

CITY OF CHICKASHA, OKLAHOMA

June 30, 2013

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INDEPENDENT AUDITOR'S REPORT

Members of the City Council
City of Chickasha, Oklahoma

Report on the Financial Statements

We have audited the accompanying modified cash basis financial statements of the governmental activities, the business-type activities, each major fund, and aggregate remaining fund information of the City of Chickasha, Oklahoma as of and for the year ended June 30, 2013, and the related notes to the financial statements, which collectively comprise the City's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with the modified cash basis of accounting described in Note 1.B; this includes determining that the modified cash basis of accounting is an acceptable basis for preparation of the financial statements in the circumstances. Management is also responsible for design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to error or fraud.

Auditor's Responsibility

Our responsibility is to express opinions on these financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in Governmental Auditing Standards, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement.

An audit involves procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting principles used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Opinions

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective modified cash basis financial position of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the City of Chickasha, Oklahoma, as of June 30, 2013, and the respective changes in modified cash basis financial position, and where applicable cash flows, thereof for the year then ended in accordance with the basis of accounting described in Note 1.B.

Basis of Accounting

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

Other Matters

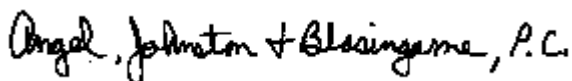
Supplementary Information

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the Chickasha, Oklahoma basic financial statements. The Supplementary Information as listed in the table of contents, are presented for additional analysis and are not a required part of the basic financial statements.

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

Other Reporting Required by Governmental Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated February 27, 2014, on our consideration of the City's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the City's internal control over financial reporting and compliance.



Chickasha, Oklahoma
February 27, 2014

CITY OF CHICKASHA, OKLAHOMA
Government-wide Statement of Activities - Modified Cash Basis
For the Year Ending June 30, 2013

Functions/Programs	Program Revenues				Net (Expenses) Revenue and Changes in Net Position		
	Expenses	Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	Governmental Activities	Business-Type Activities	Total
Primary Government:							
Governmental Activities:							
Public safety-Fire/EMS	\$ 3,370,146	\$ 928,783	\$ 355,969	\$ 135,000	\$ (1,950,394)	\$ -	\$ (1,950,394)
Public safety-Police	3,058,456	223,714	60,127	12,794	(2,761,821)	-	(2,761,821)
Culture, parks and recreation	1,306,107	147,693	28,668	138,662	(991,084)	-	(991,084)
Streets	1,750,723	-	145,123	-	(1,605,600)	-	(1,605,600)
Cemetery	111,460	-	107,681	-	(3,779)	-	(3,779)
Community development	365,986	-	-	-	(365,986)	-	(365,986)
General government	975,355	153,078	26,291	-	(795,986)	-	(795,986)
Economic development	534,469	-	-	-	(534,469)	-	(534,469)
<i>Total Governmental Activities</i>	<u>11,472,702</u>	<u>1,453,268</u>	<u>723,859</u>	<u>286,456</u>	<u>(9,009,119)</u>	<u>-</u>	<u>(9,009,119)</u>
Business-Type Activities:							
Water	2,315,172	2,638,575	-	-	-	323,403	323,403
Sewer	1,240,664	1,444,576	-	-	-	203,912	203,912
Sanitation	1,647,414	1,700,492	-	-	-	53,078	53,078
Lake	316,724	26,105	-	-	-	(290,619)	(290,619)
Airport	386,803	303,189	-	125,884	-	42,270	42,270
Administration	997,919	-	31,179	-	-	(966,740)	(966,740)
Indirect interest	109,814	-	-	-	-	(109,814)	(109,814)
<i>Total Business-Type Activities</i>	<u>7,014,510</u>	<u>6,112,937</u>	<u>31,179</u>	<u>125,884</u>	<u>-</u>	<u>(744,510)</u>	<u>(744,510)</u>
<i>Total Primary Government</i>	<u>18,487,212</u>	<u>7,566,205</u>	<u>755,038</u>	<u>412,340</u>	<u>(9,009,119)</u>	<u>(744,510)</u>	<u>(9,753,629)</u>
General Revenues:							
Taxes:							
Sales taxes					10,208,520		10,208,520
Use taxes					709,421		709,421
Franchise taxes					529,475		529,475
Hotel/Motel taxes					318,307		318,307
E-911 taxes					134,624		134,624
Advalorem taxes					23,645		23,645
Intergovernmental revenue					234,715		234,715
Investment income					50,799	7,339	58,138
Miscellaneous					216,286	175,315	391,601
Transfers - internal activity					(1,461,096)	1,461,096	
Extraordinary income - oil lease					3,018,750		3,018,750
<i>Total General Revenues and Transfers</i>					<u>13,983,446</u>	<u>1,643,750</u>	<u>15,627,196</u>
<i>Change in Net Position</i>					4,974,327	899,240	5,873,567
<i>Net Position - beginning, restated</i>					<u>46,322,943</u>	<u>41,456,532</u>	<u>87,779,475</u>
<i>Net Position - ending</i>					<u>\$ 51,297,270</u>	<u>\$ 42,355,772</u>	<u>\$ 93,653,042</u>

See accompanying notes to basic financial statements.

CITY OF CHICKASHA, OKLAHOMA
Statement of Assets, Liabilities, and Fund Balance
Governmental Funds - Modified Cash Basis
June 30, 2013

	<u>General</u>	<u>EMS</u>	<u>ED-Dedicated Sales Tax</u>	<u>Dedicated Sales Tax</u>	<u>Other Governmental Funds</u>	<u>Total Governmental Funds</u>
<u>Assets</u>						
Cash and cash equivalents	\$ 3,648,285	\$ 328,039	\$ 781,960	\$ (83,892)	\$ 2,196,413	\$ 6,870,805
Investments	1,708,000		3,500,000	1,900,000	1,900,000	9,008,000
Internal service receivable	64,570					64,570
Due from other funds	<u>6,621</u>	<u>(10,565)</u>			<u>3,993</u>	<u>49</u>
<i>Total Assets</i>	<u>5,427,476</u>	<u>317,474</u>	<u>4,281,960</u>	<u>1,816,108</u>	<u>4,100,406</u>	<u>15,943,424</u>
<u>Liabilities</u>						
Encumbrances payable	(106)			2,000		1,894
Due to Other Funds						-
Police bonds	<u>1,772</u>					<u>1,772</u>
<i>Total Liabilities</i>	<u>1,666</u>	<u>-</u>	<u>-</u>	<u>2,000</u>	<u>-</u>	<u>3,666</u>
<u>Fund Equity</u>						
Fund Balance:						
Nonspendable						-
Restricted			3,827,281	958,981	839,091	5,625,353
Committed						-
Assigned	383,869	317,474	454,679	855,127	3,247,169	5,258,318
Unassigned	<u>5,041,941</u>				<u>14,146</u>	<u>5,056,087</u>
<i>Total Fund Balance</i>	<u>5,425,810</u>	<u>317,474</u>	<u>4,281,960</u>	<u>1,814,108</u>	<u>4,100,406</u>	<u>15,939,758</u>
<i>Total Liabilities and Fund Balance</i>	<u>\$ 5,427,476</u>	<u>\$ 317,474</u>	<u>4,281,960</u>	<u>\$ 1,816,108</u>	<u>\$ 4,100,406</u>	<u>\$ 15,943,424</u>

See accompanying notes to basic financial statements.

CITY OF CHICKASHA, OKLAHOMA
Statement of Revenues, Expenditures and Changes in Fund Balances
Governmental Funds - Modified Cash Basis
For the Year Ending June 30, 2013

	<u>General</u>	<u>EMS</u>	<u>ED-Dedicated Sales Tax</u>	<u>Dedicated Sales Tax</u>	<u>Other Governmental Funds</u>	<u>Total Governmental Funds</u>
Revenues						
Taxes	\$ 8,246,153	\$	\$ 611,884	\$ 2,057,314	\$ 1,008,642	\$ 11,923,993
Intergovernmental	280,484	485,969		138,743	218,454	1,123,650
Charges for services	273,749	928,783			27,655	1,230,187
Fines and forfeitures	209,051					209,051
Licenses and permits	121,152					121,152
Investment income	2,789	355	32,541	3,112	8,160	46,957
Oil lease	3,018,750					3,018,750
Miscellaneous	180,273	6,460			43,800	230,533
<i>Total Revenues</i>	<u>12,332,401</u>	<u>1,421,567</u>	<u>644,425</u>	<u>2,199,169</u>	<u>1,306,711</u>	<u>17,904,273</u>
Expenditures						
Current:						
Administration	237,396					237,396
Fire/EMS	2,118,807	1,408,094				3,526,901
E-911					56,517	56,517
Police	2,735,271					2,735,271
Parks and recreation	457,838			5,419		463,257
Cemetery	111,460					111,460
Sports complex	293,768					293,768
Library	352,143					352,143
Streets	659,088				60,000	719,088
Central garage	67,880					67,880
Support services	177,425					177,425
Finance	170,554					170,554
Community development	293,330			2,000		295,330
Utility billing	86,705					86,705
General government	280,474				35,253	315,727
Economic development			11		279,115	279,126
Capital outlay	505,540	184,001	92,583	406,763	405,622	1,594,509
Debt service	160,381					160,381
<i>Total Expenditures</i>	<u>8,708,060</u>	<u>1,592,095</u>	<u>92,594</u>	<u>414,182</u>	<u>836,507</u>	<u>11,643,438</u>
Excess (Deficiency) of Revenues over Expenditures	<u>3,624,341</u>	<u>(170,528)</u>	<u>551,831</u>	<u>1,784,987</u>	<u>470,204</u>	<u>6,260,835</u>
Other Financing Sources (Uses)						
Contribution expense/income	75,050			(79,600)	(153,949)	(158,499)
Transfers in	1,769,247				1,502,172	3,271,419
Transfers out	(2,596,535)			(1,253,581)	(723,920)	(4,574,036)
<i>Total Other Financing Sources (Uses)</i>	<u>(752,238)</u>	<u>-</u>	<u>-</u>	<u>(1,333,181)</u>	<u>624,303</u>	<u>(1,461,116)</u>
Net Change in Fund Balances	2,872,103	(170,528)	551,831	451,806	1,094,507	4,799,719
Fund Balances - beginning, restated	<u>2,553,707</u>	<u>488,002</u>	<u>3,730,129</u>	<u>1,362,302</u>	<u>3,005,899</u>	<u>11,140,039</u>
Fund Balances - ending	<u>\$ 5,425,810</u>	<u>\$ 317,474</u>	<u>\$ 4,281,960</u>	<u>\$ 1,814,108</u>	<u>\$ 4,100,406</u>	<u>\$ 15,939,758</u>

See accompanying notes to basic financial statements.

