

**CITY OF CHICKASHA, OKLAHOMA**

June 30, 2011

TABLE OF CONTENTS

	<b>Page</b>
Independent Auditor's Report	A - 1
<b>Basic Financial Statements</b>	
<b>Government-Wide Financial Statements:</b>	
Statement of Net Assets - Modified Cash Basis	B - 1
Statement of Activities - Modified Cash Basis	B - 2
<b>Governmental Funds Financial Statements:</b>	
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
<b>Proprietary Funds Financial Statements:</b>	
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
<b>Notes to the Basic Financial Statements</b>	B - 9
<b>Unaudited Required Supplementary Information</b>	
OMRF Unaudited Schedule of Funding Progress	C - 1
Unaudited Budgetary Comparison Schedule - General Fund - Modified Cash Basis	C - 2
Unaudited Budgetary Comparison Schedule - EMS Fund - Modified Cash Basis	C - 3
Unaudited Budgetary Comparison Schedule - Dedicated Sales Tax Fund - Modified Cash Basis	C - 4
Notes to Budgetary Comparison Schedules	C - 5
<b>Other Supplementary Information</b>	
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 Statement of Assets, Liabilities, and Fund Equity - 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 Assets - Nonmajor Proprietary Funds - Modified Cash Basis	D - 5
Combining Statement of Revenues, Expenses and Changes in Fund Net Assets Nonmajor Proprietary Funds - Modified Cash Basis	D - 6
Combining Statement of Cash Flows - Nonmajor Proprietary Funds - Modified Cash Basis	D - 7
Schedule of Federal and State Awards - Modified Cash Basis	D - 8
<b>Internal Control and Compliance</b>	
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

**THIS PAGE INTENTIONALLY LEFT BLANK**

## INDEPENDENT AUDITOR'S REPORT

Members of the City Council  
City of Chickasha, Oklahoma

We have audited the accompanying 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, 2011, which collectively comprise the City's basic financial statements as listed in the table of contents. These financial statements are the responsibility of the City's management. 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 *Government 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 includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and the significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinions.

As discussed in Note 1.C., the City of Chickasha, Oklahoma prepares its financial statements on the modified cash basis, which is a comprehensive basis of accounting other than accounting principles generally accepted in the United States of America.

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position—modified cash basis 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, 2011, and the respective changes in financial position—modified cash basis, and cash flows, where applicable, thereof for the year then ended in conformity with the basis of accounting described in Note 1.C.

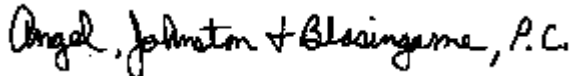
In accordance with *Government Auditing Standards*, we have also issued our report dated January 19, 2012, on our consideration of the City's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and 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* and should be considered in assessing the results of our audit.

Accounting principles generally accepted in the United States of America require that the budgetary comparison information as listed in the table of contents be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquires of

management regarding the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statement, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

The City of Chickasha has not presented the Management's Discussion and Analysis that the Governmental Accounting Standards Board (GASB) has determined is necessary to supplement, although not required to be part of the basic financial statements.

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the City of Chickasha's financial statements as a whole. The accompanying other supplementary information as listed in the table of contents are presented for purposes of additional analysis and are not a required part of the financial statements. The other supplementary information is the responsibility of management and was derived from and relate directly to the underlying accounting and other records used to prepare the financial statements. The information has been subjected to the auditing procedures applied in the audit of the financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements or to the financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the information is fairly stated in all material respects in relation to the financial statements as a whole on the basis of accounting described in Note 1.C.



Chickasha, Oklahoma  
January 19, 2012

**BASIC FINANCIAL STATEMENTS**

**STATEMENT OF NET ASSETS AND ACTIVITIES**

**CITY OF CHICKASHA, OKLAHOMA**  
**Statement of Net Assets - Modified Cash Basis**  
**June 30, 2011**

	<u>Governmental Activities</u>	<u>Business-Type Activities</u>	<u>Total</u>
<b><u>Assets</u></b>			
Cash and cash equivalents	\$ 7,217,974	\$ 3,772,431	\$ 10,990,405
Deposits with insurance pool	63,103	-	63,103
Investments	4,053,500	850,000	4,903,500
Note receivable	1,500,000	-	1,500,000
Capital assets:			
Land and other non-depreciable assets	2,515,311	3,639,966	6,155,277
Other capital assets, net	30,177,058	36,997,223	67,174,281
Note issue costs, net	91,952	6,675	98,627
<i>Total Assets</i>	<u>45,618,898</u>	<u>45,266,295</u>	<u>90,885,193</u>
<b><u>Liabilities</u></b>			
Encumbrances payable	248,795	62,803	311,598
Police bonds	1,772	-	1,772
Due to depositors	-	291,550	291,550
Long-term liabilities:			
Due within one year	1,606,827	446,275	2,053,102
Due in more than one year	3,464,124	526,007	3,990,131
<i>Total Liabilities</i>	<u>5,321,518</u>	<u>1,326,635</u>	<u>6,648,153</u>
<b><u>Net Assets</u></b>			
Invested in capital assets, net of related debt	27,621,417	39,664,907	67,286,324
Restricted for debt service	-	921,862	921,862
Restricted for capital projects	1,307,178	573,390	1,880,568
Restricted for other purposes	4,529,907	569,171	5,099,078
Unrestricted	6,838,878	2,210,330	9,049,208
<i>Total Net Assets</i>	<u>\$ 40,297,380</u>	<u>\$ 43,939,660</u>	<u>\$ 84,237,040</u>

See accompanying notes to basic financial statements.

