

CITY OF CHICKASHA, OKLAHOMA

ANNUAL FINANCIAL STATEMENTS AND
INDEPENDENT AUDITOR'S REPORTS

AS OF AND FOR THE FISCAL YEAR ENDED
JUNE 30, 2018

**THE CITY OF CHICKASHA,
OKLAHOMA**

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

AS OF AND FOR THE FISCAL YEAR ENDED JUNE 30, 2018

**CITY OF CHICKASHA, OKLAHOMA
ANNUAL FINANCIAL REPORT
As of and for the Year Ended June 30, 2018**

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CERTIFIED PUBLIC ACCOUNTANTS

INDEPENDENT AUDITOR'S REPORT

Members of the City Council
City of Chickasha, Oklahoma

Report on Financial Statements

We have audited the accompanying 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, 2018, 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 accounting principles generally accepted in the United States of America of accounting described in Note 1.C; this includes determining that the accounting principles generally accepted in the United States of America; this includes the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

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 policies 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.

Summary of Opinions

<u>Opinion Unit</u>	<u>Type of Opinion</u>
Governmental Activities	Unmodified
Business Type Activities	Qualified
Governmental Fund – General Fund	Qualified
Governmental Fund – EMS Fund	Unmodified
Governmental Fund – ED Dedicated Sales Tax	Unmodified

Governmental Fund – CIP Dedicated Sales Tax	Unmodified
Governmental Fund – Capital Project Fund	Unmodified
Aggregate Remaining Fund Information	Unmodified
Enterprise Fund – Chickasha Municipal Authority	Qualified
Enterprise Fund – Chickasha Municipal Airport Authority	Qualified

Basis for Qualified Opinion on Business Type Activities, General Fund and Enterprise Funds

Management has not adopted procedures to account for inventory. Accounting principles generally accepted in the United States of America require material inventory, beginning and ending be recorded which would increase assets and fund balance and change cost of goods sold or expenses. The amount by which this departure would affect the assets, fund balance and cost of goods sold or expenditures has not been determined.

Qualified Opinion

In our opinion, except for the effects of the matters discussed in the “Basis for Qualified Opinion on the Business-Type Activities, General Fund and Enterprise Funds the financial statements referred to above present fairly, in all material respects, the financial position of the business-type activities, general fund and the enterprise funds-Chickasha Municipal Authority and the Chickasha Municipal Airport Authority of the City of Chickasha, Oklahoma, as of June 30, 2018, and the changes in financial position, cash flows thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Unmodified Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, each major fund, and the aggregate remaining fund information of the City of Chickasha, Oklahoma, as of June 30, 2018, and the respective changes in financial position, and where applicable cash flows, thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the management’s discussion and analysis and budgetary comparison information as listed in the table of contents be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquires of management regarding the methods of preparing the information and comparing the information for consistency with management’s responses to our inquiries, the basic financial statement, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Other Information

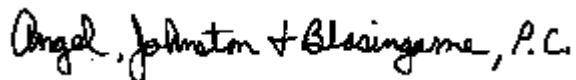
Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the Chickasha, Oklahoma basic financial statements. The combining and individual nonmajor fund financial statements, the combining general fund statements, the combining enterprise fund 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.

Other Reporting Required by Governmental Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report April 2, 2019, 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 effectiveness of the City of Chickasha's 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 2, 2019

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CITY OF CHICKASHA, OKLAHOMA
Management's Discussion and Analysis
As of and for the Year Ended June 30, 2018

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, 2018. 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.

FINANCIAL HIGHLIGHTS

- The City's total net position increased by \$1,572,079 and the assets and deferred outflows of the City exceed its liabilities and deferred inflows at June 30, 2018, by \$96,042,387 (Net Position). Of this amount, \$10,885,412 (Unrestricted Net Position) is available to meet the government's ongoing needs.
- At June 30, 2018, the City's governmental funds reported combined ending fund balances of \$12,978,133.
- At the end of fiscal year 2018, unassigned fund balance for the General Fund was \$1,360,866 or 8.6% of annual 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, highway and street maintenance, culture and recreation, cemetery, community and economic development and certain utility services including water, sewer, sanitation, as well as lake and airport activity.

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 economic resources measurement focus using the accrual basis of accounting. 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. These government-wide financial statements include all assets of the City (including infrastructure) and deferred outflows as well as all liabilities (including long-term debt) and deferred inflows.

Reporting the City as a Whole

The Statement of Net Position and Statement of Activities

The Statement of Net Position and Statement of Activities report information about the City as a whole and about its activities in a way that helps answer questions about the City’s net position. These statements include all assets, deferred outflows, liabilities and deferred inflows using the accrual basis of accounting. All of the current year’s revenues and expenses are taken into account regardless of when cash is received or paid. These two statements report the City’s Net Position and Changes in Net Position from the prior year. You can think of the City’s Net Position – the difference between assets and deferred outflows and liabilities and deferred inflows – as one way to measure the City’s financial condition, or position. Over time, increases or decreases in the City’s Net Position are one indicator of whether its financial health is improving, deteriorating, or remaining steady. However, you must consider other non-financial factors, such as changes in the City’s tax base, the condition of the City’s roads, and the quality of services to assess the overall health of the City.

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, lake, and airport activities are reported as business-type activities.

Reporting the City's Most Significant Funds

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. All of the funds of the City of Chickasha can be divided into two categories: governmental funds and proprietary funds.

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 accrual basis of accounting. Under this modified accrual basis of accounting, revenues are recognized when "measurable and available". 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 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 charges customers for the services it provides - whether to outside customers or to other units of the City - these services are generally reported in proprietary funds. Enterprise funds are one type of proprietary funds used to report the same functions presented as business-type activities in the government-wide financial statements. The City uses enterprise fund to account for its water, sewer, sanitation, and lake activities and airport operations.

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 28-57 of this report.

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, 2018, net position for the governmental and business-type activities increased \$1,572,079. The results indicate the City, as a whole, saw an increase in its financial position from the prior year. Following is a summary of Net Position for the City of Chickasha primary government.

CITY OF CHICKASHA, OKLAHOMA
Management's Discussion and Analysis
As of and for the Year Ended June 30, 2018

Net Position
June 30, 2018
(In Thousands)

	Governmental Activities		% Inc. (Dec.)	Business-Type Activities		% Inc. (Dec.)	Total		% Inc. (Dec.)
	2018	2017		2018	2017		2018	2017	
Current assets	\$ 15,461	\$ 11,506	34%	\$ 14,660	\$ 13,858	6%	\$ 30,121	\$ 25,364	19%
Capital assets, net	37,198	38,861	-4%	46,717	45,976	2%	83,915	84,837	-1%
Other non-current assets	318	-	100%	142	-	100%	460	-	100%
Total assets	52,977	50,367	5%	61,519	59,834	3%	114,496	110,201	4%
Deferred outflows of resources	2,782	-	100%	89	-	100%	2,871	-	100%
Current liabilities	1,142	458	149%	1,716	1,372	25%	2,858	1,830	56%
Non-current liabilities	11,731	985	1091%	5,665	6,537	-13%	17,396	7,522	131%
Total liabilities	12,873	1,443	792%	7,381	7,909	-7%	20,254	9,352	117%
Deferred inflows of resources	954	-	100%	117	-	100%	1,071	-	100%
Net position									
Net investment in capital assets	36,226	37,462	-3%	40,180	38,401	5%	76,405	75,863	1%
Restricted	5,442	3,308	64%	3,309	4,539	-27%	8,752	7,847	12%
Unrestricted	266	8,154	-97%	10,621	8,985	18%	10,886	17,139	-36%
Total net position	\$ 41,932	\$ 48,924	-14%	\$ 54,110	\$ 51,925	4%	\$ 96,042	\$ 100,849	-5%

* MD&A prior year column not restated for report purposes

The largest portion of the City's net position reflects its investment in capital assets, less any related debt used to acquire those assets that is still outstanding. This year the net investment in capital assets amounted to \$76.4 million. Although the City's investment in its capital assets is reported net of related debt, it should be noted that the resources needed to repay this debt must be provided from other sources, since the capital assets themselves cannot be used to liquidate these liabilities.

A portion of the City's net position, \$8.7 million, represents resources that are subject to external restrictions on how they may be used. The remaining balance of unrestricted net position, \$10.9 million, may be used to meet the government's ongoing obligations to citizens and creditors.

CITY OF CHICKASHA, OKLAHOMA
Management's Discussion and Analysis
As of and for the Year Ended June 30, 2018

Changes in Net Position
Year Ended June 30, 2018
(In Thousands)

	Governmental Activities		% Inc. (Dec.)	Business-Type Activities		% Inc. (Dec.)	Total		% Inc. (Dec.)
	2018	2017		2018	2017		2018	2017	
Revenues		*			*			*	
Charges for services	\$ 3,973	\$ 4,272	-7%	\$ 6,518	\$ 5,966	9%	\$ 10,491	\$ 10,238	2%
Operating grants and contributions	910	125	628%	-	-	-	910	125	628%
Capital grants and contributions	3	944	-100%	12	179	-93%	15	1,123	-99%
Sales and use tax	12,159	10,809	12%	-	-	-	12,159	10,809	12%
Other taxes	1,721	1,519	13%	-	-	-	1,721	1,519	13%
Interest	116	33	252%	103	50	106%	219	83	164%
Miscellaneous	1,390	2,221	-37%	113	153	-26%	1,503	2,374	-37%
Total revenues	20,272	19,923	2%	6,746	6,348	6%	27,018	26,271	3%
Expenses									
General government	4,485	4,546	-1%	-	-	-	4,485	4,546	-1%
Public safety	9,277	7,984	16%	-	-	-	9,277	7,984	16%
Highways and streets	1,212	1,225	-1%	-	-	-	1,212	1,225	-1%
Culture and recreation	1,566	1,682	-7%	-	-	-	1,566	1,682	-7%
Cemetery	127	129	-2%	-	-	-	127	129	-2%
Community development	169	151	12%	-	-	-	169	151	12%
Economic development	432	1,016	-57%	-	-	-	432	1,016	-57%
Interest on long-term debt	35	46	-24%	-	-	-	35	46	-24%
Water	-	-	-	3,510	3,554	-1%	3,510	3,554	-1%
Sewer	-	-	-	1,848	1,938	-5%	1,848	1,938	-5%
Sanitation	-	-	-	2,082	2,072	0%	2,082	2,072	0%
Lake	-	-	-	164	150	9%	164	150	9%
Airport	-	-	-	540	513	5%	540	513	5%
Total expenses	17,303	16,779	3%	8,144	8,227	-1%	25,447	25,006	2%
Excess (deficiency) before transfers	2,969	3,144	6%	(1,398)	(1,879)	26%	1,571	1,265	24%
Transfers	(2,138)	(1,945)	10%	2,138	1,945	10%	-	-	-
Change in net position	831	1,199	-31%	740	66	-1021%	1,571	1,265	-24%
Beginning net position, restated for 2018	41,101	47,725	-14%	53,370	51,859	3%	94,471	99,584	-5%
Ending net position	\$ 41,932	\$ 48,924	-14%	\$ 54,110	\$ 51,925	4%	\$ 96,042	\$ 100,849	-5%

* MD&A prior year column not restated for report purposes

Governmental Activities

The City's governmental activities had an increase in net position of \$831,437.

Operating grants and contributions increased in the current year due to recording on-behalf fire and police pension payments made by the State in the current year. Capital grants and contributions decreased in the current year due to a large amount of FEMA grants in the prior year.

CITY OF CHICKASHA, OKLAHOMA
Management's Discussion and Analysis
As of and for the Year Ended June 30, 2018

Net Revenue/Expense Governmental Activities
(In Thousands)

	<u>Total Expense</u> <u>of Services</u>		<u>% Inc.</u> <u>(Dec.)</u>	<u>Net Revenue</u> <u>(Expense)</u> <u>of Services</u>		<u>% Inc.</u> <u>(Dec.)</u>
	<u>2018</u>	<u>2017</u>		<u>2018</u>	<u>2017</u>	
		*			*	
General government	\$ 4,485	\$ 4,546	-1%	\$ (2,799)	\$ (2,708)	3%
Public safety	9,277	7,984	16%	(6,587)	(5,584)	18%
Highways and streets	1,212	1,225	-1%	(1,067)	(593)	80%
Culture and recreation	1,566	1,682	-7%	(1,301)	(1,306)	0%
Cemetery	127	129	-2%	(27)	(35)	-23%
Community development	169	151	12%	(169)	(150)	13%
Economic development	432	1,016	-57%	(432)	(1,015)	-57%
Interest on long-term debt	35	46	-24%	(35)	(46)	-24%
Total	\$ 17,303	\$ 16,779	3%	\$(12,417)	\$(11,437)	9%

* MD&A prior year column not restated for report purposes

Business-type Activities

The City's business-type activities had an increase in net position of \$740,642.

The business-type activities had a decrease in capital grants and contributions due to two FAA grants received in the prior year.

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

	<u>Total Expense</u> <u>of Services</u>		<u>% Inc.</u> <u>Dec.</u>	<u>Net Revenue</u> <u>(Expense)</u> <u>of Services</u>		<u>% Inc.</u> <u>Dec.</u>
	<u>2018</u>	<u>2017</u>		<u>2018</u>	<u>2017</u>	
		*			*	
Water	\$ 3,510	\$ 3,554	-1%	\$ (1,022)	\$ (1,229)	-17%
Sewer	1,848	1,938	-5%	(173)	(361)	-52%
Sanitation	2,082	2,072	0%	(312)	(386)	-19%
Lake	164	150	9%	(97)	(89)	9%
Airport	540	514	5%	(12)	(18)	-33%
Total	\$ 8,144	\$ 8,228	-1%	\$(1,616)	\$(2,083)	-22%

* MD&A prior year column not restated for report purposes

CITY OF CHICKASHA, OKLAHOMA
Management's Discussion and Analysis
As of and for the Year Ended June 30, 2018

A FINANCIAL ANALYSIS OF THE CITY'S FUNDS

As the City completed its 2018 fiscal year, the governmental funds reported a combined fund balance of \$12,978,133. For the year ended June 30, 2018, the General Fund's total fund balance increased by \$932,467 to \$2,982,821 or 18.9% of annual revenues. The EMS Fund's total fund balance decreased by \$273,858. The ED-Dedicated Sales Tax Fund and the CIP-Dedicated Sales Tax Fund's total fund balances increased by \$12,490 and \$1,294,765, respectively. The Capital Project Fund's total fund balance decreased by \$393,049.

Budgetary Highlights

For the year ended June 30, 2018, the General Fund reported actual budgetary basis revenues above final estimates by \$1,848,703 or a 12.5% positive variance. General Fund actual expenditures were under final appropriations by \$752,561 or a 4.6% positive variance.

CAPITAL ASSETS & DEBT ADMINISTRATION

Capital Assets

At the end of June 30, 2018, the City had approximately \$84 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 decrease of approximately \$922,000 over last year.

Below are details regarding the City's capital assets for the years ended June 30, 2018 and June 30, 2017.

	Governmental		Business-Type		Total	
	Activities		Activities			
	2018	2017	2018	2017	2018	2017
		*		*		*
Land	\$ 1,965	\$ 1,965	\$ 3,627	\$ 3,722	\$ 5,592	\$ 5,687
Construction in progress	61	1,630	594	1,042	655	2,672
Buildings	6,244	6,482	6,404	6,838	12,648	13,320
Improvements	2,839	2,776	1,049	1,147	3,888	3,923
Infrastructure	22,527	21,678	4,831	4,506	27,358	26,184
Machinery & equipment	1,664	1,936	2,823	3,030	4,487	4,966
Vehicles	1,898	2,394	256	342	2,154	2,736
Utility property improvements	-	-	27,133	25,349	27,133	25,349
Totals	\$ 37,198	\$ 38,861	\$ 46,717	\$ 45,976	\$ 83,915	\$ 84,837

* MD&A prior year column not restated for report purposes

This year's more significant capital asset additions include 4th Street waterline project, AWOS system, US 81 signal modification project, multiple lift station projects, industrial development project, SCADA installation project, and park amphitheater project.

Long-Term Debt

At year-end, the City had approximately \$18.9 million in long-term debt outstanding, which represents approximately a \$9.9 million increase from the prior year. This net increase was due to reporting net pension and total OPEB liabilities in the current year.

