CITY OF CHICKASHA, OKLAHOMA
June 30, 2014

TABLE OF CONTENTS

	Page
Independent Auditor's Report	**A - 1**
Basic Financial Statements	
Government-Wide Financial Statements:	
Statement of Net Assets - Modified Cash Basis	B - 1
Statement of Activities - Modified Cash Basis	B - 2
Governmental Funds Financial Statements:	
Statement of Assets, Liabilities and Fund Equity - Governmental Funds - Modified Cash Basis	B - 3
Statement of Revenues, Expenditures and Changes in Fund Balances Governmental Funds - Modified Cash Basis	B - 4
Reconciliation of Governmental Fund and Government-Wide Financial Statements Governmental Funds - Modified Cash Basis	B - 5
Proprietary Funds Financial Statements:	
Statement of Net Assets - Proprietary Funds - Modified Cash Basis	B - 6
Statement of Revenues, Expenses and Changes in Fund Net Assets Proprietary Funds - Modified Cash Basis	B - 7
Statement of Cash Flows - Proprietary Funds - Modified Cash Basis	B - 8
Notes to the Basic Financial Statements	B - 9
Supplementary Information	
Combining Statement of Assets, Liabilities, and Fund Equity - Nonmajor Governmental Funds Modified Cash Basis	D - 1
Combining Statement of Revenues, Expenditures and Changes in Fund Balances Nonmajor Governmental Funds - Modified Cash Basis	D - 2
Combining Stattement of Assets, Liabilities, and Fund Balance - General Fund Accounts- Modified Cash Basis	D - 3
Combining Statement of Revenues, Expenditures and Changes in Fund Balances General Fund Accounts - Modified Cash Basis	D - 4
Combining Statement of Net Position - Chickasha Municipal Authority- Modified Cash Basis	D - 5
Combining Statement of Revenues, Expenditures and Changes in Net Position Chickasha Municipal Authority - Modified Cash Basis	D - 6
Combining Statement of Cash Flows - Chickasha Municipal Authority- Modified Cash Basis	D - 7
Budgetary Comparison Schedules	D - 8
Schedule of Federal and State Awards - Modified Cash Basis	D - 13
Internal Control and Compliance Reporting	
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	E - 1
Schedule of Findings and Responses	E - 3
Disposition of Prior Year Findings	E - 5

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INDEPENDENT AUDITOR'S REPORT

Members of the City Council
City of Chickasha, Oklahoma

We have audited the accompanying modified cash basis financial statements of the governmental activities, the business-type activities, each major fund, and aggregate remaining fund information of the City of Chickasha, Oklahoma as of and for the year ended June 30, 2014, and the related notes to the financial statements, which collectively comprise the City's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

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

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

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

Opinions

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective modified cash basis financial position of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the City of Chickasha, Oklahoma, as of June 30, 2014, and the respective changes in modified cash basis financial position, and where applicable cash flows, thereof for the year then ended in accordance with the basis of accounting described in Note 1.C.

Basis of Accounting

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

Other Matters

Supplementary Information

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

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

Other Reporting Required by Governmental Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated February 3, 2015, on our consideration of the City's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the City's internal control over financial reporting and compliance.

Angel, Johnston & Blasingame, P.C.

Chickasha, Oklahoma
February 3, 2015

BASIC FINANICAL STATEMENTS

GOVERNMENTAL-WIDE FINANCIAL STATEMENTS

CITY OF CHICKASHA, OKLAHOMA
Government-wide Statement of Net Position - Modified Cash Basis
June 30, 2014

	Governmental Activities	Business-Type Activities	Total
Assets			
Cash and cash equivalents	$ 5,856,507	$ 3,664,342	$ 9,520,849
Investments	8,700,000	5,500,000	14,200,000
Restricted cash	-	9,766,723	9,766,723
Restricted Investments	-	150,000	150,000
Capital assets:			
Land and other non-depreciable assets	2,878,986	3,757,834	6,636,820
Other capital assets, net	31,334,694	34,701,246	66,035,940
Total Assets	48,770,187	57,540,145	106,310,332
Liabilities			
Currrent liabilities:			
Encumbrances payable	-	-	-
Police bonds	2,822	-	2,822
Due to depositors	-	313,184	313,184
Due to Other Funds	(308)	308	-
Long-term liabilities:			
Due within one year	175,095	530,000	705,095
Due in more than one year	702,379	9,345,000	10,047,379
Total Liabilities	879,988	10,188,492	11,068,480
Net Position			
Invested in capital assets, net of related debt	33,336,206	24,915,304	58,251,510
Restricted for debt service	-	9,606,523	9,606,523
Restricted for capital projects	934,997	-	934,997
Restricted for other purposes	4,852,802	1,155,281	6,008,083
Unrestricted	8,766,194	11,674,545	20,440,739
Total Net Position	$ 47,890,199	$ 47,351,653	$ 95,241,852

See accompanying notes to basic financial statements

CITY OF CHICKASHA, OKLAHOMA
Government-wide Statement of Activities - Modified Cash Basis
For the Year Ending June 30, 2014

Functions/Programs	Expenses	Program Revenues: Charges for Services	Program Revenues: Operating Grants and Contributions	Program Revenues: Capital Grants and Contributions	Net (Expenses) Revenue and Changes in Net Position: Governmental Activities	Net (Expenses) Revenue and Changes in Net Position: Business-Type Activities	Net (Expenses) Revenue and Changes in Net Position: Total
Primary Government:							
Governmental Activities:							
Public safety-Fire/EMS	$ 4,097,668	$ 931,065	$ 355,363	$ -	$ (2,811,240)	$ -	$ (2,811,240)
Public safety-Police	3,015,939	226,605	4,000	-	(2,785,334)	-	(2,785,334)
Culture, parks and recreation	1,638,838	213,033	26,308	178,880	(1,220,617)	-	(1,220,617)
Streets	2,300,827	-	142,670	-	(2,158,157)	-	(2,158,157)
Cemetery	121,422	102,359	-	-	(19,063)	-	(19,063)
Community development	212,560	-	-	-	(212,560)	-	(212,560)
General government	1,436,294	192,302	-	6,961	(1,237,031)	-	(1,237,031)
Economic development	391,863	-	-	-	(391,863)	-	(391,863)
Total Governmental Activities	13,215,411	1,665,364	528,341	185,841	(10,835,865)	-	(10,835,865)
Business-Type Activities:							
Water	2,601,900	2,512,314	-	-	-	(89,586)	(89,586)
Sewer	1,162,465	1,515,826	-	-	-	353,361	353,361
Sanitation	1,775,138	1,833,965	-	-	-	58,827	58,827
Lake	170,903	22,307	-	-	-	(148,596)	(148,596)
Airport	426,882	303,501	-	184,686	-	61,305	61,305
Administration	833,804	-	18,712	-	-	(815,092)	(815,092)
Indirect interest	42,930	-	-	-	-	(42,930)	(42,930)
Total Business-Type Activities	7,014,022	6,187,913	18,712	184,686	-	(622,711)	(622,711)
Total Primary Government	20,229,433	7,853,277	547,053	370,527	(10,835,865)	(622,711)	(11,458,576)
General Revenues:							
Taxes:							
Sales taxes					10,982,866		10,982,866
Use taxes					599,186		599,186
Franchise taxes					568,839		568,839
Hotel/Motel taxes					414,958		414,958
E-911 taxes					133,705		133,705
Advalorem taxes					29,104		29,104
Intergovernmental revenue					226,183		226,183
Investment income					13,581	6,986	20,567
Miscellaneous					58,346	416,654	475,000
Transfers - internal activity					(5,194,952)	5,194,952	
Total General Revenues and Transfers					7,831,816	5,618,592	13,450,408
Change in Net Position					(3,004,049)	4,995,881	1,991,832
Net Position - beginning, restated					50,894,248	42,355,772	93,250,020
Net Position - ending					$ 47,890,199	$ 47,351,653	$ 95,241,852

See accompanying notes to basic financial statements.