**CITY OF CHICKASHA, OKLAHOMA**  
**Statement of Activities - Modified Cash Basis**  
**For the Year Ending June 30, 2011**

<b>Functions/Programs</b>	<b>Program Revenues</b>				<b>Net (Expenses) Revenue and Changes in Net Assets</b>		
	<b>Expenses</b>	<b>Charges for Services</b>	<b>Operating Grants and Contributions</b>	<b>Capital Grants and Contributions</b>	<b>Governmental Activities</b>	<b>Business-Type Activities</b>	<b>Total</b>
<b>Primary Government:</b>							
Governmental Activities:							
Public safety	\$ 6,386,289	\$ 1,481,365	\$ 30,691	\$ 78,645	\$ (4,795,588)	\$ -	\$ (4,795,588)
Culture, parks and recreation	1,408,599	173,039	32,517	232,956	(970,087)	-	(970,087)
Streets	1,809,648	-	144,815	88,209	(1,576,624)	-	(1,576,624)
Central garage	127,217	-	-	-	(127,217)	-	(127,217)
Cemetery	127,463	83,749	-	-	(43,714)	-	(43,714)
Community development	281,912	-	-	-	(281,912)	-	(281,912)
General government	1,164,154	169,267	-	164,341	(830,546)	-	(830,546)
Economic development	315,656	-	-	-	(315,656)	-	(315,656)
<i>Total Governmental Activities</i>	<u>11,620,938</u>	<u>1,907,420</u>	<u>208,023</u>	<u>564,151</u>	<u>(8,941,344)</u>	<u>-</u>	<u>(8,941,344)</u>
Business-Type Activities:							
Water	2,294,336	2,668,377	-	-	-	374,041	374,041
Sewer	1,668,163	1,194,818	-	-	-	(473,345)	(473,345)
Sanitation	1,685,023	1,573,600	-	-	-	(111,423)	(111,423)
Lake	153,504	28,846	-	-	-	(124,658)	(124,658)
Economic development	25,452	-	-	-	-	(25,452)	(25,452)
Airport	365,783	232,273	-	47,499	-	(86,011)	(86,011)
Administration	695,577	-	-	-	-	(695,577)	(695,577)
<i>Total Business-Type Activities</i>	<u>6,887,838</u>	<u>5,697,914</u>	<u>-</u>	<u>47,499</u>	<u>-</u>	<u>(1,142,425)</u>	<u>(1,142,425)</u>
<i>Total Primary Government</i>	<u>18,508,776</u>	<u>7,605,334</u>	<u>208,023</u>	<u>611,650</u>	<u>(8,941,344)</u>	<u>(1,142,425)</u>	<u>(10,083,769)</u>
General Revenues:							
Taxes:							
Sales taxes					9,473,608	-	9,473,608
Use taxes					310,119	-	310,119
Franchise taxes					591,753	-	591,753
Hotel/Motel taxes					216,306	-	216,306
E-911 taxes					130,137	-	130,137
Advalorem taxes					29,114	-	29,114
Intergovernmental revenue					230,156	-	230,156
Investment income					83,347	23,309	106,656
Miscellaneous					217,761	162,534	380,295
Transfers - internal activity					(268,337)	268,337	-
<i>Total General Revenues and Transfers</i>					<u>11,013,964</u>	<u>454,180</u>	<u>11,468,144</u>
<i>Change in Net Assets</i>					2,072,620	(688,245)	1,384,375
<i>Net Assets - beginning, restated</i>					<u>38,224,760</u>	<u>44,627,905</u>	<u>82,852,665</u>
<i>Net Assets - ending</i>					<u>\$ 40,297,380</u>	<u>\$ 43,939,660</u>	<u>\$ 84,237,040</u>

See accompanying notes to basic financial statements.

**BASIC FINANCIAL STATEMENTS**

**GOVERNMENTAL FUNDS**



**CITY OF CHICKASHA, OKLAHOMA**  
**Statement of Assets, Liabilities, and Fund Equity**  
**Governmental Funds - Modified Cash Basis**  
**June 30, 2011**

	<u>General</u>	<u>EMS</u>	<u>Dedicated Sales Tax</u>	<u>Other Governmental Funds</u>	<u>Total Governmental Funds</u>
<b><u>Assets</u></b>					
Cash and cash equivalents	\$ 1,376,251	\$ 304,081	\$ 676,022	\$ 3,358,252	\$ 5,714,606
Investments	1,100,000	250,000	700,000	1,453,500	3,503,500
Note receivable	-	-	-	1,500,000	1,500,000
	<hr/>	<hr/>	<hr/>	<hr/>	<hr/>
<i>Total Assets</i>	<u>2,476,251</u>	<u>554,081</u>	<u>1,376,022</u>	<u>6,311,752</u>	<u>10,718,106</u>
<b><u>Liabilities</u></b>					
Encumbrances payable	59,612	-	68,844	77,224	205,680
Police bonds	1,772	-	-	-	1,772
	<hr/>	<hr/>	<hr/>	<hr/>	<hr/>
<i>Total Liabilities</i>	<u>61,384</u>	<u>-</u>	<u>68,844</u>	<u>77,224</u>	<u>207,452</u>
<b><u>Fund Equity</u></b>					
Fund Balance:					
Nonspendable	-	-	-	1,500,000	1,500,000
Restricted	-	-	817,516	2,179,851	2,997,367
Committed	-	440,638	-	-	440,638
Assigned	304,313	113,443	489,662	2,554,677	3,462,095
Unassigned	2,110,554	-	-	-	2,110,554
	<hr/>	<hr/>	<hr/>	<hr/>	<hr/>
<i>Total Fund Equity</i>	<u>2,414,867</u>	<u>554,081</u>	<u>1,307,178</u>	<u>6,234,528</u>	<u>10,510,654</u>
	<hr/>	<hr/>	<hr/>	<hr/>	<hr/>
<i>Total Liabilities and Fund Equity</i>	<u>\$ 2,476,251</u>	<u>\$ 554,081</u>	<u>\$ 1,376,022</u>	<u>\$ 6,311,752</u>	<u>\$ 10,718,106</u>

See accompanying notes to basic financial statements.

