

City of Comanche, Oklahoma
Financial Statements
Year-End June 30, 2012

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City of Comanche, Oklahoma
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INDEPENDENT AUDITOR'S REPORT

Members of the City Council
City of Comanche, Oklahoma

We have audited the accompanying financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of City of Comanche, Oklahoma, as of and for the year ended June 30, 2012, which collectively comprise the City's basic financial statements as listed in the table of contents. These financial statements are the responsibility of the City's management. Our responsibility is to express opinions on those financial statements based on our audit.

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

As discussed in Note I(B), the City of Comanche prepares its financial statements on the modified cash basis, which is a comprehensive basis of accounting other than accounting principles generally accepted in the United States of America.

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial positions- 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, 2012 and the respective changes in financial position – modified cash basis, thereof for the year then ended in conformity with the basis of accounting described in Note I(B).

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In accordance with *Government Auditing Standards*, we have issued our report dated July 1, 2013, on our consideration of City of Comanche's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be considered in assessing the results of our audit.

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the City of Comanche, Oklahoma's, basic financial statements. The accompanying supplementary information as listed in the table of contents are presented for the purposes of additional analysis and are not a required part of the basic financial statements. The budget to actual, combining nonmajor fund financial statements and schedule of federal and state awards are the responsibility of management and were derived from and relate directly to the underlying accounting and other records used to prepare the financial statements. The information has been subjected to the auditing procedures applied in the audit of the financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements or to the financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the information is fairly stated in all material respects in relation to the financial statements as a whole. The schedule of funding progress have 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 them.

Rahhal Henderson Johnson, PLLC

Ardmore, Oklahoma
July 1, 2013

BASIC FINANCIAL STATEMENTS

City of Comanche, Oklahoma
Government-Wide Statement of Assets, Liabilities and Net Assets – Modified Cash Basis
June 30, 2012

	Primary Government		
	Governmental Activities	Business-Type Activities	Total
ASSETS			
Cash	\$ 1,199,261	\$ 543,083	\$ 1,742,344
Cash Investments	-	415,545	415,545
Restricted Cash	-	1,883,124	1,883,124
Investments	19,269	329,369	348,638
Capital Assets			
Capital Assets being depreciated, net	2,379,628	2,702,965	5,082,593
Total Assets	\$ 3,598,158	\$ 5,874,086	\$ 9,472,244
LIABILITIES AND EQUITY			
Employee Payroll Taxes Withheld	3,552	597	\$ 4,149
Bonds Pending Court	810	-	810
Long-term Liabilities			
Due Within One Year	-	144,553	144,553
Due in More Than One Year	-	2,748,935	2,748,935
Total Liabilities	\$ 4,362	\$ 2,894,085	\$ 2,898,447
Net Assets			
Invested in Capital Assets	\$ 2,379,628	\$ (111,693)	\$ 2,267,935
Restricted			
Community Center	278,874	-	278,874
Capital Projects	297,877	1,736,802	2,034,679
Cemetery	25,535	-	25,535
Streets	49,951	-	49,951
Debt Service	-	423,161	423,161
Unrestricted	561,931	931,731	1,493,662
Total Net Assets	\$ 3,593,796	\$ 2,980,001	\$ 6,573,797

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 Assets – Modified Cash Basis
For the Year Ended June 30, 2012

Functions/Programs	Expenses	Program Revenues			Net (Expense) Revenue and Changes in Net Assets Primary Government		
		Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	Governmental Activities	Business-Type Activities	Total
Primary Government							
Governmental Activities							
General Government	\$ 317,615	\$ 3,396	\$ 2,765	\$ -	\$ (311,454)	\$ -	\$ (311,454)
Highways and Streets	170,366	-	13,161	-	(157,205)	-	(157,205)
Public Safety	626,053	33,527	32,026	3,568	(556,932)	-	(556,932)
Health and Welfare	106,106	-	-	-	(106,106)	-	(106,106)
Culture and Recreation	109,388	27,827	222	-	(81,339)	-	(81,339)
Cemetery	83,520	27,466	-	-	(56,054)	-	(56,054)
Total Governmental Activities	<u>\$ 1,413,048</u>	<u>\$ 92,216</u>	<u>\$ 48,174</u>	<u>\$ 3,568</u>	<u>\$ (1,269,090)</u>	<u>\$ -</u>	<u>\$ (1,269,090)</u>
Business-Type Activities							
General Government	\$ 209,795	\$ -	\$ -	\$ -	\$ -	\$ (209,795)	\$ (209,795)
Electric	1,431,841	1,644,446	-	-	-	212,605	212,605
Water	462,810	397,996	-	132,979	-	68,165	68,165
Sewer	271,175	134,923	-	-	-	(136,252)	(136,252)
Sanitation	193,807	190,680	-	-	-	(3,127)	(3,127)
Total Business Type Activities	<u>\$ 2,569,428</u>	<u>\$ 2,368,045</u>	<u>\$ -</u>	<u>\$ 132,979</u>	<u>\$ -</u>	<u>\$ (68,404)</u>	<u>\$ (68,404)</u>
Total Primary Government	<u>\$ 3,982,476</u>	<u>\$ 2,460,261</u>	<u>\$ 48,174</u>	<u>\$ 136,547</u>	<u>\$ (1,269,090)</u>	<u>\$ (68,404)</u>	<u>\$ (1,337,494)</u>
General Revenues							
Sales and Use Taxes					\$ 569,272	\$ -	\$ 569,272
Franchise Taxes					39,326	-	39,326
Interest					9,988	26,579	36,567
Rent					62,343	-	62,343
Miscellaneous					144,992	17,418	162,410
Transfers					107,631	(107,631)	-
Total General Revenues and Transfers					<u>\$ 933,552</u>	<u>\$ (63,634)</u>	<u>\$ 869,918</u>
Change in Net Assets					<u>\$ (335,538)</u>	<u>\$ (132,038)</u>	<u>\$ (467,576)</u>
Net Assets - Beginning					3,929,334	3,112,039	7,041,373
Net Assets - Ending					<u>\$ 3,593,796</u>	<u>\$ 2,980,001</u>	<u>\$ 6,573,797</u>

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

City of Comanche, Oklahoma
Statement of Assets, Liabilities and Net Assets – Modified Cash Basis
Governmental Funds
June 30, 2012

