

City of Comanche, Oklahoma
Financial Statements
Year-End June 30, 2013

City of Comanche, Oklahoma
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For the Fiscal Year Ended June 30, 2013

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CERTIFIED PUBLIC ACCOUNTANTS

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, 2013, 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 1.B; 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 error or fraud.

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 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 opinion.

Opinions

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective modified cash basis financial position 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, 2013, and the respective changes in modified cash basis financial position, and where applicable cash flows, thereof for the year then ended in accordance with the basis of accounting described in Note 1.B.

Basis of Accounting

We draw your attention to Note 1.B. 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

Supplemental 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 Supplementary Information as listed in the table of contents, are presented for additional analysis and are not a required part of the basic financial statements.

The budgetary comparison information, combining fund financial statements and schedule of federal and state awards are the responsibility of management, 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, budgetary comparison information, 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.

Other Reporting Required by Governmental Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated February 10, 2014, 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.

Angel, Johnston & Blessingame, P.C.

Chickasha, Oklahoma
February 10, 2014

BASIC FINANCIAL STATEMENTS

City of Comanche, Oklahoma
Government-Wide Statement of Assets, Liabilities and Net Position – Modified Cash Basis
June 30, 2013

	Primary Government		
	Governmental Activities	Business-Type Activities	Total
ASSETS			
Cash	\$ 641,954	\$ 303,827	\$ 945,781
Cash Investments	-	15,007	15,007
Restricted Cash	-	828,949	828,949
Investments	24,342	317,563	341,905
Capital Assets			
Land, Land Improvements and Construction in Progress	-	1,080,551	1,080,551
Capital Assets being depreciated, net	2,649,709	3,142,271	5,791,980
Total Assets	\$ 3,316,005	\$ 5,688,168	\$ 9,004,173
LIABILITIES			
Employee Payroll Taxes Withheld	3,689	360	\$ 4,049
Bonds Pending Court	335	-	335
Long-term Liabilities			
Due Within One Year	-	170,803	170,803
Due in More Than One Year	-	2,608,702	2,608,702
Total Liabilities	\$ 4,024	\$ 2,779,865	\$ 2,783,889
NET POSITION			
Net investment in capital assets	\$ 2,649,709	\$ 1,524,371	\$ 4,174,080
Restricted			
Community Benefit	174,980	-	174,980
Capital Projects	10,587	-	10,587
Cemetery	16,243	-	16,243
Streets	36,454	-	36,454
Debt Service	-	53,407	53,407
Unrestricted	424,008	1,330,525	1,754,533
Total Net Position	\$ 3,311,981	\$ 2,908,303	\$ 6,220,284

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, 2013

Functions/Programs	Expenses	Program Revenues			Net (Expense) Revenue and Changes in Net Assets Primary Government		
		Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	Governmental Activities	Business-Type Activities	Total
Primary Government							
Governmental Activities							
General Government	\$ 305,311	\$ 1,803	\$ -	\$ -	\$ (303,508)	\$ -	\$ (303,508)
Highways and Streets	140,439	-	-	-	(140,439)	-	(140,439)
Public Safety	602,499	62,013	11,942	-	(528,544)	-	(528,544)
Health and Welfare	118,866	-	-	45,000	(73,866)	-	(73,866)
Culture and Recreation	65,130	34,237	-	-	(30,893)	-	(30,893)
Cemetery	80,573	33,530	-	-	(47,043)	-	(47,043)
Total Governmental Activities	<u>\$ 1,312,818</u>	<u>\$ 131,583</u>	<u>\$ 11,942</u>	<u>\$ 45,000</u>	<u>\$ (1,124,293)</u>	<u>\$ -</u>	<u>\$ (1,124,293)</u>
Business-Type Activities							
General Government	\$ 285,241	\$ -	\$ -	\$ -	\$ -	\$ (285,241)	\$ (285,241)
Electric	1,358,844	1,703,093	-	80,464	-	424,713	424,713
Water	424,033	309,483	-	17,620	-	(96,930)	(96,930)
Sewer	214,321	132,460	-	-	-	(81,861)	(81,861)
Sanitation	187,241	187,069	-	-	-	(172)	(172)
Total Business Type Activities	<u>\$ 2,469,680</u>	<u>\$ 2,332,105</u>	<u>\$ -</u>	<u>\$ 17,620</u>	<u>\$ -</u>	<u>\$ (39,491)</u>	<u>\$ (39,491)</u>
Total Primary Government	<u>\$ 3,782,498</u>	<u>\$ 2,463,688</u>	<u>\$ 11,942</u>	<u>\$ 62,620</u>	<u>\$ (1,124,293)</u>	<u>\$ (39,491)</u>	<u>\$ (1,163,784)</u>
General Revenues							
Sales and Use Taxes					\$ 595,503	\$ -	\$ 595,503
Franchise Taxes					38,378	-	38,378
Motor Vehicle Taxes					14,896	-	14,896
Interest					7,334	23,645	30,979
Lease					56,034	-	56,034
Miscellaneous					49,266	25,217	74,483
Transfers					81,068	(81,068)	-
Total General Revenues and Transfers					<u>\$ 842,479</u>	<u>\$ (32,206)</u>	<u>\$ 810,273</u>
Change in Net Position					<u>\$ (281,814)</u>	<u>\$ (71,697)</u>	<u>\$ (353,511)</u>
Net Position- Beginning					3,593,795	2,980,000	6,573,795
Net Position - Ending					<u>\$ 3,311,981</u>	<u>\$ 2,908,303</u>	<u>\$ 6,220,284</u>

