through constitutional provisions or enabling legislation. City of Comanche, Oklahoma has restricted resources by state law and from grants as of June 30, 2017.

Committed: This classification includes amounts that can be used only for specific purposes pursuant to constraints imposed by formal ordinance or resolution of the City Council. These amounts cannot be used for any other purpose unless the City Council removes or changes the specified use by taking the same type of action (ordinance or resolution) that was employed when the funds were initially committed. This classification also includes contractual obligations to the extent that existing resources have been specifically committed for use in satisfying those contractual requirements.

Assigned: This classification includes amounts that are constrained by City of Comanche, Oklahoma's intent to be used for a specific purpose but are neither restricted nor committed. This intent can be expressed by the City Council or through the council delegating this responsibility to the manager through the budgetary process.

Unassigned: This classification includes the residual fund balance for the General Fund. The unassigned classification also includes negative residual fund balance of any other governmental fund that cannot be eliminated by offsetting of assigned fund balance amounts.

As of June 30, 2017, governmental fund balances are composed of the following:

City of Comanche, Oklahoma
Notes to Financial Statements
June 30, 2017

| | General Fund | Capital Improvements Fund | Other Governmental Funds | Total Governmental Funds |
|-----------------------|------------------|---------------------------------|--------------------------------|--------------------------------|
| Restricted | | | | |
| Capital Projects | \$ - | \$ 101,005 | \$ - | \$ 101,005 |
| Cemetery | - | - | 11,186 | 11,186 |
| Retirees | 26,693 | - | - | 26,693 |
| Streets | - | - | 46,189 | 46,189 |
| | | | | <u>185,073</u> |
| Committed | | | | |
| Rural Fire Department | - | - | 19,202 | 19,202 |
| Drug Prevention | 1,418 | - | - | 1,418 |
| | | | | <u>20,620</u> |
| Assigned | | | | |
| Capital Projects | - | 20,661 | | 20,661 |
| Rural Fire Department | - | - | 12,466 | 12,466 |
| Streets | - | - | 1,050 | 1,050 |
| Cemetery | - | - | 2,514 | 2,514 |
| Hunting and Fishing | 10,556 | - | - | 10,556 |
| Court | 8,583 | - | - | 8,583 |
| Citizens Center | 372 | - | 1,716 | 2,088 |
| | | | | <u>57,918</u> |
| Unassigned | | | | |
| | <u>5,447</u> | <u>-</u> | <u>-</u> | <u>5,447</u> |
| | <u>\$ 53,069</u> | <u>\$ 121,666</u> | <u>\$ 94,323</u> | <u>\$ 269,058</u> |

It is the City's policy to first use restricted fund balances prior to the use of unrestricted fund balances when an expenditure is incurred for purposes for which both restricted and unrestricted fund balances are available. The City would typically use restricted fund balances first, followed by committed resources and the assigned resources, as appropriate opportunities arise, but reserves the right to selectively spend unassigned resources first to defer the use of these other classified funds.

Proprietary Fund Balance Classification: The proprietary funds classify net position in the same manner as the government-wide financial described in the next paragraph.

City of Comanche, Oklahoma
Notes to Financial Statements
June 30, 2017

II6. Government-wide Net Position

Government-wide Net Position are divided into three components:

- Net investment in capital assets– consist of the historical cost of capital assets less accumulated depreciation and less any debt that remains outstanding that was used to finance those assets.
- Restricted – consist of net position that are restricted by creditors, by the state enabling legislation, by grantors (both federal and state), and by other contributors.
- Unrestricted – all other net position are reported in this category.

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

II7. Sales Tax Revenue

Sales tax revenue represents a 4 cent tax on each dollar of taxable sales of which one and a half cents is voter restricted for the capital improvements fund and one-half cent is transferred to the water sales tax fund for debt service. In February, 2013, the Stephens County voters approved an additional .15 percent of 1% sales tax with the proceeds to go the fire departments and senior centers in the county. Increase started April 1, 2013 through March 30, 2020.

II8. Use of Estimates

The preparation of financial statements in conformity with the modified cash basis of accounting used by the City requires management to make estimates and assumptions that affect certain reported amounts and disclosures; accordingly, actual results could differ from those estimates.

III. RECONCILIATION OF GOVERNMENT-WIDE AND FUND FINANCIAL STATEMENTS

III1. Explanation of certain differences between the governmental fund statement of revenues, expenditures, and changes in fund balances and the government-wide statement of activities.

The government fund statement of revenues, expenditures, and changes in fund balances includes a reconciliation of the difference between *net changes in fund balances - total governmental funds* and *changes in net position of governmental activities* as reported in the

City of Comanche, Oklahoma
Notes to Financial Statements
June 30, 2017

government-wide statement of activities.

One element of that reconciliation explains that “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 Outlay | \$ 132,744 |
| Depreciation Expense | <u>(169,258)</u> |
| | <u>\$ (36,514)</u> |

IV. STEWARDSHIP, COMPLIANCE AND ACCOUNTABILITY

By its nature as a local government unit, the City and its component unites are subject to various federal, state and local laws and contractual requirements. The following instances of noncompliance are considered material to the financial statements.

IV1. Budgetary Noncompliance

For the year ended June 30, 2017, expenditures exceeded appropriations at the legal level of control in individual funds as follows:

| Fund | Department | Expenditures Exceeding Appropriations |
|------------------------------|--------------------|---|
| General Fund | General Government | \$ 32,512 |
| | City Manager | 3,358 |
| | City Treasurer | 720 |
| | Cemetery | 11,711 |
| Comanche Utilities Authority | General Government | 25,309 |
| | Water | 86,711 |
| | Electric | 133,147 |
| | Line Maintenance | 66,632 |

V. BUDGETARY INFORMATION

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

The appropriated budget is prepared by fund, department and categories (personnel services, materials and supplies, other services and charges, capital outlay, debt services and transfers). Transfers of appropriations between departments within a fund require the

City of Comanche, Oklahoma
Notes to Financial Statements
June 30, 2017

approval of the City Manager. Transfers of appropriations between funds and supplements to the budget require City Council approval. The legal level of budgetary control is the department level within a fund. Supplemental appropriations must be filed with the Office of State Auditor and Inspector.

VI. DEPOSITS

Deposit Custodial Credit Risk: Custodial credit risk is the risk that in the event of a bank failure, the government's deposits may not be returned to it. The City follows state statutes regarding custodial credit risk which requires collateral for all deposits in excess of Federal Deposit Insurance. At June 30, 2017, the bank balance was \$569,712. The City was not exposed to custodial credit risk as of June 30, 2017.

VII. INVESTMENTS

The City's investments at June 30, 2017, are presented as follows:

| Investment Type | Cost | Investment Maturities (in year) | | | |
|--------------------------|-------------------|----------------------------------|------------------|-------------------|------------------|
| | | Less Than 1 | 1-5 | 6-10 | 10-15 |
| Annuity | \$ 262,430 | \$ 16,061 | \$ 96,956 | \$ 121,599 | \$ 27,814 |
| Money Market Mutual Fund | 26,693 | 26,693 | - | - | - |
| | <u>\$ 289,123</u> | <u>\$ 42,754</u> | <u>\$ 96,956</u> | <u>\$ 121,599</u> | <u>\$ 27,814</u> |

These investments are not securities therefore are not subject to custodial credit risk and are unrated. The City does not have a specific policy regarding investment credit risk. The City places no limit on the amount that may be invested in one issuer.

VIII. CAPITAL ASSETS

Capital asset activity for the year ended June 30, 2017 was as follows:

City of Comanche, Oklahoma
Notes to Financial Statements
June 30, 2017

Primary Government

| | Beginning Balance | Increases | Decreases | Ending Balance |
|--|----------------------------|---------------------------|--------------------------|----------------------------|
| <i>Government Activities:</i> | | | | |
| <i>Capital assets, not being depreciated</i> | | | | |
| Land | \$ 892,611 | \$ - | \$ - | \$ 892,611 |
| Total capital assets, not being depreciated | <u>892,611</u> | <u>-</u> | <u>-</u> | <u>892,611</u> |
| <i>Capital assets, being depreciated</i> | | | | |
| Buildings | 1,473,874 | 1,297 | - | 1,475,171 |
| Vehicles | 619,115 | 38,606 | - | 657,721 |
| Machinery and Equipment | 845,667 | 91,416 | 29,250 | 907,833 |
| Infrastructure | 856,000 | 1,425 | - | 857,425 |
| Total capital assets, being depreciated | <u>3,794,656</u> | <u>132,744</u> | <u>29,250</u> | <u>3,898,150</u> |
| Less Accumulated Depreciation | <u>2,263,659</u> | <u>169,258</u> | <u>20,826</u> | <u>2,412,091</u> |
| Total capital assets, being depreciated, net | <u>1,530,997</u> | <u>(36,514)</u> | <u>8,424</u> | <u>1,486,059</u> |
| Governmental activities capital assets, net | <u>2,423,608</u> | <u>(36,514)</u> | <u>8,424</u> | <u>2,378,670</u> |
| | Beginning Balance | Increases | Decreases | Ending Balance |
| <i>Business-type Activities:</i> | | | | |
| <i>Capital assets, not being depreciated</i> | | | | |
| Construction in Progress | \$ 198,592 | \$ 25,377 | \$ 223,969 | \$ - |
| Land | 108,000 | - | - | 108,000 |
| Total capital assets, not being depreciated | <u>306,592</u> | <u>25,377</u> | <u>223,969</u> | <u>108,000</u> |
| <i>Capital assets, being depreciated</i> | | | | |
| Buildings | 301,610 | - | - | 301,610 |
| Vehicles | 231,888 | - | 4,200 | 227,688 |
| Machinery and Equipment | 275,077 | 562 | - | 275,639 |
| Water Storage Rights | 946,641 | - | - | 946,641 |
| Infrastructure | 6,126,793 | 228,751 | - | 6,355,544 |
| Total capital assets, being depreciated | <u>7,882,009</u> | <u>229,313</u> | <u>4,200</u> | <u>8,107,122</u> |
| Less Accumulated Depreciation | <u>3,372,960</u> | <u>272,121</u> | <u>2,205</u> | <u>3,642,876</u> |
| Total capital assets, being depreciated, net | <u>4,509,049</u> | <u>(42,808)</u> | <u>1,995</u> | <u>4,464,246</u> |
| Business activities capital assets, net | <u>4,815,641</u> | <u>(17,431)</u> | <u>225,964</u> | <u>4,572,246</u> |
| Total Primary Government | <u>\$ 7,239,249</u> | <u>\$ (53,945)</u> | <u>\$ 234,388</u> | <u>\$ 6,950,916</u> |

City of Comanche, Oklahoma
Notes to Financial Statements
June 30, 2017

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

| | |
|---|-------------------|
| Government activities: | |
| General government | \$ 25,804 |
| Public safety | 53,980 |
| Culture and recreation | 24,501 |
| Highways and streets | 59,629 |
| Cemetery | <u>5,343</u> |
| Total depreciation expense - governmental activities | <u>\$ 169,257</u> |
| | |
| Business-type activities | |
| Water | \$ 83,382 |
| Line Maintenance | 73,628 |
| Electric | 105,198 |
| Administration | <u>9,913</u> |
| Total depreciation expense - business-type activities | <u>\$ 272,121</u> |

IX. INTERNAL BALANCES AND INTERFUND TRANSFERS

Interfund transfers as of June 30 consisted of the following:

| Transfer To | Transfer From | Amount | Purpose |
|------------------------------|------------------------------|---------------------|-------------------------------|
| General Fund | Comanche Utilities Authority | \$ 540,228 | Operating |
| Comanche Utilities Authority | General Fund | 70,285 | Sales tax pledged for debt |
| General Fund | Court | 31,544 | Court activity |
| Comanche Utilities Authority | Grants Fund | 25,377 | Grant expenses |
| Comanche Utilities Authority | Capital Improvement | 161,172 | Debt service |
| Comanche Utilities Authority | Capital Improvement | 171,237 | Operating from assigned funds |
| General Fund | Hunting and Fishing | 57,032 | Operating |
| General Fund | Grants Fund | 3,500 | Grant expenses |
| General Fund | Capital Improvement | 29,259 | Capital outlay |
| General Fund | Special Projects | 8,185 | Close fund |
| Rural Fire | Comanche Utilities Authority | 520 | Operating |
| General Fund | Gayle Asbury Fund | 140,275 | Operating |
| Cemetery | Street Fund | 8,848 | Repave cemetery roads |
| General Fund | Comanche Utilities Authority | 2,177 | Asset purchase |
| Nutrition Services | General Fund | 5,450 | Operating |
| Total | | <u>\$ 1,255,089</u> | |

Reconciliation to fund financial statements:

| | Transfers In | Transfers Out | Capital Contribution | Net |
|-------------------|----------------|---------------|----------------------|------------------|
| Government Funds | \$ 827,019 | \$ (636,938) | <u> </u> | \$ 190,081 |
| Proprietary Funds | <u>428,070</u> | (616,536) | <u>(1,615)</u> | <u>(190,081)</u> |

\$ City of Comanche, Oklahoma (1,615) \$ -
Notes to Financial Statements
June 30, 2017

City of Comanche, Oklahoma
Notes to Financial Statements
June 30, 2017

X. LONG-TERM LIABILITIES

A summary of long-term liability activity for the year ended June 30, 2017, is as follows:

| | Beginning Balance | Additions | Reductions | Ending Balance | Due within One Year |
|---------------------------|----------------------|------------------|-------------------|---------------------|------------------------|
| Primary Government | | | | | |
| Governmental Activities | | | | | |
| Capital Lease Obligations | \$ 67,222 | \$ 35,574 | \$ 19,025 | \$ 83,771 | \$ 24,866 |
| Business-Type Activities | | | | | |
| Notes Payable | \$ 1,478,050 | \$ - | \$ 113,760 | \$ 1,364,290 | \$ 124,290 |
| Contracts Payable | 907,276 | - | 34,859 | 872,417 | 41,993 |
| | <u>2,385,326</u> | <u>-</u> | <u>148,619</u> | <u>2,236,707</u> | <u>166,283</u> |
| Meter Deposits | <u>75,975</u> | <u>805</u> | <u>-</u> | <u>76,780</u> | <u>37,000</u> |
| | <u>\$ 2,528,523</u> | <u>\$ 36,379</u> | <u>\$ 167,644</u> | <u>\$ 2,397,258</u> | <u>\$ 228,149</u> |

X1 Governmental Activities

As of June 30, 2017, the long-term debt arising from cash transactions or events, payable from governmental fund resources consisted of the following:

Capital Note Obligations

\$16,981 capital note with a financial institution for a Kubota tractor and attachments, down payment of \$6,790, payable in monthly installments of \$490, including interest of 2.5%, final payment June, 2019 \$ 11,463

\$63,084 capital note with a financial institution for two vehicles payable in monthly installments of \$1,105 including interest of 1.99%, final payment December, 2020 44,794

\$286064 capital note with a financial institution for a vehicle payable in monthly installments of \$653 including interest of 4.56%, final payment April, 2021 27,515
\$ 83,772

The annual debt service requirements to maturity, including principal and interest, for governmental activities debt as of June 30, 2017, are as follows:

| Year Ending June 30 | Total | Principal | Interest |
|------------------------|------------------|------------------|-----------------|
| 2018 | \$ 26,275 | \$ 24,866 | \$ 1,409 |
| 2019 | 26,976 | 25,567 | 1,409 |
| 2020 | 21,097 | 20,350 | 747 |
| 2021 | 13,162 | 12,989 | 173 |
| | <u>\$ 87,510</u> | <u>\$ 83,772</u> | <u>\$ 3,738</u> |

City of Comanche, Oklahoma
Notes to Financial Statements
June 30, 2017

Leased vehicles and equipment under capital leases in capital assets at June 30, 2017, include the following

| | | |
|-------------------------------|----|-----------------|
| Machinery and equipment | \$ | 23,949 |
| Vehicles | | 63,084 |
| less accumulated depreciation | | <u>(15,422)</u> |
| | \$ | <u>71,611</u> |

X2 Business-Type Activities

As of June 30, 2017, the long-term debt arising from cash transactions or events, payable from proprietary fund resources consisted of the following:

| Type of Indebtedness (purpose) | Maturity | Interest Rates | Annual Installments | Original Issue Amount | Outstanding at June 30, 2017 |
|--|-----------------|----------------|---------------------|-----------------------|------------------------------|
| Oklahoma Department of Commerce (ODOC) (financed costs of water tower) | July, 2018 | 0.00% | 8,760 | 175,000 | 9,290 |
| Utility System Revenue Note Series 2012 (financed costs of upgrade to electric system) | February, 2027 | 3.3438% | Variable | 1,815,000 | 1,355,000 |
| Waurika Lake Master Conservancy District (WLMCD) (financed costs of water storage facility) | October, 2026 | 3.46% | 3,228 | 69,964 | 25,101 |
| Waurika Lake Master Conservancy District (WLMCD) (financed costs of water storage conveyance) | August, 2030 | 3.46% | 29,504 | 394,733 | 309,771 |
| Waurika Lake Master Conservancy District (WLMCD) (financed costs of water storage facility) | September, 2035 | 4.23% | 34,980 | 481,944 | 387,942 |
| Waurika Lake Master Conservancy District (WLMCD) (financed costs of silt removal) | October, 2035 | 3.76% | Variable | 158,243 | 149,603 |
| | | | | | <u>\$ 2,236,707</u> |

Interest expense of \$88,828 has been included as part of the water expenses.