CITY OF CHICKASHA, OKLAHOMA
Management's Discussion and Analysis
As of and for the Year Ended June 30, 2018

	Long-Term Debt (In Thousands)					
	Governmental		Business-Type		Total	
	Activities		Activities			
	<u>2018</u>	<u>2017</u>	<u>2018</u>	<u>2017</u>	<u>2018</u>	<u>2017</u>
		*		*		*
Notes payable	\$ -	\$ -	\$ 6,460	\$ 7,445	\$ 6,460	\$ 7,445
Capital leases	973	1,400	77	130	1,050	1,530
Accrued compensated absence:	709	-	42	-	751	-
Net pension liability	9,800	-	-	-	9,800	-
Total OPEB liability	688	-	139	-	827	-
Totals	\$ 12,170	\$ 1,400	\$ 6,718	\$ 7,575	\$ 18,888	\$ 8,975

ECONOMIC FACTORS AND NEXT YEAR'S BUDGET

The City of Chickasha has seen record revenues associated with oil and gas this cycle. Operations along the Anadarko Shale have continued to outpace projections, but administration believes those revenues will plateau next fiscal cycle. Chickasha is situated within the South Central Oklahoma Oil Province (SCOOP) and its existing wells have helped stabilize the local economy. However, the high rate of increase means the city will need to use caution approaching the next two fiscal cycles as the rates may not be sustained throughout 2019-20. Additionally, the City will see this trend impact all sales and use tax gains directly related to the energy sector.

The change in the sales tax growth pattern for Chickasha as more brick and mortar customers pivot to online purchasing still impacts the city's bottom line. The city could see a negative tax revenue pattern related to commercial businesses as construction of new physical retail spaces continue to decline. The limited proportion of use tax to fill this gap cannot make up the total difference in tax leakage. The city continues to see moderate growth, but at a pace that may push recognized revenues several years out. Due to this factor the City will still need to be aggressive with pursuing a solution for more stable cash flows. Although big gains and tighter financial controls have been implemented, organizational revenues are still falling below expenses. Finally, as the 2014 bond expenditures are completed long-term maintenance and new project costs related to critical infrastructure will be pushed to an already inadequate General Fund.

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), financed improvements to our historic downtown, drainage improvements, and an update of the City's master drainage plan. The City continues to struggle to maintain adequate reserves in both the City and Authority, and it is possible that Chickasha will need to acquire third party financing in the next fiscal year for some 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, 2018**

BASIC FINANCIAL STATEMENTS – GOVERNMENT-WIDE

CITY OF CHICKASHA, OKLAHOMA
ANNUAL FINANCIAL REPORT
As of and for the Year Ended June 30, 2018

Statement of Net Position – June 30, 2018

	Primary Government		
	Governmental Activities	Business-type Activities	Total
ASSETS			
Cash and cash equivalents	\$ 8,047,991	\$ 3,767,157	\$ 11,815,148
Investments	5,200,001	8,350,089	13,550,090
Accounts receivable, net of allowance	793,922	1,062,689	1,856,611
Taxes receivable	123,360	-	123,360
Court fines receivable, net of allowance	42,937	-	42,937
Interest receivable	88,882	73,756	162,638
Notes receivable	150,000	-	150,000
Internal balances	(1,048,216)	1,048,216	-
Due from other governments	1,794,343	295,613	2,089,956
Judgement receivable	253,130	-	253,130
Other assets	14,946	62,775	77,721
Net pension asset	317,515	142,200	459,715
Capital assets:			
Land and construction in progress	2,025,402	4,221,587	6,246,989
Other capital assets, net of depreciation	35,173,071	42,495,393	77,668,464
Total assets	<u>52,977,284</u>	<u>61,519,475</u>	<u>114,496,759</u>
DEFERRED OUTFLOWS OF RESOURCES			
Deferred amounts related to pension	2,781,743	89,407	2,871,150
Total deferred outflows of resources	<u>2,781,743</u>	<u>89,407</u>	<u>2,871,150</u>
LIABILITIES			
Accounts payable and accrued payroll	662,319	284,270	946,589
Accrued interest payable	4,124	49,247	53,371
Due to other governments	27,463	-	27,463
Due to bondholders	1,974	-	1,974
Due to employees	7,123	-	7,123
Deposits subject to refund	-	329,380	329,380
Long-term liabilities			
Due within one year	438,890	1,052,953	1,491,843
Due in more than one year	11,730,889	5,665,108	17,395,997
Total liabilities	<u>12,872,782</u>	<u>7,380,958</u>	<u>20,253,740</u>
DEFERRED INFLOWS OF RESOURCES			
Deferred amounts related to pension	925,496	111,680	1,037,176
Deferred amounts related to OPEB	28,790	5,816	34,606
Total deferred inflows of resources	<u>954,286</u>	<u>117,496</u>	<u>1,071,782</u>
NET POSITION			
Net investment in capital assets	36,225,681	40,179,658	76,405,339
Restricted for:			
Debt service	-	383,153	383,153
Capital projects	2,261,928	208,911	2,470,839
Economic development	2,370,751	-	2,370,751
Other purposes	808,860	2,718,033	3,526,893
Unrestricted	264,739	10,620,673	10,885,412
Total net position	<u>\$ 41,931,959</u>	<u>\$ 54,110,428</u>	<u>\$ 96,042,387</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, 2018

Statement of Activities – For the Fiscal Year Ended June 30, 2018

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	\$ 4,485,445	\$ 1,686,027	\$ 506	\$ -	\$ (2,798,912)	\$ -	\$ (2,798,912)
Public safety	9,277,378	1,803,742	886,840	-	(6,586,796)	-	(6,586,796)
Highways and streets	1,211,992	144,655	-	-	(1,067,337)	-	(1,067,337)
Culture and recreation	1,565,652	238,262	23,021	3,275	(1,301,094)	-	(1,301,094)
Cemetery	126,917	100,347	-	-	(26,570)	-	(26,570)
Community development	169,123	-	-	-	(169,123)	-	(169,123)
Economic development	432,194	-	-	-	(432,194)	-	(432,194)
Interest on long-term debt	34,769	-	-	-	(34,769)	-	(34,769)
Total governmental activities	17,303,470	3,973,033	910,367	3,275	(12,416,795)	-	(12,416,795)
Business-type activities:							
Water	3,510,237	2,488,295	-	-	-	(1,021,942)	(1,021,942)
Sewer	1,848,359	1,675,745	-	-	-	(172,614)	(172,614)
Sanitation	2,081,799	1,770,164	-	-	-	(311,635)	(311,635)
Lake	164,192	67,470	-	-	-	(96,722)	(96,722)
Airport	540,148	516,222	-	11,790	-	(12,136)	(12,136)
Total business-type activities	8,144,735	6,517,896	-	11,790	-	(1,615,049)	(1,615,049)
Total primary government	\$ 25,448,205	\$ 10,490,929	\$ 910,367	\$ 15,065	(12,416,795)	(1,615,049)	(14,031,844)
General revenues:							
Taxes:							
Sales and use taxes					12,158,824	-	12,158,824
Franchise taxes and public service taxes					972,220	-	972,220
Hotel/Motel taxes					748,532	-	748,532
Unrestricted investment earnings					116,540	103,761	220,301
Miscellaneous					1,390,384	113,662	1,504,046
Transfers					(2,138,268)	2,138,268	-
Total general revenues and transfers					13,248,232	2,355,691	15,603,923
Change in net position					831,437	740,642	1,572,079
Net position - beginning, restated					41,100,522	53,369,786	94,470,308
Net position - ending					\$ 41,931,959	\$ 54,110,428	\$ 96,042,387

See accompanying notes to the basic financial statements.

**CITY OF CHICKASHA, OKLAHOMA
ANNUAL FINANCIAL REPORT
As of and for the Year Ended June 30, 2018**

BASIC FINANCIAL STATEMENTS – GOVERNMENTAL FUNDS

CITY OF CHICKASHA, OKLAHOMA
ANNUAL FINANCIAL REPORT
As of and for the Year Ended June 30, 2018

Governmental Funds Balance Sheet – June 30, 2018

	<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	\$ 2,739,351	\$ 309,926	\$ 87,860	\$ 1,108,142	\$ 2,009,816	\$ 1,253,100	\$ 7,508,195
Investments	301,050	-	2,600,000	698,951	500,000	300,000	4,400,001
Accounts receivable	-	793,922	-	-	-	-	793,922
Interest receivable	981	-	69,628	2,276	4,717	3,076	80,678
Due from other funds	475,343	3,861	97,907	757,004	5,468	165,898	1,505,481
Due from other governments	1,780,779	-	-	-	-	13,564	1,794,343
Taxes receivable, net	109,887	-	-	-	-	13,473	123,360
Court fines receivable, net	42,937	-	-	-	-	-	42,937
Notes receivable, net	-	-	-	-	-	150,000	150,000
Judgement receivable	-	-	253,130	-	-	-	253,130
Other receivables	-	-	10,481	-	-	-	10,481
Prepaid expenses	4,465	-	-	-	-	-	4,465
Total assets	<u>\$ 5,454,793</u>	<u>\$ 1,107,709</u>	<u>\$ 3,119,006</u>	<u>\$ 2,566,373</u>	<u>\$ 2,520,001</u>	<u>\$ 1,899,111</u>	<u>\$ 16,666,993</u>
LIABILITIES, DEFERRED INFLOWS AND FUND BALANCES							
Liabilities:							
Accounts payable	\$ 56,391	\$ 12,207	\$ -	\$ -	\$ 33,133	\$ 94,718	\$ 196,449
Accrued payroll payable	260,246	58,102	-	-	-	-	318,348
Due to other funds	2,126,984	410,189	2,147	96,786	105,325	1,151	2,742,582
Due to other governments	14,641	-	-	-	-	-	14,641
Due to bondholders	1,974	-	-	-	-	-	1,974
Total liabilities	<u>2,460,236</u>	<u>480,498</u>	<u>2,147</u>	<u>96,786</u>	<u>138,458</u>	<u>95,869</u>	<u>3,273,994</u>
Deferred inflows of resources:							
Deferred revenue	11,736	-	253,130	-	-	150,000	414,866
Fund balances:							
Restricted	2,156	382,725	2,038,676	2,241,242	-	776,740	5,441,539
Assigned	1,619,799	244,486	825,053	228,345	2,381,543	876,502	6,175,728
Unassigned	1,360,866	-	-	-	-	-	1,360,866
Total fund balances	<u>2,982,821</u>	<u>627,211</u>	<u>2,863,729</u>	<u>2,469,587</u>	<u>2,381,543</u>	<u>1,653,242</u>	<u>12,978,133</u>
Total liabilities, deferred inflows and fund balances	<u>\$ 5,454,793</u>	<u>\$ 1,107,709</u>	<u>\$ 2,865,876</u>	<u>\$ 2,566,373</u>	<u>\$ 2,520,001</u>	<u>\$ 1,749,111</u>	<u>\$ 16,252,127</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, 2018

Governmental Funds Statement of Revenues, Expenditures and Changes in Fund Balance – For the Fiscal Year Ended June 30, 2018

	<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	\$ 13,609,056	\$ -	\$ -	\$ -	\$ -	\$ 154,909	\$ 13,763,965
Intergovernmental	1,076,886	-	-	-	-	144,655	1,221,541
Charges for services	417,940	1,162,186	-	-	-	24,338	1,604,464
Fines and forfeitures	209,323	-	-	-	-	-	209,323
Licenses and permits	267,394	-	-	-	-	-	267,394
Investment income	9,651	67	75,044	7,194	10,833	5,257	108,046
Miscellaneous	126,727	428,158	10,481	-	86,863	127,995	780,224
Total revenues	<u>15,716,977</u>	<u>1,590,411</u>	<u>85,525</u>	<u>7,194</u>	<u>97,696</u>	<u>457,154</u>	<u>17,954,957</u>
EXPENDITURES							
Current:							
General government	1,581,971	-	-	-	-	350	1,582,321
Public Safety	6,596,858	1,854,871	-	-	-	86,473	8,538,202
Highway and streets	515,993	-	-	-	-	-	515,993
Culture and recreation	1,173,735	-	-	-	-	223	1,173,958
Cemetery	123,265	-	-	-	-	-	123,265
Community development	127,494	-	-	-	-	-	127,494
Economic development	-	-	-	-	-	432,194	432,194
Capital Outlay	126,190	3,798	73,035	30,174	272,160	13,777	519,134
Debt Service:							
Principal	139,247	-	-	-	170,820	116,644	426,711
Interest and other charges	6,745	-	-	-	22,765	7,009	36,519
Total expenditures	<u>10,391,498</u>	<u>1,858,669</u>	<u>73,035</u>	<u>30,174</u>	<u>465,745</u>	<u>656,670</u>	<u>13,475,791</u>
Excess (deficiency) of revenues over expenditures	<u>5,325,479</u>	<u>(268,258)</u>	<u>12,490</u>	<u>(22,980)</u>	<u>(368,049)</u>	<u>(199,516)</u>	<u>4,479,166</u>
OTHER FINANCING SOURCES (USES)							
Transfers in	1,846,000	-	-	2,463,620	-	676,499	4,986,119
Transfers out	(6,239,012)	(5,600)	-	(1,145,875)	(25,000)	-	(7,415,487)
Total other financing sources and (uses)	<u>(4,393,012)</u>	<u>(5,600)</u>	<u>-</u>	<u>1,317,745</u>	<u>(25,000)</u>	<u>676,499</u>	<u>(2,429,368)</u>
Net change in fund balances	932,467	(273,858)	12,490	1,294,765	(393,049)	476,983	2,049,798
Fund balances - beginning, restated	2,050,354	901,069	2,851,239	1,174,822	2,774,592	1,176,259	10,928,335
Fund balances - ending	<u>\$ 2,982,821</u>	<u>\$ 627,211</u>	<u>\$ 2,863,729</u>	<u>\$ 2,469,587</u>	<u>\$ 2,381,543</u>	<u>\$ 1,653,242</u>	<u>\$ 12,978,133</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, 2018**

Reconciliation of Governmental Funds and Government-Wide Financial Statements:

Fund Balance – Net Position Reconciliation:

Total fund balance, governmental funds	\$	12,978,133
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Amounts reported for governmental activities in the Statement of Net Position are different because:

Capital assets used in governmental activities are not 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.		37,198,473
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Other long-term assets are not available to pay current period expenditures and therefore are deferred in the funds:		
Notes receivable		403,130
Court fines receivable		11,736

Deferred outflows are not a use of current financial resources and, therefore, are not reported in the fund financial statements, but are included in the governmental activities of the Statement of Net Position:		
Net pension asset		317,515
Pension related deferred outflows		2,781,743

Certain long-term liabilities are not due and payable from current resources, and therefore they, along with deferred inflows, are not reported in the funds:		
Net pension liability		(9,799,721)
Pension related deferred inflows		(925,496)
Accrued interest payable		(4,124)
Capital leases payable		(972,792)
Accrued compensated absences		(708,856)
Total OPEB liability		(717,200)

Internal service funds are used by management to charge the costs of certain activities, such as insurance, to individual funds. The assets and liabilities of the internal service fund are included in governmental activities in the Statement of Net Position		1,369,418
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Net Position of Governmental Activities in the Statement of Net Position	<u>\$</u>	<u>41,931,959</u>
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See accompanying notes to the basic financial statements.

CITY OF CHICKASHA, OKLAHOMA
ANNUAL FINANCIAL REPORT
As of and for the Year Ended June 30, 2018

Changes in Fund Balance – Changes in Net Position Reconciliation:

Net change in fund balances - total governmental funds: \$ 2,049,798

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	410,538
Depreciation expense	(1,985,631)

Revenues in the Statement of Activities that do not provide current financial resources are not reported as revenues in the funds:

Change in deferred revenue	(38,697)
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In the Statement of Activities, the net cost of pension benefits earned is calculated and reported as pension expense. The fund financial statements report pension contributions and pension expenditures. This amount represents the difference between pension contributions and calculated pension expense.

29,877

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:

Principal payments on long-term debt	426,711
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Some expenses reported in the statement of activities do not require the use of current financial resources and these are not reported as expenditures in governmental funds:

Change in accrued interest payable	1,750
Change in accrued compensated absences	27,251
Change in total OPEB liability	(42,308)

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.

(47,852)

Change in Net Position of Governmental Activities	\$ 831,437
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See accompanying notes to the basic financial statements.

