

City of Comanche, Oklahoma  
Financial Statements  
Year-End June 30, 2015

City of Comanche, Oklahoma  
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 For the Fiscal Year Ended June 30, 2015

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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, 2015, 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 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, 2015, 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 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**

#### *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.

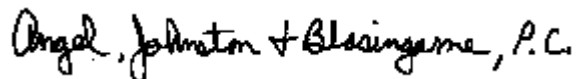
The combining fund financial statements and schedule of federal and state awards are the responsibility of management, derived from and related directly to the underlying accounting and other records used to prepare the basic financial statements. Such information has been subjected to the auditing procedures 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.

#### *Disclaimer of Opinion on Supplementary Information*

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the City of Comanche's basic financial statements. The budgetary comparison information, which is the responsibility of management, is presented for purposes of additional analysis and is 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 25, 2016, 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 25, 2016

## **BASIC FINANCIAL STATEMENTS**

City of Comanche, Oklahoma  
Government-Wide Statement of Assets, Liabilities and Net Position – Modified Cash Basis  
June 30, 2015

	Primary Government		
	Governmental Activities	Business-Type Activities	Total
<b>ASSETS</b>			
Cash	\$ 523,073	\$ 25,538	\$ 548,611
Cash Investments	-	11,567	11,567
Restricted Cash	-	236,299	236,299
Investments	26,259	291,731	317,990
Notes Receivable	-	26,000	26,000
Internal Balances	(47,733)	47,733	-
Capital Assets			
Land			
and Construction in Progress	888,786	108,000	996,786
Capital Assets being depreciated, net	1,593,142	4,634,214	6,227,356
<b>Total Assets</b>	<b>\$ 2,983,527</b>	<b>\$ 5,381,082</b>	<b>\$ 8,364,609</b>
<b>LIABILITIES</b>			
Employee Payroll Taxes Withheld	\$ 3,320	\$ 853	\$ 4,173
Long-term Liabilities			
Due Within One Year	-	168,009	168,009
Due in More Than One Year	-	2,298,384	2,298,384
<b>Total Liabilities</b>	<b>\$ 3,320</b>	<b>\$ 2,467,246</b>	<b>\$ 2,470,566</b>
<b>NET POSITION</b>			
Net investment in capital assets	\$ 2,481,928	\$ 2,364,641	\$ 4,846,569
Restricted			
Community Benefit	134,667	-	134,667
Capital Projects	128,291	36,000	164,291
Cemetery	8,607	-	8,607
Retirees	26,350	-	26,350
Streets	51,791	-	51,791
Unrestricted	148,573	513,195	661,768
<b>Total Net Position</b>	<b>\$ 2,980,207</b>	<b>\$ 2,913,836</b>	<b>\$ 5,894,043</b>

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, 2015

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
<b>Primary Government</b>							
<b>Governmental Activities</b>							
General Government	\$ 288,776	\$ 1,459	\$ 7,500	\$ -	\$ (279,817)	\$ -	\$ (279,817)
Highways and Streets	125,832	-	-	-	(125,832)	-	(125,832)
Public Safety	616,823	68,112	4,694	-	(544,017)	-	(544,017)
Health and Welfare	9,738	-	-	-	(9,738)	-	(9,738)
Culture and Recreation	94,982	29,886	-	-	(65,096)	-	(65,096)
Cemetery	75,849	45,229	-	-	(30,620)	-	(30,620)
Total Governmental Activities	<u>\$ 1,212,000</u>	<u>\$ 144,686</u>	<u>\$ 12,194</u>	<u>\$ -</u>	<u>\$ (1,055,120)</u>	<u>\$ -</u>	<u>\$ (1,055,120)</u>
<b>Business-Type Activities</b>							
General Government	\$ 205,784	\$ -	\$ -	\$ -	\$ -	\$ (205,784)	\$ (205,784)
Electric	1,599,649	1,884,675	-	78,976	-	364,002	364,002
Water	365,118	276,312	-	-	-	(88,806)	(88,806)
Sewer	189,612	145,755	-	-	-	(43,857)	(43,857)
Sanitation	199,879	248,442	-	-	-	48,563	48,563
Economic Development	-	-	26,000	-	-	26,000	26,000
Total Business Type Activities	<u>\$ 2,560,042</u>	<u>\$ 2,555,184</u>	<u>\$ 26,000</u>	<u>\$ 78,976</u>	<u>\$ -</u>	<u>\$ 100,118</u>	<u>\$ 100,118</u>
<b>Total Primary Government</b>	<u><u>\$ 3,772,042</u></u>	<u><u>\$ 2,699,870</u></u>	<u><u>\$ 38,194</u></u>	<u><u>\$ 78,976</u></u>	<u><u>\$ (1,055,120)</u></u>	<u><u>\$ 100,118</u></u>	<u><u>\$ (955,002)</u></u>
<b>General Revenues</b>							
Sales and Use Taxes					\$ 619,788	\$ -	\$ 619,788
Franchise Taxes					37,318	-	37,318
Motor Vehicle Taxes					15,685	-	15,685
Interest					1,648	20,211	21,859
Lease					47,809	-	47,809
Miscellaneous					4,161	23,627	27,788
Gain (Loss) on Disposal of Assets					1,454	(37,509)	(36,055)
Transfers					158,309	(158,309)	-
Total General Revenues and Transfers					<u>\$ 886,172</u>	<u>\$ (151,980)</u>	<u>\$ 734,192</u>
Change in Net Position					<u>\$ (168,948)</u>	<u>\$ (51,862)</u>	<u>\$ (220,810)</u>
Net Position- Beginning					3,149,155	2,965,698	6,114,853
Net Position - Ending					<u><u>\$ 2,980,207</u></u>	<u><u>\$ 2,913,836</u></u>	<u><u>\$ 5,894,043</u></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, 2015