As of June 30, 2017, annual debt service requirements of the business-type activities to maturity are as follows:

| Year Ending June 30 | ODOC | | Revenue Note Series 2012 | | WLMCD | | Total | |
|------------------------|-----------------|-------------|--------------------------|-------------------|-------------------|-------------------|---------------------|-------------------|
| | Principal | Interest | Principal | Interest | Principal | Interest | Principal | Interest |
| 2018 | \$ 9,290 | \$ - | 115,000 | 44,305 | 41,993 | 33,851 | \$ 166,283 | \$ 78,156 |
| 2019 | - | - | 120,000 | 40,460 | 44,507 | 31,226 | 164,507 | 71,686 |
| 2020 | - | - | 120,000 | 36,448 | 44,231 | 31,541 | 164,231 | 67,989 |
| 2021 | - | - | 130,000 | 32,351 | 46,999 | 28,788 | 176,999 | 61,139 |
| 2022 | - | - | 130,000 | 28,004 | 48,695 | 26,968 | 178,695 | 54,972 |
| 2023-2027 | - | - | 740,000 | 69,720 | 270,588 | 104,900 | 1,010,588 | 174,620 |
| 2028-2032 | - | - | - | - | 256,690 | 50,449 | 256,690 | 50,449 |
| 2033-2036 | - | - | - | - | 118,714 | 8,381 | 118,714 | 8,381 |
| | <u>\$ 9,290</u> | <u>\$ -</u> | <u>\$ 1,355,000</u> | <u>\$ 251,288</u> | <u>\$ 872,417</u> | <u>\$ 316,104</u> | <u>\$ 2,236,707</u> | <u>\$ 567,392</u> |

The contracts payable with Waurika Lake Master Conservancy District (District) provide the City with a share of the District's water supply and the City pays its share of the costs of the facilities and operations of the District. The District has the ability to levy property assessments to pay the obligations.

City of Comanche, Oklahoma
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June 30, 2017

The City has pledged future water revenues to secure the debt to the District. At year-end pledged revenues total \$1,188,521, which is the amount of remaining principal and interest outstanding on the District debt. Annual principal and interest on the District debt is expected to require approximately 31% of annual water revenues.

The revenue note has a pledge of CPWA net revenue equal to 125% of annual principal and interest requirements. At year-end future pledged revenues on this debt total \$1,606,288 which is the amount of remaining principal and interest outstanding on the revenue note debt. Annual principal and interest on the revenue note debt is expected to require approximately 30% of net annual CPWA revenues.

The ODOC note is secured by service revenues of the CPWA. At year-end pledged revenues on this debt total \$9,290 which is the amount of remaining principal and interest outstanding on the debt. Annual principal and interest on the ODOC debt is expected to require 0.39% of annual CPWA service revenues.

XI. RESTRICTED ASSETS

Restricted cash as of June 30, 2017 is as follows:

| | |
|---|------------|
| Funds restricted for debt service reserves | |
| 2012 Revenue Note | \$ 68,895 |
| Waurika Lake Master Conservancy District Debt | 149,303 |
| | \$ 218,198 |
| Funds restricted for other purposes | |
| Meter deposits | 84,215 |
| Rural development loans | 16,692 |
| Capital Improvements | 2,718 |
| | \$ 321,823 |
| As shown on proprietary statement of financial position | |
| Current restricted cash | \$ 202,995 |
| Noncurrent restricted cash | 118,828 |
| | \$ 321,823 |

XII. PENSION PLANS

XIII Municipal Retirement Plan

The City of Comanche maintains a Oklahoma Municipal Retirement Fund single-employer retirement plan covering a closed group of non-active participants..

City of Comanche, Oklahoma
Notes to Financial Statements
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Funding Policy: The City elected to fund the retiree obligation over ten years from 2003. As of June 30, 2017, the retiree has passed away and remaining funds of \$64,110 have been refunded to the City..

Annual Pension Cost: For 2016-2017, the annual pension expense was \$49,920. The required contribution was determined as part of the July 1, 2016 actuarial valuation using the entry age normal actuarial cost method. The actuarial assumptions included (I) 7.5 percent investment rate of return, (II) UP 94 mortality (III) no cost of living adjustments (IV) 65 retirement age for deferred vested.

The funded status of the plan as of July 1, 2016, the most recent valuation date, is as follows:

| Actuarial Valuation Date | Actuarial Value of Assets (a) | Present Value of Benefits (b) | Unfunded AAL (UAAL) (b- a) | Funded Ratio (a/b) |
|-----------------------------|-------------------------------------|-------------------------------------|-------------------------------------|--------------------------|
| 7/1/2016 | 23,183 | 72,671 | 49,488 | 31.90% |

Trend Information:

| Year Ending June 30 | Cost (APC) | Contributed | Net Pension Obligation |
|---------------------------|---------------|-------------|------------------------------|
| 2017 | \$ 49,920 | 100% | 46,438 |
| 2016 | 36,816 | 27% | 26,816 |
| 2015 | 29,962 | 0% | 29,962 |

As noted above, the total funds held by the plan were refunded in June, 2017 due to the death of the retiree.

XII2 Defined Contribution Plan (City of Comanche Retirement Plan)

The City provides retirement benefits to its full-time employees, other than employees covered by a state plan. In a defined contribution plan, benefits depend solely on amounts contributed to the plan plus investment earnings. Employer contributions are 3.35% or 5.12%, depending upon the employee group. All employees are eligible and there are no minimum age or service requirements. Employees are required to contribute 3.12, 4.12 or 5.12% of compensation. Contributions are vested over five years.. During the past year, the City contributed \$15,424.

City of Comanche, Oklahoma
Notes to Financial Statements
June 30, 2017

XII3 Oklahoma Firefighters Pension and Retirement Plan

Plan Description – The Oklahoma Firefighters Pension and Retirement Plan (The Plan) provides participants with retirement, death and disability benefits established by the State of Oklahoma. The plan is a multiple-employer, cost-sharing defined benefit pension plan covering members who have actively participated in firefighting activities for an entity which is a member of the plan. The ability to establish and amend benefit provisions is the responsibility of the state legislature. The Plan issues a publicly available financial report that includes financial statements and required supplementary information for the employees of the Plan. This financial report that can be obtained at <http://www.ok.gov/fprs/>.

Benefits Provided – In general, the Plan provides defined retirement benefits based on members' final average compensation, age and term of service. In addition, the retirement program provides for benefits upon disability and to survivors upon death of eligible members. The Plan's benefits are established and amended by State statute. Retirement provisions are as follows:

· *Normal Retirement*

Hired Prior To November 1, 2013

Normal retirement is attained upon completing 20 years of service. The normal retirement benefit is equal to 50% of the member's final average compensation. Final average compensation is defined as the monthly average of the highest 30 consecutive months of the last 60 months of participating service. For volunteer firefighters, the monthly pension benefit for normal retirement is \$150.60 per month.

Hired After November 1, 2013

Normal retirement is attained upon completing 22 years of service. The normal retirement benefit is equal to 55% of the member's final average compensation. Final average compensation is defined as the monthly average of the highest 30 consecutive months of the last 60 months of participating service. For volunteer firefighters, the monthly pension benefit for normal retirement is \$165.66 per month.

· *Disability*

All firefighters are eligible for immediate disability benefits. For paid firefighters, the disability in-the-line-of-duty benefit for those 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 year of service, with a maximum of 30 years of service. For disability not-in-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

City of Comanche, Oklahoma
Notes to Financial Statements
June 30, 2017

opposed to 30 months. For volunteer firefighters, the not-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.

· *Death Benefit*

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.

· *Terminations*

Hired Prior To November 1, 2013

A member who terminates after 10 years of credited service is eligible for a vested severance benefit determined by the normal retirement formula, based on service and salary history to date of termination. The benefit is payable at age 50, or when the member would have completed 20 years of service, whichever is later, provided the member's contribution accumulation is not withdrawn. Members terminating with less than 10 years of credited service may elect to receive a refund of their contribution accumulation without interest.

Hired After November 1, 2013

A member who terminates after 11 years of credited service is eligible for a vested severance benefit determined by the normal retirement formula, based on service and salary history to date of termination. The benefit is payable at age 50, or when the member would have completed 22 years of service, whichever is later, provided the member's contribution accumulation is not withdrawn. Members terminating with less than 11 years of credited service may elect to receive a refund of their contribution accumulation without interest.

Contributions – The contribution requirements of the Plan are at an established rate determined Oklahoma statute and are not based on actuarial calculations.. Each member employers contributes 14% of the actual base salary of each participant employed. Each participant contributes 9% of their base salary. In addition, member employers contribute \$60 for each volunteer firefighter unless their annual income to the general fund is less than \$25,000, in which case they are exempt. Additional funds are provided by the State of Oklahoma, a non-employer contributing entity, through 36% allocation of the tax on premiums collected by insurance companies operating in Oklahoma and by the net investment income generated on assets held by the Plan. The City's contribution to the plan for the year ended June 30, 2017 was \$23,154.