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, 2013

	General Fund	Capital Improvements Fund	Other Governmental Funds	Total
Assets				
Cash	\$ 440,269	\$ 123,507	\$ 78,174	\$ 641,950
Investments	24,342	-	-	24,342
Total Assets	<u>\$ 464,611</u>	<u>\$ 123,507</u>	<u>\$ 78,174</u>	<u>\$ 666,292</u>
Liabilities				
Employee Payroll Taxes Withheld	\$ 3,685	\$ -	\$ -	\$ 3,685
Bonds Pending Court	335	-	-	335
Total Liabilities	<u>4,020</u>	<u>-</u>	<u>-</u>	<u>4,020</u>
Fund Balances				
Restricted	\$ 199,453	\$ 10,587	\$ 52,699	\$ 262,739
Committed	46,554	-	21,746	68,300
Assigned	197,604	112,920	3,729	314,253
Unassigned	16,980	-	-	16,980
Total Fund Balances	<u>460,591</u>	<u>123,507</u>	<u>78,174</u>	<u>662,272</u>
Total Liabilities and Fund Balances	<u>\$ 464,611</u>	<u>\$ 123,507</u>	<u>\$ 78,174</u>	
Amounts reported for governmental activities in the statement of net assets 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 Accumulated Depreciation	\$ 4,564,230 (1,914,521)		<u>2,649,709</u>
Net assets of governmental activities.				<u>\$ 3,311,981</u>

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, 2013

	General Fund	Capital Improvements Fund	Other Governmental Funds	Total
REVENUE				
Taxes	\$ 425,813	\$ 208,068	\$ 14,896	\$ 648,777
Charges for Services	58,509	-	15,642	74,151
Interest	6,590	-	548	7,138
Rental Income	59,989	-	-	59,989
License and Permits	2,034	-	-	2,034
Fines and Forfeitures	57,764	-	-	57,764
Grants	45,000	-	4,484	49,484
Miscellaneous	50,587	-	10	50,597
Total Revenue	<u>\$ 706,286</u>	<u>\$ 208,068</u>	<u>\$ 35,580</u>	<u>\$ 949,934</u>
EXPENDITURES				
Current				
General Government	\$ 276,502	\$ -	\$ -	\$ 276,502
Highways and Streets	65,922	-	-	65,922
Public Safety	509,435	-	-	509,435
Cemetery	74,276	-	6,665	80,941
Culture and Recreation	15,635	-	1,829	17,464
Capital Outlay				
General Government	90,000	122,094	-	212,094
Cemetery	240	98,995	13,237	112,472
Culture and Recreation	335	-	-	335
Public Health and Welfare	-	54,745	-	54,745
Public Safety	211,166	-	10,000	221,166
Highways and Streets	-	5,260	26,561	31,821
Total Expenditures	<u>\$ 1,243,511</u>	<u>\$ 281,094</u>	<u>\$ 58,292</u>	<u>\$ 1,582,897</u>
Excess (Deficiency) of Revenues Over (Under) Expenditures	<u>\$ (537,225)</u>	<u>\$ (73,026)</u>	<u>\$ (22,712)</u>	<u>\$ (632,963)</u>
Other Financing Sources				
Transfers In	455,529	-	-	455,529
Transfers Out	(160,194)	(214,267)	-	(374,461)
Total Other Financing Sources	<u>\$ 295,335</u>	<u>\$ (214,267)</u>	<u>\$ -</u>	<u>\$ 81,068</u>
Net Change in Fund Balances	\$ (241,890)	\$ (287,293)	\$ (22,712)	\$ (551,895)
Fund Balances - Beginning, as restated	<u>702,481</u>	<u>410,800</u>	<u>100,886</u>	<u>1,214,167</u>
Fund Balances - Ending	<u>\$ 460,591</u>	<u>\$ 123,507</u>	<u>\$ 78,174</u>	<u>\$ 662,272</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, 2013

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

Net change in fund balances - total governmental funds	\$ (551,895)
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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. This is the amount by which depreciation expense exceeded capital outlay in the current period.

270,081

Change in net position of governmental activities.	<u><u>\$ (281,814)</u></u>
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The notes to the financial statements are an integral part of this statement

City of Comanche, Oklahoma
Statement of Assets, Liabilities, Net Position – Modified Cash Basis – Proprietary Fund
June 30, 2013

	<u>Comanche Utilities Authority</u>
ASSETS	
Current Assets	
Cash and Cash Equivalent	\$ 277,997
Cash Investments	15,007
Restricted Cash and Cash Equivalent	25,830
Current Investment	12,555
Total Current Assets	<u>\$ 331,389</u>
Noncurrent Assets	
Restricted Cash	828,949
Investments	305,008
Capital Assets	
Construction in Progress	1,080,551
Other Capital Assets, Net of Depreciation	3,142,271
Total Noncurrent Assets	<u>\$ 5,356,779</u>
Total Assets	<u>\$ 5,688,168</u>
LIABILITIES	
Current Liabilities	
Employee Payroll Taxes Withheld	356
Refundable Meter Deposits	25,830
Notes Payable - Current	144,973
Total Current Liabilities	<u>\$ 171,159</u>
Noncurrent Liabilities	
Refundable Meter Deposits	57,270
Notes Payable	2,551,432
Total Noncurrent Liabilities	<u>2,608,702</u>
Total Liabilities	<u>\$ 2,779,861</u>
NET POSITION	
Invested in Capital Assets, Net of Related Debt	1,524,371
Restricted for Debt Service	53,407
Unrestricted	1,330,529
Total Net Position	<u>\$ 2,908,307</u>

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, 2013

	Comanche Utilities Authority
Operating Revenues:	
Electric	\$ 1,704,914
Water	264,774
Sewer	132,460
Sanitation	187,069
Fees and Penalties	123,810
Miscellaneous	28,041
Total Operating Revenue	<u>\$ 2,441,068</u>
Operating Expenses:	
Sanitation Services	199,378
Water	389,135
Electric	1,298,183
Line Maintenance	200,433
General Administration	291,284
Total Operating Expenses	<u>\$ 2,378,413</u>
Operating Income (Loss)	<u>\$ 62,655</u>
Nonoperating Revenues (Expenses):	
Interest Income	23,647
Interest Expense	<u>(94,547)</u>
Total Nonoperating Revenues (Expenses)	<u>\$ (70,900)</u>
Income (loss) before contributions and transfers	(8,245)
Capital Contributions	17,620
Transfers In	328,622
Transfers Out	<u>(409,690)</u>
Net Change in Net Position	\$ (71,693)
Total Net Position - Beginning	2,980,000
Total Net Position- Ending	<u><u>\$ 2,908,307</u></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, 2013