CITY OF CHICKASHA, OKLAHOMA
Reconciliation of Governmental Fund and Government-Wide Financial Statements
Governmental Funds - Modified Cash Basis
June 30, 2013

Reconciliation to Statement of Net Assets:

Fund balances of governmental funds	\$	15,939,758
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 funds:		
Capital assets, net of accumulated depreciation		33,429,854
Internal service funds are used by management to charge the costs of certain activities, such as insurance, to individual funds. A portion of the assets and liabilities of the internal service fund is included in governmental activities in the Statement of Net Assets.		
Net assets of the Internal Service Fund		2,464,990
Some liabilities are not due and payable in the current period and, therefore are not reported in the funds:		
Capital lease payable		(537,332)

Net assets of governmental activities	\$	51,297,270

Reconciliation to Statement of Activities:

Net change in fund balances of governmental funds	\$	4,799,719
Amounts reported for governmental activities on the Statement of Activities are different because:		
Governmental funds report capital outlays as expenditures while governmental activities report depreciation expense to allocate those expenditures over the life of the assets:		
Capital asset purchases capitalized in governmental funds		1,392,111
Depreciation expense		(1,658,078)
Capital assets purchased on behalf of business-type activities were transferred to the business-type activity and reported as capital assets.		
Note proceeds provide current financial resources to governmental funds, but issuing debt increases long-term liabilities in the Statement of Net Assets. Repayment of debt principal is an expenditure in the governmental funds, but the repayment reduces long-term liabilities in the Statement of Net Assets:		
Capital lease principal payments		138,496
Internal service funds are used by management to charge the costs of certain activities, such as insurance, to individual funds. A portion of the assets and liabilities of the internal service fund is included in governmental activities in the Statement of Net Assets.		
Change in net assets of the Internal Service Fund		302,069

Change in net assets of governmental activities	\$	4,974,317

See accompanying notes to basic financial statements.

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CITY OF CHICKASHA, OKLAHOMA
Statement of Net Assets, Liabilities and Net Position
Proprietary Funds - Modified Cash Basis
June 30, 2013

	Enterprise Funds			Internal Service Funds
	Chickasha Municipal Authority	Chickasha Municipal Airport Authority	TOTAL	
Assets				
Current Assets:				
Cash and cash equivalents	\$ 1,908,114	\$ 581,832	\$ 2,489,946	\$ 779,560
Deposits with insurance pool			-	1,750,000
Investments	1,500,000		1,500,000	
Due from other funds			-	
<i>Total Current Assets</i>	<u>3,408,114</u>	<u>581,832</u>	<u>3,989,946</u>	<u>2,529,560</u>
Noncurrent Assets:				
Restricted cash and cash equivalents	770,378		770,378	
Restricted investments	150,000		150,000	
Land and other non-depreciable assets	3,571,966	56,400	3,628,366	
Other capital assets, net of depreciation	32,417,465	3,228,961	35,646,426	
<i>Total Noncurrent Assets</i>	<u>36,909,809</u>	<u>3,285,361</u>	<u>40,195,170</u>	<u>-</u>
<i>Total Assets</i>	<u>40,317,923</u>	<u>3,867,193</u>	<u>44,185,116</u>	<u>2,529,560</u>
Liabilities				
Current Liabilities:				
Encumbrances payable	1,345		1,345	64,570
Due to other funds	(220)		(220)	
Due to depositors	303,218		303,218	
Capital lease obligations payable	-		-	
Revenue notes payable	1,525,000		1,525,000	
<i>Total Current Liabilities</i>	<u>1,829,343</u>	<u>-</u>	<u>1,829,343</u>	<u>64,570</u>
Noncurrent Liabilities:				
Capital lease obligations payable	-		-	
Revenue notes payable	-		-	
<i>Total Noncurrent Liabilities</i>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
<i>Total Liabilities</i>	<u>1,829,343</u>	<u>-</u>	<u>1,829,343</u>	<u>64,570</u>
Net Position				
Invested in capital assets, net of related debt	34,464,431	3,285,361	37,749,792	
Restricted for debt service	617,160		617,160	
Restricted for other purposes	461,237	581,832	1,043,069	
Unrestricted	2,945,752		2,945,752	2,464,990
<i>Total Net Position</i>	<u>\$ 38,488,580</u>	<u>\$ 3,867,193</u>	<u>\$ 42,355,773</u>	<u>\$ 2,464,990</u>

See accompanying notes to basic financial statements.

CITY OF CHICKASHA, OKLAHOMA
Statement of Revenues, Expenses and Changes in Fund Net Position
Proprietary Funds - Modified Cash Basis
For the Year Ending June 30, 2013

	Enterprise Funds			Internal Service Funds
	Chickasha Municipal Authority	Chickasha Municipal Airport Authority	TOTAL	
Operating Revenues				
Charges for Services:				
Water revenue	\$ 2,421,489	\$	\$ 2,421,489	\$
Sewer revenue	1,381,800		1,381,800	
Sanitation revenue	1,625,161		1,625,161	
Penalties and fees	200,795		200,795	
User resource fees	104,089		104,089	
Lake revenue	26,105		26,105	
Airport revenue		303,189	303,189	
Charges for services			-	2,186,400
Employee insurance contributions			-	92,558
Miscellaneous receipts	50,309		50,309	2,974
Insurance reimbursements			-	134,984
<i>Total Operating Revenues</i>	<u>5,809,748</u>	<u>303,189</u>	<u>6,112,937</u>	<u>2,416,916</u>
Operating Expenses				
CMA general	570,724		570,724	
Administration	219,120		219,120	
Water	1,762,829		1,762,829	
Sewer	685,285		685,285	
Sanitation	1,627,577		1,627,577	
Lake	242,581		242,581	
Building maintenance	181,723		181,723	
Airport		219,687	219,687	
Insurance coverage			-	2,027,985
Compensated absences			-	90,724
Amortization expense			-	
Depreciation expense	1,156,899	167,116	1,324,015	
<i>Total Operating Expenses</i>	<u>6,446,738</u>	<u>386,803</u>	<u>6,833,541</u>	<u>2,118,709</u>
<i>Operating Income (Loss)</i>	<u>(636,990)</u>	<u>(83,614)</u>	<u>(720,604)</u>	<u>298,207</u>
Nonoperating Revenues (Expenses)				
Investment income	6,244	1,095	7,339	3,862
Grant revenue	31,179	125,884	157,063	
Interest expense	(123,096)		(123,096)	
Loss on disposal of assets	(57,875)		(57,875)	
Miscellaneous revenue	171,410	3,886	175,296	
<i>Total Nonoperating Revenues (Expenses)</i>	<u>27,862</u>	<u>130,865</u>	<u>158,727</u>	<u>3,862</u>
Net Income (Loss) Before Contributions and Transfers	(609,128)	47,251	(561,877)	302,069
Capital contributions	233,549		233,549	
Contribution expense	(75,050)		(75,050)	
Transfers in	4,468,831		4,468,831	
Transfers out	(3,166,213)		(3,166,213)	
<i>Change in Net Assets</i>	851,989	47,251	899,240	302,069
<i>Net Position - beginning, restated</i>	<u>37,636,590</u>	<u>3,819,942</u>	<u>41,456,532</u>	<u>2,162,921</u>
<i>Net Position - ending</i>	<u>\$ 38,488,579</u>	<u>\$ 3,867,193</u>	<u>\$ 42,355,772</u>	<u>\$ 2,464,990</u>

See accompanying notes to basic financial statements.

CITY OF CHICKASHA, OKLAHOMA
Statement of Cash Flows
Proprietary Funds - Modified Cash Basis
For the Year Ending June 30, 2013

	<u>Enterprise Funds</u>			<u>Internal Service Funds</u>
	<u>Chickasha Municipal Authority</u>	<u>Chickasha Municipal Airport Authority</u>	<u>TOTAL</u>	
Cash Flows From Operating Activities				
Receipts from customers	\$ 5,981,158	\$ 303,189	\$ 6,284,347	\$ 2,278,958
Receipts from other funds			-	
Vendors and others paid	(5,421,871)	(261,355)	(5,683,226)	(2,053,593)
Customer meter deposits receipts/refunds	6,645		6,645	
Other receipts (payments)			-	137,958
<i>Net Cash Provided by Operating Activities</i>	<u>565,932</u>	<u>41,834</u>	<u>607,766</u>	<u>363,323</u>
Cash Flows From Noncapital Financing Activities				
Miscellaneous revenue		3,885	3,885	
Transfers from other funds	4,635,075	1,250	4,636,325	
Transfers to other funds	(3,166,213)		(3,166,213)	
<i>Net Cash Provided by Noncapital Financing Activities</i>	<u>1,468,862</u>	<u>5,135</u>	<u>1,473,997</u>	<u>-</u>
Cash Flows From Capital and Related Financing Activities				
Grant revenue	31,179	125,884	157,063	
Purchases of capital assets	(617,317)	(138,170)	(755,487)	
Principal paid on capital debt	(2,090,098)		(2,090,098)	
Contribution expense	(75,050)		(75,050)	
Interest paid on capital debt	(123,096)		(123,096)	
<i>Net Cash Provided by (used in) Capital and Related Financing Activities</i>	<u>(2,874,382)</u>	<u>(12,286)</u>	<u>(2,886,668)</u>	<u>-</u>
Cash Flows From Investing Activities				
Interest received	6,244	1,095	7,339	3,862
Increase/decrease in investments	(300,000)		(300,000)	(1,050,000)
<i>Net Cash Provided by Investing Activities</i>	<u>(293,756)</u>	<u>1,095</u>	<u>(292,661)</u>	<u>(1,046,138)</u>
<i>Net Increase in Cash and Cash Equivalents</i>	(1,133,344)	35,778	(1,097,566)	(682,815)
<i>Balance - beginning of the year</i>	<u>3,811,836</u>	<u>546,054</u>	<u>4,357,890</u>	<u>1,462,375</u>
<i>Balance - end of the year</i>	<u><u>2,678,492</u></u>	<u><u>581,832</u></u>	<u><u>3,260,324</u></u>	<u><u>779,560</u></u>
Reconciliation of Operating Income (Loss) to Net Cash Provided by Operating Activities:				
Operating income (loss)	(636,990)	(83,614)	(720,604)	298,207
Adjustments to reconcile operating income to net cash provided (used) by operating activities:				
Depreciation expense	1,156,899	167,116	1,324,015	
Amortization expense			-	
Changes in assets and liabilities:				
Due from other funds	171,410		171,410	
Encumbrances payable	(132,032)	(41,668)	(173,700)	65,116
Due to other funds			-	
Due to depositors	6,645		6,645	
<i>Net Cash Provided by Operating Activities</i>	<u>\$ 565,932</u>	<u>\$ 41,834</u>	<u>\$ 607,766</u>	<u>\$ 363,323</u>

See accompanying notes to basic financial statements.

CITY OF CHICKASHA, OKLAHOMA
Statement of Cash Flows
Proprietary Funds - Modified Cash Basis
For the Year Ending June 30, 2013

	Enterprise Funds			Internal Service Funds
	Chickasha Municipal Authority	Other Enterprise Funds	TOTAL	
Cash Flows From Operating Activities				
Receipts from customers	\$ 5,981,158	\$ 303,189	\$ 6,284,347	\$ 2,278,958
Receipts from other funds			-	
Vendors and others paid	(5,421,871)	(261,355)	(5,683,226)	(2,053,593)
Customer meter deposits receipts/refunds	6,645		6,645	
Other receipts (payments)			-	137,958
<i>Net Cash Provided by Operating Activities</i>	565,932	41,834	607,766	363,323
Cash Flows From Noncapital Financing Activities				
Miscellaneous revenue		3,885	3,885	
Transfers from other funds	4,635,075	1,250	4,636,325	
Transfers to other funds	(3,166,213)		(3,166,213)	
<i>Net Cash Provided by Noncapital Financing Activities</i>	1,468,862	5,135	1,473,997	-
Cash Flows From Capital and Related Financing Activities				
Grant revenue	31,179	125,884	157,063	
Purchases of capital assets	(617,317)	(138,170)	(755,487)	
Principal paid on capital debt	(2,090,098)		(2,090,098)	
Contribution expense	(75,050)		(75,050)	
Interest paid on capital debt	(123,096)		(123,096)	
<i>Net Cash Provided by (used in) Capital and Related Financing Activities</i>	(2,874,382)	(12,286)	(2,886,668)	-
Cash Flows From Investing Activities				
Interest received	6,244	1,095	7,339	3,862
Increase/decrease in investments	(300,000)		(300,000)	(1,050,000)
<i>Net Cash Provided by Investing Activities</i>	(293,756)	1,095	(292,661)	(1,046,138)
<i>Net Increase in Cash and Cash Equivalents</i>	(1,133,344)	35,778	(1,097,566)	(682,815)
<i>Balance - beginning of the year</i>	3,811,836	546,054	4,357,890	1,462,375
<i>Balance - end of the year</i>	2,678,492	581,832	3,260,324	779,560
Reconciliation of Operating Income (Loss) to Net Cash Provided by Operating Activities:				
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Due to other funds			-	
Due to depositors	6,645		6,645	
<i>Net Cash Provided by Operating Activities</i>	\$ 565,932	\$ 41,834	\$ 607,766	\$ 363,323

See accompanying notes to basic financial statements.