	General Fund	Capital Improvements Fund	Other Governmental Funds	Total
Assets				
Cash	\$ 306,235	\$ 130,739	\$ 86,095	\$ 523,069
Investments	26,259	-	-	26,259
Due From Other Funds	-	143,200	-	143,200
	<u>\$ 332,494</u>	<u>\$ 273,939</u>	<u>\$ 86,095</u>	<u>\$ 692,528</u>
Liabilities				
Employee Payroll Withholdings	\$ 3,316	\$ -	\$ -	\$ 3,316
Due to Other Funds	190,933	-	-	190,933
Total Liabilities	<u>194,249</u>	<u>-</u>	<u>-</u>	<u>194,249</u>
Fund Balances				
Restricted	\$ 161,017	\$ 128,291	\$ 60,398	\$ 349,706
Committed	2,442	-	16,744	19,186
Assigned	131,245	145,648	8,953	285,846
Unassigned	(156,459)	-	-	(156,459)
Total Fund Balances	<u>138,245</u>	<u>273,939</u>	<u>86,095</u>	<u>498,279</u>
Total Liabilities and Fund Balances	<u>\$ 332,494</u>	<u>\$ 273,939</u>	<u>\$ 86,095</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	\$ 3,731,486	
	Accumulated Depreciation	(2,138,344)	2,481,928
Net assets of governmental activities.			<u>\$ 2,980,207</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, 2015

	General Fund	Capital Improvements Fund	Other Governmental Funds	Total
<b>REVENUE</b>				
Taxes	\$ 439,387	\$ 217,719	\$ 15,685	\$ 672,791
Charges for Services	62,811	-	10,404	73,215
Interest	1,611	-	37	1,648
Rent and Royalties	52,603	-	-	52,603
License and Permits	4,202	-	-	4,202
Fines and Forfeitures	63,211	-	-	63,211
Grants	7,500	-	4,485	11,985
Miscellaneous	3,076	-	10,587	13,663
Total Revenue	<u>\$ 634,401</u>	<u>\$ 217,719</u>	<u>\$ 41,198</u>	<u>\$ 893,318</u>
<b>EXPENDITURES</b>				
Current				
General Government	\$ 272,973	\$ -	\$ -	\$ 272,973
Highways and Streets	74,526	-	-	74,526
Public Safety	549,436	-	6,010	555,446
Cemetery	68,606	-	-	68,606
Culture and Recreation	54,303	-	-	54,303
Capital Outlay				
General Government	3,442	22,283	-	25,725
Cemetery	5,418	-	4,997	10,415
Culture and Recreation	-	-	-	-
Public Health and Welfare	-	54,096	-	54,096
Public Safety	40,445	-	8,953	49,398
Highways and Streets	-	-	14,901	14,901
Economic Development	-	-	-	-
Total Expenditures	<u>\$ 1,069,149</u>	<u>\$ 76,379</u>	<u>\$ 34,861</u>	<u>\$ 1,180,389</u>
Excess (Deficiency) of Revenues Over (Under) Expenditures	<u>\$ (434,748)</u>	<u>\$ 141,340</u>	<u>\$ 6,337</u>	<u>\$ (287,071)</u>
Other Financing Sources				
Transfers In	333,177	-	600	333,777
Transfers Out	(128,114)	-	-	(128,114)
Total Other Financing Sources	<u>\$ 205,063</u>	<u>\$ -</u>	<u>\$ 600</u>	<u>\$ 205,663</u>
Net Change in Fund Balances	\$ (229,685)	\$ 141,340	\$ 6,937	\$ (81,408)
Fund Balances - Beginning	<u>367,930</u>	<u>132,599</u>	<u>79,158</u>	<u>579,687</u>
Fund Balances - Ending	<u>\$ 138,245</u>	<u>\$ 273,939</u>	<u>\$ 86,095</u>	<u>\$ 498,279</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, 2015

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

Net change in fund balances - total governmental funds	\$ (81,408)
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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.	(78,995)
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Because the cost of capital assets acquired are reported in governmental funds as expenditures in the year of purchase, the proceeds from their sale are reported as revenue. However, the costs of these assets must be included as a reduction of the sales proceeds in the statement of activities.	(8,545)
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Change in net position of governmental activities.	<u>\$ (168,948)</u>
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City of Comanche, Oklahoma  
Statement of Assets, Liabilities, Net Position – Modified Cash Basis – Proprietary Fund  
June 30, 2015

	<u>Comanche Utilities Authority</u>
<b>ASSETS</b>	
Current Assets	
Cash and Cash Equivalent	\$ 25,538
Cash Investments	11,567
Restricted Cash and Cash Equivalent	74,800
Current Investment	14,200
Current Note Receivable	4,574
Due from Other Funds	47,733
Total Current Assets	<u>\$ 178,412</u>
Noncurrent Assets	
Restricted Cash	161,499
Investments	277,531
Note Receivable	21,426
Capital Assets	
Land	108,000
Other Capital Assets, Net of Depreciation	4,634,214
Total Noncurrent Assets	<u>\$ 5,202,670</u>
Total Assets	<u>\$ 5,381,082</u>
<b>LIABILITIES</b>	
Current Liabilities	
Employee Payroll Withholdings	853
Refundable Meter Deposits	20,652
Notes Payable - Current	147,357
Total Current Liabilities	<u>\$ 168,862</u>
Noncurrent Liabilities	
Refundable Meter Deposits	68,168
Notes Payable	2,230,216
Total Noncurrent Liabilities	<u>2,298,384</u>
Total Liabilities	<u>\$ 2,467,246</u>
<b>NET POSITION</b>	
Invested in Capital Assets, Net of Related Debt	2,364,641
Restricted for Rural Development Loans	36,000
Unrestricted	513,195
Total Net Position	<u>\$ 2,913,836</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, 2015

	<u>Comanche Utilities Authority</u>
Operating Revenues:	
Electric	\$ 1,886,338
Water	224,488
Sewer	145,755
Sanitation	248,442
Fees and Penalties	130,553
Miscellaneous	24,563
Total Operating Revenue	<u>\$ 2,660,139</u>
Operating Expenses:	
Sanitation Services	200,544
Water	330,661
Electric	1,544,779
Line Maintenance	226,456
General Administration	210,348
Total Operating Expenses	<u>\$ 2,512,788</u>
Operating Income (Loss)	<u>\$ 147,351</u>
Nonoperating Revenues (Expenses):	
Grants	26,000
Interest Income	20,213
Interest Expense	<u>(87,117)</u>
Total Nonoperating Revenues (Expenses)	<u>\$ (40,904)</u>
Income (loss) before contributions and transfers	106,447
Capital Contributions	47,354
Transfers In	115,303
Transfers Out	<u>(320,966)</u>
Net Change in Net Position	\$ (51,862)
Total Net Position - Beginning	<u>2,965,698</u>
Total Net Position- Ending	<u><u>\$ 2,913,836</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, 2015