**CITY OF CHICKASHA, OKLAHOMA
ANNUAL FINANCIAL REPORT
As of and for the Year Ended June 30, 2018**

BASIC FINANCIAL STATEMENTS – PROPRIETARY FUND

CITY OF CHICKASHA, OKLAHOMA
ANNUAL FINANCIAL REPORT
As of and for the Year Ended June 30, 2018

Proprietary Fund Statement of Net Position – June 30, 2018

	Chickasha Municipal Authority	Chickasha Municipal Airport Authority	Total Proprietary Funds	Internal Service Fund
ASSETS				
Current assets:				
Cash and cash equivalents	\$ 2,727,594	\$ 216,352	\$ 2,943,946	\$ 539,796
Investments	6,750,089	1,500,000	8,250,089	800,000
Restricted:				
Restricted cash and cash equivalents	823,211	-	823,211	-
Restricted investments	100,000	-	100,000	-
Due from other funds	1,443,224	184,558	1,627,782	188,885
Accounts Receivable, net	1,062,689	-	1,062,689	-
Interest receivable	63,236	10,520	73,756	8,204
Other receivable	4,957	2,474	7,431	-
Receivables from other governments	-	295,613	295,613	-
Prepaid expenses	54,239	1,105	55,344	-
Total current assets	<u>13,029,239</u>	<u>2,210,622</u>	<u>15,239,861</u>	<u>1,536,885</u>
Net pension asset	126,757	15,443	142,200	-
Capital assets:				
Land and construction in progress	4,153,268	68,319	4,221,587	-
Other capital assets, net of accumulated depreciation	39,163,297	3,332,096	42,495,393	-
Total non-current assets	<u>43,316,565</u>	<u>3,400,415</u>	<u>46,716,980</u>	<u>-</u>
Total assets	<u>56,472,561</u>	<u>5,626,480</u>	<u>62,099,041</u>	<u>1,536,885</u>
DEFERRED OUTFLOWS OF RESOURCES				
Deferred amount related to pensions	79,747	9,660	89,407	-
Total deferred outflows	<u>79,747</u>	<u>9,660</u>	<u>89,407</u>	<u>-</u>
LIABILITIES				
Current liabilities:				
Accounts payable	244,416	15,279	259,695	147,522
Accrued payroll payable	21,856	2,719	24,575	-
Interest payable	49,247	-	49,247	-
Other payable	-	-	-	7,123
Due to other funds	578,149	1,417	579,566	-
Due to other governments	-	-	-	12,822
Deposits subject to refund	32,938	-	32,938	-
Compensated absences	3,633	534	4,167	-
Capital lease obligation	38,786	-	38,786	-
Note payable	1,010,000	-	1,010,000	-
Total current liabilities	<u>1,979,025</u>	<u>19,949</u>	<u>1,998,974</u>	<u>167,467</u>
Non-current liabilities:				
Deposits subject to refund	296,442	-	296,442	-
Compensated absences	32,691	4,808	37,499	-
Capital lease obligation	38,536	-	38,536	-
Total OPEB liability	125,165	13,908	139,073	-
Note payable	5,450,000	-	5,450,000	-
Total non-current liabilities	<u>5,942,834</u>	<u>18,716</u>	<u>5,961,550</u>	<u>-</u>
Total liabilities	<u>7,921,859</u>	<u>38,665</u>	<u>7,960,524</u>	<u>167,467</u>
DEFERRED INFLOWS OF RESOURCES				
Deferred amount related to pensions	97,970	13,710	111,680	-
Deferred amount related to OPEB	5,235	581	5,816	-
Total deferred inflows	<u>103,205</u>	<u>14,291</u>	<u>117,496</u>	<u>-</u>
NET POSITION				
Net investment in capital assets	36,779,243	3,400,415	40,179,658	-
Restricted for debt service	383,153	-	383,153	-
Restricted for capital projects	208,911	-	208,911	-
Restricted for other purposes	535,264	2,182,769	2,718,033	-
Unrestricted (deficit)	10,620,673	-	10,620,673	1,369,418
Total net position	<u>\$ 48,527,244</u>	<u>\$ 5,583,184</u>	<u>\$ 54,110,428</u>	<u>\$ 1,369,418</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, 2018

Proprietary Fund Statement of Revenues, Expenses and Changes in Net Position – For the Fiscal Year Ended June 30, 2018

	Chickasha Municipal Authority	Chickasha Municipal Airport Authority	Total Proprietary Funds	Internal Service Fund
OPERATING REVENUES				
Water revenue	\$ 2,336,420	\$ -	\$ 2,336,420	\$ -
Sewer revenue	1,666,896	-	1,666,896	-
Sanitation revenue	1,737,242	-	1,737,242	-
Penalties and fees	138,735	-	138,735	-
User resource fees	23,574	-	23,574	-
Lake revenue	67,470	-	67,470	-
Airport revenue	-	516,222	516,222	-
Miscellaneous	31,337	-	31,337	1,011,062
Charges for services	-	-	-	1,674,900
Total Operating Revenues	<u>6,001,674</u>	<u>516,222</u>	<u>6,517,896</u>	<u>2,685,962</u>
OPERATING EXPENSES				
Administration	640,568	-	640,568	-
Water	2,092,082	-	2,092,082	-
Sewer	819,166	-	819,166	-
Sanitation	1,769,736	-	1,769,736	-
Lake	123,627	-	123,627	-
Building maintenance	346,570	-	346,570	-
Airport	-	343,379	343,379	-
Depreciation	1,654,217	196,769	1,850,986	-
Insurance, compensated absences, personnel expense	-	-	-	2,786,477
Total Operating Expenses	<u>7,445,966</u>	<u>540,148</u>	<u>7,986,114</u>	<u>2,786,477</u>
Operating income (loss)	<u>(1,444,292)</u>	<u>(23,926)</u>	<u>(1,468,218)</u>	<u>(100,515)</u>
NON-OPERATING REVENUES (EXPENSES)				
Investment income	86,232	17,529	103,761	8,494
Interest expense	(158,621)	-	(158,621)	-
Gain (loss) on disposal of capital assets	(10,835)	-	(10,835)	-
Grant revenue	-	11,790	11,790	-
Miscellaneous revenue	124,497	-	124,497	-
Total non-operating revenue (expenses)	<u>41,273</u>	<u>29,319</u>	<u>70,592</u>	<u>8,494</u>
Income (loss) before transfers	<u>(1,403,019)</u>	<u>5,393</u>	<u>(1,397,626)</u>	<u>(92,021)</u>
Transfers in	4,131,668	-	4,131,668	44,169
Transfers out	(1,974,600)	(18,800)	(1,993,400)	-
Change in net position	<u>754,049</u>	<u>(13,407)</u>	<u>740,642</u>	<u>(47,852)</u>
Total net position - beginning, restated	<u>47,773,195</u>	<u>5,596,591</u>	<u>53,369,786</u>	<u>1,417,270</u>
Total net position - ending	<u>\$ 48,527,244</u>	<u>\$ 5,583,184</u>	<u>\$ 54,110,428</u>	<u>\$ 1,369,418</u>

See accompanying notes to the basic financial statements.

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Proprietary Fund Statement of Cash Flows – Year Ended June 30, 2018

	Chickasha Municipal Authority	Chickasha Municipal Airport Authority	Total Proprietary Funds	Internal Service Fund
CASH FLOWS FROM OPERATING ACTIVITIES				
Receipts from customers	\$ 6,011,122	\$ 516,222	\$ 6,527,344	\$ 2,685,962
Payments to suppliers	(4,832,262)	(213,935)	(5,046,197)	(2,796,313)
Payments to employees	(911,113)	(117,701)	(1,028,814)	-
Interfund receipts (payments)	(513,406)	(101,700)	(615,106)	(188,885)
Receipts of customer meter deposits	90,661	-	90,661	-
Refunds of customer meter deposits	(88,479)	-	(88,479)	-
Other receipts	124,497	11,790	136,287	-
Net cash provided by (used in) operating activities	<u>(118,980)</u>	<u>94,676</u>	<u>(24,304)</u>	<u>(299,236)</u>
CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES				
Transfers from other funds	4,131,668	-	4,131,668	44,169
Transfers to other funds	(1,974,600)	(18,800)	(1,993,400)	-
Net cash provided by (used in) noncapital financing activities	<u>2,157,068</u>	<u>(18,800)</u>	<u>2,138,268</u>	<u>44,169</u>
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES				
Purchases of capital assets	(2,414,195)	(188,445)	(2,602,640)	-
Principal paid on debt	(1,037,554)	-	(1,037,554)	-
Interest and fiscal agent fees paid on debt	(166,507)	-	(166,507)	-
Net cash provided by (used in) capital and related financing activities	<u>(3,618,256)</u>	<u>(188,445)</u>	<u>(3,806,701)</u>	<u>-</u>
CASH FLOWS FROM INVESTING ACTIVITIES				
Sale of investments	38	-	38	-
Interest income	49,325	10,795	60,120	2,288
Net cash provided by investing activities	<u>49,363</u>	<u>10,795</u>	<u>60,158</u>	<u>2,288</u>
Net increase (decrease) in cash and cash equivalents	(1,530,805)	(101,774)	(1,632,579)	(252,779)
Balances - beginning of year	<u>5,081,610</u>	<u>318,126</u>	<u>5,399,736</u>	<u>792,575</u>
Balances - end of year	<u>\$ 3,550,805</u>	<u>\$ 216,352</u>	<u>\$ 3,767,157</u>	<u>\$ 539,796</u>
Reconciliation to Statement of Net Position:				
Cash and cash equivalents	\$ 2,727,594	\$ 216,352	\$ 2,943,946	\$ 539,796
Restricted cash and cash equivalents - current	823,211	-	823,211	-
Total cash and cash equivalents, end of year	<u>\$ 3,550,805</u>	<u>\$ 216,352</u>	<u>\$ 3,767,157</u>	<u>\$ 539,796</u>
Reconciliation of operating income (loss) to net cash provided by (used in) operating activities:				
Operating income (loss)	\$ (1,444,292)	\$ (23,926)	\$ (1,468,218)	\$ (100,515)
Adjustments to reconcile operating income to net cash provided by (used in) operating activities:				
Depreciation expense	1,654,217	196,769	1,850,986	-
Grant revenue	-	11,790	11,790	-
Miscellaneous revenue	124,497	-	124,497	-
Change in assets and liabilities:				
Accounts receivable	9,448	-	9,448	-
Other receivable	(3,207)	(2,474)	(5,681)	(188,885)
Due from other funds	(1,168,269)	(103,117)	(1,271,386)	-
Prepaid expense	(30,639)	(1,105)	(31,744)	-
Net pension asset	(126,757)	(15,443)	(142,200)	7,123
Due to other funds	654,863	1,417	656,280	-
Due to other governments	-	-	-	(92)
Due to employees	-	-	-	(10,296)
Accounts payable	91,881	12,723	104,604	(6,571)
Accrued payroll payable	(566)	2,719	2,153	-
Deposits subject to refund	2,182	-	2,182	-
Accrued compensated absences	(1,693)	1,538	(155)	-
Payroll deferrals	116,898	13,511	130,409	-
Total OPEB liability	2,457	274	2,731	-
Net cash provided by (used in) operating activities	<u>\$ (118,980)</u>	<u>\$ 94,676</u>	<u>\$ (24,304)</u>	<u>\$ (299,236)</u>

See accompanying notes to the basic financial statements.

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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 the accrual basis of accounting. Under the accrual basis of accounting, revenues are recognized when earned and expenses (including depreciation and amortization) are recorded when the liability is incurred or economic asset used.

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

All other governmental revenues are reported as general. All taxes are classified as general revenue even if restricted for a specific purpose.

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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
- 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 25 percent of cemetery revenue restricted for cemetery capital improvements as required by state law

The governmental funds are reported on a modified accrual basis of accounting. On the modified accrual basis of accounting revenues are recorded when earned and measurable and available to pay current financial obligations, while expenditures are recorded when incurred and normally payable from current financial resources. The City defines revenue availability as collected within 60 days of period end.

The reconciliation of the governmental fund financial statements to the governmental activities presentation in the government-wide financial statements is the result of the use of the economic resources measurement focus and accrual basis of accounting at the government-wide level.

The General Fund, EMS Fund, ED-Dedicated Sales Tax Fund, CIP-Dedicated Sales Tax Fund, and Capital Project Fund are considered major funds and are therefore displayed in separate columns. All other governmental funds are considered non-major and are aggregated under the column Other Governmental Funds.

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

Internal Service Fund – that accounts for property, health, worker's compensation, and liability insurance provided to various fund of the City, the reserves of compensated absence accruals for City employees as well as related payroll taxes and withholdings.

The proprietary funds are reported on the accrual basis of accounting and economic resources measurement focus.

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.

3. Cash, Cash Equivalents, and Investments

The City categorizes its fair value measurements within the fair value hierarchy established by generally accepted accounting principles. The hierarchy is based on the valuation inputs used to measure the fair value of the asset. Level 1 inputs are quoted prices in active markets identical assets; Level 2 inputs are significant other observable inputs; Level 3 inputs are significant unobservable inputs.

For the purposes of the statements of net position, balance sheets, and statement of cash flows, cash and cash equivalents includes all demand and savings accounts, certificates of deposit, and short-term investments with an original maturity of three-months or less, and money market investments. Investments

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consist of time deposits and U.S. agency bonds and notes. Certificates of deposit are reported at cost while investments in the U.S. agency bonds and notes are reported at fair value.

At June 30, 2018, the primary government held the following deposits and investments:

<u>Type</u>	<u>Maturities</u>	<u>Credit Rating</u>	<u>Fair Value Hierarchy</u>	<u>Carrying Value</u>
Primary Government				
Deposits:				
Demand deposits				\$ 11,219,550
Time deposit - certificate of deposit	7/5/2018			9,100,000
Time deposit - certificate of deposit	8/9/2018			4,200,000
Time deposit - certificate of deposit	2/25/2019			250,090
Trustee accounts - BOK - Short-Term Cash Fund I OMAGescrow		AAA	N/A	592,064 3,534
				<u>\$ 25,365,238</u>
Reconciliation to Statement of Net Position:				
Cash and cash equivalents				\$ 11,815,148
Investments				13,550,090
				<u>\$ 25,365,238</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, 2018, 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, 2018, the City's investments with maturity dates were limited to time deposits that were not exposed to interest rate risk.

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

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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, 2018, 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, 2018, 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, 2018 are as follows:

<u>Type of Restricted Assets</u>	Current	
	Cash and cash equivalents	Investments
Utility Deposits	\$ 229,380	\$ 100,000
2014 Note Principal Account	334,148	-
2014 Note Interest Account	49,005	-
2014 Note Construction Account	208,911	-
Deposits with Insurance Pool	1,767	-
Total Proprietary Fund	<u>\$ 823,211</u>	<u>\$ 100,000</u>

3. Accounts Receivable

Accounts Receivable - Accounts receivable of the business-type activities consist of customers utilities due at year end, reported net of allowance for uncollectible amounts. The governmental activities receivables include EMS charges receivables, net of allowance for uncollectible amounts.

