

City of Commerce
Ottawa County, Oklahoma

BASIC FINANCIAL STATEMENTS
AND ACCOMPANYING
INDEPENDENT AUDITOR'S REPORTS

FOR THE FISCAL YEAR ENDED
JUNE 30, 2023

DAVID CLANIN CPA PLLC

35988 HIGHWAY 82, VINITA, OK 74301
(918) 519-8336 PHONE
(918) 512-4646 FAX
DAVID@CLANINCPA.COM

**City of Commerce
Ottawa County, Oklahoma
City Officials
June 30, 2023**

Mayor and City Council

Mayor	Jake Martin
Ward 1 Councilman	Andrew Lacy
Ward 2 Councilman	Gary Howard
Ward 3 Councilwoman	Sandra Ross
Ward 4 Councilman	Jacob Martin

City Attorney

Andrew Doney

City Administrator

Michael Hart

City Clerk / Treasurer

Tammy Holland

Deputy City Clerk / Treasurer

Laura Duncan

**City of Commerce
Ottawa County, Oklahoma
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Office:
35988 Highway 82
Vinita, OK 74301
(918) 782-3773

DAVID CLANIN
— CPA PLLC —
david@clanincpa.com

Mailing:
PO Box 745
Langley, OK 74350
(918) 519-8336

INDEPENDENT AUDITOR'S REPORT

To the Honorable Mayor and City Council
City of Commerce, Oklahoma

Opinions

We have audited the accompanying financial statements of the governmental activities, the business-type activities, the aggregate discretely presented component units, each major fund, and the aggregate remaining fund information of the City of Commerce as of and for the year ended June 30, 2023, and the related notes to the financial statements, which collectively comprise the City's basic financial statements as listed in the table of contents.

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the City of Commerce as of June 30, 2023, and the respective changes in financial position and, where applicable, cash flows thereof for the year then ended in accordance with the modified cash basis of accounting.

Basis for Opinions

We conducted our audit in accordance with auditing standards generally accepted in the United States of America. Our responsibilities under those standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Financial Statements section of our report. We are required to be independent of the City, and to meet our other ethical responsibilities, in accordance with the relevant ethical requirements relating to our audit. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinions.

Basis of Accounting

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

Responsibilities of Management for the Financial Statements

Management is responsible for the preparation and fair presentation of the financial statements in accordance with the modified cash basis of accounting and for determining that the modified cash basis of accounting is an acceptable basis of accounting under the circumstances. Management is also responsible for the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, management is required to evaluate whether there are conditions or events, considered in the aggregate, that raise substantial doubt about the City's ability to continue as a going concern for twelve months beyond the financial statement date, including any currently known information that may raise substantial doubt shortly thereafter.

Auditor's Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinions. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with generally accepted auditing standards will always detect a material misstatement when it exists. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Misstatements are considered material if there is a substantial likelihood that, individually or in the aggregate, they would influence the judgment made by a reasonable user based on the financial statements.

In performing an audit in accordance with generally accepted auditing standards and *Government Auditing Standards*, we:

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements.
- Obtain an understanding of internal control relevant to the audit 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 City's internal control. Accordingly, no such opinion is expressed.
- Evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the financial statements.
- Conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about the City's ability to continue as a going concern for a reasonable period of time.

We are required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit, significant audit findings, and certain internal control-related matters that we identified during the audit.

Other Supplementary Information

The combining statements, page 35-36, are the responsibility of management and were derived from and relate directly to the underlying accounting and other records used to prepare the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the combining schedules are fairly stated in all material respects in relation to the basic financial statements as a whole.

Other Matters

Other Information

Management is responsible for the other information included in the annual report. The other information comprises the Budgetary Comparison Schedule, page 37, but does not include the basic financial statements and our auditor's report thereon. Our opinions on the basic financial statements do not cover the other information, and we do not express an opinion or any form of assurance thereon.

In connection with our audit of the basic financial statements, our responsibility is to read the other information and consider whether a material inconsistency exists between the other information and the basic financial statements, or the other information otherwise appears to be materially misstated. If, based on the work performed, we conclude that an uncorrected material misstatement of the other information exists, we are required to describe it in our report.

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated March 25, 2024, 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 controls 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.

A handwritten signature in black ink that reads "David Clam CPA PLLC". The signature is written in a cursive style.

March 25, 2024



Office:
35988 Highway 82
Vinita, OK 74301
(918) 782-3773

DAVID CLANIN
— CPA PLLC —
david@clanincpa.com

Mailing:
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Langley, OK 74350
(918) 519-8336

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

To the Honorable Mayor and City Council
City of Commerce, Oklahoma

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of the governmental activities, the business-type activities, the aggregate discretely presented component units, each major fund, and the aggregate remaining fund information of the City of Commerce, Oklahoma, as of and for the year ended June 30, 2023, and the related notes to the financial statements, which collectively comprise the City’s basic financial statements, and have issued our report thereon dated March 25, 2024.

Report on 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 the audit procedures that are appropriate in the circumstances for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the City’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 a combination of deficiencies, in internal control, such that there is a reasonable possibility that a material misstatement of the entity’s financial statements will not be prevented, or detected and corrected, on a timely basis. *A significant deficiency* is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or, significant deficiencies. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses. However, material weaknesses or significant deficiencies may exist that were not identified.

Report on Compliance and Other Matters

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

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 City's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.



David Clam CPA PLLC

March 25, 2024

City of Commerce
Ottawa County, Oklahoma
Statement of Net Position – Modified Cash Basis
June 30, 2023

	Governmental Activities	Business-Type Activities	Total	Component Unit Commerce Sports Authority
ASSETS				
Current Assets:				
Cash and Cash Equivalents	\$ 537,965.26	\$ 19,723.12	\$ 557,688.38	\$ 8,488.70
Total Current Assets	<u>537,965.26</u>	<u>19,723.12</u>	<u>557,688.38</u>	<u>8,488.70</u>
Noncurrent Assets:				
Restricted Assets:				
Cash and Cash Equivalents	-	112,636.70	112,636.70	-
Capital Assets:				
Property, Plant and Equipment, net	1,500,921.56	1,307,043.65	2,807,965.21	50,000.00
Total Noncurrent Assets	<u>1,500,921.56</u>	<u>1,419,680.35</u>	<u>2,920,601.91</u>	<u>50,000.00</u>
TOTAL ASSETS	<u>2,038,886.82</u>	<u>1,439,403.47</u>	<u>3,478,290.29</u>	<u>58,488.70</u>
LIABILITIES				
Current Liabilities:				
Outstanding and Held Checks	146,154.45	34,464.43	180,618.88	-
Accrued Payroll Liabilities	5,929.05	3,210.03	9,139.08	-
Meter Deposits Payable (Current Portion)	-	14,850.00	14,850.00	-
Capital Lease Obligation	12,474.72	7,553.65	20,028.37	-
Total Current Liabilities	<u>164,558.22</u>	<u>60,078.11</u>	<u>224,636.33</u>	<u>-</u>
Noncurrent Liabilities:				
Payable from Restricted Assets:				
Meter Deposits Payable	-	73,915.00	73,915.00	-
Capital Lease Obligation	136,912.95	2,603.22	139,516.17	-
Total Noncurrent Liabilities	<u>136,912.95</u>	<u>76,518.22</u>	<u>213,431.17</u>	<u>-</u>
TOTAL LIABILITIES	<u>301,471.17</u>	<u>136,596.33</u>	<u>438,067.50</u>	<u>-</u>
NET POSITION				
Net Investment in Capital Assets	1,351,533.89	1,296,886.78	2,648,420.67	50,000.00
Restricted	498,513.32	23,871.70	522,385.02	-
Unrestricted	(112,631.56)	(17,951.34)	(130,582.90)	8,488.70
TOTAL NET POSITION	<u>\$ 1,737,415.65</u>	<u>\$ 1,302,807.14</u>	<u>\$ 3,040,222.79</u>	<u>\$ 58,488.70</u>

The accompanying Notes to the Financial Statements are an integral part of this statement.

