

CITY OF CHICKASHA, OKLAHOMA

ANNUAL FINANCIAL STATEMENTS AND
INDEPENDENT AUDITOR'S REPORTS

AS OF AND FOR THE FISCAL YEAR ENDED
JUNE 30, 2017

**THE CITY OF CHICKASHA,
OKLAHOMA**

**ANNUAL FINANCIAL STATEMENTS AND INDEPENDENT
AUDITOR'S REPORTS**

AS OF AND FOR THE FISCAL YEAR ENDED JUNE 30, 2017

**CITY OF CHICKASHA, OKLAHOMA
ANNUAL FINANCIAL REPORT
As of and for the Year Ended June 30, 2017**

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TABLE OF CONTENTS

	Page
Independent Auditor’s Report on Financial Statements	5-6
Management’s Discussion and Analysis – Other Information	7-14
The Basic Financial Statements:	
Government-Wide Financial Statements:	
Statement of Net Position (Modified Cash Basis).....	16
Statement of Activities (Modified Cash Basis).....	17
Governmental Funds Financial Statements:	
Balance Sheet (Modified Cash Basis).....	19
Statement of Revenues, Expenditures and Changes in Fund Balances (Modified Cash Basis).....	20
Reconciliations of Governmental Funds and Government-Wide Financial Statements.....	21
Proprietary Funds Financial Statements:	
Statement of Net Position (Modified Cash Basis).....	23
Statement of Revenues, Expenses and Changes in Net Position (Modified Cash Basis)...	24
Statement of Cash Flows (Modified Cash Basis).....	25
Footnotes to the Basic Financial Statements	26-44
Supplementary and Other Information:	
Budgetary Comparison Information	
Budgetary Comparison Schedule (Modified Cash Basis) – General Fund.....	46
Budgetary Comparison Schedule (Modified Cash Basis) – EMS Fund.....	47
Budgetary Comparison Schedule (Modified Cash Basis) – ED Dedicated Sales Tax Fund ...	47
Footnotes to Budgetary Comparison Schedule.....	48
Combining Non-Major Governmental Fund Statements	
Combining Balance Sheet (Modified Cash Basis).....	49
Combining Statement of Revenues, Expenditures and Changes in Fund Balances (Modified Cash Basis)	50

TABLE OF CONTENTS

Combining General Fund Account Schedules	
Combining Balance Sheet (Modified Cash Basis).....	51
Combining Schedule of Revenues, Expenditures and Changes in Fund Balance (Modified Cash Basis).....	52
Combining CMA Enterprise Fund Account Schedules	
Combining Schedule of Net Position (Modified Cash Basis).....	53
Combining Schedule of Revenues, Expenses and Changes in Net Position (Modified Cash Basis).....	54
Combining Schedule of Cash Flows (Modified Cash Basis).....	55
Federal and State Awards Schedule	
Schedule of Federal and State Awards	56

Internal Control and Compliance Information:

Report on Internal Control Over Financial Reporting and on Compliance and Other Matters Based on an Audit of the Financial Statements Performed in Accordance with <i>Government Auditing Standards</i>	59-60
Schedule of Findings	61-63
Schedule of Prior Year Findings	64-65
Management Responses to Findings	66-68



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, 2017, 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 fraud or error.

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 performing 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 audit 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, 2017, 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

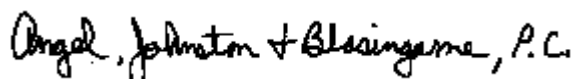
Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the Chickasha, Oklahoma basic financial statements. The budgetary comparison information, combining and individual nonmajor fund financial statements, the combining general fund statements, the combining enterprise fund statements and schedule of federal and state awards are 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 management's discussion and analysis on pages 9-16 and the budgetary comparison schedules on pages 47-49, 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 April 23, 2018, 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
April 23, 2018

CITY OF CHICKASHA, OKLAHOMA
Management's Discussion and Analysis
As of and for the Year Ended June 30, 2017

The management of the City of Chickasha is pleased to provide this annual financial report to its citizens, taxpayers and other report users to demonstrate its accountability and communicate the City's financial condition and activities as of and for the year ended June 30, 2017. Management of the City is responsible for the fair presentation of this annual report, for maintaining appropriate internal controls over financial reporting, and for complying with applicable laws, regulations, and provisions of grants and contracts. The City reports its financial statements and schedules on a modified cash basis which is a comprehensive basis of accounting other than generally accepted accounting principles. All of the financial analyses in this report must be considered within the context of the limitations of the modified cash basis of accounting.

FINANCIAL HIGHLIGHTS

- As reported on a modified cash basis, the City's total net position increased by \$1,113,104, and the assets of the City exceed its liabilities at June 30, 2017, by \$100,698,299 (Net Position). Of this amount, \$16,660,639 (Unrestricted Net Position) is available to meet the government's ongoing needs.
- At June 30, 2017, the City's governmental funds reported combined ending fund balances on a modified cash basis of \$9,492,930.
- At the end of fiscal year 2017, unassigned fund balance on a modified cash basis for the General Fund was \$830,751 or 7.6% of General Fund revenues.

ABOUT THE CITY

The City of Chickasha is an incorporated municipality with a population of approximately 16,423 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

The City provides typical municipal services such as public safety, health and welfare, street and alley maintenance, parks and recreation, and certain utility services including water, wastewater, and sanitation.

The City's Financial Reporting Entity

This annual report includes all activities for which the City Council is financially accountable. These activities, defined as the City's financial reporting entity, are operated within separate legal entities.

The City's financial reporting entity includes the primary government and the component units as follows:

- **The City of Chickasha** – that operates the public safety, health and welfare, streets and highways, parks and recreation, and administrative activities.
- **The Chickasha Municipal Authority** – that operates the water, wastewater, and sanitation activities of the City.
- **The Chickasha Municipal Airport Authority** – that operates the municipal airport activities of the City.
- **The Chickasha Industrial Authority** - that promotes and encourages the general economic and social development of the City.

OVERVIEW OF THE FINANCIAL STATEMENTS

The financial statements of the primary government presented herein include all of the activities of the City of Chickasha (the “City”), the Chickasha Municipal Authority (the “Authority”), the Chickasha Municipal Airport Authority (the “CMAA”), and the Chickasha Industrial Authority (the “CIA”). Included in this report are government-wide statements for each of the two categories of activities - governmental and business-type.

The government-wide financial statements present the complete financial picture of the City from the modified cash basis of accounting. These statements include all assets of the City as well as all liabilities, resulting from modified cash basis transactions, as well as capital assets and long-term debt. They present governmental and business-type activities separately and combined. For governmental activities, these statements tell how these services were financed in the short term as well as what remains for future spending. Fund financial statements also report the City’s operations in more detail than the government-wide statements by providing information about the City’s most significant funds.

Reporting the City as a Whole

The Statement of Net Position and Statement of Activities

One of the most important questions to ask about the City’s finances is, “Has the City’s overall financial condition improved, declined or remained steady as a result of the year’s activities?” The Statement of Net Position and the Statement of Activities report information about the City as a whole and about its activities in a way that helps answer this question. You will need to consider other non-financial factors, however, such as changes in the City’s sales tax base, the condition of the City’s roads, and quality of service to assess the overall health of the City. You will also need to keep in mind that these government-wide statements are prepared in accordance with the modified cash basis of accounting and include only those City assets and liabilities resulting from cash transactions with selected modifications.

In the Statement of Net Position and the Statement of Activities, we divide the City’s primary government into two kinds of activities: *Governmental activities* - Most of the City’s basic services are reported here, including the police, fire, administration, and streets. Sales taxes, franchise fees, fines, and state and federal grants finance most of these activities; and *Business-type activities* – Activities where the City charges a fee to customers to help cover all or most of the cost of certain services it provides are reported here. The City’s water, sewer, sanitation, and airport activities are reported as business-type activities.

Reporting the City's Most Significant Funds - Fund Financial Statements

Fund Financial Statements

The fund financial statements provide detailed information about the City's most significant (major) funds -- not the City as a whole. Some funds are required to be established by State law and by debt covenants. However, the City Council may also establish certain other funds to help it control and manage money for particular purposes or to show that it is meeting legal responsibilities for using certain taxes, grants, and other money.

Governmental funds - All of the City's basic services are reported in governmental funds, which focus on how money flows into and out of those funds and the balances left at year-end that are available for spending. Governmental funds report their activities on a modified cash basis of accounting. For example, these funds report the acquisition of capital assets and payments for debt principal as expenditures and not as changes to asset and debt balances. The governmental fund statements provide a detailed short-term view of the City's general government operations and the basic services it provides. Governmental fund information helps you determine (through a review of changes to fund balance) whether there are more or fewer financial resources that can be spent in the near future to finance the City's programs. The differences of results in the governmental fund financial statements to those in the government-wide financial statements are explained in a reconciliation following each governmental fund financial statement.

Proprietary funds - When the City, through the Municipal Authority, charges customers for the services it provides, these services are generally reported in proprietary funds. The City's proprietary fund is also reported on the modified cash basis of accounting. The City's proprietary funds are the Chickasha Municipal Authority and the Chickasha Municipal Airport Authority which account for the operation of the water, sewer, sanitation, and lake activities and airport operations, respectively.

Notes to the Financial Statements

The notes provide additional information that is essential to gain an understanding of the data provided in the government-wide and fund financial statements. The Notes to the Financial Statements can be found on pages 28-45 of this report.

CITY OF CHICKASHA, OKLAHOMA
Management's Discussion and Analysis
As of and for the Year Ended June 30, 2017

Other Information

In addition to the basic financial statements and accompanying notes, this report also presents Budgetary Comparison Schedules for the General Fund, EMS Fund, ED-Dedicated Sales Tax Fund, combining and individual fund financial statements and schedules, and a schedule of federal and state award expenditures.

THE CITY AS A WHOLE

For the year ended June 30, 2017, net position on a modified cash basis for the governmental and business-type activities increased \$1,113,104. Following is a summary of Net Position reported on a modified cash basis for the City of Chickasha primary government.

Net Position (Modified Cash Basis)
June 30, 2017
(In Thousands)

	<u>Governmental Activities</u>		<u>% Inc. (Dec.)</u>	<u>Business-Type Activities</u>		<u>% Inc. (Dec.)</u>	<u>Total</u>		<u>% Inc. (Dec.)</u>
	<u>2017</u>	<u>2016</u>		<u>2017</u>	<u>2016</u>		<u>2017</u>	<u>2016</u>	
Current assets	\$ 11,506	\$ 12,565	-8%	\$ 13,858	\$ 20,707	-33%	\$ 25,364	\$ 33,272	-24%
Capital assets, net	38,861	36,128	8%	45,976	40,048	15%	84,837	76,176	11%
Total assets	<u>50,367</u>	<u>48,693</u>	3%	<u>59,834</u>	<u>60,755</u>	-2%	<u>110,201</u>	<u>109,448</u>	1%
Current liabilities	458	208	120%	1,372	1,384	-1%	1,830	1,592	15%
Non-current liabilities	985	760	30%	6,537	7,512	-13%	7,522	8,272	-9%
Total liabilities	<u>1,443</u>	<u>968</u>	49%	<u>7,909</u>	<u>8,896</u>	-11%	<u>9,352</u>	<u>9,864</u>	-5%
Net position									
Net investment in capital assets	37,462	35,124	7%	38,401	31,539	22%	75,863	66,663	14%
Restricted	3,308	4,565	-28%	4,539	11,807	-62%	7,847	16,372	-52%
Unrestricted	8,155	8,036	1%	8,983	8,513	6%	17,137	16,549	4%
Total net position	<u>\$ 48,924</u>	<u>\$ 47,725</u>	3%	<u>\$ 51,924</u>	<u>\$ 51,859</u>	0%	<u>\$ 100,849</u>	<u>\$ 99,584</u>	1%

In the governmental activities, restricted net position decreased approximately \$1.2 million from the prior year due primarily to an increase in economic development related expenditures in the current year. In business-type activities, the current assets decreased by approximately \$7 million due to the spending of restricted cash related to the 2014 Sales Tax Revenue Note construction account. This is also the reason for the decrease in business-type restricted net position in the current year.

CITY OF CHICKASHA, OKLAHOMA
Management's Discussion and Analysis
As of and for the Year Ended June 30, 2017

Changes in Net Position (Modified Cash Basis)
Year Ended June 30, 2017
(In Thousands)

	Governmental Activities		% Inc. (Dec.)	Business-Type Activities		% Inc. (Dec.)	Total		% Inc. (Dec.)
	2017	2016		2017	2016		2017	2016	
Revenues									
Charges for services	\$ 4,272	\$ 1,948	119%	\$ 5,966	\$ 6,593	-10%	\$ 10,238	\$ 8,541	20%
Operating grants and contributions	125	137	-9%	-	-	-	125	137	-9%
Capital grants, debt proceeds and contributions	944	45	1998%	179	-	179%	1,123	45	2396%
Sales and use tax	10,809	11,598	-7%	-	-	-	10,809	11,598	-7%
Other taxes	1,519	1,547	-2%	-	-	-	1,519	1,547	-2%
Interest	33	23	43%	50	28	79%	83	51	63%
Miscellaneous	2,221	353	529%	153	122	25%	2,374	475	400%
Total revenues	19,923	15,651	27%	6,348	6,743	-6%	26,271	22,394	17%
Expenses									
General government	4,546	1,639	177%	-	-	-	4,546	1,639	177%
Public safety	7,984	7,929	1%	-	-	-	7,984	7,929	1%
Highways and streets	1,225	1,974	-38%	-	-	-	1,225	1,974	-38%
Culture and recreation	1,682	1,631	3%	-	-	-	1,682	1,631	3%
Cemetery	129	154	-16%	-	-	-	129	154	-16%
Community development	151	181	-17%	-	-	-	151	181	-17%
Economic development	1,016	921	10%	-	-	-	1,016	921	10%
Interest on long-term debt	46	30	53%	-	-	-	46	30	53%
Water	-	-	-	3,554	4,073	-13%	3,554	4,073	-13%
Sewer	-	-	-	1,938	1,538	26%	1,938	1,538	26%
Sanitation	-	-	-	2,072	2,147	-3%	2,072	2,147	-3%
Lake	-	-	-	150	154	-3%	150	154	-3%
Airport	-	-	-	514	511	1%	514	511	1%
Total expenses	16,779	14,459	16%	8,228	8,423	-2%	25,007	22,882	9%
Excess (deficiency) before transfers	3,144	1,192	-164%	(1,880)	(1,680)	12%	1,264	(488)	-359%
Transfers	(1,945)	(2,192)	-11%	1,945	2,192	11%	-	-	-
Change in net position	1,199	(1,000)	47%	65	512	87%	1,264	(488)	359%
Beginning net position	47,725	48,725	-2%	51,859	51,347	1%	99,584	100,072	0%
Ending net position	\$ 48,924	\$ 47,725	3%	\$ 51,924	\$ 51,859	0%	\$ 100,849	\$ 99,584	1%

Governmental Activities

The City's governmental activities had an increase in net position of \$1,048,883.