	General Fund	Capital Improvements Fund	Other Governmental Funds	Total
Assets				
Cash	\$ 687,572	\$ 410,800	\$ 100,885	\$ 1,199,257
Investments	19,269	-	-	19,269
Total Assets	\$ 706,841	\$ 410,800	\$ 100,885	\$ 1,218,526
Liabilities				
Employee Payroll Taxes Withheld	\$ 3,548	\$ -	\$ -	\$ 3,548
Bonds Pending Court	810	-	-	810
Total Liabilities	4,358	-	-	4,358
Fund Balances				
Restricted	\$ 278,874	\$ 297,877	\$ 75,486	\$ 652,237
Committed	261,640	-	22,230	283,870
Assigned	146,870	112,923	3,169	262,962
Unassigned	15,099	-	-	15,099
Total Fund Balances	702,483	410,800	100,885	1,214,168
Total Liabilities and Fund Balances	\$ 706,841	\$ 410,800	\$ 100,885	
Amounts reported for governmental activities in the statement of net assets are different because:				
Capital assets used in governmental activities are not financial resources and, therefore, are not reported in the fund.		Capital Assets being depreciated Accumulated Depreciation	\$ 4,197,202 (1,817,574)	2,379,628
Net assets of governmental activities.				\$ 3,593,796

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

City of Comanche, Oklahoma
Statement of Revenues, Expenditures and
Changes in Net Assets – Modified Cash Basis – Governmental Funds
For the Year Ended June 30, 2012

	General Fund	Capital Improvements Fund	Other Governmental Funds	Total
REVENUE				
Taxes	\$ 406,490	\$ 202,107	\$ 13,161	\$ 621,758
Charges for Services	44,871	-	12,727	57,598
Interest	8,874	-	835	9,709
Rental Income	66,533	-	-	66,533
License and Permits	4,929	-	-	4,929
Fines and Forfeitures	33,533	-	-	33,533
Grants	3,568	-	18,160	21,728
Miscellaneous	75,445	73,032	5,614	154,091
Total Revenue	<u>\$ 644,243</u>	<u>\$ 275,139</u>	<u>\$ 50,497</u>	<u>\$ 969,879</u>
EXPENDITURES				
Current				
General Government	\$ 313,613	\$ -	\$ -	\$ 313,613
Highways and Streets	114,846	-	-	114,846
Public Safety	538,709	-	-	538,709
Cemetery	84,395	-	7,472	91,867
Culture and Recreation	33,452	-	3,651	37,103
Capital Outlay				
General Government	6,000	51,106	-	57,106
Cemetery	-	-	30,358	30,358
Culture and Recreation	2,950	-	-	2,950
Public Health and Welfare	-	106,106	-	106,106
Public Safety	61,841	-	40,726	102,567
Total Expenditures	<u>\$ 1,155,806</u>	<u>\$ 157,212</u>	<u>\$ 82,207</u>	<u>\$ 1,395,225</u>
Excess (Deficiency) of Revenues Over (Under) Expenditures	<u>\$ (511,563)</u>	<u>\$ 117,927</u>	<u>\$ (31,710)</u>	<u>\$ (425,346)</u>
Other Financing Sources				
Transfers In	297,312	-	-	297,312
Transfers Out	(189,681)	-	-	(189,681)
Total Other Financing Sources	<u>\$ 107,631</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 107,631</u>
Net Change in Fund Balances	\$ (403,932)	\$ 117,927	\$ (31,710)	\$ (317,715)
Fund Balances - Beginning	<u>1,106,415</u>	<u>292,873</u>	<u>132,595</u>	<u>1,531,883</u>
Fund Balances - Ending	<u>\$ 702,483</u>	<u>\$ 410,800</u>	<u>\$ 100,885</u>	<u>\$ 1,214,168</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 Net Assets – Modified Cash Basis – Governmental Funds
to the Statement of Revenue, Expenses and Changes in Net Assets – Modified Cash Basis
For the Year Ended June 30, 2012

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

Net change in fund balances - total governmental funds \$ (317,715)

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.

(17,823)

Change in net assets of governmental activities.

\$ (335,538)

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

City of Comanche, Oklahoma
Statement of Assets, Liabilities, Net Assets – Modified Cash Basis – Proprietary Fund
June 30, 2012

	<u>Comanche Utilities Authority</u>
ASSETS	
Current Assets	
Cash and Cash Equivalent	\$ 516,783
Cash Investments	415,545
Restricted Cash and Cash Equivalent	26,300
Total Current Assets	<u>\$ 958,628</u>
Noncurrent Assets	
Restricted Cash	1,883,124
Restricted Investments	329,369
Capital Assets	
Other Capital Assets, Net of Depreciation	2,702,965
Total Noncurrent Assets	<u>\$ 4,915,458</u>
Total Assets	<u>\$ 5,874,086</u>
LIABILITIES AND EQUITY	
Current Liabilities	
Employee Payroll Taxes Withheld	597
Refundable Meter Deposits	26,300
Notes Payable - Current	118,253
Total Current Liabilities	<u>\$ 145,150</u>
Noncurrent Liabilities	
Refundable Meter Deposits	52,530
Notes Payable	2,696,405
Total Noncurrent Liabilities	<u>2,748,935</u>
Total Liabilities	<u>\$ 2,894,085</u>
Net Assets	
Invested in Capital Assets, Net of Related Debt	(111,693)
Restricted for Debt Service	423,161
Restricted for Capital Projects	1,736,802
Unrestricted	931,731
Total Net Assets	<u>\$ 2,980,001</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 Assets – Modified Cash Basis – Proprietary Fund
For the Year Ended June 30, 2012

	<u>Comanche Utilities Authority</u>
Operating Revenues:	
Electric	\$ 1,645,892
Water	356,612
Sewer	134,923
Garbage	190,680
Miscellaneous	61,013
Total Operating Revenue	<u>\$ 2,389,120</u>
Operating Expenses:	
Sanitation Services	196,847
Water	449,330
Electric	1,429,370
Line Maintenance	239,498
General Administration	220,927
Total Operating Expenses	<u>\$ 2,535,972</u>
Operating Income (Loss)	<u>\$ (146,852)</u>
Nonoperating Revenues (Expenses):	
Interest Income	26,581
Interest Expense	<u>(37,115)</u>
Total Nonoperating Revenues (Expenses)	<u>\$ (10,534)</u>
Income (loss) before contributions and transfers	(157,386)
Capital Contributions	132,979
Transfers In	67,369
Transfers Out	<u>(175,000)</u>
Net Change in Net Assets	\$ (132,038)
Total Net Assets - Beginning	3,112,039
Total Net Assets - Ending	<u><u>\$ 2,980,001</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, 2012

