

# CITY OF CHICKASHA, OKLAHOMA

June 30, 2016

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## INDEPENDENT AUDITOR'S REPORT

Members of the City Council  
City of Chickasha, Oklahoma

### Report on 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, 2016, 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.C; 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, 2016, 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.C.

## **Basis of Accounting**

We draw your attention to Note 1.C. of the financial statements, which describes the basis of accounting. The financial statements are prepared on a modified cash basis of accounting which is a 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 and Other Information*

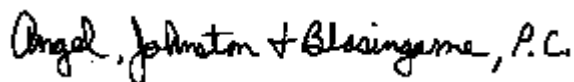
Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the Chickasha, Oklahoma basic financial statements. The Supplementary and Other Information as listed in the table of contents are presented for additional analysis and are not a required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

The combining and individual nonmajor fund financial statements, the combining general fund statements, the combining enterprise fund 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 and individual nonmajor fund financial statements, the combining general fund statements, the combining enterprise fund 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.

The budgetary comparison schedules on pages C-1 through C-4, which are the responsibility of management, are presented for purposes of additional analysis and are not a required part of the basic financial statements. Such information has not been subjected to the auditing procedures applied in the audit of the basic financial statements, and we do not express an opinion or provide any assurance on it.

## **Other Reporting Required by Governmental Auditing Standards**

In accordance with *Government Auditing Standards*, we have also issued our report dated January 21, 2017, 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  
January 21, 2017

**CITY OF CHICKASHA, OKLAHOMA**  
**Government-wide Statement of Net Position - Modified Cash Basis**  
**June 30, 2016**

	<b>Governmental Activities</b>	<b>Business-Type Activities</b>	<b>Total</b>
<b><u>Assets</u></b>			
Cash and cash equivalents	\$ 5,690,336	\$ 3,142,867	\$ 8,833,203
Investments	6,600,000	8,150,000	14,750,000
Restricted cash	-	9,264,528	9,264,528
Restricted investments	-	150,000	150,000
Prepaid expense	24,521	-	24,521
Note receivable	250,000	-	250,000
Capital assets:			
Land and other non-depreciable assets	2,568,951	5,888,912	8,457,863
Other capital assets, net	33,558,919	34,159,227	67,718,146
<i>Total Assets</i>	<u>48,692,727</u>	<u>60,755,534</u>	<u>109,448,261</u>
<b><u>Liabilities</u></b>			
Current liabilities:			
Police bonds	2,109	-	2,109
Due to depositors	-	348,286	348,286
Due to other funds	(38,525)	38,525	-
Due within one year	244,214	997,274	1,241,488
Long-term liabilities:			
Due in more than one year	759,685	7,511,499	8,271,184
<i>Total Liabilities</i>	<u>967,483</u>	<u>8,895,584</u>	<u>9,863,067</u>
<b><u>Net Position</u></b>			
Invested in capital assets, net of related debt	35,123,972	31,539,366	66,663,338
Restricted for debt service	-	383,776	383,776
Restricted for capital projects	12,536	8,696,579	8,709,115
Restricted for other purposes	4,552,497	2,727,311	7,279,808
Unrestricted	8,036,240	8,512,918	16,549,158
<i>Total Net Position</i>	<u>\$ 47,725,245</u>	<u>\$ 51,859,950</u>	<u>\$ 99,585,195</u>

See accompanying notes to basic financial statements

**CITY OF CHICKASHA, OKLAHOMA**  
**Government-wide Statement of Activities - Modified Cash Basis**  
**For the Year Ending June 30, 2016**

<b>Functions/Programs</b>	<b>Program Revenues</b>				<b>Net (Expenses) Revenue and Changes in Net Position</b>		
	<b>Expenses</b>	<b>Charges for Services</b>	<b>Operating Grants and Contributions</b>	<b>Capital Grants and Contributions</b>	<b>Governmental Activities</b>	<b>Business-Type Activities</b>	<b>Total</b>
<b>Primary Government:</b>							
Governmental Activities:							
Public safety-Fire/EMS	\$ 4,285,802	\$ -	\$ 105,031	\$ 1,500	\$ (4,179,271)	\$ -	\$ (4,179,271)
Public safety-Police	3,643,998	1,526,756	11,000	5,979	(2,100,263)	-	(2,100,263)
Culture, parks and recreation	1,631,218	107,117	20,645	21,439	(1,482,017)	-	(1,482,017)
Streets	1,974,091	-	-	-	(1,974,091)	-	(1,974,091)
Cemetery	154,400	100,203	-	-	(54,197)	-	(54,197)
Community development	181,082	-	-	-	(181,082)	-	(181,082)
General government	1,637,310	213,787	-	250	(1,423,273)	-	(1,423,273)
Economic development	920,976	-	-	15,381	(905,595)	-	(905,595)
Interest expense	29,927	-	-	-	(29,927)	-	(29,927)
<i>Total Governmental Activities</i>	<u>14,458,804</u>	<u>1,947,863</u>	<u>136,676</u>	<u>44,549</u>	<u>(12,329,716)</u>	<u>-</u>	<u>(12,329,716)</u>
Business-Type Activities:							
Water	2,857,458	2,140,107	-	-	-	(717,351)	(717,351)
Sewer	1,537,604	1,523,397	-	-	-	(14,207)	(14,207)
Sanitation	2,147,331	1,632,307	-	-	-	(515,024)	(515,024)
Lake	154,318	27,828	-	-	-	(126,490)	(126,490)
Airport	511,059	1,269,230	-	-	-	758,171	758,171
Administration	1,213,923	-	-	-	-	(1,213,923)	(1,213,923)
<i>Total Business-Type Activities</i>	<u>8,421,693</u>	<u>6,592,869</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>(1,828,824)</u>	<u>(1,828,824)</u>
<i>Total Primary Government</i>	<u>\$ 22,880,497</u>	<u>\$ 8,540,732</u>	<u>\$ 136,676</u>	<u>\$ 44,549</u>	<u>\$ (12,329,716)</u>	<u>\$ (1,828,824)</u>	<u>\$ (14,158,540)</u>
General Revenues:							
Taxes:							
Sales taxes					10,947,326	-	10,947,326
Use taxes					650,847	-	650,847
Franchise taxes					512,976	-	512,976
Hotel/Motel taxes					382,327	-	382,327
E-911 taxes					143,788	-	143,788
Advalorem taxes					119,705	-	119,705
Intergovernmental revenue					388,333	-	388,333
Investment income					22,969	28,145	51,114
Miscellaneous					352,832	122,209	475,041
Transfers - internal activity					(2,191,534)	2,191,534	-
<i>Total General Revenues and Transfers</i>					<u>11,329,569</u>	<u>2,341,888</u>	<u>13,671,457</u>
<i>Change in Net Position</i>					(1,000,147)	513,064	(487,083)
<i>Net Position - beginning, restated</i>					<u>48,725,392</u>	<u>51,346,886</u>	<u>100,072,278</u>
<i>Net Position - ending</i>					<u>\$ 47,725,245</u>	<u>\$ 51,859,950</u>	<u>\$ 99,585,195</u>

See accompanying notes to basic financial statements.

**CITY OF CHICKASHA, OKLAHOMA**  
**Balance Sheet**  
**Governmental Funds - Modified Cash Basis**  
**June 30, 2016**

	<u>General</u>	<u>EMS</u>	<u>ED-Dedicated Sales Tax</u>	<u>Capital Project Fund Dedicated Sales Tax</u>	<u>Other Governmental Funds</u>	<u>Total Governmental Funds</u>
<b><u>Assets</u></b>						
Cash and cash equivalents	\$ 521,933	\$ 265,214	\$ 863,535	\$ 1,243,669	\$ 1,479,400	\$ 4,373,751
Investments	1,000,000	-	3,200,000	-	1,400,000	5,600,000
Internal service receivable	64,570	-	-	-	-	64,570
Due from other funds	10,643	36	-	-	119,454	130,133
Prepaid Taxes	778	-	-	-	-	778
<i>Total Assets</i>	<u>1,597,924</u>	<u>265,250</u>	<u>4,063,535</u>	<u>1,243,669</u>	<u>2,998,854</u>	<u>10,169,232</u>
<b><u>Liabilities</u></b>						
Due to Other Funds	81,273	10,335	-	-	-	91,608
Police bonds	2,109	-	-	-	-	2,109
<i>Total Liabilities</i>	<u>83,382</u>	<u>10,335</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>93,717</u>
<b><u>Fund Equity</u></b>						
Fund Balance:						
Restricted	390	-	3,473,916	12,536	1,078,191	4,565,033
Assigned	56,372	254,915	589,619	1,231,133	1,920,663	4,052,702
Unassigned	1,457,780	-	-	-	-	1,457,780
<i>Total Fund Balance</i>	<u>1,514,542</u>	<u>254,915</u>	<u>4,063,535</u>	<u>1,243,669</u>	<u>2,998,854</u>	<u>10,075,515</u>
<i>Total Liabilities and Fund Balance</i>	<u>\$ 1,597,924</u>	<u>\$ 265,250</u>	<u>\$ 4,063,535</u>	<u>\$ 1,243,669</u>	<u>\$ 2,998,854</u>	<u>\$ 10,169,232</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, 2016**