	Comanche Utilities Authority
CASH FLOWS FROM OPERATING ACTIVITIES	
Receipts from Customers	\$ 2,441,068
Payments to Employees for Services	(304,085)
Payments to Vendors for Goods and Services	(1,880,975)
Net Cash Provided by Operating Activities	<u>\$ 256,008</u>
CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES	
Interfund Transfers from Other Funds	\$ 283,622
Interfund Transfers to Other Funds	(409,690)
Net Cash Used by Noncapital Financing Activities	<u>\$ (126,068)</u>
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES	
Purchase of Capital Assets	\$ (1,691,560)
Cash Received as Transfer from Other Funds for Capital Assets	45,000
Principal Paid on Capital Debt	(118,253)
Interest Paid on Capital Debt	(94,547)
Net Cash Used by Capital Financing Activities	<u>\$ (1,859,360)</u>
CASH FLOWS FROM INVESTING ACTIVITIES	
Interest Income	\$ 23,647
Cash Paid to Restricted Accounts	1,054,175
Cash Received from Sale of Investments	11,805
Net Cash Used by Investing Activities	<u>\$ 1,089,627</u>
 Net Decrease in Cash and Cash Equivalents	 \$ (639,793)
 Cash and Cash Equivalents, Beginning of Year	 958,627
Cash and Cash Equivalents, End of Year	<u><u>\$ 318,834</u></u>
 As shown on the Statement of Financial Position	
Cash and Cash Equivalent	\$ 277,997
Cash Investments	15,007
Restricted Cash and Cash Equivalent	25,830
	<u><u>\$ 318,834</u></u>
 Reconciliation of Operating Income to Net Cash Provided by Operating Activities	
Operating Income	\$ 62,655
Adjustments to Reconcile Operating Income to Net Cash Provided by Operating Activities	
Depreciation	189,324
Increase in Payroll Liabilities Withheld	(241)
Increase in Refundable Meter Deposits	4,270
Total Adjustments	<u>193,353</u>
Net Cash Provided by Operating Activities	<u><u>\$ 256,008</u></u>

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

City of Comanche, Oklahoma
Notes to Financial Statements
June 30, 2013

I. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

A. 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 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.

B. 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, 2013

I. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

B. Government-wide and fund financial statements (continued)

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 – commercial vehicle and gasoline excise tax shared by the State, capital grants
- Public Safety – fines and forfeitures, rural fire district dues, 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 prepared on a modified cash basis of accounting. Under this basis, cash receipts are recognized as revenue at the date of receipt and cash payments are recognized as expenditures at date of payment with the following modifications:

- Capital assets are recorded as assets when purchased and related depreciation is recorded.
- Long-term debt is recorded when incurred.
- Employee payroll withholding that have not been deposited with the appropriate parties but relate to compensation paid are recorded as liabilities.

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.

City of Comanche, Oklahoma
Notes to Financial Statements
June 30, 2013

I. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

B. Government-wide and fund financial statements (continued)

Fund Financial Statements

Separate financial statements are provided for governmental funds and proprietary funds. 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. The modified cash basis of accounting is used. However, the governmental funds focus on a current financial resources measurement thus capital assets and debt is not recorded.

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. It operates the water and sewer treatment plants, water distribution system, sewer collections systems and pump stations.

City of Comanche, Oklahoma
Notes to Financial Statements
June 30, 2013

I. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - (continued)

B. Government-wide and fund financial statements (continued)

Proprietary funds are accounted for using the modified cash basis of accounting modified as follows:

- Capital assets are recorded as assets when purchased and related depreciation is recorded.
- Long-term debt is recorded when incurred.
- Employee payroll withholding that have not been deposited with the appropriate parties but relate to compensation paid are recorded as liabilities.

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.

When both restricted and unrestricted resources are available for use, it is the government's policy to use restricted resources first, then unrestricted resources as they are needed.

C. Assets, liabilities, and Net Position or equity

1. *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.

City of Comanche, Oklahoma
Notes to Financial Statements
June 30, 2013

I. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - (continued)

C. Assets, liabilities, and Net Position or equity (continued)

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.

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

3. *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 are also reported as restricted cash

4. *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.

City of Comanche, Oklahoma
Notes to Financial Statements
June 30, 2013

I. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - (continued)

C. Assets, liabilities, and Net Position or equity (continued)

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

5. *Fund equity*

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 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, 2013.

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, 2013.

City of Comanche, Oklahoma
Notes to Financial Statements
June 30, 2013

I. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - (continued)

C. Assets, liabilities, and Net Position or equity (continued)

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, 2013, fund balances are composed of the following:

City of Comanche, Oklahoma
Notes to Financial Statements
June 30, 2013

I. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - (continued)

C. Assets, liabilities, and Net Position or equity (continued)

	General Fund	Capital Improvements Fund	Other Governmental Funds	Total Governmental Funds
Restricted				
Community Benefit	\$ 174,980	\$ -	\$ -	\$ 174,980
Capital Projects	-	10,587	-	10,587
Cemetery	-	-	16,243	16,243
Retirees	24,473	-	-	24,473
Streets	-	-	36,454	36,454
				<u>262,737</u>
Committed				
Rural Fire Department	-	-	21,746	21,746
Drug Prevention	2,951	-	-	2,951
Emergency Services	43,603	-	-	43,603
				<u>68,300</u>
Assigned				
Capital Projects	-	112,920	-	112,920
Rural Fire Department	-	-	703	703
Streets	-	-	940	940
Cemetery	-	-	2,088	2,088
Hunting and Fishing	68,443	-	-	68,443
Court	3,409	-	-	3,409
Community Benefit	21,211	-	-	21,211
Abatement	31,123	-	-	31,123
Special Projects	55,458	-	-	55,458
Emergency Services	17,960	-	-	17,960
				<u>314,255</u>
Unassigned	16,980	-	-	16,980
	<u>\$ 460,591</u>	<u>\$ 123,507</u>	<u>\$ 78,174</u>	<u>\$ 662,272</u>

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.