NOTES TO THE BASIC FINANCIAL STATEMENTS

CITY OF CHICKASHA, OKLAHOMA
Notes To Basic Financial Statements
For the Year Ended June 30, 2013

Note 1 - Summary of Significant Accounting Policies

1.A. Financial Reporting Entity

The City's financial reporting entity includes the primary government (City of Chickasha), and its blended component units. This report includes all activities for which the City of Chickasha's City Council is fiscally responsible. In determining the financial reporting entity, the City complies with the provisions of Governmental Accounting Standards Board Statement No. 14, "The Financial Reporting Entity" and Statement No. 61 "The Financial Reporting Entity: Omnibus" and includes all component units for which the City is financially accountable.

The City of Chickasha – that operates the public safety, health and welfare, streets and highways, parks and recreation, community development, and administrative activities.

The City of Chickasha is an incorporated municipality with a population of approximately 16,850 located in central Oklahoma. The City is a Council/Manager form of government and operates under a charter that provides for three branches of government:

- Legislative – the City Council is a nine-member governing body elected by the citizens at large
- Executive – the City Manager is the Chief Executive Officer and is appointed by the City Council
- Judicial – the Municipal Judge is a practicing attorney appointed by the City Council

Blended Component Units

Chickasha Municipal Authority - The trust has as its purpose to develop, construct, plan, establish, install, enlarge, improve, maintain, equip, operate, control and regulate utility facilities whether water, sewage or sanitation types of public and municipal services within or without the corporate boundaries of the City of Chickasha, Oklahoma (CMA).

Chickasha Municipal Airport Authority - The trust has as its purpose to operate the municipal airport activities (CMAA).

Chickasha Industrial Authority - The trust has as its purpose to promote and encourage the general economic and social development within the City of Chickasha, Oklahoma (CIA).

Each of these component units is a Public Trust established pursuant to Title 60 of Oklahoma State law. Public Trusts (Authorities) have no taxing power. The Authorities are generally created to finance City services through issuance of revenue bonds or other non-general obligation debt and to enable the City Council to delegate certain functions to the governing body (Trustees) of the Authority. As required by state law, all debt obligations incurred by the above trusts must be approved by two-thirds vote of the City Council. The Authorities generally retain title to assets, which are acquired or constructed with Authority debt, or other Authority generated resources. In addition, the City has leased certain existing assets at the creation for the Authorities to the Trustees on a long-term basis. The City, as beneficiary of the Public Trusts, receives title to any residual assets when a Public Trust is dissolved.

The CMA and the CMAA board of trustees is the same as the City Council composition. The City Council appoints the members of the CIA. Also the City is able to impose its will on the CMA, CMAA and the CIA through required approval of all debt obligations issued by these entities. This is considered sufficient imposition of will to demonstrate financial accountability and to include the trust within the City's financial reporting entity. The public trust does not issue separate annual financial statements.

CITY OF CHICKASHA, OKLAHOMA
Notes To Basic Financial Statements
For the Year Ended June 30, 2013

1.B. Basis of Presentation

Government-Wide Financial Statements - The Statement of Net Position and 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.

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. Taxes and other items not properly included among program revenues are reported instead as general revenues.

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 the fund financial statements.

1.C. Measurement Focus, Basis of Accounting, and Financial Statement Presentation

Basis of accounting refers to when revenues and expenditures/expenses are recognized and reported in the financial statements. This relates to the timing of the revenues, expenditures/expenses regardless of the measurement focus applied. Measurement focus identifies which transactions and events should be recorded. In the governmental fund financial statements, a current financial resources measurement focus is applied. In the government-wide Statement of Net Position and the Statement of Activities, and the proprietary funds, an economic resources measurement focus is applied.

Both governmental and business-type activities in the government-wide financial statements and the fund financial statements are presented using a modified cash basis of accounting. This 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. These modifications include adjustments for the following balances arising from cash transactions:

- capital assets and the depreciation of those assets, where applicable
- fair market value of donated capital assets, if any
- long-term debt
- cash-based interfund receivables and payables, if any
- other cash-based receivables/payables
- investments
- encumbrances payable
- utility deposit liabilities

This basis is a comprehensive basis of accounting other than accounting principals generally accepted in the United States of America. As a result of the use of the modified cash basis of accounting, certain assets and their related revenues (such as accounts receivable and revenue for billed or provided services not yet collected, and accrued revenue and receivables) and certain liabilities and their related expenses (such as accounts payable and expenses for goods or services received but not yet paid, and accrued expenses and liabilities) are not recorded in these financial statements.

CITY OF CHICKASHA, OKLAHOMA
Notes To Basic Financial Statements
For the Year Ended June 30, 2013

If the City used the basis of accounting required by generally accepted accounting principles, the fund financial statements for governmental funds would use the modified accrual basis of accounting and the fund financial statements for proprietary fund types would use the accrual basis of accounting. All government-wide financial statements would be presented on the accrual basis of accounting. Under the modified accrual basis of accounting, revenues would be recognized when susceptible to accrual (i.e. both measurable and available) and expenditures would be recorded when the current liability is incurred. Under the accrual basis of accounting, revenues are recognized when earned and expenses are recorded when the liability is incurred.

Program revenues within the statement of activities are derived from each activity or from parties outside the City's taxpayers. The City has the following program revenues in each activity:

- Public Safety: EMS runs, police fines and grants
- Culture, Parks and Recreation: Sport complex revenue, rentals and grants
- Streets: Gas excise tax, commercial vehicle tax
- Cemetery: Lots sales and interment fees
- General Government: Licenses, permits and grants

The City reports the following funds:

Governmental Funds

Major Governmental Funds:

- General Fund - is the general operating fund of the City. It is used to account for all financial resources except those required to be accounted for in another fund.

Special Revenue Fund:

- EMS Fund – accounts for emergency medical services activities.
- ED-Dedicated Sales Tax Fund – accounts for 7/32 cent sales tax restricted by voters for economic development purposes.

Capital Project Fund:

- Dedicated Sales Tax Fund – accounts for ¾ cent sales tax restricted by voters for renovation, upgrading and expansion of the water, wastewater, street and drainage systems, and parks and recreation.

Aggregated Non-Major Governmental Funds:

Special Revenue Funds:

- Donations Fund – accounts for donations for specific purposes or projects.
- Tax Increment District – accounts for ad valorem and sales taxes restricted by voters for the reimbursement of developer costs.
- Chickasha Industrial Authority – accounts for hotel/motel tax revenues and related economic development expenses.
- E-911 Fund – accounts for 911 tax and related expenditures to maintain an emergency 911 system.
- Street and Alley Fund – accounts for revenues from state gasoline and vehicle taxes restricted for street projects.

Capital Project Funds:

- Cemetery Care Fund – accounts for 12.5% of cemetery revenues restricted for cemetery capital purposes as required by state law.
- Capital Projects Fund – accounts for capital activities not accounted for in other special purpose funds.

CITY OF CHICKASHA, OKLAHOMA
Notes To Basic Financial Statements
For the Year Ended June 30, 2013

- Capital Equipment Replacement Fund – accounts for funds transferred from other funds to be used for capital equipment purchases.

Proprietary Funds

Major Enterprise Fund:

- Chickasha Municipal Authority – accounts for the operation of the water, wastewater, sanitation and lake systems. The Water Meter Deposit Fund and the Water Resource Fund for future water service are included with CMA.

Aggregated Non-Major Enterprise Fund:

- Chickasha Municipal Airport Authority – accounts for activities related to operating the City’s municipal airport.

Internal Service Funds:

- Combined Insurance Fund – accounts for property, health, worker’s compensation and liability insurance provided to various funds of the City.
- Compensated Absences Fund – accounts for the reserve of vacation, sick leave, and comp time accruals for city employees.

The City’s policy is to eliminate interfund transfers and balances in the statement of activities and net position to avoid the grossing up of balances. Only the residual balances transferred between governmental and business-type activities are reported as internal transfers and internal balances and then offset in the total column in the government-wide statements. Interfund transfers and balances between funds are not eliminated in the fund financial statements.

Amounts reported as program revenues include 1) charges to customers or applicants for goods, services, or privileges provided, and 2) operating grants and contributions, and 3) capital grants and contributions, including special assessments. Internally dedicated resources are reported as general revenues rather than as program revenues. Likewise, general revenues include all taxes.

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 the enterprise fund 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.

The Governmental Funds, except for the capital projects funds, are legally required to adopt an annual budget. The Public Trust funds are not required to adopt a legal annual budget. While the trusts develop an annual budget for financial management it does not constitute legal appropriations.

1.D. Assets, Liabilities and Fund Equity

Cash and Cash Equivalents - The City considers all cash in hand, demand deposit accounts, interest bearing checking accounts and time deposit accounts including certificates of deposit with maturities of three months or less to be cash and cash equivalents. Investments in money market mutual funds held in the trustee accounts are also considered cash equivalents.

Investments - Investments consist of certificate of deposits maturing beyond three months. Investments are reported at cost, which approximates fair value. The City’s investment policy also allows for the purchase of U.S. Government obligations, negotiated certificates of deposits select prime banker acceptances and select prime commercial paper. However, the City is not currently investing in any of these additional investments.

CITY OF CHICKASHA, OKLAHOMA
Notes To Basic Financial Statements
For the Year Ended June 30, 2013

Restricted Assets - Restricted assets include assets that are legally restricted as to their use. The primary restricted assets are related to customer utility deposits and trustee accounts restricted for debt service and capital improvements.

Capital Assets - The accounting treatment of property, plant and equipment (capital assets) depends on whether they are reported in the government-wide or fund financial statements. In the government-wide statements and the proprietary fund financial statements, capital assets are accounted for as capital assets, net of accumulated depreciation where applicable. In governmental fund financial statements, capital assets acquired are accounted for as capital outlay expenditures and not reported as capital assets.

Capital assets consist of land, construction in progress, buildings, improvements, utility property/improvements, machinery and equipment, vehicles, surplus property and infrastructure. Recorded assets are reported at actual or estimated historical cost. A capitalization threshold of \$3,500 is used to report capital assets. Donated capital assets are recorded at estimated fair market value at the date of donation. Estimated historical cost was used to value the majority of the assets, including infrastructure assets (such as roads, bridges, traffic systems) acquired prior to July 1, 2002.

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 when projects are constructed. Interest incurred during the construction phase of capital assets of business-type activities is included as part of the capitalized value of the assets constructed.

The depreciable capital assets are depreciated on a straight-line basis over the assets' estimated useful lives. The range of estimated useful lives by type of asset is as follows:

- Buildings 50 years
- Improvements other than buildings 20-30 years
- Machinery, furniture and equipment 5-24 years
- Vehicles 5-15 years
- Utility property and improvements 15-50 years
- Infrastructure 15-50 years

Due to Depositors - Represents the funds received from customers for their water utility deposits. These deposits are refunded or credited to the customer upon termination of the utility service and payment of all charges due and connected with the service.