	<u>General</u>	<u>EMS</u>	<u>ED-Dedicated Sales Tax</u>	<u>Capital Project Fund Dedicated Sales Tax</u>	<u>Other Governmental Funds</u>	<u>Total Governmental Funds</u>
<b>Revenues</b>						
Taxes	\$ 8,788,120	\$ -	\$ 644,074	\$ 2,190,820	\$ 1,133,955	\$ 12,756,969
Intergovernmental	280,730	-	-	-	150,005	430,735
Charges for services	243,915	1,412,187	-	-	24,897	1,680,999
Fines and forfeitures	207,105	-	-	-	-	207,105
Licenses and permits	159,758	-	-	-	-	159,758
Investment income	3,350	126	8,772	1,278	5,228	18,754
Miscellaneous	111,655	26,010	-	19,689	230,590	387,944
<i>Total Revenues</i>	<u>9,794,633</u>	<u>1,438,323</u>	<u>652,846</u>	<u>2,211,787</u>	<u>1,544,675</u>	<u>15,642,264</u>
<b>Expenditures</b>						
Current:						
Administration	361,311	-	-	-	-	361,311
Fire/EMS	2,342,467	1,408,460	-	-	-	3,750,927
E-911	-	-	-	-	78,064	78,064
Police	3,247,759	-	-	-	11,794	3,259,553
Parks and recreation	488,370	-	-	-	-	488,370
Cemetery	118,703	-	-	-	-	118,703
Sports complex	302,485	-	-	-	-	302,485
Library	379,160	-	-	-	-	379,160
Streets	577,542	-	-	-	-	577,542
Central garage	69,797	-	-	-	-	69,797
Support services	4,489	-	-	-	-	4,489
Finance	246,192	-	-	-	-	246,192
Community development/Building serv	264,394	-	-	-	-	264,394
General government	496,306	-	-	2,000	285	498,591
Neighborhood services	182,660	-	-	-	-	182,660
Economic development	-	-	647,182	-	523,794	1,170,976
Capital outlay	537,646	31,430	139,864	1,233,465	2,336,016	4,278,421
Debt service:						
Principal	221,887	-	-	-	24,503	246,390
Interest expense	24,256	-	-	-	5,671	29,927
<i>Total Expenditures</i>	<u>9,865,424</u>	<u>1,439,890</u>	<u>787,046</u>	<u>1,235,465</u>	<u>2,980,127</u>	<u>16,307,952</u>
Excess (Deficiency) of Revenues over Expenditures	<u>(70,791)</u>	<u>(1,567)</u>	<u>(134,200)</u>	<u>976,322</u>	<u>(1,435,452)</u>	<u>(665,688)</u>
<b>Other Financing Sources (Uses)</b>						
Capital lease proceeds	17,574	-	-	-	380,316	397,890
Contribution expense/income	18,480	-	(287,797)	(95,185)	387,797	23,295
Transfers in	1,698,658	-	-	-	114,633	1,813,291
Transfers out	(2,834,803)	-	-	(1,144,659)	(42,309)	(4,021,771)
<i>Total Other Financing Sources (Uses)</i>	<u>(1,100,091)</u>	<u>-</u>	<u>(287,797)</u>	<u>(1,239,844)</u>	<u>840,437</u>	<u>(1,787,295)</u>
Net Change in Fund Balances	(1,170,882)	(1,567)	(421,997)	(263,522)	(595,015)	(2,452,983)
Fund Balances - beginning	<u>2,685,424</u>	<u>256,482</u>	<u>4,485,532</u>	<u>1,507,191</u>	<u>3,593,869</u>	<u>12,528,498</u>
Fund Balances - ending	<u>\$ 1,514,542</u>	<u>\$ 254,915</u>	<u>\$ 4,063,535</u>	<u>\$ 1,243,669</u>	<u>\$ 2,998,854</u>	<u>\$ 10,075,515</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, 2016**

**Reconciliation to Statement of Net Assets:**

Fund balances of governmental funds	\$	10,075,515
Amounts reported for governmental activities in the Statement of Net Assets are different because:		
Note receivables in governmental activities are not financial resources and, therefore are not reported in the funds:		
		250,000
Capital assets used in governmental activities are not financial resources and, therefore are not reported in the funds:		
Capital assets, net of accumulated depreciation		36,127,870
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 Position of the Internal Service Fund		2,275,758
Some liabilities are not due and payable in the current period and, therefore are not reported in the funds:		
Capital lease payables		(1,003,898)
		\$ 47,725,245

**Reconciliation to Statement of Activities:**

Net change in fund balances of governmental funds	\$	(2,452,983)
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		3,114,868
Depreciation expense		(1,668,919)
Note receivable reported as expenditure in the governmental funds		250,000
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:		
Principal payments on long term debt		246,390
Proceeds of long term debt		(397,890)
Correction of capital lease acquisition		3,711
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		(95,324)
Change in net position of governmental activities	\$	(1,000,147)

See accompanying notes to basic financial statements



**CITY OF CHICKASHA, OKLAHOMA**  
**Statement of Net Position**  
**Proprietary Funds - Modified Cash Basis**  
**June 30, 2016**

	<u>Enterprise Funds</u>			<u>Internal Service Fund</u>
	<u>Chickasha Municipal Authority</u>	<u>Chickasha Municipal Airport Authority</u>	<u>TOTAL</u>	
<b><u>Assets</u></b>				
Current Assets:				
Cash and cash equivalents	\$ 1,626,301	\$ 1,516,565	\$ 3,142,866	\$ 1,316,585
Investments	7,350,000	800,000	8,150,000	1,000,000
Prepaid expense	-	-	-	23,743
Due from other funds	372	-	372	-
<i>Total Current Assets</i>	<u>8,976,673</u>	<u>2,316,565</u>	<u>11,293,238</u>	<u>2,340,328</u>
Noncurrent Assets:				
Restricted cash and cash equivalents	9,264,528	-	9,264,528	-
Restricted investments	150,000	-	150,000	-
Land and other non-depreciable assets	5,774,637	114,275	5,888,912	-
Other capital assets, net of depreciation	31,239,638	2,919,589	34,159,227	-
<i>Total Noncurrent Assets</i>	<u>46,428,803</u>	<u>3,033,864</u>	<u>49,462,667</u>	<u>-</u>
<i>Total Assets</i>	<u>55,405,476</u>	<u>5,350,429</u>	<u>60,755,905</u>	<u>2,340,328</u>
<b><u>Liabilities</u></b>				
Current Liabilities:				
Due to other funds	38,896	-	38,896	64,570
Due to depositors	348,286	-	348,286	-
Capital lease obligations payable	32,274	-	32,274	-
Revenue notes payable	965,000	-	965,000	-
<i>Total Current Liabilities</i>	<u>1,384,456</u>	<u>-</u>	<u>1,384,456</u>	<u>64,570</u>
Noncurrent Liabilities:				
Capital lease obligations payable	66,499	-	66,499	-
Revenue notes payable	7,445,000	-	7,445,000	-
<i>Total Noncurrent Liabilities</i>	<u>7,511,499</u>	<u>-</u>	<u>7,511,499</u>	<u>-</u>
<i>Total Liabilities</i>	<u>8,895,955</u>	<u>-</u>	<u>8,895,955</u>	<u>64,570</u>
<b><u>Net Position</u></b>				
Invested in capital assets, net of related debt	28,505,502	3,033,864	31,539,366	-
Restricted for debt service	383,776	-	383,776	-
Restricted for capital projects	8,696,579	-	8,696,579	-
Restricted for other purposes	410,746	2,316,565	2,727,311	-
Unrestricted	8,512,918	-	8,512,918	2,275,758
<i>Total Net Position</i>	<u>\$ 46,509,521</u>	<u>\$ 5,350,429</u>	<u>\$ 51,859,950</u>	<u>\$ 2,275,758</u>

See accompanying notes to basic financial statements

**CITY OF CHICKASHA, OKLAHOMA**  
**Statement of Revenues, Expenses and Changes Net Position**  
**Proprietary Funds - Modified Cash Basis**  
**For the Year Ending June 30, 2016**

	Enterprise Funds			Internal Service Fund
	Chickasha Municipal Authority	Chickasha Municipal Airport Authority	TOTAL	
<b>Operating Revenues</b>				
Charges for Services:				
Water revenue	\$ 2,042,087	\$ -	\$ 2,042,087	\$ -
Sewer revenue	1,474,452	-	1,474,452	-
Sanitation revenue	1,492,134	-	1,492,134	-
Penalties and fees	166,265	-	166,265	-
User resource fees	30,232	-	30,232	-
Lake revenue	27,828	-	27,828	-
Airport revenue	-	1,269,230	1,269,230	-
Charges for services	90,641	-	90,641	1,965,100
Employee insurance contributions	-	-	-	290,527
Miscellaneous receipts	-	-	-	18,516
Insurance reimbursements	-	-	-	451,056
<i>Total Operating Revenues</i>	<u>5,323,639</u>	<u>1,269,230</u>	<u>6,592,869</u>	<u>2,725,199</u>
<b>Operating Expenses</b>				
CMA general	146,301	-	146,301	-
Administration	750,437	-	750,437	-
Water	2,140,525	-	2,140,525	-
Sewer	850,180	-	850,180	-
Sanitation	2,129,730	-	2,129,730	-
Lake	122,533	-	122,533	-
Building maintenance	290,833	-	290,833	-
Airport	-	341,115	341,115	-
Insurance coverage	-	-	-	2,717,748
Compensated absences	-	-	-	144,176
Personel expenses	-	-	-	(43,535)
Depreciation expense	1,272,138	169,944	1,442,082	-
<i>Total Operating Expenses</i>	<u>7,702,677</u>	<u>511,059</u>	<u>8,213,736</u>	<u>2,818,389</u>
<i>Operating Income (Loss)</i>	<u>(2,379,038)</u>	<u>758,171</u>	<u>(1,620,867)</u>	<u>(93,190)</u>
<b>Nonoperating Revenues (Expenses)</b>				
Investment income	25,927	2,218	28,145	4,215
Interest expense	(207,957)	-	(207,957)	-
Rent	122,209	-	122,209	-
<i>Total Nonoperating Revenues (Expenses)</i>	<u>(59,821)</u>	<u>2,218</u>	<u>(57,603)</u>	<u>4,215</u>
Net Income (Loss) Before Contributions and Transfers	(2,438,859)	760,389	(1,678,470)	(88,975)
Capital contributions	95,185	-	95,185	-
Contribution expense	(118,480)	-	(118,480)	-
Transfers in	3,903,040	-	3,903,040	-
Transfers out	(1,688,211)	-	(1,688,211)	(6,349)
<i>Change in Net Assets</i>	(247,325)	760,389	513,064	(95,324)
<i>Net Position - beginning</i>	46,756,846	4,590,040	51,346,886	2,299,112
<i>Prior period adjustment</i>	-	-	-	71,970
<i>Net Position - beginning - restated</i>	<u>46,756,846</u>	<u>4,590,040</u>	<u>51,346,886</u>	<u>2,371,082</u>
<i>Net Position - ending</i>	<u>\$ 46,509,521</u>	<u>\$ 5,350,429</u>	<u>\$ 51,859,950</u>	<u>\$ 2,275,758</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, 2016**

	<b>Enterprise Funds</b>			<b>Internal Service Fund</b>
	<b>Chickasha Municipal Authority</b>	<b>Chickasha Municipal Airport Authority</b>	<b>TOTAL</b>	
<b>Cash Flows From Operating Activities</b>				
Receipts from customers	\$ 5,323,639	\$ 244,302	\$ 5,567,941	\$ 2,706,683
Receipts from other funds	(288)	-	(288)	-
Vendors and others paid	(6,430,539)	(341,115)	(6,771,654)	(2,842,132)
Customer meter deposits receipts/refunds	19,631	-	19,631	-
Other receipts (payments)	-	1,024,928	1,024,928	18,516
<i>Net Cash Provided by Operating Activities</i>	<u>(1,087,557)</u>	<u>928,115</u>	<u>(159,442)</u>	<u>(116,933)</u>
<b>Cash Flows From Noncapital Financing Activities</b>				
Miscellaneous revenue	122,209	-	122,209	-
Transfers from other funds	3,903,330	-	3,903,330	-
Transfers to other funds	(1,650,000)	-	(1,650,000)	(6,349)
<i>Net Cash Provided by Noncapital Financing Activities</i>	<u>2,375,539</u>	<u>-</u>	<u>2,375,539</u>	<u>(6,349)</u>
<b>Cash Flows From Capital and Related Financing Activities</b>				
Purchases of capital assets	(1,950,192)	(26,460)	(1,976,652)	-
Principal paid on capital debt	(948,758)	-	(948,758)	-
Loan proceeds	69,869	-	69,869	-
Contribution income	95,185	-	95,185	-
Contribution expense	(118,480)	-	(118,480)	-
Interest paid on capital debt	(207,957)	-	(207,957)	-
<i>Net Cash Provided by (used in) Capital and Related Financing Activities</i>	<u>(3,060,333)</u>	<u>(26,460)</u>	<u>(3,086,793)</u>	<u>-</u>
<b>Cash Flows From Investing Activities</b>				
Interest received	25,927	2,218	28,145	4,215
(Increase) decrease in investments	(300,000)	-	(300,000)	969,000
<i>Net Cash Provided by Investing Activities</i>	<u>(274,073)</u>	<u>2,218</u>	<u>(271,855)</u>	<u>973,215</u>
<i>Net Increase in Cash and Cash Equivalents</i>	(2,046,424)	903,873	(1,142,551)	849,933
<i>Balance - beginning of the year</i>	12,937,254	612,692	13,549,946	466,652
<i>Balance - end of the year</i>	<u>10,890,830</u>	<u>1,516,565</u>	<u>12,407,395</u>	<u>1,316,585</u>
<b>Reconciliation of Operating Income (Loss) to Net Cash Provided by Operating Activities:</b>				
Operating income (loss)	(2,379,038)	758,171	(1,620,867)	(93,190)
Adjustments to reconcile operating income to net cash provided (used) by operating activities:				
Depreciation expense	1,272,138	169,944	1,442,082	-
Changes in assets and liabilities:				
Prepaid expenses	-	-	-	(23,743)
Due to other funds	(288)	-	(288)	-
Due to depositors	19,631	-	19,631	-
<i>Net Cash Provided by Operating Activities</i>	<u>\$ (1,087,557)</u>	<u>\$ 928,115</u>	<u>\$ (159,442)</u>	<u>\$ (116,933)</u>