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	Accounts Receivable	Less: Allowance for Uncollectible Accounts	Net Accounts Receivable
Governmental Activities:			
Ambulance fees	3,955,100	(3,161,178)	793,922
Total Governmental Activities	\$ 3,955,100	\$ (3,161,178)	\$ 793,922
Business-Type Activities:			
Utilities	\$ 1,110,038	(47,349)	\$ 1,062,689

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

For the year ended June 30, 2018, capital asset balances changed as follows:

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	Restated Balance at July 01, 2017	Additions	Disposals	Balance at June 30, 2018
Governmental activities:				
Capital assets not being depreciated:				
Land	\$ 1,964,595	\$ -	\$ -	\$ 1,964,595
Construction in progress	1,542,661	240,221	1,722,075	60,807
Total capital assets not being depreciated	<u>3,507,256</u>	<u>240,221</u>	<u>1,722,075</u>	<u>2,025,402</u>
Other capital assets:				
Buildings	10,027,635	-	-	10,027,635
Improvements	4,336,207	226,933	-	4,563,140
Infrastructure	51,717,977	1,612,742	-	53,330,719
Machinery and equipment	4,910,078	92,569	-	5,002,647
Vehicles	7,073,249	-	92,148	6,981,101
Total other capital assets at historical cost	<u>78,065,146</u>	<u>1,932,244</u>	<u>92,148</u>	<u>79,905,242</u>
Less accumulated depreciation for:				
Buildings	3,545,614	237,132	-	3,782,746
Improvements	1,560,271	164,197	-	1,724,468
Infrastructure	30,040,084	763,974	-	30,804,058
Machinery and equipment	2,973,976	364,899	-	3,338,875
Vehicles	4,678,890	455,429	52,295	5,082,024
Total accumulated depreciation	<u>42,798,835</u>	<u>1,985,631</u>	<u>52,295</u>	<u>44,732,171</u>
Other capital assets, net	<u>35,266,311</u>	<u>(53,387)</u>	<u>39,853</u>	<u>35,173,071</u>
Governmental activities capital assets, net	<u>\$ 38,773,567</u>	<u>\$ 186,834</u>	<u>\$ 1,761,928</u>	<u>\$ 37,198,473</u>
Business-type activities:				
Capital assets not being depreciated:				
Land	\$ 3,722,251	\$ -	\$ 95,065	\$ 3,627,186
Construction in progress	1,665,062	1,553,795	2,624,456	594,401
Total capital assets not being depreciated	<u>5,387,313</u>	<u>1,553,795</u>	<u>2,719,521</u>	<u>4,221,587</u>
Other capital assets:				
Buildings	24,720,604	-	-	24,720,604
Improvements	2,123,947	-	-	2,123,947
Infrastructure	10,975,644	455,845	-	11,431,489
Machinery and equipment	4,320,443	50,337	-	4,370,780
Vehicles	1,099,846	-	-	1,099,846
Utility property improvements	75,055,322	2,628,039	-	77,683,361
Total other capital assets at historical cost	<u>118,295,806</u>	<u>3,134,221</u>	<u>-</u>	<u>121,430,027</u>
Less accumulated depreciation for:				
Buildings	17,882,546	434,092	-	18,316,638
Improvements	976,627	98,812	-	1,075,439
Infrastructure	6,469,549	130,741	-	6,600,290
Machinery and equipment	1,290,684	257,048	-	1,547,732
Vehicles	757,419	86,175	-	843,594
Utility property improvements	49,706,823	844,118	-	50,550,941
Total accumulated depreciation	<u>77,083,648</u>	<u>1,850,986</u>	<u>-</u>	<u>78,934,634</u>
Other capital assets, net	<u>41,212,158</u>	<u>1,283,235</u>	<u>-</u>	<u>42,495,393</u>
Business-type activities capital assets, net	<u>\$ 46,599,471</u>	<u>\$ 2,837,030</u>	<u>\$ 2,719,521</u>	<u>\$ 46,716,980</u>

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 3-15 years

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- 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:		Business-Type Activities:	
General government	\$ 84,551	Water	\$ 925,606
Public safety	782,024	Sewer	671,810
Highways and streets	691,644	Sanitation	17,601
Culture and recreation	386,460	Lake	39,200
Community development	40,952	Airport	196,769
	<u>\$ 1,985,631</u>		<u>\$ 1,850,986</u>

5. Long-Term Debt and Debt Service Requirements

For the year ended June 30, 2018, the reporting entity's long-term debt changed as follows:

<u>Type of Debt</u>	Restated Balance <u>July 01, 2017</u>	<u>Additions</u>	<u>Deductions</u>	Balance <u>June 30, 2018</u>	Due Within <u>One Year</u>
Governmental Activities:					
Capital lease obligations	\$ 1,399,503	\$ -	\$ 426,711	\$ 972,792	\$ 368,004
Accrued compensated absences	736,106	-	27,250	708,856	70,886
Total Governmental Activities	<u>\$ 2,135,609</u>	<u>\$ -</u>	<u>\$ 453,961</u>	<u>\$ 1,681,648</u>	<u>\$ 438,890</u>
Plus:					
Net pension liability				9,799,721	
Total OPEB liability				<u>688,410</u>	
				<u>\$ 12,169,779</u>	
Business-Type Activities:					
Notes payable	\$ 7,445,000	\$ -	\$ 985,000	\$ 6,460,000	\$ 1,010,000
Capital lease payable	129,876	-	52,554	77,322	38,786
Accrued compensated absences	41,821	-	155	41,666	4,167
Total Business-Type Activities	<u>7,616,697</u>	<u>-</u>	<u>1,037,709</u>	<u>6,578,988</u>	<u>1,052,953</u>
Plus:					
Total OPEB liability				139,073	
				<u>\$ 6,718,061</u>	

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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. \$ 36,143

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 May 15, 2023. 214,934

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 April 24, 2020. 50,080

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 3%, final payment due December 15, 2022. 253,669

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. 177,473

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. 240,493

Total Capital Lease Obligations \$ 972,792

Current portion \$ 368,004

Noncurrent portion 604,788

Total Capital Lease Obligations \$ 972,792

Current portion 70,886

Noncurrent portion 637,970

Total Accrued Compensated Absences \$ 708,856

Current portion -

Noncurrent portion 9,799,721

Total Net Pension Liability \$ 9,799,721

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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.

\$ 6,460,000

Total Notes Payable \$ 6,460,000

Current portion \$ 1,010,000

Noncurrent portion 5,450,000

Total Notes Payable \$ 6,460,000

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.

\$ 34,963

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.

42,359

Total Capital Leases Payable \$ 77,322

Current portion \$ 38,786

Noncurrent portion 38,536

Total Capital Leases Payable \$ 77,322

Current portion 4,167

Noncurrent portion 37,499

Total Accrued Compensated Absences \$ 41,666

Current portion -

Noncurrent portion 139,073

Total OPEB Liability \$ 139,073

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

		Governmental Activities			
<u>Year Ending June 30,</u>	Capital Lease Obligations				
	Principal		Interest		
	2019	2020	2021	2022	
	\$	368,004	\$	24,216	
		326,464		15,581	
		99,748		7,753	
		102,948		4,553	
		75,628		1,440	
Totals		\$ 972,792		\$ 53,543	

		Business-Type Activities			
<u>Year Ending June 30,</u>	Note Payable		Capital Lease Payable		
	Principal	Interest	Principal	Interest	
	2019	2020	2021	2022	
	\$	1,010,000	\$	140,967	
		1,035,000		117,870	
		1,065,000		94,205	
		1,090,000		69,916	
		1,115,000		45,003	
		1,145,000		19,522	
Totals		\$ 6,460,000		\$ 487,483	

Capital assets acquired through capital leases are as follows:

Date	Capital Asset	Amount	Accumulated Depreciation
Vehicles:			
6/15/2009	Ladder Truck	574,992	348,190
1/15/2013	E-One Pumper	401,779	184,149
12/15/2015	Rescue Squad Truck	380,316	98,248
7/1/2016	11 Police Cars	375,420	107,217
		\$ 1,732,507	\$ 737,804
Machinery and Equipment:			
9/15/2011	Street Sweeper	204,906	140,019
1/27/2012	Volvo Grader	144,376	92,641
12/15/2013	PD Car Video Equipment	105,665	61,638
5/5/2015	SCB Equipment	122,765	38,876
5/15/2015	Tractor/Loader	39,925	18,062
5/18/2015	Tractor	42,662	13,510
12/1/2015	Mower Tractor/Loader	22,962	5,932
3/15/2016	Skid Steer & Attachments	78,253	17,607
7/1/2016	Radios	694,967	198,562
		\$ 1,456,481	\$ 586,847

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.
- 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.

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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:

	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	\$ -	\$ -	\$ 2,038,676	\$ -	\$ -	\$ -	\$ 2,038,676
EMS	-	382,725	-	-	-	332,075	714,800
Capital Projects	-	-	-	2,241,242	-	20,686	2,261,928
Other Purposes	2,156	-	-	-	-	423,979	426,135
Sub-total Restricted	2,156	382,725	2,038,676	2,241,242	-	776,740	5,441,539
Assigned To:							
Fire/EMS	1,320	244,486	-	-	-	-	245,806
Police	45,261	-	-	-	-	-	45,261
Police Bonds	291,049	-	-	-	-	-	291,049
Streets	-	-	-	-	-	147,962	147,962
Economic Development	-	-	825,053	-	-	124,213	949,266
Capital Projects	-	-	-	228,345	2,381,543	580,358	3,190,246
Other Purposes	-	-	-	-	-	23,969	23,969
Budget balance purposes	1,282,169	-	-	-	-	-	1,282,169
Sub-total Assigned	1,619,799	244,486	825,053	228,345	2,381,543	876,502	6,175,728
Unassigned	1,360,866	-	-	-	-	-	1,360,866
Total Fund Balance	\$ 2,982,821	\$ 627,211	\$ 2,863,729	\$ 2,469,587	\$ 2,381,543	\$ 1,653,242	\$ 12,978,133

Enterprise Funds:

Net investment in capital assets	\$ 40,179,658
Restricted for Debt Service	383,153
Restricted for Capital Projects	208,911
Restricted for Other Purposes	<u>2,718,033</u>

Total Enterprise Fund Restrictions **\$ 43,489,755**

For the year ended June 30, 2018 the City restated beginning net positions/fund balances as follows:

	Governmental							Proprietary			Government-Wide			
	General Fund	EMS Fund	ED-Ded Sales Tax Fund	CIP-Ded Sales Tax Fund	Capital Project Fund	Tax Increment District Fund	E-911 Fund	Street and Alley Fund	Cemetery Care Fund	CMA	CAA	Internal Service	Governmental Activities	Business-Type Activities
Beginning net position/fund balances, as previously reported	\$ 1,417,459	\$ 202,495	\$ 2,842,029	\$ 884,302	\$ 2,772,646	\$ 227,716	\$ 260,662	\$ 132,695	\$ 575,791	\$ 46,615,865	\$ 5,308,306	\$ 1,569,365	\$ 48,924,442	\$ 51,924,171
Accruals due to change in basis of accounting:														
Utilities receivable	-	-	-	-	-	-	-	-	-	1,072,525	-	-	-	1,072,525
Interest receivable	1,784	-	9,210	630	1,946	-	-	453	1,294	26,329	3,786	1,998	17,315	30,115
Taxes receivable	1,581,515	-	-	-	-	-	13,674	14,241	-	-	-	-	1,609,430	-
Grants receivable	2,182	-	-	-	-	-	-	-	-	295,613	-	-	2,182	295,613
Ambulance receivable	-	737,662	-	-	-	-	-	-	-	-	-	-	737,662	-
Interfund receivables	-	-	-	289,890	-	-	-	-	-	349,918	-	-	289,890	349,918
Accounts payable	(105,145)	-	-	-	-	-	-	-	-	(140,372)	-	(154,093)	(259,238)	(140,372)
Accrued payroll payable	(199,173)	(39,088)	-	-	-	-	-	-	-	(22,422)	(2,556)	-	(238,260)	(24,978)
TIF payable	(8,461)	-	-	-	-	(227,716)	-	-	-	(4,230)	-	-	(236,177)	(4,230)
Interest payable	-	-	-	-	-	-	-	-	-	(57,133)	-	-	(5,874)	(57,133)
Interfund payables	(639,808)	-	-	-	-	-	-	-	-	-	-	-	(639,808)	-
Deferred revenue	-	-	-	-	-	-	-	-	-	-	-	-	53,563	-
Accrued comp absences	-	-	-	-	-	-	-	-	-	(38,017)	(3,804)	-	(736,107)	(41,821)
Pension liabilities and deferrals	-	-	-	-	-	-	-	-	-	93,440	8,880	-	(7,655,836)	102,320
Implementation of GASB 75 - Total	-	-	-	-	-	-	-	-	-	(122,708)	(13,634)	-	(674,892)	(136,342)
OPEB liability	-	-	-	-	-	-	-	-	-	-	-	-	(87,770)	-
Capital asset restatement	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Beginning net position/fund balances, restated	\$ 2,050,354	\$ 901,069	\$ 2,851,239	\$ 1,174,822	\$ 2,774,592	\$ -	\$ 274,336	\$ 147,389	\$ 577,085	\$ 47,773,195	\$ 5,596,591	\$ 1,417,270	\$ 41,100,522	\$ 53,369,786

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
- $\frac{3}{4}$ 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.

As of June 30, 2018, the City had collected sales tax and ad valorem tax related to the TIF District totaling \$1,108,388 and made payments to developers totaling \$1,108,388. The amount owed developers as of June 30, 2018 is \$94,718.

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.

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Transfers:

Internal transfers between funds and activities for the year ended June 30, 2018, 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
Capital Projects Fund	General Fund	25,000	Use tax
General Fund	CIA	676,499	Hotel/Motel tax
General Fund	CMA	2,985,793	Sales tax
General Fund	CIP Dedicated Sales Tax Fund	2,463,620	Sales tax
Dedicated Sales Tax Fund	CMA	1,145,875	Debt service payments
Total		<u>\$ 9,117,787</u>	

Reconciliation to Fund Financial Statements:

	<u>Transfers In</u>	<u>Transfers Out</u>	<u>Net Internal Transfers</u>	<u>Net Transfers</u>
Governmental Funds	\$ 4,986,119	\$ (7,415,487)	\$ 291,100	\$ (2,138,268)
Proprietary Funds	4,131,668	(1,993,400)	-	2,138,268
Total	<u>\$ 9,117,787</u>	<u>\$ (9,408,887)</u>	<u>\$ 291,100</u>	<u>\$ -</u>

Balances:

Interfund balances between activities at June 30, 2018, were as follows:

<u>Due From</u>	<u>Due To</u>	<u>Amount</u>	<u>Nature of Balance</u>
General Fund	CAA	\$ 81,441	Operational expenses paid
Capital Project Fund	CAA	103,117	Reclass revenues
General Fund	Capital Project Fund	5,360	Deposit errors
CMA	Capital Project Fund	108	Chargeback
General Fund	CIA	35,421	Deposit errors
CMA	CIA	87,770	Reimbursement of overpayment
ED-Ded Sales Tax Fund	CIP-Ded Sales Tax Fund	97,907	Operational expenses paid
General Fund	CIP-Ded Sales Tax Fund	754,857	Sales tax
ED-Ded Sales Tax Fund	CIP-Ded Sales Tax Fund	2,147	Deposit errors
General Fund	CMA	1,158,364	Sales tax
General Fund	CMA	50	Deposit errors
EMS Fund	CMA	284,810	EMS revenues
General Fund	EMS Fund	3,145	Operational expenses paid
CMA	EMS Fund	716	Deposit errors
Donation Fund	General Fund	1,151	Deposit errors
EMS Fund	General Fund	4	Deposit errors
CMA	General Fund	474,188	Sales tax
General Fund	TIF Fund	42,707	Sales tax and ad valorem tax
Total		<u>\$ 3,133,263</u>	

Reconciliation to Fund Financial Statements:

	<u>Due From</u>	<u>Due To</u>	<u>Net Internal Service Balances</u>	<u>Net Internal Balances</u>
Governmental Funds	\$ 1,505,481	\$ (2,742,582)	\$ 188,885	\$ (1,048,216)
Proprietary Funds	1,627,782	(579,566)	-	1,048,216
Total	<u>\$ 3,133,263</u>	<u>\$ (3,322,148)</u>	<u>\$ 188,885</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 four pension or retirement plans:

1. Oklahoma Firefighter’s Pension and Retirement System (OFPRS) – a statewide cost-sharing plan
2. Oklahoma Police Pension and Retirement System (OPPRS) – a statewide cost-sharing plan
3. Oklahoma Municipal Retirement Fund (OkMRF) – an agent multiple-employer defined benefit plan
4. Oklahoma Municipal Retirement Fund (OkMRF) – an agent multiple-employer defined contribution plan

OFPRS:

Plan description - 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). Title 11 of the Oklahoma State Statutes grants the authority to establish and amend the benefit terms to the OFPRS. The OFPRS issues a publicly available financial report that can be obtained at www.ok.gov/fprs.

Benefits provided - The OFPRS provides retirement, disability, and death benefits to members of the plan. Benefits for members hired prior to November 1, 2013 are determined as 2.5 percent of the employee’s final average compensation times the employee’s years of service and have reached the age of 50 or have completed 20 years of service, whichever is later. For volunteer firefighters, the monthly pension benefit for normal retirement is \$150.60 per month. Benefits vest with 10 years or more of service.

Benefits for members hired after November 1, 2013 are determined at 2.5 percent of the employee’s final average compensation times the employee’s years of service and have reached the age of 50 or have completed 22 years of service, whichever is later. For volunteer firefighters, the monthly pension benefit for normal retirement is \$165.66 per month. Benefits vest with 11 years or more of services.

All firefighters are eligible for immediate disability benefits. For paid firefighters, the disability in-the-line-of-duty benefit for firefighters with less than 20 years of services is equal to 50 percent of final average monthly compensation, based on the most recent 30 months of service. For firefighters with over 20 years of service, a disability in-the-line-of-duty is calculated based on 2.5 percent of final average monthly

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compensation, based on the most recent 30 months, per year of service, with a maximum of 30 years of service. For disabilities not-in-the-line-of-duty, the benefit is limited to only those with less than 20 years of service and is 50 percent of final average monthly compensation, based on the most recent 60-month salary as opposed to 30 months. For volunteer firefighters, the not-in-the-line-of-duty disability is also limited to only those with less than 20 years of service and is \$7.53 per year of service. For volunteer firefighters, the in-the-line-of-duty pension is \$150.60 with less than 20 years of service, or \$7.53 per year of service, with a maximum of 30 years.

A \$5,000 lump sum death benefit is payable to the qualified spouse or designate recipient upon the participant's death. The \$5,000 death benefit does not apply to members electing the vested benefit.