Charges for services and general government expenditures increased in the current year due to internal service activity being reported there. Capital grants and contributions increased by approximately \$900,000 due primarily to a FEMA grant received and donations from the county for ambulance purchases in the current year. Miscellaneous revenue increased due primarily to the City receiving a large number of oil royalties in the current year.

CITY OF CHICKASHA, OKLAHOMA
Management's Discussion and Analysis
As of and for the Year Ended June 30, 2017

Net Revenue/Expense Governmental Activities (Modified Cash Basis)
(In Thousands)

	Total Expense of Services		% Inc. (Dec.)	Net Revenue (Expense) of Services		% Inc. (Dec.)
	<u>2017</u>	<u>2016</u>		<u>2017</u>	<u>2016</u>	
General government	\$ 4,546	\$ 1,639	177%	\$ (2,708)	\$ (1,423)	-90%
Public safety	7,984	7,929	1%	(5,584)	(6,280)	11%
Highways and streets	1,225	1,974	-38%	(593)	(1,974)	70%
Culture and recreation	1,682	1,631	3%	(1,306)	(1,482)	12%
Cemetery	129	154	-16%	(35)	(54)	35%
Community development	151	181	-17%	(150)	(181)	17%
Economic development	1,016	921	10%	(1,015)	(906)	-12%
Interest on long-term debt	46	30	53%	(46)	(30)	-53%
Total	<u>\$ 16,779</u>	<u>\$ 14,459</u>	16%	<u>\$ (11,437)</u>	<u>\$ (12,330)</u>	7%

Business-type Activities

The business-type activities had an increase in capital grants and contributions of approximately \$179,000 from prior year due to two FAA grants received in the current year.

Net Revenue/Expense Business-type Activities (Modified Cash Basis)
(In Thousands)

	Total Expense of Services		% Inc. Dec.	Net Revenue (Expense) of Services		% Inc. Dec.
	<u>2017</u>	<u>2016</u>		<u>2017</u>	<u>2016</u>	
Water	\$ 3,554	\$ 4,073	-13%	\$ (1,229)	\$ (1,931)	36%
Sewer	1,938	1,538	26%	(361)	(14)	-2479%
Sanitation	2,072	2,147	-3%	(386)	(515)	25%
Lake	150	154	-3%	(89)	(127)	30%
Airport	514	511	1%	(18)	758	102%
Total	<u>\$ 8,228</u>	<u>\$ 8,423</u>	-2%	<u>\$ (2,083)</u>	<u>\$ (1,829)</u>	-14%

A FINANCIAL ANALYSIS OF THE CITY'S FUNDS

As the City completed its 2017 fiscal year, the governmental funds reported a combined fund balance of \$9,492,930. For the year ended June 30, 2017, the General Fund's total fund balance decreased by \$97,397 to \$1,417,145 or 13% of annual revenues. The EMS Fund, ED-Dedicated Sales Tax Fund, and

CITY OF CHICKASHA, OKLAHOMA
Management's Discussion and Analysis
As of and for the Year Ended June 30, 2017

CIP-Dedicated Sales Tax Fund's total fund balances decreased by \$52,420, \$1,221,506, and \$359,367 respectively. The Capital Project Fund's total fund balance increased by \$1,956,505 or 89% of annual revenues.

Budgetary Highlights

For the year ended June 30, 2017, the General Fund reported actual budgetary basis revenues below final estimates by \$1,761,683 or a 12% negative variance. General Fund actual expenditures were under final appropriations by \$3,275,864 or a 20% positive variance.

CAPITAL ASSETS & DEBT ADMINISTRATION

Capital Assets

At the end of June 30, 2017, the City had approximately \$85 million invested in capital assets, net of depreciation, including land, buildings, improvements, machinery and equipment, vehicles, water and sewer systems, and roads and bridges. This represents a net increase of approximately 9 million over last year.

Below are details regarding the City's capital assets for the years ended June 30, 2017 and June 30, 2016.

TABLE 5
Capital Assets
(In Thousands)
(Net of accumulated depreciation)

	Governmental		Business-Type		Total	
	Activities		Activities			
	2017	2016	2017	2016	2017	2016
Land	\$ 1,965	\$ 1,965	\$ 3,722	\$ 3,627	\$ 5,687	\$ 5,592
Construction in progress	1,630	604	1,042	2,262	2,672	2,866
Buildings	6,482	6,727	6,838	7,272	13,320	13,999
Improvements	2,776	2,741	1,147	1,246	3,923	3,987
Infrastructure	21,678	20,780	4,506	3,285	26,184	24,065
Machinery & equipment	1,936	1,230	3,030	865	4,966	2,095
Vehicles	2,394	2,038	342	312	2,736	2,350
Utility property improvements	-	-	25,349	21,179	25,349	21,179
Totals	\$ 38,861	\$ 36,085	\$ 45,976	\$ 40,048	\$ 84,837	\$ 76,133

This year's more significant capital asset additions include radios for multiple departments, ten police cars, two ambulances, E911 equipment, sidewalk and intersection replacement projects, electronic meters and software, various water and sewer line replacements, and airport entrance road.

Long-Term Debt

At year-end, the City had \$8.9 million in long-term debt outstanding, which represents approximately a \$600,000 decrease from the prior year. This net decrease was due to new loan proceeds of approximately \$900,000 and principal payments of approximately totaling \$1.5 million in the current year.

CITY OF CHICKASHA, OKLAHOMA
Management's Discussion and Analysis
As of and for the Year Ended June 30, 2017

TABLE 6
Long-Term Debt
(In Thousands)

	<u>Governmental</u>		<u>Business-Type</u>		<u>Total</u>	
	<u>Activities</u>		<u>Activities</u>			
	<u>2017</u>	<u>2016</u>	<u>2017</u>	<u>2016</u>	<u>2017</u>	<u>2016</u>
Notes payable	\$ -	\$ -	\$ 7,445	\$ 8,410	\$ 7,445	\$ 8,410
Capital leases	1,400	1,004	130	99	1,530	1,103
Totals	<u>\$ 1,400</u>	<u>\$ 1,004</u>	<u>\$ 7,705</u>	<u>\$ 8,608</u>	<u>\$ 9,105</u>	<u>\$ 9,612</u>

ECONOMIC FACTORS AND NEXT YEAR'S BUDGET

The City of Chickasha will continue to see a slight upturn in revenues associated with oil and gas. Operations along the Anadarko Shale have been increasing through 2016-2017, and administration believes those revenues will continue to increase through the next fiscal cycle. Chickasha is situated within the South Central Oklahoma Oil Province (SCOOP) and its existing wells have helped stabilize the local economy. A proposed pipeline running in proximity to the City has already drawn several new businesses preparing for the line construction phase. Additionally, the City should continue to see moderate sales and use tax gains directly related to the energy sector.

The increase in production within Chickasha's immediate area should also allow for increase in sales tax related to commercial businesses. Restaurants and retail should see moderate gains as daytime populations climb and occupancy increases at motels, RV parks, and hotels. Increased tax revenue from online sales has also increased exponentially, rounding out some of the areas that were negatively impacting the local economy in past years.

The City's current long-term debt obligations continue to be principally related to the outstanding revenue bond for infrastructure. This has been reasonably offset by the improvement in the City's assets and infrastructure repaired and replaced through the bond proceeds. Major projects for the next fiscal year include the proposal of a long-term Street and Utility Maintenance Program (SUMP), proposed improvements to our historic downtown, drainage improvements, and an update of the City's master plan. The City continues to maintain adequate reserves in both the City and Authority, and it is unlikely that Chickasha will need to acquire third party financing in the next fiscal year for any capital purchases or improvements.

Contacting the City's Financial Management

This report is designed to provide our citizens, taxpayers, customers and creditors with a general overview of the City's finances and to show the City's accountability for the money it receives. If you have questions about this report or need additional financial information, contact the City Clerk's Office at 117 N. 4th Street, Chickasha, Oklahoma 73018 or phone (405) 222-6020.

**CITY OF CHICKASHA, OKLAHOMA
ANNUAL FINANCIAL REPORT
As of and for the Year Ended June 30, 2017**

BASIC FINANCIAL STATEMENTS – GOVERNMENT-WIDE

CITY OF CHICKASHA, OKLAHOMA
ANNUAL FINANCIAL REPORT
As of and for the Year Ended June 30, 2017

Statement of Net Position (Modified Cash Basis) – June 30, 2017

	Primary Government		Total
	Governmental Activities	Business-type Activities	
ASSETS			
Cash and cash equivalents	\$ 5,989,636	\$ 5,399,736	\$ 11,389,372
Investments	5,200,001	8,350,127	13,550,128
Due from others	-	1,362	1,362
Notes receivable	400,000	-	400,000
Internal balances	(83,192)	83,192	-
Other assets	-	23,600	23,600
Capital assets:			
Land and construction in progress	3,595,026	4,764,003	8,359,029
Other capital assets, net of depreciation	35,266,310	41,212,158	76,478,468
Total assets	<u>50,367,781</u>	<u>59,834,178</u>	<u>110,201,959</u>
LIABILITIES			
Accounts payable and accrued expenses	-	7,933	7,933
Due to other governments	30,810	-	30,810
Due to bondholders	2,730	-	2,730
Due to employees	10,296	-	10,296
Deposits subject to refund	-	327,198	327,198
Long-term liabilities			
Due within one year	414,441	1,037,561	1,452,002
Due in more than one year	985,062	6,537,315	7,522,377
Total liabilities	<u>1,443,339</u>	<u>7,910,007</u>	<u>9,353,346</u>
NET POSITION			
Net investment in capital assets	37,461,833	38,401,285	75,863,118
Restricted for:			
Debt service	-	383,222	383,222
Capital projects	663,781	2,254,000	2,917,781
Economic development	2,339,427	-	2,339,427
Other purposes	304,686	1,902,228	2,206,914
Unrestricted	8,154,715	8,983,436	17,138,151
Total net position	<u>\$ 48,924,442</u>	<u>\$ 51,924,171</u>	<u>\$ 100,848,613</u>

See accompanying notes to the basic financial statements.

CITY OF CHICKASHA, OKLAHOMA
ANNUAL FINANCIAL REPORT
As of and for the Year Ended June 30, 2017

Statement of Activities (Modified Cash Basis) – For the Fiscal Year Ended June 30, 2017

Functions/Programs	Expenses	Program Revenue			Net (Expense) Revenue and Changes in Net Position		
		Charges for Services	Operating Grants and Contributions	Capital Grants, Loan Proceeds, and Contributions	Governmental Activities	Business-type Activities	Total
Primary government							
Governmental activities:							
General government	\$ 4,545,641	\$ 1,832,741	\$ 4,723	\$ -	\$ (2,708,177)	\$ -	\$ (2,708,177)
Public safety	7,984,160	1,929,875	96,771	373,245	(5,584,269)	-	(5,584,269)
Highways and streets	1,225,416	141,972	-	490,780	(592,664)	-	(592,664)
Culture and recreation	1,681,950	272,898	22,662	80,236	(1,306,154)	-	(1,306,154)
Cemetery	129,177	94,026	-	-	(35,151)	-	(35,151)
Community development	150,798	-	1,250	-	(149,548)	-	(149,548)
Economic development	1,015,495	-	-	-	(1,015,495)	-	(1,015,495)
Interest on long-term debt	45,613	-	-	-	(45,613)	-	(45,613)
Total governmental activities	<u>16,778,250</u>	<u>4,271,512</u>	<u>125,406</u>	<u>944,261</u>	<u>(11,437,071)</u>	<u>-</u>	<u>(11,437,071)</u>
Business-type activities:							
Water	3,554,200	2,325,234	-	-	-	(1,228,966)	(1,228,966)
Sewer	1,937,493	1,576,848	-	-	-	(360,645)	(360,645)
Sanitation	2,072,248	1,686,385	-	-	-	(385,863)	(385,863)
Lake	150,403	61,303	-	-	-	(89,100)	(89,100)
Airport	513,760	316,058	-	179,239	-	(18,463)	(18,463)
Total business-type activities	<u>8,228,104</u>	<u>5,965,828</u>	<u>-</u>	<u>179,239</u>	<u>-</u>	<u>(2,083,037)</u>	<u>(2,083,037)</u>
Total primary government	<u>\$ 25,006,354</u>	<u>\$ 10,237,340</u>	<u>\$ 125,406</u>	<u>\$ 1,123,500</u>	<u>(11,437,071)</u>	<u>(2,083,037)</u>	<u>(13,520,108)</u>
General revenues:							
Taxes:							
Sales and use taxes					10,808,794	-	10,808,794
Franchise taxes and public service taxes					1,031,662	-	1,031,662
Hotel/Motel taxes					487,223	-	487,223
Unrestricted investment earnings					31,528	49,861	81,389
Miscellaneous					2,221,659	152,799	2,374,458
Transfers					(1,944,598)	1,944,598	-
Total general revenues and transfers					<u>12,636,268</u>	<u>2,147,258</u>	<u>14,783,526</u>
Change in net position					1,199,197	64,221	1,263,418
Net position - beginning					47,725,245	51,859,950	99,585,195
Net position - ending					<u>\$ 48,924,442</u>	<u>\$ 51,924,171</u>	<u>\$ 100,848,613</u>

See accompanying notes to the basic financial statements.

**CITY OF CHICKASHA, OKLAHOMA
ANNUAL FINANCIAL REPORT
As of and for the Year Ended June 30, 2017**

BASIC FINANCIAL STATEMENTS – GOVERNMENTAL FUNDS

CITY OF CHICKASHA, OKLAHOMA
ANNUAL FINANCIAL REPORT
As of and for the Year Ended June 30, 2017

Governmental Funds Balance Sheet (Modified Cash Basis) – June 30, 2017

	<u>General Fund</u>	<u>EMS Fund</u>	<u>ED-Dedicated Sales Tax Fund</u>	<u>CIP-Dedicated Sales Tax Fund</u>	<u>Capital Project Fund</u>	<u>Other Governmental Funds</u>	<u>Total Governmental Funds</u>
ASSETS							
Cash and cash equivalents	\$ 1,223,624	\$ 199,341	\$ 242,029	\$ 185,351	\$ 2,272,646	\$ 1,074,070	\$ 5,197,061
Investments	301,050	-	2,600,000	698,951	500,000	300,000	4,400,001
Due from other funds	-	3,154	-	-	-	243	3,397
Total assets	<u>\$ 1,524,674</u>	<u>202,495</u>	<u>2,842,029</u>	<u>\$ 884,302</u>	<u>\$ 2,772,646</u>	<u>\$ 1,374,313</u>	<u>\$ 9,600,459</u>
LIABILITIES AND FUND BALANCES							
Liabilities:							
Due to other funds	\$ 86,589	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 86,589
Due to other governments	17,896	-	-	-	-	-	17,896
Due to bondholders	2,730	-	-	-	-	-	2,730
Total liabilities	<u>107,215</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>107,215</u>
Fund balances:							
Restricted	13,346	-	2,111,711	663,781	-	519,056	3,307,894
Assigned	573,362	202,495	730,318	220,521	2,772,646	855,257	5,354,599
Unassigned	830,751	-	-	-	-	-	830,751
Total fund balances	<u>1,417,459</u>	<u>202,495</u>	<u>2,842,029</u>	<u>884,302</u>	<u>2,772,646</u>	<u>1,374,313</u>	<u>9,493,244</u>
Total liabilities and fund balances	<u>\$ 1,524,674</u>	<u>\$ 202,495</u>	<u>\$ 2,842,029</u>	<u>\$ 884,302</u>	<u>\$ 2,772,646</u>	<u>\$ 1,374,313</u>	<u>\$ 9,600,459</u>

See accompanying notes to the basic financial statements.