Pension (Asset) Liability and Pension Expense

At June 30, 2017, the City's proportionate share of the net pension liability was \$697,603. The net pension liability was measured as of June 30, 2016, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of that date. The City's proportion of the net pension liability was based on a projection of the

City of Comanche, Oklahoma
Notes to Financial Statements
June 30, 2017

City's long-term share of the contributions to the pension plan relative to the projected contributions of all participating members, actuarially determined. At June 30, 2016, the City's proportion was 0.0571% which was decrease of .002% from the proportion measured as of June 30, 2015.

For the year ended June 30 2016, the City proportionate share of pension expense was \$72,037.

Actuarial assumptions – The total pension liability in the June 30, 2016 actuarial valuation was determined using the following actuarial assumptions, applied to all periods included in the measurement:

- Inflation – 3.00%
- Salary Increases – 3.5% to 9% average, including inflation
- Investment Rate of Return – 7.5% net of pension plan investment expense
- Mortality –RP-2000 Blue Collar Healthy Combined table with adjustments for generational mortality improvement using scale AA for healthy lives and no mortality improvement for disabled lives.

The long-term expected rate of return on pension plan investments was determined using a building block method in which best estimate ranges of expected future real rates of return (expected returns, net of pension plan investment expense and inflation) are developed for each major asset class. These ranges are combined to produce the long-term expected rate of return by weighting the expected future real rates of return by the target asset allocation percentage and by adding expecting inflation. The target asset allocation and best estimates of arithmetic expected real rates of return for each major asset class as of June 30, 2016, are summarized in the following table:

| Asset Class | Long-Term Expected Real Rate of Return |
|----------------------|---|
| Fixed Income | 5.18% |
| Domestic Equity | 8.70% |
| International Equity | 10.87% |
| Real Estate | 7.23% |
| Other Assets | 6.24% |

Discount rate – The discount rate used to measure the total pension liability was 7.5%. The projection of cash flows used to determine the discount rate assumed that contributions from plan members will be made at the current contribution rate and that contributions from employers will be made at contractually required rates, determined by the Oklahoma Statutes. Projected cash flows also assume the State of Oklahoma will continue contributing

City of Comanche, Oklahoma
Notes to Financial Statements
June 30, 2017

36% of the insurance premium, as established by statute. Based on these assumptions, the pension plan’s fiduciary net position was projected to be available to make all projected future benefit payments of current plan members. Therefore, the long-term expected rate of return on pension plan investments was applied to all periods of projected benefit payments to determine the total pension liability.

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

| | 1% Decrease (6.5%) | Current Discount Rate (7.5%) | 1% Increase (8.5%) |
|--|-----------------------|------------------------------------|-----------------------|
| City's Proportionate share of the net pension liability (asset) | \$ 883,103 | \$ 697,603 | \$ 542,071 |

XII4 Oklahoma Police Pension and Retirement

Plan Description – The Oklahoma Police Pension and Retirement Plan (The Plan) provides participants with retirement, death and disability benefits and a deferred option plan, established by the State of Oklahoma. The plan is a multiple-employer, cost-sharing defined benefit pension plan covering members who have actively participated in being a police officer for an Oklahoma municipality or state agency which is a member of the plan.

The ability to establish and amend benefit provisions is the responsibility of the state legislature. The Plan issues a publicly available financial report that includes financial statements and required supplementary information for the employees of the Plan. The Plan issues a publically available financial report that can be obtained at <http://www.ok.gov/opprs/>.

Benefits Provided – In general, the Plan provides defined retirement benefits based on members’ final average compensation, age and term of service. In addition, the retirement program provides for benefits upon disability and to survivors upon death of eligible members. The Plan’s benefits are established and amended by State statute. Retirement provisions are as follows:

- 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

City of Comanche, Oklahoma
Notes to Financial Statements
June 30, 2017

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. Effective July 1, 1999, a \$5,000 death benefit is also paid, in addition to any survivor's pension benefits under the Plan, to the participant's beneficiary or estate for active or retired members.
- The Deferred Option allows participants otherwise eligible for a normal retirement benefit to defer terminating employment and drawing retirement benefits for a period not to exceed 5 years. Under the Deferred Option, retirement benefits are calculated based on compensation and service at the time of election and a separate account is established for each participant. During the participation period, the employee's retirement benefit is credited to the participant's account along with a portion of the employer's contribution and interest. Interest is credited at a rate of 2% below the rate of return on the investment portfolio of the Plan, with a guaranteed minimum interest equal to the assumed actuarial interest of 7.5%. Employee contributions cease once

City of Comanche, Oklahoma
Notes to Financial Statements
June 30, 2017

participation in the Deferred Option is elected. At the conclusion of participation in the Deferred Option, the participant will receive the balance in the separate account under payment terms allowed by the Deferred Option and will then begin receiving retirement benefit payments as calculated at the time of election.

In the 2003 Legislative Session, Senate Bill 688 and House Bill 1464 created a “Back” DROP for members of the Plan. The “Back” DROP is a modified deferred retirement option plan. The “Back” DROP allows the member flexibility by not having to commit to terminate employment within 5 years. Once a member has met their normal retirement period of 20 years, the member can choose, upon retirement, to be treated as if the member had entered into the “Back” DROP. A member, however, cannot receive credit to the “Back” DROP account based upon any years prior to when the member reached their normal retirement date. Once a member is ready to retire, the member can make the election to participate in the “Back” DROP and can receive a “Back” DROP benefit based upon up to 5 years of participation. The member’s regular retirement benefit will not take into account any years of service credited to the “Back” DROP.

In 2006, the Board approved a method of payment called the Deferred Option Payout Provision (the “Payout Provision”). The Payout Provision allows a retired member who has completed participation in the Deferred Option or the “Back” DROP the ability to leave their account balance in the Plan. The retired member’s account balance will be commingled and reinvested with the total assets, and therefore the member will not be able to direct their personal investments. Written election must be made to the Board no more than 30 days following the termination of employment.

Upon participating in the Payout Provision, a retired member shall not be guaranteed a minimum rate of return on their investment. A retired member shall earn interest on their account as follows:

- a) The retired member shall earn two percentage points below the net annual rate of return of the investment portfolio of the Plan.
- b) If the portfolio earns less than a 2% rate of return, but more than zero, the retired member shall earn zero percentage points
- c) If the portfolio earns less than zero percentage points, there shall be a deduction from the retired member’s balance equal to the net annual rate of return of the investment portfolio of the Plan.
- d) Interest as earned above shall be credited to the retired member’s account.

The Oklahoma Legislature has the authority to grant percentage increases or special one-time payments to persons receiving benefits from the Plan. Additionally, certain retirees are

City of Comanche, Oklahoma
Notes to Financial Statements
June 30, 2017

entitled to receive a cost-of-living adjustment (COLA) when a COLA is granted to active police officers in the retiree's city. Participants eligible to receive both types of benefit increases are to receive the greater of the legislative increase or the benefit increase the participant would receive pursuant to the COLA provision.

Contributions – The contribution requirements of the Plan are at an established rate determined Oklahoma statute and are not based on actuarial calculations. An eligible municipality may join the plan on the first day of any month. Upon approval, its membership is irrevocable. All persons employed as police officers are required to participate in the Plan upon initial employment. Each municipality contributes 13% of the actual base salary of each participant employed. Each participant contributes 8% of their base salary. Additional funds are provided by the State of Oklahoma, a non-employer contributing entity, through 14% allocation of the tax on premiums collected by insurance companies operating in Oklahoma and by the net investment income generated on assets held by the Plan. The City's contribution to the plan for the year ended June 30, 2017 was \$19,881.

Pension (Asset) Liability and Pension Expense

At June 30, 2017, the City's proportionate share of the net pension liability was \$64,915. The net pension asset was measured as of June 30, 2016, and the total pension asset used to calculate the net pension asset was determined by an actuarial valuation as of that date. The City's proportion of the net pension asset was based on a projection of the City's long-term share of the contributions to the pension plan relative to the projected contributions of all participating members, actuarially determined. At June 30, 2016, the City's proportion was 0.0424%, which was an increase from the proportion measured as of June 30, 2015.

For the year ended June 30 2016, the City proportionate share of pension expense was \$23,247.

Actuarial assumptions – The total pension liability in the June 30, 2016 actuarial valuation was determined using the following actuarial assumptions, applied to all periods included in the measurement:

Inflation – 3.00%

Salary Increases – 4.5% to 17% average, including inflation

Investment Rate of Return – 7.5% net of pension plan investment expense

Cost-of-living adjustments – Police officers eligible to receive increased benefits according to repealed Section 50-120 of Title 11 of Oklahoma Statutes pursuant to a court order receive an adjustment of 1/3 to 1/2 of the increase or decrease of any adjustment to the base salary of a regular police officer, based on an increase in base salary.