GOVERNMENTAL FUNDS

CITY OF CHICKASHA, OKLAHOMA
Statement of Assets, Liabilities, and Fund Balance
Governmental Funds - Modified Cash Basis
June 30, 2014

	General	EMS	ED-Dedicated Sales Tax	Dedicated Sales Tax	Capital Project	Other Governmental Funds	Total Governmental Funds
Assets							
Cash and cash equivalents	$ 2,373,340	$ 195,374	$ 777,285	$ 794,255	$ 154,795	$ 1,308,502	$ 5,603,551
Investments			3,500,000	1,000,000	1,000,000	900,000	6,400,000
Internal service receivable	64,570						64,570
Due from other funds	6,621	(10,305)				3,992	308
Total Assets	2,444,531	185,069	4,277,285	1,794,255	1,154,795	2,212,494	12,068,429
Liabilities							
Encumbrances payable							-
Due to Other Funds							-
Police bonds	2,822						2,822
Total Liabilities	2,822	-	-	-	-	-	2,822
Fund Equity							
Fund Balance:							
Nonspendable							-
Restricted	7,224		3,820,979	934,997		1,024,599	5,787,799
Committed							-
Assigned	89,971	185,069	456,306	859,258	1,154,795	1,187,895	3,933,294
Unassigned	2,344,514						2,344,514
Total Fund Balance	2,441,709	185,069	4,277,285	1,794,255	1,154,795	2,212,494	12,065,607
Total Liabilities and Fund Balance	$ 2,444,531	$ 185,069	4,277,285	$ 1,794,255	$ 1,154,795	$ 2,212,494	$ 12,068,429

See accompanying notes to basic financial statements

CITY OF CHICKASHA, OKLAHOMA
Statement of Revenues, Expenditures and Changes in Fund Balances
Governmental Funds - Modified Cash Basis
For the Year Ending June 30, 2014

	General	EMS	ED-Dedicated Sales Tax	Dedicated Sales Tax	Capital Project	Other Governmental Funds	Total Governmental Funds
Revenues							
Taxes	$ 8,870,846	$	$	$ 2,187,851	$ 449,390	$ 577,767	$ 12,085,854
Intergovernmental	257,292	354,363	642,804	178,880		142,670	1,576,009
Charges for services	323,849	931,065				25,607	1,280,521
Fines and forfeitures	225,567						225,567
Licenses and permits	117,995						117,995
Investment income	3,537	139	1,627	2,176	1,841	2,624	11,944
Miscellaneous	41,281	19,119		2,000	37,227	4,336	103,963
Total Revenues	9,840,367	1,304,686	644,431	2,370,907	488,458	753,004	15,401,853
Expenditures							
Current:							
Administration	247,883						247,883
Fire/EMS	2,308,368	1,431,016					3,739,384
E-911						58,202	58,202
Police	2,758,440						2,758,440
Parks and recreation	483,676						483,676
Cemetery	116,880					89	116,969
Sports complex	342,753						342,753
Library	363,644						363,644
Streets	651,145				190		651,335
Central garage	65,271						65,271
Support services	160,565						160,565
Finance	185,034						185,034
Community development	114,715						114,715
General government	605,110				2,000	15,874	622,984
Economic development			3,175	45		372,614	375,834
Capital outlay	334,885	6,075	645,931	1,313,102	1,339,890	156,063	3,795,946
Debt service							-
Total Expenditures	8,738,369	1,437,091	649,106	1,313,147	1,342,080	602,842	14,082,635
Excess (Deficiency) of Revenues over Expenditures	1,101,998	(132,405)	(4,675)	1,057,760	(853,622)	150,162	1,319,218
Other Financing Sources (Uses)							
Contribution expense/income	2,625			(125,692)			(123,067)
Transfers in	1,731,863				600,000	52,206	2,384,069
Transfers out	(5,819,545)			(951,921)	(600,000)	(81,863)	(7,453,329)
Total Other Financing Sources (Uses)	(4,085,057)	-	-	(1,077,613)	-	(29,657)	(5,192,327)
Net Change in Fund Balances	(2,983,059)	(132,405)	(4,675)	(19,853)	(853,622)	120,505	(3,873,109)
Fund Balances - beginning, restated	5,424,768	317,474	4,281,960	1,814,108	2,008,417	2,091,989	15,938,716
Fund Balances - ending	$ 2,441,709	$ 185,069	$ 4,277,285	$ 1,794,255	$ 1,154,795	$ 2,212,494	$ 12,065,607

See accompanying notes to basic financial statements

CITY OF CHICKASHA, OKLAHOMA
Reconciliation of Governmental Fund and Government-Wide Financial Statements
Governmental Funds - Modified Cash Basis
June 30, 2014

Reconciliation to Statement of Net Assets:

Fund balances of governmental funds	$	12,065,607
Amounts reported for governmental activities in the Statement of Net Assets are different because:		
Capital assets used in governmental activities are not financial resources and, therefore are not reported in the funds:		
Capital assets, net of accumulated depreciation		34,213,680
Internal service funds are used by management to charge the costs of certain activities, such as insurance, to individual funds. A portion of the assets and liabilities of the internal service fund is included in governmental activities in the Statement of Net Assets.		
Net assets of the Internal Service Fund		2,488,386
Some liabilities are not due and payable in the current period and, therefore are not reported in the funds:		
Capital lease payable		(877,474)
Net assets of governmental activities	$	47,890,199

Reconciliation to Statement of Activities:

Net change in fund balances of governmental funds	$	(3,873,109)
Amounts reported for governmental activities on the Statement of Activities are different because:		
Governmental funds report capital outlays as expenditures while governmental activities report depreciation expense to allocate those expenditures over the life of the assets:		
Capital asset purchases capitalized in governmental funds		2,418,898
Depreciation expense		(1,635,071)
Capital assets purchased on behalf of business-type activities were transferred to the business-type activity and reported as capital assets.		
Note proceeds provide current financial resources to governmental funds, but issuing debt increases long-term liabilities in the Statement of Net Assets. Repayment of debt principal is an expenditure in the governmental funds, but the repayment reduces long-term liabilities in the Statement of Net Assets:		
Capital lease principal payments		61,837
Internal service funds are used by management to charge the costs of certain activities, such as insurance, to individual funds. A portion of the assets and liabilities of the internal service fund is included in governmental activities in the Statement of Net Assets.		
Change in net assets of the Internal Service Fund		23,396
Change in net assets of governmental activities	$	(3,004,049)

See accompanying notes to basic financial statements

PROPRIETARY FUNDS

Statement of Net Assets, Liabilitites and Net Position
Proprietary Funds - Modified Cash Basis
June 30, 2014

	Enterprise Funds			
	Chickasha Municipal Authority	Chickasha Municipal Airport Authority	TOTAL	Internal Service Funds
Assets				
Current Assets:				
Cash and cash equivalents	$ 3,340,234	$ 312,610	$ 3,652,844	$ 252,956
Deposits with insurance pool	11,498		11,498	
Investments	5,200,000	300,000	5,500,000	2,300,000
Due from other funds	97		97	
Total Current Assets	8,551,829	612,610	9,164,439	2,552,956
Noncurrent Assets:				
Restricted cash and cash equivalents	9,766,723		9,766,723	
Restricted investments	150,000		150,000	
Land and other non-depreciable assets	3,705,834	52,000	3,757,834	
Other capital assets, net of depreciation	31,436,680	3,264,566	34,701,246	
Total Noncurrent Assets	45,059,237	3,316,566	48,375,803	-
Total Assets	53,611,066	3,929,176	57,540,242	2,552,956
Liabilities				
Current Liabilities:				
Encumbrances payable	-		-	
Due to other funds	405		405	64,570
Due to depositors	313,184		313,184	
Capital lease obligations payable	-		-	
Revenue notes payable	530,000		530,000	
Total Current Liabilities	843,589	-	843,589	64,570
Noncurrent Liabilities:				
Capital lease obligations payable	-		-	
Revenue notes payable	9,345,000		9,345,000	
Total Noncurrent Liabilities	9,345,000	-	9,345,000	-
Total Liabilities	10,188,589	-	10,188,589	64,570
Net Position				
Invested in captial assets, net of related debt	21,598,738	3,316,566	24,915,304	
Restricted for debt service	9,606,523		9,606,523	
Restricted for other purposes	542,671	612,610	1,155,281	
Unrestricted	11,674,545		11,674,545	2,488,386
Total Net Position	$ 43,422,477	$ 3,929,176	$ 47,351,653	$ 2,488,386

See accompanying notes to basic financial statements

CITY OF CHICKASHA, OKLAHOMA
Statement of Revenues, Expenses and Changes in Fund Net Position
Proprietary Funds - Modified Cash Basis
For the Year Ending June 30, 2014

	Enterprise Funds			
	Chickasha Municipal Authority	Chickasha Muncipal Airport Authority	TOTAL	Internal Service Funds
Operating Revenues				
Charges for Services:				
Water revenue	$ 2,148,028	$	$ 2,148,028	$
Sewer revenue	1,466,569		1,466,569	
Sanitation revenue	1,673,071		1,673,071	
Penalties and fees	177,595		177,595	
User resource fees	104,701		104,701	
Lake revenue	22,307		22,307	
Airport revenue		303,501	303,501	
Development fees	114,230		114,230	
Charges for services	74,600		74,600	
Employee insurance contributions			-	234,820
Miscellaneous receipts	103,311		103,311	90
Insurance reimbursements			-	616,820
Total Operating Revenues	5,884,412	303,501	6,187,913	851,730
Operating Expenses				
CMA general	67,042		67,042	
Administration	526,514		526,514	
Water	2,049,625		2,049,625	
Sewer	609,824		609,824	
Sanitation	1,757,537		1,757,537	
Lake	145,452		145,452	
Building maintenance	213,895		213,895	
Airport		254,985	254,985	
Insurance coverage			-	2,832,326
Compensated absences			-	56,445
Depreciation expense	1,173,185	171,897	1,345,082	
Total Operating Expenses	6,543,074	426,882	6,969,956	2,888,771
Operating Income (Loss)	(658,662)	(123,381)	(782,043)	(2,037,041)
Nonoperating Revenues (Expenses)				
Investment income	6,308	678	6,986	1,637
Grants & Contributions	18,712	184,686	203,398	
Interest expense	(44,066)		(44,066)	
Sale of Land	264,425		264,425	
Rent	152,229		152,229	
Total Nonoperating Revenues (Expenses)	397,608	185,364	582,972	1,637
Net Income (Loss) Before Contributions and Transfers	(261,054)	61,983	(199,071)	(2,035,404)
Capital contributions	125,692		125,692	
Contribution expense	-		-	
Transfers in	7,319,260		7,319,260	2,058,800
Transfers out	(2,250,000)		(2,250,000)	
Change in Net Assets	4,933,898	61,983	4,995,881	23,396
Net Position - beginning	38,488,579	3,867,193	42,355,772	2,464,990
Net Position - ending	$ 43,422,477	$ 3,929,176	$ 47,351,653	$ 2,488,386