Contributions – The contribution requirements of the Plan are at an established rate determined by Oklahoma Statute and are not based on actuarial calculations. Employees are required to contribute 9% of their annual pay. Participating cities are required to contribute 14% of the employee's annual pay. Contributions to the pension plan from the City were \$316,319. The State of Oklahoma also made on-behalf contributions to OFPRS in the amount of \$708,734 during the current fiscal year and this is reported as both a revenue and expenditure in the General Fund Statement of Revenues, Expenditures, and Changes in Fund Balance. In the government-wide Statement of Activities, revenue is recognized for the state's on-behalf contributions on an accrual basis of \$684,303. These on-behalf payments did not meet the criteria of a special funding situation.

Pension Liabilities, Pension Expense, Deferred Outflows of Resources, and Deferred Inflows of Resources – At June 30, 2018, the City reported a liability of \$9,765,433 for its proportionate share of the net pension liability. The net pension liability was measured as of June 30, 2017, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of July 1, 2017. The City's proportion of the net pension liability was based on the City's contributions received by the pension plan relative to the total contributions received by the pension plan for all participating employers as of June 30, 2017. Based upon this information, the City's proportion was 0.7764375%.

For the year ended June 30, 2018, the City recognized pension expense of \$1,126,032. At June 30, 2018, the City reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual experience	\$ 1,304,494	\$ -
Changes of assumptions	-	-
Net difference between projected and actual earnings on pension plan investments	-	272,129
Changes in proportion	496,492	190,582
City contributions during measurement date	-	6,198
City contributions subsequent to the measurement date	316,319	-
Total	\$ 2,117,305	\$ 468,909

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\$316,319 reported as deferred outflows of resources related to pensions resulting from City contributions subsequent to the measurement date will be recognized as a reduction of the net pension liability in the year ended June 30, 2019. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pensions will be recognized in pension expense as follows:

2019	122,821
2020	424,979
2021	329,622
2022	81,149
2023	303,065
Thereafter	70,441
	<u>\$ 1,332,077</u>

Actuarial Assumptions – The Total pension liability was determined by an actuarial valuation as of July 1, 2017, using the following actuarial assumptions, applied to all prior periods included in the measurement:

Inflation:	3%
Salary increases:	3.5% to 9% average, including inflation
Investment rate of return:	7.5% net of pension plan investment expense

Mortality rates were based on the RP2000 combined health with blue collar adjustment as appropriate, with adjustments for generational mortality improvement using scale AA for health lives and no mortality improvement for disabled lives.

The actuarial assumptions used in the July 1, 2017 valuation were based on the results of an actuarial experience study for the period July 1, 2007 to June 30, 2012.

The long-term expected rate of return on pension plan investments was determined using a building block method in which best-estimate ranges of expected future real rates of return (expected returns, net of pension plan investment expense and inflation) are developed for each major asset class. These ranges are combined to produce the long-term expected rate of return by weighing the expected future real rates of return by the target asset allocation percentage and by adding expected inflation. Best estimates of arithmetic real rates of return for each major asset class included in the pension plan’s target asset allocation as of June 30, 2017, are summarized in the following table:

Asset Class	Target Allocation	Long-Term Expected Real Rate of Return
Fixed income	20%	4.38%
Domestic equity	47%	7.72%
International equity	15%	9.70%
Real estate	10%	6.96%
Other assets	8%	5.75%

Discount rate – The discount rate used to measure the total pension liability was 7.5%. The projection of cash flows used to determine the discount rate assumed that contributions from plan members will be made at the current contribution rate and that contributions from employers will be made at contractually required rates, determined by State Statutes. Projected cash flows also assume the State of Oklahoma will continue contributing 36% of the insurance premium, as established by statute. Based on these assumptions, the pension plan’s fiduciary net position was projected to be available to make all projected future benefit

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payments of current plan members. Therefore, the long-term expected rate of return on pension plan investments was applied to all periods of projected benefit payments to determine the total pension liability.

Sensitivity of the Net Pension Liability to Changes in the Discount Rate – The following presents the net pension liability of the employers calculated net pension liability using the discount rate of 7.5%, as well as what the Plan’s net pension liability would be if it were calculated using a discount rate that is 1-percentage point lower (6.5%) of 1-percentage point higher (8.5%) than the current rate:

	1% Decrease 6.5%	Current Discount Rate 7.5%	1% Increase 8.5%
Net Pension Liability	\$ 12,810,825	\$ 9,765,433	\$ 7,184,542

Pension plan fiduciary net position – Detailed information about the pension plan’s fiduciary net position is available in the separately issued financial report of the OFPRS, which can be located at www.ok.gov/fprs.

OPPRS:

Plan description - The City of Chickasha, as the employer, participates in the Oklahoma Police Pension and Retirement Plan - a cost-sharing multiple employer defined benefit pension plan administered by the Oklahoma Police Pension and Retirement System (OPPRS). Title 11 of the Oklahoma State Statutes, through the Oklahoma Legislature, grants the authority to establish and amend the benefit terms to the OPPRS. The OPPRS issues a publicly available financial report that can be obtained at www.ok.gov/OPPRS.

Benefits provided - The OPPRS provides retirement, disability, and death benefits to members of the plan. The normal retirement date under the Plan is the date upon which the participant completes 20 years of credited service, regardless of age. Participants become vested upon completing 10 years of credited service as a contributing participant of the Plan. No vesting occurs prior to completing 10 years of credited service. Participants’ contributions are refundable, without interest, upon termination prior to normal retirement. Participants who have completed 10 years of credited service may elect a vested benefit in lieu of having their accumulated contributions refunded. If the vested benefit is elected, the participant is entitled to a monthly retirement benefit commencing on the date the participant reaches 50 years of age or the date the participant would have had 20 years of credited service had employment continued uninterrupted, whichever is later.

Monthly retirement benefits are calculated at 2.5% of the final average salary (defined as the average paid base salary of the officer over the highest 30 consecutive months of the last 60 months of credited service) multiplied by the years of credited service, with a maximum of 30 years of credited service considered.

Monthly benefits for participants due to permanent disability incurred in the line of duty are 2.5% of the participants’ final average salary multiplied by 20 years. The disability benefit is reduced by stated percentages for partial disability based on the percentage of impairment. After 10 years of credited service, participants who retire due to disability incurred for any cause are eligible for a monthly benefit based on 2.5% of their final average salary multiplied by the years of service. The disability benefit is also reduced by stated percentages for partial disability based on the percentage of impairment. Effective July 1, 1998,

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once a disability benefit is granted to a participant, the participant is no longer allowed to apply for an increase in the dollar amount of the benefit at a subsequent date.

Survivor's benefits are payable in full to the participant's beneficiary upon the death of a retired participant. The beneficiary of any active participant killed in the line of duty is entitled to a pension benefit.

Contributions – The contribution requirements of the Plan are at an established rate determined by Oklahoma Statute and are not based on actuarial calculations. Employees are required to contribute 8% of their annual pay. Participating cities are required to contribute 13% of the employee's annual pay. Contributions to the pension plan from the City were \$182,018. The State of Oklahoma also made on-behalf contributions to OPPRS in the amount of \$179,144 during the current fiscal year and this is reported as both a revenue and expenditure in the General Fund Statement of Revenues, Expenditures, and Changes in Fund Balance. In the government-wide Statement of Activities, revenue is recognized for the state's on-behalf contributions on an accrual basis of \$152,818. These on-behalf payments did not meet the criteria of a special funding situation.

Pension Liabilities, Pension Expense, Deferred Outflows of Resources, and Deferred Inflows of Resources – At June 30, 2018, the City reported a liability of \$34,288 for its proportionate share of the net pension liability. The net pension liability was measured as of June 30, 2017, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of July 1, 2017. The City's proportion of the net pension liability was based on the City's contributions received by the pension plan relative to the total contributions received by the pension plan for all participating employers as of June 30, 2017. Based upon this information, the City's proportion was 0.4457556%.

For the year ended June 30, 2018, the City recognized pension expense of \$217,289. At June 30, 2018, the City reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual experience	1,722	207,293
Changes of assumptions		-
Net difference between projected and actual earnings on pension plan investments	255,383	
Changes in proportion	25,381	3,442
City contributions during measurement date	-	444
City contributions subsequent to the measurement date	182,018	-
Total	\$ 464,504	\$ 211,179

\$182,018 reported as deferred outflows of resources related to pensions resulting from City contributions subsequent to the measurement date will be recognized as a reduction of the net pension liability in the year

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ended June 30, 2019. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pensions will be recognized in pension expense as follows:

2019	(325)
2020	133,926
2021	64,672
2022	(102,814)
2023	(24,152)
Thereafter	-
	<u>\$ 71,307</u>

Actuarial Assumptions – The total pension liability was determined by an actuarial valuation as of July 1, 2017, using the following actuarial assumptions, applied to all prior periods included in the measurement:

Inflation:	3%
Salary increases:	4.5% to 17% average, including inflation
Investment rate of return:	7.5% net of pension plan investment expense
Cost of living adjustments:	Police officers eligible to receive increased benefits according to repealed Section 50-120 of Title 11 of the Oklahoma Statutes pursuant to a court order receive an adjustment of 1/3 to 1/2 of the increase or decrease of any adjustment to the base salary of a regular police officer, based on an increase in base salary
Mortality rates:	<p>Active employees (pre-retirement) RP-2000 Blue Collar Healthy Combined table with age set back 4 years with fully generational improvement using Scale AA</p> <p>Active employees (post-retirement) and nondisabled pensioners; RP-2000 Blue Collar Healthy Combined table with fully generational improvement using Scale AA</p> <p>Disabled pensioners: RP-2000 Blue Collar Healthy Combined table with age set forward 4 years with fully generational improvement using Scale AA</p>

The actuarial assumptions used in the July 1, 2017 valuation were based on the results of actuarial experience study for the period July 1, 2007 to June 30, 2012.

The long-term expected rate of return on pension plan investments was determined using a building block method in which best-estimate ranges of expected future real rates of return (expected returns, net of pension plan investment expense and inflation) are developed for each major asset class. These ranges are combined to produce the long-term expected rate of return by weighing the expected future real rates of return by the target asset allocation percentage and by adding expected inflation. Best estimates of arithmetic real rates of return for each major asset class included in the pension plan’s target asset allocation as of June 30, 2017, are summarized in the following table:

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Asset Class	Long-Term Expected Real Rate of Return
Fixed income	4.51%
Domestic equity	6.62%
International equity	9.70%
Real estate	6.96%
Private equity	9.86%
Commodities	5.18%

The current allocation policy is that approximately 60% of assets in equity instruments, including public equity, long-short hedge, venture capital, and private equity strategies; approximately 25% of assets in fixed income to include investment grade bonds, high yield and non-dollar denominated bonds, convertible bonds, and low volatility hedge fund strategies; and 15% of assets in real assets to include real estate, commodities, and other strategies.

Discount rate – The discount rate used to measure the total pension liability was 7.5%. The projection of cash flows used to determine the discount rate assumed that contributions from plan members will be made at the current contribution rate and that contributions from employers will be made at contractually required rates, determined by State Statutes. Projected cash flows also assume the State of Oklahoma will continue contributing 14% of the insurance premium, as established by statute. Based on these assumptions, the pension plan’s fiduciary net position was projected to be available to make all projected future benefit payments of current plan members. Therefore, the long-term expected rate of return on pension plan investments was applied to all periods of projected benefit payments to determine the total pension liability.

Sensitivity of the Net Pension Liability to Changes in the Discount Rate – The following presents the net pension liability of the employers calculated net pension liability using the discount rate of 7.5%, as well as what the Plan’s net pension liability would be if it were calculated using a discount rate that is 1-percentage point lower (6.5%) of 1-percentage point higher (8.5%) than the current rate:

	1% Decrease 6.5%	Current Discount Rate 7.5%	1% Increase 8.5%
Net Pension Liability (Asset)	\$ 1,158,826	\$ 34,288	\$ (915,555)

Pension plan fiduciary net position – Detailed information about the pension plan’s fiduciary net position is available in the separately issued financial report of the OPPRS, which can be located at www.ok.gov/OPPRS.

OkMRF Defined Benefit Plan:

Plan Description - 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

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Firefighter Pension Systems. The plan is administered by OkMRF. The OkMRF plan issues a separate financial report and can be obtained from OkMRF or from their website at www.okmrf.org/reports.html. Benefits are established or amended by the City Council in accordance with O.S. Title 11, Section 48-101-102.

Summary of Significant Accounting Policies – For purposes of measuring the net pension liability (asset), deferred outflows of resources and deferred inflows of resources related to pensions, and pension expense, information about the fiduciary net position of the City’s plan and additions to/deductions from the City’s fiduciary net position have been determined on the same basis as they are reported by OkMRF. For this purpose, benefit payments are recognized when due and payable in accordance with the benefit terms. Investments are reported at fair value based on published market prices. Detailed information about the OkMRF plans’ fiduciary net position is available in the separately issued OkMRF financial report.

Provision	OkMRF Plan
a. Eligible to Participate	Full time, non-uniformed employees of the City of Authority upon hire
b. Contribution to Requirements:	
- Authorization	By City ordinance
- Actuarially Determined	Yes
- Employer Rate	9.15% of covered payroll
- Employee Rate	4.0% of covered payroll
c. Period Required to Vest	10 or more years
d. Eligibility for Distribution	- Normal retirement at age 65 with 10 years of service - Early retirement at age 55 with 10 years of service - Disability retirement upon disability with 10 years of service - 50% death benefit with 10 years of service for married employees
e. Benefit Determination Base	Final average salary - the average of the five highest consecutive annual salaries out of the last 10 calendar years of service
f. Benefit Determination Methods:	
- Normal Retirement	Accrued benefit paid immediately
- Early Retirement	Accrued benefit starting at normal retirement age, or reduced 5% per year for commencement prior to normal retirement age
- Disability Retirement	Accrued benefit payable upon disablement without reduction for early payment
- Death Benefit	50% of employee's accrued benefit, but terminates upon spouse re-marriage
- Prior to 10 Years Service	Return of employee contributions with accrued interest
g. Form of Benefit Payments	Normal form is a 120 month certain and life thereafter basis

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Employees Covered by Benefit Terms

Active Employees	55
Deferred Vested Former Employees	3
Disabled Participants	6
Retirees or Retiree Beneficiaries	<u>40</u>
Total	<u>104</u>

Contribution Requirements – The City Council has the authority to set an amend contribution rates by ordinance for the OkMRF defined benefit plan in accordance with O.S. Title 11, Section 48-102. The contribution rates for the current fiscal year have been made in accordance with an actuarially determined rate. The actuarially determined rate is 9.15% of covered payroll as of July 1, 2017. For the year ended June 30, 2018, the City recognized \$194,980 of employer contributions to the plan, which is more than the actuarially determined amount based on current payroll of \$1,835,978.

Actuarial Assumptions

Date of Last Actuarial Valuation	July 1, 2017
a. Actuarial Cost Method	Entry age normal
b. Rate of Return on Investments and Discount Rate	7.50%
c. Projected Salary Increase	Varies based on age
d. Post Retirement Cost-Of-Living Increase	Benefits in payment status are adjusted each July 1st based on the percentage change in the CPI. The maximum increase or decrease in any year is 3%
e. Inflation Rate	3%
f. Mortality Table	UP 1994, with projected mortality improvement
g. Percent of Married Employees	100%
h. Spouse Age Difference	3 years (female spouses younger)
i. Turnover	Select and ultimate rates Ultimate rates are age-related as shown Additional rates per thousand are added during the first 5 years: Year 1: 225 Year 2: 140 Year 3: 100 Year 4: 70 Year 5: 40
j. Date of Last Experience Study	September 2012 for fiscal years 2007-2011

Discount Rate – The discount rate used to value benefits was the long-term expected rate of return on plan investments, 7.5% since the plan’s net fiduciary position is projected to be sufficient to make projected benefit payments.

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The City has adopted a funding method that is designed to fund all benefits payable to participants over the course of their working careers. Any differences between actual and expected experience are funded over a fixed period to ensure all funds necessary to pay benefits have been contributed to the trust before those benefits are payable. Thus, the sufficiency of pension plan assets was made without a separate projection of cash flows.