City of Comanche, Oklahoma
Notes to Financial Statements
June 30, 2013

I. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - (continued)

C. Assets, liabilities, and Net Position or equity (continued)

6. Government-wide Net Position

Government-wide Net Position are divided into three components:

- Invested in capital assets, net of related debt – 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 Net Position – 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.

7. 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.

II. RECONCILIATION OF GOVERNMENT-WIDE AND FUND FINANCIAL STATEMENTS

A. 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 \$270,081 difference between *net changes in fund balances - total governmental funds* and *changes in net position of governmental activities* as reported in the 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.

City of Comanche, Oklahoma
Notes to Financial Statements
June 30, 2013

II. RECONCILIATION OF GOVERNMENT-WIDE AND FUND FINANCIAL STATEMENTS (continue)

Capital Outlay	\$ 434,054
Depreciation Expense	(163,973)
	<u>\$ 270,081</u>

III. 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 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 (i.e., the level at which s

IV. 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 statues regarding custodial credit risk which requires collateral for all deposits in excess of Federal Deposit Insurance. At June 30, 2013, the bank balance was \$1,079,699 The City was not exposed to custodial credit risk as of June 30, 2013.

V. INVESTMENTS

The City's investments at June 30, 2013, are presented as follows:

Investment Type	Cost	Investment Maturities (in year)			
		Less Than 1	1-5	6-10	10-15
Annuity	\$ 317,563	\$ 12,555	\$ 55,500	\$ 55,500	\$ 194,008
Money Market Mutual Fund	24,342	24,342	-	-	-
	<u>\$ 341,905</u>	<u>\$ 36,897</u>	<u>\$ 55,500</u>	<u>\$ 55,500</u>	<u>\$ 194,008</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.

City of Comanche, Oklahoma
Notes to Financial Statements
June 30, 2013

VI. CAPITAL ASSETS

Capital asset activity for the year ended June 30, 2013 was as follows:

Primary Government

	Beginning Balance	Increases	Decreases	Ending Balance
<i>Government Activities:</i>				
<i>Capital assets, being depreciated</i>				
Land Improvements	883,286	-	-	883,286
Buildings	1,424,868	-	-	1,424,868
Vehicles	602,076	124,942	67,026	659,992
Machinery and Equipment	430,972	309,112	-	740,084
Infrastructure	856,000	-	-	856,000
Total capital assets, being depreciated	4,197,202	434,054	67,026	4,564,230
Less Accumulated Depreciation	1,817,574	163,973	67,026	1,914,521
Total capital assets, being depreciated, net	2,379,628	270,081	-	2,649,709
Governmental activities capital assets, net	2,379,628	270,081	-	2,649,709
	Beginning Balance	Increases	Decreases	Ending Balance
<i>Business-type Activities:</i>				
<i>Capital assets, not being depreciated</i>				
Construction in Progress	\$ -	\$ 1,080,551	\$ -	\$ 1,080,551
Total capital assets, not being depreciated	-	1,080,551	-	1,080,551
<i>Capital assets, being depreciated</i>				
Buildings	381,610	-	-	381,610
Vehicles	197,957	-	-	197,957
Machinery and Equipment	199,247	10,295	-	209,542
Water Storage Rights	946,641	-	-	946,641
Infrastructure	3,492,059	618,335	-	4,110,394
Total capital assets, being depreciated	5,217,514	628,630	-	5,846,144
Less Accumulated Depreciation	2,514,549	189,324	-	2,703,873
Total capital assets, being depreciated, net	2,702,965	439,306	-	3,142,271
Business activities capital assets, net	2,702,965	1,519,857	-	4,222,822
Total Primary Government	\$ 5,082,593	\$ 1,789,938	\$ -	\$ 6,872,531

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

City of Comanche, Oklahoma
Notes to Financial Statements
June 30, 2013

VI. CAPITAL ASSETS

Government activities:

General government	\$ 9,382
Public safety	71,065
Culture and recreation	27,487
Highways and streets	45,792
Cemetery	<u>10,247</u>
Total depreciation expense - governmental activities	<u><u>\$ 163,973</u></u>

Business-type activities

Water	\$ 73,119
Line Maintenance	59,826
Electric	42,486
Administration	<u>13,893</u>
Total depreciation expense - business-type activities	<u><u>\$ 189,324</u></u>

V. INTERFUND TRANSFERS

Interfund transfers as of June 30 consisted of the following:

Transfer To	Transfer From	Amount	Purpose
General Fund	Comanche Utilities Authority	\$ 388,940	Operating
Comanche Utilities Authority	General Fund	69,356	Sales tax pledged for debt
Comanche Utilities Authority	General Fund	45,000	Capital improvements sewer lag
Comanche Utilities Authority	Capital Improvements	214,267	Sewer improvements
General Fund	Court	45,838	Court activity
Pension Retirees	Comanche Utilities Authority	<u>20,750</u>	Operating
Total		<u><u>\$ 784,151</u></u>	

Reconciliation to fund financial statements:

	Transfers In	Transfers Out	Net
Government Funds	\$ 455,529	\$ (374,461)	\$ 81,068
Proprietary Funds	<u>328,622</u>	<u>(409,690)</u>	<u>(81,068)</u>
	<u><u>\$ 784,151</u></u>	<u><u>\$ (784,151)</u></u>	<u><u>\$ -</u></u>

City of Comanche, Oklahoma
Notes to Financial Statements
June 30, 2013

VI. LONG-TERM LIABILITIES

A summary of long-term liability activity for the year ended June 30, 2013, is as follows:

	Beginning Balance	Additions	Reductions	Ending Balance	Due within One Year
Primary Government					
Business-Type Activities					
Notes Payable	\$ 1,901,708	\$ -	\$ 87,590	\$ 1,814,118	\$ 113,450
Meter Deposits	78,830	27,650	23,379	83,101	25,830
Contracts Payable	912,949	-	30,663	882,286	31,524
	<u>\$ 2,893,487</u>	<u>\$ 27,650</u>	<u>\$ 141,632</u>	<u>\$ 2,779,505</u>	<u>\$ 170,804</u>