	<u>Comanche Utilities Authority</u>
CASH FLOWS FROM OPERATING ACTIVITIES	
Receipts from Customers	\$ 2,389,120
Payments to Employees for Services	(312,220)
Payments to Vendors for Goods and Services	(2,045,438)
Net Cash Provided by Operating Activities	<u>\$ 31,462</u>
CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES	
Interfund Transfers from Other Funds	\$ 67,369
Interfund Transfers to Other Funds	(175,000)
Net Cash Used by Noncapital Financing Activities	<u>\$ (107,631)</u>
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES	
Purchase of Capital Assets	\$ (313,960)
Capital Contributions	132,979
Capital Debt Proceeds	1,815,000
Principal Paid on Capital Debt	(50,647)
Interest Paid on Capital Debt	(37,115)
Net Cash Provided by Capital Financing Activities	<u>\$ 1,546,257</u>
CASH FLOWS FROM INVESTING ACTIVITIES	
Interest Income	\$ 26,581
Cash Paid to Restricted Accounts	(1,756,918)
Net Cash Provided by Investing Activities	<u>\$ (1,730,337)</u>
Net Decrease in Cash and Cash Equivalents	\$ (260,249)
Cash and Cash Equivalents, Beginning of Year	1,218,877
Cash and Cash Equivalents, End of Year	<u>\$ 958,628</u>
As shown on the Statement of Financial Position	
Cash and Cash Equivalent	\$ 516,783
Cash Investments	\$ 415,545
Restricted Cash and Cash Equivalent	26,300
	<u>\$ 958,628</u>
Reconciliation of Operating Income to Net Cash Provided by Operating Activities	
Operating Loss	\$ (146,852)
Adjustments to Reconcile Operating Income to Net Cash Provided by Operating Activities	
Depreciation	185,361
Increase in Payroll Liabilities Withheld	(339)
Increase in Refundable Meter Deposits	(6,708)
Total Adjustments	<u>178,314</u>
Net Cash Provided by Operating Activities	<u>\$ 31,462</u>

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

City of Comanche, Oklahoma
Notes to Financial Statements
June 30, 2012

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. Each discretely presented component unit is reported in a separate column in the government-wide financial statements (see note below for description) to emphasize that it is legally separate from the government. There were no discretely presented component units.

Blended Component Unit

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

B. Government-wide and fund financial statements

Government-Wide Financial Statements

The government-wide financial statements (i.e., the statement of net assets and the statement of activities) 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, 2012

I. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

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

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

- General Government – license and permits
- Highways and Streets – commercial vehicle and gasoline excise tax shared by the State, capital grants
- Public Safety – fines and forfeitures, rural fire district dues, restricted grants
- Health and Welfare – restricted grants
- Culture and Recreation – hunting and fishing, camping and rental fees
- Cemetery – cemetery openings/closings and lot sales

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

The government-wide financial statements of the City are prepared on a modified cash basis of accounting. Under this basis, cash receipts are recognized as revenue at the date of receipt and cash payments are recognized as expenditures at date of payment with the following modifications:

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

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

City of Comanche, Oklahoma
Notes to Financial Statements
June 30, 2012

I. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

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

Fund Financial Statements

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

Governmental funds are used to account for essentially the same functions reported as governmental activities in the government-wide financial statements. The modified cash basis of accounting is used. However, the governmental funds focus on a current financial resources measurement thus capital assets and debt is not recorded.

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

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

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

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

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

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

City of Comanche, Oklahoma
Notes to Financial Statements
June 30, 2012

I. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - (continued)

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

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

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

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

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

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

C. Assets, liabilities, and net assets or equity

1. Deposits and investments

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

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

City of Comanche, Oklahoma
Notes to Financial Statements
June 30, 2012

I. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - (continued)

C. Assets, liabilities, and net assets or equity (continued)

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

Public trusts created under Oklahoma Statutes Title 60 are not subject to the above investment limitations and are primarily governed by any restrictions in their trust or note indenture.

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 net assets because they are maintained in separate bank accounts and their use is limited by applicable loan covenants. The debt service reserve accounts are used to report resources set aside to make debt payments, make up potential futures deficiencies, or to meet unexpected contingencies or to fund asset renewals and replacements. Customer utility deposits are also reported as restricted cash

4. *Capital assets*

Capital assets, which include property, plant, equipment, and infrastructure assets (e.g., roads, sidewalks, and similar items), are reported in the applicable governmental or business-type activities columns in the government-wide financial statements. Capital assets are defined by the City as assets with an initial individual cost of more than \$2,500 (amount not rounded) and an estimated useful life in excess of one year. Such assets are recorded at historical cost or estimated historical cost if purchased or constructed. Donated capital assets are recorded at estimated fair market value at the date of donation. The costs of normal maintenance and repairs that do not add to the value of the asset or materially extend assets lives are not capitalized. Major outlays for capital assets and improvements are capitalized as projects are constructed.

City of Comanche, Oklahoma
Notes to Financial Statements
June 30, 2012

I. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - (continued)

C. Assets, liabilities, and net assets or equity (continued)

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

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

5. *Fund equity*

Beginning July 1, 2010, the City implemented GASB Statement No. 54, "Fund Balance Reporting and Governmental Fund Type Definitions." This Statement more clearly defined fund balance categories to make the nature and extent of the constraints placed on a government's fund balance more transparent.

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, 2012.

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, 2012.