See accompanying notes to basic financial statements



**CITY OF CHICKASHA, OKLAHOMA**  
**Notes To Basic Financial Statements**  
**For the Year Ended June 30, 2016**

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**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, 2016**

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**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/prepays
- investments
- utility deposit liabilities

This basis is a comprehensive basis of accounting other than accounting principles 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, 2016**

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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 Funds:*

- 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.

**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:*

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

**CITY OF CHICKASHA, OKLAHOMA**  
**Notes To Basic Financial Statements**  
**For the Year Ended June 30, 2016**

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**Proprietary Funds**

**Major Enterprise Funds:**

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

**Internal Service Fund (provides the following services):**

- Combined Insurance – accounts for property, health, worker’s compensation and liability insurance provided to various funds of the City.
- Compensated Absences – accounts for the reserve of vacation, sick leave, and comp time accruals for city employees.
- Payroll withholding accounts – Transfers, Health Benefit Plan, Flex Accounts and UMR Insurance – to account for payroll taxes for employee and employer, health benefits and withholdings from payroll for employees flex benefits and insurances withheld from 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 are legally required to adopt an annual budget. The Public Trust funds are 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, 2016**

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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, 2016**

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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. At the end of the fiscal year the City had not maintained the unassigned fund balance as required.

### **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, 2016**

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**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.

**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 12/31/23) to the Dedicated Sales Tax Fund, and seven-thirty-seconds (expires 6/30/16) to the ED-Dedicated Sales Tax Fund. 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 can be used to secure related debt service payments. The three-fourth cent Dedicated Sales Tax has been allocated to the Chickasha Municipal Authority to secure debt service payments of the \$9,875,000 2014 Sales Tax Revenue Note.

**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 4<sup>th</sup> 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, 2016, the reporting entity had the following deposits and investments:

<u>Type of Deposits</u>	<u>Carrying Value</u>
<b>Deposits:</b>	
Demand deposits	\$ 88,508
Time Deposits	<u>23,794,923</u>
<b>Total</b>	<u>\$ 23,883,431</u>
<b>Money Market Mutual Funds:</b>	<b>Maturities</b>
BOK-Short-Term Cash Fund I	N/A
<b>OMAG Escrow</b>	<b>Credit Rating</b>
	AAA
	<u>\$ 9,080,355</u>
	<u>\$ 33,944</u>
<b><u>Reconciliation to Statement of Net Position</u></b>	
Cash and cash equivalents	\$ 18,097,731
Investments	<u>14,900,000</u>
	<u>\$ 32,997,731</u>

**CITY OF CHICKASHA, OKLAHOMA**  
**Notes To Basic Financial Statements**  
**For the Year Ended June 30, 2016**

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*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, 2016, 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 other City’s accounts were fully collateralized at June 30, 2016.

*Investment Credit Risk* – The City has a written investment policy that limits its investment choices consistent with the limitations stated in the *Oklahoma Statutes*. The policy allows 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. *Oklahoma Statutes* also allow investment in political sub-divisions of the state, but the City excluded this from their list of allowable investments. 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 December 2016.

*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, 2016 were as follows:

<u>Type of Restricted Assets</u>	<u>Cash and Cash Equivalents</u>	<u>Investments</u>
Utility Deposits	\$ 184,173	\$ 150,000
Trustee Accounts:		
Series 2014 Note Interest Fund	63,660	-
Series 2014 Principal Fund	320,116	-
Series 2014 Construction Fund	<u>8,696,579</u>	<u>-</u>
Total Restricted Assets	<u>\$ 9,264,528</u>	<u>\$ 150,000</u>

**CITY OF CHICKASHA, OKLAHOMA**  
**Notes To Basic Financial Statements**  
**For the Year Ended June 30, 2016**

**6. Capital Assets**

Capital asset activity resulting from modified cash basis transactions for the fiscal year ended June 30, 2016, was as follows:

	<b>Balance 6/30/15</b>	<b>Additions</b>	<b>Disposals</b>	<b>Reclassify</b>	<b>Balance 6/30/16</b>
<b>Governmental Activities:</b>					
Capital Assets, not being depreciated:					
Land	\$ 1,884,231	\$ 80,364	\$ -	\$ -	\$ 1,964,595
Construction in progress	<u>8,859</u>	<u>595,496</u>	<u>-</u>	<u>-</u>	<u>604,355</u>
Total capital assets, not being depreciated	<u>1,893,090</u>	<u>675,860</u>	<u>-</u>	<u>-</u>	<u>2,568,950</u>
Capital assets, being depreciated:					
Buildings	10,027,635	-	-	-	10,027,635
Improvements	4,082,680	54,035	-	-	4,136,715
Infrastructure	48,711,937	1,392,275	-	-	50,104,212
Machinery and equipment	3,317,341	360,504	( 61,491)	-	3,677,845
Vehicles	4,492,788	632,195	-	-	5,063,492
Surplus property	<u>1,402,357</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>1,402,357</u>
Total capital assets, being depreciated	<u>72,034,738</u>	<u>2,439,009</u>	<u>( 61,491)</u>	<u>-</u>	<u>74,412,256</u>
Less accumulated depreciation:					
Buildings	3,050,337	250,402	-	-	3,300,739
Improvements	1,233,792	161,780	-	-	1,395,572
Infrastructure	28,642,322	682,210	-	-	29,324,532
Machinery and equipment	2,190,110	257,871	-	-	2,447,981
Vehicles	2,778,275	316,655	( 61,491)	-	3,033,439
Surplus property	<u>1,351,072</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>1,351,072</u>
Total accumulated depreciation	<u>39,245,908</u>	<u>1,668,918</u>	<u>( 61,491)</u>	<u>-</u>	<u>40,853,335</u>
Total capital assets, being depreciated, net	<u>32,788,830</u>	<u>770,191</u>	<u>-</u>	<u>-</u>	<u>33,558,921</u>
Governmental activities capital assets, net	<u>\$34,681,920</u>	<u>\$ 1,445,951</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$36,127,871</u>
	<b>Balance 6/30/15</b>	<b>Additions</b>	<b>Disposals</b>	<b>Reclassify</b>	<b>Balance 6/30/16</b>
<b>Business-Type Activities:</b>					
Capital Assets, not being depreciated:					
Land	\$ 3,627,186	\$ -	\$ -	\$ -	\$ 3,627,186
Construction in progress	<u>522,628</u>	<u>1,739,099</u>	<u>-</u>	<u>-</u>	<u>2,261,727</u>
Total capital assets, not being depreciated	<u>4,149,814</u>	<u>1,739,099</u>	<u>-</u>	<u>-</u>	<u>5,888,913</u>
Capital assets, being depreciated:					
Buildings	24,720,604	-	-	-	24,720,604
Improvements	2,114,164	9,783	-	-	2,123,947
Infrastructure	9,639,101	-	-	-	9,639,101
Machinery and equipment	1,819,225	130,149	(7,000)	-	1,942,374
Vehicles	766,838	97,621	-	-	864,459
Utility property/improvements	70,178,050	-	-	-	70,178,050
Surplus property	<u>135,234</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>135,234</u>
Total capital assets, being depreciated	<u>109,373,216</u>	<u>237,553</u>	<u>( 7,000)</u>	<u>-</u>	<u>109,603,769</u>
Less accumulated depreciation:					
Buildings	17,014,361	434,092	-	-	17,448,453
Improvements	779,276	98,541	-	-	877,817
Infrastructure	6,262,837	91,101	-	-	6,353,938
Machinery and equipment	971,413	113,218	(7,000)	-	1,077,631
Vehicles	485,296	67,662	-	-	552,958
Utility property/improvements	48,361,041	637,468	-	-	48,998,509
Surplus property	<u>135,234</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>135,234</u>
Total accumulated depreciation	<u>74,009,458</u>	<u>1,442,082</u>	<u>( 7,000)</u>	<u>-</u>	<u>75,444,540</u>
Total capital assets, being depreciated, net	<u>35,363,758</u>	<u>(1,204,529)</u>	<u>-</u>	<u>-</u>	<u>34,159,229</u>
Business-type activities capital assets, net	<u>\$39,513,572</u>	<u>\$ 534,570</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$40,048,142</u>

**CITY OF CHICKASHA, OKLAHOMA**  
**Notes To Basic Financial Statements**  
**For the Year Ended June 30, 2016**

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

<b>Governmental Activities:</b>	
Public Safety	\$ 536,012
Culture, Parks and Recreation	396,557
Streets	623,105
Community Development	26,485
General Government	<u>86,759</u>
Total depreciation expense for governmental activities	<u>\$ 1,668,918</u>
<b>Business-Type Activities:</b>	
Water	\$ 613,506
Sewer	583,997
Sanitation	17,601
Lake	30,682
Economic Development	25,452
Airport	169,944
Administration	<u>900</u>
Total depreciation expense for business-type activities	<u>\$ 1,442,082</u>

## 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. Capital leases are allowed since they are subject to renewal under an annual appropriation clause. As of June 30, 2016, 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 Liberty National 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.	147,411
\$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.	7,251
\$144,376 Capital lease obligation payable to Liberty National 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.	17,753
\$401,779 Capital lease obligation payable to Welch State Bank for a pumper, payable in semi-annual installments of \$23,576.61, including principal and interest at 3.39%, final payment due June 15, 2023 .	291,191
\$105,665 Capital lease obligation payable to Liberty National Bank for a PD video, payable in semi-annual installments of \$11,695.54, including principal and interest at 3.75%, final payment due January 27, 2017.	42,034
\$122,765 Capital lease obligation payable to Community Bank for SCBA equipment, payable in annual installments of \$25,944.06, including principal and interest at 2.5%, final payment due July 15, 2019.	97,872