Business-type activities long-term liabilities at June 30, 2013, consisted of the following:

Type of Indebtedness(purpose)	Maturity	Interest Rates	Annual Installments	Issue Amount	Outstanding at June 30, 2013
Oklahoma Municipal Power Authority (OMPA) (financed costs of electric bucket trucks)	October, 2014	6.05%	\$ 15,480	\$ 87,977	\$ 19,788
Oklahoma Department of Commerce (ODOC) (financed costs of water tower)	July, 2018	0.00%	8,760	175,000	44,330
Utility System Revenue Note Series 2012 (financed costs of upgrade to electric system)	February, 2027	3.3438%	Variable	1,815,000	1,750,000
Waurika Lake Master Conservancy District (WLMCD) (financed costs of water storage facility)	October, 2026	3.46%	3,228	69,964	35,341
Waurika Lake Master Conservancy District (WLMCD) (financed costs of water storage conveyance)	August, 2030	3.46%	29,504	394,733	390,345
Waurika Lake Master Conservancy District (WLMCD) (financed costs of water storage facility)	September, 2035	4.23%	34,980	481,944	456,600
					<u>\$ 2,696,404</u>

Interest expense of \$94,547 has been included as part of the water expenses.

As of June 30, 2013, annual debt service requirements of the business-type activities to maturity are as follows:

Year Ending June 30	OMPA		ODOC		Revenue Note Series 2012		WLMCD		Total	
	Principal	Interest	Principal	Interest	Principal	Interest	Principal	Interest	Principal	Interest
2014	\$ 14,690	\$ 793	\$ 8,760	\$ -	\$ 90,000	\$ 59,689	\$ 31,524	\$ 32,929	\$ 144,974	\$ 93,411
2015	5,098	65	8,760	-	100,000	54,671	32,578	31,874	146,436	86,610
2016	-	-	8,760	-	100,000	51,327	33,567	30,858	142,327	82,185
2017	-	-	8,760	-	105,000	47,900	34,505	29,954	148,265	77,854
2018	-	-	9,290	-	115,000	44,305	35,528	28,873	159,818	73,178
2019-2023	-	-	-	-	640,000	160,837	196,527	124,347	836,527	285,184
2024-2028	-	-	-	-	600,000	46,146	232,209	85,123	832,209	131,269
2029-2033	-	-	-	-	-	-	202,814	41,839	202,814	41,839
2034-2036	-	-	-	-	-	-	85,078	6,708	85,078	6,708
	<u>\$ 19,788</u>	<u>\$ 858</u>	<u>\$ 44,330</u>	<u>\$ -</u>	<u>\$ 1,750,000</u>	<u>\$ 464,875</u>	<u>\$ 884,330</u>	<u>\$ 412,505</u>	<u>\$ 2,698,448</u>	<u>\$ 878,238</u>

City of Comanche, Oklahoma
Notes to Financial Statements
June 30, 2013

VI. LONG-TERM LIABILITIES

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.

The City has pledged future water revenues to secure the debt to the District. At year-end pledged revenues total \$1,296,835, 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 24% 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 \$2,214,875, 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 38% 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 \$44,330, 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 less than 1% of annual CPWA service revenues.

VII. RESTRICTED ASSETS

Restricted cash as of June 30, 2013 is as follows:

Funds restricted for debt service reserves	
2012 Revenue Note	\$ 61,886
WLMCD Debt Payment Reserve	53,407
	<u>\$ 115,293</u>
Funds restricted for other purposes	
Meter deposits	83,100
Capital Improvements	656,386
	<u>\$ 854,779</u>
As shown on proprietary statement of financial position	
Current restricted cash	25,830
Noncurrent restricted cash	828,949
	<u>\$ 854,779</u>

City of Comanche, Oklahoma
Notes to Financial Statements
June 30, 2013

VIII. PENSION PLANS

Municipal Retirement Plan

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

Funding Policy: The City has elected to fund the retiree obligation over ten years from 2003.

Annual Pension Cost: For 2012-2013, the annual pension was \$20,750, equal to the required contributions. The required contribution was determined as part of the January 1, 2011 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 January 1, 2012, 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)
1/1/2013	61,266	85,187	23,921	71.92%

Trend Information:

Year Ending June 30	Cost (APC)	Contributed	Net Pension Obligation
2013	\$ 20,750	100%	-
2012	15,542	100%	-
2011	14,106	100%	-

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 arevested over five years.. During the past year, the City contributed \$17,015.

City of Comanche, Oklahoma
Notes to Financial Statements
June 30, 2013

VIII. PENSION PLANS

Firefighters' Retirement Plan

Fire department employees in Oklahoma participate in a state administered pension program established under legislative authority, Title 11, section 22-102, Oklahoma Firefighters' Pension Fund, which is a cost-sharing multiple-employer public employee retirement system (PERS). Under this program, contributions are made by each of three parties - the City, the State of Oklahoma, and the participating employees. The City has no responsibility or authority for the operation and administration of the pension program nor has it any related liability, except for the current contribution requirements.

A participant with twenty years of service may retire with a normal retirement allowance. The normal retirement allowance paid monthly for life and then to beneficiaries equal to 2.5% of the average compensation of the highest 30 months of the last 60 months of contributory service multiplied by the number of years of credited service up to the maximum of 30 years. The contribution rates for the City and its employees are established by Statute. The City is required to contribute 13% per the year June 30, 2013. Participating members are required to contribute 8%.

The Oklahoma State Legislature has the authority to grant percentage increases or special one-time payments to persons receiving benefits from the System and is required by statute to make appropriations as necessary to insure benefit payments are made.

Trend Information:

Year Ending June 30	Covered Payroll	Pension Cost	City Share	Employee Share	On-Behalf Payments
2013	\$ 133,253	\$ 27,983	\$ 17,323	\$ 10,660	\$ 35,445
2012	131,169	27,545	17,052	10,494	32,268
2011	116,177	24,397	15,103	9,294	25,327

Additional information can be obtained by writing Oklahoma Firefighters Pension and Retirement Board, 4545 N. Lincoln Blvd., Suite 165, Oklahoma City, OK 73105.