	<u>Comanche Utilities Authority</u>
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>	
Receipts from Customers	\$ 2,704,328
Payments to Employees for Services	(373,223)
Payments to Vendors for Goods and Services	(1,877,242)
Net Cash Provided by Operating Activities	<u>\$ 453,863</u>
<b>CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES</b>	
Interfund Transfers from Other Funds	\$ 80,679
Cash Received from Nonoperating Grants	26,000
Interfund Transfers to Other Funds	(320,966)
Net Cash Used by Noncapital Financing Activities	<u>\$ (214,287)</u>
<b>CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES</b>	
Purchase of Capital Assets	\$ (87,892)
Principal Paid on Capital Debt	(153,670)
Interest Paid on Capital Debt	(87,117)
Net Cash Used by Capital Financing Activities	<u>\$ (328,679)</u>
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>	
Interest Income	\$ 20,213
Economic Development Program Loans	\$ (26,000)
Cash Received from Restricted Accounts	(23,450)
Cash Received from Sale of Investments	13,278
Net Cash Used by Investing Activities	<u>\$ (15,959)</u>
Net Decrease in Cash and Cash Equivalents	\$ (105,062)
Cash and Cash Equivalents, Beginning of Year	216,967
Cash and Cash Equivalents, End of Year	<u>\$ 111,905</u>
As shown on the Statement of Financial Position	
Cash and Cash Equivalent	\$ 25,538
Cash Investments	11,567
Restricted Cash and Cash Equivalent	74,800
	<u>\$ 111,905</u>
<b>Reconciliation of Operating Income to Net Cash Provided by Operating Activities</b>	
Operating Income	\$ 147,351
Adjustments to Reconcile Operating Income to Net Cash Provided by Operating Activities	
Depreciation	259,841
Gain (Loss) on Disposal of Assets	37,507
Decrease in Payroll Liabilities Withheld	2,484
Decrease in Refundable Meter Deposits	6,680
Total Adjustments	<u>306,512</u>
Net Cash Provided by Operating Activities	<u>\$ 453,863</u>

The Comanche Public Works Authority received \$47,354 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, 2015

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 (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.

**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, 2015

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 –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.
- Employee payroll withholding that have not been deposited with the appropriate parties but relate to compensation paid are recorded as liabilities.



City of Comanche, Oklahoma  
Notes to Financial Statements  
June 30, 2015

I. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

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

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. 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

City of Comanche, Oklahoma  
Notes to Financial Statements  
June 30, 2015

I. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - (continued)

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

- 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 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.
- 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.

City of Comanche, Oklahoma  
Notes to Financial Statements  
June 30, 2015

I. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - (continued)

**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.

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, refunded upon termination of service or applied to final bill, and Rural Enterprise revolving loan funds are also reported as restricted cash.

City of Comanche, Oklahoma  
Notes to Financial Statements  
June 30, 2015

I. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - (continued)

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

**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.

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, 2015.

City of Comanche, Oklahoma  
Notes to Financial Statements  
June 30, 2015

I. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - (continued)

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

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, 2015.

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, 2015, fund balances are composed of the following:

City of Comanche, Oklahoma  
Notes to Financial Statements  
June 30, 2015

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	\$ 134,667	\$ -	\$ -	\$ 134,667
Capital Projects	-	128,291	-	128,291
Cemetery	-	-	8,607	8,607
Retirees	26,350	-	-	26,350
Streets	-	-	51,791	51,791
				<u>349,706</u>
Committed				
Rural Fire Department	-	-	16,744	16,744
Drug Prevention	2,442	-	-	2,442
				<u>19,186</u>
Assigned				
Capital Projects	-	145,648		145,648
Rural Fire Department	-	-	5,440	5,440
Streets	-	-	1,007	1,007
Cemetery	-	-	2,506	2,506
Hunting and Fishing	34,783	-	-	34,783
Court	6,428	-	-	6,428
Rural Development Loans	-	-	-	-
Community Benefit	21,974	-	-	21,974
Abatement	33,697	-	-	33,697
Special Projects	31,033	-	-	31,033
Emergency Services	3,330	-	-	3,330
				<u>285,846</u>
Unassigned	<u>(156,459)</u>	<u>-</u>	<u>-</u>	<u>(156,459)</u>
	<u>\$ 138,245</u>	<u>\$ 273,939</u>	<u>\$ 86,095</u>	<u>\$ 498,279</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.

The General fund is showing a deficit unassigned fund balance of \$156,459. The deficit occurs primarily due to the collections of taxes not meeting budget expectations.

City of Comanche, Oklahoma  
Notes to Financial Statements  
June 30, 2015

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 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, 2015

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

Capital Outlay	\$ 67,656
Depreciation Expense	(146,651)
	\$ (78,995)

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 is the department level within a fund. Supplemental appropriations must be filed with the Office of State Auditor and Inspector.

For the year ended June 30, 2015, the General fund exceeded appropriations for various departments, totaling \$100,976. No supplemental appropriations were filed for the year.

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 statutes regarding custodial credit risk which requires collateral for all deposits in excess of Federal Deposit Insurance. At June 30, 2015, the bank balance was \$692,959 The City was not exposed to custodial credit risk as of June 30, 2015.

V. INVESTMENTS

The City's investments at June 30, 2015, are presented as follows:

Investment Type	Cost	Investment Maturities ( in year)			
		Less Than 1	1-5	6-10	10-15
Annuity	\$ 291,731	\$ 14,200	\$ 85,725	\$ 113,393	\$ 78,413
Money Market Mutual Fund	26,259	26,259	-	-	-
	\$ 317,990	\$ 40,459	\$ 85,725	\$ 113,393	\$ 78,413



City of Comanche, Oklahoma  
Notes to Financial Statements  
June 30, 2015

V. INVESTMENTS

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.