City of Comanche, Oklahoma
Notes to Financial Statements
June 30, 2012

I. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - (continued)

C. Assets, liabilities, and net assets or equity (continued)

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

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

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

As of June 30, 2012, fund balances are composed of the following:

City of Comanche, Oklahoma
Notes to Financial Statements
June 30, 2012

I. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - (continued)

C. Assets, liabilities, and net assets or equity (continued)

	General Fund	Capital Improvements Fund	Other Governmental Funds	Total Governmental Funds
Restricted				
Community Center	\$ 278,874	\$ -	\$ -	\$ 278,874
Capital Projects	-	297,877	-	297,877
Cemetery	-	-	25,535	25,535
Streets	-	-	49,951	49,951
				<u>652,237</u>
Committed				
Rural Fire Department	-	-	22,230	22,230
Emergency Services	261,640	-	-	261,640
				<u>283,870</u>
Assigned				
Capital Projects	-	112,923		112,923
Rural Fire Department		-	610	610
Streets		-	760	760
Cemetery		-	1,799	1,799
Hunting and Fishing	52,903	-	-	52,903
Court	1,870	-	-	1,870
Retirees	19,376	-	-	19,376
Community Center	16,407	-	-	16,407
Abatement	22,641	-	-	22,641
Special Projects	26,380	-	-	26,380
Drug Prevention	2,504	-	-	2,504
Emergency Services	4,789	-	-	4,789
				<u>262,962</u>
Unassigned	15,099	-	-	15,099
	<u>\$ 702,483</u>	<u>\$ 410,800</u>	<u>\$ 100,885</u>	<u>\$ 1,214,168</u>

The City would typically use restricted fund balances first, followed by committed resources and the assigned resources, as appropriate opportunities arise, but reserves the right to selectively spend unassigned resources first to defer the use of these other classified funds.

City of Comanche, Oklahoma
Notes to Financial Statements
June 30, 2012

I. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - (continued)

C. Assets, liabilities, and net assets or equity (continued)

6. Government-wide Net Assets

Government-wide net assets 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 assets – consist of net assets that are restricted by creditors, by the state enabling legislation, by grantors (both federal and state), and by other contributors.
- Unrestricted – all other net assets 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 will start 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 (\$17,823) difference between *net changes in fund balances - total governmental funds* and *changes in net assets 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, 2012

II.	RECONCILIATION OF GOVERNMENT-WIDE AND FUND FINANCIAL STATEMENTS (continue)	
	Capital Outlay	\$ 163,042
	Depreciation Expense	(180,865)
		<u>\$ (17,823)</u>

III. BUDGETARY INFORMATION

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

The appropriated budget is prepared by fund, department and categories (personnel services, materials and supplies, other services and charges, capital outlay, debt services and transfers). Transfers of appropriations between departments within a fund require the approval of the City Manager. Transfers of appropriations between funds and supplements to the budget require City Council approval. The legal level of budgetary control (i.e., the level at which expenditures may not legally exceed appropriations) is the department level.

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, 2012, the bank balance was \$2,316,074. The City was not exposed to custodial credit risk as of June 30, 2012.

V. INVESTMENTS

The City's investments at June 30, 2012, are presented as follows:

Investment Type	Cost	Investment Maturities (in year)			
		Less Than 1	1-5	6-10	10-15
Annuity	\$ 329,369	\$ 11,100	\$ 55,500	\$ 55,500	\$207,269
Money Market Mutual Fund	19,269	19,269	-	-	-
	<u>\$ 348,638</u>	<u>\$ 30,369</u>	<u>\$ 55,500</u>	<u>\$ 55,500</u>	<u>\$207,269</u>

These investments are not securities therefore are not subject to custodial credit risk and are unrated.

City of Comanche, Oklahoma
Notes to Financial Statements
June 30, 2012

VI. CAPITAL ASSETS

Capital asset activity for the year ended June 30, 2012 was as follows:

Primary Government

	Beginning Balance	Increases	Decreases	Ending Balance
<i>Government Activities:</i>				
<i>Capital assets, being depreciated</i>				
Land Improvements	883,286	-	-	883,286
Buildings	1,363,410	61,458	-	1,424,868
Vehicles	555,458	46,618	-	602,076
Machinery and Equipment	376,006	54,966	-	430,972
Infrastructure	856,000	-	-	856,000
Total capital assets, being depreciated	<u>4,034,160</u>	<u>163,042</u>	<u>-</u>	<u>4,197,202</u>
Less Accumulated Depreciation	<u>1,636,709</u>	<u>180,865</u>	<u>-</u>	<u>1,817,574</u>
Total capital assets, being depreciated, net	<u>2,397,451</u>	<u>(17,823)</u>	<u>-</u>	<u>2,379,628</u>
Governmental activities capital assets, net	<u>2,397,451</u>	<u>(17,823)</u>	<u>-</u>	<u>2,379,628</u>
	Beginning Balance	Increases	Decreases	Ending Balance
<i>Business-type Activities:</i>				
<i>Capital assets, being depreciated</i>				
Buildings	381,610	-	-	381,610
Vehicles	163,798	34,159	-	197,957
Machinery and Equipment	107,750	91,497	-	199,247
Water Storage Rights	946,641	-	-	946,641
Infrastructure	3,303,755	188,304	-	3,492,059
Total capital assets, being depreciated	<u>4,903,554</u>	<u>313,960</u>	<u>-</u>	<u>5,217,514</u>
Less Accumulated Depreciation	<u>2,329,188</u>	<u>185,361</u>	<u>-</u>	<u>2,514,549</u>
Total capital assets, being depreciated, net	<u>2,574,366</u>	<u>128,599</u>	<u>-</u>	<u>2,702,965</u>
Business activities capital assets, net	<u>2,574,366</u>	<u>128,599</u>	<u>-</u>	<u>2,702,965</u>
Total Primary Government	<u>\$ 4,971,817</u>	<u>\$ 110,776</u>	<u>\$ -</u>	<u>\$ 5,082,593</u>

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

City of Comanche, Oklahoma
Notes to Financial Statements
June 30, 2012

VI. CAPITAL ASSETS

Government activities:

General government	\$ 3,574
Public safety	69,935
Culture and recreation	45,639
Highways and streets	51,869
Cemetery	<u>9,848</u>
Total depreciation expense - governmental activities	<u><u>\$ 180,865</u></u>

Business-type activities

Water	\$ 70,704
Line Maintenance	48,676
Electric	52,403
Administration	<u>13,578</u>
Total depreciation expense - business-type activities	<u><u>\$ 185,361</u></u>

V. INTERFUND TRANSFERS

Interfund transfers as of June 30 consisted of the following:

Transfer To	Transfer From	Amount	Purpose
General Fund	Comanche Utilities Authority	\$ 175,000	Operating
Comanche Utilities Authority	General Fund	(67,369)	Sales tax pledged for debt
General Fund	Comanche Utilities Authority		Purchase capital assets
General Fund	Emergency Services	82,612	Operating
General Fund	Court	24,158	Court activity
Pension Retirees	General Fund	<u>(15,542)</u>	Operating
Total		<u>\$ 198,859</u>	