City of Commerce
Ottawa County, Oklahoma
Statement of Activities – Modified Cash Basis
For the Year Ended June 30, 2023

Functions/Programs	Expenses	Program Revenues			Net (Expense) / Revenue
		Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	
Governmental Activities:					
General Government:					
Personal Services	\$ 125,849.90	\$ -	\$ -	\$ -	\$ (125,849.90)
Maintenance and Operation	346,785.66	2,043.97	2,350.00	221,270.44	(121,121.25)
Total General Government	<u>472,635.56</u>	<u>2,043.97</u>	<u>2,350.00</u>	<u>221,270.44</u>	<u>(246,971.15)</u>
Public Safety and Judiciary:					
Fire	128,125.76	41,559.54	110,052.67	-	23,486.45
Fire - Sales Tax	47,178.66	-	-	-	(47,178.66)
City Attorney	15,598.32	-	-	-	(15,598.32)
Municipal Court	58,593.42	24,453.69	-	-	(34,139.73)
Police	496,879.47	-	-	-	(496,879.47)
Code Enforcement	11,577.57	757.50	4,001.00	-	(6,819.07)
Emergency Management	9,247.74	-	-	-	(9,247.74)
Total Public Safety and Judiciary	<u>767,200.94</u>	<u>66,770.73</u>	<u>114,053.67</u>	<u>-</u>	<u>(586,376.54)</u>
Sanitation:					
Sanitation	219,911.60	221,372.68	-	-	1,461.08
Transportation:					
Street and Alley	302,269.05	-	-	-	(302,269.05)
Parks and Recreation:					
Parks	33,402.11	-	820.00	-	(32,582.11)
Total Governmental Activities	<u>1,795,419.26</u>	<u>290,187.38</u>	<u>117,223.67</u>	<u>221,270.44</u>	<u>(1,166,737.77)</u>
Business-Type Activities					
Water and Sewer	671,908.80	864,850.32	-	-	192,941.52
Total Primary Government	<u>\$ 2,467,328.06</u>	<u>\$ 1,155,037.70</u>	<u>\$ 117,223.67</u>	<u>\$ 221,270.44</u>	<u>\$ (973,796.25)</u>
Discretely Presented Component Unit:					
Commerce Sports Authority	\$ 900.00	\$ -	\$ -	\$ -	\$ (900.00)

The accompanying Notes to the Financial Statements are an integral part of this statement.

City of Commerce
Ottawa County, Oklahoma
Statement of Activities – Modified Cash Basis – (Continued)
For the Year Ended June 30, 2023

	Governmental Activities			Component Unit Commerce Sports Authority
	Governmental Activities	Business- Type Activities	Total	
Changes in Net Position:				
Net (Expense)/Revenue	\$ (1,166,737.77)	\$ 192,941.52	\$ (973,796.25)	\$ (900.00)
General Revenues:				
Taxes:				
Sales and Use Taxes	653,216.61	-	653,216.61	-
Fire Dept. Sales Tax	33,976.91	-	33,976.91	-
Franchise and Public Service Taxes	89,269.98	-	89,269.98	-
Motor Vehicle Collections	16,448.20	-	16,448.20	-
Alcoholic Beverage Tax	21,041.83	-	21,041.83	-
Gasoline Tax	5,640.86	-	5,640.86	-
Tobacco Tax	3,706.07	-	3,706.07	-
Investment Income	-	375.24	375.24	4.68
Loss on disposal of Capital Assets	(4,496.65)	-	(4,496.65)	-
Donations	38,557.04	-	38,557.04	-
Miscellaneous	24,111.46	1,494.55	25,606.01	-
Rental of property	100.00	3,497.40	3,597.40	-
Refunds & Reimbursements	45,400.08	379.07	45,779.15	-
Transfers - Internal activity	361,095.86	(361,095.86)	-	-
Total General Revenues and Transfers	1,288,068.25	(355,349.60)	932,718.65	4.68
Change in Net Position	121,330.48	(162,408.08)	(41,077.60)	(895.32)
Net Position, Beginning of Year	1,616,085.17	1,465,215.22	3,081,300.39	59,384.02
Net Position, End of Year	\$ 1,737,415.65	\$ 1,302,807.14	\$ 3,040,222.79	\$ 58,488.70

The accompanying Notes to the Financial Statements are an integral part of this statement.

**City of Commerce
Ottawa County, Oklahoma
Balance Sheet – Governmental Funds – Modified Cash Basis
June 30, 2023**

	General Fund	Police Reserve Fund	Total Governmental Funds
ASSETS			
Cash and Cash Equivalents	\$ 537,003.67	\$ 961.59	\$ 537,965.26
TOTAL ASSETS	\$ 537,003.67	\$ 961.59	\$ 537,965.26
 LIABILITIES AND FUND BALANCE			
Liabilities:			
Accrued Payroll Liabilities	\$ 5,929.05	\$ -	\$ 5,929.05
Outstanding and Held Checks	146,154.45	-	146,154.45
Total Liabilities	152,083.50	-	152,083.50
Fund Balance:			
Restricted	\$ 498,513.32	\$ -	\$ 498,513.32
Committed	5,126.45	961.59	6,088.04
Assigned	13,584.12	-	13,584.12
Unassigned	(132,303.72)	-	(132,303.72)
Total Fund Balance	384,920.17	961.59	385,881.76
 TOTAL LIABILITIES AND FUND EQUITY	 \$ 537,003.67	 \$ 961.59	 \$ 537,965.26

Reconciliation to the Statement of Net Position

Total Governmental Funds Balance	\$ 385,881.76
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Amounts reported for governmental activities in the Statement of Net Position are different because:

Capital assets used in governmental activities are not financial resources and therefore, are not reported as assets in governmental funds. The cost of the assets is \$3,959,394.45 and the accumulated depreciation is \$2,458,472.88 for a net book value of \$1,500,921.56.	1,500,921.56
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Long-term liabilities, including capitalized lease obligations, are not due and payable in the current period and therefore are not reported as liabilities in the funds. Long-term liabilities at year-end consists of:

Capitalized Lease Obligations Payable	(149,387.67)
Net Position of Governmental Activities	\$ 1,737,415.65

The accompanying Notes to the Financial Statements are an integral part of this statement.

**City of Commerce
Ottawa County, Oklahoma
Statement of Revenues, Expenditures and Changes in Fund
Balances – Governmental Funds – Modified Cash Basis
For the Year Ended June 30, 2023**

	General Fund	Police Reserve Fund	Total Governmental Funds
Revenues:			
Taxes	\$ 823,300.46	\$ -	\$ 823,300.46
Charges for Services	266,553.69	-	266,553.69
Donations	376,231.15	-	376,231.15
Fines and forfeitures	24,453.69	-	24,453.69
Miscellaneous	95,392.54	264.00	95,656.54
Total Revenues	<u>1,585,931.53</u>	<u>264.00</u>	<u>1,586,195.53</u>
Expenditures:			
General Government			
Personal Services	122,114.71	-	122,114.71
Maintenance and Operation	90,476.44	-	90,476.44
Capital Outlay	249,746.07		249,746.07
Public Safety and Judiciary			
Fire	254,989.00	-	254,989.00
Municipal Court	58,593.42	-	58,593.42
Police	533,274.34	574.81	533,849.15
Emergency Management	9,247.74		9,247.74
Code Enforcement	11,577.57	-	11,577.57
City Attorney	15,598.32	-	15,598.32
Parks and Recreation			
Parks	34,024.47	-	34,024.47
Transportation			
Street and Alley	296,131.08	-	296,131.08
Sanitation	219,911.60	-	219,911.60
Total Expenditures	<u>1,895,684.76</u>	<u>574.81</u>	<u>1,896,259.57</u>
Excess (Deficit) of Revenues over Expenditures	(309,753.23)	(310.81)	(310,064.04)
Other Financing Sources (Uses)			
Transfers in	361,095.86	-	361,095.86
Net Change in Fund Balance	51,342.63	(310.81)	51,031.82
Fund Balance, Beginning of Year	333,577.54	1,272.40	334,849.94
Fund Balance, End of Year	<u>\$ 384,920.17</u>	<u>\$ 961.59</u>	<u>\$ 385,881.76</u>

The accompanying Notes to the Financial Statements are an integral part of this statement.