CITY OF CHICKASHA, OKLAHOMA
ANNUAL FINANCIAL REPORT
As of and for the Year Ended June 30, 2017

Governmental Funds Statement of Revenues, Expenditures and Changes in Fund Balance
(Modified Cash Basis) – For the Fiscal Year Ended June 30, 2017

	<u>General Fund</u>	<u>EMS Fund</u>	<u>ED-Dedicated Sales Tax Fund</u>	<u>CIP-Dedicated Sales Tax Fund</u>	<u>Capital Project Fund</u>	<u>Other Governmental Funds</u>	<u>Total Governmental Funds</u>
REVENUES							
Taxes	\$ 9,810,866	\$ -	\$ -	\$ 2,146,196	\$ -	\$ 256,656	\$ 12,213,718
Intergovernmental	221,157	-	-	-	566,616	141,972	929,745
Charges for services	425,108	1,342,481	-	-	-	23,289	1,790,878
Fines and forfeitures	165,114	-	-	-	-	-	165,114
Licenses and permits	196,951	-	-	-	-	-	196,951
Investment income	5,955	102	12,453	950	3,272	3,636	26,368
Miscellaneous	50,537	784,907	50,431	5,302	1,624,183	22,405	2,537,765
Total revenues	<u>10,875,688</u>	<u>2,127,490</u>	<u>62,884</u>	<u>2,152,448</u>	<u>2,194,071</u>	<u>447,958</u>	<u>17,860,539</u>
EXPENDITURES							
Current:							
General government	1,638,586	-	-	-	-	-	1,638,586
Public Safety	5,312,234	1,741,400	-	-	-	89,378	7,143,012
Highway and streets	544,638	-	-	-	-	-	544,638
Culture and recreation	1,239,382	-	-	-	-	-	1,239,382
Cemetery	117,390	-	-	-	-	-	117,390
Community development	120,530	-	-	-	-	-	120,530
Economic development	-	-	-	-	-	911,720	911,720
Capital Outlay	511,614	438,510	1,362,205	1,362,632	310,282	1,145,413	5,130,656
Debt Service:							
Principal	194,421	-	-	-	142,530	115,260	452,211
Interest and other charges	12,601	-	-	-	24,886	8,126	45,613
Total expenditures	<u>9,691,396</u>	<u>2,179,910</u>	<u>1,362,205</u>	<u>1,362,632</u>	<u>477,698</u>	<u>2,269,897</u>	<u>17,343,738</u>
Excess (deficiency) of revenues over expenditures	<u>1,184,292</u>	<u>(52,420)</u>	<u>(1,299,321)</u>	<u>789,816</u>	<u>1,716,373</u>	<u>(1,821,939)</u>	<u>516,801</u>
OTHER FINANCING SOURCES (USES)							
Proceeds from capital leases	375,420	-	-	-	-	472,397	847,817
Transfers in	1,853,250	-	77,815	-	240,132	541,142	2,712,339
Transfers out	(3,510,045)	-	-	(1,149,183)	-	-	(4,659,228)
Total other financing sources and (uses)	<u>(1,281,375)</u>	<u>-</u>	<u>77,815</u>	<u>(1,149,183)</u>	<u>240,132</u>	<u>1,013,539</u>	<u>(1,099,072)</u>
Net change in fund balances	(97,083)	(52,420)	(1,221,506)	(359,367)	1,956,505	(808,400)	(582,271)
Fund balances - beginning	1,514,542	254,915	4,063,535	1,243,669	816,141	2,182,713	10,075,515
Fund balances - ending	<u>\$ 1,417,459</u>	<u>\$ 202,495</u>	<u>\$ 2,842,029</u>	<u>\$ 884,302</u>	<u>\$ 2,772,646</u>	<u>\$ 1,374,313</u>	<u>\$ 9,493,244</u>

See accompanying notes to the basic financial statements.

CITY OF CHICKASHA, OKLAHOMA
ANNUAL FINANCIAL REPORT
As of and for the Year Ended June 30, 2017

Reconciliation of Governmental Funds and Government-Wide Financial Statements:

Fund Balance – Net Position Reconciliation:

Total fund balance, governmental funds	\$	9,493,244
Amounts reported for governmental activities in the Statement of Net Position are different because:		
Capital assets used in governmental activities are not current financial resources and therefore are not reported in this fund financial statement, but are reported in the governmental activities of the Statement of Net Position.		
		38,861,336
Certain other long-term assets are not available to pay current period expenditures and therefore are not reported in this fund financial statement, but are reported in the governmental activities of the Statement of Net Position.		
Note receivable		400,000
Some liabilities, (such as Notes Payable, Capital Lease, and Bonds Payable), are not due and payable in the current period and are not included in the fund financial statement, but are included in the governmental activities of the Statement of Net Position.		
		(1,399,503)
Internal service fund net position, classified as governmental activities at the government-wide financial statements.		
		1,569,365
Net Assets of Governmental Activities in the Statement of Net Assets		\$ 48,924,442

Changes in Fund Balance – Changes in Net Position Reconciliation:

Net change in fund balances - total governmental funds:	\$	(582,271)
Amounts reported for Governmental Activities in the Statement of Activities are different because:		
Governmental funds report outlays for capital assets as expenditures because such outlays use current financial resources. In contrast, the Statement of Activities reports only a portion of the outlay as expense. The outlay is allocated over the assets' estimated useful lives as depreciation expense for the period.		
Capital asset purchases capitalized		4,636,220
Depreciation expense		(1,902,753)
Governmental funds report loan to borrower as an expenditure while governmental activities report this as an asset.		
Payment of note receivable proceeds to borrower		150,000
Debt proceeds provide current financial resources to governmental funds, but issuing debt increases long-term liabilities in the Statement of Net Position. Repayment of debt principal is an expenditure in the governmental funds, but the repayment reduces long-term liabilities in the Statement of Net Position:		
Proceeds of long-term debt		(847,817)
Principal payments on long-term debt		452,211
Internal service funds are used by management to charge the costs of certain activities, such as insurance to individual funds. The net revenue (expense) of certain internal service funds is reported within governmental activities.		
		(706,393)
Change in Net Position of Governmental Activities		\$ 1,199,197

**CITY OF CHICKASHA, OKLAHOMA
ANNUAL FINANCIAL REPORT
As of and for the Year Ended June 30, 2017**

BASIC FINANCIAL STATEMENTS – PROPRIETARY FUND

CITY OF CHICKASHA, OKLAHOMA
ANNUAL FINANCIAL REPORT
As of and for the Year Ended June 30, 2017

Proprietary Fund Statement of Net Position (Modified Cash Basis) – June 30, 2017

	<u>Chickasha Municipal Authority</u>	<u>Chickasha Municipal Airport Authority</u>	<u>Total Proprietary Funds</u>	<u>Internal Service Fund</u>
ASSETS				
Current assets:				
Cash and cash equivalents	\$ 2,214,529	\$ 318,126	\$ 2,532,655	\$ 792,575
Investments	6,750,127	1,500,000	8,250,127	800,000
Restricted:				
Restricted cash and cash equivalents	2,867,081	-	2,867,081	-
Restricted investments	100,000	-	100,000	-
Due from other funds	2,401	81,441	83,842	-
Other receivable	1,362	-	1,362	-
Prepaid expenses	23,600	-	23,600	-
Total current assets	<u>11,959,100</u>	<u>1,899,567</u>	<u>13,858,667</u>	<u>1,592,575</u>
Non-current assets:				
Capital assets:				
Land and construction in progress	4,708,784	55,219	4,764,003	-
Other capital assets, net of accumulated depreciation	37,858,638	3,353,520	41,212,158	-
Total non-current assets	<u>42,567,422</u>	<u>3,408,739</u>	<u>45,976,161</u>	<u>-</u>
Total assets	<u>54,526,522</u>	<u>5,308,306</u>	<u>59,834,828</u>	<u>1,592,575</u>
LIABILITIES				
Current liabilities:				
Other payable	7,933	-	7,933	-
Due to other funds	650	-	650	-
Due to other governments	-	-	-	12,914
Due to employees	-	-	-	10,296
Deposits subject to refund	32,720	-	32,720	-
Capital lease obligation	52,561	-	52,561	-
Note payable	985,000	-	985,000	-
Total current liabilities	<u>1,078,864</u>	<u>-</u>	<u>1,078,864</u>	<u>23,210</u>
Non-current liabilities:				
Deposits subject to refund	294,478	-	294,478	-
Capital lease obligation	77,315	-	77,315	-
Note payable	6,460,000	-	6,460,000	-
Total non-current liabilities	<u>6,831,793</u>	<u>-</u>	<u>6,831,793</u>	<u>-</u>
Total liabilities	<u>7,910,657</u>	<u>-</u>	<u>7,910,657</u>	<u>23,210</u>
NET POSITION				
Net investment in capital assets	34,992,546	3,408,739	38,401,285	-
Restricted for debt service	383,222	-	383,222	-
Restricted for capital projects	2,254,000	-	2,254,000	-
Restricted for other purposes	451,581	1,899,567	2,351,148	-
Unrestricted	8,534,516	-	8,534,516	1,569,365
Total net position	<u>\$ 46,615,865</u>	<u>\$ 5,308,306</u>	<u>\$ 51,924,171</u>	<u>\$ 1,569,365</u>

See accompanying notes to the basic financial statements.

CITY OF CHICKASHA, OKLAHOMA
ANNUAL FINANCIAL REPORT
As of and for the Year Ended June 30, 2017

Proprietary Fund Statement of Revenues, Expenses and Changes in Net Position (Modified Cash Basis) – For the Fiscal Year Ended June 30, 2017

	Chickasha Municipal Authority	Chickasha Municipal Airport Authority	Total Proprietary Funds	Internal Service Fund
OPERATING REVENUES				
Water revenue	\$ 2,276,617	\$ -	\$ 2,276,617	\$ -
Sewer revenue	1,572,023	-	1,572,023	-
Sanitation revenue	1,658,792	-	1,658,792	-
Penalties and fees	41,502	-	41,502	-
User resource fees	22,433	-	22,433	-
Lake revenue	61,303	-	61,303	-
Airport revenue	-	316,058	316,058	-
Miscellaneous	17,100	-	17,100	454,118
Charges for services	-	-	-	1,602,226
Total Operating Revenues	<u>5,649,770</u>	<u>316,058</u>	<u>5,965,828</u>	<u>2,056,344</u>
OPERATING EXPENSES				
Administration	789,300	-	789,300	-
Water	2,213,303	-	2,213,303	-
Sewer	907,865	-	907,865	-
Sanitation	1,717,845	-	1,717,845	-
Lake	110,657	-	110,657	-
Building maintenance	326,818	-	326,818	-
Airport	-	335,129	335,129	-
Depreciation	1,460,252	178,631	1,638,883	-
Insurance, compensated absences, personnel expense	-	-	-	2,767,897
Total Operating Expenses	<u>7,526,040</u>	<u>513,760</u>	<u>8,039,800</u>	<u>2,767,897</u>
Operating income (loss)	<u>(1,876,270)</u>	<u>(197,702)</u>	<u>(2,073,972)</u>	<u>(711,553)</u>
NON-OPERATING REVENUES (EXPENSES)				
Investment income	45,299	4,562	49,861	5,160
Interest expense	(188,304)	-	(188,304)	-
Grant revenue	-	179,239	179,239	-
Miscellaneous revenue	152,799	-	152,799	-
Total non-operating revenue (expenses)	<u>9,794</u>	<u>183,801</u>	<u>193,595</u>	<u>5,160</u>
Income before transfers	<u>(1,866,476)</u>	<u>(13,901)</u>	<u>(1,880,377)</u>	<u>(706,393)</u>
Transfers in	3,838,062	4,028	3,842,090	-
Transfers out	(1,865,242)	(32,250)	(1,897,492)	-
Change in net position	<u>106,344</u>	<u>(42,123)</u>	<u>64,221</u>	<u>(706,393)</u>
Total net position - beginning	46,509,521	5,350,429	51,859,950	2,275,758
Total net position - ending	<u>\$ 46,615,865</u>	<u>\$ 5,308,306</u>	<u>\$ 51,924,171</u>	<u>\$ 1,569,365</u>

See accompanying notes to the basic financial statements.

CITY OF CHICKASHA, OKLAHOMA
ANNUAL FINANCIAL REPORT
As of and for the Year Ended June 30, 2017

Proprietary Fund Statement of Cash Flows (Modified Cash Basis) – Year Ended June 30, 2017

	Chickasha Municipal Authority	Chickasha Municipal Airport Authority	Total Proprietary Funds	Internal Service Fund
CASH FLOWS FROM OPERATING ACTIVITIES				
Receipts from customers	\$ 5,649,770	\$ 316,058	\$ 5,965,828	\$ 2,056,344
Payments to suppliers	(5,261,516)	(250,376)	(5,511,892)	(2,720,944)
Payments to employees	(835,414)	(84,753)	(920,167)	-
Interfund receipts (payments)	(40,275)	(81,441)	(121,716)	(64,570)
Receipts of customer meter deposits	79,800	-	79,800	-
Refunds of customer meter deposits	(86,776)	-	(86,776)	-
Other receipts	152,799	179,239	332,038	-
Net cash provided by (used in) operating activities	(341,612)	78,727	(262,885)	(729,170)
CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES				
Transfers from other funds	3,893,266	4,028	3,897,294	-
Transfers to other funds	(1,920,446)	(32,250)	(1,952,696)	-
Net cash provided by (used in) noncapital financing activities	1,972,820	(28,222)	1,944,598	-
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES				
Purchases of capital assets	(7,013,399)	(553,506)	(7,566,905)	-
Proceeds from capital debt	83,364	-	83,364	-
Principal paid on debt	(1,017,261)	-	(1,017,261)	-
Interest and fiscal agent fees paid on debt	(188,304)	-	(188,304)	-
Net cash provided by (used in) capital and related financing activities	(8,135,600)	(553,506)	(8,689,106)	-
CASH FLOWS FROM INVESTING ACTIVITIES				
Sale (purchase) of investments	649,873	(700,000)	(50,127)	200,000
Interest income	45,299	4,562	49,861	5,160
Net cash provided by (used in) investing activities	695,172	(695,438)	(266)	205,160
Net increase (decrease) in cash and cash equivalents	(5,809,220)	(1,198,439)	(7,007,659)	(524,010)
Balances - beginning of year	10,890,830	1,516,565	12,407,395	1,316,585
Balances - end of year	\$ 5,081,610	\$ 318,126	\$ 5,399,736	\$ 792,575
Reconciliation to Statement of Net Position:				
Cash and cash equivalents	\$ 2,214,529	\$ 318,126	\$ 2,532,655	\$ 792,575
Restricted cash and cash equivalents - current	2,867,081	-	2,867,081	-
Total cash and cash equivalents, end of year	\$ 5,081,610	\$ 318,126	\$ 5,399,736	\$ 792,575
Reconciliation of operating income (loss) to net cash provided by (used in) operating activities:				
Operating income (loss)	\$ (1,876,270)	\$ (197,702)	\$ (2,073,972)	\$ (711,553)
Adjustments to reconcile operating income to net cash provided by (used in) operating activities:				
Depreciation expense	1,460,252	178,631	1,638,883	-
Grant revenue	-	179,239	179,239	-
Miscellaneous revenue	152,799	-	152,799	-
Change in assets and liabilities:				
Other receivable	(1,362)	-	(1,362)	-
Due from other funds	(5,770)	(81,441)	(87,211)	-
Prepaid expense	(23,600)	-	(23,600)	23,743
Due to other funds	(34,505)	-	(34,505)	(64,570)
Due to other governments	-	-	-	12,914
Due to employees	-	-	-	10,296
Other payable	(6,180)	-	(6,180)	-
Deposits subject to refund	(6,976)	-	(6,976)	-
Net cash provided by (used in) operating activities	\$ (341,612)	\$ 78,727	\$ (262,885)	\$ (729,170)

See accompanying notes to the basic financial statements.