See accompanying notes to basic financial statements

CITY OF CHICKASHA, OKLAHOMA
Statement of Cash Flows
Proprietary Funds - Modified Cash Basis
For the Year Ending June 30, 2014

	Enterprise Funds			
	Chickasha Municipal Authority	Chickasha Municipal Airport Authority	TOTAL	Internal Service Funds
Cash Flows From Operating Activities				
Receipts from customers	$ 5,811,450	$ 298,018	$ 6,109,468	$ 851,640
Receipts from other funds			-	
Vendors and others paid	(5,295,138)	(254,985)	(5,550,123)	(2,888,771)
Customer meter deposits receipts/refunds	6,831		6,831	
Other receipts (payments)		5,483	5,483	90
Net Cash Provided by Operating Activities	523,143	48,516	571,659	(2,037,041)
Cash Flows From Noncapital Financing Activities				
Miscellaneous revenue	152,229		152,229	
Transfers from other funds	7,319,882		7,319,882	2,058,800
Transfers to other funds	(2,250,093)		(2,250,093)	
Net Cash Provided by Noncapital Financing Activities	5,222,018	-	5,222,018	2,058,800
Cash Flows From Capital and Related Financing Activities				
Grant & contributions	18,712	184,686	203,398	
Purchases of capital assets	(326,269)	(203,102)	(529,371)	
Sale of Land	264,425		264,425	
Principal paid on capital debt	(1,525,000)		(1,525,000)	
Loan Proceeds	9,875,000		9,875,000	
Contribution income	125,692		125,692	
Interest paid on capital debt	(44,066)		(44,066)	
Net Cash Provided by (used in) Capital and Related Financing Activities	8,388,494	(18,416)	8,370,078	-
Cash Flows From Investing Activities				
Interest received	6,308	678	6,986	1,637
Increase/decrease in investments	(3,700,000)	(300,000)	(4,000,000)	(550,000)
Net Cash Provided by Investing Activities	(3,693,692)	(299,322)	(3,993,014)	(548,363)
Net Increase in Cash and Cash Equivalents	10,439,963	(269,222)	10,170,741	(526,604)
Balance - beginning of the year	2,678,492	581,832	3,260,324	779,560
Balance - end of the year	13,118,455	312,610	13,431,065	252,956
Reconciliation of Operating Income (Loss) to Net Cash Provided by Operating Activities:				
Operating income (loss)	(658,662)	(123,381)	(782,043)	(2,037,041)
Adjustments to reconcile operating income to net cash provided (used) by operating activities:				
Depreciation expense	1,173,185	171,897	1,345,082	
Changes in assets and liabilities:				
Due to depositors	8,620		8,620	
Net Cash Provided by Operating Activities	$ 523,143	$ 48,516	$ 571,659	$ (2,037,041)

See accompanying notes to basic financial statements

NOTES TO THE BASIC FINANICAL STATEMENTS

Note 1 - Summary of Significant Accounting Policies

1.A. Financial Reporting Entity

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

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

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

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

Blended Component Units

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

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

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

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

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

1.B. Basis of Presentation

Government-Wide Financial Statements - The Statement of Net Position and Statement of Activities report information on all of the nonfiduciary activities of the primary government and its component units. For the most part, the effect of interfund activity has been removed from these statements. Governmental activities, which normally are supported by taxes and intergovernmental revenues, are reported separately from business-type activities, which rely, to a significant extent on fees and charges for support.

The Statement of Activities demonstrates the degree to which the direct expenses of a given function or segment is offset by program revenues. Direct expenses are those that are clearly identifiable with a specific function or segment. Program revenues include 1) charges to customers or applicants who purchase, use, or directly benefit from goods, services, or privileges provided by a given function or segment and 2) grants and contributions that are restricted to meeting the operational or capital requirements of a particular function or segment. Taxes and other items not properly included among program revenues are reported instead as general revenues.

Fund Financial Statements - Separate financial statements are provided for governmental funds and proprietary funds. Major individual governmental funds and major individual enterprise funds are reported as separate columns in the fund financial statements.

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

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

Both governmental and business-type activities in the government-wide financial statements and the fund financial statements are presented using a modified cash basis of accounting. This modified cash basis of accounting is based on the recording of cash and cash equivalents and changes therein, and only recognizes revenues, expenses, assets and liabilities resulting from cash transactions adjusted for modifications that have substantial support in generally accepted accounting principles. These modifications include adjustments for the following balances arising from cash transactions:

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

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

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

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

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

The City reports the following funds:

Governmental Funds

Major Governmental Funds:

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

Special Revenue Fund:

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

Capital Project Fund:

- Dedicated Sales Tax Fund – accounts for ¾ cent sales tax restricted by voters for renovation, upgrading and expansion of the water, wastewater, street and drainage systems, and parks and recreation.
- Capital Projects Fund – accounts for capital activities not accounted for in other special purpose funds.

Aggregated Non-Major Governmental Funds:

Special Revenue Funds:

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

Capital Project Funds:

- Cemetery Care Fund – accounts for 12.5% of cemetery revenues restricted for cemetery capital purposes as required by state law.

Proprietary Funds

Major Enterprise Fund:

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

Aggregated Non-Major Enterprise Fund:

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

Internal Service Funds:

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

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

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

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

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

1.D. Assets, Liabilities and Fund Equity

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

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

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

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

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

The costs of normal maintenance and repairs that do not add to the value of the asset or materially extend assets lives are not capitalized.

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

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

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

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

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

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

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

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

a. *Invested in capital assets, net of related debt* – Consists of capital assets including restricted capital assets, net of accumulated depreciation and reduced by the outstanding balances of any bonds, mortgages, notes, or other borrowings that are attributed to the acquisition, construction, or improvements of those assets.

b. *Restricted* – Consists of net position with constraints placed on the use either by 1) external groups such as creditors, grantors, contributors, or laws and regulations of other governments, or 2) law through constitutional provisions or enabling legislation.

c. *Unrestricted* – All other net positions that do not meet the definition of "restricted" or "invested in capital assets, net of related debt."

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

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

a. *Nonspendable* – includes amounts that cannot be spent because they are either (a) not in spendable form or (b) legally or contractually required to be maintained intact.

b. *Restricted* – consists of fund balance with constraints placed on the use of resources either by (1) external groups such as creditors, grantors, contributors, or laws and regulations of other governments, or (2) law through constitutional provisions or enabling legislation.

c. *Committed* – includes amounts that can only be used for specific purposes pursuant to constraints imposed by formal action of the City's highest level of decision-making authority, (i.e. ordinance).

d. *Assigned* – includes amounts that are constrained by the City's intent to be used for specific purposes but are neither restricted nor committed. Assignments of fund balance may be made by city council action or management decision when the city council has delegated that authority.

e. *Unassigned* – represents fund balance that has not been assigned to other funds and has not been restricted, committed, or assigned to specific purposes within the general fund.

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

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

1.E. Use of Estimates

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

1.F. Internal and Interfund balances and Transfers

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

2. Sales Tax Revenue

Sales Tax - The City presently levies a 3.969 cent sales tax on taxable sales within the City. The sales tax is collected by the Oklahoma Tax Commission and remitted to the City in the month following receipt by the Tax Commission. The sales tax recorded is allocated two-cents for the General Fund operations, one-cent to the Chickasha Municipal Authority, three-fourth cent (expires 12/31/23) to the Dedicated Sales Tax Fund, and seven-thirty-seconds (expires 6/30/16) to the ED-Dedicated Sales Tax Fund. One-half cent sales tax not restricted by a vote of the citizens has been allocated to the Chickasha Municipal Authority Fund is used to secure debt service payments. The three-fourth cent sales tax allocated to the Dedicated Sales Tax Fund is restricted by voters for the repair, replacement or improvement of the water and sewer system, the repair, replacement or improvement of streets and drainage and can be used to secure related debt service payments. There is still some prior sales tax that is maintained in the Dedicated Sales Tax Fund that was collected from a previous sales tax authorization that can be spent for parks improvement in addition to the allowable uses noted above.

3. Tax Increment Financing District

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

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

4. Deposits and Investments Risk

At June 30, 2014, the reporting entity had the following deposits and investments:

Type of Deposits			**Carrying Value**
Deposits:			
Demand deposits			$ 9,658,130
Time Deposits			14,350,000
Money Market Mutual Funds (see below)			9,606,446
Total			$ 33,614,576
Money Market Mutual Funds:	**Maturities**	**Credit Rating**	
BOK-Short-Term Cash Fund I	N/A	AAA	$ 9,606,446
Total			$ 9,606,446
OMAG escrow			$ 22,996
Reconciliation to Statement of Net Position			
Cash and cash equivalents			$ 19,287,572
Investments			14,350,000
			$ 33,637,572

Custodial Credit Risk - Deposits – Custodial credit risk is the risk that in the event of a bank failure, the City's deposits may not be returned to it. The City does have a written investment policy for custodial credit risk that requires collateral for all uninsured deposits of municipal funds in financial institutions. As of June

30, 2014, the City was exposed to custodial credit risk as defined above. The money market mutual funds are not insured or guaranteed by the FDIC or any other government agency. The City's money market mutual funds have a Moody's credit rating of AAA and therefore are considered low risk. The other City's accounts were fully collateralized at June 30, 2014, except for the City's E-911 Fund was under collateralized by $8,709.64.