Police Bonds - Represents municipal court bonds held for individuals awaiting court dates.

Long-Term Obligations - In the government-wide financial statements, and proprietary fund types in the fund financial statements, long-term debt and other long-term obligations are reported as liabilities in the applicable governmental activities, business-type activities, or proprietary fund type statement of net position.

Compensated Absences - As a result of the use of the modified cash basis of accounting, accrued liabilities related to compensated absences (accumulated but unused vacation leave, eligible sick leave buy out) and compensatory time earned but unpaid at year-end, and any employer-related costs earned and unpaid, are not reflected in the financial statements. Expenditures/expenses related to compensated absences are recorded when paid. The amount of accrued compensated absences has been reported as a commitment in Note 13.

CITY OF CHICKASHA, OKLAHOMA
Notes To Basic Financial Statements
For the Year Ended June 30, 2013

Equity Classifications - In the government-wide and proprietary fund financial statements, equity is classified as net position and displayed in three components:

- a. *Invested in capital assets, net of related debt* – Consists of capital assets including restricted capital assets, net of accumulated depreciation and reduced by the outstanding balances of any bonds, mortgages, notes, or other borrowings that are attributed to the acquisition, construction, or improvements of those assets.
- b. *Restricted* – Consists of net position with constraints placed on the use either by 1) external groups such as creditors, grantors, contributors, or laws and regulations of other governments, or 2) law through constitutional provisions or enabling legislation.
- c. *Unrestricted* – All other net positions that do not meet the definition of “restricted” or “invested in capital assets, net of related debt.”

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

In the governmental fund financial statements fund equity is classified as fund balance. According to GASB Statement 54, fund balance is further classified as follows:

- a. *Nonspendable* – includes amounts that cannot be spent because they are either (a) not in spendable form or (b) legally or contractually required to be maintained intact.
- b. *Restricted* – consists of fund balance with constraints placed on the use of resources either by (1) external groups such as creditors, grantors, contributors, or laws and regulations of other governments, or (2) law through constitutional provisions or enabling legislation.
- c. *Committed* – includes amounts that can only be used for specific purposes pursuant to constraints imposed by formal action of the City’s highest level of decision-making authority, (i.e. ordinance).
- d. *Assigned* – includes amounts that are constrained by the City’s intent to be used for specific purposes but are neither restricted nor committed. Assignments of fund balance may be made by city council action or management decision when the city council has delegated that authority.
- e. *Unassigned* – represents fund balance that has not been assigned to other funds and has not been restricted, committed, or assigned to specific purposes within the general fund.

It is the City’s policy that the order of spending and availability of the fund balance shall be to reduce funds from the listed areas in the following order: restricted, committed, assigned, and unassigned. Negative amounts shall not be reported for restricted, committed, or assigned funds.

The unassigned fund balance in the General Fund shall maintain a range equal to 15% - 40% of the General Fund expenditures at the end of each fiscal year.

1.E. Use of Estimates

In preparing the City of Chickasha’s financial statements, management is required to make estimates and assumptions that affect the reported amounts of assets and liabilities, the disclosure of contingent assets and liabilities at the date of the financial statements, and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates. The primary estimate is related to depreciation of fixed assets.

CITY OF CHICKASHA, OKLAHOMA
Notes To Basic Financial Statements
For the Year Ended June 30, 2013

1.F. Internal and Interfund balances and Transfers

The City's policy is to eliminate interfund transfers and balances in the statement of activities and net position to avoid the grossing up of balances. Only the residual balances transferred between governmental and business-type activities are reported as internal transfers and internal balances then offset in the total column in the government-wide statements. Internal transfers and balances between funds are not eliminated in the fund financial statements.

1.G. New Accounting Pronouncements

The City has implemented the following accounting standards during the fiscal year ended June 30, 2013:

Governmental Accounting Standards Board Statement No. 60 – Accounting and Financial Reporting for Service Concession Arrangements – This had no impact on the City's financial report.

Governmental Accounting Standards Board Statement No. 61- The Financial Reporting Entity: Omnibus – This had no impact on the City's financial report.

Governmental Accounting Standards Board Statement No. 62 – Codification of Accounting and Financial Reporting Guidance Contained in Pre-November 30,1989 FASB and AICPA Pronouncements – A few sentences were removed from "Section B – Proprietary Funds" note disclosure to eliminate references to FASB pronouncements and APB opinions issued on or before November 30, 1989.

Governmental Accounting Standards Board Statement No. 63 –Financial Reporting of deferred Outflows of Resources, Deferred Inflows of Resources, and Net Position – The only change required from the early implementation of this statement are changing the words "Net Assets" in the City's financial report to "Net Position".

Governmental Accounting Standards Board Statement No. 65 – Items Previously Reported as Assets and Liabilities – The debt issuance cost previously capitalized was removed as an asset. See Note 16.

2. Sales Tax Revenue

Sales Tax - The City presently levies a 3.969 cent sales tax on taxable sales within the City. The sales tax is collected by the Oklahoma Tax Commission and remitted to the City in the month following receipt by the Tax Commission. The sales tax recorded is allocated two-cents for the General Fund operations, one-cent to the Chickasha Municipal Authority, three-fourth cent (expires 1/31/14)to the Dedicated Sales Tax Fund, and seven-thirty-seconds (expires 6/30/16) to the ED-Dedicated Sales Tax Fund. The one-cent sales tax allocated to the Chickasha Municipal Authority Fund is used to secure debt service payments. The three-fourth cent sales tax allocated to the Dedicated Sales Tax Fund is restricted by voters for the repair, replacement or improvement of the water and sewer system, the repair, replacement or improvement of streets and drainage, and the repair, replacement or improvement of parks and recreation facilities; and is used to secure debt service payments. This three-fourth cent sales tax is in effect through December 31, 2023, but is now restricted to repair, replacement or improvements for water, sewer, street and drainage.

CITY OF CHICKASHA, OKLAHOMA
Notes To Basic Financial Statements
For the Year Ended June 30, 2013

3. Tax Increment Financing District

The qualified voters of the City of Chickasha approved ordinance #2005-17. This ordinance creates a Tax Increment Financing District along the south side of Grand Avenue east and west of 4th street. The ordinance provides that the developer would make and pay for the cost of certain improvements within the District. The developer may be reimbursed for the cost of those improvements plus interest.

Funds used to reimburse the developer would come only from three-fourths of any increase in ad valorem taxes within the District resulting from an increase in assessed valuation of the land within the District and one-half of any increase in the three percent city sales tax derived from the new businesses that locate within the district. The developer reimbursement will continue until terminated upon the earlier of full reimbursement to the developer of the cost of the improvements or November 21, 2020.

4. Deposits and Investments Risk

At June 30, 2013, the reporting entity had the following deposits and investments:

<u>Type of Deposits</u>	<u>Carrying Value</u>		
Deposits:			
Demand deposits	\$ 10,293,529		
Time Deposits	12,408,000		
Money Market Mutual Funds	<u>617,160</u>		
Total	<u>\$ 23,318,689</u>		
Money Market Mutual Funds:			
Invesco Treas-Cash Mgmt Fd		<u>Maturities</u>	<u>Credit Rating</u>
		N/A	Aaa
	\$ 617,160		
Total	<u>\$ 617,160</u>		
<u>Reconciliation to Statement of Net Position</u>			
Cash and cash equivalents	\$ 10,910,689		
Investments	<u>12,408,000</u>		
	<u>\$ 23,318,689</u>		

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 does have a written investment policy for custodial credit risk that requires collateral for all uninsured deposits of municipal funds in financial institutions. As of June 30, 2013, the City was exposed to custodial credit risk as defined above. The money market mutual funds are not insured or guaranteed by the FDIC or any other government agency. The City’s money market mutual funds have a Moody’s credit rating of Aaa and therefore are considered low risk. The other City’s accounts were fully collateralized at June 30, 2013, except for Chickasha Industrial Authority was under collateralized by \$87,410.39.

CITY OF CHICKASHA, OKLAHOMA
Notes To Basic Financial Statements
For the Year Ended June 30, 2013

Investment Credit Risk – The City does have a written investment policy that limits its investment choices according to the limitations stated in the *Oklahoma Statutes* except for #4 that is presented below. *Oklahoma Statutes* allow the City to invest in: (1) full faith and credit, direct obligations of the U. S. Government, its agencies and instrumentalities, and the State of Oklahoma and certain mortgage insured federal debt; (2) certificates of deposits or savings accounts that are either insured or secured with acceptable collateral; (3) negotiable certificates of deposit, prime bankers acceptances, prime commercial paper and repurchase agreements with certain limitations; (4) county, municipal or school district tax supported debt obligations, bond or revenue anticipation notes, money judgements, or bond or revenue anticipation notes of public trusts whose beneficiary is a county, municipality, or school district; and government money market funds regulated by the SEC. Public trusts created under O.S. Title 60, are not subject to the above investment limitations and are primarily governed by any restrictions in their trust or note indenture. The City’s money market mutual funds have a Moody’s credit rating of Aaa and therefore are considered to have a low credit risk.

Investment Interest Rate Risk – The City does 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. Unless matched to a specific cash flow, the City will not directly invest in securities maturing more than one year from the date of purchase. The City’s money market mutual funds are available on demand. All certificates of deposit have maturities no later than February 2014.

Concentration of Credit Risk – With the exception of U.S. Treasury securities, no more than 50% of the City of Chickasha’s total investment portfolio will be invested in a single financial institution.

5. Restricted Assets

The amounts reported as restricted assets consist of cash and investments held by the trustee bank on behalf of the Chickasha Municipal Authority related to its required revenue bond accounts and amounts due to depositors related to utility deposits. The restricted assets as of June 30, 2013 were as follows:

<u>Type of Restricted Assets</u>	<u>Cash and Cash Equivalents</u>	<u>Investments</u>
Utility Deposits	\$ 153,218	\$ 150,000
Trustee Accounts:		
Series 2004 Construction Fund	1	-
Series 2004 Note Interest Fund	316,465	-
Series 2005 Note Interest Fund	300,695	-
Total Restricted Assets	<u>\$ 770,378</u>	<u>\$ 150,000</u>

CITY OF CHICKASHA, OKLAHOMA
Notes To Basic Financial Statements
For the Year Ended June 30, 2013

6. Capital Assets

Capital asset activity resulting from modified cash basis transactions for the fiscal year ended June 30, 2013, was as follows:

	Balance 6/30/12	Additions	Disposals	Reclassify	Balance 6/30/13
Governmental Activities:					
Capital Assets, not being depreciated:					
Land	\$ 1,879,938	\$ 2,578	\$ -	\$ -	\$ 1,882,517
Construction in progress	<u>180,518</u>	<u>249,673</u>	<u>(153,358)</u>	<u>-</u>	<u>276,833</u>
Total capital assets, not being depreciated	<u>2,060,456</u>	<u>252,251</u>	<u>(153,358)</u>	<u>-</u>	<u>2,159,350</u>
Capital assets, being depreciated:					
Buildings	8,496,685	75,050	-	-	8,571,735
Improvements	2,271,771	327,937	-	-	2,599,710
Infrastructure	47,758,702	11,100	-	-	47,769,802
Machinery and equipment	3,023,830	156,133	(152,470)	-	3,027,497
Vehicles	3,944,852	725,142	(223,272)	-	4,446,721
Surplus property	<u>1,288,284</u>	<u>-</u>	<u>(22,818)</u>	<u>-</u>	<u>1,265,465</u>
Total capital assets, being depreciated	<u>66,784,124</u>	<u>1,295,362</u>	<u>(398,560)</u>	<u>-</u>	<u>67,680,930</u>
Less accumulated depreciation:					
Buildings	2,387,560	214,471	-	-	2,602,033
Improvements	611,878	196,952	-	-	808,827
Infrastructure	26,584,624	713,780	-	-	27,298,405
Machinery and equipment	1,727,943	237,659	(150,326)	-	1,815,270
Vehicles	2,624,103	270,880	(223,272)	-	2,671,711
Surplus property	<u>1,212,661</u>	<u>24,336</u>	<u>(22,818)</u>	<u>-</u>	<u>1,214,180</u>
Total accumulated depreciation	<u>35,148,769</u>	<u>1,658,078</u>	<u>(396,416)</u>	<u>-</u>	<u>36,410,426</u>
Total capital assets, being depreciated, net	<u>31,635,355</u>	<u>(362,716)</u>	<u>(2,144)</u>	<u>-</u>	<u>31,270,504</u>
Governmental activities capital assets, net	<u>\$33,695,811</u>	<u>\$ (110,465)</u>	<u>\$ (155,502)</u>	<u>\$ -</u>	<u>\$33,429,854</u>

	Balance 6/30/12	Additions	Disposals	Reclassify	Balance 6/30/13
Business-Type Activities:					
Capital Assets, not being depreciated:					
Land	\$ 3,623,966	\$ -	\$ -	\$ -	\$ 3,623,966
Construction in progress	<u>72,048</u>	<u>125,823</u>	<u>(193,471)</u>	<u>-</u>	<u>4,400</u>
Total capital assets, not being depreciated	<u>3,696,014</u>	<u>125,823</u>	<u>(193,471)</u>	<u>-</u>	<u>3,628,366</u>
Capital assets, being depreciated:					
Buildings	24,843,721	-	(150,000)	-	24,693,721
Improvements	1,782,082	163,023	-	194,042	2,139,147
Infrastructure	7,631,701	-	-	-	7,631,701
Machinery and equipment	1,058,054	690,915	(2,400)	-	1,746,567
Vehicles	690,890	159,951	(66,739)	-	784,102
Utility property/improvements	70,096,813	42,795	-	(194,043)	69,945,565
Surplus property	<u>143,734</u>	<u>-</u>	<u>(2,000)</u>	<u>-</u>	<u>141,734</u>
Total capital assets, being depreciated	<u>106,246,995</u>	<u>1,056,684</u>	<u>(221,139)</u>	<u>(1)</u>	<u>107,082,539</u>

Less accumulated depreciation:

CITY OF CHICKASHA, OKLAHOMA
Notes To Basic Financial Statements
For the Year Ended June 30, 2013

Buildings	15,774,798	464,178	(92,125)	-	16,146,849
Improvements	495,743	94,555	-	26,027	616,325
Infrastructure	6,148,963	37,333	-	-	6,186,295
Machinery and equipment	707,147	76,834	(2,400)	(5,004)	776,577
Vehicles	514,398	47,136	(66,739)	(7,798)	486,997
Utility property/improvements	46,504,381	603,979	-	(26,026)	47,082,334
Surplus property	<u>129,934</u>	<u>-</u>	<u>(2,000)</u>	<u>12,800</u>	<u>140,734</u>
Total accumulated depreciation	<u>70,275,364</u>	<u>1,324,015</u>	<u>(163,264)</u>	<u>(1)</u>	<u>71,436,111</u>
Total capital assets, being depreciated, net	<u>35,971,631</u>	<u>(267,331)</u>	<u>(57,875)</u>	<u>(2)</u>	<u>35,646,428</u>
Business-type activities capital assets, net	<u>\$39,667,645</u>	<u>\$ (141,508)</u>	<u>\$ (251,346)</u>	<u>\$ (2)</u>	<u>\$39,274,793</u>

Depreciation expense was charged to functions as follows in the Statement of Activities:

Governmental Activities:

Public Safety	\$ 477,476
Culture, Parks and Recreation	334,775
Streets	754,783
Community Development	9,064
General Government	<u>81,980</u>

Total depreciation expense for governmental activities \$ 1,658,078

Business-Type Activities:

Water	\$ 543,534
Sewer	553,143
Sanitation	17,601
Lake	16,268
Economic Development	25,453
Airport	167,116
Administration	<u>900</u>

Total depreciation expense for business-type activities \$ 1,324,015

7. Long-Term Debt

Governmental Activities - State statutes prohibit the City from incurring any indebtedness or obligations that would require payment from resources beyond the current fiscal year revenue, without first obtaining voter approval. As of June 30, 2013, the long-term debt, arising from cash transactions, payable from governmental fund resources consisted of the following:

Capital Lease Obligations:

\$574,992 Capital lease obligation payable to Chickasha Bank for a ladder truck, payable in semi-annual installments of \$29,958, including principal and interest at 3.99%, final payment due June 30, 2019.	298,630
\$204,906 Capital lease obligation payable to First National Bank for a street Sweeper, payable in monthly installments of \$3,723, including principal and interest at 3.50%, final payment due August 15, 2016.	133,362
\$144,376 Capital lease obligation payable to Chickasha Bank for a motor grader, payable in monthly installments of \$2,597, including principal and interest at 3.01%, final payment due January 27, 2017.	<u>105,340</u>

Total Capital Lease Obligations \$ 537,332

CITY OF CHICKASHA, OKLAHOMA
Notes To Basic Financial Statements
For the Year Ended June 30, 2013

Current portion	\$ 117,478
Non-current portion	<u>419,854</u>
Total Capital Lease Obligations	<u>\$ 537,332</u>

Business-Type Activities – As of June 30, 2013, the long-term debt, arising from cash transactions, payable from proprietary fund resources consisted of the following:

Revenue Notes Payable:

2004 Sales Tax Revenue Notes, original issue amount of \$9,590,000 dated June 3, 2004, issued by the Chickasha Municipal Authority, secured by ¾ cent pledged sales tax, interest rate of 4.15%, final maturity dated April 1, 2014.	\$1,230,000
	<u>0</u>
Business-Type Activities	<u>\$ 1,230,000</u>

2005 Sales Tax Revenue Notes, original issue amount of \$3,690,000 dated August 19, 2005, issued by the Chickasha Municipal Authority, secured by ½ cent pledged sales tax, interest rate of 3.85%, final maturity dated July 1, 2013.	\$ 295,000
Less amount for Governmental Activities	<u>(0)</u>
Business-Type Activities	<u>295,000</u>
Total Revenue Notes Payable	<u>\$ 295,000</u>
Current portion	\$ 295,000
Non-current portion	<u>-</u>
Total Revenue Notes Payable	<u>\$ 295,000</u>

The capital assets acquired through capital leases are as follows:

<u>Date</u>	<u>Capital Asset</u>	<u>Amount</u>	<u>Accumulated Depreciation</u>
Vehicles:			
5/15/2008	Wheel Loader	\$ 120,824	\$ 62,425
6/15/2009	Ladder Truck	574,992	156,525
3/17/2008	2007 Vacuum Truck	<u>231,797</u>	<u>121,694</u>
		<u>\$ 927,613</u>	<u>\$ 340,644</u>
Machinery and Equipment:			
1/09/2008	Phone System	\$ 32,026	\$ 20,817
9/15/2011	Street Sweeper	204,906	37,567
1/27/2012	Volvo Grader	<u>144,376</u>	<u>20,454</u>
		<u>\$ 381,308</u>	<u>\$ 78,838</u>

CITY OF CHICKASHA, OKLAHOMA
Notes To Basic Financial Statements
For the Year Ended June 30, 2013

Sales Tax Revenues Pledged

The City has pledged future sales tax revenues to repay \$2.6 million in sales tax revenue notes issued in June 2002, \$9.59 million in sales tax revenue notes issued in June 2004, and \$3.69 million in sales tax revenue notes issued August 2005. Proceeds from the 2002 notes provided financing for a public works maintenance facility, the 2004 notes provided financing for a new sports and recreation complex and access road to the complex, and the 2005 notes provided financing for a new water tower, new fire station, and renovation of existing fire station for police purposes. The notes are payable from future sales tax revenue. The total principal and interest remaining to be paid on the notes are \$1,639,067, payable through April 2014. For the current year, debt service payments of \$2,055,000 were 79.8% of total sales tax revenues of \$2,572,225.

The following is a summary of changes in long-term debt for the year ended June 30, 2013:

	<u>Balance 6/30/12</u>	<u>Additions</u>	<u>Deductions</u>	<u>Balance 6/30/13</u>	<u>Amounts Due Within One Year</u>
Governmental Activities:					
Capital Lease Obligations		-	138,497	\$ 537,332	\$ 117,478
Revenue Notes Payable	\$ 0	-	0	0	0
Total Governmental Activities	<u>\$ 675,829</u>	<u>\$ -</u>	<u>\$ 138,497</u>	<u>\$ 537,332</u>	<u>\$ 117,478</u>
Business-Type Activities:					
Capital Lease Obligations	\$ 35,098	-	35,184	\$ -	\$ -
Revenue Notes Payable	3,580,000	-	2,055,000	1,525,000	1,525,000
Total Business-Type Activities	<u>\$ 915,098</u>	<u>\$ -</u>	<u>\$ 2,090,184</u>	<u>\$ 1,525,000</u>	<u>\$ 1,525,000</u>

The annual debt service requirements to maturity are as follows:

Governmental Activities: <u>Year Ending June 30</u>	<u>Capital Lease Obligations</u>		<u>Revenue Notes Payable</u>	
	<u>Principal</u>	<u>Interest</u>	<u>Principal</u>	<u>Interest</u>
2014	\$ 117,478	\$ 18,270	\$ -	\$ -
2015	121,752	13,995	-	-
2016	126,183	9,564	-	-
2017	79,243	5,543	-	-
2018	56,778	3,137	-	-
2019	35,898	849	-	-
Total	<u>\$ 537,332</u>	<u>\$ 51,358</u>	<u>\$ -</u>	<u>\$ -</u>
Business-Type Activities: <u>Year Ending June 30</u>	<u>Capital Lease Obligations</u>		<u>Revenue Notes Payable</u>	
	<u>Principal</u>	<u>Interest</u>	<u>Principal</u>	<u>Interest</u>
2014	\$ -	\$ -	\$1,525,000	\$ 44,067
2015	-	-	-	-
Total	<u>\$ -</u>	<u>\$ -</u>	<u>\$1,525,000</u>	<u>\$ 44,067</u>

interest expense was charged to functions as follows in the Statement of Activities:

Governmental Activities:	
Public Safety	\$ 13,023
Culture, Parks and Recreation	-
Streets	<u>26,312</u>
Total interest expense for governmental activities	<u>\$ 39,335</u>

CITY OF CHICKASHA, OKLAHOMA
Notes To Basic Financial Statements
For the Year Ended June 30, 2013

Business-Type Activities:

Water	\$ 7,876
Sewer	2,236
General Government	109,815
Sanitation	<u>2,236</u>
Total interest expense for business-type activities	<u>\$ 122,163</u>

8. Interfund Transfers

Transfers between funds of the primary government for the year ended June 30, 2013, were as follows:

<u>Transfer Out</u>	<u>Transfer In</u>	<u>Amount</u>	<u>Purpose of Transfer</u>
Cemetery Care Fund	Capital Equip Repl Fund	\$ 11,649	Fund capital purchases
CIA	General Fund	69,247	Fund operations
Capital Replace. Fund	CMA	36,030	Fund capital purchases
General Fund	Tax Increment District	24,310	Transfer sales tax
General Fund	CMA	2,572,225	Trnsf sales tax for bond purposes
Dedicated Sales Tax Fund	CMA	1,253,581	Transfer bond payments
Capital Projects Fund	CMA	606,994	Transfer bond payments
CMA	General Fund	1,700,000	Subsidize operations
CMA	Capital Projects Fund	1,402,862	Fund capital purchases
CMA	E-911 Fund	35,000	Subsidize operations
CMA	Cemetery Care Fund	28,351	Subsidize operations
		<u>0</u>	
Total		<u>\$ 7,740,249</u>	