CITY OF CHICKASHA, OKLAHOMA
ANNUAL FINANCIAL REPORT
As of and for the Year Ended June 30, 2017

FOOTNOTES TO THE BASIC FINANCIAL STATEMENTS

1. Financial Reporting Entity

The City's financial reporting entity includes the primary government (the City), and its blended component units:

- **The City of Chickasha** – that operates the public safety, health and welfare, streets and highways, parks and recreation, and administrative activities
- **The City of Chickasha Municipal Authority** – that operates the water, wastewater, and sanitation activities of the City
- **The Chickasha Municipal Airport Authority** – that operates the airport activities of the City
- **The Chickasha Industrial Authority** – that promotes and encourages the general economic and social development within the City

The City complies with the provisions of Governmental Accounting Standards Board Statement No. 14, *The Financial Reporting Entity*, as amended by Statement 61, and includes all component units for which the City is financially accountable.

The component units are Public Trusts 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. 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.

2. Basis of Presentation and Accounting

Government-Wide Financial Statements:

The Statements of Net Position and Activities are reported on a modified cash basis of accounting. The modified cash basis of accounting is based on the recording of cash and cash equivalents and changes therein, and only recognizes revenues, expenses, assets and liabilities resulting from cash transactions adjusted for the following modifications that have substantial support in generally accepted accounting principles. These modifications include adjustments for the following balances arising from cash transactions:

- Capital assets
- Long-term debt
- Cash-based interfund receivables and payables
- Other cash-based receivables/payables
- Utility deposit liabilities

As a result of the use of this 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

**CITY OF CHICKASHA, OKLAHOMA
ANNUAL FINANCIAL REPORT
As of and for the Year Ended June 30, 2017**

expenses for goods or services received but not yet paid, and accrued expenses and liabilities) are not recorded in these financial statements.

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

- General government: License and permits, rents, royalties and grants
- Public safety: Police fines, county donations and grants
- Highways and streets: Gas excise taxes, commercial vehicle taxes and grants
- Culture and recreation: Sports complex revenue, rentals and grants
- Cemetery: Cemetery lot fees and interment fees
- Community development: Donations

Governmental Funds:

General Fund – The General Fund is the primary operating fund of the City and always classified as a major fund. It is used to account for all financial resources not accounted for and reported in another fund.

Special Revenue Funds – are used to account for and report the proceeds of specific revenues sources that are restricted or committed to expenditures for specified purposes other than debt service or capital projects.

Capital Project Funds – are used to account for and report financial resources that are restricted, committed, or assigned to expenditure for capital outlays, including the acquisition or construction of capital facilities and other capital assets.

Proprietary Funds:

Enterprise Fund – are used to account for business-like activities provided to the general public. These activities are financed primarily by user charges and the measurement of financial activity focuses on net position changes similar to the private sector. The reporting entity includes the Chickasha Municipal Authority (CMA) and the Chickasha Municipal Airport Authority (CMAA), both reported as blended component unit enterprise funds. These CMA accounts for activities of the public trust in providing, water, wastewater, and sanitation, services to the public. The CMAA accounts for activities of the municipal airport.

The City's governmental funds are comprised of the following:

Major Funds:

- General Fund – accounts for all activities not accounted for in other special-purpose funds. For financial statement reporting purposes the General Fund contains the following combining accounts: Fire/EMS Training Account, Police Training Account, and Police Bond Account.
- EMS Fund – accounts for emergency services activities
- ED-Dedicated Sales Tax Fund – accounts for residual amounts of 7/32 cent sales tax restricted by voters for economic development purposes

CITY OF CHICKASHA, OKLAHOMA
ANNUAL FINANCIAL REPORT
As of and for the Year Ended June 30, 2017

- CIP-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
- Capital Project Fund - accounts for capital activities not accounted for in other special purpose funds

Non-Major Funds (Reported as Other 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 transfers in of hotel/motel tax revenues and related economic development expenses
- E-911 Fund – accounts for E-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 Fund:

- Cemetery Care Fund – accounts for 12.5 percent of cemetery revenue restricted for cemetery capital improvements as required by state law

The governmental funds are reported on a modified cash basis of accounting. Only current financial assets and liabilities resulting from cash transactions are included on the fund balance sheets. The operating statements present sources and uses of available spendable financial resources during a given period. These fund financial statements use fund balance as their measure of available spendable financial resources at the end of the period.

Proprietary Funds:

The City’s proprietary fund is comprised of the following:

Enterprise Funds:

- Chickasha Municipal Authority – that operates the water, sewer, and sanitation services of the City
- Chickasha Municipal Airport Authority – that operates the municipal airport

The proprietary funds are also reported on a modified cash basis, as defined above.

For purposes of the statement of revenues, expenses and changes in fund net position, operating revenues and expenses are considered those whose cash flows are related to operating activities, while revenues and expenses related to financing, capital and investing activities are reported as non-operating or transfers and contributions.

**CITY OF CHICKASHA, OKLAHOMA
ANNUAL FINANCIAL REPORT
As of and for the Year Ended June 30, 2017**

3. Cash, Cash Equivalents, and Investments

Cash and cash equivalents includes all demand and savings accounts, certificates of deposit or short-term investments with an original maturity of three-months or less, and money market accounts. Investments consist of long-term certificates of deposit and are reported at cost.

For the year ended June 30, 2017, the City recognized \$81,389 of investment income. Due to the minimal rates of return on allowable investments in the current environment, all of the City's deposits are in demand and short-term time deposits.

At June 30, 2017, the primary government held the following deposits and investments:

<u>Type</u>	<u>Maturities</u>	<u>Rating</u>	<u>Fair Value Hierarchy</u>	<u>Carrying Value</u>
Primary Government				
Deposits:				
Demand deposits				\$ 8,746,828
Time deposit - certificate of deposit	2/25/2018			13,550,128
Trustee accounts - BOK - Short-Term Cash Fund I		AAA	N/A	2,637,222
OMAG escrow				5,322
				<u>\$ 24,939,500</u>
Reconciliation to Statement of Net Position:				
Cash and cash equivalents				\$ 11,389,372
Investments				13,550,128
				<u>\$ 24,939,500</u>

Custodial Credit Risk

Custodial credit risk is the risk that in the event of a bank failure, the government's deposits may not be returned to it. The City is governed by the State Public Deposit Act which requires that the City obtain and hold collateral whose fair value exceeds the amount of uninsured deposits. Investment securities are exposed to custody credit risk if the securities are uninsured, are not registered in the name of the government, and if held by either a counterparty or a counterparty's trust, department or agent, but not in the government's name.

As of June 30, 2017, the City was not exposed to custodial credit risk as defined above.

Investment Interest Rate Risk

Interest rate risk is the risk that changes in interest rates will adversely affect the fair value of an investment. The City has no investment policy that limits investments based on maturity. The City discloses its exposure to interest rate risk by disclosing the maturity dates of its various investments, where applicable.

At June 30, 2017, the City's investments with maturity dates were limited to time deposits that were not exposed to interest rate risk.

CITY OF CHICKASHA, OKLAHOMA
ANNUAL FINANCIAL REPORT
As of and for the Year Ended June 30, 2017

Investment Credit Risk

The City has no investment policy that limits its investment choices other than the limitations of state law that generally authorize investments 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 deposit or savings accounts that are either insured or secured with acceptable collateral; (3) negotiable certificates of deposit, prime bankers acceptances, prime commercial paper and repurchase agreements with certain limitations; (4) county, municipal or school district tax supported debt obligations, bond or revenue anticipation notes, money judgments, or bond or revenue anticipation notes of public trusts whose beneficiary is a county, municipality or school district; and (5) government money market funds regulated by the SEC. These investment limitations do not apply to the City's public trusts.

As of June 30, 2017, the City was not exposed to investment credit risk as defined above.

Concentration of Investment Credit Risk

Exposure to concentration of credit risk is considered to exist when investments in any one issuer represent a significant percent of total investments of the City (any over 5% are disclosed). Investments issued or explicitly guaranteed by the U.S. government and investments in mutual funds, external investment pools, and other pooled investments are excluded from this consideration. The City has no investment policy regarding concentration of credit risk.

At June 30, 2017, the City had no concentration of credit risk as defined above.

Restricted Cash and Investments – The amounts reported as restricted assets on the proprietary fund Statement of Net Position are comprised of amounts restricted for meter deposits, debt service, debt reserve, construction purposes, and deposits held by insurance pool. The restricted assets as of June 30, 2017 are as follows:

<u>Type of Restricted Assets</u>	Current	
	Cash and cash equivalents	Investments
Utility Deposits	\$ 227,198	\$ 100,000
2014 Note Principal Account	326,854	-
2014 Note Interest Account	56,368	-
2014 Note Construction Account	2,254,000	-
Deposits with Insurance Pool	2,661	-
Total Proprietary Fund	\$ 2,867,081	\$ 100,000

4. Capital Assets and Depreciation

Capital Assets:

Capital assets consist of land, construction in progress, buildings, improvements, infrastructure, utility property and improvements, machinery and equipment, and vehicles. Capital assets are reported at actual or estimated historical cost. Donated capital assets are recorded at estimated acquisition market value at

CITY OF CHICKASHA, OKLAHOMA
ANNUAL FINANCIAL REPORT
As of and for the Year Ended June 30, 2017

the date of donation. Estimated historical cost was used to value the majority of the assets, including infrastructure assets (such as roads, bridges, and traffic systems) acquired prior to July 1, 2002.

For the year ended June 30, 2017, capital asset balances changed as follows:

	Balance at July 01, 2016	Additions	Disposals	Balance at June 30, 2017
Governmental activities:				
Capital assets not being depreciated:				
Land	\$ 1,964,595	\$ -	\$ -	\$ 1,964,595
Construction in progress	604,356	2,747,961	1,721,886	1,630,431
Total capital assets not being depreciated	<u>2,568,951</u>	<u>2,747,961</u>	<u>1,721,886</u>	<u>3,595,026</u>
Other capital assets:				
Buildings	10,027,635	-	-	10,027,635
Improvements	4,136,715	199,492	-	4,336,207
Infrastructure	50,104,212	1,613,765	-	51,717,977
Machinery and equipment	3,855,846	1,054,232	-	4,910,078
Vehicles	6,287,848	785,401	-	7,073,249
Total other capital assets at historical cost	<u>74,412,256</u>	<u>3,652,890</u>	<u>-</u>	<u>78,065,146</u>
Less accumulated depreciation for:				
Buildings	3,300,740	244,874	-	3,545,614
Improvements	1,395,544	164,728	-	1,560,272
Infrastructure	29,324,445	715,639	-	30,040,084
Machinery and equipment	2,625,595	348,381	-	2,973,976
Vehicles	4,249,759	429,131	-	4,678,890
Total accumulated depreciation	<u>40,896,083</u>	<u>1,902,753</u>	<u>-</u>	<u>42,798,836</u>
Other capital assets, net	33,516,173	1,750,137	-	35,266,310
Governmental activities capital assets, net	<u>\$ 36,085,124</u>	<u>\$ 4,498,098</u>	<u>\$ 1,721,886</u>	<u>\$ 38,861,336</u>
Business-type activities:				
Capital assets not being depreciated:				
Land	\$ 3,627,186	\$ 95,065	\$ -	\$ 3,722,251
Construction in progress	2,261,727	7,058,183	8,278,158	1,041,752
Total capital assets not being depreciated	<u>5,888,913</u>	<u>7,153,248</u>	<u>8,278,158</u>	<u>4,764,003</u>
Other capital assets:				
Buildings	24,720,604	-	-	24,720,604
Improvements	2,123,947	-	-	2,123,947
Infrastructure	9,639,101	1,336,543	-	10,975,644
Machinery and equipment	1,959,874	2,360,569	-	4,320,443
Vehicles	982,192	117,654	-	1,099,846
Utility property improvements	70,178,050	4,877,272	-	75,055,322
Total other capital assets at historical cost	<u>109,603,768</u>	<u>8,692,038</u>	<u>-</u>	<u>118,295,806</u>
Less accumulated depreciation for:				
Buildings	17,448,455	434,091	-	17,882,546
Improvements	877,814	98,813	-	976,627
Infrastructure	6,353,938	115,611	-	6,469,549
Machinery and equipment	1,095,331	195,353	-	1,290,684
Vehicles	670,686	86,733	-	757,419
Utility property improvements	48,998,541	708,282	-	49,706,823
Total accumulated depreciation	<u>75,444,765</u>	<u>1,638,883</u>	<u>-</u>	<u>77,083,648</u>
Other capital assets, net	34,159,003	7,053,155	-	41,212,158
Business-type activities capital assets, net	<u>\$ 40,047,916</u>	<u>\$ 14,206,403</u>	<u>\$ 8,278,158</u>	<u>\$ 45,976,161</u>

CITY OF CHICKASHA, OKLAHOMA
ANNUAL FINANCIAL REPORT
As of and for the Year Ended June 30, 2017

Depreciation:

Depreciable capital assets are depreciated on a straight-line basis over useful lives. A capitalization threshold of \$3,500 is used to report capital assets. The range of estimated useful lives by type of asset is as follows:

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

Depreciation of capital assets is included in total expenses and is charged or allocated to the activities primarily benefiting from the use of the specific asset. Depreciation expense has been allocated as follows:

Governmental Activities:

General government	\$ 87,889
Public safety	729,014
Highways and streets	662,422
Culture and recreation	396,160
Community development	27,268
	<u>\$ 1,902,753</u>

Business-Type Activities:

Water	\$ 782,996
Sewer	621,193
Sanitation	17,601
Lake	38,462
Airport	178,631
	<u>\$ 1,638,883</u>

5. Long-Term Debt and Debt Service Requirements

For the year ended June 30, 2017, the reporting entity's long-term debt changed as follows:

<u>Type of Debt</u>	<u>Balance</u> <u>July 01, 2016</u>	<u>Additions</u>	<u>Deductions</u>	<u>Balance</u> <u>June 30, 2017</u>	<u>Due Within</u> <u>One Year</u>
Governmental Activities:					
Capital lease obligations	\$ 1,003,897	\$ 847,817	\$ 452,211	\$ 1,399,503	\$ 414,441
Total Governmental Activities	<u>\$ 1,003,897</u>	<u>\$ 847,817</u>	<u>\$ 452,211</u>	<u>\$ 1,399,503</u>	<u>\$ 414,441</u>
Business-Type Activities:					
Notes payable	\$ 8,410,000	\$ -	\$ 965,000	\$ 7,445,000	\$ 985,000
Capital lease payable	98,773	83,364	52,261	129,876	52,561
Total Business-Type Activities	<u>8,508,773</u>	<u>83,364</u>	<u>1,017,261</u>	<u>7,574,876</u>	<u>1,037,561</u>
Total Long-Term Debt	<u>\$ 9,512,670</u>	<u>\$ 931,181</u>	<u>\$ 1,469,472</u>	<u>\$ 8,974,379</u>	<u>\$ 1,452,002</u>

CITY OF CHICKASHA, OKLAHOMA
ANNUAL FINANCIAL REPORT
As of and for the Year Ended June 30, 2017

Governmental activities long-term debt:

Capital lease obligation to Liberty National Bank for a ladder truck, original amount of \$574,992, payable in semi-annual installments of \$29,958, interest rate at 3.99%, final payment due June 30, 2019.	\$ 92,837
Capital lease obligation to Welch State Bank for a pumper, original amount of \$401,779, payable in semi annual installments of \$23,577, interest rate at 3.39%, final payment due June 15, 2023.	253,592
Capital lease obligation to Liberty National Bank for PD video equipment, original amount of \$105,665, payable in semi-annual installments of \$11,696, interest rate at 3.75%, final payment due January 27, 2017.	20,035
Capital lease obligation to Community Bank for SCBA equipment, original amount of \$122,765, payable in monthly installments of \$25,944, interest rate at 2.5%, final payment due June 15, 2019.	73,762
Capital lease obligation to First National Bank for a tractor and loader, original amount of \$39,925, payable in monthly installments of \$1,159, interest rate at 2.7%, final payment due June 10, 2018.	13,714
Capital lease obligation to First National Bank for a rescue squad truck, original amount of \$380,316, payable in monthly installments of \$5,029, interest rate at 1.95%, final payment due December 15, 2022.	305,455
Capital lease obligation to Liberty National Bank for 11 police cars, original amount of \$375,420, payable in annual installments of \$98,185, interest rate at 1.99%, final payment due April 1, 2020.	282,972
Capital lease obligation to Liberty National Bank for radios, original amount of \$472,397, payable in annual installments of \$123,721, interest rate at 1.99%, final payment due May 1, 2020.	357,136
Total Capital Lease Obligations	\$ 1,399,503
Current portion	\$ 414,441
Noncurrent portion	985,062
Total Capital Lease Obligations	\$ 1,399,503

CITY OF CHICKASHA, OKLAHOMA
ANNUAL FINANCIAL REPORT
As of and for the Year Ended June 30, 2017

Business-type activities long-term debt:

Series 2014 Sales Tax Revenue Note, original amount \$9,875,000 dated March 10, 2014, payable in semi-annual installments each March 1 and September 1, secured with a 3/4 cent pledged sales tax, interest rate of 2.27%, final installment due March 1, 2024, for water and sewer improvements.

	\$ 7,445,000
Total Notes Payable	\$ 7,445,000
Current portion	\$ 985,000
Noncurrent portion	6,460,000
Total Notes Payable	\$ 7,445,000

Capital lease payable to First National Bank for a tractor, original amount of \$42,662, payable in monthly installments of \$1,238, interest rate at 2.27%, final payment due June 10, 2018.

\$ 14,654

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

52,198

Capital lease payable to Liberty National Bank for radios, original amount of \$83,364, payable in annual installments of \$21,833, interest rate at 1.99%, final payment due May 1, 2020.

63,024

Total Capital Leases Payable	\$ 129,876
Current portion	\$ 52,561
Noncurrent portion	77,315
Total Capital Leases Payable	\$ 129,876

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

<u>Year Ending June 30,</u>	Governmental Activities	
	Capital Lease obligations	
	<u>Principal</u>	<u>Interest</u>
2018	\$ 414,441	\$ 35,423
2019	367,738	24,431
2020	339,290	16,694
2021	99,748	7,753
2022	102,948	4,553
2023	75,338	1,440
Totals	\$ 1,399,503	\$ 90,294

**CITY OF CHICKASHA, OKLAHOMA
ANNUAL FINANCIAL REPORT
As of and for the Year Ended June 30, 2017**

<u>Year Ending June 30,</u>	Business-Type Activities			
	Notes Payable		Capital Lease Payable	
	Principal	Interest	Principal	Interest
2018	\$ 52,561	\$ 2,861	\$ 985,000	\$ 163,440
2019	38,786	1,770	1,010,000	140,967
2020	38,529	874	1,035,000	117,870
2021	-	-	1,065,000	94,205
2022	-	-	1,090,000	69,916
2023-2025	-	-	2,260,000	64,525
Totals	\$ 129,876	\$ 5,505	\$ 7,445,000	\$ 650,923

Capital assets acquired through capital leases are as follows:

Date	Capital Asset	Amount	Accumulated Depreciation
Vehicles:			
6/15/2009	Ladder Truck	574,992	309,857
1/15/2013	E-One Pumper	401,779	150,667
12/15/2015	Rescue Squad Truck	380,316	60,217
7/1/2016	11 Police Cars	375,420	53,609
		\$ 1,732,507	\$ 574,350
Machinery and Equipment:			
9/15/2011	Street Sweeper	204,906	119,529
1/27/2012	Volvo Grader	144,376	78,204
12/15/2013	PD Car Video Equipment	105,665	46,543
5/5/2015	SCB Equipment	122,765	26,599
5/15/2015	Tractor/Loader	39,925	12,358
5/18/2015	Tractor	42,662	9,243
12/1/2015	Mower Tractor/Loader	22,962	3,636
3/15/2016	Skid Steer & Attachments	78,253	8,150
7/1/2016	Radios	555,761	99,281
		\$ 761,514	\$ 403,543

6. Fund Balances and Net Position

Fund Balances:

Governmental fund equity is classified as fund balance. Fund balance can be further classified as nonspendable, restricted, committed, assigned and unassigned. These classifications are defined as:

- 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.

**CITY OF CHICKASHA, OKLAHOMA
ANNUAL FINANCIAL REPORT
As of and for the Year Ended June 30, 2017**

- 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 or regulations of other governments, or (2) laws 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. The City’s highest level of decision-making authority is made by 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. Assignments for transfers and interest income for governmental funds are made through the budgetary process.
- 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 to first use restricted fund balance prior to the use of the unrestricted fund balance when an expense is incurred for purposes for which both restricted and unrestricted fund balance are available. The City’s policy for the use of unrestricted fund balance amounts require that committed amounts would be reduced first, followed by assigned amounts and then unassigned amounts when expenditures are incurred for purposes for which amounts in any of those unrestricted fund balance classifications could be used. The City has established a policy to maintain an unassigned fund balance in the General Fund ranging from 15% - 40% of General Fund expenditures.

Net Position:

Net Position is displayed in three components:

- a. *Net investment in capital assets* – 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 attributable to the acquisition, construction, or improvements of those assets.
- b. *Restricted Net Position* - 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 Net Position* - All other net position that does not meet the definition of “restricted.”

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.

The following tables show the fund balance/net position classifications as shown in the Governmental Funds Balance Sheet and Proprietary Fund Statement of Net Position:

**CITY OF CHICKASHA, OKLAHOMA
ANNUAL FINANCIAL REPORT
As of and for the Year Ended June 30, 2017**

	General Fund	EMS Fund	ED-Dedicated Sales Tax Fund	CIP-Dedicated Sales Tax Fund	Capital Project Fund	Other Governmental Funds	Total
Fund Balance:							
Restricted For:							
Economic Development	\$ -	\$ -	\$ 2,111,711	\$ -	\$ -	\$ 227,716	\$ 2,339,427
Capital Projects	-	-	-	663,781	-	-	663,781
Other Purposes	13,346	-	-	-	-	291,340	304,686
Sub-total Restricted	13,346	-	2,111,711	663,781	-	519,056	3,307,894
Assigned To:							
Fire/EMS	1,286	202,495	-	-	-	-	203,781
Police	42,983	-	-	-	-	-	42,983
Police Bonds	258,291	-	-	-	-	-	258,291
Streets	-	-	-	-	-	132,695	132,695
Economic Development	-	-	730,318	-	-	123,741	854,059
Capital Projects	-	-	-	220,521	2,772,646	575,791	3,568,958
Other Purposes	-	-	-	-	-	23,030	23,030
Budget balance purposes	270,488	-	-	-	-	-	270,488
Sub-total Assigned	573,048	202,495	730,318	220,521	2,772,646	855,257	5,354,285
Unassigned	830,751	-	-	-	-	-	830,751
Total Fund Balance	\$ 1,417,145	\$ 202,495	\$ 2,842,029	\$ 884,302	\$ 2,772,646	\$ 1,374,313	\$ 9,492,930

Enterprise Funds:

Net investment in capital assets	\$ 38,401,285
Restricted for Debt Service	383,222
Restricted for Capital Projects	2,254,000
Restricted for Other Purposes	<u>2,351,148</u>
Total Enterprise Fund Restrictions	<u>\$ 43,389,655</u>

7. Sales Tax Revenue

Sales tax revenue represents a 3.75 cents tax on each dollar of taxable sales. The sales tax is recorded as follows:

- 3 cents are recorded in the General Fund for operations, with 1 cent being transferred to the Chickasha Municipal Authority
- ¾ cent is recorded in the CIP-Dedicated Sales Tax Fund and is restricted by voters for the repair, replacement or improvement of streets and drainage and can be used to secure related debt service payments. This amount has been allocated to the CMA to secure debt service payments on the \$9,875,000 2014 Sales Tax Revenue Note

8. Tax Increment Financing District

The qualified voters of the City of Chickasha approved ordinance #2005-17. This ordinance creates a Tax Increment Financing (TIF) District along the south side of Grand Avenue east and west of 4th street. The ordinance provides the developer would make and pay for the costs 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.

**CITY OF CHICKASHA, OKLAHOMA
ANNUAL FINANCIAL REPORT
As of and for the Year Ended June 30, 2017**

As of June 30, 2017, the City had collected sales tax and ad valorem tax related to the TIF District totaling \$878,364 and made payments to developers totaling \$650,539. The amount owed developers as of June 30, 2017 is \$227,825.

9. Property Tax Levy

The City presently levies no property tax. In accordance with state law, a municipality may only levy a property tax to retire general obligation debt approved by the voters and to pay judgments rendered against the City.

10. 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.

Transfers:

Internal transfers between funds and activities for the year ended June 30, 2017, were as follows:

<u>Transfer From</u>	<u>Transfer To</u>	<u>Amount</u>	<u>Purpose of Transfer</u>
CMA	General Fund	\$ 1,821,000	Operational subsidy
CMA	Tax Incremental District Fund	34,214	TIF sales tax
CMA	CMAA	4,028	Capital asset purchases
CMA	General Fund	3,709	Capital asset purchases
CMAA	General Fund	32,250	Payroll expenses
General Fund	Tax Incremental District Fund	68,427	TIF sales tax
General Fund	CIA	438,501	Hotel/Motel tax
General Fund	ED Dedicated Sales Fund	77,815	Sales tax
General Fund	Capital Projects Fund	240,132	Use tax
General Fund	CMA	2,685,170	Sales tax
Dedicated Sales Tax Fund	CMA	1,149,183	Debt service payments
Total		<u><u>\$ 6,554,429</u></u>	

Reconciliation to Fund Financial Statements:

	<u>Transfers In</u>	<u>Transfers Out</u>	<u>GW Capital Asset Purchases</u>	<u>Net Transfers</u>
Governmental Funds	\$ 2,712,339	\$ (4,659,228)	\$ 2,291	\$ (1,944,598)
Proprietary Funds	3,842,090	(1,897,492)	-	1,944,598
	<u><u>\$ 6,554,429</u></u>	<u><u>\$ (6,556,720)</u></u>	<u><u>\$ 2,291</u></u>	<u><u>\$ -</u></u>

**CITY OF CHICKASHA, OKLAHOMA
ANNUAL FINANCIAL REPORT
As of and for the Year Ended June 30, 2017**

Balances:

Interfund balances between activities at June 30, 2017, were as follows:

<u>Due From</u>	<u>Due To</u>	<u>Amount</u>	<u>Nature of Balance</u>
General Fund	EMS Fund	\$ 2,504	Operational expenses paid
General Fund	CIA	243	Hotel Motel Tax
General Fund	CMA	2,401	Sales Tax
General Fund	CMAA	81,441	Operational expenses paid
CMA	EMS Fund	650	Deposit errors
Total		<u>\$ 87,239</u>	

Reconciliation to Fund Financial Statements:

	<u>Due From</u>	<u>Due To</u>	<u>Net Internal Balances</u>
Governmental Funds	\$ 3,397	\$ (86,589)	\$ (83,192)
Proprietary Funds	83,842	(650)	83,192
Total	<u>\$ 87,239</u>	<u>\$ (87,239)</u>	<u>\$ -</u>

11. Risk Management

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

12. Pension Plan Participation

The City of Chickasha participates in five 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 (OkMRF) – an agent multiple-employer defined benefit plan
4. Oklahoma Municipal Retirement Fund (OkMRF) – an agent multiple-employer defined contribution plan
5. ICMA-RC – an IRS Code Section 457 governmental deferred compensation plan

CITY OF CHICKASHA, OKLAHOMA
ANNUAL FINANCIAL REPORT
As of and for the Year Ended June 30, 2017

OFPRS:

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

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

Funding Policy. OFPRS plan members that are volunteer firefighters are not required to contribute to the plan. OFPRS plan members are required to contribute 9% to the plan. The City is required by state law to contribute 14% per year of covered payroll per paid firefighter. The plan is funded by contributions from participants, employers, insurance premium taxes, and state appropriations, as necessary.