**CITY OF CHICKASHA, OKLAHOMA**  
**Statement of Revenues, Expenditures and Changes in Fund Balances**  
**Governmental Funds - Modified Cash Basis**  
**For the Year Ending June 30, 2011**

	<u>General</u>	<u>EMS</u>	<u>Dedicated Sales Tax</u>	<u>Other Governmental Funds</u>	<u>Total Governmental Funds</u>
<b>Revenues</b>					
Taxes	\$ 7,733,536	\$ -	\$ 1,844,007	\$ 1,173,494	\$ 10,751,037
Intergovernmental	614,428	41,768	13,210	255,585	924,991
Charges for services	287,466	1,230,283	-	21,601	1,539,350
Fines and forfeitures	232,938	-	-	-	232,938
Licenses and permits	101,992	-	-	-	101,992
Investment income	12,279	4,157	8,638	46,256	71,330
Miscellaneous	104,098	1,053	6,899	216,191	328,241
<i>Total Revenues</i>	<u>9,086,737</u>	<u>1,277,261</u>	<u>1,872,754</u>	<u>1,713,127</u>	<u>13,949,879</u>
<b>Expenditures</b>					
Current:					
Administration	280,419	-	-	-	280,419
Fire/EMS	1,944,585	1,281,202	-	-	3,225,787
E-911	-	-	-	56,214	56,214
Police	2,594,642	-	-	-	2,594,642
Parks and recreation	284,581	-	-	-	284,581
Cemetery	123,623	-	-	2,482	126,105
Sports complex	401,692	-	-	-	401,692
Library	295,584	-	-	2,119	297,703
Streets	609,654	-	-	50	609,704
Central garage	129,867	-	-	-	129,867
Support services	182,391	-	-	-	182,391
Finance	263,818	-	-	-	263,818
Community development	280,108	-	-	-	280,108
General government	362,725	-	2,000	2,075	366,800
Economic development	-	-	-	195,070	195,070
Capital outlay	73,824	21,533	283,163	1,008,002	1,386,522
Debt service	-	-	-	86,028	86,028
<i>Total Expenditures</i>	<u>7,827,513</u>	<u>1,302,735</u>	<u>285,163</u>	<u>1,352,040</u>	<u>10,767,451</u>
Excess (Deficiency) of Revenues over Expenditures	<u>1,259,224</u>	<u>(25,474)</u>	<u>1,587,591</u>	<u>361,087</u>	<u>3,182,428</u>
<b>Other Financing Sources (Uses)</b>					
Transfers in	1,700,000	45,000	-	692,772	2,437,772
Transfers out	(2,510,742)	(16,250)	(1,204,182)	(650,332)	(4,381,506)
<i>Total Other Financing Sources (Uses)</i>	<u>(810,742)</u>	<u>28,750</u>	<u>(1,204,182)</u>	<u>42,440</u>	<u>(1,943,734)</u>
Net Change in Fund Balances	448,482	3,276	383,409	403,527	1,238,694
Fund Balances - beginning, restated	<u>1,966,385</u>	<u>550,805</u>	<u>923,769</u>	<u>5,831,001</u>	<u>9,271,960</u>
Fund Balances - ending	<u>\$ 2,414,867</u>	<u>\$ 554,081</u>	<u>\$ 1,307,178</u>	<u>\$ 6,234,528</u>	<u>\$ 10,510,654</u>

See accompanying notes to basic financial statements.

**CITY OF CHICKASHA, OKLAHOMA**  
**Reconciliation of Governmental Fund and Government-Wide Financial Statements**  
**Governmental Funds - Modified Cash Basis**  
**June 30, 2011**

**Reconciliation to Statement of Net Assets:**

Fund balances of governmental funds	\$	10,510,654
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		32,692,369
Bond issue costs, net of accumulated amortization		91,952
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		2,073,357
Some liabilities are not due and payable in the current period and, therefore are not reported in the funds:		
Capital lease payable		(442,952)
Notes payable		<u>(4,628,000)</u>
Net assets of governmental activities	\$	<u><u>40,297,380</u></u>

**Reconciliation to Statement of Activities:**

Net change in fund balances of governmental funds	\$	1,238,694
Amounts reported for governmental activities on the Statement of Activities are different because:		
Governmental funds report capital outlays as expenditures while governmental activities report depreciation expense to allocate those expenditures over the life of the assets:		
Capital asset purchases capitalized in governmental funds		1,121,283
Capital asset purchases capitalized in proprietary funds		76,288
Depreciation expense		(1,949,862)
Amortization expense		(30,651)
Capital assets purchased on behalf of business-type activities were transferred to the business-type activity and reported as capital assets.		
		(76,288)
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 obligation proceeds		-
Capital lease principal payments		65,982
Notes payable principal payments		1,456,050
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		<u>171,124</u>
Change in net assets of governmental activities	\$	<u><u>2,072,620</u></u>

See accompanying notes to basic financial statements.