The long-term expected rate of return on pension plan investments was determined using a building-block method in which best-estimate ranges of expected future real rates of return (expected returns, net of pension plan investment expense and inflation) are developed for each major asset class. These ranges are combined to produce the long-term expected rate of return by weighing the expected future real rates of return by the target asset allocation percentage and by adding expected inflation (2.75%). Best estimates of arithmetic real rates of return for each major asset class included in the pension plan's target asset allocation as of July 1, 2017 are summarized in the following table:

	<u>Target Allocation</u>	<u>Real Return</u>	<u>Weighted Return</u>
Large cap stocks S&P 500	25%	5.80%	1.45%
Small/mid cap stocks Russell 2500	10%	6.40%	0.64%
Long/short equity MSCI ACWI	10%	5.00%	0.50%
International stocks MSCI EAFE	20%	6.20%	1.24%
Fixed income bonds Barclay's Capital Aggregate	30%	2.30%	0.69%
Real estate NCREIF	5%	4.60%	0.23%
Cash equivalents 3 month Treasury	0%	0.00%	0.00%
	100%		
		Average Real Return	4.75%
		Inflation	2.75%
		Long-term expected return	7.50%

Changes in Net Pension Liability (Asset) – The total pension liability was determined based on an actuarial valuation performed as of July 1, 2017 which is also the measurement date. There were no changes in assumptions or changes in benefit terms that affected measurement of the total pension liability. There were also no changes between the measurement date of July 1, 2017 and the City's report ending June 30, 2018, that would have had a significant impact on the net pension liability (asset). The following table reports the components of changes in net pension liability (asset):

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	Total Pension Liability (a)	Plan Net Position (b)	Net Pension Liability (Asset) (a) - (b)
Balances Beginning of Year	\$ 15,875,917	\$ 15,468,260	\$ 407,657
Changes for the Year:			
Service cost	361,557		361,557
Interest expense	1,192,984		1,192,984
Experience losses (gains) (amortized over avg remain svc period of actives & inactives)	(363,565)		(363,565)
Assumption changes	56,477		56,477
Contributions - Employer		256,647	(256,647)
Contributions - Employee		95,379	(95,379)
Net investment income		1,872,914	(1,872,914)
Benefits paid, including refunds of employee contributions	(983,514)	(983,514)	-
Benefit changes due to plan amendments	77,172		77,172
Plan administrative expenses		(32,943)	32,943
Net Changes	341,111	1,208,483	(867,372)
Balances End of Year	\$ 16,217,028	\$ 16,676,743	\$ (459,715)

Sensitivity of the Net Pension Liability (Asset) to Changes in the Discount Rate – The following presents the net pension liability (asset) of the City, calculated at the discount rate of 7.5%, as well as what the City’s net pension liability (asset) would be if it were calculated using a discount rate that is 1-percentage-point lower (6.5%) or 1-percentage-point higher (8.5%) than the current rate:

	1% Decrease 6.5%	Current Discount Rate 7.5%	1% Increase 8.5%
Net Pension Liability (Asset)	\$ 1,331,041	\$ (459,715)	\$ (1,970,422)

The City reported \$139,639 in pension expense for the year ended June 30, 2018. At June 30, 2018, the City reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual experience	\$ -	\$ 355,315
Changes of assumptions	41,254	-
Net difference between projected and actual earnings on pension plan investments	51,349	-
Changes in proportion City contributions during measurement date	421 1,337	421 1,353
City contributions subsequent to the measurement date	194,981	-
Total	\$ 289,342	\$ 357,089

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Amortization of Pension Deferrals – Amounts reported as deferred outflows of resources (excluding deferred outflows of resources related to contributions made subsequent to the measurement date) and deferred inflows of resources will be recognized in pension expense as follows:

2019	(218,665)
2020	90,541
2021	5,274
2022	(139,878)
2023	-
Thereafter	-
	<u>\$ (262,728)</u>

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.

OkMRF Defined Contribution City Manager Plan:

Effective May 1, 2018, 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 2017-2018 were \$18,212.

13. Other Post-Employment Benefits

Plan description – The City’s defined benefit OPEB plan provides OPEB to eligible retirees and their dependents. The plan is a single employer defined benefit OPEB plan administered by the City. The City’s Council has the authority to establish and amend benefit provisions. No assets are accumulated in a trust that meets the criteria in paragraph 4 of Statement 75.

Benefits provided – The Plan covers all current retirees of the City and provides for employee and dependent coverage from the date of retirement. Coverage stops at the earlier of age 65 and a number of months equal to one month for each year of service up to 24 months, provided the participant was covered by the Plan before retiring. The City provides postretirement medical benefits through the Plan for the retiree and their dependents who elect to make the required contribution. Participants can elect to medical, prescription drug, life, dental, vision, disability, and long-term care insurance.

Employees covered by benefit terms –

Active Employees	116
Inactives or beneficiaries currently receiving benefit payments	<u>4</u>
Total	<u>120</u>

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Total OPEB Liability – The City’s total OPEB liability of \$827,483 was determined based on an alternative measurement method valuation performed as of June 30, 2018.

Actuarial Assumptions - The total OPEB liability was determined based on an actuarial valuation prepared as of June 30, 2018 using the following actuarial assumptions:

- Actuarial Cost Method - Entry Age Normal Level Percentage of Salary
- Discount Rate – 3.58% based on June 30, 2017 published Bond Buyer 20-Bond General Obligation Index Rate
- Retirement Age – Civilian – 55 with 10 years of service, Police and Fire – 20 years of service
- Healthcare cost trend rates - graded from 6.09% in 2017 to 4.87% in 2060
- Mortality Rates – RP2000 fully projected with scale AA

Changes in Total OPEB Liability –The following table reports the components of changes in total OPEB liability:

	<u>Total OPEB Liability</u>
Balance at Beginning of Year	\$ 811,234
Changes for the Year:	
Service cost	75,623
Interest expense	21,325
Change in benefit terms	-
Difference between expected and actual experience	-
Change in assumptions	(39,003)
Expected net benefit payments	(41,696)
Net Changes	16,249
Balances End of Year	\$ 827,483

OPEB Liabilities, OPEB Expense, Deferred Outflows of Resources, and Deferred Inflows of Resources Related to OPEB – For the year ended June 30, 2018, the City recognized OPEB expense of \$92,551. At June 30, 2018, the City reported deferred outflows of resources and deferred inflows of resources related to OPEB from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual experience	\$ -	\$ -
Changes of assumptions	-	34,606
Net difference between projected and actual earnings on OPEB plan investments	-	-
Changes in proportion	-	-
City contributions during measurement date	-	-
City contributions subsequent to the measurement date	-	-
Total	\$ -	\$ 34,606

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Amounts reported as deferred outflows of resources related to OPEB will be recognized in OPEB expense as follows:

2019	(4,397)
2020	(4,397)
2021	(4,397)
2022	(4,397)
2023	(4,397)
Thereafter	<u>(12,621)</u>
	<u>\$ (34,606)</u>

Sensitivity of the Total OPEB Liability to Changes in the Discount Rate - The following presents the total OPEB liability of the employer calculated using the discount rate of 3.58%, as well as what the Plan's total OPEB liability would be if it were calculated using a discount rate that is 1-percentage point lower (2.58%) or 1-percentage-point higher (4.58%) than the current rate:

	1% Decrease 2.58%	Current Discount Rate 3.58%	1% Increase 4.58%
Total OPEB Liability	\$ 964,560	\$ 827,483	\$ 716,696

Sensitivity of the Total OPEB Liability to Changes in the Healthcare Cost Trend Rate - The following presents the total OPEB liability of the employer calculated using the healthcare cost trend rate of 6.09% decreasing to 4.87%, as well as what the Plan's total OPEB liability would be if it were calculated using a healthcare cost trend rate that is 1-percentage point lower (5.09% decreasing to 3.87%) or 1-percentage-point higher (7.09% decreasing to 5.87%) than the current rate:

	1% Decrease 5.09% Grading to 3.87%	Healthcare Cost Trend Rates 6.09% Grading to 4.87%	1% Decrease 7.09% Grading to 5.87%
Total OPEB Liability	\$ 720,971	\$ 827,483	\$ 955,877

14. Commitments and Contingencies

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.

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Federal and State Award Programs:

The City of Chickasha participates in various federal or state grant/loan programs from year to year. In 2018, the City's involvement in federal and state award programs was not 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.

15. Note Receivable

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. During FY 2017-2018 Wesnidge defaulted on this note and the original note was modified in November of 2018. A new promissory note was executed at this time. The new promissory note is in the amount of \$161,650 at a six percent (6%) rate. Wesnidge will make a monthly payment of \$808 beginning in November of 2018 through November of 2019, then seventy-two equal monthly installments of \$2,679 through October of 2025.

16. Judgment Receivable

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 2017-2018, Word defaulted on the note and the City did not receive any payments from Word. In February of 2018 the City was awarded a judgment against Word for principal, accrued interest, late payment fees, court costs and attorney's fees totaling \$304,764. Additional accrued interest calculated through June 30, 2018 was \$6,615, resulting in a total receivable at June 30, 2018 in the amount of \$311,379. Of this amount, \$253,130 is recorded as judgment receivable and deferred revenue at the governmental fund level as of June 30, 2018. Interest and fees receivable are recorded at June 30, 2018 in the amounts of \$47,768 and \$10,481, respectively.

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REQUIRED SUPPLEMENTARY INFORMATION

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Budgetary Comparison Schedule (Budgetary Basis) – General Fund – Year Ended June 30, 2018

	General Fund			
	<u>Budgeted Amounts</u>		<u>Actual Amounts, Budgetary Basis</u>	<u>Variance with Final Budget - Positive (Negative)</u>
	<u>Original</u>	<u>Final</u>		
Beginning Budgetary Fund Balance	\$ 703,420	\$ 703,420	\$ 1,747,480	\$ 1,044,060
Resources (Inflows):				
Taxes	12,119,700	12,119,700	13,609,056	1,489,356
Intergovernmental	23,800	23,800	189,008	165,208
Charges for services	327,900	327,900	417,940	90,040
Licenses and Permits	155,600	155,600	267,394	111,794
Investment Income	10,700	10,700	9,496	(1,204)
Miscellaneous	40,000	40,000	126,727	86,727
Other Financing Sources - Transfers In	2,076,400	2,076,400	1,983,182	(93,218)
Total Resources	<u>14,754,100</u>	<u>14,754,100</u>	<u>16,602,803</u>	<u>1,848,703</u>
Amount available for appropriation	<u>15,457,520</u>	<u>15,457,520</u>	<u>18,350,283</u>	<u>2,892,763</u>
Charges to Appropriations (Outflows):				
Departmental:				
General government	1,129,400	1,706,070	1,581,971	124,099
Public Safety	6,053,100	6,170,540	5,812,200	358,340
Highways and streets	785,600	673,593	603,912	69,681
Culture and recreation	1,224,700	1,294,700	1,215,426	79,274
Cemetery	-	141,050	123,265	17,785
Community development	287,700	173,600	129,306	44,294
Other Financing Uses - Transfers Out	5,538,100	6,298,100	6,239,012	59,088
Total Charges to Appropriations	<u>15,018,600</u>	<u>16,457,653</u>	<u>15,705,092</u>	<u>752,561</u>
Ending Budgetary Fund Balance	<u>\$ 438,920</u>	<u>\$ (1,000,133)</u>	\$ 2,645,191	<u>\$ 3,645,324</u>
Reconciliation to Statement of Revenues, Expenditures, and Change in Fund Balance:				
Fire/EMS Training Account Balance			1,320	
Police Training Account Balance			45,261	
Police Bond Account Balance			291,049	
Total General Fund - Fund Balance			<u>\$ 2,982,821</u>	

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Budgetary Comparison Schedule (Budgetary Basis) – EMS Fund – Year Ended June 30, 2018

	EMS Fund			
	Budgeted Amounts		Actual Amounts, Budgetary Basis	Variance with Final Budget - Positive (Negative)
	Original	Final		
Beginning Budgetary Fund Balance	\$ 205,715	\$ 205,715	\$ 901,069	\$ 695,354
Resources (Inflows)				
Charges for services	1,476,000	1,476,000	1,162,186	(313,814)
Investment Income	100	100	67	(33)
Miscellaneous	401,300	401,300	428,158	26,858
Total Resources	<u>1,877,400</u>	<u>1,877,400</u>	<u>1,590,411</u>	<u>(286,989)</u>
Amounts Available for Appropriation	<u>2,083,115</u>	<u>2,083,115</u>	<u>2,491,480</u>	<u>408,365</u>
Charges to Appropriations (Outflows)				
Public Safety	1,887,800	1,887,800	1,858,669	29,131
Other Financing Uses - Transfers Out	5,600	5,600	5,600	-
Total Charges to Appropriations	<u>1,893,400</u>	<u>1,893,400</u>	<u>1,864,269</u>	<u>29,131</u>
Fund balances - ending	<u>\$ 189,715</u>	<u>\$ 189,715</u>	<u>\$ 627,211</u>	<u>\$ 437,496</u>

Budgetary Comparison Schedule (Budgetary Basis) – ED Dedicated Sales Tax Fund – Year Ended June 30, 2018

	ED-Dedicated Sales Tax Fund			
	Budgeted Amounts		Actual Amounts, Budgetary Basis	Variance with Final Budget - Positive (Negative)
	Original	Final		
Beginning Budgetary Fund Balance	\$ 1,853,303	\$ 1,853,303	\$ 2,851,239	\$ 997,936
Resources (Inflows)				
Investment Income	3,897	3,897	75,044	71,147
Miscellaneous	-	-	10,481	10,481
Total Resources	<u>3,897</u>	<u>3,897</u>	<u>85,525</u>	<u>81,628</u>
Amounts Available for Appropriation	<u>1,857,200</u>	<u>1,857,200</u>	<u>2,936,764</u>	<u>1,079,564</u>
Charges to Appropriations (Outflows)				
Economic Development	1,857,200	1,857,200	73,035	1,784,165
Total Charges to Appropriations	<u>1,857,200</u>	<u>1,857,200</u>	<u>73,035</u>	<u>1,784,165</u>
Fund balances - ending	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 2,863,729</u>	<u>\$ 2,863,729</u>

Footnotes to Budgetary Comparison Schedules:

1. The budgetary comparison schedules are prepared on the modified accrual basis of accounting with the exception of payroll accruals and certain expenditures related to on-behalf payments for police and fire and sales tax revenue transfers. For budgetary purposes, expenditures are recorded in the period the invoice is received, except for payroll expenditures that are recorded when paid.
2. The legal level of appropriation control is the department level within a fund. Transfers of appropriations within 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, 2018**

Schedules of Required Supplementary Information
**SCHEDULE OF THE CITY'S PROPORTIONATE SHARE OF THE NET PENSION LIABILITY
 OKLAHOMA FIREFIGHTERS PENSION & RETIREMENT SYSTEM
 Last 10 Fiscal Years***

	<u>2018</u>
City's proportion of the net pension liability	0.7764375%
City's proportionate share of the net pension liability	\$ 9,765,433
City's covered payroll	\$ 2,183,725
City's proportionate share of the net pension liability as a percentage of its covered-employee payroll	447%
Plan fiduciary net position as a percentage of the total pension liability	66.61%

*The amounts presented for the fiscal year was determined as of 6/30

Notes to Schedule:

Only one fiscal year is presented due to the City's recent change to a GAAP Financial reporting framework, and 10 year data is not yet available.

**SCHEDULE OF CITY CONTRIBUTIONS
 OKLAHOMA FIREFIGHTERS PENSION & RETIREMENT SYSTEM
 Last 10 Fiscal Years**

	<u>2018</u>
Statutorially required contribution	\$ 316,319
Contributions in relation to the statutorially required contribution	<u>316,319</u>
Contribution deficiency (excess)	<u>\$ -</u>
City's covered payroll	\$ 2,257,115
Contributions as a percentage of covered-employee payroll	14.00%

Notes to Schedule:

Only one fiscal year is presented due to the City's recent change to a GAAP Financial reporting framework, and 10 year data is not yet available.

**CITY OF CHICKASHA, OKLAHOMA
ANNUAL FINANCIAL REPORT
As of and for the Year Ended June 30, 2018**

Schedules of Required Supplementary Information
**SCHEDULE OF THE CITY'S PROPORTIONATE SHARE OF THE NET PENSION LIABILITY
 OKLAHOMA POLICE PENSION & RETIREMENT SYSTEM
 Last 10 Fiscal Years***

	2018
City's proportion of the net pension liability	0.4457556%
City's proportionate share of the net pension liability	\$ 34,288
City's covered payroll	\$ 1,383,980
City's proportionate share of the net pension liability as a percentage of its covered-employee payroll	2%
Plan fiduciary net position as a percentage of the total pension liability	99.68%

*The amounts presented for this fiscal year was determined as of 6/30

Notes to Schedule:

Only one fiscal year is presented due to the City's recent change to a GAAP Financial reporting framework, and 10 year data is not yet available.