City of Comanche, Oklahoma
Notes to Financial Statements
June 30, 2017

Mortality – Active employees (pre-retirement) RP-2000 Blue Collar Healthy Combined table with age set back 4 years with fully generational improvement using Scale AA. Disabled pensioners: RP-2000 Blue Collar Healthy Combined table with age set forward 4 years

The long-term expected rate of return on pension plan investments was determined using a building block method in which best estimate ranges of expected future real rates of return (expected returns, net of pension plan investment expense and inflation) are developed for each major asset class. These ranges are combined to produce the long-term expected rate of return by weighting the expected future real rates of return by the target asset allocation percentage and by adding expected inflation. The target asset allocation and best estimates of arithmetic expected real rates of return for each major asset class as of June 30, 2016, are summarized in the following table:

| Asset Class | Long-Term Expected Real Rate of Return |
|----------------------|---|
| | _____ |
| Fixed Income | 3.27% |
| Domestic Equity | 5.16% |
| International Equity | 8.61% |
| Private Equity | 8.32% |
| Real Estate | 4.97% |
| Commodities | 2.42% |

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

Sensitivity of the City’s proportionate share of the net pension liability to changes in the discount rate – The following presents the City’s proportionate share of the net pension

City of Comanche, Oklahoma
Notes to Financial Statements
June 30, 2017

liability calculated using the discount rate of 7.5%, as well as what the City’s proportionate share of the net pension liability would be if it were calculated using a discount rate that is 1-percentage-point lower (6.5%) or 1-percentage-point higher (8.5%) than the current rate:

| | 1% Decrease (6.5%) | Current Discount Rate (7.5%) | 1% Increase (8.5%) |
|--|-----------------------|------------------------------------|-----------------------|
| City's Proportionate share of the net pension liability | | | |
| (asset) | \$ 170,316 | \$ 64,915 | \$ (24,080) |

Pension plan fiduciary net position – Detailed information about the pension plan’s fiduciary net position is available in the separately issued Plan financial report that can be obtained at <http://www.ok.gov/opprs/>.

XII5 Defined Contribution Plan (City of Comanche Plan)

The City provides retirement benefits to its city manager. In a defined contribution plan, benefits depend solely on amounts contributed to the plan plus investment earnings. Employer contributions are variable as determined by the City. Employee contribution is 5%. Contributions are fully vested immediately.. During the past year, the City contributed \$2,655.

XIII. COMMITMENTS AND CONTINGENCIES

XIII1 Commitments:

At June 30, 2017, the City had no outstanding construction contracts.

XIII2 Federal Programs

The City participates in a number of federally assisted grant programs. These programs are subject to program compliance audits by the grantors or their representatives. The final acceptance of the audits of these programs including the year ended June 30, 2017, has not been given. Accordingly, the City's compliance with applicable grant requirements will be established at some future date. The amount, if any, of expenditures which may be disallowed by the granting agencies cannot be determined at this time. However, the City expects such amounts, if any, to be immaterial.

City of Comanche, Oklahoma
Notes to Financial Statements
June 30, 2017

XIV. RISK MANAGEMENT

The City is exposed to various risks of loss (torts, theft of, damage to, or destruction of assets, business interruptions, errors and omissions, job-related illnesses or injuries to employees, and acts of God) and has established a risk management strategy that attempts to minimize losses and the carrying cost of insurance.

General Liability, Physical Property and Automobile Liability/Physical Damage - general liability, physical property and automobile liability/physical damage are insured through the Oklahoma Municipal Assurance Group (OMAG) risk entity pool. Deductibles range from \$0 to \$5,000. Risk of loss retained is limited to the excess of insurance liability coverage limits set by OMAG.

Workers' Compensation - Workers' compensation is insured through CompSource Oklahoma. Risk of loss retained is limited to the excess of insurance liability coverage limits set by CompSource Oklahoma.

Employee's Group Health and Life – Insured through the purchase of commercial insurance by Blue Cross and Blue Shield of Oklahoma

Management believes such insurance coverage listed above is sufficient to preclude any significant uninsured losses to the City, and such claims have not exceeded the coverage over the past three fiscal years.

XV. SUBSEQUENT EVENTS

In November, 2017, the Comanche Land Management Authority was formed under Title 60, Oklahoma Statutes for the purpose of stimulating economic growth and development in the City of Comanche.

City of Comanche, Oklahoma
Supplemental Schedule
Statement of Revenues, Expenditures and Changes in Fund Balance – Modified Cash Basis
Budget to Actual
General Fund
For the Year Ended June 30, 2017

| | Budgeted Amounts | | Actual Amounts | Variance With Final Budget |
|---|-------------------|---------------------|---------------------|----------------------------------|
| | Original | Final | | |
| REVENUE | | | | |
| Taxes | \$ 623,000 | \$ 723,944 | \$ 484,253 | \$ (239,691) |
| Charges for Services | 34,500 | 45,560 | 44,205 | (1,355) |
| Interest | - | - | 29 | 29 |
| Oil and Gas Royalties | 5,500 | 5,500 | 7,130 | 1,630 |
| License and Permits | 1,380 | 7,941 | 4,469 | (3,472) |
| Fines and Forfeitures | 6,000 | 6,000 | 3,941 | (2,059) |
| Grants | - | - | 25,377 | 25,377 |
| Intergovernmental | - | - | 4,835 | 4,835 |
| Donations | - | - | 2,721 | 2,721 |
| Miscellaneous | 68,660 | 87,839 | 53,677 | (34,162) |
| Total Revenue | <u>\$ 739,040</u> | <u>\$ 876,784</u> | <u>\$ 630,637</u> | <u>\$ (246,147)</u> |
| EXPENDITURES | | | | |
| Current | | | | |
| General Government | \$ 42,900 | \$ 141,338 | \$ 173,850 | \$ (32,512) |
| City Manager | 41,450 | 42,850 | 46,208 | (3,358) |
| City Clerk | 47,950 | 48,881 | 48,018 | 863 |
| City Treasurer | 4,830 | 4,930 | 5,650 | (720) |
| Highways and Streets | 51,900 | 115,170 | 98,690 | 16,480 |
| Police | 267,900 | 354,637 | 336,435 | 18,202 |
| Animal Control | 8,650 | 37,823 | 28,737 | 9,086 |
| Fire | 237,000 | 273,111 | 257,632 | 15,479 |
| Cemetery | 43,550 | 49,250 | 60,961 | (11,711) |
| Parks | - | 6,700 | 6,052 | 648 |
| Total Expenditures | <u>\$ 746,130</u> | <u>\$ 1,074,690</u> | <u>\$ 1,062,233</u> | <u>\$ 12,457</u> |
| Excess (Deficiency) of Revenues Over Expenditures | \$ (7,090) | <u>\$ (197,906)</u> | <u>\$ (431,596)</u> | <u>\$ (233,690)</u> |
| Other Financing Sources (Uses) | | | | |
| Transfers In | \$ 641,072 | \$ 601,702 | \$ 812,201 | \$ 210,499 |
| Transfers Out | (628,032) | (403,787) | (101,112) | 302,675 |
| Total Other Financing Sources (Uses) | <u>\$ 13,040</u> | <u>\$ 197,915</u> | <u>\$ 711,089</u> | <u>\$ 513,174</u> |
| Net Change in Fund Balances | \$ 5,950 | \$ 9 | \$ 279,493 | \$ 279,484 |
| Fund Balance - Beginning | - | - | (277,546) | (277,546) |
| Fund Balance - Ending | <u>\$ 5,950</u> | <u>\$ 9</u> | <u>\$ 1,947</u> | <u>\$ 1,938</u> |
| Other funds combined with General | | | 51,122 | |
| Per Statement of Revenues, Expenditures and Changes in Fund Balance | | | <u>\$ 53,069</u> | |

City of Comanche, Oklahoma
Notes to Budgetary Comparison Schedule
General Fund
For the Year Ended June 30, 2017

1. Budgetary Information

Budgetary Basis of Accounting – Under the budgetary basis of accounting, revenues are recognized when they are received rather than earned. Purchases of materials, outside services and capital outlays are recognized as expenditures when the commitment to purchase is made (encumbered).

Prior to the end of the fiscal year, all department heads of the City submit requests for appropriations to the City Manager so that a budget may be prepared. The City Council members meet with each of the department heads to review their needs estimates and requests. The City Council holds a public hearing at least 15 days prior to the beginning of the new fiscal year and a final budget must be prepared and adopted no later than 7 days prior to the beginning of the new fiscal year.

The appropriated budget is prepared by fund, department and categories (personal services, materials and supplies, other services and charges, capital outlay, debt service, and transfers). The government's department heads may make transfers of appropriations within a department. Transfers of appropriations between departments and funds that do not increase the overall budget may be approved by the City Manager. The City Council must approve any budget supplement which increases the total appropriations for the City. The legal level of budgetary control (i.e., the level at which expenditures may not legally exceed appropriations) is the department level.