**BASIC FINANCIAL STATEMENTS**

**PROPRIETARY FUNDS**

**CITY OF CHICKASHA, OKLAHOMA**  
**Statement of Net Assets**  
**Proprietary Funds - Modified Cash Basis**  
**June 30, 2011**

	<u>Enterprise Funds</u>			<u>Internal Service Funds</u>
	<u>Chickasha Municipal Authority</u>	<u>Other Enterprise Funds</u>	<u>TOTAL</u>	
<b><u>Assets</u></b>				
Current Assets:				
Cash and cash equivalents	\$ 1,507,201	\$ 628,428	\$ 2,135,629	\$ 1,503,367
Deposits with insurance pool	-	-	-	63,103
Investments	700,000	-	700,000	550,000
Due from other funds	-	4	4	-
<i>Total Current Assets</i>	<u>2,207,201</u>	<u>628,432</u>	<u>2,835,633</u>	<u>2,116,471</u>
Noncurrent Assets:				
Restricted cash and cash equivalents	1,495,252	141,550	1,636,802	-
Restricted investments	-	150,000	150,000	-
Land and other non-depreciable assets	3,571,966	68,000	3,639,966	-
Other capital assets, net of depreciation	33,862,228	3,134,995	36,997,223	-
Note issue costs, net of amortization	98,627	-	98,627	-
<i>Total Noncurrent Assets</i>	<u>39,028,073</u>	<u>3,494,545</u>	<u>42,522,618</u>	<u>-</u>
<i>Total Assets</i>	<u>41,235,274</u>	<u>4,122,977</u>	<u>45,358,251</u>	<u>2,116,471</u>
<b><u>Liabilities</u></b>				
Current Liabilities:				
Encumbrances payable	55,762	7,041	62,803	43,114
Due to other funds	4	-	4	-
Due to depositors	-	291,550	291,550	-
Capital lease obligations payable	34,275	-	34,275	-
Revenue notes payable	1,950,000	-	1,950,000	-
<i>Total Current Liabilities</i>	<u>2,040,041</u>	<u>298,591</u>	<u>2,338,632</u>	<u>43,114</u>
Noncurrent Liabilities:				
Capital lease obligations payable	36,006	-	36,006	-
Revenue notes payable	3,580,000	-	3,580,000	-
<i>Total Noncurrent Liabilities</i>	<u>3,616,006</u>	<u>-</u>	<u>3,616,006</u>	<u>-</u>
<i>Total Liabilities</i>	<u>5,656,047</u>	<u>298,591</u>	<u>5,954,638</u>	<u>43,114</u>
<b><u>Net Assets</u></b>				
Invested in capital assets, net of related debt	31,932,540	3,202,995	35,135,535	-
Restricted for debt service	921,862	-	921,862	-
Restricted for capital projects	573,390	-	573,390	-
Restricted for other purposes	-	569,171	569,171	-
Unrestricted	2,151,435	52,219	2,203,654	2,073,357
<i>Total Net Assets</i>	<u>\$ 35,579,227</u>	<u>\$ 3,824,385</u>	39,403,612	<u>\$ 2,073,357</u>

Some amounts reported for business-type activities in the statement of net assets are different because certain debt and bond issue costs are included with governmental activities.

	<u>4,536,048</u>
Net assets of business-type activities	<u>\$ 43,939,660</u>

See accompanying notes to basic financial statements.

**CITY OF CHICKASHA, OKLAHOMA**  
**Statement of Revenues, Expenses and Changes in Fund Net Assets**  
**Proprietary Funds - Modified Cash Basis**  
**For the Year Ending June 30, 2011**

	<b>Enterprise Funds</b>			<b>Internal Service Funds</b>
	<b>Chickasha Municipal Authority</b>	<b>Other Enterprise Funds</b>	<b>TOTAL</b>	
<b>Operating Revenues</b>				
Charges for Services:				
Water revenue	\$ 2,501,732	\$ -	\$ 2,501,732	\$ -
Sewer revenue	1,167,507	-	1,167,507	-
Sanitation revenue	1,514,830	-	1,514,830	-
Penalties	121,271	-	121,271	-
Miscellaneous fees	85,913	45,543	131,456	-
Lake revenue	28,846	-	28,846	-
Airport revenue	-	232,273	232,273	-
Charges for services	-	-	-	1,954,657
Employee insurance contributions	-	-	-	80,750
Insurance reimbursements	-	-	-	348,734
<i>Total Operating Revenues</i>	<u>5,420,099</u>	<u>277,816</u>	<u>5,697,915</u>	<u>2,384,141</u>
<b>Operating Expenses</b>				
CMA general	487,881	-	487,881	-
Administration	188,621	-	188,621	-
Water	1,551,420	140	1,551,560	-
Sewer	585,176	-	585,176	-
Sanitation	1,656,040	-	1,656,040	-
Lake	147,130	-	147,130	-
Sports complex	17,018	-	17,018	-
Airport	-	214,364	214,364	-
Insurance coverage	-	-	-	2,176,797
Compensated absences	-	-	-	50,203
Amortization expense	32,876	-	32,876	-
Depreciation expense	1,838,686	151,419	1,990,105	-
<i>Total Operating Expenses</i>	<u>6,504,848</u>	<u>365,923</u>	<u>6,870,771</u>	<u>2,227,000</u>
<i>Operating Income (Loss)</i>	<u>(1,084,749)</u>	<u>(88,107)</u>	<u>(1,172,856)</u>	<u>157,141</u>
<b>Nonoperating Revenues (Expenses)</b>				
Investment income	19,323	3,986	23,309	12,018
Grant revenue	-	47,499	47,499	-
Interest expense	(284,689)	-	(284,689)	-
Trustee Fees	(2,000)	-	(2,000)	-
Miscellaneous revenue	148,712	13,822	162,534	1,965
<i>Total Nonoperating Revenues (Expenses)</i>	<u>(118,654)</u>	<u>65,307</u>	<u>(53,347)</u>	<u>13,983</u>
Net Income (Loss) Before Contributions and Transfers	(1,203,403)	(22,800)	(1,226,203)	171,124
Capital contributions	76,288	-	76,288	-
Contribution expense	(56,664)	-	(56,664)	-
Transfers in	4,227,609	250,000	4,477,609	-
Transfers out	(2,531,375)	(2,500)	(2,533,875)	-
<i>Change in Net Assets</i>	512,455	224,700	737,155	171,124
<i>Net Assets - beginning, restated</i>	<u>35,066,772</u>	<u>3,599,686</u>	<u>38,666,458</u>	<u>1,902,233</u>
<i>Net Assets - ending</i>	<u>\$ 35,579,227</u>	<u>\$ 3,824,386</u>	<u>\$ 39,403,613</u>	<u>\$ 2,073,357</u>