**SCHEDULE OF CITY CONTRIBUTIONS
 OKLAHOMA POLICE PENSION & RETIREMENT SYSTEM
 Last 10 Fiscal Years**

	2018
Statutorily required contribution	\$ 182,018
Contributions in relation to the statutorily required contribution	182,018
Contribution deficiency (excess)	\$ -
City's covered payroll	\$ 1,403,775
Contributions as a percentage of covered-employee payroll	13.00%

Notes to Schedule:

Only one fiscal year is presented due to the City's recent change to a GAAP Financial reporting framework, and 10 year data is not yet available.

CITY OF CHICKASHA, OKLAHOMA
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Required Supplementary Information
Oklahoma Municipal Retirement Fund

Schedule of Changes in Net Pension Liability (Asset) and Related Ratios	Last Fiscal Year
	2018
Total pension liability	
Service cost	\$ 361,557
Interest	1,192,984
Changes of benefit terms	-
Differences between expected and actual experience	(363,565)
Changes of assumptions	56,477
Benefit payments, including refunds of member contributions	(983,514)
Benefit changes due to plan amendments	77,172
Net change in total pension liability	341,111
Total pension liability - beginning	15,875,917
Total pension liability - ending (a)	\$ 16,217,028
Plan fiduciary net position	
Contributions - employer	\$ 256,647
Contributions - member	95,379
Net investment income	1,872,914
Benefit payments, including refunds of member contributions	(983,514)
Administrative expense	(32,943)
Net change in plan fiduciary net position	1,208,483
Plan fiduciary net position - beginning	15,468,260
Plan fiduciary net position - ending (b)	\$ 16,676,743
Net pension liability (asset) - ending (a) - (b)	\$ (459,715)
Plan fiduciary net position as a percentage of the total pension liability	102.83%
Covered employee payroll	\$ 2,384,994
Net pension liability (asset) as a percentage of covered-employee payroll	19.28%

Notes to Schedule:

Only one fiscal year is presented due to the City's recent change to a GAAP Financial reporting framework, and 10 year data is not yet available.

**CITY OF CHICKASHA, OKLAHOMA
ANNUAL FINANCIAL REPORT
As of and for the Year Ended June 30, 2018**

**Required Supplementary Information
Oklahoma Municipal Retirement Fund**

Schedule of Employer Contributions	Last Fiscal Year
	2018
Actuarially determined contribution	\$ 194,981
Contributions in relation to the actuarially determined contribution	194,981
Contribution deficiency (excess)	\$ -
Covered employee payroll	\$ 1,835,978
Contributions as a percentage of covered-employee payroll	10.6%

Notes to Schedule:

1. Only one fiscal year is presented due to the City's recent change to a GAAP Financial reporting framework, and 10 year data is not yet available.
2. Latest Valuation Date: July 1, 2017
3. Actuarially determined contribution rate is calculated as of July 1, 2017.
FY 17-18 contributions were at a rate of 10.6%
4. Methods and assumptions used to determine contribution rates:
 - Actuarial cost method - Entry age normal
 - Amortization method - Level percent of payroll, closed
 - Remaining amortization period - 26 years
 - Asset valuation method - Actuarial:
 - Smoothing period - 4 years
 - Recognition method - Non-asymptotic
 - Corridor - 70% - 130%
 - Salary increases - varies based on age

Schedules of Required Supplementary Information

SCHEDULE OF CHANGES IN TOTAL OPEB LIABILITY AND RELATED RATIO
POSTEMPLOYMENT HEALTH INSURANCE IMPLICIT RATE SUBSIDY PLAN
Last 10 Fiscal Years*

	2018
Total OPEB Liability	
Service Cost	\$ 75,623
Interest	21,325
Changes in assumptions	(39,003)
Benefit Payments	(41,696)
Net change in total OPEB liability	\$ 16,249
Balances- Beginning of Year	811,234
Balances- End of Year	\$ 827,483
Covered employee payroll	\$ 5,150,000
Total OPEB liability as a percentage of covered employee payroll	16.07%

Notes to Schedule:

Only the current fiscal year is presented because 10-year data is not yet available.

**CITY OF CHICKASHA, OKLAHOMA
ANNUAL FINANCIAL REPORT
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OTHER SUPPLEMENTARY INFORMATION

**CITY OF CHICKASHA, OKLAHOMA
ANNUAL FINANCIAL REPORT
As of and for the Year Ended June 30, 2018**

Non-Major Governmental Funds Combining Balance Sheet – June 30, 2018

	<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	\$ 77,882	\$ 52,011	\$ 333,097	\$ 223,214	\$ 268,928	\$ 297,968	\$ 1,253,100
Investments	-	-	-	-	-	300,000	300,000
Interest receivable	-	-	-	-	-	3,076	3,076
Due from other funds	-	42,707	123,191	-	-	-	165,898
Due from other governments	-	-	-	-	13,564	-	13,564
Taxes receivable, net	-	-	-	13,473	-	-	13,473
Note receivable	-	-	150,000	-	-	-	150,000
Total assets	<u>\$ 77,882</u>	<u>\$ 94,718</u>	<u>\$ 606,288</u>	<u>\$ 236,687</u>	<u>\$ 282,492</u>	<u>\$ 601,044</u>	<u>\$ 1,899,111</u>
LIABILITIES, DEFERRED INFLOWS AND FUND BALANCES							
Liabilities:							
Accounts payable	\$ -	\$ 94,718	\$ -	\$ -	\$ -	\$ -	\$ 94,718
Due to other funds	1,151	-	-	-	-	-	1,151
Total liabilities	<u>1,151</u>	<u>94,718</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>95,869</u>
Deferred inflows of resources:							
Deferred revenue	-	-	150,000	-	-	-	150,000
Fund balances:							
Restricted	60,768	-	332,075	228,681	134,530	20,686	776,740
Assigned	15,963	-	124,213	8,006	147,962	580,358	876,502
Total fund balances	<u>76,731</u>	<u>-</u>	<u>456,288</u>	<u>236,687</u>	<u>282,492</u>	<u>601,044</u>	<u>1,653,242</u>
Total liabilities, deferred inflows and fund balances	<u>\$ 77,882</u>	<u>\$ 94,718</u>	<u>\$ 456,288</u>	<u>\$ 236,687</u>	<u>\$ 282,492</u>	<u>\$ 601,044</u>	<u>\$ 1,749,111</u>

CITY OF CHICKASHA, OKLAHOMA
ANNUAL FINANCIAL REPORT
As of and for the Year Ended June 30, 2018

Non-Major Governmental Funds Combining Statement of Revenues, Expenditures and Changes in Fund Balances – Year Ended June 30, 2018

	<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>E-911</u>	<u>Street and Alley</u>	<u>Cemetery Care</u>	
REVENUES							
Taxes	\$ -	\$ -	\$ -	\$ 154,909	\$ -	\$ -	\$ 154,909
Intergovernmental	-	-	-	-	144,655	-	144,655
Charges for services	-	-	-	-	-	24,338	24,338
Investment earnings	172	-	472	767	573	3,273	5,257
Miscellaneous	40,225	-	87,770	-	-	-	127,995
Total revenues	<u>40,397</u>	<u>-</u>	<u>88,242</u>	<u>155,676</u>	<u>145,228</u>	<u>27,611</u>	<u>457,154</u>
EXPENDITURES							
Current:							
General government	350	-	-	-	-	-	350
Public safety	16,801	-	-	69,672	-	-	86,473
Culture and recreation	223	-	-	-	-	-	223
Economic development	-	-	432,194	-	-	-	432,194
Capital Outlay	-	-	-	-	10,125	3,652	13,777
Debt Service:							
Principal	-	-	-	116,644	-	-	116,644
Interest and other charges	-	-	-	7,009	-	-	7,009
Total Expenditures	<u>17,374</u>	<u>-</u>	<u>432,194</u>	<u>193,325</u>	<u>10,125</u>	<u>3,652</u>	<u>656,670</u>
Excess (deficiency) of revenues over expenditures	<u>23,023</u>	<u>-</u>	<u>(343,952)</u>	<u>(37,649)</u>	<u>135,103</u>	<u>23,959</u>	<u>(199,516)</u>
OTHER FINANCING SOURCES (USES)							
Transfers in	-	-	676,499	-	-	-	676,499
Total other financing sources and uses	<u>-</u>	<u>-</u>	<u>676,499</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>676,499</u>
Net change in fund balances	23,023	-	332,547	(37,649)	135,103	23,959	476,983
Fund balances - beginning, restated	53,708	-	123,741	274,336	147,389	577,085	1,176,259
Fund balances - ending	<u>\$ 76,731</u>	<u>\$ -</u>	<u>\$ 456,288</u>	<u>\$ 236,687</u>	<u>\$ 282,492</u>	<u>\$ 601,044</u>	<u>\$ 1,653,242</u>

CITY OF CHICKASHA, OKLAHOMA
ANNUAL FINANCIAL REPORT
As of and for the Year Ended June 30, 2018

Combining Balance Sheet Schedule – General Fund Accounts – June 30, 2018

	General Fund Account	Fire/EMS Training Account	Police Training Account	Police Bond Account	Total General Fund Accounts
ASSETS					
Cash and cash equivalents	\$ 2,428,433	\$ 1,320	\$ 45,059	\$ 264,539	\$ 2,739,351
Investments	301,050	-	-	-	301,050
Interest receivable	981	-	-	-	981
Due from other funds	475,343	-	-	-	475,343
Interfund receivables	-	-	202	354	556
Due from other governments	1,780,779	-	-	-	1,780,779
Taxes receivable, net	109,887	-	-	-	109,887
Court fines receivable, net	-	-	-	42,937	42,937
Prepaid expenses	4,465	-	-	-	4,465
Total assets	<u>\$ 5,100,938</u>	<u>\$ 1,320</u>	<u>\$ 45,261</u>	<u>\$ 307,830</u>	<u>\$ 5,455,349</u>
LIABILITIES, DEFERRED INFLOWS AND FUND BALANCES					
Liabilities:					
Accounts payable	\$ 56,391	\$ -	\$ -	\$ -	\$ 56,391
Accrued payroll payable	260,246	-	-	-	260,246
Due to other funds	2,126,984	-	-	-	2,126,984
Interfund payables	556	-	-	-	556
Due to other governments	11,570	-	-	3,071	14,641
Due to bondholders	-	-	-	1,974	1,974
Total liabilities	<u>2,455,747</u>	<u>-</u>	<u>-</u>	<u>5,045</u>	<u>2,460,792</u>
Deferred inflows of resources:					
Deferred revenue	-	-	-	11,736	11,736
Fund balances:					
Restricted	2,156	-	-	-	2,156
Assigned	1,282,169	1,320	45,261	291,049	1,619,799
Unassigned	1,360,866	-	-	-	1,360,866
Total fund balances	<u>2,645,191</u>	<u>1,320</u>	<u>45,261</u>	<u>291,049</u>	<u>2,982,821</u>
Total liabilities, deferred inflows and fund balances	<u>\$ 5,100,938</u>	<u>\$ 1,320</u>	<u>\$ 45,261</u>	<u>\$ 307,830</u>	<u>\$ 5,455,349</u>

CITY OF CHICKASHA, OKLAHOMA
ANNUAL FINANCIAL REPORT
As of and for the Year Ended June 30, 2018

Combining Schedule of Revenues, Expenses, and Changes in Fund Balance - General Fund Accounts
- Year Ended June 30, 2018

	General Fund Account	Fire/EMS Training Account	Police Training Account	Police Bond Account	Total General Fund Accounts
REVENUES					
Taxes	\$ 13,609,056	\$ -	\$ -	\$ -	\$ 13,609,056
Intergovernmental	1,076,886	-	-	-	1,076,886
Charges for services	417,940	-	-	-	417,940
Fines and forfeitures	-	-	-	209,323	209,323
Licenses and permits	267,394	-	-	-	267,394
Investment earnings	9,496	-	24	131	9,651
Miscellaneous	126,727	-	-	-	126,727
Total revenues	<u>15,507,499</u>	<u>-</u>	<u>24</u>	<u>209,454</u>	<u>15,716,977</u>
EXPENDITURES					
Current:					
General government	1,581,971	-	-	-	1,581,971
Public Safety	6,559,318	-	5,697	31,843	6,596,858
Highways and streets	515,993	-	-	-	515,993
Culture and recreation	1,173,735	-	-	-	1,173,735
Cemetery	123,265	-	-	-	123,265
Community development	127,494	-	-	-	127,494
Capital Outlay	126,190	-	-	-	126,190
Debt Service:					
Principal	139,247	-	-	-	139,247
Interest and other charges	6,745	-	-	-	6,745
Total Expenditures	<u>10,353,958</u>	<u>-</u>	<u>5,697</u>	<u>31,843</u>	<u>10,391,498</u>
Excess (deficiency) of revenues over expenditures	<u>5,153,541</u>	<u>-</u>	<u>(5,673)</u>	<u>177,611</u>	<u>5,325,479</u>
OTHER FINANCING SOURCES (USES)					
Interaccount transfers in	137,182	34	7,951	-	145,167
Interaccount transfers out	-	-	-	(145,167)	(145,167)
Transfers in	1,846,000	-	-	-	1,846,000
Transfers out	(6,239,012)	-	-	-	(6,239,012)
Total other financing sources and uses	<u>(4,255,830)</u>	<u>34</u>	<u>7,951</u>	<u>(145,167)</u>	<u>(4,393,012)</u>
Net change in fund balances	897,711	34	2,278	32,444	932,467
Fund balances - beginning, restated	1,747,480	1,286	42,983	258,605	2,050,354
Fund balances - ending	<u>\$ 2,645,191</u>	<u>\$ 1,320</u>	<u>\$ 45,261</u>	<u>\$ 291,049</u>	<u>\$ 2,982,821</u>

CITY OF CHICKASHA, OKLAHOMA
ANNUAL FINANCIAL REPORT
As of and for the Year Ended June 30, 2018

Combining Schedule of Net Position – Chickasha Municipal Authority Enterprise Fund Accounts - June 30, 2018

	Chickasha Municipal Authority Account	Water Meter Deposit Account	Water Resource Account	Total CMA Accounts
ASSETS				
Current assets:				
Cash and cash equivalents	\$ 2,437,288	\$ 76,272	\$ 214,034	\$ 2,727,594
Investments	6,450,089	-	300,000	6,750,089
Restricted cash and cash equivalents	593,831	229,380	-	823,211
Restricted investments	-	100,000	-	100,000
Interaccount receivables	75,227	50	5,829	81,106
Due from other funds	1,443,174	50	-	1,443,224
Accounts receivable, net	1,051,490	-	11,199	1,062,689
Interest receivable	61,933	326	977	63,236
Other receivables	4,957	-	-	4,957
Prepaid expenses	54,239	-	-	54,239
Total current assets	<u>12,172,228</u>	<u>406,078</u>	<u>532,039</u>	<u>13,110,345</u>
Net pension asset	126,757	-	-	126,757
Capital Assets:				
Land and construction in progress	4,153,268	-	-	4,153,268
Other capital assets, net of accumulated depreciation	39,163,297	-	-	39,163,297
Total non-current assets	<u>43,443,322</u>	<u>-</u>	<u>-</u>	<u>43,443,322</u>
Total assets	<u>55,615,550</u>	<u>406,078</u>	<u>532,039</u>	<u>56,553,667</u>
DEFERRED OUTFLOWS OF RESOURCES				
Deferred amount related to pensions	79,747	-	-	79,747
Total deferred outflows	<u>79,747</u>	<u>-</u>	<u>-</u>	<u>79,747</u>
LIABILITIES				
Current liabilities:				
Accounts payable	244,405	11	-	244,416
Accrued payroll payable	21,856	-	-	21,856
Interest payable	49,247	-	-	49,247
Interaccount payables	5,878	75,228	-	81,106
Due to other funds	578,148	-	1	578,149
Deposits subject to refund	-	32,938	-	32,938
Compensated absences	3,633	-	-	3,633
Capital lease obligation	38,786	-	-	38,786
Note payable	1,010,000	-	-	1,010,000
Total current liabilities	<u>1,951,953</u>	<u>108,177</u>	<u>1</u>	<u>2,060,131</u>
Non-current liabilities:				
Deposits subject to refund	-	296,442	-	296,442
Compensated absences	32,691	-	-	32,691
Capital lease obligation	38,536	-	-	38,536
Total OPEB liability	125,165	-	-	125,165
Note payable	5,450,000	-	-	5,450,000
Total non-current liabilities	<u>5,646,392</u>	<u>296,442</u>	<u>-</u>	<u>5,942,834</u>
Total liabilities	<u>7,598,345</u>	<u>404,619</u>	<u>1</u>	<u>8,002,965</u>
DEFERRED INFLOWS OF RESOURCES				
Deferred amount related to pensions	97,970	-	-	97,970
Deferred amount related to OPEB	5,235	-	-	5,235
Total deferred inflows	<u>103,205</u>	<u>-</u>	<u>-</u>	<u>103,205</u>
NET POSITION				
Net investment in capital assets	36,779,243	-	-	36,779,243
Restricted for debt service	383,153	-	-	383,153
Restricted for capital projects	208,911	-	-	208,911
Restricted for other purposes	1,767	1,459	532,038	535,264
Unrestricted	10,620,673	-	-	10,620,673
Total net position	<u>\$ 47,993,747</u>	<u>\$ 1,459</u>	<u>\$ 532,038</u>	<u>\$ 48,527,244</u>