Reconciliation to Fund Financial Statements:

	<u>Transfers In</u>	<u>Transfers Out</u>	<u>Net Transfers</u>
Governmental Funds	\$ 3,271,419	\$ (4,574,036)	\$ (1,302,617)
Proprietary Funds	<u>4,468,831</u>	<u>(3,166,213)</u>	<u>1,302,618</u>
Total	<u>\$ 7,740,250</u>	<u>\$ (7,740,250)</u>	<u>\$ 0</u>

Reconciliation to Statement of Activities – governmental and business-type activities:

Net transfers	\$ (1,302,617)
Purchase of capital assets for governmental funds by business-type activities	75,050
Difference	20
Purchase of capital assets for business-type activities by governmental funds	<u>(233,549)</u>
Government-wide transfers	<u>\$ (1,461,096)</u>

CITY OF CHICKASHA, OKLAHOMA
Notes To Basic Financial Statements
For the Year Ended June 30, 2013

9. Internal Balances

Internal balances between funds and legal entities are comprised of the following:

<u>Due From</u>	<u>Due To</u>	<u>Amount</u>	<u>Nature of Internal Balance</u>
EMS	E-911	3,993	Internal financing
EMS	General Fund	6,621	Internal financing
CMA	General Fund	40	Error corrected
EMS	CMA	260	Error corrected

Reconciliation to Fund Financial Statements:

	<u>Due From</u>	<u>Due To</u>	<u>Net Internal Balances</u>
Governmental Funds	\$ 10,654	\$ 10,874	\$ 220
Proprietary Funds	260	40	220
Total	<u>\$ 80,254</u>	<u>\$ 80,254</u>	<u>\$ -</u>

10. Fund Equity/Net Assets

Governmental Fund Balances – Fund balance classifications as shown in the Governmental Funds Balance Sheet in accordance with GASB Statement 54 is as follows:

	General	EMS	Economic Dedicated	Dedicated Sales Tax	Other Governmental	Total
	<u>Fund</u>	<u>Fund</u>	<u>Sales Tax</u>	<u>Fund</u>	<u>Funds</u>	<u>Total</u>
<i>Fund Balance:</i>						
Nonspendable:						
Long-term receivable	-	-	-	-		-
Restricted for:						
TIF District	-	-		-	2,858	2,858
Economic Dev	-	-	3,827,281	-	70,221	3,897,502
E911	-	-		-	568,164	568,164
Water/Sewer, Streets, Parks and Recreation	-	-		958,981	-	958,981
Streets					107,743	107,743
Cemetery	-	-		-	14,539	14,539
Airport	-	-		-	-	-
Other Purposes	-	-		-	75,566	75,566
Committed to:						
EMS	-	-		-	-	-
Assigned to:						
Fire/EMS	743	317,474				318,217
Police	383,126					383,126
Water/Sewer, Streets, Parks and Recreation	-	-		855,127	-	855,127
TIF District						

CITY OF CHICKASHA, OKLAHOMA
Notes To Basic Financial Statements
For the Year Ended June 30, 2013

Economic Dev	-	-	454,679	-	462,442	917,121
E911	-	-		-	4,432	4,432
Streets	-	-		-	236,943	236,943
Cemetery	-	-		-	534,935	534,935
Capital Projects	-	-		-	2,008,417	2,008,417
Capital Assets	-	-		-		
Other Purposes	-	-		-		
Unassigned	5,041,941	-		-	14,146	5,056,087
<i>Total Fund Balance</i>	5,425,810	317,474	4,281,960	1,814,108	4,100,406	15,939,758

Net Assets Restricted by Enabling Legislation - The governmental activities statement of net assets reports \$5,625,353 of restricted net assets, of which \$5,549,787 is restricted by enabling legislation.

Enabling Legislation:	
Dedicated Sales Tax	\$ 958,981
Tax Increment District	2,858
ED-Dedicated Sales Tax	3,827,281
E-911	568,164
Chickasha Industrial Authority	70,221
Street and Alley	107,743
Cemetery Care	14,539
Total	<u>\$ 5,549,787</u>

11. Risk Management

The City and its public trusts are exposed to various risks of loss related to torts; theft of, damage to, or destruction of assets; errors and omissions; injuries to employees; employee health and life; and natural disasters. The City manages these various risks of loss as follows:

- General Liability and Fleet Coverage – Covered through participation in Oklahoma Municipal Assurance Group risk entity pool.
- Physical Property, Airport General Liability and Property – Covered through purchase of commercial insurance.
- Fire Department Vehicles – Covered through participation in the Risk Management Division of the Department of Central Services, State of Oklahoma self-insurance pool.
- Workers' Compensation – Workers' compensation is covered through participation in the Oklahoma Municipal Assurance Group risk entity pool.
- Employee's Group Medical - The City elects to operate a self-insured program for employee's medical insurance. Under the program, the City pays 100% of claims up to \$25,000 per employee. Aggregate stop loss coverage is adjusted monthly based on the number of participants and was \$860,254 at June 30, 2013. Claims liabilities are based on estimates of the ultimate cost of claims that have been reported but not settled, and of claims that have been incurred but not reported.

CITY OF CHICKASHA, OKLAHOMA
Notes To Basic Financial Statements
For the Year Ended June 30, 2013

Changes in the claims liability for the City from July 1, 2009, to June 30, 2013, are as follows:

	Health Care
Claim liability, July 1, 2009	\$ 72,966
Claims and changes in estimates	837,398
Claims payments	(831,657)
Claim liability, July 1, 2010	78,707
Claims and changes in estimates	1,372,749
Claims payments	(1,292,811)
Claim liability, June 30, 2011	158,645
Claims and changes in estimates	975,801
Claims payments	(1,079,966)
Claims liability, June 30, 2012	54,480
Claims and changes in estimates	1,158,093
Claims payments	(852,285)
Claims liability, June 30, 2013	360,288

Management believes the insurance coverage listed above is sufficient to preclude any significant uninsured losses to the City. Settled claims have not exceeded this insurance coverage in any of the past three fiscal years.

12. Contingencies

Federal and State Award Programs - The City of Chickasha participates in various federal and state grant/loan programs from year to year. Amounts received or receivable from grantor agencies are often subject to audit and adjustment by the grantor agencies, principally the federal government. Any disallowed claims, including amounts already collected, may constitute a liability of the applicable fund. The amount, if any, of expenditures which may be disallowed by the grantor agency cannot be determined at this time, although the City expects such amounts, if any, to be immaterial.

Litigation - The City is a party to various legal proceedings that normally occur in the course of governmental operations. The financial statements do not include accrual or provision for loss contingencies that may result from these proceedings. State statutes provide for the levy of an ad valorem tax over a three-year period by a City Sinking Fund for the payment of any court-assessed judgement rendered against the City. This provision is not applicable to authorities or public trusts. While the outcome of the above noted proceedings cannot be predicted, due to the insurance coverage maintained by the City and the State statute relating to judgements, the City feels that any settlement or judgement not covered by insurance would not have a material adverse effect on the financial condition of the City.

13. Commitments

Compensated Absences – As a result of the City’s use of the modified cash basis of accounting, accrued liabilities related to compensated absences (accumulated but unused vacation leave, eligible sick leave by out and compensatory time earned but unpaid at year-end, and any employer-related costs earned and unpaid) are not reflected in the financial statements. Governmental funds obligation for accrued compensated absences is \$673,126, while the Compensated Absences Internal Service Fund has a balance of \$226,369 and the General Fund unassigned fund balance is \$5,041,941 at June 30, 2013.

Contract Commitments – Prior to June 30, 2013 the City had contracted with various vendors for projects to be completed after yearend. The major contracts commitments included approximately \$324,000 in construction and engineering on the Shannon Springs bridge project and \$526,000 on the Choctaw bridge lighting project.

CITY OF CHICKASHA, OKLAHOMA
Notes To Basic Financial Statements
For the Year Ended June 30, 2013

14. Employee Pension and other Benefit Plans

The City of Chickasha 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 Municipal Retirement Fund (OMRF) – an agent multiple-employer defined benefit plan

Firefighters’ Retirement Plan – Pursuant to the requirements of Title 11, section 22-102, the City of Chickasha participates in the statewide cost-sharing multi-employer defined benefit plan administered by the Oklahoma Firefighter’s Pension and Retirement System (OFPRS) on behalf of both paid and volunteer firefighters. 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.

The contribution rates for the City and its employees are established by Statute. The City is required to contribute 13% for the year ended June 30, 2013. Participating members are required to contribute 8%. The plan is funded by contributions from participants, employers, insurance premium taxes, and state appropriations, as necessary.

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.

Schedule of Retirement Plan Contributions – OFPRS

<u>Fiscal Year</u>	<u>Required Contribution</u>	<u>Amount Contributed</u>
2010	\$241,482	\$241,482
2011	\$244,470	\$244,470
2012	\$252,295	\$252,295
2013	\$246,906	\$246,906

Policemen’s Retirement Plan – The City of Chickasha participates in the statewide cost-sharing multi-employer defined benefit plan administered by the Oklahoma Police Pension and Retirement System (OPPRS) on behalf of paid officers. 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.

The contribution rates for the City and its employees are established by Statute. The City is required to contribute 13% for the year ended June 30, 2013. Participating members are required to contribute 8%. The plan is funded by contributions from participants, employers, insurance premium taxes, and state appropriations, as necessary.

The OPPRS issues a publicly available financial report that includes financial statements. That report may be obtained by writing to OPPRS, 1001 NW 63rd Street, Suite 605, Oklahoma City, OK 73116-7335.

Schedule of Retirement Plan Contributions – OPPRS

<u>Fiscal Year</u>	<u>Required Contribution</u>	<u>Amount Contributed</u>
2010	\$145,721	\$145,721
2011	\$146,159	\$146,159

CITY OF CHICKASHA, OKLAHOMA
Notes To Basic Financial Statements
For the Year Ended June 30, 2013

2012	\$154,769	\$154,769
2013	\$149,773	\$149,773

Municipal Retirement Plan - The City of Chickasha and its employees participate in an agent multiple employer defined benefit pension plan through the Oklahoma Municipal Retirement Fund (OMRF). All regular full time employees, except those covered under another retirement system, are eligible. Employees are vested at 10 years. The City's OMRF defined benefit pension plan provides retirement and disability benefits, annual cost-of-living adjustments, and death benefits to plan members and beneficiaries.

The OMRF System issues a publicly available financial report that includes financial statements and required supplementary information. That report may be obtained by writing to OMRF, P.O. Box 25848, Oklahoma City, OK 73125 or by calling 1-888-394-6673.

Funding Policy – The contribution requirements of City of Chickasha and employees are established and may be amended by the OMRF board. Employees are required to contribute 4% of their annual covered salary. City of Chickasha is required to contribute at an actuarially determined rate; the rate during fiscal year 2012-2013 was 15.26 of covered payroll.

Annual Pension Cost – For 2012-2013, the City of Chickasha's annual pension cost of \$376,424 for the OMRF plan was equal to the required and actual contributions. The required contribution was determined as part of the March 31, 2013 actuarial valuation using the entry age normal actuarial cost method. The actuarial assumptions included (a) 7.5% investment rate of return, (b) projected salary increases due to inflation of 4%, compounded annually (higher for younger employees), and (c) projected salary increases due to age/seniority, compounded annually. Funding requirements may increase in the future as benefits accrue.