Police Retirement Plan

Pursuant to the requirements of Title 11, section 50-102, in 2013 the City chose to participate in the statewide cost-sharing multi-employer defined benefit plan administered by the Oklahoma Police Pension and Retirement System (OPPRS). The paid police officer contributes 8% to the plan. The City is required by state law to contribute 13% per year per

City of Comanche, Oklahoma
Notes to Financial Statements
June 30, 2013

VIII. PENSION PLANS

paid police officer to the statewide plan. The plan is funded by contributions from participants, employers, insurance premium taxes, and state appropriations, as necessary. The OPPRS issues a publicly available report that includes financial statements, which can be obtained from the Oklahoma Police Pension and Retirement System, 1001 N.W. 63rd Street, Oklahoma City, OK, 73116-7335.

Trend Information:

Year Ending June 30	Covered Payroll	Pension Cost	City Share	Employee Share	On-Behalf Payments
2013	\$ 81,903	\$ 17,200	\$ 10,647	\$ 6,552	\$ 10,225

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 \$3,087.

IX. COMMITMENTS AND CONTINGENCIES

Commitments:

At June 30, 2013, the City had no outstanding construction contracts. CPWA has a commitment for construction of the sewer lagoon project in the amount of approximately \$600,000.

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, 2013, 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, 2013

IX. COMMITMENTS AND CONTINGENCIES

DEQ Consent Order

On June 6, 2011, the Department of Environmental Quality (DEQ) issued a consent order assessing the City a penalty of \$21,400 with \$12,600 to be paid in cash. The remaining penalty was deferred pending full compliance with the terms and conditions of the consent order. If the City fails to perform any task set forth in the order by the task's due date, a portion of the remaining penalty will be due. As of the date of this report, all tasks have been completed.

X. 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.

XI. New GASB Standard

In Fiscal year 2013, the City implemented GASB Statement 63, *Reporting Deferred Outflows, Deferred Inflows, and Net Position*. This statement includes a title change from Net Assets to Net Position, requires deferred outflows to be reported in a separate section after assets, deferred inflows reported as a separate section after liabilities. Only those items specifically defined by GASB may be reported as deferred outflows or inflows. The only effect on the financial statements for the City was the change in terminology "net assets" to "net position".

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, 2013

	Budgeted Amounts		Actual	Variance
	Original	Final	Amounts	With Final Budget
REVENUE				
Taxes	\$ 528,855	\$ 614,855	\$ 425,813	\$ (189,042)
Charges for Services	21,536	21,536	29,585	8,049
Interest	-	-	119	119
Rental Income	18,293	18,293	13,599	(4,694)
License and Permits	1,063	1,063	401	(662)
Grants	-	-	45,000	45,000
Miscellaneous	64,871	64,871	7,421	(57,450)
Total Revenue	<u>\$ 634,618</u>	<u>\$ 720,618</u>	<u>\$ 521,938</u>	<u>\$ (198,680)</u>
EXPENDITURES				
Current				
General Government	\$ 102,278	\$ 111,078	\$ 109,363	\$ 1,715
City Manager	48,521	48,521	49,915	(1,394)
City Clerk	46,150	46,150	43,106	3,044
City Treasurer	4,922	4,922	4,695	227
Highways and Streets	70,606	70,606	66,257	4,349
Police	237,077	268,077	258,532	9,545
Animal Control	31,236	31,236	27,617	3,619
Fire	232,840	232,840	206,478	26,362
Cemetery	59,307	68,107	66,642	1,465
Parks	10,200	10,200	7,875	2,325
Total Expenditures	<u>\$ 843,137</u>	<u>\$ 891,737</u>	<u>\$ 840,480</u>	<u>\$ 51,257</u>
Excess (Deficiency) of Revenues Over Expenditures	<u>\$ (208,519)</u>	<u>\$ (171,119)</u>	<u>\$ (318,542)</u>	<u>\$ (147,423)</u>
Other Financing Sources (Uses)				
Transfers In	\$ 472,123	\$ 472,123	434,779	\$ (37,344)
Transfers Out	(263,542)	(300,942)	(114,356)	186,586
Total Other Financing Sources (Uses)	<u>\$ 208,581</u>	<u>\$ 171,181</u>	<u>\$ 320,423</u>	<u>\$ 149,242</u>
Net Change in Fund Balances	\$ 62	\$ 62	\$ 1,881	\$ 1,819
Fund Balance - Beginning	4,976	4,976	4,976	-
Fund Balance - Ending	<u>\$ 5,038</u>	<u>\$ 5,038</u>	<u>\$ 6,857</u>	<u>\$ 1,819</u>
Other funds combined with General			453,734	
Per Statement of Revenues, Expenditures and Changes in Fund Balance			<u>\$ 460,591</u>	

City of Comanche, Oklahoma
Supplemental Schedule
Combining Statement of Assets, Liabilities and Fund Balance – Modified Cash Basis
Nonmajor Governmental Funds
June 30, 2013

	<u>Cemetery</u>	<u>Rural Fire</u>	<u>Street and Alley</u>	<u>Total</u>
Assets				
Cash	<u>\$ 18,326</u>	<u>\$ 22,449</u>	<u>\$ 37,399</u>	<u>\$ 78,174</u>
Total Assets	<u>\$ 18,326</u>	<u>\$ 22,449</u>	<u>\$ 37,399</u>	<u>78,174</u>
Liabilities				
Fund Balances				
Restricted	\$ 16,243	\$ -	\$ 36,456	\$ 52,699
Committed	-	21,746	-	21,746
Assigned	<u>2,083</u>	<u>703</u>	<u>943</u>	<u>3,729</u>
Total Fund Balances	<u>\$ 18,326</u>	<u>22,449</u>	<u>\$ 37,399</u>	<u>\$ 78,174</u>
Total Liabilities and Fund Balances	<u>\$ 18,326</u>	<u>\$ 22,449</u>	<u>\$ 37,399</u>	<u>\$ 78,174</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, 2013