**CITY OF CHICKASHA, OKLAHOMA**  
**Notes To Basic Financial Statements**  
**For the Year Ended June 30, 2016**

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\$39,925 Capital lease obligation payable to First National Bank for tractor and loader attachment, payable in monthly installments of \$1,158.97, including principal and interest at 2.7%, final payment due June 10, 2018. 27,050

\$17,524 Capital lease obligation payable to Liberty National Bank for tractor, deck and loader attachment, payable in one annual installment of \$17,524, including principal and interest at 1.95%, final payment due December 1, 2016. 17,524

\$380,316 Capital lease obligation payable to First National Bank for a rescue Squad truck, payable in monthly installments of \$5,029, including principal and interest at 3%, final payment due December 15, 2022. 355,813

Total Capital Lease Obligations	<u>\$ 1,003,898</u>
Current portion	\$ 244,214
Non-current portion	<u>759,684</u>
Total Capital Lease Obligations	<u>\$ 1,003,898</u>

Business-Type Activities – As of June 30, 2016, the long-term debt, arising from cash transactions, payable from proprietary fund resources consisted of the following:

Capital Lease Obligations:

\$42,662 Capital lease obligation payable to First National Bank for a tractor, payable in monthly installments of \$1,238, including principal and interest at 2.27%, final payment due June 10, 2018. \$ 28,901

\$69,869 Capital lease obligation payable to Liberty National Bank for a track loader/skid steer payable in annual installments of \$18,655, including principal and interest at 2.69%, final payment due July 15, 2019. \$ 69,869

Total Capital Lease Obligations	<u>\$ 98,773</u>
Current portion	\$ 32,274
Non-current portion	<u>66,499</u>
Total Capital Lease Obligations	<u>\$ 98,773</u>

Revenue Notes Payable:

2014 Sales Tax Revenue Notes, original issue amount of \$9,875,000 dated March 10, 2014, issued by the Chickasha Municipal Authority, secured by a 3/4 cent pledged sales tax, interest rate of 2.27%, final maturity dated March 1, 2024, for water and sewer improvements. \$ 8,410,000

Less amount for Governmental Activities	<u>(0)</u>
Business-Type Activities	<u>8,410,000</u>

Total Revenue Notes Payable \$ 8,410,000

Current portion	\$ 965,000
Non-current portion	<u>7,445,000</u>
Total Revenue Notes Payable	<u>\$ 8,410,000</u>

**CITY OF CHICKASHA, OKLAHOMA**  
**Notes To Basic Financial Statements**  
**For the Year Ended June 30, 2016**

The capital assets acquired through capital leases are as follows:

<u>Date</u>	<u>Capital Asset</u>	<u>Amount</u>	<u>Accumulated Depreciation</u>
<b>Vehicles:</b>			
6/15/2009	Ladder Truck	574,992	271,543
1/15/2013	E-One Pumper	401,779	117,186
12/15/15	Rescue Squad Truck	<u>380,316</u>	<u>22,185</u>
		<u>\$ 1,357,087</u>	<u>\$ 410,914</u>
<b>Machinery and Equipment:</b>			
9/15/2011	Street Sweeper	204,906	99,039
1/27/2012	Volvo Grader	144,376	63,767
12/15/13	PD Car Video Equipment	105,665	31,803
5/05/2015	SCB Equipment	122,765	14,323
5/15/2015	Tractor/Loader	39,925	6,654
5/18/2015	Tractor	42,662	4,977
12/01/15	Mower Tractor/Loader	22,962	1,340
3/15/16	Skid Steer & Attachments	<u>78,253</u>	<u>1,956</u>
		<u>\$ 761,514</u>	<u>\$ 223,859</u>

The following is a summary of changes in long-term debt for the year ended June 30, 2016:

	<u>Balance 6/30/15</u>	<u>Additions</u>	<u>Deductions</u>	<u>Balance 6/30/16</u>	<u>Amounts Due Within One Year</u>
<b>Governmental Activities:</b>					
Capital Lease Obligations	\$ 867,400	397,889	261,391	1,003,898	\$ 244,214
Total Governmental Activities	<u>\$ 867,400</u>	<u>\$ 397,889</u>	<u>\$ 261,391</u>	<u>\$ 1,003,898</u>	<u>\$ 244,214</u>
<b>Business-Type Activities:</b>					
Capital Lease Obligations	\$ 42,662	69,869	13,758	98,773	\$ 32,274
Revenue Notes Payable	<u>9,345,000</u>	-	<u>935,000</u>	<u>8,410,000</u>	<u>965,000</u>
Total Business-Type Activities	<u>\$ 9,387,662</u>	<u>\$ 69,869</u>	<u>\$ 948,758</u>	<u>\$ 8,508,773</u>	<u>\$ 997,274</u>

The annual debt service requirements to maturity are as follows:

<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>
2017	\$ 244,214	\$ 29,526	\$ 965,000	\$ 185,459
2018	205,768	22,273	985,000	163,440
2019	154,637	15,731	1,010,000	140,967
2020	121,060	11,381	1,035,000	117,870
2021	99,729	7,772	1,065,000	94,205
2022-23	<u>178,492</u>	<u>5,674</u>	<u>3,350,000</u>	<u>134,441</u>
Total	<u>\$ 1,003,898</u>	<u>\$ 92,357</u>	<u>\$ 8,410,000</u>	<u>\$ 836,382</u>

**CITY OF CHICKASHA, OKLAHOMA**  
**Notes To Basic Financial Statements**  
**For the Year Ended June 30, 2016**

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

<b>Business-Type Activities:</b>	
Water	\$ 103,427
Sewer	103,427
Lake	1,103
Total interest expense for business-type activities	<u>\$ 207,957</u>

**Sales Tax Revenues Pledged**

The City has pledged future sales tax revenues to repay \$9.875 million in sales tax revenue note issued in March, 2014. Proceeds from the 2014 notes provided financing for a public works water/waste system. The notes are payable from future sales tax revenue. The total principal and interest remaining to be paid on the notes are \$9,246,382 payable through March 2024.

**8. Interfund Transfers**

Transfers between funds of the primary government for the year ended June 30, 2016, were as follows:

<u>Transfer Out</u>	<u>Transfer In</u>	<u>Amount</u>	<u>Purpose of Transfer</u>
CIA	General Fund	42,309	Fund operations
General Fund	Tax Increment District	76,422	Transfer sales tax
General Fund	CMA	2,758,381	Trf. dedicated sales tax-operations
Dedicated Sales Tax Fund	CMA	1,144,659	Transfer pledged note payments
CMA	General Fund	1,650,000	Subsidize operations
CMA	Tax Increment District	38,211	Transfer sales tax
Internal Service Fund	General Fund	<u>6,349</u>	To close checking account
Total		<u>\$ 5,716,331</u>	

**Reconciliation to Fund Financial Statements:**

	<u>Transfers In</u>	<u>Transfers Out</u>	<u>Net Transfers</u>
Governmental Funds	\$ 1,813,291	\$ (4,021,771)	\$ (2,208,480)
Proprietary Funds	3,903,040	(1,688,211)	2,214,829
Internal Service Fund	-	(6,349)	(6,349)
Total	<u>\$ 5,716,331</u>	<u>\$ (5,716,331)</u>	<u>\$ 0</u>

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

Net transfers	\$ (2,214,829)
Purchase of capital assets for governmental activities by business-type funds	<u>23,295</u>
Government-wide transfers	<u>\$ (2,191,534)</u>

**CITY OF CHICKASHA, OKLAHOMA**  
**Notes To Basic Financial Statements**  
**For the Year Ended June 30, 2016**

**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>
General Fund	E-911	\$ 3,992	Internal financing
General Fund	EMS	30	Error corrected
General Fund	Street & Alley Fund	829	Error corrected
General Fund	Tax Increment District	76,422	Sales Taxes
CMA	Water Resources	4	Error corrected
CMA	General Fund	308	Error corrected
CMA	EMS	6	Water refunds
CMA	Tax Increment District	38,211	Sales Taxes
EMS	General Fund	10,335	Internal financing
Water Resources	CMA	195	Water refunds
Meter Fund	CMA	173	Water refunds

**Reconciliation to Fund Financial Statements:**

	<u>Due From</u>	<u>Due To</u>	<u>Net Internal Balances</u>
Governmental Funds	\$ 130,133	\$ 91,608	\$ 38,525
Proprietary Funds	372	38,897	38,525
Total	<u>\$ 130,505</u>	<u>\$ 130,505</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
<i>Fund Balance:</i>	<u>Fund</u>	<u>Fund</u>	<u>Sales Tax</u>	<u>Fund</u>	<u>Funds</u>	<u>Total</u>
<b>Restricted for:</b>						
TIF District	-	-	-	-	249,539	249,539
Economic Development	-	-	3,473,916	-	55,542	3,529,458
E911	-	-	-	-	733,037	733,037
Utilities, Streets, Parks & Rec	-	-	-	12,536	-	12,536
Cemetery	-	-	-	-	15,314	15,314
Police	390	-	-	-	-	390
Other Purposes	-	-	-	-	24,759	24,759
<b>Assigned to:</b>						
Fire/EMS	1,198	254,915	-	-	-	256,113
Police	49,194	-	-	-	-	49,194
Utilities, Streets, Parks & Rec	5,980	-	-	1,231,133	-	1,237,113
Economic Development	-	-	589,619	-	287,240	876,859
E911	-	-	-	-	6,589	6,589
Streets	-	-	-	-	219,819	219,819
Cemetery	-	-	-	-	575,167	575,167
Capital Projects	-	-	-	-	816,141	816,141
Other Purposes	-	-	-	-	15,707	15,707
<b>Unassigned</b>	1,457,780	-	-	-	-	1,457,780
<b>Total Fund Balance</b>	1,514,542	254,915	4,063,535	1,243,669	2,998,854	10,075,515

**CITY OF CHICKASHA, OKLAHOMA**  
**Notes To Basic Financial Statements**  
**For the Year Ended June 30, 2016**

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## **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 management believes the insurance coverage 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 judgment 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 judgments, the City feels that any settlement or judgment not covered by insurance would not have a material adverse effect on the financial condition of the City.

## **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. The governmental and business-type total obligation for accrued compensated absences is \$745,292 at June 30, 2016. There is \$63,033 in the internal service fund set aside for funding this liability.

**Commitments** – At June 30, 2016 the City had committed for the 2016-17 \$2,041,003 towards purchase of electronic utility meters and set-up, and \$375,420 towards purchase and financing contract for police cars and radios.

**CITY OF CHICKASHA, OKLAHOMA**  
**Notes To Basic Financial Statements**  
**For the Year Ended June 30, 2016**

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**14. Employee Pension and other Benefit Plans**

The City of Chickasha participates in four 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
4. ICMA-RC – an IRS Code Section 457 governmental deferred compensation 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 14% for the year ended June 30, 2016. Participating members are required to contribute 9%. The plan is funded by contributions from participants, employers, insurance premium taxes, and state appropriations, as necessary.