Schedule of Retirement Plan Contributions – OMRF Defined Benefit Plan

<u>Fiscal Year</u>	<u>Actuarial Required Contribution</u>	<u>Percentage Contributed</u>	<u>Pension Benefit Obligation</u>
2010	\$237,644	100%	\$0
2011	\$305,917	100%	\$0
2012	\$382,297	100%	\$0
2013	\$376,424	100%	\$0

Funding Status and Funding Progress – As of December 31, 2012, the most recent actuarial valuation date, the plan was 96% funded. As of 12-31-2011, the funded percentage was 94.1%, and as of 12-31-2012, the funded percentage was 93.81%. The actuarial accrued liability for benefits was \$14,090,742, and the actuarial value of assets was \$13,532,221, resulting in an unfunded actuarial accrued liability (UAAL) of \$558,522. The covered payroll (total annualized rate of pay as of the valuation date based on actual pay for the preceding year) was \$1,908,584, and the ratio of the UAAL to the covered payroll was 29%. The City's unfunded actuarial accrued liability is being amortized as a level dollar amount on an open basis.

15. Extraordinary Income

During the year the City leased the mineral rights around the Chickasha Lake for \$3,018,750. This is considered to be an unusual source of income.

CITY OF CHICKASHA, OKLAHOMA
Notes To Basic Financial Statements
For the Year Ended June 30, 2013

16. Prior Period Adjustments

	Government-Wide		
	Governmental Activity	Business-type Activity	Proprietary Fund Statement
Beginning Net position as previously reported	\$ 43,294,244	\$ 44,550,982	\$ 41,522,283
Dropped allocation of debt:			
Notes Payable	\$ 3,090,000	\$ (3,090,000)	
Debt Issuance cost	\$ (61,301)		
GASB 65 change:			
Debt Issuance cost		\$ (4,450)	\$ (65,751)
Beginning net position as restated	<u>\$ 46,322,943</u>	<u>\$ 41,456,532</u>	<u>\$ 41,456,532</u>

SUPPLEMENTARY INFORMATION

CITY OF CHICKASHA, OKLAHOMA
Combining Statement of Assets, Liabilities, and Fund Equity
Nonmajor Governmental Funds - Modified Cash Basis
June 30, 2013

	Special Revenue Funds				Capital Project Funds			Total Nonmajor Governmental Funds	
	Donations	Tax Increment District	Chickasha Industrial Auth	E-911	Street and Alley	Cemetery Care	Capital Project		Capital Equip Repl
Assets									
Cash and cash equivalents	\$ 89,712	\$ 2,858	\$ 332,663	\$ 368,603	\$ 344,686	\$ 549,474	\$ 508,417	\$ -	\$ 2,196,413
Investments			200,000	200,000			1,500,000		1,900,000
Note receivable				3,993					3,993
<i>Total Assets</i>	<u>89,712</u>	<u>2,858</u>	<u>532,663</u>	<u>572,596</u>	<u>344,686</u>	<u>549,474</u>	<u>2,008,417</u>	<u>-</u>	<u>4,100,406</u>
Liabilities									
Due to Other Funds									-
Encumbrances payable									-
<i>Total Liabilities</i>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Fund Equity									
Fund Balance									
Nonspendable									-
Restricted	75,566	2,858	70,221	568,164	107,743	14,539			839,091
Committed									-
Assigned			462,442	4,432	236,943	534,935	2,008,417		3,247,169
Unassigned	14,146								14,146
<i>Total Fund Equity</i>	<u>89,712</u>	<u>2,858</u>	<u>532,663</u>	<u>572,596</u>	<u>344,686</u>	<u>549,474</u>	<u>2,008,417</u>	<u>-</u>	<u>4,100,406</u>
<i>Total Liabilities and Fund Equity</i>	<u>\$ 89,712</u>	<u>\$ 2,858</u>	<u>\$ 532,663</u>	<u>\$ 572,596</u>	<u>\$ 344,686</u>	<u>\$ 549,474</u>	<u>\$ 2,008,417</u>	<u>\$ -</u>	<u>\$ 4,100,406</u>

CITY OF CHICKASHA, OKLAHOMA
Combining Statement of Revenues, Expenditures, and Changes in Fund Balances
Nonmajor Governmental Funds - Modified Cash Basis
For the Year Ended June 30, 2013

	Special Revenue Funds				Capital Project Funds			Total Nonmajor Governmental Funds
	Donations	Tax Increment District	Chickasha Industrial Auth	E-911	Street and Alley	Cemetery Care	Capital Project	
Revenues								
Taxes	\$	\$ 23,645	\$ 318,307	\$ 134,624	\$	\$ 532,066	\$	\$ 1,008,642
Intergovernmental				53,802	145,123		19,529	218,454
Charges for services						27,655		27,655
Investment income	443	18	1,717	1,153	746	714	20	8,160
Miscellaneous	2,376			11		89	41,324	43,800
<i>Total Revenues</i>	<u>2,819</u>	<u>23,663</u>	<u>320,024</u>	<u>189,590</u>	<u>145,869</u>	<u>28,458</u>	<u>596,268</u>	<u>1,306,711</u>
Expenditures								
Current:								
E-911				56,517				56,517
Culture, Parks and Recreation								-
Cemetery								-
Library								-
Streets								-
General government	33,253					2,000		35,253
Economic development		60,000	279,115					339,115
Capital outlay			87,840	76,228	37,380	204,174		405,622
Debt service								-
<i>Total Expenditures</i>	<u>33,253</u>	<u>60,000</u>	<u>366,955</u>	<u>132,745</u>	<u>37,380</u>	<u>-</u>	<u>206,174</u>	<u>836,507</u>
<i>Excess (Deficiency) of Revenues over Expenditures</i>	<u>(30,434)</u>	<u>(36,337)</u>	<u>(46,931)</u>	<u>56,845</u>	<u>108,489</u>	<u>28,458</u>	<u>390,094</u>	<u>470,204</u>
Other Financing Sources (Uses)								
Contribution expense	(97,249)					(56,700)		(153,949)
Transfers in		24,310		35,000	40,000	1,402,862		1,502,172
Transfers out			(69,247)			(606,994)	(47,679)	(723,920)
<i>Total Other Financing Sources (Uses)</i>	<u>(97,249)</u>	<u>24,310</u>	<u>(69,247)</u>	<u>35,000</u>	<u>-</u>	<u>739,168</u>	<u>(47,679)</u>	<u>624,303</u>
Net Change in Fund Balances	(127,683)	(12,027)	(116,178)	91,845	108,489	68,458	(47,659)	1,094,507
Fund Balances - beginning	217,395	14,885	648,841	480,751	236,197	481,016	47,659	3,005,899
Fund Balances - ending	\$ <u>89,712</u>	\$ <u>2,858</u>	\$ <u>532,663</u>	\$ <u>572,596</u>	\$ <u>344,686</u>	\$ <u>549,474</u>	\$ <u>-</u>	\$ <u>4,100,406</u>

CITY OF CHICKASHA, OKLAHOMA
Combining Statement of Assets, Liabilities, and Fund Equity
General Fund Accounts - Modified Cash Basis
June 30, 2013

	<u>General Fund Account</u>	<u>Fire/EMS Training Fund Account</u>	<u>Police Training Fund Account</u>	<u>Police Operation Account</u>	<u>Police Bond Fund Account</u>	<u>Inter Account Elimination</u>	<u>Total General Fund</u>
<u>Assets</u>							
Cash and cash equivalents	\$ 3,327,214	\$ 743	\$ 84,998	\$ 6,456	\$ 228,874	\$	\$ 3,648,285
Investments	1,708,000						1,708,000
Interanal service receivable					64,570		64,570
Due from other funds	<u>6,621</u>						<u>6,621</u>
<i>Total Assets</i>	<u>5,041,835</u>	<u>743</u>	<u>84,998</u>	<u>6,456</u>	<u>293,444</u>	<u>-</u>	<u>5,427,476</u>
<u>Liabilities</u>							
Due to other funds							-
Encumbrances payable	(106)						(106)
Police bonds					1,772		1,772
<i>Total Liabilities</i>	<u>(106)</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>1,772</u>	<u>-</u>	<u>1,666</u>
<u>Fund Equity</u>							
Fund Balance							
Nonspendable							-
Restricted							-
Committed							-
Assigned		743	84,998	6,456	291,672		383,869
Unassigned	5,041,941						5,041,941
<i>Total Fund Equity</i>	<u>5,041,941</u>	<u>743</u>	<u>84,998</u>	<u>6,456</u>	<u>291,672</u>	<u>-</u>	<u>5,425,810</u>
<i>Total Liabilities and Fund Eq</i>	<u>\$ 5,041,835</u>	<u>\$ 743</u>	<u>\$ 84,998</u>	<u>\$ 6,456</u>	<u>\$ 293,444</u>	<u>\$ -</u>	<u>\$ 5,427,476</u>

CITY OF CHICKASHA, OKLAHOMA
Combining Statement of Revenues, Expenditures, and Changes in Fund Balances
General Fund Accounts - Modified Cash Basis
For the Year Ended June 30, 2013

	<u>General Fund Account</u>	<u>Fire/EMS Training Fund Account</u>	<u>Police Training Fund Account</u>	<u>Police Operating Account</u>	<u>Police Bond Fund Account</u>	<u>Inter Account Elimination</u>	<u>Total General Fund</u>
Revenues							
Taxes	\$ 8,246,153	\$	\$	\$	\$	\$	\$ 8,246,153
Intergovernmental	280,484						280,484
Charges for services	273,749						273,749
Fines and forfeitures					209,051		209,051
Licenses and permits	121,152						121,152
Investment income	2,470	1	79		239		2,789
Oil Lease	3,018,750						3,018,750
Miscellaneous	176,980			2,726	567		180,273
<i>Total Revenues</i>	<u>12,119,738</u>	<u>1</u>	<u>79</u>	<u>2,726</u>	<u>209,857</u>	<u>-</u>	<u>12,332,401</u>
Expenditures							
Current:							
Administration	237,396						237,396
Fire/EMS	2,117,681	1,126					2,118,807
Police	2,686,918		15,828	2,836	29,689		2,735,271
Parks and recreation	457,838						457,838
Cemetery	111,460						111,460
Sports complex	293,768						293,768
Library	352,143						352,143
Streets	659,088						659,088
Central garage	67,880						67,880
Support services	177,425						177,425
Finance	170,554						170,554
Community development	293,330						293,330
Utility billing	86,705						86,705
General government	280,474						280,474
Capital outlay	505,540						505,540
Debt service	160,381						160,381
<i>Total Expenditures</i>	<u>8,658,581</u>	<u>1,126</u>	<u>15,828</u>	<u>2,836</u>	<u>29,689</u>	<u>-</u>	<u>8,708,060</u>
<i>Excess (Deficiency) of Revenues over Expenditures</i>	<u>3,461,157</u>	<u>(1,125)</u>	<u>(15,749)</u>	<u>(110)</u>	<u>180,168</u>	<u>-</u>	<u>3,624,341</u>
Other Financing Sources (Uses)							
Contribution Income	75,050						75,050
Transfers in	1,924,519	400	13,471			(169,143)	1,769,247
Transfers out	(2,596,535)				(169,143)	169,143	(2,596,535)
<i>Total Other Financing Sources (Uses)</i>	<u>(596,966)</u>	<u>400</u>	<u>13,471</u>	<u>-</u>	<u>(169,143)</u>	<u>-</u>	<u>(752,238)</u>
Net Change in Fund Balances	2,864,191	(725)	(2,278)	(110)	11,025	-	2,872,103
Fund Balances - beginning	2,177,750	1,468	87,276	6,566	280,647	-	2,553,707
Fund Balances - ending	<u>\$ 5,041,941</u>	<u>\$ 743</u>	<u>\$ 84,998</u>	<u>\$ 6,456</u>	<u>\$ 291,672</u>	<u>\$ -</u>	<u>\$ 5,425,810</u>