**City of Commerce
Ottawa County, Oklahoma
Reconciliation of Governmental Fund and Government-Wide Statement of Revenues,
Expenditures and Changes in Fund Balance – Modified Cash Basis
For the Year Ended June 30, 2023**

Net Change in Fund Balances - Governmental Funds \$ 51,031.82

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

In the governmental funds, capital outlays are reported as expenditures while in the government-wide statement of activities, depreciation expense is reported to allocate those expenditures over the life of the assets.

Capital Asset Purchases Capitalized	\$ 155,010.29	
Impaired and Salvaged Capital Assets	<u>(30,541.65)</u>	\$ 124,468.64
Depreciation Expense		(78,649.10)

Payments on capitalized lease obligations are included in capital outlay expenditures in the governmental funds. The principal portion of these payments is reported as a reduction of liabilities in the government-wide statements, while the interest portion of these lease payments is an expenditure.

Principal Payments on Long Term Debt	<u>\$ 24,479.12</u>
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Change in Net Position of Governmental Activities	<u>\$ 121,330.48</u>
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The accompanying Notes to the Financial Statements are an integral part of this statement.

City of Commerce
Ottawa County, Oklahoma
Statement of Net Position – Proprietary Fund – Modified Cash Basis
June 30, 2023

	<u>Commerce Development Authority</u>
ASSETS:	
Current Assets:	
Cash and Cash Equivalents	\$ 19,723.12
Non-Current Assets:	
Restricted Assets:	
Cash and Cash Equivalents	112,636.70
Capital Assets:	
Property, Plant and Equipment, net of Accumulated Depreciation	1,307,043.65
Total NonCurrent Assets	<u>1,419,680.35</u>
TOTAL ASSETS	<u>1,439,403.47</u>
 LIABILITIES:	
Current Liabilities:	
Accured Payroll Liabilities	3,210.03
Meter Deposits Payable (Current Portion)	14,850.00
Capital Lease Obligations	7,553.65
Outstanding and Held Checks	34,464.43
Total Current Liabilities	<u>60,078.11</u>
Noncurrent Liabilities	
Payable from Restricted Assets:	
Meter Deposits Payable	73,915.00
Capital Lease Obligations	2,603.22
Total Non Current Liabilities	<u>76,518.22</u>
TOTAL LIABILITIES	<u>136,596.33</u>
 NET POSITION	
Net Investment in Capital Assets	1,262,422.35
Restricted	23,871.70
Unrestricted	16,513.09
TOTAL NET POSITION	<u>\$ 1,302,807.14</u>

The accompanying Notes to the Financial Statements are an integral part of this statement.

City of Commerce
Ottawa County, Oklahoma
Statement of Revenues, Expenses and Changes in Net Position – Proprietary Funds – Modified Cash Basis
For the Year Ended June 30, 2023

	<u>Commerce Development Authority</u>
Operating Revenues	
Utility Revenue	\$ 870,153.98
Operating Expenses	
Depreciation	110,349.50
Employee Benefits	50,146.63
Equipment	903.51
Fuel	11,553.83
Insurance	11,219.39
Lab Tests	11,314.33
Lagoon	85,405.69
Lift Station	164.65
Maintenance and Repairs	64,332.63
Office Supplies	37,700.38
Other Expenses	1,243.25
Payroll Taxes	11,931.59
Professional Fees	29,364.80
Salaries	173,689.53
Tool	1,042.07
Treatment	4,602.02
Uniform	174.33
Utilities	65,021.46
Total Operating Expenses	<u>670,159.59</u>
Operating Income (Loss)	<u>199,994.39</u>
Non-Operating Revenues (Expenses)	
Interest Income	375.24
Interest Expense	(1,681.85)
Net Transfers to General Fund	<u>(361,095.86)</u>
Total Non-Operating Revenues (Expenses)	<u>(362,402.47)</u>
Change in Net Position	(162,408.08)
Net Position, Beginning of Year	1,465,215.22
Net Position, End of Year	<u>\$ 1,302,807.14</u>

The accompanying Notes to the Financial Statements are an integral part of this statement.

City of Commerce
Ottawa County, Oklahoma
Statement of Cash Flows – Proprietary Fund – Modified Cash Basis
For the Year Ended June 30, 2023

	<u>Commerce Development Authority</u>
Cash Flows from Operating Activities	
Cash Inflows:	
Payments Received from Customers	\$ 870,221.34
Meter Deposits Received	14,850.00
Total Cash Provided	<u>885,071.34</u>
Cash Outflows:	
Payments for Salaries and Benefits	234,290.52
Payments for Goods and Services	289,645.27
Meter Deposits Refunded	11,560.00
Total Cash Used	<u>535,495.79</u>
Net Cash Provided (Used) by Operating Activities	<u>349,575.55</u>
 Cash Flows from Noncapital Financing Activities	
Transfer to the General Fund	<u>(361,095.86)</u>
 Cash Flows from Capital and Related Financing Activities	
Principal Paid on Capital Debt	(49,983.43)
Interest Paid on Capital Debt	(1,681.85)
Net Cash Provided (Used) by Capital and Related Financing Activities	<u>(51,665.28)</u>
 Cash Flows from Investing Activities	
Interest and Investment Inflow (Outflow)	<u>375.24</u>
Net Cash Inflow (Outflow) from All Activities	(62,810.35)
Cash and Cash Equivalents, Beginning of Year	<u>195,170.17</u>
Cash and Cash Equivalents, End of Year	<u>\$ 132,359.82</u>
 Cash and Cash Equivalents	
Unrestricted	\$ 19,723.12
Restricted	112,636.70
	<u>\$ 132,359.82</u>

The accompanying Notes to the Financial Statements are an integral part of this statement.

City of Commerce
Ottawa County, Oklahoma
Statement of Cash Flows – Proprietary Fund – Modified Cash Basis (continued)
For the Year Ended June 30, 2023

	<u>Commerce Development Authority</u>
Reconciliation of Operating Income (Loss) to Net Cash	
Provided by Operating Activities:	
Operating Income (Loss)	\$ 199,994.39
Depreciation	110,349.50
Increase (Decrease) in:	
Meter Deposits Payable	3,290.00
Payroll Taxes Payable	1,477.23
Outstanding and Held Checks	<u>34,464.43</u>
 Net Cash Provided (Used) by Operating Activities	 <u><u>\$ 349,575.55</u></u>

The accompanying Notes to the Financial Statements are an integral part of this statement.

**City of Commerce
Ottawa County, Oklahoma
Notes to the Financial Statements
For the Year Ended June 30, 2023**

I. Summary of Significant Accounting Policies

The following notes to the financial statements are an integral part of the City’s financial statements.

The City’s financial statements are prepared on the modified cash basis of accounting. The modified cash basis of accounting is based on the recording of cash and cash equivalents and changes therein, and only recognizes revenues, expenses, assets, and liabilities resulting from cash transactions, adjusted for modifications that have substantial support in generally accepted accounting principles.

A. Reporting Entity

The City’s financial reporting entity is comprised of the following:

Primary Government:	City of Commerce
Blended Component Units:	Commerce Development Authority
Discretely Presented Component Units:	Commerce Sports Authority

These financial statements present the activities of the Town and includes all component units of which the Town appointed a voting majority of the board, and the Town is either able to impose its will on the unit or a financial benefit or burden relationship exists.