	<u>Cemetery</u>	<u>Rural Fire</u>	<u>Street and Alley</u>	<u>Total</u>
REVENUE				
Taxes	\$ -	\$ -	\$ 14,896	\$ 14,896
Charges for Services	3,945	11,697	-	15,642
Interest	285	83	180	548
Miscellaneous	-	10	-	10
Intergovernmental	-	-	-	-
Grants	-	4,484	-	4,484
Total Revenue	<u>\$ 4,230</u>	<u>\$ 16,274</u>	<u>\$ 15,076</u>	<u>\$ 35,580</u>
EXPENDITURES				
Current				
Highway and Street	\$ -	\$ -	\$ 1,829	\$ 1,829
Public Safety	-	6,665	-	6,665
Capital Outlay				
Highway and Street	-	-	26,561	26,561
Cemetery / Parks	13,237	-	-	13,237
Public Safety	-	10,000	-	10,000
Total Expenditures	<u>\$ 13,237</u>	<u>\$ 16,665</u>	<u>\$ 28,390</u>	<u>\$ 58,292</u>
Net Change in Fund Balances	\$ (9,007)	\$ (391)	\$ (13,314)	\$ (22,712)
Fund Balances - Beginning	27,333	22,840	50,713	100,886
Fund Balances - Ending	<u>\$ 18,326</u>	<u>\$ 22,449</u>	<u>\$ 37,399</u>	<u>\$ 78,174</u>

City of Comanche, Oklahoma
Supplemental Schedule
Combining Statement of Assets, Liabilities and Fund Balance – Modified Cash Basis
General Fund
June 30, 2013

	General	Emergency Services	Grants	Abatement	Pension Retirement	Hunting and Fishing	Municipal Court	Drug Forfeitures	Gayle Ashbury	Special Projects	Total
Assets											
Cash	\$ 10,542	\$ 61,561	\$ 10,123	\$ 31,122	\$ 131	\$ 68,445	\$ 3,745	\$ 2,951	\$ 196,191	\$ 55,458	\$ 440,269
Investments	-	-	-	-	24,342	-	-	-	-	-	24,342
Total Assets	\$ 10,542	\$ 61,561	\$ 10,123	\$ 31,122	\$ 24,473	\$ 68,445	\$ 3,745	\$ 2,951	\$ 196,191	\$ 55,458	\$ 464,611
Liabilities											
Payroll Liabilities	\$ 3,685	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 3,685
Court Bonds Outstanding	-	-	-	-	-	-	335	-	-	-	335
Total Liabilities	\$ 3,685	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 335	\$ -	\$ -	\$ -	\$ 4,020
Fund Balances											
Restricted	\$ -	\$ -	\$ -	\$ -	\$ 24,473	\$ -	\$ -	\$ -	\$ 174,980	\$ -	\$ 199,453
Committed	-	43,603	-	-	-	-	-	2,951	-	-	46,554
Assigned	-	17,958	-	31,122	-	68,445	3,410	-	21,211	55,458	197,604
Unassigned	6,857	-	10,123	-	-	-	-	-	-	-	16,980
Total Fund Balances	\$ 6,857	\$ 61,561	\$ 10,123	\$ 31,122	\$ 24,473	\$ 68,445	\$ 3,410	\$ 2,951	\$ 196,191	\$ 55,458	\$ 460,591
Total Liabilities and Fund Balances	\$ 10,542	\$ 61,561	\$ 10,123	\$ 31,122	\$ 24,473	\$ 68,445	\$ 3,745	\$ 2,951	\$ 196,191	\$ 55,458	\$ 464,611

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, 2013

	General	Emergency Services	Grants	Abatement	Pension Retirement	Hunting and Fishing	Fire Grant	Municipal Court	Drug Forfeitures	Gayle Ashbury	Special Projects	Total
REVENUE												
Taxes	\$ 425,813	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 425,813
License and Permits	401	-	-	-	-	1,633	-	-	-	-	-	2,034
Charges for Services	29,585	-	-	300	-	28,624	-	-	-	-	-	58,509
Interest	119	252	-	-	5,328	-	-	-	-	849	42	6,590
Rental Income	13,599	-	-	14,055	-	700	-	-	-	3,955	27,680	59,989
Miscellaneous	7,420	12,918	-	-	-	220	-	-	-	-	30,029	50,587
Fines and Forfeitures	-	-	-	-	-	-	-	57,316	448	-	-	57,764
Grants	45,000	-	-	-	-	-	-	-	-	-	-	45,000
Total Revenue	<u>\$ 521,937</u>	<u>\$ 13,170</u>	<u>\$ -</u>	<u>\$ 14,355</u>	<u>\$ 5,328</u>	<u>\$ 31,177</u>	<u>\$ -</u>	<u>\$ 57,316</u>	<u>\$ 448</u>	<u>\$ 4,804</u>	<u>\$ 57,751</u>	<u>\$ 706,286</u>
EXPENDITURES												
Current												
General Government	207,081	-	-	5,873	20,981	-	-	-	-	13,894	28,673	\$ 276,502
Public Safety	492,626	6,871	-	-	-	-	-	9,938	-	-	-	509,435
Culture and Recreation	-	-	-	-	-	15,635	-	-	-	-	-	15,635
Cemetery	74,276	-	-	-	-	-	-	-	-	-	-	74,276
Highways and Streets	65,922	-	-	-	-	-	-	-	-	-	-	65,922
Capital Outlay												
General Government	-	-	-	-	-	-	-	-	-	90,000	-	90,000
Public Safety	-	211,166	-	-	-	-	-	-	-	-	-	211,166
Culture and Recreation	335	-	-	-	-	-	-	-	-	-	-	335
Total Expenditures	<u>\$ 840,480</u>	<u>\$ 218,037</u>	<u>\$ -</u>	<u>\$ 5,873</u>	<u>\$ 20,981</u>	<u>\$ 15,635</u>	<u>\$ -</u>	<u>\$ 9,938</u>	<u>\$ -</u>	<u>\$ 103,894</u>	<u>\$ 28,673</u>	<u>\$ 1,243,511</u>
Excess (Deficiency) of Revenues												
Over (Under) Expenditures	<u>\$ (318,543)</u>	<u>\$ (204,867)</u>	<u>\$ -</u>	<u>\$ 8,482</u>	<u>\$ (15,653)</u>	<u>\$ 15,542</u>	<u>\$ -</u>	<u>\$ 47,378</u>	<u>\$ 448</u>	<u>\$ (99,090)</u>	<u>\$ 29,078</u>	<u>\$ (537,225)</u>
Other Financing Sources												
Transfers In	434,779	-	-	-	20,750	-	-	-	-	-	-	\$ 455,529
Transfers Out	(114,356)	-	-	-	-	-	-	(45,838)	-	-	-	(160,194)
Total Other Financing Sources	<u>320,423</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>20,750</u>	<u>\$ -</u>	<u>\$ -</u>	<u>(45,838)</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>295,335</u>
Net Change in Fund Balances	\$ 1,880	\$ (204,867)	\$ -	\$ 8,482	\$ 5,097	\$ 15,542	\$ -	\$ 1,540	\$ 448	\$ (99,090)	\$ 29,078	\$ (241,890)
Fund Balances - Beginning, as res:	4,977	266,428	10,123	22,640	19,376	52,903	-	1,870	2,503	295,281	26,380	702,481
Fund Balances - Ending	<u>\$ 6,857</u>	<u>\$ 61,561</u>	<u>\$ 10,123</u>	<u>\$ 31,122</u>	<u>\$ 24,473</u>	<u>\$ 68,445</u>	<u>\$ -</u>	<u>\$ 3,410</u>	<u>\$ 2,951</u>	<u>\$ 196,191</u>	<u>\$ 55,458</u>	<u>\$ 460,591</u>