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

Investment Interest Rate Risk – The City does have a formal investment policy that limits investment maturities as a means of managing its exposure to fair value losses arising from increasing interest rates. Unless matched to a specific cash flow, the City will not directly invest in securities maturing more than one year from the date of purchase. The City's money market mutual funds are available on demand. All certificates of deposit have maturities no later than December 2014.

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

5. Restricted Assets

The amounts reported as restricted assets consist of cash and investments held by the trustee bank on behalf of the Chickasha Municipal Authority related to its required revenue bond accounts and amounts due to depositors related to utility deposits. The restricted assets as of June 30, 2014 were as follows:

Type of Restricted Assets	Cash and Cash Equivalents	Investments
Utility Deposits	$ 160,200	$ 150,000
Trustee Accounts:		
Series 2004 Construction Fund	1	-
Series 2004 Note Interest Fund	54	-
Series 2005 Construction Fund	1	-
Series 2005 Note Interest Fund	21	-
Series 2014 Construction Fund	9,606,446	-
Total Restricted Assets	$ 9,766,723	$ 150,000

6. Capital Assets

Capital asset activity resulting from modified cash basis transactions for the fiscal year ended June 30, 2014, was as follows:

	Balance 6/30/13	Additions	Disposals	Reclassify	Balance 6/30/14
Governmental Activities:					
Capital Assets, not being depreciated:					
Land	$ 1,882,517	$ 4,933	$ -	$ -	$ 1,887,450

Construction in progress	276,833	1,958,306	(1,243,603)	-	991,536
Total capital assets, not being depreciated	2,159,350	1,963,239	(1,243,603)	-	2,878,986
Capital assets, being depreciated:					
Buildings	8,571,735	255,600	-	-	8,827,335
Improvements	2,599,710	1,162,765	-	-	3,762,475
Infrastructure	47,769,802	143,927	-	-	47,913,729
Machinery and equipment	3,027,497	51,252	-	-	3,078,749
Vehicles	4,446,721	85,717	-	-	4,532,438
Surplus property	1,265,465	-	-	-	1,265,465
Total capital assets, being depreciated	67,680,930	1,699,261	-	-	69,380,191
Less accumulated depreciation:					
Buildings	2,602,033	220,249	-	-	2,822,282
Improvements	808,827	220,019	-	-	1,028,846
Infrastructure	27,298,405	688,015	-	-	27,986,420
Machinery and equipment	1,815,270	235,347	-	-	2,050,617
Vehicles	2,671,711	271,441	-	-	2,943,152
Surplus property	1,214,180	-	-	-	1,214,180
Total accumulated depreciation	36,410,426	1,635,071	-	-	38,045,497
Total capital assets, being depreciated, net	31,270,504	64,190	-	-	31,334,694
Governmental activities capital assets, net	$33,429,854	$ 2,027,429	(1,243,603)	$ -	$34,213,680

	Balance 6/30/13	Additions	Disposals	Reclassify	Balance 6/30/14
Business-Type Activities:					
Capital Assets, not being depreciated:					
Land	$ 3,623,966	$ -	$ -	$ -	$ 3,623,966
Construction in progress	4,400	336,969	(207,502)	-	133,867
Total capital assets, not being depreciated	3,628,366	336,969	(207,502)	-	3,757,833
Capital assets, being depreciated:					
Buildings	24,693,721	-	-	-	24,693,721
Improvements	2,139,147	207,502	-	-	2,346,649
Infrastructure	7,631,701	60,050	-	-	7,691,751
Machinery and equipment	1,746,567	21,316	-	-	1,767,883
Vehicles	784,102	111,035	-	-	895,137
Utility property/improvements	69,945,565	-	-	-	69,945,565
Surplus property	141,734	-	-	-	141,734
Total capital assets, being depreciated	107,082,539	399,903	-	-	107,482,440
Less accumulated depreciation:					
Buildings	16,146,849	433,553	-	-	16,580,402
Improvements	616,325	100,110	-	-	716,435
Infrastructure	6,186,295	37,708	-	-	6,224,003
Machinery and equipment	776,577	108,454	-	-	885,031
Vehicles	486,997	60,529	-	-	547,526
Utility property/improvements	47,082,334	604,728	-	-	47,687,062
Surplus property	140,734	-	-	-	140,734
Total accumulated depreciation	71,436,111	1,345,082	-	-	72,781,193
Total capital assets, being depreciated, net	35,646,428	(945,179)	-	-	34,701,247
Business-type activities capital assets, net	$39,274,793	$ (608,210)	$ (207,502)	$ -	$38,459,081

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

Governmental Activities:	
Public Safety	$ 458,521
Culture, Parks and Recreation	354,553
Streets	717,914
Community Development	17,803
General Government	86,280
Total depreciation expense for governmental activities	$ 1,635,071
Business-Type Activities:	
Water	$ 551,139
Sewer	552,641
Sanitation	17,601
Lake	25,451
Economic Development	25,453
Airport	171,897
Administration	900
Total depreciation expense for business-type activities	$ 1,345,082

7. Long-Term Debt

Governmental Activities - State statutes prohibit the City from incurring any indebtedness or obligations that would require payment from resources beyond the current fiscal year revenue, without first obtaining voter approval. As of June 30, 2014, the long-term debt, arising from cash transactions, payable from governmental fund resources consisted of the following:

Capital Lease Obligations:

$574,992 Capital lease obligation payable to Chickasha Bank for a ladder truck, payable in semi-annual installments of $29,958, including principal and interest at 3.99%, final payment due June 30, 2019.	250,151
$204,906 Capital lease obligation payable to First National Bank for a street sweeper, payable in monthly installments of $3,723, including principal and interest at 3.50%, final payment due August 15, 2016.	89,512
$144,376 Capital lease obligation payable to Chickasha Bank for a motor grader, payable in monthly installments of $2,597, including principal and interest at $3.01%, final payment due January 27, 2017.	76,993
$401,979 Capital lease obligation payable to Welch State Bank for a pumper, payable in semi-annual installments of $23,576.61, including principal and interest at 3.39%, final payment due June 15, 2023 .	362,917
$116,955 Capital lease obligation payable to Chickasha Bank for a PD video, payable in semi-annual installments of $11,695.54, including principal and interest at $3.75%, final payment due January 27, 2017.	97,901
Total Capital Lease Obligations	$ 877,474
Current portion	$ 175,095
Non-current portion	702,379
Total Capital Lease Obligations	$ 877,474

Business-Type Activities – As of June 30, 2014, the long-term debt, arising from cash transactions, payable from proprietary fund resources consisted of the following:

Revenue Notes Payable:

2014 Sales Tax Revenue Notes, original issue amount of $9,875,000 dated March 10, 2014, issued by the Chickasha Municipal Authority, secured by ½ cent pledged sales tax, interest rate of 2.27%, final maturity dated March 1, 2024.	$ 9,875,000
Less amount for Governmental Activities	(0)
Business-Type Activities	9,875,000
Total Revenue Notes Payable	$ 9,875,000
Current portion	$ 530,000
Non-current portion	9,345,000
Total Revenue Notes Payable	$ 9,875,000

The capital assets acquired through capital leases are as follows:

Date	Capital Asset	Amount	Accumulated Depreciation
Vehicles:			
5/15/2008	Wheel Loader	$ 120,824	$ 74,507
6/15/2009	Ladder Truck	574,992	194,877
3/17/2008	2007 Vacuum Truck	231,797	144,874
1/15/2013	E-One Pumper	401,979	50,223
		$ 927,613	$ 464,481
Machinery and Equipment:			
1/09/2008	Phone System	$ 32,026	$ 20,815
9/15/2011	Street Sweeper	204,906	58,058
1/27/2012	Volvo Grader	144,376	34,892
		$ 381,308	$ 113,765

Sales Tax Revenues Pledged

The City has pledged future sales tax revenues to repay $9.875 million in sales tax revenue notes issued in March, 2014. Proceeds from the 2014 notes provided financing for a public works water/waste system. The notes are payable from future sales tax revenue. The total principal and interest remaining to be paid on the notes are $11,135,999, payable through March 2024. For the current year, there were no debt service payments.