Blended Component Units

Blended component units are separate legal entities that meet the component unit criteria described above and whose governing body is the same or substantially the same as the City Council or the component unit provides services entirely to the City. The component unit’s fund is blended into those of the City’s by appropriate activity type to comprise the primary government presentation.

Component units that are blended into the reporting activity types of the Town’s reports are presented below:

Component Unit	Brief Description/Inclusion Criteria	Reporting
Commerce Development Authority	Created to operate the water and wastewater services. Enterprise Fund services of the City. The City of Commerce is the beneficiary of the authority and the City Council serves as the governing body of the authority.	

**City of Commerce
Ottawa County, Oklahoma
Notes to the Financial Statements
For the Year Ended June 30, 2023**

I. Summary of Significant Accounting Policies (continued)

A. Reporting Entity (continued)

Discretely Presented Component Units

Discretely presented component units are separate legal entities that meet the component unit criteria described above but do not meet the criteria for blending.

Component units that are discretely presented are present below:

Component Unit	Brief Description/Inclusion Criteria	Reporting
Commerce Sports Authority	Created to purchase and hold property for the establishment of a museum to house memorabilia of Mickey Mantle.	Enterprise Fund

B. Measurement Focus, Basis of Accounting, and Basis of Presentation

The government-wide statements report using the economic resources measurement focus and the modified cash basis of accounting generally including the reclassification or elimination of internal activity (between or within funds). However, internal eliminations do not include utility services provided to City departments. Reimbursements are reported as reductions to expenses. Proprietary fund financial statements and financial statements of component units also report using this same focus and basis of accounting although internal activity is not eliminated in these statements. Revenues are recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of related cash flows. Property tax revenues are recognized in the year for which they are levied while grants are recognized when grantor eligibility requirements are met.

Governmental fund financial statements report using the current financial resources measurement focus and the modified cash basis of accounting. Revenues are recognized when they are received. Expenditures are recorded when the related fund liability is incurred.

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

**City of Commerce
Ottawa County, Oklahoma
Notes to the Financial Statements
For the Year Ended June 30, 2023**

I. Summary of Significant Accounting Policies (continued)

B. Measurement Focus, Basis of Accounting, and Basis of Presentation (continued)

Governmental Funds

General Fund

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

Special Revenue Funds

Special revenue funds are used to account for the proceeds of specific revenue sources that are legally or administratively restricted to expenditures for certain purposes.

Proprietary Fund

Enterprise Fund

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

Commerce Public Works Authority	Accounts for activities of the public trust in providing water services to the public.
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Component Unit

Component Unit

The Commerce Sports Authority does not meet the criteria for blending and is displayed separately from the City's governmental and business-type activities. The component unit fund consists of the activities of the Commerce Sports Authority.

Major and Non-Major Governmental Funds

Major: General Fund

Non-Major: Special Revenue Fund: Police Reserve Fund

**City of Commerce
Ottawa County, Oklahoma
Notes to the Financial Statements
For the Year Ended June 30, 2023**

I. Summary of Significant Accounting Policies (continued)

C. Measurement Focus, Basis of Accounting, and Basis of Presentation (continued)

Measurement Focus

Measurement focus is a term used to describe “which” transactions are recorded within the various financial statements. Basis of accounting refers to “when” transactions are recorded regardless of the measurement focus applied.

In the government-wide Statement of Net Position and Statement of Activities, both governmental and business-like activities, as reported separately, are presented using the economic resources measurement focus as defined in item b. below.

- a. All governmental funds utilize a “current financial resources” measurement focus. Only current financial assets and liabilities are generally included on their balance sheets. 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.
- b. The proprietary fund utilizes an “economic resources” measurement focus. The accounting objectives of this measurement focus are the determination of net income, financial position and cash flows. All assets and liabilities (whether current or noncurrent) associated with their activities are reported. Proprietary fund equity is classified as net assets.
- c. Agency funds are not involved in the measurement of results of operations; therefore, measurement focus is not applied to them.

Basis of Accounting

In the government-wide Statement of Net Position and Statement of Activities, both governmental activities and business-type activities are presented using the modified cash basis of accounting. Under the modified cash basis of accounting nearly all elements of the income statement are recorded using the cash basis, and accounts receivable and inventory are not recorded in the balance sheet.

In the fund financial statements, governmental funds and proprietary funds are presented on the modified cash basis of accounting. Under this modified cash basis of accounting, revenues are recognized when they are received. Expenditures (including capital outlay) are recorded when they are paid rather than when the obligation is incurred.

**City of Commerce
Ottawa County, Oklahoma
Notes to the Financial Statements
For the Year Ended June 30, 2023**

I. Summary of Significant Accounting Policies (continued)

D. Assets, Liabilities and Net Position

Cash and Investments

For the purpose of the Statement of Net Assets “cash, including time deposits” includes all demand, savings accounts, and certificates of deposit of the city. For the purposes of the proprietary fund Statement of Cash Flows, “cash and cash equivalents” includes all demand and savings accounts, and certificates of deposit or short-term investments with an original maturity of three months or less.

Receivables

Transactions between funds that are representative of lending/borrowing arrangements outstanding at the end of the fiscal year are referred to as “due from other/due to other funds”.

Capital Assets

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

Government-Wide Statements

In the government-wide financial statements, fixed assets are accounted for as capital assets. All fixed assets are valued at historical cost or estimated historical cost if actual is unavailable, except for donated fixed assets which are recorded at their estimated fair value at the date of donation.

Depreciation of all exhaustible fixed assets is recorded as an allocated expense in the Statement of Activities, with accumulated depreciation reflected in the Statement of Net Position. Depreciation is provided over the assets’ estimated useful lives using the straight-line method of depreciation.

A capitalization threshold of \$1,000 is used to report capital assets. Donated capital assets are reported at estimated fair market value at the date of donation.

The range of estimated useful lives by type of asset is as follows:

Buildings & Infrastructure	10-40 years
Improvements other than buildings	10-40 years
Machinery and Equipment	5-20 years
Utility System	10-40 years

**City of Commerce
Ottawa County, Oklahoma
Notes to the Financial Statements
For the Year Ended June 30, 2023**

I. Summary of Significant Accounting Policies (continued)

D. Assets, Liabilities and Net Position (continued)

Capital Assets (continued)

Fund Financial Statements

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

Restricted Assets

Restricted assets include cash and investments of the proprietary fund that are legally restricted as to their use. Financial requirements of the Sales tax revenue bond issued by the City requires funds be held in a reserve account. Under the terms and provisions of the note, the funds are maintained with the Trustee bank and are not subject to lien or attachment by any other creditors. These funds are to be maintained so long as the notes are outstanding. Restricted assets also include funds restricted for capital projects and funds on deposit representing utility customer meter deposits which are refundable to the customer.

Long-Term Debt

The accounting treatment of long-term debt depends on whether the assets are used in governmental fund operations or proprietary fund operations and whether they are reported in the government-wide or fund financial statements.

All long-term debt to be repaid from governmental and business-type resources is reported as liabilities in the government-wide statements. The long-term debt consists primarily of note payable and capitalized lease obligations.

Long-term debt for governmental funds is not reported as a liability in the fund financial statements. The debt proceeds are reported as revenue and payments of principal and interest are reported as expenditures. The accounting for long-term debt of the proprietary fund is the same in the fund statements as it is in the government-wide statements.

Equity Classifications

Net Position/Fund Balance

In the government-wide financial statement, net position represents the difference between assets and liabilities. Net investment in capital assets, consists of capital assets, reduced by the outstanding balances of any borrowing used for the acquisition, construction, or improvement of those assets. Net position is reported as restricted when limitations on their use change the nature or normal understanding of the availability of the asset. Such constraints are either externally imposed by creditors, contributors, grantors, laws or other governments, or are imposed by law through constitutional provisions or enabling legislation.