VI. CAPITAL ASSETS

Capital asset activity for the year ended June 30, 2015 was as follows:

**Primary Government**

	Beginning Balance	Reclassification	Increases	Decreases	Ending Balance
<i>Government Activities:</i>					
<i>Capital assets, not being depreciated</i>					
Land	\$ 888,786	\$ -	\$ -	\$ -	\$ 888,786
Total capital assets, not being depreciated	<u>888,786</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>888,786</u>
<i>Capital assets, being depreciated</i>					
Buildings	1,443,326	7,987	5,861	-	1,457,174
Vehicles	659,992	-	18,639	78,495	600,136
Machinery and Equipment	784,007	(7,987)	43,156	1,000	818,176
Infrastructure	856,000	-	-	-	856,000
Total capital assets, being depreciated	<u>3,743,325</u>	<u>-</u>	<u>67,656</u>	<u>79,495</u>	<u>3,731,486</u>
Less Accumulated Depreciation	<u>2,062,643</u>	<u>-</u>	<u>146,651</u>	<u>70,950</u>	<u>2,138,344</u>
Total capital assets, being depreciated, net	<u>1,680,682</u>	<u>-</u>	<u>(78,995)</u>	<u>8,545</u>	<u>1,593,142</u>
Governmental activities capital assets, net	<u>2,569,468</u>	<u>-</u>	<u>(78,995)</u>	<u>8,545</u>	<u>2,481,928</u>
<i>Business-type Activities:</i>					
<i>Capital assets, not being depreciated</i>					
Construction in Progress	\$ -	\$ -	\$ -	\$ -	\$ -
Land	108,000	-	-	-	108,000
Total capital assets, not being depreciated	<u>108,000</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>108,000</u>
<i>Capital assets, being depreciated</i>					
Buildings	301,610	-	-	-	301,610
Vehicles	213,431	-	29,000	-	242,431
Machinery and Equipment	228,753	-	9,576	57,706	180,623
Water Storage Rights	946,641	-	-	-	946,641
Infrastructure	6,020,434	-	96,670	-	6,117,104
Total capital assets, being depreciated	<u>7,710,869</u>	<u>-</u>	<u>135,246</u>	<u>57,706</u>	<u>7,788,409</u>
Less Accumulated Depreciation	<u>2,914,551</u>	<u>-</u>	<u>259,841</u>	<u>20,197</u>	<u>3,154,195</u>
Total capital assets, being depreciated, net	<u>4,796,318</u>	<u>-</u>	<u>(124,595)</u>	<u>37,509</u>	<u>4,634,214</u>
Business activities capital assets, net	<u>4,904,318</u>	<u>-</u>	<u>(124,595)</u>	<u>37,509</u>	<u>4,742,214</u>
<b>Total Primary Government</b>	<b><u>\$ 7,473,786</u></b>	<b><u>\$ -</u></b>	<b><u>\$ (203,590)</u></b>	<b><u>\$ 46,054</u></b>	<b><u>\$ 7,224,142</u></b>

Reclassifications were made between asset categories to properly report land.

City of Comanche, Oklahoma  
Notes to Financial Statements  
June 30, 2015

VI. CAPITAL ASSETS

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

Government activities:		
General government	\$	25,710
Public safety		43,698
Culture and recreation		23,449
Highways and streets		48,728
Cemetery		<u>5,066</u>
Total depreciation expense - governmental activities	\$	<u>146,651</u>
Business-type activities		
Water	\$	73,247
Line Maintenance		72,438
Electric		104,087
Administration		<u>10,069</u>
Total depreciation expense - business-type activities	\$	<u>259,841</u>

V. INTERNAL BALANCES AND INTERFUND TRANSFERS

Internal balances between funds are comprised of the following:

<u>Receivable Fund</u>	<u>Payable Fund</u>	<u>Amount</u>	<u>Nature of Balance</u>
<u>Due to/from other funds</u>			
Capital Improvement	General Fund	\$ 143,200	Restricted sales tax
Comanche Utilities Authority	General Fund	<u>47,733</u>	Restricted sales tax
		<u>\$ 190,933</u>	

Interfund transfers as of June 30 consisted of the following:

<u>Transfer To</u>	<u>Transfer From</u>	<u>Amount</u>	<u>Purpose</u>
General Fund	Comanche Utilities Authority	\$ 289,734	Operating
Comanche Utilities Authority	General Fund	72,571	Sales tax pledged for debt
Comanche Utilities Authority	General Fund	10,000	Debt Service
General Fund	Court	39,099	Court activity
Special Projects	Comanche Utilities Authority	1,500	Operating
Cemetery	General Fund	600	Operating
Water Annuity	Comanche Utilities Authority	31,232	Debt Service
Emergency Services	Court	<u>4,344</u>	Operating
Total		<u>\$ 449,080</u>	

Reconciliation to fund financial statements:

	Transfers In	Transfers Out	Capital Contribution	Net
Government Funds	\$ 333,777	\$ (128,114)	\$ (47,354)	\$ 158,309
Proprietary Funds	<u>115,303</u>	<u>(320,966)</u>	47,354	<u>(158,309)</u>
	<u>\$ 449,080</u>	<u>\$ (449,080)</u>	<u>\$ -</u>	<u>\$ -</u>

City of Comanche, Oklahoma  
Notes to Financial Statements  
June 30, 2015

At June 30, 2015, the City is not in compliance with the provisions of sales tax ordinances requiring transfer of 1 ½ cents sales tax to the capital improvement fund for capital improvements, debt service, emergency services and public safety and ½ cent sales tax to the water sales tax fund for debt service. The General fund owes these funds a total of \$190,933. At June 30, 2015, the General fund only had \$26,980 in operating cash available.

VI. LONG-TERM LIABILITIES

A summary of long-term liability activity for the year ended June 30, 2015, is as follows:

	Beginning Balance	Additions	Reductions	Ending Balance	Due within One Year
Primary Government					
Business-Type Activities					
Notes Payable	\$ 1,713,199	\$ -	\$ 121,340	\$ 1,591,859	\$ 113,810
Meter Deposits	82,140	6,680	-	88,820	20,652
Contracts Payable	818,045	-	32,330	785,715	33,547
	<u>\$ 2,613,384</u>	<u>\$ 6,680</u>	<u>\$ 153,670</u>	<u>\$ 2,466,394</u>	<u>\$ 168,009</u>

Business-type activities long-term liabilities at June 30, 2015, consisted of the following:

Type of Indebtedness(purpose)	Maturity	Interest Rates	Annual Installments	Issue Amount	Outstanding at June 30, 2015
Oklahoma Municipal Power Authority (OMPA) (financed costs of electric bucket trucks)	October, 2014	6.05%	\$ 15,480	\$ 87,977	\$ -
Oklahoma Municipal Power Authority (OMPA) (financed costs of electric bucket truck major repair)	February, 2016	1.50%	\$ 635	\$ 15,000	5,050
Oklahoma Department of Commerce (ODOC) (financed costs of water tower)	July, 2018	0.00%	8,760	175,000	26,810
Utility System Revenue Note Series 2012 (financed costs of upgrade to electric system)	February, 2027	3.3438%	Variable	1,815,000	1,560,000
Waurika Lake Master Conservancy District (WLMCD) (financed costs of water storage facility)	October, 2026	3.46%	3,228	69,964	29,117
Waurika Lake Master Conservancy District (WLMCD) (financed costs of water storage conveyance)	August, 2030	3.46%	29,504	394,733	340,706
Waurika Lake Master Conservancy District (WLMCD) (financed costs of water storage facility)	September, 2035	4.23%	34,980	481,944	415,891
					<u>\$ 2,377,574</u>

Interest expense of \$87,118 has been included as part of the water expenses.