Budgetary Noncompliance – For the year ended June 30, 2017, the General Fund expenditures exceeded appropriations in the following departments: General government, city manager, city treasurer, and cemetery. General fund appropriations were not exceeded in total.

City of Comanche, Oklahoma
 Supplemental Schedule
 Combining Statement of Assets, Liabilities and Fund Balance – Modified Cash Basis
 Nonmajor Governmental Funds
 June 30, 2017

| | <u>Cemetery</u> | <u>Rural Fire</u> | <u>Nutrition Center</u> | <u>Street and Alley</u> | <u>Total</u> |
|--|------------------|-------------------|-------------------------|-----------------------------|------------------|
| Assets | | | | | |
| Cash | \$ 13,700 | \$ 31,668 | \$ 1,716 | \$ 47,239 | \$ 94,323 |
| Total Assets | <u>\$ 13,700</u> | <u>\$ 31,668</u> | <u>\$ 1,716</u> | <u>\$ 47,239</u> | <u>94,323</u> |
| Liabilities | | | | | |
| Fund Balances | | | | | |
| Restricted | \$ 11,186 | \$ - | \$ - | \$ 46,189 | \$ 57,375 |
| Committed | - | 19,202 | - | - | 19,202 |
| Assigned | 2,514 | 12,466 | 1,716 | 1,050 | 17,746 |
| Total Fund Balances | <u>\$ 13,700</u> | <u>31,668</u> | <u>\$ 1,716</u> | <u>\$ 47,239</u> | <u>\$ 94,323</u> |
| Total Liabilities and Fund Balances | <u>\$ 13,700</u> | <u>\$ 31,668</u> | <u>\$ 1,716</u> | <u>\$ 47,239</u> | <u>\$ 94,323</u> |

City of Comanche, Oklahoma
Supplemental Schedule
Combining Statement of Revenues, Expenditures and Changes in Fund Balance – Modified Cash
Basis
Nonmajor Governmental Funds
For the Year Ended June 30, 2017

| | Cemetery | Rural Fire | Nutrition Center | Street and Alley | Total |
|--|-------------------|------------------|-------------------|---------------------|--------------------|
| REVENUE | | | | | |
| Taxes | \$ - | \$ - | \$ - | \$ 15,275 | \$ 15,275 |
| Charges for Services | 5,905 | 5,290 | 22,499 | - | 33,694 |
| Interest | 3 | 16 | - | 19 | 38 |
| Rental Income | - | - | 2,920 | - | 2,920 |
| Miscellaneous | - | 1,062 | 9,313 | - | 10,375 |
| Grants | - | 3,817 | 16,667 | - | 20,484 |
| Total Revenue | <u>\$ 5,908</u> | <u>\$ 10,185</u> | <u>\$ 51,399</u> | <u>\$ 15,294</u> | <u>\$ 82,786</u> |
| EXPENDITURES | | | | | |
| Current | | | | | |
| Cemetery | \$ 28 | \$ - | \$ - | \$ - | \$ 28 |
| Culture and Recreation | - | - | 55,133 | - | 55,133 |
| Highway and Street | - | - | - | 6,280 | 6,280 |
| Public Safety | - | 7,379 | - | - | 7,379 |
| Capital Outlay | | | | | |
| Highway and Street | - | - | - | 19,442 | 19,442 |
| Cemetery | 12,065 | - | - | - | 12,065 |
| Culture and Recreation | - | - | - | - | - |
| Public Safety | - | 102 | - | - | 102 |
| Total Expenditures | <u>\$ 12,093</u> | <u>\$ 7,481</u> | <u>\$ 55,133</u> | <u>\$ 25,722</u> | <u>\$ 100,429</u> |
| Excess (Deficiency) of Revenues Over (Under) Expenditures | <u>\$ (6,185)</u> | <u>\$ 2,704</u> | <u>\$ (3,734)</u> | <u>\$ (10,428)</u> | <u>\$ (17,643)</u> |
| Other Financing Sources | | | | | |
| Transfers In | 8,848 | 520 | 5,450 | - | 14,818 |
| Transfers Out | - | - | - | (8,848) | (8,848) |
| Total Other Financing Sources | <u>8,848</u> | <u>\$ 520</u> | <u>5,450</u> | <u>(8,848)</u> | <u>5,970</u> |
| Net Change in Fund Balances | \$ 2,663 | \$ 3,224 | \$ 1,716 | \$ (19,276) | \$ (11,673) |
| Fund Balances - Beginning | <u>11,037</u> | <u>28,444</u> | <u>-</u> | <u>66,515</u> | <u>105,996</u> |

City of Comanche, Oklahoma
 Supplemental Schedule
 Combining Statement of Assets, Liabilities and Fund Balance – Modified Cash Basis
 General Fund
 June 30, 2017

| | General | Grants | Pension Retirement | Hunting and Fishing | Municipal Court | Drug Forfeitures | Gayle Ashbury | Special Projects | Total |
|--|-----------------|-----------------|-----------------------|---------------------------|--------------------|---------------------|------------------|---------------------|------------------|
| Assets | | | | | | | | | |
| Cash | \$ 1,947 | \$ 3,500 | \$ - | \$ 10,556 | \$ 8,583 | \$ 1,418 | \$ 372 | \$ - | \$ 26,376 |
| Investments | - | - | 26,693 | - | - | - | - | - | 26,693 |
| Total Assets | \$ 1,947 | \$ 3,500 | \$ 26,693 | \$ 10,556 | \$ 8,583 | \$ 1,418 | \$ 372 | \$ - | \$ 53,069 |
| Liabilities | | | | | | | | | |
| Payroll Liabilities | \$ - | \$ - | \$ - | \$ - | \$ - | \$ - | \$ - | \$ - | \$ - |
| Court Bonds Outstanding | - | - | - | - | - | - | - | - | - |
| Due to Other Funds | - | - | - | - | - | - | - | - | - |
| Total Liabilities | \$ - | \$ - | \$ - | \$ - | \$ - | \$ - | \$ - | \$ - | \$ - |
| Fund Balances | | | | | | | | | |
| Restricted | \$ - | \$ - | \$ 26,693 | \$ - | \$ - | \$ - | \$ - | \$ - | \$ 26,693 |
| Committed | - | - | - | - | - | 1,418 | - | - | 1,418 |
| Assigned | - | - | - | 10,556 | 8,583 | - | 372 | - | 19,511 |
| Unassigned | 1,947 | 3,500 | - | - | - | - | - | - | 5,447 |
| Total Fund Balances | \$ 1,947 | \$ 3,500 | \$ 26,693 | \$ 10,556 | \$ 8,583 | \$ 1,418 | \$ 372 | \$ - | \$ 53,069 |
| Total Liabilities and Fund Balances | \$ 1,947 | \$ 3,500 | \$ 26,693 | \$ 10,556 | \$ 8,583 | \$ 1,418 | \$ 372 | \$ - | \$ 53,069 |

City of Comanche, Oklahoma
Supplemental Schedule
Combining Statement of Revenues, Expenditures and Changes in Fund Balance – Modified Cash Basis
General Fund
For the Year Ended June 30, 2017