Some amounts reported for business-type activities in the statement of net activities are different because the expense of certain debt and amortization are reported with governmental activities. (1,425,400)

Change in net assets of business-type activities \$ (688,245)

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, 2011**

	Enterprise Funds			Internal Service Funds
	Chickasha Municipal Authority	Other Enterprise Funds	TOTAL	
<b>Cash Flows From Operating Activities</b>				
Receipts from customers	\$ 5,420,099	\$ 277,816	\$ 5,697,915	\$ 549,526
Receipts from other funds	-	-	-	1,836,580
Vendors and others paid	(4,584,827)	(248,115)	(4,832,942)	(258,616)
Payments of claims	-	-	-	(1,925,270)
Customer meter deposits receipts/refunds	-	10,137	10,137	-
Other receipts (payments)	(43)	46	3	-
<i>Net Cash Provided by Operating Activities</i>	835,229	39,884	875,113	202,220
<b>Cash Flows From Noncapital Financing Activities</b>				
Miscellaneous revenue	148,712	5,797	154,509	-
Transfers from other funds	4,227,609	250,000	4,477,609	-
Transfers to other funds	(2,531,375)	(2,500)	(2,533,875)	-
<i>Net Cash Provided by Noncapital Financing Activities</i>	1,844,946	253,297	2,098,243	-
<b>Cash Flows From Capital and Related Financing Activities</b>				
Grant revenue	-	47,499	47,499	-
Purchases of capital assets	(85,205)	(16,000)	(101,205)	-
Principal paid on capital debt	(1,888,099)	-	(1,888,099)	-
Fiscal charges paid on capital debt	(2,000)	-	(2,000)	-
Interest paid on capital debt	(284,689)	-	(284,689)	-
<i>Net Cash Provided by (used in) Capital and Related Financing Activities</i>	(2,259,993)	31,499	(2,228,494)	-
<b>Cash Flows From Investing Activities</b>				
Interest received	19,323	3,985	23,308	12,018
Increase/decrease in investments	554,803	(50,999)	503,804	175,000
<i>Net Cash Provided by Investing Activities</i>	574,126	(47,014)	527,112	187,018
<i>Net Increase in Cash and Cash Equivalents</i>	994,308	277,666	1,271,974	389,238
<i>Balance - beginning of the year</i>	2,008,145	492,312	2,500,457	1,177,233
<i>Balance - end of the year</i>	3,002,453	769,978	3,772,431	1,566,470
<b>Reconciliation of Operating Income (Loss) to Net Cash Provided by Operating Activities:</b>				
Operating income (loss)	(1,084,749)	(88,107)	(1,172,856)	159,106
Adjustments to reconcile operating income to net cash provided (used) by operating activities:				
Depreciation expense	1,838,686	151,419	1,990,105	-
Amortization expense	32,876	-	32,876	-
Changes in assets and liabilities:				
Due from other funds	3	46	49	-
Encumbrances payable	48,459	(33,611)	14,848	43,114
Due to other funds	(46)	-	(46)	-
Due to depositors	-	10,137	10,137	-
<i>Net Cash Provided by Operating Activities</i>	\$ 835,229	\$ 39,884	\$ 875,113	\$ 202,220
<i>Noncash item:</i>				
Value of donated capital asset	\$ -	\$ 8,025	\$ 8,025	\$ -

See accompanying notes to basic financial statements.

**NOTES TO THE BASIC FINANCIAL STATEMENTS**



**CITY OF CHICKASHA, OKLAHOMA**  
**Notes To Basic Financial Statements**  
**For the Year Ended June 30, 2011**

---

**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 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 eight-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.

**Joint Venture**

In June 2008, the Chickasha Municipal Authority entered a joint venture administration and escrow agreement with 11 other entities called the Southeast Oklahoma Raw Water Study. This joint venture was formed to consider the acquisition of water resources and construction of water infrastructure for the benefit and well-being of its citizens and customers. The City's cost of participation in the study as of June 30, 2010 is \$15,130 or 1.78% of total percentage share. The \$15,130 was paid during the FY 07/08.

**CITY OF CHICKASHA, OKLAHOMA**  
**Notes To Basic Financial Statements**  
**For the Year Ended June 30, 2011**

---

**1.B. Basis of Presentation**

Government-Wide Financial Statements - The Statement of Net Assets 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**

Except for the use of a modified cash basis of accounting as discussed below, the City complies with generally accepted accounting principles (GAAP). The City's reporting entity applies all relevant Governmental Accounting Standards Board (GASB) pronouncements and applicable Financial Accounting Standards Board (FASB) pronouncements and Accounting Principles Board (APB) opinions issued on or before November 30, 1989, unless they conflict with GASB pronouncements. The City's reporting entity does not apply FASB pronouncements or APB opinions issued after November 30, 1989.