Contributions for the last three years were as follows:

<u>Fiscal Year</u>	<u>Required Contribution</u>	<u>Amount Contributed</u>
2014	\$280,124	\$280,124
2015	\$284,559	\$284,559
2016	\$283,273	\$283,273

The OFPRS issues a publicly available financial report that includes financial statements and required supplementary information. That report may be obtained on the website at [www.ok.gov/fprs](http://www.ok.gov/fprs) or by writing to OFPRS, 4545 N. Lincoln Blvd., Suite 265, Oklahoma City, OK 73105-3414.

**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, 2016. Participating members are required to contribute 8%. The plan is funded by contributions from participants, employers, insurance premium taxes, and state appropriations, as necessary.

Contributions for the last three years were as follows:

<u>Fiscal Year</u>	<u>Required Contribution</u>	<u>Amount Contributed</u>
2014	\$146,634	\$146,634
2015	\$162,336	\$162,336
2016	\$177,935	\$177,935

The OPPRS issues a publicly available financial report that includes financial statements and required supplementary information. That report may be obtained on the website at [www.ok.gov/opprs](http://www.ok.gov/opprs) or by writing by writing to OPPRS, 1001 NW 63<sup>rd</sup> Street, Suite 605, Oklahoma City, OK 73116-7335.

**CITY OF CHICKASHA, OKLAHOMA**  
**Notes To Basic Financial Statements**  
**For the Year Ended June 30, 2016**

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**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.

*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 2015-2016 was 12.71% of covered payroll.

*Annual Pension Cost* – For 2015-2016, the City of Chickasha's annual pension cost of \$295,684 for the OMRF plan was equal to the required and actual contributions. The required contribution was determined as part of the March 31, 2015 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.

Contributions for the last three years were as follows:

<u>Fiscal Year</u>	<u>Actuarial Required Contribution</u>	<u>Percentage Contributed</u>	<u>Pension Benefit Obligation</u>
2014	\$365,140	100%	\$0
2015	\$323,297	100%	\$0
2016	\$389,203	100%	\$0

The OMRF System issues a publicly available financial report that includes financial statements and required supplementary information. That report may be obtained on the website at [www.okmrf.org/reports](http://www.okmrf.org/reports) or by writing to OMRF, P.O. Box 25848, Oklahoma City, OK 73125 or by calling 1-888-394-6673.

**Governmental Deferred Compensation 457 Plan** - The City of Chickasha has an IRS Code 457 deferred compensation plan through the ICMA-RC. The plan covers the City's manager. The City's annual pension costs for the fiscal years ending June 30<sup>th</sup>, 2016 and 2015 was \$5,625 and \$14,832, respectively. During the current fiscal year the employer rate was 4.5%.

**15. Prior Period Adjustments**

The adjustment was to setup Internal Service Fund accounts that were established as payroll clearing accounts. Previously these were not included in financial statements.

	Government-Wide			
	Governmental Activity	Business-type Activity		
Beginning Net position as previously reported	\$ 48,653,421	\$ 51,346,886	\$ 12,528,498	\$ 51,346,886
Internal Service accounts	\$ 71,971			
Beginning net position as restated	\$ 48,725,392	\$ 51,346,886	\$ 12,528,498	\$ 51,346,886





**CITY OF CHICKASHA, OKLAHOMA**  
**Budgetary Comparison Schedule**  
**General Fund - Modified Cash Basis**  
**For the Year Ending June 30, 2016**

	Budgeted Amounts		Actual Amounts	Variance with Final Budget Positive (Negative)
	Original	Final		
<b>Beginning Budgetary Fund Balance</b>	\$ 1,986,041	\$ 1,986,041	\$ 2,280,065	\$ (294,024)
<b>Resources (Inflows):</b>				
Taxes	6,656,000	6,656,000	8,788,120	(2,132,120)
Intergovernmental	129,600	129,600	280,730	(151,130)
Charges for services	232,300	232,300	241,165	(8,865)
Fines and forfeitures	4,500	4,500	-	4,500
Licenses and permits	116,300	116,300	159,758	(43,458)
Investment income	3,000	3,000	3,180	(180)
Miscellaneous	144,200	164,200	111,655	52,545
Transfers in	1,984,200	1,983,300	1,936,215	47,085
<b>Total Resources (Inflows)</b>	<u>9,270,100</u>	<u>9,289,200</u>	<u>11,520,823</u>	<u>(2,231,623)</u>
<b>Amounts available for appropriations</b>	<u>11,256,141</u>	<u>11,275,241</u>	<u>13,800,888</u>	<u>(2,525,647)</u>
<b>Charges to Appropriations (Outflows):</b>				
Administration	363,600	363,600	362,033	1,567
Fire	2,851,700	2,903,700	2,493,456	410,244
Police	3,540,300	3,508,300	3,500,467	7,833
Parks and recreation	1,071,500	1,071,500	887,108	184,392
Library	404,600	404,600	400,245	4,355
Support services	29,000	29,000	15,735	13,265
Finance	239,200	239,200	248,342	(9,142)
Public works	1,186,300	1,186,300	1,059,276	127,025
Community development	302,900	252,900	288,016	(35,116)
General government	1,299,300	1,299,300	496,306	802,994
Transfers out	50,000	50,000	2,839,803	(2,789,803)
<b>Total Charges to Appropriations</b>	<u>11,338,400</u>	<u>11,308,400</u>	<u>12,590,786</u>	<u>(1,282,386)</u>
<b>Ending Budgetary Fund Balance</b>	<u>\$ (82,259)</u>	<u>\$ (33,159)</u>	<u>\$ 1,210,102</u>	<u>\$ (1,243,261)</u>

Reconciliation to Statement of Revenues, Expenditures, and Changes in  
Fund Balance:

Contribution Income	18,480
OMAG Insurance Adjustment	(32,778)
Capital Lease Proceeds	17,574
Fire/EMS Training Account Fund Balance	1,198
Police Operating Account	390
Police Training Account Fund Balance	49,194
Police Bond Account Fund Balance	244,402
Sports Complex Account Fund Balance	5,980
<b>Total General Fund Fund Balance</b>	<u>\$ 1,514,542</u>

**CITY OF CHICKASHA, OKLAHOMA**  
**Budgetary Comparison Schedule**  
**Economic Development Sales Tax Fund - Modified Cash Basis**  
**For the Year Ending June 30, 2016**

	<u>Budgeted Amounts</u>		<u>Actual Amounts</u>	<u>Variance with Final Budget Positive (Negative)</u>
	<u>Original</u>	<u>Final</u>		
<b>Beginning Budgetary Fund Balance</b>	\$ 4,374,185	\$ 4,374,185	\$ 4,485,532	\$ (111,347)
<b>Resources (Inflows):</b>				
Taxes	669,000	669,000	644,074	24,926
Investment income	5,915	5,915	8,772	(2,857)
<b>Total Resources (Inflows)</b>	<u>674,915</u>	<u>674,915</u>	<u>652,846</u>	<u>22,069</u>
<b>Amounts available for appropriations</b>	<u>5,049,100</u>	<u>5,049,100</u>	<u>5,138,378</u>	<u>(89,278)</u>
<b>Charges to Appropriations (Outflows):</b>				
Economic development	4,553,100	4,553,100	1,074,843	3,478,257
<b>Total Charges to Appropriations</b>	<u>4,553,100</u>	<u>4,553,100</u>	<u>1,074,843</u>	<u>3,478,257</u>
<b>Ending Budgetary Fund Balance</b>	<u>\$ 496,000</u>	<u>\$ 496,000</u>	<u>\$ 4,063,535</u>	<u>\$ (3,567,535)</u>

**CITY OF CHICKASHA, OKLAHOMA**  
**Budgetary Comparison Schedule**  
**Dedicated Sales Tax Fund - Modified Cash Basis**  
**For the Year Ending June 30, 2016**

	<u>Budgeted Amounts</u>		<u>Actual Amounts</u>	<u>Variance with Final Budget Positive (Negative)</u>
	<u>Original</u>	<u>Final</u>		
<b>Beginning Budgetary Fund Balance</b>	\$ 543,757	\$ 543,757	\$ 1,507,191	\$ (963,434)
<b>Resources (Inflows):</b>				
Taxes	2,275,000	2,275,000	2,190,820	84,180
Intergovernmental	-	-	19,689	(19,689)
Investment income	500	500	1,278	(778)
<b>Total Resources (Inflows)</b>	<u>2,275,500</u>	<u>2,275,500</u>	<u>2,211,787</u>	<u>63,713</u>
<b>Amounts available for appropriations</b>	<u>2,819,257</u>	<u>2,819,257</u>	<u>3,718,978</u>	<u>(899,721)</u>
<b>Charges to Appropriations (Outflows):</b>				
General government	2,000	2,000	2,000	-
Capital Outlay	1,165,000	1,335,000	1,328,650	6,350
Other services and charges	1,146,000	1,146,000	1,144,659	1,341
<b>Total Charges to Appropriations</b>	<u>2,313,000</u>	<u>2,483,000</u>	<u>2,475,309</u>	<u>7,691</u>
<b>Ending Budgetary Fund Balance</b>	<u>\$ 506,257</u>	<u>\$ 336,257</u>	<u>\$ 1,243,669</u>	<u>\$ (907,412)</u>

**CITY OF CHICKASHA, OKLAHOMA**  
**Budgetary Comparison Schedule**  
**EMS Fund - Modified Cash Basis**  
**For the Year Ending June 30, 2016**

	<u>Budgeted Amounts</u>		<u>Actual Amounts</u>	<u>Variance with Final Budget Positive (Negative)</u>
	<u>Original</u>	<u>Final</u>		
<b>Beginning Budgetary Fund Balance</b>	\$ 52,669	\$ 52,669	\$ 256,482	\$ (203,813)
<b>Resources (Inflows):</b>				
Charges for services	1,383,000	1,276,000	1,412,187	(136,187)
Investment income	-	-	126	(126)
Miscellaneous revenue	-	-	26,010	(26,010)
Transfers in	-	-	-	-
<b>Total Resources (Inflows)</b>	<u>1,383,000</u>	<u>1,276,000</u>	<u>1,438,323</u>	<u>(162,323)</u>
<b>Amounts available for appropriations</b>	<u>1,435,669</u>	<u>1,328,669</u>	<u>1,694,805</u>	<u>(366,136)</u>
<b>Charges to Appropriations (Outflows):</b>				
EMS	<u>1,379,200</u>	<u>1,270,100</u>	<u>1,439,890</u>	<u>(169,790)</u>
<b>Total Charges to Appropriations</b>	<u>1,379,200</u>	<u>1,270,100</u>	<u>1,439,890</u>	<u>(169,790)</u>
<b>Ending Budgetary Fund Balance</b>	<u>\$ 56,469</u>	<u>\$ 58,569</u>	<u>\$ 254,915</u>	<u>\$ (196,346)</u>

**CITY OF CHICKASHA, OKLAHOMA**  
**Notes to Budgetary Comparison Schedules**  
**For the Year Ended June 30, 2016**

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1. The budgetary comparison schedules are reported on the same modified cash basis as governmental funds within the basic financial statements. For budgetary comparison purposes, the City considers all encumbrances to lapse at year-end; therefore encumbrances are not considered expenditures for the budgetary comparison purposes. However, the City will re-appropriate these lapsed encumbrances in the subsequent year budget.
2. The legal level of appropriation control is the department level within a fund. Transfers of appropriation within a fund require City Manager's approval, while supplemental appropriations require City Council approval.
3. The General Fund was overspent in the finance department, the community development department and transfers. Also the overall budget of the General Fund and the EMS Fund are overspent.