City of Commerce
Ottawa County, Oklahoma
Notes to the Financial Statements
For the Year Ended June 30, 2023

I. Summary of Significant Accounting Policies (continued)

D. Assets, Liabilities and Net Position (continued)

Net Position/Fund Balance (continued)

In the fund financial statements, governmental funds report the hierarchy of fund balances. The hierarchy is based primarily on the degree of spending constraints places on the use of resources for specific purposed versus availability of appropriation. An important distinction that is made in reporting fund balance is between amounts that are considered *nonspendable* (i.e, fund balance associated with assets that are not in spendable form, such as inventories or prepaid items, long-term portions of loans and notes receivable, or items that are legally required to be maintained intact (such as the corpus of a permanent fund)) and those that are *spendable* (such as fund balance associated with cash, investments or receivables).

Amounts in the *spendable* fund balance category are further classified as *restricted*, *committed*, *assigned* or *unassigned*, as appropriate.

Restricted fund balance represents amounts that are constrained either externally by creditors (such as debt covenants), grantors, contributors, or laws and regulations of other governments; or by law through constitutional provision or enabling legislation.

Committed fund balance represents amounts that are usable only for specific purposes by formal action of the government's highest level of decision-making authority. Such amounts are not subject to legal enforceability (like restricted amounts) but cannot be used for any other purpose unless the government removes or changes by taking action similar to that which imposed the commitment. The City's Board of Trustees is the highest level of decision-making authority of the City.

Assigned fund balance represents amounts that are *intended* to be used for specific purposes but are neither restricted nor committed. Intent is expressed by the governing body itself, or a subordinated high-level body or official who the governing body has delegated the authority to assign amounts to be used for specific purposes. Assigned fund balances includes all remaining spendable amounts (except negative balances) that are reported in governmental funds *other than the general fund*, that are neither restricted nor committed, and amounts in the general fund that are intended to be used for specific purpose in accordance with the provisions of the standard.

Unassigned fund balance is the residual classification for the general fund. It represents the amounts that have not been assigned to other funds, and that have not been restricted, committed, or assigned to specific purposes within the general fund.

Resource Use Policy

It is in the City's policy for all funds that when an expenditure/expense is incurred for purposes for which both restricted and unrestricted resources, including fund balances, are available, the City considers the restricted amounts to be spent first before any unrestricted amounts are used. Furthermore, it is the City's policy that when an expenditure/expense is incurred for purposes for which committed, assigned or unassigned resources, including fund balances, are available, the City considers committed, amounts to be spent first, followed by assigned amounts, and lastly, unassigned amounts.

**City of Commerce
Ottawa County, Oklahoma
Notes to the Financial Statements
For the Year Ended June 30, 2023**

I. Summary of Significant Accounting Policies (continued)

E. Revenues, Expenditures and Expenses

Sales Tax

The city presently levies a sales tax on taxable sales within the city. The sales tax is collected by the Oklahoma Tax Commission and remitted to the Town in the month following receipt by the Tax Commission. The Tax Commission receives the sales tax approximately one month after collection by vendors. The sales tax is recorded entirely in the General Fund.

Use Tax

The City levies a use-tax on personal property purchased outside the City limits but stored, used, or consumed within the City. The use tax is collected by the Oklahoma Tax Commission and remitted to the city in the month following receipt by the Tax Commission, which is one month after the tax is received from the vendors.

Operating Revenues and Expenses

Operating revenues and expenses for proprietary funds are those that result from providing services and producing and delivering goods and/or services. It also includes all revenue and expenses not related to capital and related financing, noncapital financing or investing activities.

Expenditures/Expenses

In the government-wide financial statements, expenses are classified by function for governmental activities. In the fund financial statements, expenditures are classified by character, such as Current (further classified by function), Debt Service, and Capital Outlay.

In the fund financial statements, governmental funds report expenditures of financial resources. Proprietary funds report expenses relating to use of economic resources.

Interfund Transfers

Permanent re-allocations of resources between funds of the reporting entity are classified as interfund transfers. For the purposes of the statement of activities, all interfund transfers between individual governmental funds have been eliminated.

**City of Commerce
Ottawa County, Oklahoma
Notes to the Financial Statements
For the Year Ended June 30, 2023**

II. Stewardship, Compliance and Accountability

By its nature as a local government unit, the City is subject to various federal, state, and local laws and contractual regulations. An analysis of the City's compliance with significant laws and regulations and demonstration of its stewardship over City resources follows.

A. Fund Accounting Requirements

The City complies with all state and local laws and regulations requiring the use of separate funds. The legally required funds used by the City include the following:

<u>Fund</u>	<u>Required By</u>
Utility Authority Fund	Trust Indenture

B. Deposit and Investments Laws and Regulations

In accordance with state law, all uninsured deposits of municipal funds in financial institutions must be secured with acceptable collateral valued at the lower of market or par. Acceptable collateral includes certain U.S. Government or Government Agency securities, certain State of Oklahoma or political subdivision debt obligations or surety bonds. As required by 12 U.S.C.A., Section 1823(e), all financial institutions pledging collateral to the City must have a written collateral agreement approved by the board of directors or loan committee. As reflected in note III A., all deposits were fully insured or collateralized.

**City of Commerce
Ottawa County, Oklahoma
Notes to the Financial Statements
For the Year Ended June 30, 2023**

II. Stewardship, Compliance and Accountability (continued)

C. Revenue Restrictions

The City has various restrictions placed over certain revenue sources from state or local requirements. The primary restricted revenue sources include:

<u>Revenue Source</u>	<u>Legal Restrictions of Use</u>
Special Sales Tax	Fire Department Purposes
Utility Revenue	Debt Service and Utility Capital Assets
Gasoline Excise Tax	Street and Alley Purposes
Commercial Vehicle Tax	Street and Alley Purposes

For the year ended June 30, 2023, the City complied, in all material respects, with these revenue restrictions.

D. Debt Restrictions and Covenants

General Obligation Debt – City debt

Article 10, Sections 26 and 27 of the Oklahoma Constitution limits the amount of outstanding general obligation bonded debt of the municipality for non-utility or non-street purposes to no more than 10% of net assessed valuation. For the year ended June 30, 2023, the city had no outstanding general obligation debt.

Other Long-Term Debt

Except as noted in the previous paragraph, as required by the Oklahoma State Constitution, the City (excluding Public Trusts) may not incur any indebtedness that would require payment from resources beyond the current fiscal year revenue, without first obtaining voter approval.

Notes Payable – Trust Debt

The various loan agreements relating to the note's payable issuances of Commerce Development Authority may contain some financial restrictions or covenants. There were no requirements for the CDA capital lease obligations for the year ended June 30, 2023.

E. Fund Balance Restrictions

Deficit Prohibition

Title 11, Section 17-211 of the Oklahoma Statutes prohibits the creation of a deficit fund balance in any individual fund. The city complied with this statute in all material respects for the year ended June 30, 2023.

**City of Commerce
Ottawa County, Oklahoma
Notes to the Financial Statements
For the Year Ended June 30, 2023**

III. Detailed Notes on Transaction Classes/Accounts

A. Cash and Investments

Authorized Investments

City policy for eligible investments is governed by State statutes which, in general, allow the City to invest in obligations of the United States and insured or collateralized Certificate of Deposits. Investment income is recorded in the fund in which it is earned.

Custodial Credit Risk – Deposits: Custodial credit risk is the risk that in the event of a bank failure, the City’s deposits may not be returned to it. The City’s cash deposits are maintained in financial institutions. As of June 30, 2023, none of City’s deposits was exposed to custodial credit risk.