CITY OF CHICKASHA, OKLAHOMA
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Combining Schedule of Revenues, Expenses, and Changes in Net Position – Chickasha Municipal Authority Enterprise Fund Accounts - Year Ended June 30, 2018

	Chickasha Municipal Authority Account	Water Meter Deposit Account	Water Resource Account	Total CMA Accounts
Operating Revenues:				
Water revenue	\$ 2,268,560	\$ -	\$ 67,860	\$ 2,336,420
Sewer revenue	1,666,896	-	-	1,666,896
Sanitation revenue	1,737,242	-	-	1,737,242
Penalties and fees	138,735	-	-	138,735
User resource fees	23,574	-	-	23,574
Lake revenue	67,470	-	-	67,470
Miscellaneous	31,337	-	-	31,337
Total operating revenues	<u>5,933,814</u>	<u>-</u>	<u>67,860</u>	<u>6,001,674</u>
OPERATING EXPENSES				
Administration	640,532	-	36	640,568
Water	2,092,082	-	-	2,092,082
Sewer	819,166	-	-	819,166
Sanitation	1,769,736	-	-	1,769,736
Lake	123,627	-	-	123,627
Building maintenance	346,570	-	-	346,570
Depreciation	1,654,217	-	-	1,654,217
Total Operating Expenses	<u>7,445,930</u>	<u>-</u>	<u>36</u>	<u>7,445,966</u>
Operating income (loss)	<u>(1,512,116)</u>	<u>-</u>	<u>67,824</u>	<u>(1,444,292)</u>
NON-OPERATING REVENUES (EXPENSES)				
Interest and investment revenue	81,942	988	3,302	86,232
Interest expense	(158,621)	-	-	(158,621)
Miscellaneous revenue	124,497	-	-	124,497
Gain (loss) on capital asset disposal	(10,835)	-	-	(10,835)
Total non-operating revenue (expenses)	<u>36,983</u>	<u>988</u>	<u>3,302</u>	<u>41,273</u>
Income (loss) before transfers	<u>(1,475,133)</u>	<u>988</u>	<u>71,126</u>	<u>(1,403,019)</u>
Transfers in	4,131,668	-	-	4,131,668
Transfers out	(1,974,600)	-	-	(1,974,600)
Change in net position	681,935	988	71,126	754,049
Total net position - beginning, restated	47,311,812	471	460,912	47,773,195
Total net position - ending	<u>\$ 47,993,747</u>	<u>\$ 1,459</u>	<u>\$ 532,038</u>	<u>\$ 48,527,244</u>

CITY OF CHICKASHA, OKLAHOMA
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As of and for the Year Ended June 30, 2018

**Combining Schedule of Cash Flows – Chickasha Municipal Authority Enterprise Fund Accounts -
Year Ended June 30, 2018**

	Chickasha Municipal Authority Account	Water Meter Deposit Account	Water Resource Account	Total CMA Accounts
CASH FLOWS FROM OPERATING ACTIVITIES				
Receipts from customers	\$ 5,943,262	\$ -	\$ 67,860	\$ 6,011,122
Payments to suppliers	(4,832,614)	-	352	(4,832,262)
Payments to employees	(911,124)	11	-	(911,113)
Interfund receipts (payments)	(581,161)	72,501	(4,746)	(513,406)
Receipts of customer meter deposits	-	90,661	-	90,661
Refunds of customer meter deposits	-	(88,479)	-	(88,479)
Other receipts	124,497	-	-	124,497
Net cash provided by (used in) operating activities	(257,140)	74,694	63,466	(118,980)
CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES				
Transfers from other funds	4,131,668	-	-	4,131,668
Transfers to other funds	(1,974,600)	-	-	(1,974,600)
Net cash provided by noncapital financing activities	2,157,068	-	-	2,157,068
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES				
Purchases of capital assets	(2,414,195)	-	-	(2,414,195)
Principal paid on debt	(1,037,554)	-	-	(1,037,554)
Interest and fiscal agent fees paid on debt	(166,507)	-	-	(166,507)
Net cash provided by (used in) capital and related financing activities	(3,618,256)	-	-	(3,618,256)
CASH FLOWS FROM INVESTING ACTIVITIES				
Sale of investments	38	-	-	38
Interest income	45,462	814	3,049	49,325
Net cash provided by investing activities	45,500	814	3,049	49,363
Net increase (decrease) in cash and cash equivalents	(1,672,828)	75,508	66,515	(1,530,805)
Balances - beginning of year	4,703,947	230,144	147,519	5,081,610
Balances - end of year	\$ 3,031,119	\$ 305,652	\$ 214,034	\$ 3,550,805
Reconciliation to Statement of Net Position:				
Cash and cash equivalents	\$ 2,437,288	\$ 76,272	\$ 214,034	\$ 2,727,594
Restricted cash and cash equivalents - current	593,831	229,380	-	823,211
Total cash and cash equivalents, end of year	\$ 3,031,119	\$ 305,652	\$ 214,034	\$ 3,550,805
Reconciliation of operating income (loss) to net cash provided by (used in) operating activities:				
Operating income (loss)	\$ (1,512,116)	\$ -	\$ 67,824	\$ (1,444,292)
Adjustments to reconcile operating income to net cash provided by (used in) operating activities:				
Depreciation expense	1,654,217	-	-	1,654,217
Miscellaneous revenue	124,497	-	-	124,497
Change in assets and liabilities:				
Accounts receivable	9,448	-	-	9,448
Other receivable	(3,595)	-	388	(3,207)
Due from other funds	(1,163,444)	(89)	(4,736)	(1,168,269)
Prepaid expense	(30,639)	-	-	(30,639)
Net pension asset	(126,757)	-	-	(126,757)
Due to other funds	582,283	72,590	(10)	654,863
Accounts payable	91,870	11	-	91,881
Accrued payroll payable	(566)	-	-	(566)
Deposits subject to refund	-	2,182	-	2,182
Accrued compensated absences	(1,693)	-	-	(1,693)
Payroll deferrals	116,898	-	-	116,898
Total OPEB liability	2,457	-	-	2,457
Net cash provided by (used in) operating activities	\$ (257,140)	\$ 74,694	\$ 63,466	\$ (118,980)

**CITY OF CHICKASHA, OKLAHOMA
ANNUAL FINANCIAL REPORT
As of and for the Year Ended June 30, 2018**

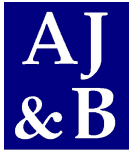
Schedule of Expenditures of Federal and State Awards – Year Ended June 30, 2018

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:							
FEDERAL EMERGENCY MANAGEMENT AGENCY:							
Passed through Oklahoma Department of Civil Emergency Management:							
Disaster Assistance Grant	97.036	DR 4247 PW 105	\$ 76,652	\$ 16,743	\$ 49,326	\$ 66,069	\$ -
Total Federal Emergency Management Agency			<u>76,652</u>	<u>16,743</u>	<u>49,326</u>	<u>66,069</u>	<u>-</u>
U.S. DEPARTMENT OF TRANSPORTATION:							
Federal Aviation Administration:							
Airport Improvement Program	20.106	3-40-0018-015-2017	\$ 36,270	\$ -	\$ 11,790	\$ -	\$ 11,790
			<u>36,270</u>	<u>-</u>	<u>11,790</u>	<u>-</u>	<u>11,790</u>
TOTAL FEDERAL AWARDS			<u>\$ 112,922</u>	<u>\$ 16,743</u>	<u>\$ 61,116</u>	<u>\$ 66,069</u>	<u>\$ 11,790</u>

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	\$ -	\$ 20,784	\$ 27,595
Oklahoma Department of Libraries:						
FY 17 State Aid	N/A	21,820	19,638	2,182	21,820	-
FY 18 State Aid	N/A	23,021	-	20,719	-	23,021
TOTAL STATE AWARDS		<u>\$ 106,757</u>	<u>\$ 81,554</u>	<u>\$ 22,901</u>	<u>\$ 42,604</u>	<u>\$ 50,616</u>

**CITY OF CHICKASHA, OKLAHOMA
ANNUAL FINANCIAL REPORT
As of and for the Year Ended June 30, 2018**

INTERNAL CONTROL AND COMPLIANCE INFORMATION



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

Members of the City Council
City of Chickasha, Oklahoma

We have audited audit, in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States, financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the City of Chickasha, Oklahoma, as of and for the year ended June 30, 2018, 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 2, 2019. Our report included a "Basis for qualified opinion on the Business Type Activities, the General Fund and the Enterprise Funds" paragraph that explains the effect of the lack of inventory procedures for the year of the audit.

Internal Control Over Financial Reporting

In planning and performing our audit of the financial statements, we considered the City's internal control over financial reporting (internal control) to determine the audit procedure 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 have not been 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 Recommendations that we consider to be significant deficiencies: 18-001, 18-002, 18-003, 18-004, and 18-005.

Compliance and Other Matters

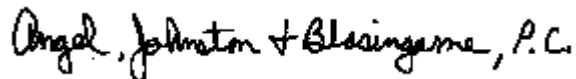
As part of obtaining reasonable assurance about whether the City's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements, noncompliance with which could have a direct and material effect 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 Recommendations as items 18-001, 18-002, 18-003, 18-004, and 18-005.

City of Chickasha's Responses to Findings

The City's response to the findings identified in our audit is described in the accompanying Management Responses to Findings. 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 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 2, 2019

CITY OF CHICKASHA, OKLAHOMA
Schedule of Findings and Responses
For the Year Ended June 30, 2018

Deficiencies of Internal Control, Compliance and Other Matters

18-001. Criteria – State statutes require all of the City’s funds be either insured or collateralized. In case of a banking failure this insures that the City’s funds are fully protected.

Condition – In the note disclosures the City indicates they have no custodian risk. However, this is only true if the collateral that is in the City’s name is used to cover the Authorities’ accounts. There is some concern about the appropriate application of collateral to deposits. The City only has one federal identification number, but has funds held for other legal entities such as the CIA, CMA and the CMAA.

Cause and Effect – Depending on the application of the pledged collateral in the event of a bank failure the City or Authorities could have exposure.

Recommendation – To clarify collateral pledging procedures the City may need to get separate identification number for each legal entity in this way the identification number and the entity owning the deposits would be consistent. Alternatively, the City could obtain a legal opinion that clarifies the application of the pledged collateral.

Management response – See City’s Response.

18-002. Criteria – Oklahoma State statutes establish purchasing procedures. 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 forty purchase orders selected for testing: ten invoices were dated before the purchase orders; one purchase order did not have an authorizing signature by department head to indicate authority to make the purchase and five purchase orders were not signed by the encumbrance clerk verifying a budget funds were available.

Cause and Effect – A lack of consistency exists in following procedures to properly implement state purchasing laws. In addition, there is an increased likelihood budgets could be exceeded and improper purchases could be made.

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

Management response — See City’s Response.

CITY OF CHICKASHA, OKLAHOMA
Schedule of Findings and Responses
For the Year Ended June 30, 2018

18-003. 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 13.14% of the General Fund expenditures for the year. This is below the minimum required balance of unassigned fund balance of 15%.

Cause and Effect – The City has been below the unassigned fund criteria for several years. The City is beginning to rebuild the unassigned balance.

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

Management response – See City’s Response.

18-004. Criteria – Generally accepted accounting principles (GAAP) require material inventories to be recorded.

Condition – The City has not counted inventory or booked inventories at the beginning or at the end of the year.

Cause and Effect – The City not counting or booking inventory has caused the City to not be in compliance with GAAP. This will be a qualification of our opinion on the financial statements.

Recommendation – As soon as possible the City should enact procedures to count inventories at the end of each year and booked beginning and ending inventory.

Management response – See City’s Response.

18-005. Criteria – All accounting records and documentation of the City should be retained.

Condition – The City was unable to provide the following documentation: utility billing calculation report for each billing cycle, daily concessions stand receipts for every day and some utility billing adjustment documents.

Cause and Effect – There was a breakdown in the internal control processes during the year over retention of accounting records and appropriate documentation. The lack of internal control, over record retention, 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 over record retention and documentation.

Management response – See City’s Response.

CITY OF CHICKASHA, OKLAHOMA
Disposition of Prior Year Findings
For the Year Ended June 30, 2018

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.
- Disposition – This was not a finding in the current year.
- 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.
- Disposition – This continues to be a finding in the current year.
- 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.
- Disposition – This continues to be a finding in the current year.
- 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.
- 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, 2018

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.

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

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.

Disposition – This was not a finding in the current year.

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.

Disposition – This was not a finding in the current year.



CITY OF CHICKASHA, OKLAHOMA
Schedule of Findings and Responses
For the Year Ended June 30, 2018

Deficiencies of Internal Control, Compliance and Other Matters

18-001. Criteria – State statutes require all of the City’s funds be either insured or collateralized. In case of a banking failure this insures that the City’s funds are fully protected.

Condition – In the note disclosures the City indicates they have no custodian risk. However, this is only true if the collateral that is in the City’s name is used to cover the Authorities’ accounts. There is some concern about the appropriate application of collateral to deposits. The City only has one federal identification number, but has funds held for other legal entities such as the CIA, CMA and the CMAA.

Cause and Effect – Depending on the application of the pledged collateral in the event of a bank failure the City or Authorities could have exposure.

Recommendation – To clarify collateral pledging procedures the City may need to get separate identification number for each legal entity in this way the identification number and the entity owning the deposits would be consistent. Alternatively, the City could obtain a legal opinion that clarifies the application of the pledged collateral.

Management response – Management is working to clarify collateral pledging requirements with holding institutions and City Attorney.

18-002. Criteria – Oklahoma State statutes establish purchasing procedures. 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 forty purchase orders selected for testing: ten invoices were dated before the purchase orders; one purchase order did not have an authorizing signature by department head to indicate authority to make the purchase and five purchase orders were not signed by the encumbrance clerk verifying a budget funds were available.

Cause and Effect – A lack of consistency exists in following procedures to properly implement state purchasing laws. In addition, there is an increased likelihood budgets could be exceeded and improper purchases could be made.

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

Management response — Management has implemented an electronic purchase order request system. System provides a stricter level of controls to ensure encumbrances are verified and requests are approved by Department Head, Finance, and City Manager before purchase documents are issued.

CITY OF CHICKASHA, OKLAHOMA
Schedule of Findings and Responses
For the Year Ended June 30, 2018

18-003. 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 13.14% of the General Fund expenditures for the year. This is below the minimum required balance of unassigned fund balance of 15%.

Cause and Effect – The City has been below the unassigned fund criteria for several years. The City is beginning to rebuild the unassigned balance.

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

Management response – Management is aware that this has been an ongoing issue and has implemented tighter financial controls to build balances to the required levels. It is noted that in the Fiscal 2016-2017 audit the unassigned fund balance was 8.1% compared to 13.14% this year showing that controls are assisting efforts to reach base limits.

18-004. Criteria – Generally accepted accounting principles (GAAP) require material inventories to be recorded.

Condition – The City has not counted inventory or booked inventories at the beginning or at the end of the year.

Cause and Effect – The City not counting or booking inventory has caused the City to not be in compliance with GAAP. This will be a qualification of our opinion on the financial statements.

Recommendation – As soon as possible the City should enact procedures to count inventories at the end of each year and booked beginning and ending inventory.

Management response – The City has defined a process for material inventories, and process has been implemented going forward.

18-005. Criteria – All accounting records and documentation of the City should be retained.

CITY OF CHICKASHA, OKLAHOMA
Schedule of Findings and Responses
For the Year Ended June 30, 2018

Condition – The City was unable to provide the following documentation: utility billing calculation report for each billing cycle, daily concessions stand receipts for every day and some utility billing adjustment documents.

Cause and Effect – There was a breakdown in the internal control processes during the year over retention of accounting records and appropriate documentation. The lack of internal control, over record retention, 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 over record retention and documentation.

Management response – Management is working with the Office of the City Clerk to revise record retention policies.