| | General | Grants | Pension Retirement | Hunting and Fishing | Municipal Court | Drug Forfeitures | Gayle Ashbury | Special Projects | Total |
|---|---------------------|-------------------|--------------------|---------------------|------------------|------------------|-------------------|------------------|---------------------|
| REVENUE | | | | | | | | | |
| Taxes | \$ 484,253 | \$ - | \$ - | \$ - | \$ - | \$ - | \$ - | \$ - | \$ 484,253 |
| License and Permits | 4,469 | - | - | 4,515 | - | - | - | - | 8,984 |
| Charges for Services | 44,205 | - | - | 26,463 | - | - | - | - | 70,668 |
| Interest | 29 | - | 1,061 | 9 | - | - | 110 | 2 | 1,211 |
| Rent and Royalties | 7,130 | - | - | 700 | - | - | 913 | 5,819 | 14,562 |
| Miscellaneous | 53,677 | - | - | - | 47 | - | 1 | 1,500 | 55,225 |
| Fines and Forfeitures | 3,941 | - | - | - | 56,541 | 21 | - | - | 60,503 |
| Donations | 2,721 | - | - | - | - | - | - | - | 2,721 |
| Intergovernmental | 4,835 | - | - | - | - | - | - | - | 4,835 |
| Grants | 25,377 | - | - | - | - | - | - | - | 25,377 |
| Total Revenue | <u>\$ 630,637</u> | <u>\$ -</u> | <u>\$ 1,061</u> | <u>\$ 31,687</u> | <u>\$ 56,588</u> | <u>\$ 21</u> | <u>\$ 1,024</u> | <u>\$ 7,321</u> | <u>\$ 728,339</u> |
| EXPENDITURES | | | | | | | | | |
| Current | | | | | | | | | |
| General Government | \$ 273,728 | \$ 1,000 | \$ 344 | \$ - | \$ - | \$ - | \$ 3,569 | \$ 6,564 | \$ 285,205 |
| Public Safety | 620,627 | - | - | - | 17,366 | 545 | - | - | 638,538 |
| Culture and Recreation | 6,050 | - | - | 10,219 | - | - | - | - | 16,269 |
| Cemetery | 60,961 | - | - | - | - | - | - | - | 60,961 |
| Highways and Streets | 98,690 | - | - | - | - | - | - | - | 98,690 |
| Capital Outlay | | | | | | | | | |
| General Government | - | - | - | - | - | - | - | - | - |
| Cemetery / Parks | - | - | - | - | - | - | - | - | - |
| Public Safety | 2,177 | - | - | - | - | - | - | - | 2,177 |
| Culture and Recreation | - | - | - | - | - | - | - | - | - |
| Total Expenditures | <u>\$ 1,062,233</u> | <u>\$ 1,000</u> | <u>\$ 344</u> | <u>\$ 10,219</u> | <u>\$ 17,366</u> | <u>\$ 545</u> | <u>\$ 3,569</u> | <u>\$ 6,564</u> | <u>\$ 1,101,840</u> |
| Excess (Deficiency) of Revenues Over (Under) Expenditures | <u>\$ (431,596)</u> | <u>\$ (1,000)</u> | <u>\$ 717</u> | <u>\$ 21,468</u> | <u>\$ 39,222</u> | <u>\$ (524)</u> | <u>\$ (2,545)</u> | <u>\$ 757</u> | <u>\$ (373,501)</u> |
| Other Financing Sources | | | | | | | | | |
| Transfers In | 812,201 | - | - | - | - | - | - | - | \$ 812,201 |
| Transfers Out | (101,112) | (3,500) | - | (57,032) | (31,543) | - | (140,275) | (8,185) | (341,647) |
| Total Other Financing Sources | <u>711,089</u> | <u>(3,500)</u> | <u>-</u> | <u>(57,032)</u> | <u>(31,543)</u> | <u>-</u> | <u>(140,275)</u> | <u>(8,185)</u> | <u>470,554</u> |
| Net Change in Fund Balances | \$ 279,493 | \$ (4,500) | \$ 717 | \$ (35,564) | \$ 7,679 | \$ (524) | \$ (142,820) | \$ (7,428) | \$ 97,053 |
| Fund Balances - Beginning | (277,546) | 8,000 | 25,976 | 46,120 | 904 | 1,942 | 143,192 | 7,428 | (43,984) |
| Fund Balances - Ending | <u>\$ 1,947</u> | <u>\$ 3,500</u> | <u>\$ 26,693</u> | <u>\$ 10,556</u> | <u>\$ 8,583</u> | <u>\$ 1,418</u> | <u>\$ 372</u> | <u>\$ -</u> | <u>\$ 53,069</u> |

City of Comanche, Oklahoma
 Supplemental Schedule Schedule of
 Federal and State Awards For the
 Year Ended June 30, 2017

| | Federal CFDA Number | Grant Number | Award Amount | Awards Expended |
|---|---------------------------|---------------|-------------------|------------------------------|
| FEDERAL AWARDS | | | | |
| U.S. Department of Housing and Urban Development <i>Passed through Oklahoma Department of Commerce</i> | | | | |
| Community Development Block Grant | 14.228 | 15124 CDBG 14 | \$ 231,699 | \$ 25,377 |
| | | | | |
| U.S. Department of Justice | | | | |
| Edward Byrne Memorial Justice Assistance Grant | 16.738 | JAG-LLE-2016 | 10,000 | 10,000 |
| | | | | |
| U.S. Department of Agriculture <i>Passed through U.S. Department of Rural Development</i> | | | | |
| Community Facilities Grant | 10.766 | | \$ 42,600 | \$ 42,600 |
| Rural Economic Action Plan Grant | 10.868 | REAP 16-2552 | 57,500 | \$ 57,500 |
| Rural Business Enterprise Grant | 10.769 | | <u>99,000</u> | <u>73,000</u> |
| Total Federal Awards | | | <u>\$ 440,799</u> | <u>\$ 208,477</u> |
| STATE AWARDS | | | | |
| Oklahoma Department of Agriculture | | | | |
| Rural Fire Operational | | | <u>\$ 3,817</u> | <u>\$ 3,817</u> |
| | | | | |
| Oklahoma Department of Commerce | | | | |
| Community Expansion of Nutrition Assistance | | | <u>\$ 16,666</u> | <u>\$ 16,666</u> |
| Total State Awards | | | <u>\$ 20,483</u> | <u>\$ 20,483</u> |

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

Members of the City Council
City of Comanche, Oklahoma

We have audited 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, the accompanying modified cash basis financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the City of Comanche, Oklahoma, as of and for the year ended June 30, 2017, and the related notes to the financial statements, which collectively comprise the City's basic financial statements and have issued our report thereon dated May 3, 2018. Our report included an emphasis of matter paragraph on the City's use of the modified cash basis of accounting.

Internal Control Over Financial Reporting

In planning and performing our audit of the financial statements, we considered the City's internal control over financial reporting (internal control) to determine auditing 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's internal control. Accordingly, we do not express an opinion on the effectiveness of the City's internal control.

A *deficiency in internal control* exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct misstatements on a timely basis. A *material weakness* is a deficiency, or 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 combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

Our consideration of internal control was for the limited purpose described in the 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. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses. We did identify certain deficiencies in internal control, described in the accompanying Schedule of Findings and Responses to be significant deficiencies identify as items 17-1, 17-2, 17-3, 17-4, and 17-5.

Compliance and Other Matters

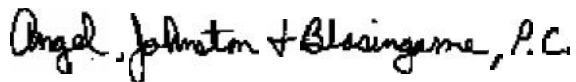
As part of obtaining reasonable assurance about whether the City's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements, noncompliance with which could have a direct and material effect 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 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 17-1, 17-2, 17-3, 17-4, and 17-5.

City of Comanche's Responses to Findings

The City's response to the findings identified in our audit is described in the accompanying Schedule of Findings and Responses. The City'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.



Chickasha, Oklahoma
May 3, 2018

**CITY OF COMANCHE, OKLAHOMA
SCHEDULE OF FINDINGS AND RESPONSES
Year Ended June 30, 2017**

Deficiencies of Internal Control, Compliance and Other Matters:

- 17-001 Criteria – Oklahoma State Statute Title 11, Section 17:211A states “No expenditure may be authorized or made by any officer or employee which exceeds the appropriation of any fund.”
- Condition – Expenditures exceed appropriations in the General Fund departments: General Government by \$32,512; City Manager by \$3,358; City Treasurer by \$720; and Cemetery by \$11,711. Expenditures did not exceed appropriation in the General Fund in total.
- Cause and Effect – The lack of proper procedures and controls for monitoring the City’s expenditures in relations to their approved budget appropriations and budget amendments creates the potential for over expenditure of funds and/or fraud.
- Recommendation – The City should closely monitor each budget on a monthly basis and not approve any expenditure exceeding appropriation until additional amendments have been made and approved. The categories of each budgeted fund should be tracked in order to determine the remaining budget balance. The City Manager or designee (if approved by resolution) can approve all transfers of appropriations between budgeted categories for each fund; however, all supplemental appropriations require the approval of the City Council.
- Management response – See response starting on page 53.
-
- 17-002 Criteria – The City should bill customers the rates approved by the City Council.
- Condition – The City adopted an increase in water rates effective December 1, 2016. The base rate increase of over \$10 per residential customer was not adjusted in the utility billing system. Also the commercial customer’s base rate increase of over \$10 per customers was not adjusted and the commercial customer’s incremental rates were not updated to reflect the increases
- Cause and Effect – Staff did not follow through and change the rates in the billing system. This caused the water revenue to be under billed an estimated \$7,000 per month since December 2016.
- Recommendation – City staff should implement and verify in the billing system when new rate changes are adopted.
- Management response – See response starting at page 53.
-
- 17-003 Criteria Purchase orders/requisitions are to be used to initiate the purchasing process and an original invoice should be included with the purchase order. The purchase order should be signed by the encumbrance clerk to verify budgeted funds are available; original invoices should be signed and dated verifying the receipt of goods or services.
- Condition – In our expenditure testing we noted eight of thirty-four purchase orders/requisitions tested were prepared after date of invoice, three were missing purchase orders, one purchase order had no purchasing officer’s signature, and one purchase order had no encumbrance officer’s signature.
- Cause and Effect – The lack of consistency in following procedures to properly implement state purchasing laws creates the potential for fraud and increases the likelihood budgets could be exceeded and improper purchases could be made.

CITY OF COMANCHE, OKLAHOMA
SCHEDULE OF FINDINGS AND RESPONSES
Year Ended June 30, 2017

Recommendation – The City should follow state statues and properly implement purchase order procedures.