Interest rate risk: This is the risk that changes in market interest rates will adversely affect the fair value of an investment. Generally, the longer the maturity of an investment, the greater the sensitivity of its fair value to changes in market interest rates. The City does not have a formal investment policy that limits investment maturities as a means of managing its exposure to fair value losses arising from increasing interest rates.

B. Restricted Assets

The amounts reported as restricted assets are comprised of cash amounts held in trust for customer utility meter deposits. The CDA also has an account dedicated for capital improvements related to the wastewater system.

The restricted assets as of June 30, 2023, are as follows:

Customer Deposits	\$ 88,765.00
Capital Improvement	<u>23,871.70</u>
	<u>\$ 112,636.70</u>

**City of Commerce
Ottawa County, Oklahoma
Notes to the Financial Statements
For the Year Ended June 30, 2023**

III. Detailed Notes on Transaction Classes/Accounts (continued)

C. Capital Assets

	Balance June 30, 2022	Additions	Disposals	Balance June 30, 2023
Governmental Activities:				
Non-depreciable assets:				
Land	\$ 91,500.00	\$ -	\$ -	\$ 91,500.00
Depreciable assets:				
Buildings and Infrastructure	2,047,529.18	-	-	2,047,529.18
Machinery and Equipment	654,704.72	109,852.68	-	764,557.40
Vehicles	1,043,520.20	45,157.61	(32,869.94)	1,055,807.87
Total Depreciable assets	3,745,754.10	155,010.29	(32,869.94)	3,867,894.45
Total Capital Assets	3,837,254.10	155,010.29	(32,869.94)	3,959,394.45
Accumulated Depreciation:				
Buildings and Infrastructure	(1,360,065.05)	(30,356.19)	-	(1,390,421.24)
Machinery and Equipment	(552,946.14)	(10,737.84)	-	(563,683.98)
Vehicles	(469,140.88)	(37,555.08)	2,328.29	(504,367.67)
Total Accum Depr	(2,382,152.07)	(78,649.11)	2,328.29	(2,458,472.89)
Net Capital Assets	\$ 1,455,102.03	\$ 76,361.18	\$ (35,198.23)	\$ 1,500,921.56
Business-Type Activities:				
Depreciable assets:				
Buildings and Infrastructure	\$ 536,642.98	\$ -	\$ -	\$ 536,642.98
Sewer System	975,738.53	-	-	975,738.53
Water System	1,912,709.00	-	-	1,912,709.00
Machinery and Equipment	496,597.99	-	-	496,597.99
Vehicles	22,267.00	-	-	22,267.00
Total Depreciable assets	3,943,955.50	-	-	3,943,955.50
Total Capital Assets	3,943,955.50	-	-	3,943,955.50
Accumulated Depreciation:				
Buildings and Infrastructure	(450,993.60)	(7,651.58)	-	(458,645.18)
Sewer System	(500,312.54)	(24,183.64)	-	(524,496.18)
Water System	(1,203,260.15)	(42,647.53)	-	(1,245,907.68)
Machinery and Equipment	(349,728.98)	(35,866.83)	-	(385,595.81)
Vehicles	(22,267.00)	-	-	(22,267.00)
	(2,526,562.27)	(110,349.58)	-	(2,636,911.85)
Net Capital Assets	\$ 1,417,393.23	\$ (110,349.58)	\$ -	\$ 1,307,043.65

**City of Commerce
Ottawa County, Oklahoma
Notes to the Financial Statements
For the Year Ended June 30, 2023**

III. Detailed Notes on Transaction Classes/Accounts (continued)

C. Capital Assets (continued)

	Balance June 30, 2022	Additions	Disposals	Balance June 30, 2023
Component Unit Activities:				
Non-depreciable assets:				
Land	\$ 50,000.00	\$ -	\$ -	\$ 50,000.00

Depreciation expense was charged to governmental activities as follows:

General Government	\$ 10,298.34
Public Safety and Judiciary	
Fire	38,079.04
Police	10,694.36
Parks and Recreation	
Parks	1,777.64
Street and Alley	17,799.72
Total Depreciation Expense	\$ 78,649.10

D. Long-Term Debt

Governmental-type activities

Capital Lease Obligations:

\$55,739.88 lease obligation for (2) 2019 Dodge Charger RWD Police Units beginning April 3, 2019, payable in monthly payments, with interest of 4.98%, and a final payment on April 3, 2023. This lease was paid off during the year.

\$160,200 lease obligation for a 2010 Freightliner Rescue Pumper Truck beginning November 13, 2017, payable in monthly payments, with interest of 4.55%, and a final payment on November 13, 2033.

Year Ended June 30,	Principal	Interest	Total
2024	8,965.35	5,159.01	14,124.36
2025	9,396.75	4,727.61	14,124.36
2026	9,834.20	4,290.16	14,124.36
2027	10,292.03	3,832.33	14,124.36
2028	10,762.16	3,362.20	14,124.36
2029-2033	61,855.66	8,766.14	70,621.80
2034	5,818.41	66.74	5,885.15
Totals	\$ 116,924.56	\$ 30,204.19	\$ 147,128.75

**City of Commerce
Ottawa County, Oklahoma
Notes to the Financial Statements
For the Year Ended June 30, 2023**

III. Detailed Notes on Transaction Classes/Accounts (continued)

D. Long-Term Debt (continued)

Governmental-type activities (continued)

Capital Lease Obligations:(continued)

\$39,533.20 lease obligation for (2) Whelen WPS2904 Mass Notification Warning Systems beginning April 27, 2021, payable in monthly payments, with interest of 4.68%, and a final payment on April 27, 2031.

Year Ended June 30,	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2024	3,509.37	1,451.43	4,960.80
2025	3,681.43	1,279.37	4,960.80
2026	3,857.80	1,103.00	4,960.80
2027	4,042.65	918.15	4,960.80
2028	4,234.42	726.38	4,960.80
2029-2031	13,137.44	918.16	14,055.60
Totals	<u>\$ 32,463.11</u>	<u>\$ 6,396.49</u>	<u>\$ 38,859.60</u>

All governmental leases:

Year Ended June 30,	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2024	12,474.72	6,610.44	19,085.16
2025	13,078.18	6,006.98	19,085.16
2026	13,692.00	5,393.16	19,085.16
2027	14,334.68	4,750.48	19,085.16
2028	14,996.58	4,088.58	19,085.16
2029-2033	74,993.10	9,684.30	84,677.40
2034	5,818.41	66.74	5,885.15
Totals	<u>\$ 149,387.67</u>	<u>\$ 36,600.68</u>	<u>\$ 185,988.35</u>

Business-type activities long-term debt payable from net revenues generated by utility resources pledged to the debt include the following:

Notes Payable:

The Commerce Development Authority executed a 2003 Series Clean Water ORF Promissory Note to the Oklahoma Water Resources Board, dated March 15, 2004, with semi-annual payments due September and April, and fixed interest rate at 2.552% with final payment due September 15, 2023. This note was paid off during the year.

**City of Commerce
Ottawa County, Oklahoma
Notes to the Financial Statements
For the Year Ended June 30, 2023**

III. Detailed Notes on Transaction Classes/Accounts (continued)

D. Long-Term Debt (continued)

Capital Lease Obligations: (continued)

Capital Lease Obligations:

The Commerce Development Authority executed a lease purchase agreement to purchase equipment including a Iris 600' Sewer Crawler Camera System, original amount of \$34,836.00, dated October 7, 2019, with monthly payments and a fixed interest rate at 5.00% with final payment due October 7, 2024.