Reconciliation to fund financial statements:

	Transfers In	Transfers Out	Net
Government Funds	\$ 297,312	\$ (189,681)	\$ 107,631
Proprietary Funds	<u>67,369</u>	<u>(175,000)</u>	<u>(107,631)</u>
	<u>\$ 364,681</u>	<u>\$ (364,681)</u>	<u>\$ -</u>

City of Comanche, Oklahoma
Notes to Financial Statements
June 30, 2012

VI. LONG-TERM LIABILITIES

A summary of long-term liability activity for the year ended June 30, 2012, is as follows:

	Beginning Balance	Additions	Reductions	Ending Balance	Due within One Year
Primary Government					
Business-Type Activities					
Notes Payable	\$ 108,480	\$ 1,815,000	\$ 21,772	\$ 1,901,708	\$ 87,590
Meter Deposits	85,539	19,575	26,284	78,830	26,300
Contracts Payable	941,824	-	28,875	912,949	30,663
	<u>\$ 1,135,843</u>	<u>\$ 1,834,575</u>	<u>\$ 76,931</u>	<u>\$ 2,893,487</u>	<u>\$ 144,553</u>

Business-type activities long-term liabilities at June 30, 2012, consisted of the following:

Type of Indebtedness(purpose)	Maturity	Interest Rates	Annual Installments	Original Issue Amount	Outstanding at June 30, 2012
Oklahoma Municipal Power Authority (OMPA) (financed costs of electric bucket trucks)	October, 2014	6.05%	\$ 15,480	\$ 87,977	\$ 33,618
Oklahoma Department of Commerce (ODOC) (financed costs of water tower)	July, 2018	0.00%	8,760	175,000	53,090
Utility System Revenue Note Series 2012 (financed costs of upgrade to electric system)	February, 2027	3.3438%	Variable	1,815,000	1,815,000
Waurika Lake Master Conservancy District (WLMCD) (financed costs of water storage facility)	October, 2026	3.46%	3,228	69,964	37,278
Waurika Lake Master Conservancy District (WLMCD) (financed costs of water storage conveyance)	August, 2030	3.46%	29,504	394,733	405,796
Waurika Lake Master Conservancy District (WLMCD) (financed costs of water storage facility)	September, 2035	4.23%	34,980	481,944	469,875
					<u>\$ 2,814,657</u>

Interest expense of \$37,115 has been included as part of the water expenses.

As of June 30, 2012, annual debt service requirements of the business-type activities to maturity are as follows:

Year Ending June 30	OMPA		ODOC		Revenue Note Series 2012		WLMCD		Total	
	Principal	Interest	Principal	Interest	Principal	Interest	Principal	Interest	Principal	Interest
2013	\$ 13,830	\$ 1,654	\$ 8,760	\$ -	\$ 65,000	\$ 60,356	\$ 30,663	\$ 33,886	\$ 118,253	\$ 95,896
2014	14,690	793	8,760	-	90,000	59,689	31,524	32,929	144,974	93,411
2015	5,098	65	8,760	-	100,000	54,671	32,578	31,874	146,436	86,610
2016	-	-	8,760	-	100,000	51,327	33,567	30,858	142,327	82,185
2017	-	-	8,760	-	105,000	47,900	34,505	29,954	148,265	77,854
2018-2022	-	-	9,290	-	615,000	181,568	190,029	131,205	814,319	312,773
2023-2027	-	-	-	-	740,000	69,720	226,463	93,534	966,463	163,254
2028-2032	-	-	-	-	-	-	222,854	50,450	222,854	50,450
2033-2036	-	-	-	-	-	-	110,766	11,702	110,766	11,702
	<u>\$ 33,618</u>	<u>\$ 2,512</u>	<u>\$ 53,090</u>	<u>\$ -</u>	<u>\$1,815,000</u>	<u>\$ 525,231</u>	<u>\$ 912,949</u>	<u>\$ 446,392</u>	<u>\$ 2,814,657</u>	<u>\$ 974,135</u>

City of Comanche, Oklahoma
Notes to Financial Statements
June 30, 2012

VI. LONG-TERM LIABILITIES

The ODOC note is secured by service revenues of the CPWA. 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 City has pledged water revenues to secure this obligation and also has the ability to levy property taxes to pay the obligations.

VII. RESTRICTED ASSETS

Restricted cash as of June 30, 2012 is as follows:

Funds restricted for debt service reserves	
WLMCD Annuity Contract	\$ 329,369
2012 Revenue Note	39,198
WLMCD Debt Payment Reserve	54,594
	\$ 423,161
Funds restricted for other purposes	
Meter deposits	78,830
Capital Improvements	1,736,802
	\$ 2,238,793
As shown on proprietary statement of financial position	
Current restricted cash	26,300
Noncurrent restricted cash	1,883,124
Noncurrent restricted investments	329,369
	\$ 2,238,793

VIII. PENSION PLANS

Municipal Retirement Plan

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

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

Annual Pension Cost: For 2011-2012, the annual pension was \$15,542, equal to the required contributions. The required contribution was determined as part of the January 1, 2011 actuarial valuation using the entry age normal actuarial cost method. The actuarial assumptions included (I) 7.5 percent investment rate of return, (II) UP 94 mortality (III) no cost of living adjustments (IV) 65 retirement age for deferred vested.

City of Comanche, Oklahoma
Notes to Financial Statements
June 30, 2012

VIII. PENSION PLANS

The funded status of the plan as of January 1, 2012, the most recent valuation date, is as follows:

Actuarial Valuation Date	Actuarial Value of Assets (a)	Present Value of Benefits (b)	Unfunded AAL (UAAL) (b- a)	Funded Ratio (a/b)
1/1/2012	52,046	89,304	37,258	58.28%

Trend Information:

Year Ending June 30	Cost (APC)	Contributed	Net Pension Obligation
2012	\$ 15,542	100%	-
2011	14,106	100%	-
2010	13,438	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 fully vested immediately. During the past year, the City contributed \$19,830 and employees contributed \$17,212.

Firefighters' Retirement Plan

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

A participant with twenty years of service may retire with a normal retirement allowance. The normal retirement allowance paid monthly for life and then to beneficiaries equal to 2.5% of the average compensation of the highest 30 months of the last 60 months of contributory service multiplied by the number of years of credited service up to the

City of Comanche, Oklahoma
Notes to Financial Statements
June 30, 2012

VIII. PENSION PLANS

maximum of 30 years. The contribution rates for the City and its employees are established by Statute. The City is required to contribute 13% per the year June 30, 2012. Participating members are required to contribute 8%.