As of June 30, 2015, annual debt service requirements of the business-type activities to maturity are as follows:

City of Comanche, Oklahoma  
Notes to Financial Statements  
June 30, 2015

VI. LONG-TERM LIABILITIES

Year Ending June 30	OMPA		ODOC		Revenue Note Series 2012		WLMCD		Total	
	Principal	Interest	Principal	Interest	Principal	Interest	Principal	Interest	Principal	Interest
2016	5,051	28	8,760	\$ -	100,000	51,327	33,547	31,069	\$ 147,358	\$ 82,424
2017	-	-	8,760	-	105,000	47,900	34,867	29,693	148,627	77,593
2018	-	-	9,290	-	115,000	44,305	36,245	28,341	160,535	72,646
2019	-	-	-	-	120,000	40,460	38,553	25,937	158,553	66,397
2020	-	-	-	-	120,000	36,448	38,027	26,479	158,027	62,927
2021-2025	-	-	-	-	690,000	116,950	218,642	103,467	908,642	220,417
2026-2030	-	-	-	-	310,000	13,125	250,260	58,147	560,260	71,272
2031-2035	-	-	-	-	-	-	135,573	16,216	135,573	16,216
2036	-	-	-	-	-	-	-	-	-	-
	<u>\$ 5,051</u>	<u>\$ 28</u>	<u>\$ 26,810</u>	<u>\$ -</u>	<u>\$ 1,560,000</u>	<u>\$ 350,515</u>	<u>\$ 785,714</u>	<u>\$ 319,349</u>	<u>\$ 2,377,575</u>	<u>\$ 669,892</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.

The City has pledged future water revenues to secure the debt to the District. At year-end pledged revenues total \$1,105,063, 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 29% 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 \$1,910,515 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 28% 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 \$31,860 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 0.35% of annual CPWA service revenues.

City of Comanche, Oklahoma  
Notes to Financial Statements  
June 30, 2015

VII. RESTRICTED ASSETS

Restricted cash as of June 30, 2015 is as follows:

Funds restricted for debt service reserves		
2012 Revenue Note	\$	63,432
Waurika Lake Master Conservancy District Debt		44,148
		\$ 107,580
Funds restricted for other purposes		
Meter deposits		88,820
Rural development loans		10,000
Capital Improvements		29,899
		\$ 236,299
As shown on proprietary statement of financial position		
Current restricted cash	\$	74,800
Noncurrent restricted cash		161,499
		\$ 236,299

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. As of June 30, 2015, the City has not met this commitment and the obligation has an unfunded liability of \$34,247.

Annual Pension Cost: For 2014-2015, the annual pension was - as the Council voted not to fund. The required contribution was determined as part of the January 1, 2013 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, 2014, the most recent valuation date, is as follows:

<u>Actuarial Valuation Date</u>	<u>Actuarial Value of Assets (a)</u>	<u>Present Value of Benefits (b)</u>	<u>Unfunded AAL (UAAL) (b- a)</u>	<u>Funded Ratio (a/b)</u>
1/1/2015	46,874	81,121	34,247	57.78%

City of Comanche, Oklahoma  
Notes to Financial Statements  
June 30, 2015

VIII. PENSION PLANS

Trend Information:

Year Ending June 30	Cost (APC)	Contributed	Net Pension Obligation
2015	\$ 25,715	0%	25,715
2014	25,715	0%	25,715
2013	20,750	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 are vested over five years.. During the past year, the City contributed \$12,286.

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

City of Comanche, Oklahoma  
Notes to Financial Statements  
June 30, 2015

VIII. PENSION PLANS

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 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.

City of Comanche, Oklahoma  
Notes to Financial Statements  
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VIII. PENSION PLANS

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 nonemployer 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, 2015 was \$20,178.

Pension (Asset) Liability and Pension Expense

At June 30, 2015, the City's proportionate share of the net pension liability was \$575,545. The net pension liability was measured as of June 30, 2014, 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'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, 2014, the City's proportion was 0.056% which was the same as its proportion measured as of June 30, 2013.

For the year ended June 30 2015, the City proportionate share of pension expense was \$51,692.

Actuarial assumptions – The total pension liability in the June 30, 2014 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



City of Comanche, Oklahoma  
Notes to Financial Statements  
June 30, 2015

VIII. PENSION PLANS

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, 2014, are summarized in the following table:

Asset Class	Long-Term Expected Real Rate of Return
Fixed Income	5.13%
Domestic Equity	8.02%
International Equity	9.94%
Real Estate	7.47%
Other Assets	6.25%

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 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:

City of Comanche, Oklahoma  
Notes to Financial Statements  
June 30, 2015

VIII. PENSION PLANS

	1% Decrease (6.5%)	Current Discount Rate (7.5%)	1% Increase (8.5%)
City's Proportionate share of the net pension liability (asset)	\$ 751,971	\$ 575,546	\$ 428,238

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 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

City of Comanche, Oklahoma  
Notes to Financial Statements  
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VIII. PENSION PLANS

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 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

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VIII. PENSION PLANS

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 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

City of Comanche, Oklahoma  
Notes to Financial Statements  
June 30, 2015

VIII. PENSION PLANS

participant employed. Each participant contributes 8% of their base salary. Additional funds are provided by the State of Oklahoma, a nonemployer 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, 2015 was \$13,897.

Pension (Asset) Liability and Pension Expense

At June 30, 2015, the City's proportionate share of the net pension asset was \$14,589. The net pension asset was measured as of June 30, 2014, 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, 2014, the City's proportion was 0.0433%, which was the same as its proportion measured as of June 30, 2013.

For the year ended June 30, 2015, the City proportionate share of pension expense was \$5,347.

Actuarial assumptions – The total pension liability in the June 30, 2014 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.