City of Comanche, Oklahoma
Supplemental Schedule
Schedule of Federal and State Awards
For the Year Ended June 30, 2013

	Federal CFDA Number	Grant Number	Award Amount	Awards Expended
STATE AWARDS				
Oklahoma Department of Agriculture				
Rural Fire Operational			\$ 4,484	\$ 4,484
Oklahoma Department of Commerce				
Rural Economic Development Action Plan Grant (REAP)		REAP 2013	<u>\$ 45,000</u>	<u>\$ 45,000</u>
Total State Awards			<u>\$ 49,484</u>	<u>\$ 49,484</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, 2013, and the related notes to the financial statements, which collectively comprise the City's basic financial statements and have issued our report thereon dated February 10, 2014. 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 first paragraph of this section 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. However, material weaknesses may exist that have not been identified. We did identify certain deficiencies described in the accompanying Schedule of Findings and Responses that we consider to be significant deficiencies: 13-1, 13-2, 13-3, 13-4, 13-5, and 13-6.

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 13-1, 13-2, 13-3 and 13-5.

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.

Angel Johnston + Blessingame, P.C.

Chickasha, Oklahoma
February 10, 2014

CITY OF COMANCHE, OKLAHOMA
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
Year Ended June 30, 2013

Deficiencies of Internal Control, Compliance and Other Matters:

- 13-1. **Criteria** – Bank accounts should only be able to be opened and closed with Council approval.

Condition – During the 2012-13 year the Water Sales Tax account was closed and no Council approval was noted.

Cause – Procedures had not been established to require Council approval.

Effect – Account activity could occur without Council authorization.

Recommendation – Establish procedures require board approval for changes in banking accounts.

Management response – Management agrees.

- 13-2. **Criteria** – Employee expense allowances not requiring documentation for reimbursement are required by IRS regulation to be included taxable wages.

Condition – The City Manager receives two expense allowances that do not require documentation for reimbursement.

Cause – Appropriate procedures have not been established for the handling of expense allowances.

Effect – Compensation to employees is being underreported. Potentially the City could be liable for the related taxes.

Recommendation – Establish appropriate procedures related to the reporting of expense allowances.

Management response – Management agrees.

- 13-3. **Criteria** – State statute required all payments for good or services to have a signature by a responsible employee indicating goods and/or service have been received prior to payment.

Condition – Five out of thirty-six invoices tested did not have signatures verifying receipt of goods or services.

Cause – Procedures are in place and are generally being followed, but compliance monitoring did not catch all omissions.

Effect – Payment were made in some instances without proper verification.

Recommendation – Enhance monitoring efforts to ensure compliance with statutory requirement.

Management response – Management agrees.

CITY OF COMANCHE, OKLAHOMA
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
Year Ended June 30, 2013

- 13-4. Criteria – Documentation supporting all revenue needs to be retained.

Condition – There were some miscellaneous receipts for items such as grants, royalties and franchise tax payments that supporting documentation was not retained.

Cause – Procedures were not in place requiring retention of the documentation.

Effect – Income items were difficult to identify for proper recording in the financial statements.

Recommendation – Retain documentation in either the daily transaction records or establish files for various income items.

Management response – Management agrees.

- 13-5. Criteria – Employee computer record should be retained for audit purposes and for regulator documentation.

Condition – Employee files after separation of service were deleted from the computer..

Cause – This was apparently done to limit the exposure of employee information to unauthorized sources. .

Effect – When trying to tie the payroll records to the financial statements differences existed because deleted employees information was no longer in the summary information.

Recommendation – Retain employee information in the computer for a reasonable length of time.

Management response – Management agrees.

- 13-6. Criteria – The utility and police billing system needs to establish a reconciliation process to account for all activity in the system. Also all adjustments need to have proper documentation.

Condition – There is no reconciliation process in place. Several of the adjustments we selected for testing did not have documentation.

Cause – No reconciliation process has been established. Adjustment documentation procedures are no sufficient.

Effect – Adjustments to account record could inappropriately be made. We noted one instance of an adjustment related to a customer payment that could not be located. The customer had evidence of payment (a stamped and initialed receipt) but no deposit could be found. So the customer was given credit for the unlocated payment.

Recommendation – Establish a reconciliation process and enhance monitoring of the adjustment documentation.