**CITY OF CHICKASHA, OKLAHOMA**  
**Combining Schedule of Balance Sheet Accounts**  
**General Fund Accounts - Modified Cash Basis**  
**June 30, 2016**

	<u>General Fund Account</u>	<u>Fire/EMS Training Fund Account</u>	<u>Police Training Fund Account</u>	<u>Police Operations Account</u>	<u>Police Bond Fund Account</u>	<u>Sports Complex Account</u>	<u>Intra Account Elimination</u>	<u>Total General Fund</u>
<b><u>Assets</u></b>								
Cash and cash equivalents	\$ 283,230	\$ 1,198	\$ 49,194	\$ 390	\$ 181,941	\$ 5,980	\$ -	\$ 521,933
Investments	1,000,000	-	-	-	-	-	-	1,000,000
Internal service receivable	-	-	-	-	64,570	-	-	64,570
Due from other funds	10,643	-	-	-	-	-	-	10,643
Prepaid taxes	778	-	-	-	-	-	-	778
<i>Total Assets</i>	<u>1,294,651</u>	<u>1,198</u>	<u>49,194</u>	<u>390</u>	<u>246,511</u>	<u>5,980</u>	<u>-</u>	<u>1,597,924</u>
<b><u>Liabilities</u></b>								
Due to other funds	81,273	-	-	-	-	-	-	81,273
Police bonds	-	-	-	-	2,109	-	-	2,109
<i>Total Liabilities</i>	<u>81,273</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>2,109</u>	<u>-</u>	<u>-</u>	<u>83,382</u>
<b><u>Fund Equity</u></b>								
Fund Balance								
Restricted	-	-	-	390	-	-	-	390
Committed	-	-	-	-	-	-	-	-
Assigned	-	1,198	49,194	-	-	5,980	-	56,372
Unassigned	1,213,378	-	-	-	244,402	-	-	1,457,780
<i>Total Fund Equity</i>	<u>1,213,378</u>	<u>1,198</u>	<u>49,194</u>	<u>390</u>	<u>244,402</u>	<u>5,980</u>	<u>-</u>	<u>1,514,542</u>
<i>Total Liabilities and Fund Equity</i>	<u>\$ 1,294,651</u>	<u>\$ 1,198</u>	<u>\$ 49,194</u>	<u>\$ 390</u>	<u>\$ 246,511</u>	<u>\$ 5,980</u>	<u>\$ -</u>	<u>\$ 1,597,924</u>

**CITY OF CHICKASHA, OKLAHOMA**  
**Combining Schedule of Revenues, Expenditures, and Changes in Fund Balances**  
**General Fund Accounts - Modified Cash Basis**  
**For the Year Ended June 30, 2016**

	<u>General Fund Account</u>	<u>Fire/EMS Training Fund Account</u>	<u>Police Training Fund Account</u>	<u>Police Operations Account</u>	<u>Police Bond Fund Account</u>	<u>Sports Complex Account</u>	<u>Intra Account Elimination</u>	<u>Total General Fund</u>
<b>Revenues</b>								
Taxes	\$ 8,788,120	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 8,788,120
Intergovernmental	280,730	-	-	-	-	-	-	280,730
Charges for services	241,165	-	-	-	-	2,750	-	243,915
Fines and forfeitures	-	-	-	803	206,302	-	-	207,105
Licenses and permits	159,758	-	-	-	-	-	-	159,758
Investment income	3,180	1	29	-	140	-	-	3,350
Miscellaneous	111,655	-	-	-	-	-	-	111,655
<i>Total Revenues</i>	<u>9,584,608</u>	<u>1</u>	<u>29</u>	<u>803</u>	<u>206,442</u>	<u>2,750</u>	<u>-</u>	<u>9,794,633</u>
<b>Expenditures</b>								
Current:								
Administration	361,311	-	-	-	-	-	-	361,311
Fire/EMS	2,342,467	-	-	-	-	-	-	2,342,467
Police	3,172,006	-	27,154	16,021	32,578	-	-	3,247,759
Parks and recreation	488,370	-	-	-	-	-	-	488,370
Cemetery	118,703	-	-	-	-	-	-	118,703
Sports complex	300,715	-	-	-	-	1,770	-	302,485
Library	379,160	-	-	-	-	-	-	379,160
Streets	577,542	-	-	-	-	-	-	577,542
Central garage	69,797	-	-	-	-	-	-	69,797
Support services	4,489	-	-	-	-	-	-	4,489
Finance	246,192	-	-	-	-	-	-	246,192
Community development	148,082	-	-	-	-	-	-	148,082
General government	496,306	-	-	-	-	-	-	496,306
Building services	116,312	-	-	-	-	-	-	116,312
Neighborhood services	182,660	-	-	-	-	-	-	182,660
Capital outlay	533,506	-	-	4,140	-	-	-	537,646
Debt service								
Principal	221,887	-	-	-	-	-	-	221,887
Interest expense	24,256	-	-	-	-	-	-	24,256
<i>Total Expenditures</i>	<u>9,783,761</u>	<u>-</u>	<u>27,154</u>	<u>20,161</u>	<u>32,578</u>	<u>1,770</u>	<u>-</u>	<u>9,865,424</u>
<i>Excess (Deficiency) of Revenues over Expenditures</i>	<u>(199,153)</u>	<u>1</u>	<u>(27,125)</u>	<u>(19,358)</u>	<u>173,864</u>	<u>980</u>	<u>-</u>	<u>(70,791)</u>
<b>Other Financing Sources (Uses)</b>								
Capital lease proceeds	17,574	-	-	-	-	-	-	17,574
Contribution income	18,480	-	-	-	-	-	-	18,480
Transfers in	1,936,215	168	13,950	-	-	5,000	(256,675)	1,698,658
Transfers out	(2,839,803)	-	-	-	(251,675)	-	256,675	(2,834,803)
<i>Total Other Financing Sources (Uses)</i>	<u>(867,534)</u>	<u>168</u>	<u>13,950</u>	<u>-</u>	<u>(251,675)</u>	<u>5,000</u>	<u>-</u>	<u>(1,100,091)</u>
Net Change in Fund Balances	(1,066,687)	169	(13,175)	(19,358)	(77,811)	5,980	-	(1,170,882)
Fund Balances - beginning	2,280,065	1,029	62,369	19,748	322,213	-	-	2,685,424
Fund Balances - ending	<u>\$ 1,213,378</u>	<u>\$ 1,198</u>	<u>\$ 49,194</u>	<u>\$ 390</u>	<u>\$ 244,402</u>	<u>\$ 5,980</u>	<u>\$ -</u>	<u>\$ 1,514,542</u>

**CITY OF CHICKASHA, OKLAHOMA**  
**Combining Balance Sheet**  
**Nonmajor Governmental Funds - Modified Cash Basis**  
**June 30, 2016**

	<u>Special Revenue Funds</u>					<u>Capital Project Funds</u>		<b>Total</b>
	<u>Donations</u>	<u>Tax Increment District</u>	<u>Chickasha Industrial Authority</u>	<u>E-911</u>	<u>Street and Alley</u>	<u>Capital Project</u>	<u>Cemetery Care</u>	<u>Governmental Funds</u>
<b><u>Assets</u></b>								
Cash and cash equivalents	\$ 40,466	\$ 134,906	\$ 142,782	\$ 535,634	\$ 18,990	\$ 316,141	\$ 290,481	\$ 1,479,400
Investments	-	-	200,000	200,000	200,000	500,000	300,000	1,400,000
Due from other funds	-	114,633	-	3,992	829	-	-	119,454
<i>Total Assets</i>	<u>40,466</u>	<u>249,539</u>	<u>342,782</u>	<u>739,626</u>	<u>219,819</u>	<u>816,141</u>	<u>590,481</u>	<u>2,998,854</u>
<b><u>Liabilities</u></b>								
Due to other funds	-	-	-	-	-	-	-	-
<i>Total Liabilities</i>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
<b><u>Fund Equity</u></b>								
Fund Balance								
Restricted	24,759	249,539	55,542	733,037	-	-	15,314	1,078,191
Assigned	15,707	-	287,240	6,589	219,819	816,141	575,167	1,920,663
<i>Total Fund Equity</i>	<u>40,466</u>	<u>249,539</u>	<u>342,782</u>	<u>739,626</u>	<u>219,819</u>	<u>816,141</u>	<u>590,481</u>	<u>2,998,854</u>
<i>Total Liabilities and Fund Equity</i>	<u>\$ 40,466</u>	<u>\$ 249,539</u>	<u>\$ 342,782</u>	<u>\$ 739,626</u>	<u>\$ 219,819</u>	<u>\$ 816,141</u>	<u>\$ 590,481</u>	<u>\$ 2,998,854</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, 2016**