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

City of Comanche, Oklahoma  
Notes to Financial Statements  
June 30, 2015

VIII. PENSION PLANS

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, 2014, are summarized in the following table:

<u>Asset Class</u>	<u>Long-Term Expected Real Rate of Return</u>
Fixed Income	2.24%
Domestic Equity	4.87%
International Equity	7.68%
Private Equity	5.80%
Real Estate	5.47%
Commodities	2.96%

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 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:

City of Comanche, Oklahoma  
Notes to Financial Statements  
June 30, 2015

VIII. PENSION PLANS

	1% Decrease (6.5%)	Current Discount Rate (7.5%)	1% Increase (8.5%)
City's Proportionate share of the net pension liability (asset)	\$ 86,802	\$ (14,589)	\$ (100,039)

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/>.

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 \$6,984.

IX. COMMITMENTS AND CONTINGENCIES

Commitments:

At June 30, 2015, the City had no outstanding construction contracts. CPWA has commitment for outstanding invoices in the amount of approximately \$133,796.

Subsequent to June 30, 2015 the City committed to new debt with Waurika Lake Master Conservancy District. Comanche’s share is 1.78% to 1.80% of \$10,000,000.

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, 2015, 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, 2015

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.



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, 2015

	Budgeted Amounts		Actual Amounts	Variance With Final Budget
	Original	Final		
<b>REVENUE</b>				
Taxes	\$ 584,584	\$ 584,584	\$ 439,387	\$ (145,197)
Charges for Services	60,000	60,000	39,726	(20,274)
Interest	-	-	32	32
Oil and Gas Royalties	12,000	12,000	4,971	(7,029)
License and Permits	960	960	1,046	86
Grants	-	-	7,500	7,500
Miscellaneous	40,000	40,000	1,959	(38,041)
Total Revenue	<u>\$ 697,544</u>	<u>\$ 697,544</u>	<u>\$ 494,621</u>	<u>\$ (202,923)</u>
<b>EXPENDITURES</b>				
Current				
General Government	\$ 95,551	\$ 95,551	105,219	\$ (9,668)
City Manager	49,467	49,467	49,893	(426)
City Clerk	47,257	47,257	45,610	1,647
City Treasurer	5,621	5,621	5,316	305
Highways and Streets	54,191	54,191	74,526	(20,335)
Police	266,798	266,798	284,404	(17,606)
Animal Control	11,480	11,480	11,384	96
Fire	199,769	199,769	229,263	(29,494)
Cemetery	53,099	53,099	74,024	(20,925)
Parks	4,700	4,700	9,270	(4,570)
Total Expenditures	<u>\$ 787,933</u>	<u>\$ 787,933</u>	<u>\$ 888,909</u>	<u>\$ (100,976)</u>
Excess (Deficiency) of Revenues Over Expenditures	<u>\$ (90,389)</u>	<u>\$ (90,389)</u>	<u>\$ (394,288)</u>	<u>\$ (303,899)</u>
Other Financing Sources (Uses)				
Transfers In	\$ 411,605	\$ 411,605	328,832	\$ (82,773)
Transfers Out	(290,000)	(290,000)	(72,572)	217,428
Total Other Financing Sources (Uses)	<u>\$ 121,605</u>	<u>\$ 121,605</u>	<u>\$ 256,260</u>	<u>\$ 134,655</u>
Net Change in Fund Balances	\$ 31,216	\$ 31,216	\$ (138,028)	\$ (169,244)
Fund Balance - Beginning	-	-	(29,241)	(29,241)
Fund Balance - Ending	<u>\$ 31,216</u>	<u>\$ 31,216</u>	<u>\$ (167,269)</u>	<u>\$ (198,485)</u>
Other funds combined with General			305,514	
Per Statement of Revenues, Expenditures and Changes in Fund Balance			<u>\$ 138,245</u>	

City of Comanche, Oklahoma  
Notes to Budgetary Comparison Schedule  
General Fund  
For the Year Ended June 30, 2015

**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, 2015, the General Fund expenditures exceeded appropriations in the following departments: General government, city manager, highways and streets, police, fire, cemetery and parks. Total expenditures for the General fund also exceeded appropriations.

City of Comanche, Oklahoma  
Supplemental Schedule  
Combining Statement of Assets, Liabilities and Fund Balance – Modified Cash Basis  
Nonmajor Governmental Funds  
June 30, 2015

	<u>Cemetery</u>	<u>Rural Fire</u>	<u>Street and Alley</u>	<u>Total</u>
Assets				
Cash	<u>\$ 11,113</u>	<u>\$ 22,184</u>	<u>\$ 52,798</u>	<u>\$ 86,095</u>
Total Assets	<u><u>\$ 11,113</u></u>	<u><u>\$ 22,184</u></u>	<u><u>\$ 52,798</u></u>	<u><u>86,095</u></u>
Liabilities				
Fund Balances				
Restricted	\$ 8,607	\$ -	\$ 51,791	\$ 60,398
Committed	-	16,744	-	16,744
Assigned	<u>2,506</u>	<u>5,440</u>	<u>1,007</u>	<u>8,953</u>
Total Fund Balances	<u>\$ 11,113</u>	<u>22,184</u>	<u>\$ 52,798</u>	<u>\$ 86,095</u>
Total Liabilities and Fund Balances	<u><u>\$ 11,113</u></u>	<u><u>\$ 22,184</u></u>	<u><u>\$ 52,798</u></u>	<u><u>\$ 86,095</u></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, 2015

	<u>Cemetery</u>	<u>Rural Fire</u>	<u>Street and Alley</u>	<u>Total</u>
<b>REVENUE</b>				
Taxes	\$ -	\$ -	\$ 15,685	\$ 15,685
Charges for Services	5,503	4,901	-	10,404
Interest	9	10	18	37
Miscellaneous	379	10,208	-	10,587
Grants	-	4,485	-	4,485
Total Revenue	<u>\$ 5,891</u>	<u>\$ 19,604</u>	<u>\$ 15,703</u>	<u>\$ 41,198</u>
<b>EXPENDITURES</b>				
Current				
Public Safety	-	6,010	-	6,010
Capital Outlay				
Highway and Street	-	-	14,901	14,901
Cemetery / Parks	4,997	-	-	4,997
Public Safety	-	8,953	-	8,953
Economic Development	-	-	-	-
Total Expenditures	<u>\$ 4,997</u>	<u>\$ 14,963</u>	<u>\$ 14,901</u>	<u>\$ 34,861</u>
Other Financing Sources				
Transfers In	600	-	-	600
Transfers Out	-	-	-	-
Total Other Financing Sources	<u>600</u>	<u>\$ -</u>	<u>-</u>	<u>600</u>
Net Change in Fund Balances	\$ 1,494	\$ 4,641	\$ 802	\$ 6,937
Fund Balances - Beginning	9,619	17,543	51,996	79,158
Fund Balances - Ending	<u>\$ 11,113</u>	<u>\$ 22,184</u>	<u>\$ 52,798</u>	<u>\$ 86,095</u>