The following is a summary of changes in long-term debt for the year ended June 30, 2014:

	Balance 6/30/13	Additions	Deductions	Balance 6/30/14	Amounts Due Within One Year
Governmental Activities:					
Capital Lease Obligations	537,332	518,935	178,792	$ 877,474	$ 175,095
Revenue Notes Payable	$ 1,466,000	-	1,466,000	0	0
Total Governmental Activities	$ 2,003,332	$ 518,935	$ 1,644,792	$ 877,474	ed payroll

Business-Type Activities:					
Capital Lease Obligations	$ -	-	-	$ -	$ -
Revenue Notes Payable	59,000	9,875,000	59,000	9,875,000	530,000
Total Business-Type Activities	$ 59,000	$ 9,875,000	$ 59,000	$ 9,875,000	$ 530,000

The annual debt service requirements to maturity are as follows:

Governmental Activities:	**Capital Lease Obligations**		**Revenue Notes Payable**	
Year Ending June 30	**Principal**	**Interest**	**Principal**	**Interest**
2015	$ 175,095	$ 31,196	$ -	$ -
2016	181,443	24,848	-	-
2017	137,843	17,488	-	-
2018	117,779	12,681	-	-
2019	90,371	8,168	-	-
2020-23	174,943	13,670	-	-
Total	$ 877,474	$ 108,051	$ -	$ -

Business-Type Activities:	**Capital Lease Obligations**		**Revenue Notes Payable**	
Year Ending June 30	**Principal**	**Interest**	**Principal**	**Interest**
2015	$ -	$ -	$ 530,000	$ 217,764
2016	-	-	935,000	206,854
2017	-	-	965,000	185,459
2018	-	-	985,000	163,440
2019	-	-	1,010,000	140,967
2020-24	-	-	5,450,000	346,515
Total	$ -	$ -	$ 9,875,000	$ 1,260,999

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

Governmental Activities:	
Public Safety	$ 28,407
Culture, Parks and Recreation	30,710
Streets	11,313
Total interest expense for governmental activities	$ 70,430
Business-Type Activities:	
Water	$ 1,136
Total interest expense for business-type activities	$ 1,136

8. Interfund Transfers

Transfers between funds of the primary government for the year ended June 30, 2014, were as follows:

Transfer Out	Transfer In	Amount	Purpose of Transfer
CIA	General Fund	81,863	Fund operations
General Fund	Tax Increment District	52,206	Transfer sales tax
General Fund	CMA	2,767,338	Trnsf sales tax for bond purposes
General Fund	CMA	3,000,000	Fund future capital water projects
Dedicated Sales Tax Fund	CMA	951,921	Transfer bond payments
Capital Projects Fund	CMA	600,000	Fund capital purchases
CMA	General Fund	1,650,000	Subsidize operations
CMA	Capital Projects Fund	600,000	Fund capital purchases
Total		$ 9,703,328	

Reconciliation to Fund Financial Statements:

	Transfers In	Transfers Out	Net Transfers
Governmental Funds	$ 2,384,068	$ (7,453,328)	$ (5,069,260)
Proprietary Funds	7,319,260	(2,250,000)	5,069,260
Total	$ 9,703,328	$ (9,703,328)	$ 0

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

Net transfers	$ (5,069,260)
Purchase of capital assets for business-type activities by governmental funds	(125,692)
Government-wide transfers	$ (5,194,952)

9. Internal Balances

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

Due From	Due To	Amount	Nature of Internal Balance
EMS	E-911	3,992	Internal financing
EMS	General Fund	6,313	Internal financing
CMA	General Fund	308	Error corrected
CMA	Meter Deposit	93	Error corrected
CMA	Water Resource	4	Error corrected

Reconciliation to Fund Financial Statements:

	Due From	Due To	Net Internal Balances
Governmental Funds	$ 10,613	$ 10,305	$ 308
Proprietary Funds	97	405	308
Total	$ 405	$ 405	$ -

10. Fund Equity/Net Assets

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

	General Fund	EMS Fund	Capital Projects	Economic Dedicated Sales Tax	Dedicated Sales Tax Fund	Other Governmental Funds	Total
Fund Balance:							
Nonspendable:							
Long-term receivable	-	-		-	-		-
Restricted for:							
TIF District	-	-			-	3,189	3,189
Economic Dev	-	-		3,820,979	-	193,564	4,014,543
E911	-	-			-	637,573	637,573
Water/Sewer, Streets					529,516		529,516
Water/Sewer, Streets, P & R	-	-			414,481	-	414,481
Streets						128,337	128,337
Cemetery	-	-			-	26,377	26,377
Police	7224	-			-	-	7,224
Other Purposes	-	-			-	35,559	35,559
Committed to:							
EMS	-	-			-	-	-
Assigned to:							
Fire/EMS	925	185,069					185,994
Police	89,047						89,047
Water/Sewer, Streets, Parks and Recreation	-	-			859,259	-	859,259
Economic Dev	-	-		456,306	-	381,544	837,850
E911	-	-			-	5,104	5,104
Streets	-	-			-	237,525	237,525
Cemetery	-	-			-	547,903	547,903
Capital Projects	-	-	1,154,795		-	-	1,154,795
Capital Assets	-	-			-	-	
Other Purposes	-	-			-	15,819	15,819
Unassigned	2,344,514	-			-	-	2,344,514
Total Fund Balance	2,441,710	185,069	1,154,795	4,277,285	1,794,256	2,212,494	12,065,609

Net Assets Restricted by Enabling Legislation - The governmental activities statement of net assets reports $5,787,799 of restricted net assets, of which $5,171,016 is restricted by enabling legislation.

Enabling Legislation:	
Dedicated Sales Tax	$ 934,997
Tax Increment District	3,189
ED-Dedicated Sales Tax	3,820,979
E-911	63,573
Chickasha Industrial Authority	193,564
Street and Alley	128,337
Cemetery Care	26,377
Total	$ 5,171,016

11. Risk Management

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

- General Liability and Fleet Coverage – Covered through participation in Oklahoma Municipal Assurance Group risk entity pool.

- Physical Property, Airport General Liability and Property – Covered through purchase of commercial insurance.

- Fire Department Vehicles – Covered through participation in the Risk Management Division of the Department of Central Services, State of Oklahoma self-insurance pool.

- Workers' Compensation – Workers' compensation is covered through participation in the Oklahoma Municipal Assurance Group risk entity pool.

- Employee's Group Medical - The City elects to operate a self-insured program for employee's medical insurance. Under the program, the City pays 100% of claims up to $25,000 per employee. Aggregate stop loss coverage is adjusted monthly based on the number of participants and was $860,254 at June 30, 2014. Claims liabilities are based on estimates of the ultimate cost of claims that have been reported but not settled, and of claims that have been incurred but not reported.

  Changes in the claims liability for the City from July 1, 2009, to June 30, 2014, are as follows:

	Health Care
Claim liability, July 1, 2009	$ 72,966
Claims and changes in estimates	837,398
Claims payments	(831,657)
Claim liability, July 1, 2010	78,707
Claims and changes in estimates	1,372,749
Claims payments	(1,292,811)
Claim liability, June 30, 2011	158,645
Claims and changes in estimates	975,801
Claims payments	(1,079,966)
Claims liability, June 30, 2012	54,480
Claims and changes in estimates	1,158,093
Claims payments	(852,285)
Claims liability, June 30, 2013	360,288
Claims and changes in estimates	1,260,234
Claims payments	(1,370,016)
Claims liability, June 30, 2014	250,506

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

12. Contingencies

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

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

13. Commitments

Compensated Absences – As a result of the City's use of the modified cash basis of accounting, accrued liabilities related to compensated absences (accumulated but unused vacation leave, eligible sick leave by out and compensatory time earned but unpaid at year-end, and any employer-related costs earned and unpaid) are not reflected in the financial statements. Governmental funds obligation for accrued compensated absences is $676,791, while the Compensated Absences Internal Service Fund has a balance of $223,813 and the General Fund unassigned fund balance is $2,344,514 at June 30, 2014.

Project Commitments – At June 30, 2014 the City had committed for the 2014-15 $300,000 towards the completion of the police department building renovation.

14. Employee Pension and other Benefit Plans

The City of Chickasha participates in three pension or retirement plans:

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

Firefighters' Retirement Plan – Pursuant to the requirements of Title 11, section 22-102, the City of Chickasha participates in the statewide cost-sharing multi-employer defined benefit plan administered by the Oklahoma Firefighter's Pension and Retirement System (OFPRS) on behalf of both paid and volunteer firefighters. The City has no responsibility or authority for the operation and administration of the pension program nor has it any related liability, except for the current contribution requirements.

The contribution rates for the City and its employees are established by Statute. The City is required to contribute 14% for the year ended June 30, 2014. Participating members are required to contribute 9%. The

plan is funded by contributions from participants, employers, insurance premium taxes, and state appropriations, as necessary.

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

Schedule of Retirement Plan Contributions – OFPRS

Fiscal Year	Required Contribution	Amount Contributed
2010	$241,482	$241,482
2011	$244,470	$244,470
2012	$252,295	$252,295
2013	$246,906	$246,906
2014	$280,124	$280,124

Policemen's Retirement Plan – The City of Chickasha participates in the statewide cost-sharing multi-employer defined benefit plan administered by the Oklahoma Police Pension and Retirement System (OPPRS) on behalf of paid officers. The City has no responsibility or authority for the operation and administration of the pension program nor has it any related liability, except for the current contribution requirements.

The contribution rates for the City and its employees are established by Statute. The City is required to contribute 13% for the year ended June 30, 2014. Participating members are required to contribute 8%. The plan is funded by contributions from participants, employers, insurance premium taxes, and state appropriations, as necessary.

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

Schedule of Retirement Plan Contributions – OPPRS

Fiscal Year	Required Contribution	Amount Contributed
2010	$145,721	$145,721
2011	$146,159	$146,159
2012	$154,769	$154,769
2013	$149,773	$149,773
2014	$146,634	$146,634

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

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

Funding Policy – The contribution requirements of City of Chickasha and employees are established and may be amended by the OMRF board. Employees are required to contribute 4% of their annual covered salary. City of Chickasha is required to contribute at an actuarially determined rate; the rate during fiscal year 2013-2014 was 13.9% of covered payroll.