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

Trend Information:

Year	Covered	Pension		Employee	On-Behalf
Ending	Payroll	Cost	City Share	Share	Payments
June 30					
2012	\$ 131,169	\$ 27,545	\$ 10,494	\$ 17,052	\$ 32,268
2011	116,177	24,397	15,150	9,294	25,327
2010	123,752	25,988	16,088	9,900	26,978

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

Police Retirement Plan

Effective July 1, 2012, the City has elected to participate in the Oklahoma Police Pension and Retirement System, a statewide cost-sharing plan.

IX. COMMITMENTS AND CONTINGENCIES

Commitments:

At June 30, 2012, the City had no outstanding construction contracts. CPWA has a commitment for construction of the sewer lagoon project in the amount of \$767,780.

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, 2012, 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

City of Comanche, Oklahoma
Notes to Financial Statements
June 30, 2012

IX. COMMITMENTS AND CONTINGENCIES

disallowed by the granting agencies cannot be determined at this time. However, the City expects such amounts, if any, to be immaterial.

DEQ Consent Order

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

X. RISK MANAGEMENT

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

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

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

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

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

SUPPLEMENTARY INFORMATION

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, 2012

	Budgeted Amounts		Actual Amounts	Variance With Final Budget
	Original	Final		
REVENUE				
Taxes	\$ 456,296	\$ 605,846	\$ 406,490	\$ (199,356)
Charges for Services	22,238	22,238	23,835	1,597
Interest	829	829	262	(567)
Rental Income	14,018	14,018	20,481	6,463
License and Permits	503	503	987	484
Grants	-	-	3,568	3,568
Miscellaneous	50,838	50,838	72,345	21,507
Total Revenue	<u>\$ 544,722</u>	<u>\$ 694,272</u>	<u>\$ 527,968</u>	<u>\$ (166,304)</u>
EXPENDITURES				
Current				
General Government	\$ 80,067	\$ 113,067	\$ 112,966	\$ 101
City Manager	43,075	49,175	44,878	4,297
City Clerk	43,603	43,603	42,962	641
City Treasurer	4,576	4,576	4,238	338
Highways and Streets	96,460	117,960	117,796	164
Police	192,521	236,621	236,588	33
Animal Control	25,897	43,397	43,382	15
Fire	205,791	243,341	243,299	42
Cemetery	56,284	65,284	65,215	69
Parks	5,000	19,200	19,180	20
Total Expenditures	<u>\$ 753,274</u>	<u>\$ 936,224</u>	<u>\$ 930,504</u>	<u>\$ 5,720</u>
Excess (Deficiency) of Revenues Over Expenditures	<u>\$ (208,552)</u>	<u>\$ (241,952)</u>	<u>\$ (402,536)</u>	<u>\$ (160,584)</u>
Other Financing Sources (Uses)				
Transfers In	\$ 233,175	\$ 281,575	281,770	\$ 195
Transfers Out	(240,708)	(255,708)	(82,912)	172,796
Total Other Financing Sources (Uses)	<u>\$ (7,533)</u>	<u>\$ 25,867</u>	<u>\$ 198,858</u>	<u>\$ 172,991</u>
Net Change in Fund Balances	\$ (216,085)	\$ (216,085)	\$ (203,678)	\$ 12,407
Fund Balance - Beginning	216,085	216,085	208,654	(7,431)
Fund Balance - Ending	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 4,976</u>	<u>\$ 4,976</u>
			697,507	
Other funds combined with General Per Statement of Revenues, Expenditures and Changes in Fund Balance			<u>\$ 702,483</u>	

City of Comanche, Oklahoma
 Supplemental Schedule
 Combining Statement of Assets, Liabilities and Net Assets – Modified Cash Basis
 Nonmajor Governmental Funds
 June 30, 2012

	<u>Cemetery</u>	<u>Rural Fire</u>	<u>Street and Alley</u>	<u>Total</u>
Assets				
Cash	<u>\$ 27,333</u>	<u>\$ 22,840</u>	<u>\$ 50,712</u>	<u>\$ 100,885</u>
Total Assets	<u><u>\$ 27,333</u></u>	<u><u>\$ 22,840</u></u>	<u><u>\$ 50,712</u></u>	<u><u>100,885</u></u>
Liabilities				
Fund Balances				
Restricted	\$ 25,535	\$ -	\$ 49,951	\$ 75,486
Committed	-	22,230	-	22,230
Assigned	<u>1,799</u>	<u>610</u>	<u>760</u>	<u>3,169</u>
Total Fund Balances	<u>\$ 27,333</u>	<u>22,840</u>	<u>\$ 50,712</u>	<u>\$ 100,885</u>
Total Liabilities and Fund Balances	<u><u>\$ 27,333</u></u>	<u><u>\$ 22,840</u></u>	<u><u>\$ 50,712</u></u>	<u><u>\$ 100,885</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, 2012

	<u>Cemetery</u>	<u>Rural Fire</u>	<u>Street and Alley</u>	<u>Total</u>
REVENUE				
Taxes	\$ -	\$ -	\$ 13,161	\$ 13,161
Charges for Services	3,631	9,096	-	12,727
Interest	436	115	284	835
Miscellaneous	850	4,764	-	5,614
Intergovernmental	-	-	-	-
Grants	-	18,160	-	18,160
Total Revenue	<u>\$ 4,917</u>	<u>\$ 32,135</u>	<u>\$ 13,445</u>	<u>\$ 50,497</u>
EXPENDITURES				
Current				
Highway and Street	\$ -	\$ -	\$ 3,651	\$ 3,651
Public Safety	-	7,472	-	7,472
Capital Outlay				
Cemetery / Parks	30,358	-	-	30,358
Public Safety	-	40,726	-	40,726
Total Expenditures	<u>\$ 30,358</u>	<u>\$ 48,198</u>	<u>\$ 3,651</u>	<u>\$ 82,207</u>
Net Change in Fund Balances	\$ (25,441)	\$ (16,063)	\$ 9,794	\$ (31,710)
Fund Balances - Beginning	<u>52,774</u>	<u>38,903</u>	<u>40,918</u>	<u>132,595</u>
Fund Balances - Ending	<u>\$ 27,333</u>	<u>\$ 22,840</u>	<u>\$ 50,712</u>	<u>\$ 100,885</u>