City of Comanche, Oklahoma  
 Supplemental Schedule  
 Combining Statement of Assets, Liabilities and Fund Balance – Modified Cash Basis  
 General Fund  
 June 30, 2015

	General	Emergency Services	Grants	Abatement	Pension Retirement	Hunting and Fishing	Municipal Court	Drug Forfeitures	Gayle Ashbury	Cemetery Reward	Special Projects	Total
<b>Assets</b>												
Cash	\$ 26,980	\$ 3,330	\$ 10,810	\$ 33,697	\$ 91	\$ 34,783	\$ 6,428	\$ 2,442	\$ 156,641	\$ -	\$ 31,033	\$ 306,235
Investments	-	-	-	-	26,259	-	-	-	-	-	-	26,259
<b>Total Assets</b>	<b>\$ 26,980</b>	<b>\$ 3,330</b>	<b>\$ 10,810</b>	<b>\$ 33,697</b>	<b>\$ 26,350</b>	<b>\$ 34,783</b>	<b>\$ 6,428</b>	<b>\$ 2,442</b>	<b>\$ 156,641</b>	<b>\$ -</b>	<b>\$ 31,033</b>	<b>\$ 332,494</b>
<b>Liabilities</b>												
Payroll Liabilities	\$ 3,316	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 3,316
Court Bonds Outstanding	-	-	-	-	-	-	-	-	-	-	-	-
Due to Other Funds	190,933	-	-	-	-	-	-	-	-	-	-	190,933
<b>Total Liabilities</b>	<b>\$ 194,249</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ 194,249</b>
<b>Fund Balances</b>												
Restricted	\$ -	\$ -	\$ -	\$ -	\$ 26,350	\$ -	\$ -	\$ -	\$ 134,667	\$ -	\$ -	\$ 161,017
Committed	-	-	-	-	-	-	-	2,442	-	-	-	2,442
Assigned	-	3,330	-	33,697	-	34,783	6,428	-	21,974	-	31,033	131,245
Unassigned	(167,269)	-	10,810	-	-	-	-	-	-	-	-	(156,459)
<b>Total Fund Balances</b>	<b>\$ (167,269)</b>	<b>\$ 3,330</b>	<b>\$ 10,810</b>	<b>\$ 33,697</b>	<b>\$ 26,350</b>	<b>\$ 34,783</b>	<b>\$ 6,428</b>	<b>\$ 2,442</b>	<b>\$ 156,641</b>	<b>\$ -</b>	<b>\$ 31,033</b>	<b>\$ 138,245</b>
<b>Total Liabilities and Fund Balances</b>	<b>\$ 26,980</b>	<b>\$ 3,330</b>	<b>\$ 10,810</b>	<b>\$ 33,697</b>	<b>\$ 26,350</b>	<b>\$ 34,783</b>	<b>\$ 6,428</b>	<b>\$ 2,442</b>	<b>\$ 156,641</b>	<b>\$ -</b>	<b>\$ 31,033</b>	<b>\$ 332,494</b>

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, 2015

	General	Emergency Services	Grants	Abatement	Pension Retirement	Hunting and Fishing	Municipal Court	Drug Forfeitures	Gayle Ashbury	Cemetery Reward	Special Projects	Total
<b>REVENUE</b>												
Taxes	\$ 439,387	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 439,387
License and Permits	1,046	-	-	-	-	3,156	-	-	-	-	-	4,202
Charges for Services	39,726	-	-	1,150	-	21,935	-	-	-	-	-	62,811
Interest	32	8	-	-	1,418	12	-	-	116	-	25	1,611
Rent and Royalties	4,971	-	-	13,408	-	700	-	-	4,795	-	28,729	52,603
Miscellaneous	1,959	-	-	-	-	-	-	-	200	-	917	3,076
Fines and Forfeitures	-	-	-	-	-	-	63,211	-	-	-	-	63,211
Grants	7,500	-	-	-	-	-	-	-	-	-	-	7,500
<b>Total Revenue</b>	<b>\$ 494,621</b>	<b>\$ 8</b>	<b>\$ -</b>	<b>\$ 14,558</b>	<b>\$ 1,418</b>	<b>\$ 25,803</b>	<b>\$ 63,211</b>	<b>\$ -</b>	<b>\$ 5,111</b>	<b>\$ -</b>	<b>\$ 29,671</b>	<b>\$ 634,401</b>
<b>EXPENDITURES</b>												
<b>Current</b>												
General Government	\$ 205,961	\$ -	\$ 1,829	\$ 9,543	\$ 389	\$ -	\$ -	\$ -	\$ 17,374	\$ -	\$ 37,877	\$ 272,973
Public Safety	525,052	3,514	-	-	-	-	20,704	166	-	-	-	549,436
Culture and Recreation	9,268	-	-	-	-	45,035	-	-	-	-	-	54,303
Cemetery	68,606	-	-	-	-	-	-	-	-	-	-	68,606
Highways and Streets	74,526	-	-	-	-	-	-	-	-	-	-	74,526
<b>Capital Outlay</b>												
General Government	80	-	-	-	-	-	-	-	3,362	-	-	3,442
Cemetery / Parks	5,418	-	-	-	-	-	-	-	-	-	-	5,418
Public Safety	-	40,444	-	-	-	-	-	-	-	-	-	40,444
Culture and Recreation	-	-	-	-	-	-	-	-	-	-	-	-
<b>Total Expenditures</b>	<b>\$ 888,911</b>	<b>\$ 43,958</b>	<b>\$ 1,829</b>	<b>\$ 9,543</b>	<b>\$ 389</b>	<b>\$ 45,035</b>	<b>\$ 20,704</b>	<b>\$ 166</b>	<b>\$ 20,736</b>	<b>\$ -</b>	<b>\$ 37,877</b>	<b>\$ 1,069,148</b>
Excess (Deficiency) of Revenues Over (Under) Expenditures	\$ (394,290)	\$ (43,950)	\$ (1,829)	\$ 5,015	\$ 1,029	\$ (19,232)	\$ 42,507	\$ (166)	\$ (15,625)	\$ -	\$ (8,206)	\$ (434,747)
<b>Other Financing Sources</b>												
Transfers In	328,832	4,344	-	-	-	-	-	-	-	-	-	\$ 333,176
Transfers Out	(72,572)	-	-	-	-	-	(43,442)	-	(10,000)	(600)	(1,500)	(128,114)
<b>Total Other Financing Sources</b>	<b>256,260</b>	<b>\$ 4,344</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>(43,442)</b>	<b>-</b>	<b>(10,000)</b>	<b>(600)</b>	<b>(1,500)</b>	<b>205,062</b>
<b>Net Change in Fund Balances</b>	<b>\$ (138,030)</b>	<b>\$ (39,606)</b>	<b>\$ (1,829)</b>	<b>\$ 5,015</b>	<b>\$ 1,029</b>	<b>\$ (19,232)</b>	<b>\$ (935)</b>	<b>\$ (166)</b>	<b>\$ (25,625)</b>	<b>\$ (600)</b>	<b>\$ (9,706)</b>	<b>\$ (229,685)</b>
Fund Balances - Beginning	(29,239)	42,936	12,639	28,682	25,321	54,015	7,363	2,608	182,266	600	40,739	367,930
<b>Fund Balances - Ending</b>	<b>\$ (167,269)</b>	<b>\$ 3,330</b>	<b>\$ 10,810</b>	<b>\$ 33,697</b>	<b>\$ 26,350</b>	<b>\$ 34,783</b>	<b>\$ 6,428</b>	<b>\$ 2,442</b>	<b>\$ 156,641</b>	<b>\$ -</b>	<b>\$ 31,033</b>	<b>\$ 138,245</b>