Annual Pension Cost – For 2013-2014, the City of Chickasha's annual pension cost of $365,140.38 for the OMRF plan was equal to the required and actual contributions. The required contribution was determined as part of the March 31, 2014 actuarial valuation using the entry age normal actuarial cost method. The actuarial assumptions included (a) 7.5% investment rate of return, (b) projected salary increases due to inflation of 4%, compounded annually (higher for younger employees), and (c) projected salary increases due to age/seniority, compounded annually. Funding requirements may increase in the future as benefits accrue.

Schedule of Retirement Plan Contributions – OMRF Defined Benefit Plan

Fiscal Year	Actuarial Required Contribution	Percentage Contributed	Pension Benefit Obligation
2010	$237,644	100%	$0
2011	$305,917	100%	$0
2012	$382,297	100%	$0
2013	$376,424	100%	$0
2014	$365,140	100%	$0

Funding Status and Funding Progress – As of January 1, 2014, the most recent actuarial valuation date, the plan was 97.3% funded. As of 1-1/13 the funded percentage was 96%, and as of 1-1-12, the funded percentage was 93.8%. The actuarial accrued liability for benefits was $14,851,667 and the actuarial value of assets was $14,444,765, resulting in an unfunded actuarial accrued liability (UAAL) of $406,902. The covered payroll (total annualized rate of pay as of the valuation date based on actual pay for the preceding year) was $2,077,479, and the ratio of the UAAL to the covered payroll was 19.6%. The City's unfunded actuarial accrued liability is being amortized as a level dollar amount on an open basis.

16. Prior Period Adjustments

	Government-Wide		
	Governmental Activity	Business-type Activity	Governmental Fund Statement
Beginning Net position as previously reported	$ 51,297,269	$ 42,355,772	$ 15,939,758
Record capital lease	$ (401,979)		
Correct payroll liabilities	$ (1,042)		$ (1,042)
Beginning net position as restated	$ 50,894,248	$ 42,355,772	$ 15,938,716

SUPPLEMENTARY INFORMATION

CITY OF CHICKASHA, OKLAHOMA
Combining Statement of Assets, Liabilities, and Fund Equity
Nonmajor Governmental Funds - Modified Cash Basis
June 30, 2014

	Special Revenue Funds					Capital Project Fund	Total Nonmajor Governmental Funds
	Donations	Tax Increment District	Chickasha Industrial Auth	E-911	Street and Alley	Cemetery Care	
Assets							
Cash and cash equivalents	$ 51,378	$ 3,189	$ 375,109	$ 438,684	$ 165,862	$ 274,280	$ 1,308,502
Investments			200,000	200,000	200,000	300,000	900,000
Note receivable				3,992			3,992
Total Assets	51,378	3,189	575,109	642,676	365,862	574,280	2,212,494
Liabilities							
Due to Other Funds							-
Total Liabilities	-	-	-	-	-	-	-
Fund Equity							
Fund Balance							
Nonspendable							-
Restricted	35,559	3,189	193,564	637,573	128,337	26,377	1,024,599
Committed							-
Assigned	15,819		381,545	5,103	237,525	547,903	1,187,895
Unassigned							-
Total Fund Equity	51,378	3,189	575,109	642,676	365,862	574,280	2,212,494
Total Liabilities and Fund Equity	$ 51,378	$ 3,189	$ 575,109	$ 642,676	$ 365,862	$ 574,280	$ 2,212,494

CITY OF CHICKASHA, OKLAHOMA
Combining Statement of Revenues, Expenditures, and Changes in Fund Balances
Nonmajor Governmental Funds - Modified Cash Basis
For the Year Ended June 30, 2014

	Special Revenue Funds					Capital Project Funds	Total Nonmajor Governmental Funds
	Donations	Tax Increment District	Chickasha Industrial Auth	E-911	Street and Alley	Cemetery Care	
Revenues							
Taxes	$	$ 29,104	$ 414,958	$ 133,705	$	$	$ 577,767
Intergovernmental					142,670		142,670
Charges for services						25,607	25,607
Investment income	129	21	965	673	582	254	2,624
Miscellaneous	4,336						4,336
Total Revenues	4,465	29,125	415,923	134,378	143,252	25,861	753,004
Expenditures							
Current:							
E-911				58,202			58,202
Culture, Parks and Recreation							-
Cemetery						89	89
Library							-
Streets							-
General government	15,874						15,874
Economic development		81,000	291,614				372,614
Capital outlay	26,925			6,096	122,076	966	156,063
Debt service							-
Total Expenditures	42,799	81,000	291,614	64,298	122,076	1,055	602,842
Excess (Deficiency) of Revenues over Expenditures	(38,334)	(51,875)	124,309	70,080	21,176	24,806	150,162
Other Financing Sources (Uses)							
Contribution expense							-
Transfers in		52,206					52,206
Transfers out			(81,863)				(81,863)
Total Other Financing Sources (Uses)	-	52,206	(81,863)	-	-	-	(29,657)
Net Change in Fund Balances	(38,334)	331	42,446	70,080	21,176	24,806	120,505
Fund Balances - beginning	89,712	2,858	532,663	572,596	344,686	549,474	2,091,989
Fund Balances - ending	$ 51,378	$ 3,189	$ 575,109	$ 642,676	$ 365,862	$ 574,280	$ 2,212,494

CITY OF CHICKASHA, OKLAHOMA
Combining Statement of Assets, Liabilities, and Fund Equity
General Fund Accounts - Modified Cash Basis
June 30, 2014

	General Fund Account	Fire/EMS Training Fund Account	Police Training Fund Account	Police Operations Account	Police Bond Fund Account	Inter Account Elimination	Total General Fund
Assets							
Cash and cash equivalents	$ 2,020,229	$ 924	$ 89,047	$ 7,224	$ 255,916	$	$ 2,373,340
Investments							-
Internal service receivable					64,570		64,570
Due from other funds	6,621						6,621
Total Assets	2,026,850	924	89,047	7,224	320,486	-	2,444,531
Liabilities							
Due to other funds							-
Encumbrances payable							-
Police bonds					2,822		2,822
Total Liabilities	-	-	-	-	2,822	-	2,822
Fund Equity							
Fund Balance							
Nonspendable							-
Restricted				7,224			7,224
Committed							-
Assigned		924	89,047				89,971
Unassigned	2,026,850				317,664		2,344,514
Total Fund Equity	2,026,850	924	89,047	7,224	317,664	-	2,441,709
Total Liabilities and Fund Equity	$ 2,026,850	$ 924	$ 89,047	$ 7,224	$ 320,486	$ -	$ 2,444,531

CITY OF CHICKASHA, OKLAHOMA
Combining Statement of Revenues, Expenditures, and Changes in Fund Balances
General Fund Accounts - Modified Cash Basis
For the Year Ended June 30, 2014

	General Fund Account	Fire/EMS Training Fund Account	Police Training Fund Account	Police Operations Account	Police Bond Fund Account	Inter Account Elimination	Total General Fund
Revenues							
Taxes	$ 8,870,846	$	$	$	$	$	$ 8,870,846
Intergovernmental	257,292						257,292
Charges for services	323,849						323,849
Fines and forfeitures					225,567		225,567
Licenses and permits	117,995						117,995
Investment income	3,312		43		182		3,537
Oil Lease							-
Miscellaneous	40,243			1,038			41,281
Total Revenues	9,613,537	-	43	1,038	225,749	-	9,840,367
Expenditures							
Current:							
Administration	247,883						247,883
Fire/EMS	2,308,325	43					2,308,368
Police	2,710,076		11,530	270	36,564		2,758,440
Parks and recreation	483,676						483,676
Cemetery	116,880						116,880
Sports complex	342,753						342,753
Library	363,644						363,644
Streets	651,145						651,145
Central garage	65,271						65,271
Support services	160,565						160,565
Finance	185,034						185,034
Community development	114,715						114,715
General government	248,546						248,546
Building Services	69,509						69,509
Neighborhood Services	205,028						205,028
Animal Control	82,027						82,027
Capital outlay	334,885						334,885
Debt service							-
Total Expenditures	8,689,962	43	11,530	270	36,564	-	8,738,369
Excess (Deficiency) of Revenues over Expenditures	923,575	(43)	(11,487)	768	189,185	-	1,101,998
Other Financing Sources (Uses)							
Contibution Income	2,625						2,625
Transfers in	1,879,296	224	15,536			(163,193)	1,731,863
Transfers out	(5,819,545)				(163,193)	163,193	(5,819,545)
Total Other Financing Sources (Uses	(3,937,624)	224	15,536	-	(163,193)	-	(4,085,057)
Net Change in Fund Balances	(3,014,049)	181	4,049	768	25,992	-	(2,983,059)
Fund Balances - beginning	5,041,941	743	84,998	6,456	291,672	-	5,425,810
Prior Period Adjustment	(1,042)						(1,042)
Fund Balances - beginning-*restated*	5,040,899	743	84,998	6,456	291,672	-	5,424,768
Fund Balances - ending	$ 2,026,850	$ 924	$ 89,047	$ 7,224	$ 317,664	$ -	$ 2,441,709