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 Assets 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
- note issue costs and the amortization of those costs, where applicable
- long-term debt
- cash-based interfund receivables and payables, if any
- other cash-based receivables/payables
- investments
- encumbrances payable
- utility deposit liabilities

**CITY OF CHICKASHA, OKLAHOMA**  
**Notes To Basic Financial Statements**  
**For the Year Ended June 30, 2011**

---

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

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.

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.

*Capital Project Fund:*

- Dedicated Sales Tax Fund – accounts for  $\frac{3}{4}$  cent sales tax restricted by voters for renovation, upgrading and expansion of the water, wastewater, street and drainage systems, and parks and recreation.

**Aggregated Non-Major Governmental Funds:**

*Special Revenue Funds:*

- Donations Fund – accounts for donations for specific purposes or projects.
- Tax Increment District – accounts for advalorem 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.
- ED-Dedicated Sales Tax Fund – accounts for  $\frac{1}{4}$  cent sales tax restricted by voters for economic development purposes.
- E-911 Fund – accounts for 911 tax and related expenditures to maintain an emergency 911 system.
- Street and Alley Fund – accounts for revenues from state gasoline and vehicle taxes restricted for street projects.

*Capital Project Funds:*

- Cemetery Care Fund – accounts for 12.5% of cemetery revenues restricted for cemetery capital purposes as required by state law.
- Capital Projects Fund – accounts for capital activities not accounted for in other special purpose funds.
- Capital Equipment Replacement Fund – accounts for funds transferred from other funds to be used for capital equipment purchases.

**CITY OF CHICKASHA, OKLAHOMA**  
**Notes To Basic Financial Statements**  
**For the Year Ended June 30, 2011**

---

**Proprietary Funds**

**Major Enterprise Fund:**

- Chickasha Municipal Authority – accounts for the operation of the water, wastewater, sanitation and lake systems.

**Aggregated Non-Major Enterprise Funds:**

- Chickasha Municipal Airport Authority – accounts for activities related to operating the City’s municipal airport.
- Water Meter Deposit Fund – accounts for utility deposits maintained for customers.
- Water Resource Fund – accounts for \$1 water improvement fee collected for future research for water.

**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 assets 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.

**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.

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.

**CITY OF CHICKASHA, OKLAHOMA**  
**Notes To Basic Financial Statements**  
**For the Year Ended June 30, 2011**

---

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

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

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 assets. Note issuance costs are deferred and amortized over the life of the debt using the straight-line method.

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 4.C.

Equity Classifications - In the government-wide and proprietary fund financial statements, equity is classified as net assets 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

**CITY OF CHICKASHA, OKLAHOMA**  
**Notes To Basic Financial Statements**  
**For the Year Ended June 30, 2011**

---

bonds, mortgages, notes, or other borrowings that are attributed to the acquisition, construction, or improvements of those assets.

- b. *Restricted net assets* – Consists of net assets with constraints placed on the use either by 1) external groups such as creditors, grantors, contributors, or laws and regulations of other governments, or 2) law through constitutional provisions or enabling legislation.
- c. *Unrestricted net assets* – All other net assets 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 assets prior to the use of unrestricted net assets when an expense is incurred for purposes for which both restricted and unrestricted net assets 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. Sales Tax Revenue**

Sales Tax - The City presently levies a four-cent sales tax on taxable sales within the City. The sales tax is collected by the Oklahoma Tax Commission and remitted to the City in the month following receipt by the Tax Commission. The sales tax recorded is allocated two-cents for the General Fund operations, one-cent to the Chickasha Municipal Authority, three-fourth cent (expires 1/31/14) to the Dedicated Sales Tax Fund, and one-fourth cent (expires 3/31/11) to the ED-Dedicated Sales Tax Fund. The one-cent sales tax allocated to the Chickasha Municipal Authority Fund is used to secure debt service payments. The three-fourth cent sales tax allocated to the Dedicated Sales Tax Fund is restricted by voters for the repair, replacement or improvement of the water and sewer system, the repair, replacement or improvement of streets and drainage, and the repair, replacement or improvement of parks and recreation facilities; and is used to secure debt service payments. The one-fourth cent sales tax allocated to the ED-Dedicated Sales Tax Fund is restricted by voters for economic development expenses.

**CITY OF CHICKASHA, OKLAHOMA**  
**Notes To Basic Financial Statements**  
**For the Year Ended June 30, 2011**

---

**1.F. Tax Increment Financing District**

On March 3, 2009, the qualified voters of the City of Chickasha approved ordinance #2005-17. This ordinance creates a Tax Increment Financing District along the south side of Grand Avenue east and west of 4<sup>th</sup> street. The ordinance provides that the developer would make and pay for the cost of certain improvements within the District. The developer may be reimbursed for the cost of those improvements plus interest.

Funds used to reimburse the developer would come only from three-fourths of any increase in advalorem 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. Developer reimbursement would continue for fifteen years maximum, but terminate earlier upon full reimbursement to the developer of the cost of the improvements.

**1.G. 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.

**2. Deposits and Investments Risk**

At June 30, 2011, the reporting entity had the following deposits and investments:

<u>Type of Deposits</u>	<u>Carrying Value</u>			
<b>Deposits:</b>				
Demand deposits	\$ 9,495,153			
Time Deposits	4,903,500			
Money Market Mutual Funds	<u>1,495,252</u>			
<b>Total</b>	<b>\$ <u>15,893,905</u></b>			
<b>Money Market Mutual Funds:</b>				
		<b><u>Maturities</u></b>	<b><u>Credit Rating</u></b>	
Invesco Aim Treas-Cash Mgnt Fd		N/A	Aaa	1,394,307
Goldsach Finsq Txfr MM-Inst Fd		N/A	Aaa	<u>100,945</u>
<b>Total</b>				<b>\$ <u>1,495,252</u></b>
<b><u>Reconciliation to Statement of Net Assets</u></b>				
Cash and cash equivalents	\$ 10,990,405			
Investments	<u>4,903,500</u>			
	<b>\$ <u>15,893,905</u></b>			

*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, 2011, the City was exposed to custodial credit risk as defined above. The money market mutual funds are not insured or guaranteed by the FDIC or any other government agency. The other City's accounts were fully collateralized at June 30, 2011.