City of Comanche, Oklahoma  
 Supplemental Schedule  
 Schedule of Federal and State Awards  
 For the Year Ended June 30, 2015

	Federal CFDA Number	Grant Number	Award Amount	Awards Expended
<b>FEDERAL AWARDS</b>				
U.S. Department of Housing and Urban Development <i>Passed through Oklahoma Department of Commerce</i> Community Development Block Grant	14.228	15124 CDBG 12	\$ 30,000	\$ -
U.S. Department of Agriculture <i>Passed through U.S. Department of Rural Development</i> Rural Business Enterprise Grant	10.769	15124 CDBG 12	<u>\$ 99,000</u>	<u>\$ 26,000</u>
Total Federal Awards			<u>\$ 129,000</u>	<u>\$ 26,000</u>
<b>STATE AWARDS</b>				
Oklahoma Department of Agriculture Rural Fire Operational			<u>\$ 4,485</u>	<u>\$ 4,485</u>
Total State Awards			<u>\$ 4,485</u>	<u>\$ 4,485</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, 2015, 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 25, 2016. 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 15-1, 15-2, 15-3, 15-5, 15-6, and 15-7.



**Compliance and Other Matters**

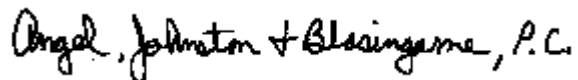
As part of obtaining reasonable assurance about whether the City's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements, noncompliance with which could have a direct and material effect 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 15-1, 15-2, 15-3, 15-4, 15-5, 15-6, and 15-7.

**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 25, 2016

**CITY OF COMANCHE, OKLAHOMA  
SCHEDULE OF FINDINGS AND QUESTIONED COSTS  
Year Ended June 30, 2015**

**Deficiencies of Internal Control, Compliance and Other Matters:**

- 15-1. 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 \$169,244.

Cause– There was a lack of proper procedures and controls for monitoring the City’s expenditures in relations to their approved budget appropriations and budget amendments were not made.

Effect – The lack of procedures and controls allowed non-compliance with Oklahoma Statutes.

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 – Management agrees.

- 15-2. Criteria State statute requires 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 – Fourteen of thirty-five 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.

- 15-3. Criteria – Purchasing procedures according to state statute should be include initiated with a purchase order.

Condition – During our testing of purchasing procedures we noted three of thirty-four invoices tested the purchase orders were dated after the invoice date.

Cause – With the current accounting system it is difficult to date the purchase order before the date of the invoice.

Effect – Violation of statutes and possible breakdown in the budget control activities.

Recommendation – Re-enforce the correct procedure and provide training if necessary.

Management response – Management agrees.

**CITY OF COMANCHE, OKLAHOMA**  
**SCHEDULE OF FINDINGS AND QUESTIONED COSTS**  
**Year Ended June 30, 2015**

- 15-4. 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 normally pays the required funding amount in November, however during the current fiscal year the City Council opted not to pay the annual required amount of \$29,962.

Cause – The City elected to fund their OMRF shortfall over ten years starting in 2004.

Effect – The City is delinquent on the current year funding requirement on the OMRF Retiree Only Plan.

Recommendation – The City should pay the required contribution as soon as possible.

Management response – Management agrees and paid \$10,000 toward this obligation in the subsequent year, as of March 2016. However, due to the funding requirement growing, the City still owes \$26,816.

- 15-5. 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.

Cause – Lack of application of state statutes.

Effect – State statutes are not being followed and the potential for unaccounted for cash is increased.

Recommendation – A daily receipt journal and corresponding deposits should be made daily regardless of the number of payments or amounts received.

Management response – Management agrees.

- 15-6. 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.

Cause – General Fund was short of funds so the restricted sales tax was borrowed for operations.

Effect – Restricted funds have receivables from the General Fund instead of cash available for the purpose voted on by the citizens of the City.

Recommendation – Amounts due to Capital Improvements Fund and Water Sales Tax Fund should be paid as soon as possible.

Management response – Management agrees.

**CITY OF COMANCHE, OKLAHOMA**  
**SCHEDULE OF FINDINGS AND QUESTIONED COSTS**  
**Year Ended June 30, 2015**

15-7. Criteria – The City should reconcile all cash accounts, including savings, in a timely manner and reconcile to the general ledger.

Condition – The pooled savings account was overstated in the general ledger when compared to bank reconciliation.

Cause – Not reconciling the pooled savings accounts to the general ledger.

Effect – Overstating assets in the general ledger.

Recommendation – The pooled savings accounts need to be reconciled timely to the general ledger.

Management response – Management agrees.

**CITY OF COMANCHE, OKLAHOMA  
SUMMARY OF PRIOR YEAR FINDINGS  
Year Ended June 30, 2015**

**There were no reportable findings or questioned costs noted in the 2013-14 audit.**