CITY OF CHICKASHA, OKLAHOMA
Combining Statement of Net Position
Chickasha Municipal Authority - Modified Cash Basis
June 30, 2014

	Enterprise Funds			
	Chickasha Municipal Authority	Water Meter Deposit	Water Resource	TOTAL
Assets				
Current Assets:				
Cash and cash equivalents	$ 2,943,392	$ 54,175	$ 342,667	$ 3,340,234
Deposits with insurance pool	11,498			11,498
Investments	5,000,000		200,000	5,200,000
Due from other funds		93	4	97
Total Current Assets	7,954,890	54,268	542,671	8,551,829
Noncurrent Assets:				
Restricted cash and cash equivalents	9,606,523	160,200		9,766,723
Restricted investments	-	150,000		150,000
Land and other non-depreciable assets	3,705,834			3,705,834
Other capital assets, net of depreciation	31,436,680			31,436,680
Total Noncurrent Assets	44,749,037	310,200	-	45,059,237
Total Assets	52,703,927	364,468	542,671	53,611,066
Liabilities				
Current Liabilities:				
Due to other funds	405			405
Due to depositors	2,984	310,200		313,184
Revenue notes payable	530,000			530,000
Total Current Liabilities	533,389	310,200	-	843,589
Noncurrent Liabilities:				
Revenue notes payable	9,345,000			9,345,000
Total Noncurrent Liabilities	9,345,000	-	-	9,345,000
Total Liabilities	9,878,389	310,200	-	10,188,589
Net Position				
Invested in captial assets, net of related debt	21,598,738			21,598,738
Restricted for debt servicce	9,606,523			9,606,523
Restricted for other purposes			542,671	542,671
Unrestricted	11,620,277	54,268		11,674,545
Total Net Position	$ 42,825,538	$ 54,268	$ 542,671	$ 43,422,477

CITY OF CHICKASHA, OKLAHOMA
Combining Statement of Revenues, Expenses and Changes in Net Position
Chickasha Municipal Authority - Modified Cash Basis
For the Year Ending June 30, 2014

	Enterprise Funds			
	Chickasha Municipal Authority	**Water Meter Deposit**	**Water Resource**	**TOTAL**
Operating Revenues				
Charges for Services:				
Water revenue	$ 2,148,028	$	$	$ 2,148,028
Sewer revenue	1,466,569			1,466,569
Sanitation revenue	1,673,071			1,673,071
Penalties and Fees	177,595			177,595
Miscellaneous	103,311			103,311
Lake Revenue	22,307			22,307
Utility Deposits		74,600		74,600
User resource fee	23,598		81,103	104,701
Development fee	114,230			114,230
Total Operating Revenues	5,728,709	74,600	81,103	5,884,412
Operating Expenses				
CMA general	67,042			67,042
Administration	526,514			526,514
Water	1,974,873	74,751		2,049,624
Sewer	609,824			609,824
Sanitation	1,757,537			1,757,537
Lake	145,452			145,452
Building Maintenance	213,895			213,895
Depreciation expense	1,173,185			1,173,185
Total Operating Expenses	6,468,323	74,751	-	6,543,074
Operating Income (Loss)	(739,614)	(151)	81,103	(658,662)
Nonoperating Revenues (Expenses)				
Investment income	5,588	389	331	6,308
Interest expense	(44,066)			(44,066)
Sale of Land	264,425			264,425
Contribution income	18,712			18,712
Rent	152,229			152,229
Total Nonoperating Revenues (Expenses)	396,888	389	331	397,608
Net Income (Loss) Before Contributions and Transfers	(342,726)	238	81,434	(261,054)
Capital contributions	125,692			125,692
Transfers in	7,319,260			7,319,260
Transfers out	(2,250,000)			(2,250,000)
Change in Net Position	4,852,226	238	81,434	4,933,898
Net Position - beginning	37,973,312	54,030	461,237	38,488,579
Net Position - ending	$ 42,825,538	$ 54,268	$ 542,671	$ 43,422,477

CITY OF CHICKASHA, OKLAHOMA
Combining Statement of Cash Flows
Chickasha Municipal Authority - Modified Cash Basis
For the Year Ending June 30, 2014

	Enterprise Funds			
	Chickasha Municipal Authority	Water Meter Deposit	Water Resource	TOTAL
Cash Flows From Operating Activities				
Receipts from customers	$ 5,730,347	$	$ 81,103	$ 5,811,450
Vendors and others paid	(5,295,138)			(5,295,138)
Customer meter deposits receipts/refunds		6,831		6,831
Other receipts (payments)				-
Net Cash Provided by Operating Activities	435,209	6,831	81,103	523,143
Cash Flows From Noncapital Financing Activities				
Miscellaneous revenues	152,229			152,229
Transfers from other funds	7,319,614		268	7,319,882
Transfers to other funds	(2,250,000)	(93)		(2,250,093)
Net Cash Provided by Noncapital Financing Activities	5,221,843	(93)	268	5,222,018
Cash Flows From Capital and Related Financing Activities				
Contibution income	18,712			18,712
Interest paid on debt	(44,066)			(44,066)
Principal paid on debt	(1,525,000)			(1,525,000)
Loan Proceeds	9,875,000			9,875,000
Sale of Land	264,425			264,425
Contibution income	125,692			125,692
Purchases of capital assets	(326,269)			(326,269)
Net Cash Provided by (used in) Capital and Related Financing Activities	8,388,494	-	-	8,388,494
Cash Flows From Investing Activities				
Interest received	5,588	389	331	6,308
(Increase) decrease in investments	(3,500,000)		(200,000)	(3,700,000)
Net Cash Provided by Investing Activities	(3,494,412)	389	(199,669)	(3,693,692)
Net Increase in Cash and Cash Equivalents	10,551,134	7,127	(118,298)	10,439,963
Balance - Beginning of the Year	2,010,279	207,248	460,965	2,678,492
Balance - End of the Year	12,561,413	214,375	342,667	13,118,455
Reconciliation of Operating Income (Loss) to Net Cash Provided by Operating Activities:				
Operating income (loss)	(739,614)	(151)	81,103	(658,662)
Adjustments to reconcile operating income to net cash provided (used) by operating activities:				
Depreciation expense	1,173,185			1,173,185
Changes in assets and liabilities:				
Due to depositors	1,638	6,982		8,620
Net Cash Provided by Operating Activities	$ 435,209	$ 6,831	$ 81,103	$ 523,143

CITY OF CHICKASHA, OKLAHOMA
Budgetary Comparison Schedule
General Fund - Modified Cash Basis
For the Year Ending June 30, 2014

	Budgeted Amounts		Actual	Variance with Final Budget
	Original	Final	Amounts	Positive (Negative)
Beginning Budgetary Fund Balance	$ 1,971,736	$ 1,971,736	$ 5,040,899	$ (3,069,163)
Resources (Inflows):				
Taxes	5,848,000	5,848,000	8,870,846	(3,022,846)
Intergovernmental	274,900	274,900	255,217	19,683
Charges for services	339,000	339,000	323,849	15,151
Fines and forfeitures				-
Licenses and permits	148,100	148,100	117,995	30,105
Investment income	12,000	12,000	3,312	8,688
Miscellaneous	39,100	39,100	44,943	(5,843)
Transfers in	1,930,500	1,930,500	1,879,296	51,204
Total Resources (Inflows)	8,591,600	8,591,600	11,495,458	(2,903,858)
Amounts available for appropriations	10,563,336	10,563,336	16,536,357	(5,973,021)
Charges to Appropriations (Outflows):				
Administration	366,500	366,500	248,483	118,017
Fire	2,300,700	2,500,700	2,424,306	76,394
Police	2,886,600	2,886,600	2,718,320	168,280
Parks and recreation	884,000	934,000	941,949	(7,949)
Library	412,600	417,600	402,535	15,065
Support services	233,500	233,500	161,266	72,234
Finance	189,400	194,400	187,820	6,580
Public Works	944,900	944,900	836,703	108,197
Community development	528,000	588,000	520,035	67,965
General government	321,500	1,401,500	248,545	1,152,955
Transfers out		3,000,000	5,819,545	(2,819,545)
Total Charges to Appropriations	9,067,700	13,467,700	14,509,507	(1,041,807)
Ending Budgetary Fund Balance	$ 1,495,636	$ (2,904,364)	$ 2,026,850	$ (4,931,214)

Reconciliation to Statement of Revenues, Expenditures, and Changes in Fund Balance:	
Fire/EMS Training Account Fund Balance	924
Police Operating Account	7,224
Police Training Account Fund Balance	89,047
Police Bond Account Fund Balance	317,664
Total General Fund Fund Balance	$ 2,441,709

CITY OF CHICKASHA, OKLAHOMA
Budgetary Comparison Schedule
EMS Fund - Modified Cash Basis
For the Year Ending June 30, 2014

	Budgeted Amounts		Actual	Variance with Final Budget
	Original	Final	Amounts	Positive (Negative)
Beginning Budgetary Fund Balance	$ 318,502	$ 318,502	$ 317,474	$ 1,028
Resources (Inflows):				
Charges for services	968,100	968,100	931,065	37,035
Intergovernmental	355,000	355,000	354,363	637
Investment income	500	500	139	361
Miscellaneous revenue			19,119	(19,119)
Transfers in				-
Total Resources (Inflows)	1,323,600	1,323,600	1,304,686	18,914
Amounts available for appropriations	1,642,102	1,642,102	1,622,160	19,942
Charges to Appropriations (Outflows):				
EMS	1,623,900	1,623,900	1,437,091	186,809
Total Charges to Appropriations	1,623,900	1,623,900	1,437,091	186,809
Ending Budgetary Fund Balance	$ 18,202	$ 18,202	$ 185,069	$ (166,867)