The OFPRS contributions for the last three fiscal years are as follows:

Fiscal Year	Required Contributions	Amount Contributed
2015	\$ 284,559	\$ 284,559
2016	\$ 283,273	\$ 283,273
2017	\$ 305,721	\$ 305,721

OPPRS:

Plan Summary Information. The City of Chickasha, as the employer, participates in a statewide cost-sharing multiple employer defined benefit pension plan through the Oklahoma Police Pension and Retirement System (OPPRS). The OPPRS defined benefit pension plan provides retirement and disability benefits, annual cost-of-living adjustments, and death benefits to plan members and beneficiaries. Pursuant to the requirements of Title 11, section 22-102, the City must participate in the plan if they employ a certain number of fulltime police officers.

The OPPRS issues a publicly available financial report that includes financial statements and required supplementary information. That report may be obtained from the website www.ok.gov/opprs or by writing to OPPRS, 1001 N.W. 63rd St., Suite 605, Oklahoma City, OK 73116-7335.

Funding Policy. The City is required by state law to contribute 13% of covered payroll per year for each police officer. Employees contribute 8% of covered payroll. The plan is funded by contributions from participants, employers, insurance premium taxes, and state appropriations, as necessary.

The OPPRS contributions for the last three fiscal years are as follows:

**CITY OF CHICKASHA, OKLAHOMA
ANNUAL FINANCIAL REPORT
As of and for the Year Ended June 30, 2017**

Fiscal Year	Required Contributions	Amount Contributed
2015	\$ 162,336	\$ 162,336
2016	\$ 177,935	\$ 177,935
2017	\$ 172,803	\$ 172,803

OkMRF Defined Benefit Plan:

The City contributes to the City of Chickasha Plan and Trust in the form of The Oklahoma Municipal Retirement System Master Defined Benefit Plan and Trust, an agent multiple employer - defined benefit plan, for all eligible employees except for those covered by the Police and Firefighter Pension Systems. Employees are vested after 10 years. The City's OkMRF 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 the City and employees are established and may be amended by the OkMRF board. Employees are required to contribute 4% of their annual covered salary. The City of Chickasha is required to contribute at an actuarially determined rate; the rate during fiscal year 2016-2017 was 14.62% of covered payroll.

Annual Pension Cost – For 2016-2017, the City of Chickasha's annual pension cost of \$256,647 for the OkMRF plan was equal to the required and actual contributions. The required contribution was determined as part of the June 30, 2017 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.

OkMRF issues separate plan financial statements which may be obtained from the website at www.okmrf.org/reports or by contacting the Oklahoma Municipal Retirement Fund, 525 Central Park Drive, Suite 320, Oklahoma City, Oklahoma, 73105.

Contributions for the last three fiscal years were as follows:

Fiscal Year	Actuarial Required Contributions	Percent Contributed	Pension Benefit Obligation
2015	\$ 323,297	100%	\$ -
2016	\$ 389,203	100%	\$ -
2017	\$ 352,026	100%	\$ -

OkMRF Defined Contribution City Manager Plan:

Effective May 1, 2017, the City has also provided a defined contribution plan and trust known as the City of Chickasha Plan and Trust (the "Plan") in the form of The Oklahoma Municipal Retirement System Master Defined Contribution Plan (OkMRF) for the City Manager. The City Manager is eligible to contribute to the Plan upon hire and is required to contribute 8% of annual covered salary. Additional

voluntary after-tax contributions are also allowed. Employer contributions vary by year and are determined by the City. The City Manager is 100% vested immediately. Employer contributions to the Plan for FY 2016-2017 were \$3,512.

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 Manager. Employer contributions for FY 2016-2017 were \$1,731.

13. Commitments and Contingencies

Compensated Absences:

As a result of the City's use of the modified cash basis of accounting, accrued liabilities related to compensated absences (vacation and compensation leave) earned but unpaid at year-end are not reflected in the basic financial statements. The compensated absence commitment at June 30, 2017, is summarized as follows:

- Governmental activities \$739,910
- Business-type activities \$38,017

Litigation:

The City is party to various legal proceedings which normally occur in the course of governmental operations. The financial statements do not include accruals or provisions 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. These statutory provisions do not apply to the City's public trust Authorities. 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.

Federal and State Award Programs:

The City of Chickasha participates in various federal or state grant/loan programs from year to year. In 2017, the City's involvement in federal and state award programs was significant. The grant/loan programs are often subject to additional audits by agents of the granting or loaning agency, the purpose of which is to ensure compliance with the specific conditions of the grant or loan. The City has not been notified of any noncompliance with federal or state award requirements.

14. Outstanding Notes Receivable

The City has two outstanding notes receivable as of June 30, 2017:

The Chickasha Industrial Authority Fund executed a \$250,000 note receivable in February 2016 to Word Industries Fabrication, LLC (Word) at a two percent (2%) interest rate, with interest only payments due for the first year followed by 18 equal principal and interest payments thru July of 2018. During FY 2016-2017, the City received two interest payments from Word. Word has since defaulted on the loan. The City is currently seeking legal action against T.N. Word, guarantor of the note and owner of Word. The legal action is pending in the District Court of Grady County and the City is unsure whether they will collect anything on this outstanding note.

CITY OF CHICKASHA, OKLAHOMA
ANNUAL FINANCIAL REPORT
As of and for the Year Ended June 30, 2017

The Chickasha Industrial Authority Fund executed a \$150,000 note receivable in December 2016 to Wesnidge & Company, LLC (Wesnidge) at a three percent (3%) interest rate. Wesnidge will begin paying the City in 48 equal principal and interest payments. As part of the agreement, Wesnidge will also receive incentive payments from the City based on certain specific criteria. The incentive payments will be applied to the principal of the loan at the end of the loan term, not to exceed \$97,647. During FY 2016-2017, the City did not make any incentive payments to Wesnidge nor did they receive any loan payments from Wesnidge.

**CITY OF CHICKASHA, OKLAHOMA
ANNUAL FINANCIAL REPORT
As of and for the Year Ended June 30, 2017**

SUPPLEMENTARY AND OTHER INFORMATION

CITY OF CHICKASHA, OKLAHOMA
ANNUAL FINANCIAL REPORT
As of and for the Year Ended June 30, 2017

Budgetary Comparison Schedule (Modified Cash Basis) – General Fund – Year Ended June 30, 2017

	General Fund			
	Budgeted Amounts		Actual Amounts, Budgetary Basis	Variance with Final Budget - Positive (Negative)
	Original	Final		
Beginning Budgetary Fund Balance	\$ 1,465,092	\$ 1,465,092	\$ 1,219,748	\$ (245,344)
Resources (Inflows):				
Taxes	6,361,000	12,012,000	9,810,866	(2,201,134)
Intergovernmental	171,600	131,500	221,157	89,657
Charges for services	359,600	333,500	425,108	91,608
Licenses and Permits	160,300	167,400	196,951	29,551
Investment Income	3,000	3,000	5,833	2,833
Miscellaneous	71,700	71,700	425,957	354,257
Other Financing Sources - Transfers In	2,150,000	2,094,000	1,965,545	(128,455)
Total Resources	<u>9,277,200</u>	<u>14,813,100</u>	<u>13,051,417</u>	<u>(1,761,683)</u>
Amount available for appropriation	<u>10,742,292</u>	<u>16,278,192</u>	<u>14,271,165</u>	<u>(2,007,027)</u>
Charges to Appropriations (Outflows):				
Departmental:				
General government	1,710,244	2,600,344	1,645,743	954,601
Public Safety	6,099,856	5,966,900	5,866,863	100,037
Highways and streets	942,300	621,200	572,447	48,753
Culture and recreation	1,454,400	1,446,300	1,320,562	125,738
Cemetery	-	118,300	117,390	910
Community development	344,600	152,400	123,530	28,870
Other Financing Uses - Transfers Out	-	5,574,000	3,510,045	2,063,955
Total Charges to Appropriations	<u>10,551,400</u>	<u>16,479,444</u>	<u>13,156,580</u>	<u>3,322,864</u>
Ending Budgetary Fund Balance	<u>\$ 190,892</u>	<u>\$ (201,252)</u>	\$ 1,114,585	<u>\$ 1,315,837</u>
Reconciliation to Statement of Revenues, Expenditures, and Change in Fund Balance:				
Fire/EMS Training Account Balance			1,286	
Police Training Account Balance			42,983	
Police Bond Account Balance			258,605	
Total General Fund - Fund Balance			<u>\$ 1,417,459</u>	

**CITY OF CHICKASHA, OKLAHOMA
ANNUAL FINANCIAL REPORT
As of and for the Year Ended June 30, 2017**

Budgetary Comparison Schedule (Modified Cash Basis) – EMS Fund – Year Ended June 30, 2017

	EMS Fund			
	Budgeted Amounts		Actual Amounts, Budgetary Basis	Variance with Final Budget - Positive (Negative)
	Original	Final		
Beginning Budgetary Fund Balance	\$ 270,583	\$ 270,583	\$ 254,915	\$ (15,668)
Resources (Inflows)				
Charges for services	1,050,000	1,866,500	1,342,481	(524,019)
Investment Income	-	-	102	102
Miscellaneous	486,500	376,300	784,907	408,607
Total Resources	<u>1,536,500</u>	<u>2,242,800</u>	<u>2,127,490</u>	<u>(115,310)</u>
Amounts Available for Appropriation	<u>1,807,083</u>	<u>2,513,383</u>	<u>2,382,405</u>	<u>(130,978)</u>
Charges to Appropriations (Outflows)				
Public Safety	1,413,815	2,055,900	2,179,910	(124,010)
Total Charges to Appropriations	<u>1,413,815</u>	<u>2,055,900</u>	<u>2,179,910</u>	<u>(124,010)</u>
Fund balances - ending	<u>\$ 393,268</u>	<u>\$ 457,483</u>	<u>\$ 202,495</u>	<u>\$ (254,988)</u>

Budgetary Comparison Schedule (Modified Cash Basis) – ED Dedicated Sales Tax Fund – Year Ended June 30, 2017

	ED-Dedicated Sales Tax Fund			
	Budgeted Amounts		Actual Amounts, Budgetary Basis	Variance with Final Budget - Positive (Negative)
	Original	Final		
Beginning Budgetary Fund Balance	\$ 1,812,300	\$ 1,812,300	\$ 4,063,535	\$ 2,251,235
Resources (Inflows)				
Taxes	109,000	144,229	-	(144,229)
Investment Income	3,000	3,000	12,453	9,453
Miscellaneous	82,429	-	50,431	50,431
Transfers from Other Funds	-	80,000	77,815	(2,185)
Total Resources	<u>194,429</u>	<u>227,229</u>	<u>140,699</u>	<u>(86,530)</u>
Amounts Available for Appropriation	<u>2,006,729</u>	<u>2,039,529</u>	<u>4,204,234</u>	<u>2,164,705</u>
Charges to Appropriations (Outflows)				
Economic Development	1,120,000	2,730,000	1,362,205	1,367,795
Total Charges to Appropriations	<u>1,120,000</u>	<u>2,730,000</u>	<u>1,362,205</u>	<u>1,367,795</u>
Fund balances - ending	<u>\$ 886,729</u>	<u>\$ (690,471)</u>	<u>\$ 2,842,029</u>	<u>\$ 3,532,500</u>

Footnotes to Budgetary Comparison Schedules:

1. The budgetary comparison schedules are reported on the same modified cash basis as governmental funds within the basic financial statements.

2. The legal level of appropriation control is the department level within a fund. Transfers of appropriation within a department of a fund require the approval of the City Manager. All other transfers and supplemental appropriations require the approval of the City Council. Supplemental appropriations must be filed with the Office of the State Auditor and Inspector.

**CITY OF CHICKASHA, OKLAHOMA
ANNUAL FINANCIAL REPORT
As of and for the Year Ended June 30, 2017**

Non-Major Governmental Funds Combining Balance Sheet (Modified Cash Basis) – June 30, 2017

	<u>Special Revenue</u>				<u>Capital Project</u>		<u>Total Other Governmental Funds</u>
	<u>Donations</u>	<u>Tax Increment District</u>	<u>Chickasha Industrial Authority</u>	<u>E911 Fund</u>	<u>Street and Alley</u>	<u>Cemetery Care</u>	
ASSETS							
Cash and cash equivalents	\$ 53,708	\$ 227,716	\$ 123,498	\$ 260,662	\$ 132,695	\$ 275,791	\$ 1,074,070
Investments	-	-	-	-	-	300,000	300,000
Due from other funds	-	-	243	-	-	-	243
Total assets	<u>\$ 53,708</u>	<u>\$ 227,716</u>	<u>\$ 123,741</u>	<u>\$ 260,662</u>	<u>\$ 132,695</u>	<u>\$ 575,791</u>	<u>\$ 1,374,313</u>
FUND BALANCES							
Fund balances:							
Restricted	37,917	227,716	-	253,423	-	-	519,056
Assigned	15,791	-	123,741	7,239	132,695	575,791	855,257
Total fund balances	<u>53,708</u>	<u>227,716</u>	<u>123,741</u>	<u>260,662</u>	<u>132,695</u>	<u>575,791</u>	<u>1,374,313</u>
Total liabilities and fund balances	<u>\$ 53,708</u>	<u>\$ 227,716</u>	<u>\$ 123,741</u>	<u>\$ 260,662</u>	<u>\$ 132,695</u>	<u>\$ 575,791</u>	<u>\$ 1,374,313</u>

CITY OF CHICKASHA, OKLAHOMA
ANNUAL FINANCIAL REPORT
As of and for the Year Ended June 30, 2017

Non-Major Governmental Funds Combining Statement of Revenues, Expenditures and Changes in Fund Balances (Modified Cash Basis) – Year Ended June 30, 2017

	Special Revenue				Capital Project		Total Other Governmental Funds
	Donations	Tax Increment District	Chickasha Industrial Authority	E-911	Street and Alley	Cemetery Care	
REVENUES							
Taxes	\$ -	\$ 124,981	\$ -	\$ 131,675	\$ -	\$ -	\$ 256,656
Intergovernmental	-	-	-	-	141,972	-	141,972
Charges for services	-	-	-	-	-	23,289	23,289
Investment earnings	84	94	1,194	650	665	949	3,636
Miscellaneous	18,960	-	3,445	-	-	-	22,405
Total revenues	<u>19,044</u>	<u>125,075</u>	<u>4,639</u>	<u>132,325</u>	<u>142,637</u>	<u>24,238</u>	<u>447,958</u>
EXPENDITURES							
Current:							
Public Safety	5,802	-	-	83,576	-	-	89,378
Economic development	-	249,539	662,181	-	-	-	911,720
Capital Outlay	-	-	-	876,724	229,761	38,928	1,145,413
Debt Service:							
Principal	-	-	-	115,260	-	-	115,260
Interest and other charges	-	-	-	8,126	-	-	8,126
Total Expenditures	<u>5,802</u>	<u>249,539</u>	<u>662,181</u>	<u>1,083,686</u>	<u>229,761</u>	<u>38,928</u>	<u>2,269,897</u>
Excess (deficiency) of revenues over expenditures	<u>13,242</u>	<u>(124,464)</u>	<u>(657,542)</u>	<u>(951,361)</u>	<u>(87,124)</u>	<u>(14,690)</u>	<u>(1,821,939)</u>
OTHER FINANCING SOURCES (USES)							
Proceeds from capital leases	-	-	-	472,397	-	-	472,397
Transfers in	-	102,641	438,501	-	-	-	541,142
Total other financing sources and uses	<u>-</u>	<u>102,641</u>	<u>438,501</u>	<u>472,397</u>	<u>-</u>	<u>-</u>	<u>1,013,539</u>
Net change in fund balances	13,242	(21,823)	(219,041)	(478,964)	(87,124)	(14,690)	(808,400)
Fund balances - beginning	40,466	249,539	342,782	739,626	219,819	590,481	2,182,713
Fund balances - ending	<u>\$ 53,708</u>	<u>\$ 227,716</u>	<u>\$ 123,741</u>	<u>\$ 260,662</u>	<u>\$ 132,695</u>	<u>\$ 575,791</u>	<u>\$ 1,374,313</u>