CITY OF CHICKASHA, OKLAHOMA
Schedule of Federal and State Awards
Modified Cash Basis
For the Year Ending June 30, 2013

Grantor/Program Title	Federal CFDA #	Award Amount	Prior Year Revenues	Current Year Revenues	Prior Year Expenditures	Current Year Expenditures
Federal Awards:						
ASPR Hospital Grant - Computer	93.889	\$5,000.00		5,000.00		2,313.96
USDOJ-LLEBG	16.607	\$10,000.00		9,780.00		9,780.00
USDOJ- Bullet Proof Vest	16.607	\$3,000.00		3,014.00		1,063.58
Washita Park Rehab - CDBG 13897 cdbg 09	14.228	\$80,387.00		69,457.80	\$69,457.80	0.00
Centennial Park CDBG 14415 cdbg 10	14.228	\$90,235.00		69,203.50	\$69,203.50	
Washita Park Comm Bldg CDBG 14900 11	14.228	\$88,559.00		0.00		50,447.00
2009-2011 SRTS Grant	20.205	\$175,000.00			\$11,800.00	800.00
FAA AIP-3-40-0018-009-2010 (master plan)	20.106	\$63,650.00	\$46,550.00	17,100.00	\$63,650.00	0.00
FAA AIP 3-40-0018-011-2012 (drainage)	20.106	\$108,784.00		108,784.00		108,784.00
FAA AIP 3-40-0018-012-2013 (runway)	20.106	\$202,261.00				4,400.00
Homeland Security #180.203	97.055	\$53,802.00		53,802.00		53,802.00
Total Federal Awards		<u>\$880,678.00</u>	<u>\$46,550.00</u>	<u>\$345,921.30</u>	<u>\$214,111.30</u>	<u>\$231,390.54</u>
State Awards:						
Okla Highway Safety Office "More Cops, More Stops"		\$4,000.00		4,000.00		4,000.00
E-Book Library Grant		\$3,000.00		3,000.00		3,000.00
ODL - Annual State Aid - C&R		\$25,000.00		25,668.00		24,888.09
Live at 25 (police) - program		\$3,200.00		2,325.00		160.50
FEMA State 07 storm				19,528.99	\$19,528.99	
FEMA - Storm - May 2011				31,178.51	\$31,178.51	
HMPG - FEMA 1401 DR OK2				6,761.89	\$6,761.89	
Total State Awards		<u>\$35,200.00</u>	<u>\$0.00</u>	<u>\$92,462.39</u>	<u>\$57,469.39</u>	<u>\$32,048.59</u>

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

Members of the City Council
City of Chickasha, Oklahoma

We have audited audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States, the accompanying modified cash basis financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the City of Chickasha, Oklahoma, as of and for the year ended June 30, 2013, and the related notes to the financial statements, which collectively comprise the City's basic financial statements and have issued our report thereon dated February 27, 2014. Our report included an emphasis of matter paragraph on the City's use of the modified cash basis of accounting.

Internal Control Over Financial Reporting

In planning and performing our audit of the financial statements, we considered the City's internal control over financial reporting (internal control) to determine auditing procedures that are appropriate in the circumstances for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the City's internal control. Accordingly, we do not express an opinion on the effectiveness of the City's internal control.

A *deficiency in internal control* exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct misstatements on a timely basis. A *material weakness* is a deficiency, or combination of deficiencies, in internal control such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented, or detected and corrected on a timely basis. A *significant deficiency* is a deficiency, or combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies and therefore, material weaknesses or significant deficiencies may exist that were not identified. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified. We did identify certain deficiencies described in the accompanying Schedule of Findings and Responses that we consider to be significant deficiencies. 13-1, 13-2, 13-3, 13-4, and 13-5.

Compliance and Other Matters

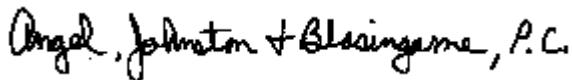
As part of obtaining reasonable assurance about whether the City's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit and, accordingly, we do not express such an opinion. The results of our tests disclosed an instance of noncompliance or other matters that is required to be reported under *Government Auditing Standards* and which is described in the accompanying Schedule of Findings and Responses as item 13-1.

City of Chickasha's Responses to Findings

The City's response to the findings identified in our audit is described in the accompanying Schedule of Findings and Responses. The City's response was not subjected to the auditing procedures applied in the audit of the financial statements and, accordingly, we express no opinion on it.

Purpose of This Report

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the entity's internal control or on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the entity's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.



Chickasha, Oklahoma
February 27, 2014

CITY OF CHICKASHA, OKLAHOMA
Schedule of Findings and Responses
For the Year Ended June 30, 2013

Deficiencies of Internal Control, Compliance and Other Matters

13-1. Criteria – The cash and investments are required to be either insured or collateralized. This insures in case of a banking failure that the City’s funds are fully recoverable.

Condition – At yearend the Chickasha Industrial Authority had over \$87,000 that was not collateralized or insured. We also noted the only schedule prepared to monitor proper coverage was prepared at yearend. This schedule contains some errors and did not reveal the shortage of coverage.

Cause – On-going effective procedures for monitoring coverage are not in place.

Effect – At year end City funds were exposed due to lack of coverage. During the year funds could also lack proper coverage and go undetected.

Recommendation – Establish on-going monitoring procedures for proper cash and investment coverage.

Management response – Staff put in place pledged collateral issued to Chickasha Industrial Authority on September 25, 2013. After findings, it was agreed upon that the current par value that was issued under the name of the City of Chickasha should be estranged from the Chickasha Industrial Authority. All policies and procedures will include the separation of Chickasha Industrial Authority and will be an on-going practice.

13-2. Criteria – Utility billing needs to have established reconciliation and control procedures over utility adjustments.

Condition – The computer system can produce reconciliation reports, but they are not properly utilized to control the validity of adjustments and collections.

Cause – There did not appear to be clear procedural understanding of the purpose of the utility reconciliation.

Effect – The necessary oversight procedures were not in place to monitor validity of utility adjustments and collections.

Recommendation – Establish and monitor the utility reconciliation procedures.

Management response – Staff has implemented a procedure to monitor utility adjustments that are necessary after the bill calculation has been run. A generated monthly transaction report from our INCODE software reconciles with a drawdown report explaining the needed adjustments for leaks, misreads or overages after the utility bills have been produced. Each adjustment is examined and authorized by the Finance Director.

13-3. Criteria – Old outstanding checks should be investigated and resolved on a periodic basis.

Condition – At year end there were old outstanding checks in excess of \$10,000.

Cause – There is no established process to investigate and resolve outstanding checks.

CITY OF CHICKASHA, OKLAHOMA
Schedule of Findings and Responses
For the Year Ended June 30, 2013

Effect – Invalid checks are being carried as a liability on the City’s financial statements.

Recommendation – Properly investigate outstanding checks and void in compliance with state statute when appropriate.

Management response – The outstanding check list for the City of Chickasha consists of a majority of inexpensive water refunds from utility deposits. Utility customers drop their service leaving no forwarding address making it difficult to present them with these finances. Many of these checks are never returned to the City. The cost of postage, publication and reissuing of these outstanding checks has been the hindrance.

Staff will develop and implement an Action Plan for FY15 to clear these outstanding encumbrances and follow all other ruling of §11-35-102.1 through §11-35-107 cover these types of issues.

- 13-4. Criteria – Time sheets should be signed by employees and a supervisor to verify their appropriateness.

Condition – Neither the employee or a supervisor signs current timesheets.

Cause – No authorization or validation signatures are required under current procedures.

Effect – Unauthorized time could be claimed without an employee or supervisor taking responsibility for the appropriateness of the time work and/or time taken off.

Recommendation – Implement proper authorization and monitoring procedures.

Management response – Effective December, 2013 all time sheets and biweekly authorization forms will be provided to the payroll clerk at the beginning of the process of payroll. Signatures or initials will advise the payroll clerk that the employees and supervisors concur with the earned and/or leave hours being processed during this pay period.

- 13-5. Criteria – For income that is not billed by the City there needs to be a system to track to the extent possible its completeness.

Condition – Oil and gas royalties are erratic but by review of the remittance advices production months can be tracked. This is not being done.

Effect – Unbilled and untracked income opens the possibility of income not being received or the possibility it is used to replace cash in a check for cash scheme. The check for cash scheme is a very common procedure to commit fraud.

Cause – No procedures have been established.

Recommendation – Establish and monitor appropriate tracking procedures.

Management response – A spreadsheet for the oil and gas royalties will be created to eliminate the possibility of a check not being received or posted to the General Ledger. With the constant changing of ownership in the oil and gas industry this method will aid in the auditing practices and methods.

CITY OF CHICKASHA, OKLAHOMA
Disposition of Prior Year Findings
For the Year Ended June 30, 2013

Deficiencies of Internal Control, Compliance and Other Matters

- 12-1. Criteria – A single audit is required when the City spends federal funding in excess of \$500,000. A single audit requires the City to identify of all federal program awards and expenditures. The City is also required to prepare a schedule of expenditures of federal awards.

Condition – Federal awards and expenditures are not reconciled to the City’s financial statements monthly or at yearend. This requires the auditor to perform a search for federal awards and expenditures. Also non-cash grant activity is not tracked. Also the City does not prepare a schedule of expenditures of federal awards.

Disposition – This finding was not noted in the 2012-13 year.

- 12-2. Criteria – Debt payments, proceeds and balances are required to be reported in the financial statements.

Condition – The City does not maintain a debt schedule showing the required reporting information.

Disposition – This finding was not noted in the 2012-13 year.

- 12-3. Criteria – Capital assets (land, buildings, improvements, utility property/improvements, machinery, equipment, vehicles, and infrastructure) that exceed the City’s \$3,500 threshold should be properly identified for capitalization and recorded in the capital asset listing.

Condition – Capital assets that exceed the threshold amount are not being tracked and recorded in the capital assets listing throughout the year. We had to search for the non-identified capital assets.

Disposition – This was not noted as a finding in the 2012-13 year.

- 12-4. Criteria – Utility billing needs to have established controls over adjustments.

Condition – For all of last year the adjustments population was not independently verified. However, the individual adjustments are independently approved.

Cause – This was noted as a finding again in the 2012-13 year.

- 12-5. Criteria – Construction in Progress should be identified so they can properly be reported in the yearend financial statements.

Condition – Projects and bids are maintained in files but the auditing firm had to accumulate the total amount for capitalization and there stage of completion at yearend.

Disposition – This was not noted as a finding in the 2012-13 year.

CITY OF CHICKASHA, OKLAHOMA
Disposition of Prior Year Findings
For the Year Ended June 30, 2013

12-6. Criteria – Certain revenues are legally restricted to be spent for specific purposes. These funds need to be tracked to ensure proper use of funds.

Condition – Funds had been transferred from the Cemetery fund and E-911 fund to the Capital Equipment Replacement fund. These funds are legally restricted for specific purposes. However, at yearend the cash available in the Capital Equipment Replacement fund was less the restricted funds that had been placed in this fund and unspent.

Disposition – This was not as a finding in the 2012-13 year.