*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.

**CITY OF CHICKASHA, OKLAHOMA**  
**Notes To Basic Financial Statements**  
**For the Year Ended June 30, 2011**

---

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

*Investment Interest Rate Risk* – The City does have a formal investment policy that limits investment maturities as a means of managing its exposure to fair value losses arising from increasing interest rates. Unless matched to a specific cash flow, the City will not directly invest in securities maturing more than one year from the date of purchase. The City's money market mutual funds are available on demand. All certificates of deposit have maturities no later than December 2011.

*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.

**3. 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, 2011 were as follows:

<u>Type of Restricted Assets</u>	<u>Cash and Cash Equivalents</u>	<u>Investments</u>
Utility Deposits	\$ 141,550	\$ 150,000
Trustee Accounts:		
Series 2002 Note Interest Fund	313,040	-
Series 2004 Construction Fund	100,945	-
Series 2004 Note Interest Fund	306,136	-
Series 2005 Construction Fund	472,445	-
Series 2005 Note Interest Fund	302,686	-
Total Restricted Assets	<u>\$ 1,636,802</u>	<u>\$ 150,000</u>



**CITY OF CHICKASHA, OKLAHOMA**  
**Notes To Basic Financial Statements**  
**For the Year Ended June 30, 2011**

**4. Capital Assets**

Capital asset activity resulting from modified cash basis transactions for the fiscal year ended June 30, 2011, was as follows:

	<b>Restated Balance 6/30/10</b>	<b>Additions</b>	<b>Disposals</b>	<b>Reclassify</b>	<b>Balance 6/30/11</b>
<b>Governmental Activities:</b>					
Capital Assets, not being depreciated:					
Land	\$ 1,879,938	\$ -	\$ -	\$ -	\$ 1,879,938
Construction in progress	<u>743,928</u>	<u>458,977</u>	<u>567,532</u>	<u>-</u>	<u>635,373</u>
Total capital assets, not being depreciated	<u>2,623,866</u>	<u>458,977</u>	<u>567,532</u>	<u>-</u>	<u>2,515,311</u>
Capital assets, being depreciated:					
Buildings	7,793,090	9,380	-	-	7,802,470
Improvements	1,869,000	158,379	-	-	2,027,379
Infrastructure	45,488,050	836,953	-	-	46,325,003
Machinery and equipment	2,341,150	225,126	20,000	-	2,546,276
Vehicles	4,024,838	-	14,730	(86,647)	3,923,461
Surplus property	<u>831,145</u>	<u>-</u>	<u>-</u>	<u>86,647</u>	<u>917,792</u>
Total capital assets, being depreciated	<u>62,347,273</u>	<u>1,229,838</u>	<u>34,730</u>	<u>\$ -</u>	<u>63,542,381</u>
Less accumulated depreciation:					
Buildings	2,009,719	182,790	-	-	2,192,509
Improvements	262,439	166,624	-	-	429,063
Infrastructure	24,760,680	1,017,320	-	-	25,778,000
Machinery and equipment	1,258,417	284,084	20,000	-	1,522,501
Vehicles	2,430,104	273,109	14,730	(86,647)	2,601,836
Surplus property	<u>728,832</u>	<u>25,935</u>	<u>-</u>	<u>86,647</u>	<u>841,414</u>
Total accumulated depreciation	<u>31,450,191</u>	<u>1,949,862</u>	<u>34,730</u>	<u>\$ -</u>	<u>33,365,323</u>
Total capital assets, being depreciated, net	<u>30,897,082</u>	<u>(720,024)</u>	<u>-</u>	<u>-</u>	<u>30,177,058</u>
Governmental activities capital assets, net	<u>\$33,520,948</u>	<u>\$ (261,047)</u>	<u>\$ 567,532</u>	<u>\$ -</u>	<u>\$32,692,369</u>

	<b>Restated Balance 6/30/10</b>	<b>Additions</b>	<b>Disposals</b>	<b>Balance 6/30/11</b>
<b>Business-Type Activities:</b>				
Capital Assets, not being depreciated:				
Land	\$ 3,623,966	\$ -	\$ -	\$ 3,623,966
Construction in progress	<u>253,378</u>	<u>16,000</u>	<u>253,378</u>	<u>16,000</u>
Total capital assets, not being depreciated	<u>3,877,344</u>	<u>16,000</u>	<u>253,378</u>	<u>3,639,966</u>
Capital assets, being depreciated:				
Buildings	24,843,721	-	-	24,843,721
Improvements	1,324,163	208,043	-	1,532,206
Infrastructure	7,420,905	45,335	-	7,466,240
Machinery and equipment	780,038	104,829	-	884,867
Vehicles	662,081	8,025	-	670,106
Utility property/improvements	70,096,813	-	-	70,096,813
Surplus property	<u>130,934</u>	<u>-</u>	<u>-</u>	<u>130,934</u>
Total capital assets, being depreciated	<u>105,258,655</u>	<u>366,232</u>	<u>-</u>	<u>105,624,887</u>