	<u>Special Revenue Funds</u>					<u>Capital Project Funds</u>		<b>Total</b>
	<u>Tax</u>		<u>Chickasha</u>		<u>Street and Alley</u>	<u>Capital Project</u>	<u>Cemetery Care</u>	<b>Governmental Funds</b>
	<u>Donations</u>	<u>Increment District</u>	<u>Industrial Authority</u>	<u>E-911</u>				
<b>Revenues</b>								
Taxes	\$ -	\$ 119,705	\$ 382,327	\$ 143,788	\$ -	\$ 488,135	\$ -	\$ 1,133,955
Intergovernmental	-	-	-	-	150,005	-	-	150,005
Charges for services	-	-	-	-	-	-	24,897	24,897
Investment income	80	26	760	568	459	2,765	570	5,228
Miscellaneous	3,754	-	15,431	-	-	211,405	-	230,590
<i>Total Revenues</i>	<u>3,834</u>	<u>119,731</u>	<u>398,518</u>	<u>144,356</u>	<u>150,464</u>	<u>702,305</u>	<u>25,467</u>	<u>1,544,675</u>
<b>Expenditures</b>								
Current:								
E-911	-	-	-	78,064	-	-	-	78,064
Police	11,794	-	-	-	-	-	-	11,794
General government	285	-	-	-	-	-	-	285
Economic development	-	-	523,794	-	-	-	-	523,794
Capital outlay	7,513	-	487,797	48,753	258,287	1,497,969	35,697	2,336,016
Debt service:								
Principal	-	-	-	-	-	24,503	-	24,503
Interest expense	-	-	-	-	-	5,671	-	5,671
<i>Total Expenditures</i>	<u>19,592</u>	<u>-</u>	<u>1,011,591</u>	<u>126,817</u>	<u>258,287</u>	<u>1,528,143</u>	<u>35,697</u>	<u>2,980,127</u>
<i>Excess (Deficiency) of Revenues over Expenditures</i>	<u>(15,758)</u>	<u>119,731</u>	<u>(613,073)</u>	<u>17,539</u>	<u>(107,823)</u>	<u>(825,838)</u>	<u>(10,230)</u>	<u>(1,435,452)</u>
<b>Other Financing Sources (Uses)</b>								
Capital lease proceeds	-	-	-	-	-	380,316	-	380,316
Contribution income	-	-	387,797	-	-	-	-	387,797
Transfers in	-	114,633	-	-	-	-	-	114,633
Transfers out	-	-	(42,309)	-	-	-	-	(42,309)
<i>Total Other Financing Sources (Uses)</i>	<u>-</u>	<u>114,633</u>	<u>345,488</u>	<u>-</u>	<u>-</u>	<u>380,316</u>	<u>-</u>	<u>840,437</u>
Net Change in Fund Balances	(15,758)	234,364	(267,585)	17,539	(107,823)	(445,522)	(10,230)	(595,015)
Fund Balances - beginning	<u>56,224</u>	<u>15,175</u>	<u>610,367</u>	<u>722,087</u>	<u>327,642</u>	<u>1,261,663</u>	<u>600,711</u>	<u>3,593,869</u>
Fund Balances - ending	<u>\$ 40,466</u>	<u>\$ 249,539</u>	<u>\$ 342,782</u>	<u>\$ 739,626</u>	<u>\$ 219,819</u>	<u>\$ 816,141</u>	<u>\$ 590,481</u>	<u>\$ 2,998,854</u>

**CITY OF CHICKASHA, OKLAHOMA**  
**Combining Statement of Net Position**  
**Chickasha Municipal Authority - Modified Cash Basis**  
**June 30, 2016**

**Enterprise Funds**

	<b>Chickasha Municipal Authority</b>	<b>Water Meter Deposit</b>	<b>Water Resource</b>	<b>TOTAL</b>
<b><u>Assets</u></b>				
Current Assets:				
Cash and cash equivalents	\$ 1,460,160	\$ 55,206	\$ 110,937	\$ 1,626,303
Investments	7,050,000	-	300,000	7,350,000
Due from other funds	368	-	4	372
<i>Total Current Assets</i>	<u>8,510,528</u>	<u>55,206</u>	<u>410,941</u>	<u>8,976,675</u>
Noncurrent Assets:				
Restricted cash and cash equivalents	9,080,355	184,173	-	9,264,528
Restricted investments	-	150,000	-	150,000
Land and other non-depreciable assets	5,774,637	-	-	5,774,637
Other capital assets, net of depreciation	31,239,638	-	-	31,239,638
<i>Total Noncurrent Assets</i>	<u>46,094,630</u>	<u>334,173</u>	<u>-</u>	<u>46,428,803</u>
<i>Total Assets</i>	<u>54,605,158</u>	<u>389,379</u>	<u>410,941</u>	<u>55,405,478</u>
<b><u>Liabilities</u></b>				
Current Liabilities:				
Due to other funds	38,530	172	195	38,897
Due to depositors	14,113	334,174	-	348,287
Capital lease payable	32,274	-	-	32,274
Revenue notes payable	965,000	-	-	965,000
<i>Total Current Liabilities</i>	<u>1,049,917</u>	<u>334,346</u>	<u>195</u>	<u>1,384,458</u>
Noncurrent Liabilities:				
Capital lease payable	66,499	-	-	66,499
Revenue notes payable	7,445,000	-	-	7,445,000
<i>Total Noncurrent Liabilities</i>	<u>7,511,499</u>	<u>-</u>	<u>-</u>	<u>7,511,499</u>
<i>Total Liabilities</i>	<u>8,561,416</u>	<u>334,346</u>	<u>195</u>	<u>8,895,957</u>
<b><u>Net Position</u></b>				
Invested in capital assets, net of related debt	28,505,502	-	-	28,505,502
Restricted for debt service	383,776	-	-	383,776
Restricted for capital projects	8,696,579	-	-	8,696,579
Restricted for other purposes	-	-	410,746	410,746
Unrestricted	8,457,885	55,033	-	8,512,918
<i>Total Net Position</i>	<u>\$ 46,043,742</u>	<u>\$ 55,033</u>	<u>\$ 410,746</u>	<u>\$ 46,509,521</u>

**CITY OF CHICKASHA, OKLAHOMA**  
**Combining Statement of Revenues, Expenses and Changes in Net Position**  
**Chickasha Municipal Authority - Modified Cash Basis**  
**For the Year Ending June 30, 2016**

	Enterprise Funds			TOTAL
	Chickasha Municipal Authority	Water Meter Deposit	Water Resource	
<b>Operating Revenues</b>				
Charges for Services:				
Water revenue	\$ 2,042,087	\$ -	\$ -	\$ 2,042,087
Sewer revenue	1,474,452	-	-	1,474,452
Sanitation revenue	1,492,134	-	-	1,492,134
Penalties and fees	166,265	-	-	166,265
Miscellaneous	30,232	-	-	30,232
Lake revenue	27,828	-	-	27,828
User resource fee	20,355	-	70,286	90,641
<i>Total Operating Revenues</i>	<u>5,253,353</u>	<u>-</u>	<u>70,286</u>	<u>5,323,639</u>
<b>Operating Expenses</b>				
CMA general	146,301	-	-	146,301
Administration	750,437	-	-	750,437
Water	2,139,025	-	1,500	2,140,525
Sewer	850,180	-	-	850,180
Sanitation	2,129,730	-	-	2,129,730
Lake	122,533	-	-	122,533
Building maintenance	290,833	-	-	290,833
Depreciation expense	1,272,138	-	-	1,272,138
<i>Total Operating Expenses</i>	<u>7,701,177</u>	<u>-</u>	<u>1,500</u>	<u>7,702,677</u>
<i>Operating Income (Loss)</i>	<u>(2,447,824)</u>	<u>-</u>	<u>68,786</u>	<u>(2,379,038)</u>
<b>Nonoperating Revenues (Expenses)</b>				
Investment income	24,873	416	638	25,927
Interest expense	(207,957)	-	-	(207,957)
Rent	122,209	-	-	122,209
<i>Total Nonoperating Revenues (Expenses)</i>	<u>(60,875)</u>	<u>416</u>	<u>638</u>	<u>(59,821)</u>
Net Income (Loss) Before Contributions and Transfers	(2,508,699)	416	69,424	(2,438,859)
Capital contributions	95,185	-	-	95,185
Contribution expense	(118,480)	-	-	(118,480)
Transfers in	3,903,040	-	-	3,903,040
Transfers out	(1,688,211)	-	-	(1,688,211)
<i>Change in Net Position</i>	<u>(317,165)</u>	<u>416</u>	<u>69,424</u>	<u>(247,325)</u>
<i>Net Position - beginning</i>	<u>46,360,907</u>	<u>54,617</u>	<u>341,322</u>	<u>46,756,846</u>
<i>Net Position - ending</i>	<u>\$ 46,043,742</u>	<u>\$ 55,033</u>	<u>\$ 410,746</u>	<u>\$ 46,509,521</u>

**CITY OF CHICKASHA, OKLAHOMA**  
**Combining Statement of Cash Flows**  
**Chickasha Municipal Authority - Modified Cash Basis**  
**For the Year Ending June 30, 2016**

	<b>Enterprise Funds</b>			<b>TOTAL</b>
	<b>Chickasha Municipal Authority</b>	<b>Water Meter Deposit</b>	<b>Water Resource</b>	
<b>Cash Flows From Operating Activities</b>				
Receipts from customers	\$ 5,253,353	\$ -	\$ 70,286	\$ 5,323,639
Vendors and others paid	(6,429,039)	-	(1,500)	(6,430,539)
Customer meter deposits receipts/refunds	10,894	8,737	-	19,631
Other receipts (payments)	(288)	-	-	(288)
<i>Net Cash Provided by Operating Activities</i>	<u>(1,165,080)</u>	<u>8,737</u>	<u>68,786</u>	<u>(1,087,557)</u>
<b>Cash Flows From Noncapital Financing Activities</b>				
Miscellaneous revenues	122,209	-	-	122,209
Transfers from other funds	3,903,040	100	190	3,903,330
Transfers to other funds	(1,650,000)	-	-	(1,650,000)
<i>Net Cash Provided by Noncapital Financing Activities</i>	<u>2,375,249</u>	<u>100</u>	<u>190</u>	<u>2,375,539</u>
<b>Cash Flows From Capital and Related Financing Activities</b>				
Interest paid on debt	(207,957)	-	-	(207,957)
Principal paid on debt	(948,758)	-	-	(948,758)
Loan proceeds	69,869	-	-	69,869
Contribution income	95,185	-	-	95,185
Contribution expense	(118,480)	-	-	(118,480)
Purchases of capital assets	(1,950,192)	-	-	(1,950,192)
<i>Net Cash Provided by (used in) Capital and Related Financing Activities</i>	<u>(3,060,333)</u>	<u>-</u>	<u>-</u>	<u>(3,060,333)</u>
<b>Cash Flows From Investing Activities</b>				
Interest received	24,873	416	638	25,927
(Increase) decrease in investments	(300,000)	-	-	(300,000)
<i>Net Cash Provided by Investing Activities</i>	<u>(275,127)</u>	<u>416</u>	<u>638</u>	<u>(274,073)</u>
<i>Net Increase in Cash and Cash Equivalents</i>	(2,125,291)	9,253	69,614	(2,046,424)
<i>Balance - Beginning of the Year</i>	<u>12,665,806</u>	<u>230,125</u>	<u>41,323</u>	<u>12,937,254</u>
<i>Balance - End of the Year</i>	<u>10,540,515</u>	<u>239,378</u>	<u>110,937</u>	<u>10,890,830</u>
<b>Reconciliation of Operating Income (Loss) to Net Cash Provided by Operating Activities:</b>				
Operating income (loss)	(2,447,824)	-	68,786	(2,379,038)
Adjustments to reconcile operating income to net cash provided (used) by operating activities:				
Depreciation expense	1,272,138	-	-	1,272,138
Changes in assets and liabilities:				
Due from other funds	(288)	-	-	(288)
Due to depositors	10,894	8,737	-	19,631
<i>Net Cash Provided by Operating Activities</i>	<u>\$ (1,165,080)</u>	<u>\$ 8,737</u>	<u>\$ 68,786</u>	<u>\$ (1,087,557)</u>

**CITY OF CHICKASHA, OKLAHOMA**  
**Schedule of Federal and State Awards**  
**Modified Cash Basis**  
**For the Year Ending June 30, 2016**

Grantor/Program Title	Federal CFDA #	Award Amount	Prior Year Revenues	Current Year Revenues	Prior Year Expenditures	Current Year Expenditures
<b>Federal Awards:</b>						
Centennial Park CDBG	14.228	\$ 88,978	\$ 69,289	\$ 19,689	\$ 88,978	-
DOC #16079 CDBG 14 Centennial III	14.228	75,836	-	-	4,353	35,620
FAA AIP 3-40-0018-013-2015	20.106	519,912	-	-	29,304	34,110
Homeland Security	97.073	5,031	-	5,031	-	5,031
Total Federal Awards		<u>\$ 689,757</u>	<u>\$ 69,289</u>	<u>\$ 24,720</u>	<u>\$ 122,635</u>	<u>\$ 74,761</u>
<b>State Awards:</b>						
ODL - Annual State Aid - C&R		\$ 22,967	-	\$ 20,645	-	\$ 22,967
Oklahoma Police Grant		11,000	-	11,000	-	7,880
Total State Awards		<u>\$ 33,967</u>	<u>\$ -</u>	<u>\$ 31,645</u>	<u>\$ -</u>	<u>\$ 30,847</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 in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States, the accompanying modified cash basis financial statements of the governmental activities, the business-type activities, the aggregate discretely presented component units, each major fund, and the aggregate remaining fund information of the City of Chickasha, Oklahoma, as of and for the year ended June 30, 2016, and the related notes to the financial statements, which collectively comprise the City's basic financial statements and have issued our report thereon dated January 21, 2017. 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. We did identify certain deficiencies in internal control described in the accompanying Schedule of Findings and Responses that we consider to be significant deficiencies: 16-1, 16-2, 16-3, 16-4, 16-5 and 16-6.