Year Ended June 30,	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2024	7,553.65	337.91	7,891.56
2025	2,603.22	27.30	2,630.52
Totals	<u>\$ 10,156.87</u>	<u>\$ 365.21</u>	<u>\$ 10,522.08</u>

All business-type Notes & Capital Lease Obligations:

Year Ended June 30,	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2024	7,553.65	337.91	7,891.56
2025	2,603.22	27.30	2,630.52
Totals	<u>\$ 10,156.87</u>	<u>\$ 365.21</u>	<u>\$ 10,522.08</u>

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

	<u>Balance June 30, 2022</u>	<u>Proceeds</u>	<u>Payments</u>	<u>Balance June 30, 2023</u>	<u>Due Within One Year</u>
Governmental Activities:					
Lease Obligations	<u>\$ 173,866.79</u>	<u>\$ -</u>	<u>\$ 24,479.12</u>	<u>\$ 149,387.67</u>	<u>\$ 12,474.72</u>
Business-Type Activities:					
Notes Payable	\$ 42,797.39	\$ -	\$ 42,797.39	\$ -	\$ -
Lease Obligation	17,342.91	-	7,186.04	10,156.87	7,553.65
Total Business-Type	<u>\$ 60,140.30</u>	<u>\$ -</u>	<u>\$ 49,983.43</u>	<u>\$ 10,156.87</u>	<u>\$ 7,553.65</u>

**City of Commerce
Ottawa County, Oklahoma
Notes to the Financial Statements
For the Year Ended June 30, 2023**

IV. Other Information

A. Risk Management

The city is exposed to various risks of loss related to torts; theft of damage to and destruction of assets; errors and omissions; injuries to employees; or acts of God. The City purchases commercial insurance to cover these risks, including general and auto liability, property damage, and public officials' liability. Settled claims resulting from these risks have not exceeded the commercial insurance coverage in any of the past three fiscal years.

The City is a member of the Oklahoma Municipal Assurance Group Workers' Compensation Plan (the Plan), an organization formed for the purpose of providing workers' compensation coverage through the State Insurance Fund to participating municipalities in the State of Oklahoma. In that City, the Plan is responsible for providing loss control services and certain fiscal activities including obtaining contract arrangements for the underwriting excess insurance agreements, claims processing, and legal defense for any and all claims submitted to it during the Plan year.

As a member of the Plan, the city is required to pay fees set by the Plan according to an established payment schedule. The city is responsible for complying with all requirements of the Oklahoma Workers' Compensation Act. A Loss Fund has been established from the proceeds of fees paid by the City. The State Insurance Fund provides coverage in excess of the Loss Fund so the City's liability for claim loss is limited to the balance of that fund. However, failure of the State Insurance Fund to honor its obligations could result in losses to the Plan.

**City of Commerce
Ottawa County, Oklahoma
Notes to the Financial Statements
For the Year Ended June 30, 2023**

IV. Other Information (continued)

B. Pension Plan Participation

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

1. Oklahoma Firefighter's Pension and Retirement System (OFPRS) – a statewide cost sharing plan
2. Oklahoma Police Pension and Retirement System (OPPRS) – a statewide cost sharing plan
3. Oklahoma Public Employees Retirement System (OPERS) – a statewide cost sharing plan

Firefighter's Pension System:

Plan Summary Information. The City of Commerce, as the employer, participates in a statewide cost sharing multi-employer defined benefit plan through the Oklahoma Firefighter's Pension and Retirement System (OFPRS). The OFPRS defined benefit pension plan provides retirement and disability benefits, annual cost-of-living adjustments, and death benefits to plan members and beneficiaries. Pursuant to the requirements of Title 11, section 22-102, the city must participate in the plan if they employ full-time or volunteer firefighters.

The OFPRS issues a publicly available financial report that includes financial statements and required supplementary information. That report may be obtained by writing to OFPRS, 4545 N. Lincoln Blvd., Suite 265, Oklahoma City, OK 73105-3414.

Funding Policy. OFPRS plan members that are volunteer firefighters are not required to contribute to the plan. The city is required by state law to contribute \$60 per year for each volunteer firefighter. The plan is funded by contributions from participants, employers, insurance premium taxes, and state appropriations, as necessary. The City's annual required contribution was \$1,380 for the OFPRS plan for the fiscal year ended June 30, 2023.

Police Pension System:

Plan Summary Information. Pursuant to the requirements in Title 11, section 50-102, the city participates in the statewide cost sharing multi-employer defined benefit plan administered by the Oklahoma Police Pension and Retirement System (OPPRS).

The OPPRS issues a publicly available financial report that includes financial statements, which may be obtained by writing to OPPRS, 1001 N.W. 63rd Street, Oklahoma City, OK 73116-7335.

Funding Policy. The paid police officer contributes 8% to the plan. The city is required by state law to contribute 12% per year per paid police officer to the statewide plan. The plan is funded by contributions from participants, employers, insurance premium taxes, and state appropriations, as necessary. For 2023, the City's annual required contribution was \$30,391 for the OPPRS plan.

**City of Commerce
Ottawa County, Oklahoma
Notes to the Financial Statements
For the Year Ended June 30, 2023**

IV. Other Information (continued)

B. Pension Plan Participation (continued)

OPERS Pension System:

Plan Summary Information. The city participates in a statewide cost sharing multiple employers defined benefit pension plan through the Oklahoma Public Employees Retirement System (OPERS) for all full-time employees with the exception of the fire and police department.

The OPERS issues a publicly available financial report that includes financial statements, which may be obtained by writing to OPERS, 21011 N. Lincoln Blvd., Room 580, Oklahoma City, OK 73105.

Funding Policy. The paid employee contributes 8% to the plan. The city is required by state law to contribute 13% per year per paid employee to the statewide plan. The plan is funded by contributions from participants, and employers. For 2023, the City’s annual required contribution was \$29,205 for the OPERS plan.

Summary of Contributions:

Oklahoma Firefighter's Pension and Retirement System			Oklahoma Police Pension and Retirement System			Oklahoma Public Employee Pension		
Fiscal Year	Required Contribution	Percentage Contributed	Fiscal Year	Required Contribution	Percentage Contributed	Fiscal Year	Required Contribution	Percentage Contributed
2021	\$ 1,260	100%	2021	\$ 21,564	63%	2021	\$ 21,280	60%
2022	\$ 1,380	100%	2022	\$ 23,249	61%	2022	\$ 21,695	85%
2023	\$ 1,380	100%	2023	\$ 30,391	88%	2023	\$ 29,205	87%

**City of Commerce
Ottawa County, Oklahoma
Notes to the Financial Statements
For the Year Ended June 30, 2023**

IV. Other Information (continued)

C. Proprietary Fund Rates

Water Rates	
In Town	
First 1,000 Gallons	\$23.41 Minimum Charge
1,001-5,000 Gallons	\$ 3.82 per 1,000 Gallons
Over 5,001 Gallons	\$ 4.45 per 1,000 Gallons
Out of Town	
First 1,000 Gallons	\$31.85 Minimum Charge
1,001-5,000 Gallons	\$ 4.45 per 1,000 Gallons
Over 5,001 Gallons	\$ 5.10 per 1,000 Gallons
Sewer Rates	
In Town	
First 1,000 Gallons	\$23.41 Minimum Charge
1,001-5,000 Gallons	\$ 3.82 per 1,000 Gallons
Over 5,001 Gallons	\$ 4.45 per 1,000 Gallons
Out of Town	
First 1,000 Gallons	\$31.85 Minimum Charge
1,001-5,000 Gallons	\$ 4.45 per 1,000 Gallons
Over 5,001 Gallons	\$ 5.10 per 1,000 Gallons
Surcharge:	
Per month Per Meter	\$ 3.00 (Fire Department Fee)
Per month Per Meter	\$ 5.00 (Waste Water Imp. Fee)

D. Contingent Liabilities

The City of Commerce and Commerce Development Authority are parties to various legal proceedings or have threatened litigation which normally occurs in the course of municipal governmental operations. The financial statements do not include accruals or provisions for loss contingencies that may result from these proceedings. State Constitution and statutes provide for the levy of an ad valorem tax over a three-year period by a Sinking Fund for the payment of any court assessed judgment rendered against the City. While the outcome of the above noted proceedings or threatened litigation cannot be predicted, due to the insurance coverage maintained by the City and the State statute relating to judgments, the City feels that any settlement or judgment not covered by insurance would not have a material adverse effect on the financial condition of the City.