City of Comanche, Oklahoma
Supplemental Schedule
Combining Statement of Assets, Liabilities and Net Assets – Modified Cash Basis
General Fund
June 30, 2012

	General	Emergency Services	Grants	Abatement	Pension Retirement	Hunting and Fishing	Municipal Court	Drug Forfeitures	Gayle Ashbury	Special Projects	Total
Assets											
Cash	\$ 8,524	\$ 266,428	\$ 10,123	\$ 22,641	\$ 107	\$ 52,903	\$ 2,680	\$ 2,504	\$ 295,281	\$ 26,381	\$ 687,572
Investments	-	-	-	-	19,269	-	-	-	-	-	19,269
Total Assets	\$ 8,524	\$ 266,428	\$ 10,123	\$ 22,641	\$ 19,376	\$ 52,903	\$ 2,680	\$ 2,504	\$ 295,281	\$ 26,381	\$ 706,841
Liabilities											
Payroll Liabilities	\$ 3,548	-	-	-	-	-	-	-	-	-	\$ 3,548
Court Bonds Outstanding	-	-	-	-	-	-	810	-	-	-	810
Total Liabilities	\$ 3,548	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 810	\$ -	\$ -	\$ -	\$ 4,358
Fund Balances											
Restricted	\$ -	-	-	-	-	-	-	-	278,874	-	\$ 278,874
Committed	-	261,640	-	-	-	-	-	-	-	-	261,640
Assigned	-	4,788	-	22,641	19,376	52,903	1,870	2,504	16,407	26,381	146,870
Unassigned	4,976	-	10,123	-	-	-	-	-	-	-	15,099
Total Fund Balances	\$ 4,976	266,428	\$ 10,123	\$ 22,641	\$ 19,376	\$ 52,903	\$ 1,870	\$ 2,504	\$ 295,281	\$ 26,381	\$ 702,483
Total Liabilities and Fund Balances	\$ 8,524	\$ 266,428	\$ 10,123	\$ 22,641	\$ 19,376	\$ 52,903	\$ 2,680	\$ 2,504	\$ 295,281	\$ 26,381	\$ 706,841

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, 2012

	General	Emergency Services	Grants	Abatement	Pension Retirement	Hunting and Fishing	Fire Grant	Municipal Court	Drug Forfeitures	Gayle Ashbury	Special Projects	Total
REVENUE												
Taxes	\$ 406,490	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 406,490
License and Permits	987	-	-	-	-	3,942	-	-	-	-	-	4,929
Charges for Services	23,835	-	-	1,340	-	19,696	-	-	-	-	-	44,871
Interest	262	2,019	-	-	2,861	-	-	-	-	3,665	67	8,874
Rental Income	20,481	-	-	13,779	-	600	-	-	-	4,190	27,483	66,533
Miscellaneous	72,345	-	2,765	-	-	280	-	-	-	-	55	75,445
Fines and Forfeitures	-	-	-	-	-	-	-	33,527	6	-	-	33,533
Grants	3,568	-	-	-	-	-	-	-	-	-	-	3,568
Total Revenue	<u>\$ 527,968</u>	<u>2,019</u>	<u>2,765</u>	<u>15,119</u>	<u>2,861</u>	<u>24,518</u>	<u>-</u>	<u>\$ 33,527</u>	<u>\$ 6</u>	<u>\$ 7,855</u>	<u>\$ 27,605</u>	<u>\$ 644,243</u>
EXPENDITURES												
Current												
General Government	205,044	-	-	6,305	15,796	-	-	-	-	13,103	73,365	\$ 313,613
Public Safety	523,269	7,102	-	-	-	-	-	7,704	634	-	-	538,709
Culture and Recreation	-	-	-	-	-	33,452	-	-	-	-	-	33,452
Cemetery	84,395	-	-	-	-	-	-	-	-	-	-	84,395
Highways and Streets	114,846	-	-	-	-	-	-	-	-	-	-	114,846
Capital Outlay												
General Government	-	-	-	-	-	-	-	-	-	6,000	-	6,000
Public Safety	-	61,789	-	-	-	-	52	-	-	-	-	61,841
Culture and Recreation	2,950	-	-	-	-	-	-	-	-	-	-	2,950
Total Expenditures	<u>\$ 930,504</u>	<u>\$ 68,891</u>	<u>\$ -</u>	<u>\$ 6,305</u>	<u>\$ 15,796</u>	<u>\$ 33,452</u>	<u>\$ 52</u>	<u>\$ 7,704</u>	<u>\$ 634</u>	<u>\$ 19,103</u>	<u>\$ 73,365</u>	<u>\$ 1,155,806</u>
Excess (Deficiency) of Revenues Over (Under) Expenditures	<u>\$ (402,536)</u>	<u>\$ (66,872)</u>	<u>\$ 2,765</u>	<u>\$ 8,814</u>	<u>\$ (12,935)</u>	<u>\$ (8,934)</u>	<u>\$ (52)</u>	<u>\$ 25,823</u>	<u>\$ (628)</u>	<u>\$ (11,248)</u>	<u>#####</u>	<u>\$ (511,563)</u>
Other Financing Sources												
Transfers In	281,770	-	-	-	15,542	-	-	-	-	-	-	\$ 297,312
Transfers Out	(82,912)	(82,612)	-	-	-	-	-	(24,157)	-	-	-	(189,681)
Total Other Financing Sources	<u>198,858</u>	<u>\$ (82,612)</u>	<u>-</u>	<u>-</u>	<u>15,542</u>	<u>-</u>	<u>-</u>	<u>(24,157)</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>107,631</u>
Net Change in Fund Balances	\$ (203,678)	\$ (149,484)	\$ 2,765	\$ 8,814	\$ 2,607	\$ (8,934)	\$ (52)	\$ 1,666	\$ (628)	\$ (11,248)	#####	\$ (403,932)
Fund Balances - Beginning	208,654	415,912	7,358	13,827	16,769	61,837	52	204	3,132	306,529	72,141	1,106,415
Fund Balances - Ending	<u>\$ 4,976</u>	<u>\$ 266,428</u>	<u>\$ 10,123</u>	<u>\$ 22,641</u>	<u>\$ 19,376</u>	<u>\$ 52,903</u>	<u>\$ -</u>	<u>\$ 1,870</u>	<u>\$ 2,504</u>	<u>\$ 295,281</u>	<u>\$ 26,381</u>	<u>\$ 702,483</u>