**Compliance and Other Matters**

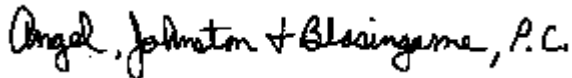
As part of obtaining reasonable assurance about whether the City's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit and, accordingly, we do not express such an opinion. The results of our tests disclosed an instance of noncompliance or other matters that is required to be reported under *Government Auditing Standards* and which are described in the accompanying Schedule of Findings and Responses as items 16-3, 16-4, 16-5 and 16-6.

**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  
January 21, 2017



**CITY OF CHICKASHA, OKLAHOMA**  
**Schedule of Findings and Responses**  
**For the Year Ended June 30, 2016**

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

16-1. Criteria – Bank accounts should be reconciled to the general ledger in a timely manner.

Condition – The CMA and the A/P Payroll bank accounts had unlocated differences between the bank reconciliations and the general ledger.

Cause and effect – The City was unable to locate the differences in the CMA account, the differences appeared to be growing. The A/P Payroll account (which is an internal service fund that is used as a checking account for the majority of the funds) had unlocated differences with the general ledger and the claims on cash from the other funds. Potential overdrafts could occur and financial statements could be misleading.

Recommendation – Unlocated differences between the bank reconciliation and the general ledger need to be investigated timely and adjustments should be made to the general ledger to agree with the bank.

Management response – With the current vacancy of the finance director position, the city has hired an outside accounting firm to assist in the reconciliation of the monthly bank statements. The firm is also in the process of assisting in the final review of the audit period June 30, 2016. With the audit adjustments pending, the firm will soon be able to record the adjustments and bring the balance sheet back into reconciliation through the June 30, 2016 time frame. The firm will continue to reconcile the current fiscal year bank statements and balance sheets until the time of their departure. Once the vacant position has been filled, the firm will assist in any transition issues that may arise.

16-2. Criteria – Timely reconciliations should be performed of funds transferred to internal service accounts and the due to/due from these accounts. Also the amounts transferred to these should be reconciled with the related paid outs.

Condition – Internal service fund accounts are used to pay joint expenses of the various funds. For example, there are internal service fund accounts that received withholdings from payroll for health, retirement and payroll taxes. The internal service funds are not being reconciled to the related paid outs.

Cause and Effect – The internal service fund accounts are not being reconciled to transfers in and required payments out. This has caused transfer errors to not be caught timely. Also the amounts recorded as due to/due from each fund do not agree. This also appears to be part of the cause that the AP/Payroll bank account reconciling issues noted in 16-1. There are also several of the internal service fund accounts not on the general ledger system which make reconciling even more crucial to understanding when these accounts do not tie out. In addition, payroll taxes were overpaid in one quarter, one month retirement was not paid timely and insurance paid for a couple of months does not agree with amounts transferred in.

Recommendation – Establish procedures to reconcile all internal service fund bank accounts with transfers in and pay outs. Agree amounts owed between each of the funds on a timely basis. Place all the bank accounts on the general ledger system.

**CITY OF CHICKASHA, OKLAHOMA**  
**Schedule of Findings and Responses**  
**For the Year Ended June 30, 2016**

Management response – With the city implementing timely monthly reconciliation of the bank accounts, this procedure will be beneficial in reconciling the due to and due from accounts on the balance sheet of the various funds. The city will include a month end procedure for the reconciliation of the due to and due from accounts as well as transfers in and out accounts between funds. With the city having individual bank accounts for each fund, there are many transfers of funds between the bank accounts. The city will also give consideration to implementing a pooled cash system which should help with the errors related to the movement of cash and failure to record such transactions.

- 16-3. Criteria – Purchase orders are to be used to initiate the purchasing process and an original invoice should be included with the purchase order. The purchase order should be signed by the encumbrance clerk to verify budgeted funds are available; original invoices should be signed and dated verifying the receipt of goods or services. The City has a policy that requires items expended over \$3,500 to have bids or council approval if the expenditure meets certain criteria. There are exclusions for professional service, items purchased off of the state contract list and various other exclusions.

Condition – In our expenditure testing we noted eleven of fifty purchase orders tested were prepared after date of invoice, one original invoice could not be located, however a copy was provided. In addition, on three of the fifty purchase orders we were unable to find bids or council approval.

Cause and Effect – Lack of consistency exists in following procedures to properly implement state purchasing laws and to follow City policy.

Recommendation – The City should reinforce proper purchase order procedures.

Management response – The city will need to update the purchasing policy, the processes and procedures to maintain compliance of the timing issue. Consideration of implementing an automated requisitioning process through the Incode accounting system and decentralizing the purchase order process will need consideration. There will need to be departmental review of the purchasing policy and procedures along with cooperation from all departments for compliance of the issues noted by auditors. Unfortunately, with the movement in staffing positions and the turnover of staff, volatility in this massive purchasing process occurred.

- 16-4. Criteria – Oklahoma Statutes Title 11, Section 17:211A states “No expenditure may be authorized or made by any officer or employee which exceeds the appropriation of any fund.”

Condition – Expenditures exceeded total appropriations in the General Fund and the EMS Fund. In the General Fund the departmental expenditures for the Finance Department, the Community Development Department and Transfers exceeded appropriations by \$9,142, \$35,116 and \$2,789,803 respectively. In the EMS Fund departmental expenditures exceeded appropriations by \$167,790. In addition, the City made budget adjustments in the General Fund, Chickasha Industrial Authority Fund, Police Training Fund and the Dedicated Sales Tax Fund without approval of the City Council. Also the CMA board did not approve amendments.

Cause and Effect – A lack of proper procedures and controls for monitoring the City’s expenditures in relations to their approved budget appropriations allowed non-compliance with Oklahoma Statutes.

**CITY OF CHICKASHA, OKLAHOMA**  
**Schedule of Findings and Responses**  
**For the Year Ended June 30, 2016**

Recommendation – The City should closely monitor each budget on a monthly basis and not approve any expenditure exceeding departmental appropriations until additional amendments have been made and approved. The categories of each budgeted fund should be tracked in order to determine the remaining budget balance. The City Council can authorize the City Manager or other designated employee to approve all transfers of appropriations between budgeted categories and departments, all supplemental appropriations require the approval of the City Council.

Management response – The larger issue of \$2,789,803 is a result of the one cent sales tax being deposited directly in the Chickasha Municipal Authority Fund (CMA). In the past, the city has always deposited the one cent sales tax directly in the CMA Fund. This year the auditors have brought to the city’s attention that public trust does not have taxing powers therefore, this amount should not be deposited directly into the CMA Fund but should have been run through the General Fund.

In 2016-17 the city will deposit all sales tax directly into the General Fund and the transfer accordingly the one cent to the CMA Fund and the three-fourth cent into the CIP-Dedicated Sales Tax Fund through transfers. This will satisfy the legal issue related to taxing authority and will allow, at a glance, the total sales tax received by the city each and year-to-date.

The various departmental overages will be monitored more closely, especially at yearend. A month end process will be put in place for a review of compliance and those departments will be managed very closely once 90% of their annual departmental budget has been expensed.

New management coming in will need to be aware of the many state statutes that govern the Oklahoma budget process. This includes the process relating to transfer, supplement and decreases of the approved budget.

16-5. Criteria – The City Council by resolution has established a monthly sanitation fee, user fee and improvement fee for its customer.

Condition – During the electronic metering conversion the City did not bill for one month of sanitation fees, user fees and the improvement fee.

Cause and Effect – Revenue billing was delayed due to installation of electronic metering and a loss of revenue will apparently never be recovered.

Recommendation – At this point it may not be possible to recoup this loss. In the future careful consideration should be given to handling utility billing changes.

Management response – With the implementation of the automated water meter reading for the entire city, the process was more overwhelming and time consuming than initially anticipated. A decision was made to eliminate a billing in order to catch up on the metered backlog. It is not known if consideration was given or even thought of concerning the financial impact on non-metered fees such as sanitation. This will be a lesson learned and consideration given if another major implementation should occur.

**CITY OF CHICKASHA, OKLAHOMA**  
**Schedule of Findings and Responses**  
**For the Year Ended June 30, 2016**

16-6. Criteria – The City established a policy that 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 the fiscal year.

Condition – At the end of the fiscal year the unassigned fund balance was 12.4% of the General Fund expenditures for the year or \$254,186 under the minimum required balance of unassigned fund balance.

Cause and Effect – A lack of proper monitoring of the City’s expenditures in relation to their unassigned fund balance allowed for non-compliance with the City’s minimum required policy.

Recommendation – The City should closely monitor the General Fund expenditures and the unassigned fund balance to comply with the minimum funding policy.

Management response – The city implemented this policy in order to accommodate emergency contingency concerns, cash flow needs as well as planning for future expenditures. The policy goes on to state that in the event the amount falls above or below the desired range, the city manager shall report such amounts to the city council as soon as practical after the end of the fiscal year. Should the actual amount designated fall below the desired range, the city shall create a plan to restore the appropriate levels.

**CITY OF CHICKASHA, OKLAHOMA**  
**Disposition of Prior Year Findings**  
**For the Year Ended June 30, 2016**

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

15-1. Criteria – Employee policies and procedures should be followed as stated in the Employee Handbook.

Condition – The City is in conflict with the Employee Handbook regarding maximum amount of vacation employees may accrue.

Disposition – This was not noted in the current year.

15-2. Criteria – City EMS billings system needs to have procedures established to reconcile billings, payments and adjustments.

Condition - For the last half of the 2014-15 year no reconciliations were performed on the EMS billings. Also the billing process became delinquent.

Disposition – This was not noted in the current year.