E. Correction of an Error

Beginning Government-Wide Net Position was restated from \$1,610,583.16 to \$1,616,085.17. The increase (credit) of \$5,502.01 was due to a vehicle purchase not recorded in Fiscal Year 2022. Capital Assets were increased (debit) by \$5,502.01.

F. Subsequent Events

Management has evaluated subsequent events through the date of the audit report, which is the date the financial statements were available to be issued and have determined that there are no additional needs to be added to the financial statements.

OTHER SUPPLEMENTARY INFORMATION

**City of Commerce
Ottawa County, Oklahoma
Combining Balance Sheet – General Fund Accounts – Modified Cash Basis
For the Year Ended June 30, 2023**

	General Fund Accounts			Totals
	General Fund	ODEQ Fund	Volunteer Fire	
ASSETS				
Cash and Cash Equivalents	\$ 38,490.35	\$ 444,524.21	\$ 53,989.11	\$ 537,003.67
Total Assets	<u>\$ 38,490.35</u>	<u>\$ 444,524.21</u>	<u>\$ 53,989.11</u>	<u>\$ 537,003.67</u>
LIABILITIES AND FUND BALANCE				
Liabilities:				
Overdraft and Held Checks	\$ 146,154.45	\$ -	\$ -	\$ 146,154.45
Accrued Payroll Liabilities	5,929.05	-	-	5,929.05
	<u>152,083.50</u>	<u>-</u>	<u>-</u>	<u>152,083.50</u>
Fund Balance:				
Restricted to:				
ODEQ Projects	-	444,524.21	-	444,524.21
Fire Department	-	-	53,989.11	53,989.11
Committed for:				
Parks and Recreation	5,126.45	-	-	5,126.45
Assigned for:				
Commerce Days	13,584.12	-	-	13,584.12
Unassigned (deficit)	(132,303.72)	-	-	(132,303.72)
Total Fund Balance	<u>(113,593.15)</u>	<u>444,524.21</u>	<u>53,989.11</u>	<u>384,920.17</u>
Total Liabilities and Fund Balance	<u>\$ 38,490.35</u>	<u>\$ 444,524.21</u>	<u>\$ 53,989.11</u>	<u>\$ 537,003.67</u>

**City of Commerce
Ottawa County, Oklahoma
Combining Statement of Revenues, Expenditures, and Changes in Fund Balance
General Fund Accounts – Modified Cash Basis
For the Year Ended June 30, 2023**

	General Fund Accounts			Totals
	General Fund	ODEQ Fund	Volunteer Fire	
Revenues:				
Taxes	\$ 546,545.74	\$ 242,777.81	\$ 33,976.91	\$ 823,300.46
Charges for Services	249,994.35	-	16,559.34	266,553.69
Donations and Grants	25,993.91	221,270.44	128,966.80	376,231.15
Fines and Forfeitures	24,453.69	-	-	24,453.69
Miscellaneous Income	85,927.27	-	9,465.27	95,392.54
Total Revenues	<u>932,914.96</u>	<u>464,048.25</u>	<u>188,968.32</u>	<u>1,585,931.53</u>
Expenditures:				
General Government				
Personal Services	122,114.71	-	-	122,114.71
Maintenance and Operation	90,476.44	-	-	90,476.44
Capital Outlay	-	249,746.07	-	249,746.07
Public Safety and Judiciary				
Fire	38,829.74	-	168,980.60	207,810.34
Fire Sales Tax	-	-	47,178.66	47,178.66
Municipal Court	58,593.42	-	-	58,593.42
Police	533,274.34	-	-	533,274.34
Emergency Management	9,247.74	-	-	9,247.74
Code Enforcement	11,577.57	-	-	11,577.57
City Attorney	15,598.32	-	-	15,598.32
Parks and Recreation				
Parks	34,024.47	-	-	34,024.47
Transportation				
Street and Alley	296,131.08	-	-	296,131.08
Sanitation	219,911.60	-	-	219,911.60
Total Expenditures	<u>1,429,779.43</u>	<u>249,746.07</u>	<u>216,159.26</u>	<u>1,895,684.76</u>
Excess (Deficit) of Revenues over Expenditures	<u>(496,864.47)</u>	<u>214,302.18</u>	<u>(27,190.94)</u>	<u>(309,753.23)</u>
Other Financing Sources (Uses)				
Transfer In (Out) Interfund	<u>361,095.86</u>	<u>-</u>	<u>-</u>	<u>361,095.86</u>
Net Change in Fund Balance	(135,768.61)	214,302.18	(27,190.94)	51,342.63
Fund Balance, Beginning of Year	22,175.46	230,222.03	81,180.05	333,577.54
Fund Balance, End of Year	<u>\$ (113,593.15)</u>	<u>\$ 444,524.21</u>	<u>\$ 53,989.11</u>	<u>\$ 384,920.17</u>

OTHER INFORMATION

**City of Commerce
Ottawa County, Oklahoma
Budgetary Comparison Schedule (Budgetary Basis) – General Fund
Year ended June 30, 2023**

	Budgeted Amounts		Actual	Budget Variance	
	Original	Final		Original to Final	Final to Actual
Revenues:					
Charges for Services	\$ 241,940.00	\$ 244,500.00	\$ 290,187.38	\$ (2,560.00)	\$ 45,687.38
Local Sources	72,800.00	71,800.00	89,269.98	1,000.00	17,469.98
State Sources	491,200.00	490,700.00	734,030.48	500.00	243,330.48
Miscellaneous	350,192.43	364,692.43	472,443.69	(14,500.00)	107,751.26
Transfers In (Out)	375,560.00	467,990.00	361,095.86	-	(106,894.14)
Total Revenues Collected	<u>1,531,692.43</u>	<u>1,639,682.43</u>	<u>1,947,027.39</u>	<u>(107,990.00)</u>	<u>307,344.96</u>
Expenditures:					
City Attorney	15,000.00	15,000.00	15,598.32	-	(598.32)
Municipal Court	54,000.00	162,000.00	58,593.42	108,000.00	103,406.58
General Government	186,500.00	405,682.43	212,591.15	219,182.43	193,091.28
ARPA Funds M&O	219,192.43	-	249,746.07	(219,192.43)	(249,746.07)
Street and Alley	315,000.00	315,000.00	296,131.08	-	18,868.92
Park	12,000.00	12,000.00	34,024.47	-	(22,024.47)
Code Enforcement	30,000.00	30,000.00	11,577.57	-	18,422.43
Police	444,000.00	444,000.00	533,274.34	-	(89,274.34)
Emergency Management	10,000.00	10,000.00	9,247.74	-	752.26
Fire Department	45,000.00	45,000.00	207,810.34	-	(162,810.34)
Fire Department-ST	31,000.00	31,000.00	47,178.66	-	(16,178.66)
Sanitation	170,000.00	170,000.00	219,911.60	-	(49,911.60)
Debt Service	-	-	-	-	-
Total Expenditures Paid	<u>1,531,692.43</u>	<u>1,639,682.43</u>	<u>1,895,684.76</u>	<u>107,990.00</u>	<u>(256,002.33)</u>
Excess (Deficit) of Revenues					
Collected Over (Under)					
Expenditures Paid	-	-	51,342.63	-	51,342.63
Cash Fund Balance					
Beginning of Year	<u>-</u>	<u>-</u>	<u>153,560.00</u>	<u>-</u>	<u>153,560.00</u>
Cash Fund Balance					
End of Year	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 204,902.63</u>	<u>\$ -</u>	<u>\$ 204,902.63</u>

UNAUDITED