CITY OF CHICKASHA, OKLAHOMA
ANNUAL FINANCIAL REPORT
As of and for the Year Ended June 30, 2017

**Combining Balance Sheet Schedule (Modified Cash Basis) – General Fund Accounts –
June 30, 2017**

	General Fund Account	Fire/EMS Training Account	Police Training Account	Police Bond Account	Total General Fund Accounts
ASSETS					
Cash and cash equivalents	\$ 915,404	\$ 1,286	\$ 42,983	\$ 263,951	\$ 1,223,624
Investments	301,050	-	-	-	301,050
Total assets	<u>\$ 1,216,454</u>	<u>\$ 1,286</u>	<u>\$ 42,983</u>	<u>\$ 263,951</u>	<u>\$ 1,524,674</u>
LIABILITIES AND FUND BALANCES					
Liabilities:					
Due to other funds	\$ 86,589	\$ -	\$ -	\$ -	\$ 86,589
Due to other governments	15,280	-	-	2,616	17,896
Due to bondholders	-	-	-	2,730	2,730
Total liabilities	<u>101,869</u>	<u>-</u>	<u>-</u>	<u>5,346</u>	<u>107,215</u>
Fund balances:					
Restricted	13,346	-	-	-	13,346
Assigned	270,488	1,286	42,983	258,605	573,362
Unassigned	830,751	-	-	-	830,751
Total fund balances	<u>1,114,585</u>	<u>1,286</u>	<u>42,983</u>	<u>258,605</u>	<u>1,417,459</u>
Total liabilities and fund balances	<u>\$ 1,216,454</u>	<u>\$ 1,286</u>	<u>\$ 42,983</u>	<u>\$ 263,951</u>	<u>\$ 1,524,674</u>

CITY OF CHICKASHA, OKLAHOMA
ANNUAL FINANCIAL REPORT
As of and for the Year Ended June 30, 2017

**Combining Schedule of Revenues, Expenses, and Changes in Fund Balance (Modified Cash Basis) -
General Fund Accounts - Year Ended June 30, 2017**

	General Fund Account	Fire/EMS Training Account	Police Training Account	Police Bond Account	Total General Fund Accounts
REVENUES					
Taxes	\$ 9,810,866	\$ -	\$ -	\$ -	\$ 9,810,866
Intergovernmental	221,157	-	-	-	221,157
Charges for services	425,108	-	-	-	425,108
Fines and forfeitures	-	-	-	165,114	165,114
Licenses and permits	196,951	-	-	-	196,951
Investment earnings	5,833	-	22	100	5,955
Miscellaneous	50,537	-	-	-	50,537
Total revenues	<u>10,710,452</u>	<u>-</u>	<u>22</u>	<u>165,214</u>	<u>10,875,688</u>
EXPENDITURES					
Current:					
General government	1,638,586	-	-	-	1,638,586
Public Safety	5,267,373	-	17,548	27,313	5,312,234
Highways and streets	544,638	-	-	-	544,638
Culture and recreation	1,239,382	-	-	-	1,239,382
Cemetery	117,390	-	-	-	117,390
Community development	120,530	-	-	-	120,530
Capital Outlay	511,614	-	-	-	511,614
Debt Service:					
Principal	194,421	-	-	-	194,421
Interest and other charges	12,601	-	-	-	12,601
Total Expenditures	<u>9,646,535</u>	<u>-</u>	<u>17,548</u>	<u>27,313</u>	<u>9,691,396</u>
Excess (deficiency) of revenues over expenditures	<u>1,063,917</u>	<u>-</u>	<u>(17,526)</u>	<u>137,901</u>	<u>1,184,292</u>
OTHER FINANCING SOURCES (USES)					
Proceeds from capital leases	375,420	-	-	-	375,420
Interaccount transfers in	112,295	88	11,315	-	123,698
Interaccount transfers out	-	-	-	(123,698)	(123,698)
Transfers in	1,853,250	-	-	-	1,853,250
Transfers out	(3,510,045)	-	-	-	(3,510,045)
Total other financing sources and uses	<u>(1,169,080)</u>	<u>88</u>	<u>11,315</u>	<u>(123,698)</u>	<u>(1,281,375)</u>
Net change in fund balances	(105,163)	88	(6,211)	14,203	(97,083)
Fund balances - beginning	1,219,748	1,198	49,194	244,402	1,514,542
Fund balances - ending	<u>\$ 1,114,585</u>	<u>\$ 1,286</u>	<u>\$ 42,983</u>	<u>\$ 258,605</u>	<u>\$ 1,417,459</u>

CITY OF CHICKASHA, OKLAHOMA
ANNUAL FINANCIAL REPORT
As of and for the Year Ended June 30, 2017

Combining Schedule of Net Position (Modified Cash Basis) – Chickasha Municipal Authority
Enterprise Fund Accounts - June 30, 2017

	Chickasha Municipal Authority Account	Water Meter Deposit Account	Water Resource Account	Total CMA Accounts
ASSETS				
Current assets:				
Cash and cash equivalents	\$ 2,064,064	\$ 2,946	\$ 147,519	\$ 2,214,529
Investments	6,450,127	-	300,000	6,750,127
Restricted cash and cash equivalents	2,639,883	227,198	-	2,867,081
Restricted investments	-	100,000	-	100,000
Interaccount receivables	2,638	11	1,093	3,742
Due from other funds	2,401	-	-	2,401
Other receivables	1,362	-	-	1,362
Prepaid expenses	23,600	-	-	23,600
Total current assets	<u>11,184,075</u>	<u>330,155</u>	<u>448,612</u>	<u>11,962,842</u>
Non-current assets:				
Capital Assets:				
Land and construction in progress	4,708,784	-	-	4,708,784
Other capital assets, net of accumulated depreciation	37,858,638	-	-	37,858,638
Total non-current assets	<u>42,567,422</u>	<u>-</u>	<u>-</u>	<u>42,567,422</u>
Total assets	<u>53,751,497</u>	<u>330,155</u>	<u>448,612</u>	<u>54,530,264</u>
LIABILITIES				
Current liabilities:				
Other payable	7,933	-	-	7,933
Interaccount payables	1,093	2,638	11	3,742
Due to other funds	650	-	-	650
Deposits subject to refund	-	32,720	-	32,720
Capital lease obligation	52,561	-	-	52,561
Note payable	985,000	-	-	985,000
Total current liabilities	<u>1,047,237</u>	<u>35,358</u>	<u>11</u>	<u>1,082,606</u>
Non-current liabilities:				
Deposits subject to refund	-	294,478	-	294,478
Capital lease obligation	77,315	-	-	77,315
Note payable	6,460,000	-	-	6,460,000
Total non-current liabilities	<u>6,537,315</u>	<u>294,478</u>	<u>-</u>	<u>6,831,793</u>
Total liabilities	<u>7,584,552</u>	<u>329,836</u>	<u>11</u>	<u>7,914,399</u>
NET POSITION				
Net investment in capital assets	34,992,546	-	-	34,992,546
Restricted for debt service	383,222	-	-	383,222
Restricted for capital projects	2,254,000	-	-	2,254,000
Restricted for other purposes	2,661	319	448,601	451,581
Unrestricted	8,534,516	-	-	8,534,516
Total net position	<u>\$ 46,166,945</u>	<u>\$ 319</u>	<u>\$ 448,601</u>	<u>\$ 46,615,865</u>

CITY OF CHICKASHA, OKLAHOMA
ANNUAL FINANCIAL REPORT
As of and for the Year Ended June 30, 2017

Combining Schedule of Revenues, Expenses, and Changes in Net Position (Modified Cash Basis) –
Chickasha Municipal Authority Enterprise Fund Accounts - Year Ended June 30, 2017

	Chickasha Municipal Authority Account	Water Meter Deposit Account	Water Resource Account	Total CMA Accounts
Operating Revenues:				
Water revenue	\$ 2,240,264	\$ -	\$ 36,353	\$ 2,276,617
Sewer revenue	1,572,023	-	-	1,572,023
Sanitation revenue	1,658,792	-	-	1,658,792
Penalties and fees	41,502	-	-	41,502
User resource fees	22,433	-	-	22,433
Lake revenue	61,303	-	-	61,303
Miscellaneous	17,100	-	-	17,100
Total operating revenues	<u>5,613,417</u>	<u>-</u>	<u>36,353</u>	<u>5,649,770</u>
OPERATING EXPENSES				
Administration	789,300	-	-	789,300
Water	2,213,303	-	-	2,213,303
Sewer	907,865	-	-	907,865
Sanitation	1,717,845	-	-	1,717,845
Lake	110,657	-	-	110,657
Building maintenance	326,818	-	-	326,818
Depreciation	1,460,252	-	-	1,460,252
Total Operating Expenses	<u>7,526,040</u>	<u>-</u>	<u>-</u>	<u>7,526,040</u>
Operating income (loss)	<u>(1,912,623)</u>	<u>-</u>	<u>36,353</u>	<u>(1,876,270)</u>
NON-OPERATING REVENUES (EXPENSES)				
Interest and investment revenue	43,307	490	1,502	45,299
Interest expense	(188,304)	-	-	(188,304)
Miscellaneous revenue	152,799	-	-	152,799
Total non-operating revenue (expenses)	<u>7,802</u>	<u>490</u>	<u>1,502</u>	<u>9,794</u>
Income (loss) before transfers	<u>(1,904,821)</u>	<u>490</u>	<u>37,855</u>	<u>(1,866,476)</u>
Interaccount transfers in	55,204	-	-	55,204
Interaccount transfers out	-	(55,204)	-	(55,204)
Transfers in	3,838,062	-	-	3,838,062
Transfers out	(1,865,242)	-	-	(1,865,242)
Change in net position	123,203	(54,714)	37,855	106,344
Total net position - beginning	46,043,742	55,033	410,746	46,509,521
Total net position - ending	<u>\$ 46,166,945</u>	<u>\$ 319</u>	<u>\$ 448,601</u>	<u>\$ 46,615,865</u>

CITY OF CHICKASHA, OKLAHOMA
ANNUAL FINANCIAL REPORT
As of and for the Year Ended June 30, 2017

Combining Schedule of Cash Flows (Modified Cash Basis) – Chickasha Municipal Authority
Enterprise Fund Accounts - Year Ended June 30, 2017

	Chickasha Municipal Authority Account	Water Meter Deposit Account	Water Resource Account	Total CMA Accounts
CASH FLOWS FROM OPERATING ACTIVITIES				
Receipts from customers	\$ 5,613,417	\$ -	\$ 36,353	\$ 5,649,770
Payments to suppliers	(5,261,516)	-	-	(5,261,516)
Payments to employees	(835,414)	-	-	(835,414)
Interfund receipts (payments)	(41,458)	2,456	(1,273)	(40,275)
Receipts of customer meter deposits	-	79,800	-	79,800
Refunds of customer meter deposits	-	(86,776)	-	(86,776)
Other receipts	152,799	-	-	152,799
Net cash provided by (used in) operating activities	(372,172)	(4,520)	35,080	(341,612)
CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES				
Transfers from other funds	3,893,266	-	-	3,893,266
Transfers to other funds	(1,865,242)	(55,204)	-	(1,920,446)
Net cash provided by (used in) noncapital financing activities	2,028,024	(55,204)	-	1,972,820
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES				
Purchases of capital assets	(7,013,399)	-	-	(7,013,399)
Proceeds from capital debt	83,364	-	-	83,364
Principal paid on debt	(1,017,261)	-	-	(1,017,261)
Interest and fiscal agent fees paid on debt	(188,304)	-	-	(188,304)
Net cash provided by (used in) capital and related financing activities	(8,135,600)	-	-	(8,135,600)
CASH FLOWS FROM INVESTING ACTIVITIES				
Sale (purchase) of investments	599,873	50,000	-	649,873
Interest income	43,307	490	1,502	45,299
Net cash provided by investing activities	643,180	50,490	1,502	695,172
Net increase (decrease) in cash and cash equivalents	(5,836,568)	(9,234)	36,582	(5,809,220)
Balances - beginning of year	10,540,515	239,378	110,937	10,890,830
Balances - end of year	\$ 4,703,947	\$ 230,144	\$ 147,519	\$ 5,081,610
Reconciliation to Statement of Net Position:				
Cash and cash equivalents	\$ 2,064,064	\$ 2,946	\$ 147,519	\$ 2,214,529
Restricted cash and cash equivalents - current	2,639,883	227,198	-	2,867,081
Total cash and cash equivalents, end of year	\$ 4,703,947	\$ 230,144	\$ 147,519	\$ 5,081,610
Reconciliation of operating income (loss) to net cash provided by (used in) operating activities:				
Operating income (loss)	\$ (1,912,623)	\$ -	\$ 36,353	\$ (1,876,270)
Adjustments to reconcile operating income to net cash provided by (used in) operating activities:				
Depreciation expense	1,460,252	-	-	1,460,252
Miscellaneous revenue	152,799	-	-	152,799
Change in assets and liabilities:				
Other receivable	(1,362)	-	-	(1,362)
Due from other funds	(4,671)	(10)	(1,089)	(5,770)
Prepaid expense	(23,600)	-	-	(23,600)
Due to other funds	(36,787)	2,466	(184)	(34,505)
Other payable	(6,180)	-	-	(6,180)
Deposits subject to refund	-	(6,976)	-	(6,976)
Net cash provided by (used in) operating activities	\$ (372,172)	\$ (4,520)	\$ 35,080	\$ (341,612)