CITY OF CHICKASHA, OKLAHOMA
Budgetary Comparison Schedule
Dedicated Sales Tax Fund - Modified Cash Basis
For the Year Ending June 30, 2014

	Budgeted Amounts		Actual	Variance with Final Budget
	Original	Final	Amounts	Positive (Negative)
Beginning Budgetary Fund Balance	$ 1,591,802	$ 1,591,802	$ 1,814,108	$ (222,306)
Resources (Inflows):				
Taxes	2,052,100	2,052,100	2,187,851	(135,751)
Intergovernmental	90,000	90,000	178,880	(88,880)
Investment income	2,098	2,098	2,176	(78)
Miscellaneous revenue			2,000	(2,000)
Transfers in			-	-
Total Resources (Inflows)	2,144,198	2,144,198	2,370,907	(226,709)
Amounts available for appropriations	3,736,000	3,736,000	4,185,015	(449,015)
Charges to Appropriations (Outflows):				
Department No. 53	3,709,700	3,709,700	2,390,760	1,318,940
Total Charges to Appropriations	3,709,700	3,709,700	2,390,760	1,318,940
Ending Budgetary Fund Balance	$ 26,300	$ 26,300	$ 1,794,255	$ (1,767,955)

CITY OF CHICKASHA, OKLAHOMA
Budgetary Comparison Schedule
Economic Developement Sales Tax Fund - Modified Cash Basis
For the Year Ending June 30, 2014

	Budgeted Amounts		Actual	Variance with Final Budget
	Original	Final	Amounts	Positive (Negative)
Beginning Budgetary Fund Balance	$ 4,122,548	$ 4,122,548	$ 4,281,960	$ (159,412)
Resources (Inflows):				
Taxes	608,700	608,700	642,804	(34,104)
Investment income	624	624	1,627	(1,003)
Miscellaneous revenue				-
Transfers in			-	-
Total Resources (Inflows)	609,324	609,324	644,431	(35,107)
Amounts available for appropriations	4,731,872	4,731,872	4,926,391	(194,519)
Charges to Appropriations (Outflows):				
Economic Development	4,661,100	4,661,100	649,106	4,011,994
Total Charges to Appropriations	4,661,100	4,661,100	649,106	4,011,994
Ending Budgetary Fund Balance	$ 70,772	$ 70,772	$ 4,277,285	$ (4,206,513)

CITY OF CHICKASHA, OKLAHOMA
Budgetary Comparison Schedule
Capital Improvement Fund - Modified Cash Basis
For the Year Ending June 30, 2014

	Budgeted Amounts		Actual	Variance with Final Budget
	Original	Final	Amounts	Positive (Negative)
Beginning Budgetary Fund Balance	$ 1,311,755	$ 1,311,755	$ 2,008,417	$ (696,662)
Resources (Inflows):				
Taxes	329,300	329,300	449,390	(120,090)
Intergovernmental	175,000	175,000		175,000
Investment income	2,800	2,800	1,841	959
Miscellaneous revenue	70,000	70,000	37,227	32,773
Transfers in	800,000	800,000	-	800,000
Total Resources (Inflows)	1,377,100	1,377,100	488,458	888,642
Amounts available for appropriations	2,688,855	2,688,855	2,496,875	191,980
Charges to Appropriations (Outflows):				
Capital Projects	2,679,300	2,679,300	1,342,080	1,337,220
Total Charges to Appropriations	2,679,300	2,679,300	1,342,080	1,337,220
Ending Budgetary Fund Balance	$ 9,555	$ 9,555	$ 1,154,795	$ (1,145,240)

CITY OF CHICKASHA, OKLAHOMA
Schedule of Federal and State Awards
Modified Cash Basis
For the Year Ending June 30, 2014

Grantor/Program Title	Federal CFDA #	Award Amount	Prior Year Revenues	Current Year Revenues	Prior Year Expenditures	Current Year Expenditures
Federal Awards:						
ASPR Hospital Grant - Computer	93.889	$5,000.00	$5,000.00	1,000.00	$2,313.96	1,000.00
Centennial Park CDBG 15294 cdbg 12	14.228	88,978.00		69,289.00		74,247.00
Centennial Park CDBG 14415 cdbg 10	14.228	90,235.00	69,203.50	21,032.00	69,203.50	21,032.00
Washita Park Comm Bldg CDBG 14900 11	14.228	88,559.00		88,559.00	50,447.00	38,112.00
FAA AIP 3-40-0018-012-2013 (runway)	20.106	202,261.00		184,686.00	4,400.00	180,286.00
Total Federal Awards		$475,033.00	$74,203.50	$364,566.00	$126,364.46	$314,677.00
State Awards:						
ODL - Annual State Aid - C&R		$25,607.00		$26,307.65		$25,607.00
OHSO-More Cops/More Stops		4,000.00		4,000.00		4,000.00
Oklahoma Wildlife Department		18,712.14		18,712.14		18,712.14
Total State Awards		$48,319.14	$0.00	$49,019.79	$0.00	$48,319.14

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

Members of the City Council
City of Chickasha, Oklahoma

We have audited audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States, the accompanying modified cash basis financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the City of Chickasha, Oklahoma, as of and for the year ended June 30, 2014, and the related notes to the financial statements, which collectively comprise the City's basic financial statements and have issued our report thereon dated February 3, 2015. Our report included an emphasis of matter paragraph on the City's use of the modified cash basis of accounting.

Internal Control Over Financial Reporting

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

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

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies and therefore, material weaknesses or significant deficiencies may exist that were not identified. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified. We did identify certain deficiencies described in the accompanying Schedule of Findings and Responses that we consider to be significant deficiencies: 14-1, 14–2, and 14-3.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the City's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit and, accordingly, we do not express such an opinion. The results of our tests disclosed an instance of noncompliance or other matters that is required to be reported under *Government Auditing Standards* and which are described in the accompanying Schedule of Findings and Responses as items 14-1 and 14-2.

City of Chickasha's Responses to Findings

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

Purpose of This Report

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

Angel, Johnston & Blasingame, P.C.

Chickasha, Oklahoma
February 3, 2015

CITY OF CHICKASHA, OKLAHOMA
Schedule of Findings and Responses
For the Year Ended June 30, 2014

Deficiencies of Internal Control, Compliance and Other Matters

14-1. Criteria – State statutes require all City funds be either insured or collateralized. This insures in case of a banking failure that the City's funds are fully recoverable.

Condition – At year end the E-911 Fund had $8,710 that was not collateralized or insured. This is the only account at this financial institution and it has just recently grown to exceed FDIC insurance levels.

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

Effect – City funds were exposed due to lack of coverage.

Recommendation – Establish on-going monitoring procedures for proper cash and investment coverage that includes all bank accounts.

Management response – Staff has in place a monthly collateral report to insure cash and investments are fully covered. Staff will also, put in place an on-going monitoring procedure for all bank accounts that will cover unexpected ACH deposits.

14-2. Criteria – State statutes requires the City to not exceed budgeted expenditures at the department level.

Condition – The City's expenditures for the Parks & Recreation Department exceeded the budgeted amount by $7,949 for the department.

Cause – The Sports Complex experienced higher than normal volume.

Effect – The Department exceeded established budget in violation of state statutes.

Recommendation – The City should monitor spending and stay within budgeted amounts or obtain budget adjustments if necessary.

Management response – On June 2, 2014 Mayor and Council approved Resolution No. 2014-08R – Budget Amendment #2 that included $50,000 to Park and Recreation Department. Staff miscalculated encumbered expenses causing an overage or $7,949. FY 13-14 was a great year for weather at the Sports Complex but did trigger above normal expenditures in areas of labor and concession supplies. Staff will monitor spending and make budget adjustment as deemed necessary.

14-3. Criteria – All expected income due to the City should be monitored and tracked to avoid potential understatement of income.

Condition – The County sends monthly checks to the City. One month the check was not received and only discovered during the audit. Once the missing check was discovered the City notified the County which issued a replacement check.

Effect – Potential understatement of revenue of $22,022 (alcoholic beverage tax of $9,323; tobacco tax of $10,746 and a special assessment tax of $1,953).

Cause – Procedures have not been established to monitor expected monthly revenue.

Recommendation – Establish and monitor appropriate tracking procedures.

Management response – A spreadsheet for the monthly expected revenue from the County has been put in place to monitor monthly income.

CITY OF CHICKASHA, OKLAHOMA
Disposition of Prior Year Findings
For the Year Ended June 30, 2014

Deficiencies of Internal Control, Compliance and Other Matters

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

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

Management response – There was one bank that was under collateralized at June 30, 2014.

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

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

Management response – This was not noted as an issue in the 2013-14 year.

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

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

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

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

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

Disposition – This was not noted as an issue in the 2013-14 year.

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

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

Disposition– A spreadsheet for the oil and gas royalties was be created to eliminate the possibility of a check not being received or posted to the General Ledger. However, during the current year it was discovered that one month's check from the county was not identified as missing.