City of Comanche, Oklahoma
 Supplemental Schedule
 Schedule of Federal and State Awards
 For the Year Ended June 30, 2012

	Federal CFDA Number	Grant Number	Award Amount	Awards Expended
FEDERAL AWARDS				
U.S. Department of Justice				
<i>Passed through Oklahoma District Attorney's Council</i>				
Edward Byrne Memorial Justice Assistance Grant	16.738	J09-10-044	\$ 3,568	\$ 3,568
U.S. Department of Homeland Security				
Assistance to Firefighters	97.044	EMW-2010-FO-00807	<u>66,150</u>	<u>19,397</u>
Total Federal Awards			<u><u>\$ 69,718</u></u>	<u><u>\$ 22,965</u></u>



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*

City Council
City of Comanche
Comanche, Oklahoma 73446

We have audited the financial statements of the governmental activities, business-type activities, each major fund, and the aggregate remaining fund information of City of Comanche, Oklahoma as of and for the year ended June 30, 2012, and have issued our report thereon dated July 1, 2013. Our report on the financial statements disclosed that, as described in Note I(B) to the financial statements the City prepared its financials on the modified cash basis of accounting which is a comprehensive basis of accounting other than generally accepted accounting principles. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

Internal Control Over Financial Reporting

Management of City of Comanche, Oklahoma is responsible for establishing and maintaining effective internal control over financial reporting. In planning and performing our audit, we considered City of Comanche, Oklahoma's internal control over financial reporting in order to determine our auditing procedures for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of City of Comanche, Oklahoma's internal control over financial reporting. Accordingly, we do not express an opinion on the effectiveness of the City of Comanche, Oklahoma's internal control over financial reporting.

Our consideration of internal control over financial reporting was for the limited purpose described in the preceding paragraph and was not designed to identify all deficiencies in internal control over financial reporting that might be significant deficiencies or material weaknesses and therefore, there

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can be no assurance all deficiencies, significant deficiencies, or material weaknesses have been identified. However, as described in the accompanying schedule of findings and responses, we identified certain deficiencies in internal control over financial reporting that we consider to be material weaknesses and other deficiencies that we consider to be significant deficiencies.

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. We consider deficiencies 2012-1 and 2012-3 described in the accompanying schedule of findings and responses to be material weaknesses.

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. We consider the deficiencies described in the accompany schedule of findings and responses to be significant deficiencies. 2012-2.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether City of Comanche'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* which are described in the accompanying schedule of findings and responses as items 2012-1 and 2012-2.

City of Comanche's response to findings identified in our audit is described in the accompanying schedule of findings and responses. We did not audit the City's responses and, accordingly, we express no opinion on them.

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

Rahhal Henderson Johnson, PLLC

Ardmore, Oklahoma
July 1, 2013

City of Comanche, Oklahoma
Schedule of Findings and Responses
June 30, 2012

Cash Collections

2012-1 Condition – All cashiers were using the same cash drawer. Cash versus checks deposited were not balanced to the system reports.

Criteria – Oklahoma Statutes Title 62, section 517.3 requires the treasurer of every public entity to deposit daily not later than the immediate banking day. In addition, proper segregation of duties over cash collections should be in place. .

Effect – Lack of segregation of duties over cash collections.

Cause – The cashiers had always worked out of one drawer.

Recommendation – The City should strengthen internal controls by assigning each cashier an individual drawer that is balanced daily to their receipt report. Cash and checks deposited should be matched to the receipt report. Any deviations need to be brought to management attention and documented. Deposits need to be made within the immediate banking day.

Management Response – All cashiers now are assigned their own drawers which they balance daily. The clerk prepares the deposit and balances to the reports.

Purchasing

2011-2 Condition – Expenditures did not meet purchasing requirements of State statutes.

Criteria – Oklahoma Statutes Title 62, section 310.1 to 310.9 indicates that the individual receiving satisfactory delivery of merchandise shall acknowledge that fact by signaling the invoice or delivery ticket and no purchase order shall be approved for payment unless the required signatures are attached. Title 74 section 109 requires every contract with an architect, contractor, engineer or supplier for \$25,000 or more to be accompanied by a sworn statements

Context – (1) 3 of 60 invoices examined did not signature evidencing receipt. (2) 1 of 60 invoices was missing the affidavit.

Effect – Purchases occurred without meeting the requirements of the purchasing statutes..

Cause – Staff was not aware of the need to provide this documentation

Recommendation – The City should strengthen internal controls surrounding disbursements to ensure all purchases have required documentation. We also recommend that a second signature of receipt be obtained when merchandise is picked up rather than delivered directly to City property.

City of Comanche, Oklahoma
Schedule of Findings and Responses
June 30, 2012

Management Response – Management will begin a more comprehensive review of the expenditure process to stress the process to be followed.

Financial Reporting

2012-3 Condition – Material adjustments were necessary to prepare the financial statements. In addition, the City does not have a financial reporting system in place to ensure that the trial balances used in the year-end financial statement preparation process is final, contains all valid journal entries, and that all relevant information is disclosed in the appropriate accounting period and in accordance with the basis of accounting used to prepare the financial statements.

Criteria - Effective internal control over financial reporting includes the identification and analysis of the risk of material misstatements in the financial statements. Management is responsible for designing a system to manage the risks even if the preparation is transferred to a service provider. An individual with sufficient awareness of or experience in accounting principles and disclosure requirements should be designated to oversee the preparation of the year-end financial statements.

Effect – Material adjustments were necessary.

Cause –The internal control structure of the City focuses primarily on daily operations. The staff does reconcile the monthly financial information needed to provide accurate reports on a budgetary basis. The City does not currently have a control system in place to determine that the trial balances used in the financial statement preparation process at year-end are final when prepared on the modified cash basis or to determine appropriate financial statement disclosures.

Recommendation – The City needs to evaluate the cost of engaging a third party or designating and training an employee with sufficient awareness of or experience in accounting principles related to municipalities to ensure that all journal entries are recorded and that supporting financial records agree with the general ledger for all accounts as needed at year-end to report on the modified cash basis. In addition, this person would be responsible for determining year-end financial disclosures are adequate..

Management Response – We plan to engage an outside CPA to assist with financial reporting when necessary. We will continue to focus on ways that we can perform more of the financial reporting duties at year-end.