**CITY OF CHICKASHA, OKLAHOMA
ANNUAL FINANCIAL REPORT
As of and for the Year Ended June 30, 2017**

Schedule of Expenditures of Federal and State Awards – Year Ended June 30, 2017

Federal/State Grantor/Pass through agency Grantor/Program Title	Federal CFDA Number	Agency or Pass Thru Number	Program or Award Amount	Prior Year Revenues	Current Year Revenues	Prior Year Expenditures	Current Year Expenditures
FEDERAL AWARDS:							
<u>FEDERAL EMERGENCY MANAGEMENT AGENCY:</u>							
Passed through Oklahoma Department of Civil Emergency Management:							
Diaster Assistance Grant	97.036	DR 4247 PW 105	\$ 66,069	\$ -	\$ 16,743	\$ -	\$ 66,069
Diaster Assistance Grant	97.036	DR 4222 PW 1186(0)	383,939	-	383,939	383,939	-
Diaster Assistance Grant	97.036	DR 4222 PW 1186(1)	36,729	-	36,729	-	36,729
Passed through Oklahoma Department of Civil Emergency Management:							
Emergency Management Performance Grant	97.042	EMPG 17	5,000	-	5,000	-	5,000
Total Federal Emergency Management Agency			491,737	-	442,411	383,939.00	107,798
<u>U.S. DEPARTMENT OF TRANSPORTATION:</u>							
Federal Aviation Administration:							
Airport Improvement Program	20.106	3-40-0018-013-2015	58,590	-	52,668	52,668	5,922
Airport Improvement Program	20.106	3-40-0018-014-2016	416,262	-	126,571	-	416,262
			474,852	-	179,239	52,668	422,184
<u>U.S. DEPARTMENT HOUSING AND URBAN DEVELOPMENT:</u>							
Passed through Oklahoma Department of Commerce:							
CDBG Small Cities Entitlement Grant	14.228	16079 CDBG 14	75,836	-	75,836	39,973	35,863
			75,836	-	75,836	39,973	35,863
TOTAL FEDERAL AWARDS			\$ 1,042,425	\$ -	\$ 697,486	\$ 476,580	\$ 565,845

State Grantor/Pass Through Agency Grantor/Program Title	Grant #	Award Amount	Prior Year Revenues	Current Year Revenues	Prior Year Expenditures	Current Year Expenditures
STATE AWARDS:						
Oklahoma Office of Attorney General:						
Police Overtime Grant	N/A	\$ 61,916	\$ -	\$ 61,916	\$ -	\$ 61,916
Oklahoma Department of Libraries:						
FY 16 State Aid	N/A	22,967	20,645	2,322	22,967	-
FY 17 State Aid	N/A	21,820	-	19,638	-	21,820
Oklahoma Department of Civil Emergency Management:						
Disaster Assistance	FEMA-DR-4222-OK	63,990	-	63,990	63,990	-
Disaster Assistance	FEMA-DR-4222-OK	6,122	-	6,122	-	6,122
TOTAL STATE AWARDS		\$ 176,815	\$ 20,645	\$ 153,988	\$ 86,957	\$ 89,858

**CITY OF CHICKASHA, OKLAHOMA
ANNUAL FINANCIAL REPORT
As of and for the Year Ended June 30, 2017**

INTERNAL CONTROL AND COMPLIANCE INFORMATION

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**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, 2017, and the related notes to the financial statements, which collectively comprise the City's basic financial statements and have issued our report thereon dated April 23, 2018. 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: 17-1, 17-2, 17-3, 17-4, 17-5, 17-6 and 17-7.

Compliance and Other Matters

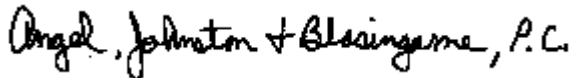
As part of obtaining reasonable assurance about whether the City's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit and, accordingly, we do not express such an opinion. The results of our tests disclosed 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 17-3, 17-4, 17-5 and 17-6.

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
April 23, 2018

CITY OF CHICKASHA, OKLAHOMA
Schedule of Findings and Responses
For the Year Ended June 30, 2017

Deficiencies of Internal Control, Compliance and Other Matters

- 17-001. Criteria – Payroll leave earned and paid for vacation, sick holiday, overtime and compensated absences should be tracked on a timely basis, verified and input into the payroll system to avoid over or underpaying employees for accrued leave time.
- Condition – Upon separation of service payroll leave was incorrectly calculated on some of the employees we tested. Also, the on-going the leave balances are not being properly accrued and verified through the payroll system.
- Cause and Effect – Manually calculating and not verifying accruals caused overpayments of two employees in excess of \$6,000. Also, many of the on-going payroll leave balances in the payroll system are not correct because the proper monthly accrual and adjustments are not being made.
- Recommendation – Establish procedures to input payroll leave accruals earned and taken into the payroll system and verify these amounts are correct before paying out to employees.
- Management response – See City’s response starting on page 66.
- 17-002. 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. 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 of the fifty purchase orders selected for testing: six purchase orders and the one original invoice could not be located; of the located purchase orders sixteen were prepared after date of invoice; and one purchase order was not signed by the encumbrance clerk verifying a budget funds were available.
- Cause and Effect – For several months purchase orders and invoices were not filed, this created a difficulty in finding original purchase orders and invoices. In addition, a lack of consistency exists in following procedures to properly implement state purchasing laws and to follow City policy. This also increases the likelihood of double paying bills.
- Recommendation – The City should reinforce proper purchase order procedures and timely file paid purchase order and corresponding invoices.
- Management response — See City’s response starting on page 66.
- 17-003. Criteria – The City Council established a policy that the unassigned fund balance in the General Fund shall be 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 8.61% of the General Fund expenditures for the year or \$616,229 under the minimum required balance of unassigned fund balance.
- Cause and Effect – For several years revenue was down. Also, there had been a lack of proper monitoring of the City’s expenditures in relation to their unassigned fund balance.
- Recommendation – The City should closely monitor the General Fund expenditures and the unassigned fund balance to comply with the minimum funding policy or until the City is on a

CITY OF CHICKASHA, OKLAHOMA
Schedule of Findings and Responses
For the Year Ended June 30, 2017

more stable financial footing it may be advisable for the City Council to change their policy related to this matter.

Management response – See City’s response starting on page 66.

17-004. Criteria – The City policy specifies penalties to be charges penalties on past due utility billings.

Condition – During the fiscal year penalties charged on unpaid utility billings decreased 60%. Our review found penalties charged compared to prior years were reasonable for only three months and there was no documentation as to why the penalties were not assessed.

Cause and Effect – The City did not assess the penalties on a consistent basis or document why the penalties were not assessed. The City has potentially under assessed penalties and has no documentation for deviating from standard practices.

Recommendation – The City should assess penalties on a regular and consistent basis and if there is a reason for waiving or not assessing the penalties this should be documented and approved. Management should monitor this and make sure billing clerks are not arbitrarily waiving penalties.

Management response – See City’s response starting on page 66.

17-005. Criteria – Utility billing adjustments should be documented, have an approval process, be reconciled and the documentation should be retained.

Condition – The utility billing adjustments for the last four months of the fiscal year could not be located. The four months of unlocated adjustments were 62.5% of the year’s total amount of adjustments. Also, on November 16, 2016 there was an adjustment of \$54,653 and no documentation could be located. In general documentation and reconciliation processes have fallen apart.

Cause and Effect – There was a general breakdown in the internal control processes during the year. The reconciliation process has stopped and penalties were inconsistently assessed (see above comment) and documentation and approval for adjustments were not consistently performed or maintained. The lack of internal control, monitoring and approval creates the potential for under or over collection of revenues and the potential for fraud.

Recommendation – The City should reimplement the internal control processes, monitor this process and ensure all reconciliations, adjustments and assessments are documented, approved and retained.

Management response – See City’s response starting on page 66.

17-006. Criteria – In order to have good internal controls the City should have appropriate segregation of duties of employees.

Condition – In the collections of revenues and the depositing process there are employees that receive miscellaneous revenue (such as royalty checks) prior to recording in the receipt system and they also prepare the deposits.

Cause and Effect – The lack of segregation of functions creates the potential for understatement of revenues and the potential for fraud.

CITY OF CHICKASHA, OKLAHOMA
Schedule of Findings and Responses
For the Year Ended June 30, 2017

Recommendation – The City should enact internal control procedures to segregate functions of employees and management should monitor the internal control procedures.

Management response – See City’s response starting on page 66.

17-007.

Criteria – All billing for services, sales and rents should be done timely and the process should be monitored by management.

Condition – Airport hangar rent billing is over one year behind and fuel charges for one customer has not been billed for several months. Many of the renters continue to pay their rent without being billed.

Cause and Effect – Due to personnel changes and the lack of management monitoring the process the billing has not been performed for several months and many accounts are delinquent. This has created the under billed and under collected revenues and the potential for fraud.

Recommendation – The City should ensure personnel are appropriately trained and monitored to be sure all billings are done timely.

Management response – See City’s response starting on page 66.

CITY OF CHICKASHA, OKLAHOMA
Disposition of Prior Year Findings
For the Year Ended June 30, 2017

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.
- Disposition – This was not a finding in the current year.
- 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.
- Disposition – This was not a finding in the current year.
- 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.
- Disposition – This continues to be a finding in the current year.
- 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.
- Disposition – This was not a finding in the current year.
- 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.
- Disposition – This was not a finding in the current year.

CITY OF CHICKASHA, OKLAHOMA
Disposition of Prior Year Findings
For the Year Ended June 30, 2017

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.

Disposition – This continues to be a finding in the current year.



CITY OF
CHICKASHA
CITY OF CHICKASHA, OKLAHOMA
Schedule of Findings and Responses
For the Year Ended June 30, 2017

Administration

*Office of the
City Manager*

Deficiencies of Internal Control, Compliance and Other Matters

17-001. Criteria – Payroll leave earned and paid for vacation, sick holiday, overtime and compensated absences should be tracked on a timely basis, verified and input into the payroll system to avoid over or underpaying employees for accrued leave time.

Condition – Upon separation of service payroll leave was incorrectly calculated on some of the employees we tested. Also, the on-going the leave balances are not being properly accrued and verified through the payroll system.

Cause and Effect – Manually calculating and not verifying accruals caused overpayments of two employees in excess of \$6,000. Also, many of the on-going payroll leave balances in the payroll system are not correct because the proper monthly accrual and adjustments are not being made.

Recommendation – Establish procedures to input payroll leave accruals earned and taken into the payroll system and verify these amounts are correct before paying out to employees.

Management response –Management has had Human Resources revise payroll procedures to include verification of all compensatory time each cycle. Further, HR is working with Tyler Technologies to make accounting system changes to streamline and automate this process.

17-002. 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. 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 of the fifty purchase orders selected for testing: six purchase orders and the one original invoice could not be located; of the located purchase orders sixteen were prepared after date of invoice; and one purchase order was not signed by the encumbrance clerk verifying a budget funds were available.

Cause and Effect – For several months purchase orders and invoices were not filed, this created a difficulty in finding original purchase orders and invoices. In addition, a lack of consistency exists in following procedures to properly implement state purchasing laws and to follow City policy. This also increases the likelihood of double paying bills.

Recommendation – The City should reinforce proper purchase order procedures and timely file paid purchase order and corresponding invoices.

Management response Management has implemented a new purchase order policy and policy documents. Finance Department has also been directed to reorganize vendor files by vendor name to assist in efficiencies for payments and spot audits.

17-003. Criteria – The City Council established a policy that the unassigned fund balance in the General Fund shall be 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 8.61% of the General Fund expenditures for the year or \$616,229 under the minimum required balance of unassigned fund balance.

CITY OF CHICKASHA, OKLAHOMA
Schedule of Findings and Responses
For the Year Ended June 30, 2017

Recommendation – The City should closely monitor the General Fund expenditures and the unassigned fund balance to comply with the minimum funding policy or until the City is on a more stable financial footing it may be advisable for the City Council to change their policy related to this matter.

Management response – Management has had an outside firm verifying fund balances and making sure all accounting is up to date, which allows for better budget management using more accurate numbers. As the policy is internal, Management is recommending that the City Council evaluate this policy and revise or repeal.

17-004. Criteria – The City policy specifies penalties to be charges penalties on past due utility billings.

Condition – During the fiscal year penalties charged on unpaid utility billings decreased 60%. Our review found penalties charged compared to prior years were reasonable for only three months and there was no documentation as to why the penalties were not assessed.

Cause and Effect – The City did not assess the penalties on a consistent basis or document why the penalties were not assessed. The City has potentially under assessed penalties and has no documentation for deviating from standard practices.

Recommendation – The City should assess penalties on a regular and consistent basis and if there is a reason for waiving or not assessing the penalties this should be documented and approved. Management should monitor this and make sure billing clerks are not arbitrarily waiving penalties.

Management response – City has begun charging penalties on past due accounts as per policy. Forms and policy documents for waivers and payment arrangements are being implemented.

17-005. Criteria – Utility billing adjustments should be documented, have an approval process, be reconciled and the documentation should be retained.

Condition – The utility billing adjustments for the last four months of the fiscal year could not be located. The four months of unlocated adjustments were 62.5% of the year's total amount of adjustments. Also, on November 16, 2016 there was an adjustment of \$54,653 and no documentation could be located. In general documentation and reconciliation processes have fallen apart.

Cause and Effect – There was a general breakdown in the internal control processes during the year. The reconciliation process has stopped and penalties were inconsistently assessed (see above comment) and documentation and approval for adjustments were not consistently performed or maintained. The lack of internal control, monitoring and approval creates the potential for under or over collection of revenues and the potential for fraud.

Recommendation – The City should reimplement the internal control processes, monitor this process and ensure all reconciliations, adjustments and assessments are documented, approved and retained.

Management response – Management has established policy and policy documents for account adjustment. Adjustments require management signature and are spot audited by management.

17-006. Criteria – In order to have good internal controls the City should have appropriate segregation of duties of employees.

CITY OF CHICKASHA, OKLAHOMA
Schedule of Findings and Responses
For the Year Ended June 30, 2017

Condition – In the collections of revenues and the depositing process there are employees that receive miscellaneous revenue (such as royalty checks) prior to recording in the receipt system and they also prepare the deposits.

Cause and Effect – The lack of segregation of functions creates the potential for understatement of revenues and the potential for fraud.

Recommendation – The City should enact internal control procedures to segregate functions of employees and management should monitor the internal control procedures.

Management response – Management is working to adequately staff the Finance Department to allow for better segregation of duties.

17-007.

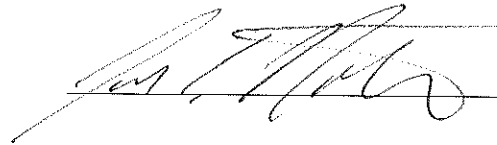
Criteria – All billing for services, sales and rents should be done timely and the process should be monitored by management.

Condition – Airport hangar rent billing is over one year behind and fuel charges for one customer has not been billed for several months. Many of the renters continue to pay their rent without being billed.

Cause and Effect – Due to personnel changes and the lack of management monitoring the process the billing has not been performed for several months and many accounts are delinquent. This has created the under billed and under collected revenues and the potential for fraud.

Recommendation – The City should ensure personnel are appropriately trained and monitored to be sure all billings are done timely.

Management response – Management has rebuilt all airport files related to hangar leases and fuel. Future billings will come from City Hall and be invoiced through the Incode system. Management is currently working with those individuals affected to bring accounts into compliance.



John C. Noblitt

City Manager