Management response – See response starting at page 53.

17-004

Criteria – The City has a requirement to track employee leave time, amounts accrued and taken.

Condition – The City was unable to provide a report with leave balances as of 6/30/17. The report from the accounting system is time sensitive and was not printed or reconciled at the end of the fiscal year.

Cause and Effect – The City was unable to supply a report with the leave balances at the end of year. We are unable to audit the City's liability and the contingent liability is not reported in the audit report. The City could have a potential disagreement with an employee and possible action from the Federal Wage and Hour agency.

Recommendation – The City should print leave reports at the end of each payroll period, reconcile the balances of accruals and time taken. The City should maintain these reports for audit.

Management response – See response starting at page 53.

17-005

Criteria – On police fines issued a fee is due and payable to CLEET.

Condition – During police testing it was noted that tickets had increased from 359 issued to 508 issued. However, the CLEET fines reported had decreased from 287 to 246.

Cause and Effect – Historically CLEET fines have been between 70-80% of the tickets issued, however this year it was 48%. Based on historical data there is a potential all CLEET fines have not been reported and paid.

Recommendation – The City should have a reconciliation process that confirms all tickets with CLEET fines have been reported and paid.

Management response – See response starting at page 53.

**CITY OF COMANCHE, OKLAHOMA
SUMMARY OF PRIOR YEAR FINDINGS
Year Ended June 30, 2017**

Deficiencies of Internal Control, Compliance and Other Matters:

- 16-1. Criteria – Oklahoma State Statute Title 11, Section 17:211A states “No expenditure may be authorized or made by any officer or employee which exceeds the appropriation of any fund.”
- Condition – Expenditures exceed total appropriations in the General Fund by \$20,441.
- Disposition – This was not a finding during 2016-17 fiscal year.
- 16-2. Criteria – The City’s sales tax of 4% is to be allocated 2% to General Fund, 1.5% to Capital Improvement Fund and .5% to Water Sales Tax Fund for debt service.
- Condition – The restricted sales tax collected by the General Fund was not transferred to Capital Improvement Fund or Water Sales Tax Fund for several months. In total the General Fund owed \$277,757.
- Disposition – This was not a finding during 2016-17 fiscal year.
- 16-3. Criteria – State Statute requires no expenditure be incurred or made which exceeds the fund balance for any fund.
- Condition – As of the end of the fiscal year expenditures exceeded fund balance in the general fund by \$277,547.
- Disposition – This was not a finding during 2016-17 fiscal year.
- 16-4. Criteria - Purchase orders/requisitions are to be used to initiate the purchasing process and an original invoice should be included with the purchase order. The purchase order should be signed by the encumbrance clerk to verify budgeted funds are available; original invoices should be signed and dated verifying the receipt of goods or services.
- Condition – In our expenditure testing we noted nine of thirty-two purchase orders/requisitions tested were prepared after date of invoice, one original invoice could not be located, two purchase orders did not agree to the invoices, two purchase requisitions did not have any amounts listed, one purchase requisition was not signed, eight invoices were not signed as to goods received and one purchase requisition could not be found.
- Disposition – This continues to be finding during 2016-17 fiscal year.
- 16-5. Criteria – The City has a requirement to make a contribution to OMRF to fund the Retiree Only Plan. If the assets of the plan are less than the plan liabilities, using actuarial assumptions, an additional contribution to the plan is needed. The City has elected to fund the retiree obligation over ten years from 2004, which has now expired.
- Condition – The City has not met this commitment and the obligation has an unfunded liability of \$26,816.
- Disposition – This was not a finding during 2016-17 fiscal year.

CITY OF COMANCHE, OKLAHOMA
SUMMARY OF PRIOR YEAR FINDINGS
Year Ended June 30, 2017

16-6. Criteria – Oklahoma State statutes require funds received to be deposited daily.

Condition – A daily receipt journal and a deposit are not being made daily if there are only a few payments and the amounts of funds received are small (under \$200). In the month tested we noted one day they deposits were not made until the subsequent business day.

Disposition – This was not a finding during 2016-17 fiscal year.



**OFFICE OF THE CITY MANAGER
500 N RODEO DR
COMANCHE, OK 73529**

Deficiencies of Internal Control, Compliance and Other Matters:

17-001 Criteria – Oklahoma State Statute Title 11, Section 17:211A states “No expenditure may be authorized or made by any officer or employee which exceeds the appropriation of any fund.”

Condition – Expenditures exceed appropriations in the General Fund departments: General Government by \$32,512; City Manager by \$3,358; City Treasurer by \$720; and Cemetery by \$11,711. Expenditures did not exceed appropriation in the General Fund in total.

Cause and Effect – The lack of proper procedures and controls for monitoring the City’s expenditures in relations to their approved budget appropriations and budget amendments creates the potential for over expenditure of funds and/or fraud.

Recommendation – The City should closely monitor each budget on a monthly basis and not approve any expenditure exceeding appropriation until additional amendments have been made and approved. The categories of each budgeted fund should be tracked in order to determine the remaining budget balance. The City Manager or designee (if approved by resolution) can approve all transfers of appropriations between budgeted categories for each fund; however, all supplemental appropriations require the approval of the City Council.

Management response – The city council has authorized by resolution to allow the city manager to approve transfers between budgeted categories for each fund. This is resolution is passed in conjunction each year with the budget. The city manager acts within is authority to approve such transfers provided the fund revenue & expense balance does not become negative for the overall fund.

17-002

Criteria – The City should bill customers the rates approved by the City Council.

Condition – The City adopted an increase in water rates effective December 1, 2016. The base rate increase of over \$10 per residential customer was not adjusted in the utility billing system. Also the commercial customer's base rate increase of over \$10 per customers was not adjusted and the commercial customer's incremental rates were not updated to reflect the increases

Cause and Effect – Staff did not follow through and change the rates in the billing system. This caused the water revenue to be under billed an estimated \$7,000 per month since December 2016.

Recommendation – City staff should implement and verify in the billing system when new rate changes are adopted.

Management response – Disciplinary actions were taken regarding this specific issue once it was brought to management's attention by the auditors. A new policy has been implemented going forward requiring any changes of rate or ordinance passed by council be verified that they were completed and changed or updated in accordance with the council's vote.

17-003

Criteria Purchase orders/requisitions are to be used to initiate the purchasing process and an original invoice should be included with the purchase order. The purchase order should be signed by the encumbrance clerk to verify budgeted funds are available; original invoices should be signed and dated verifying the receipt of goods or services.

Condition – In our expenditure testing we noted eight of thirty-four purchase orders/requisitions tested were prepared after date of invoice, three were missing purchase orders, one purchase order had no purchasing officer's signature, and one purchase order had no encumbrance officer's signature.

Cause and Effect – The lack of consistency in following procedures to properly implement state purchasing laws creates the potential for fraud and increases the likelihood budgets could be exceeded and improper purchases could be made.

Recommendation – The City should follow state statues and properly implement purchase order procedures.

Management response – Management reviewed the purchase orders used for sampling. It appeared that some had been processed prior to the last audit report which facilitated a policy change. Any issues discovered since that change were addressed and additional preventative measures and disciplinary actions were implemented to ensure better purchasing procedures.

17-004

Criteria – The City has a requirement to track employee leave time, amounts accrued and taken.

Condition – The City was unable to provide a report with leave balances as of 6/30/17. The report from the accounting system is time sensitive and was not printed or reconciled at the end of the fiscal year.

Cause and Effect – The City was unable to supply a report with the leave balances at the end of year. We are unable to audit the City's liability and the contingent liability is not reported in the audit report. The City could have a potential disagreement with an employee and possible action from the Federal Wage and Hour agency.

Recommendation – The City should print leave reports at the end of each payroll period, reconcile the balances of accruals and time taken. The City should maintain these reports for audit.

Management response – Management disagrees with this finding. Reports are printed on each payday and hard copies are filed. Unfortunately, our accounting software does not provide adequate reporting on demand. The manual accrual and reporting process has proven to be accurate and effective when needed in previous situations.

17-005

Criteria – On police fines issued a fee is due and payable to CLEET.

Condition – During police testing it was noted that tickets had increased from 359 issued to 508 issued. However, the CLEET fines reported had decreased from 287 to 246.

Cause and Effect – Historically CLEET fines have been between 70-80% of the tickets issued, however this year it was 48%. Based on historical data there is a potential all CLEET fines have not been reported and paid.

Recommendation – The City should have a reconciliation process that confirms all tickets with CLEET fines have been reported and paid.

Management response – Management has reviewed the reconciliation process and feels confident that all cleet fees have been paid correctly. The reason for the decreased cleet fines is due to the increase of animal control and nuisance citations that were issued by code enforcement. These citations do not require fees to be paid to cleet.

Regards,
Chuck Ralls
City Manager
City of Comanche, OK