**CITY OF CHICKASHA, OKLAHOMA**  
**Notes To Basic Financial Statements**  
**For the Year Ended June 30, 2011**

Less accumulated depreciation:				
Buildings	14,781,377	496,867	-	15,278,244
Improvements	343,303	74,877	-	418,180
Infrastructure	6,085,335	31,395	-	6,116,730
Machinery and equipment	607,659	49,499	-	657,158
Vehicles	443,448	33,775	-	477,223
Utility property/improvements	44,246,504	1,303,692	-	45,550,196
Surplus property	<u>129,934</u>	<u>-</u>	<u>-</u>	<u>129,934</u>
Total accumulated depreciation	<u>66,637,560</u>	<u>1,990,105</u>	<u>-</u>	<u>68,627,665</u>
Total capital assets, being depreciated, net	<u>38,621,095</u>	<u>(1,623,873)</u>	<u>-</u>	<u>36,997,222</u>
Business-type activities capital assets, net	<u>\$42,498,439</u>	<u>\$ (1,607,873)</u>	<u>\$ 253,378</u>	<u>\$40,637,188</u>

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

**Governmental Activities:**

Public Safety	\$ 525,171
Culture, Parks and Recreation	284,646
Streets	1,055,383
Community Development	5,979
General Government	<u>78,683</u>

Total depreciation expense for governmental activities \$ 1,949,862

**Business-Type Activities:**

Water	\$ 710,026
Sewer	1,060,291
Sanitation	17,601
Lake	6,374
Economic Development	25,452
Airport	151,419
Administration	<u>18,942</u>

Total depreciation expense for business-type activities \$ 1,990,105

**5. 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, 2011, the long-term debt, arising from cash transactions, payable from governmental fund resources consisted of the following:

Capital Lease Obligations:

\$57,000 refinanced capital lease obligation payable to First National Bank for a wheel loader payable in monthly installments of \$2,464, including principal and interest at 3.85%, final payment due April 15, 2013. 52,248

\$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. 390,704

Total Capital Lease Obligations \$ 442,952

**CITY OF CHICKASHA, OKLAHOMA**  
**Notes To Basic Financial Statements**  
**For the Year Ended June 30, 2011**

---

Current portion	\$ 68,827
Non-current portion	<u>374,125</u>
Total Capital Lease Obligations	<u>\$ 442,952</u>

Revenue Notes Payable:

2004 Sales Tax Revenue Notes payable – See revenue note detail in Business-Type Activities.	3,480,000
---	-----------

2005 Sales Tax Revenue Notes payable – See revenue note detail in Business-Type Activities.	<u>1,148,000</u>
---	------------------

Total Revenue Notes Payable	<u>\$ 4,628,000</u>
-----------------------------	---------------------

Current portion	\$ 1,538,000
Non-current portion	<u>3,090,000</u>
Total Revenue Notes Payable	<u>\$ 4,628,000</u>

Business-Type Activities – As of June 30, 2011, the long-term debt, arising from cash transactions, payable from proprietary fund resources consisted of the following:

Capital Lease Obligations:

\$231,797 capital lease obligation payable to Chickasha Bank for a vac truck, payable in semi-annual installments of \$18,680, including principal and interest at 3.5%, final payment due February 6, 2013.	<u>\$ 70,281</u>
--	------------------

Current portion	\$ 34,275
Non-current portion	<u>36,006</u>
Total Capital Lease Obligations	<u>\$ 70,281</u>

Revenue Notes Payable:

2002 Sales Tax Revenue Notes, original issue amount of \$2,600,000 dated June 27, 2002, issued by the Chickasha Municipal Authority, secured by ½ cent pledged sales tax, interest rate of 4.23%, final maturity dated July 1, 2012.	<u>\$ 615,000</u>
--	-------------------

2004 Sales Tax Revenue Notes, original issue amount of \$9,590,000 dated June 3, 2004, issued by the Chickasha Municipal Authority, secured by ¾ cent pledged sales tax, interest rate of 4.15%, final maturity dated April 1, 2014. (100% Gov)	3,480,000
Less amount for Governmental Activities	<u>(3,480,000)</u>
Business-Type Activities	<u>0</u>

2005 Sales Tax Revenue Notes, original issue amount of \$3,690,000 dated August 19, 2005, issued by the Chickasha Municipal Authority, secured by ½ cent pledged sales tax, interest rate of 3.85%, final maturity dated July 1, 2013. (20% Bus and 80% Gov)	1,435,000
Less amount for Governmental Activities	<u>(1,148,000)</u>
Business-Type Activities	<u>287,000</u>

Total Revenue Notes Payable	<u>\$ 902,000</u>
-----------------------------	-------------------

**CITY OF CHICKASHA, OKLAHOMA**  
**Notes To Basic Financial Statements**  
**For the Year Ended June 30, 2011**

Current portion	\$ 412,000
Non-current portion	<u>490,000</u>
Total Revenue Notes Payable	<u>\$ 902,000</u>

The capital assets acquired through capital leases are as follows:

<u>Date</u>	<u>Capital Asset</u>	<u>Amount</u>	<u>Accumulated Depreciation</u>
Vehicles:			
5/15/2008	Wheel Loader	\$ 120,824	\$ 38,261
6/15/2009	Ladder Truck	574,992	79,860
3/17/2008	2007 Vac Truck	<u>231,797</u>	<u>75,334</u>
		<u>\$ 927,613</u>	<u>\$ 193,455</u>
Machinery and Equipment:			
1/09/2008	Phone System	<u>\$ 32,026</u>	<u>\$ 8,058</u>

**Sales Tax Revenues Pledged**

The City has pledged future sales tax revenues to repay \$2.6 million in sales tax revenue notes issued in June 2002, \$9.59 million in sales tax revenue notes issued in June 2004, and \$3.69 million in sales tax revenue notes issued August 2005. Proceeds from the 2002 notes provided financing for a public works maintenance facility, the 2004 notes provided financing for a new sports and recreation complex and access road to the complex, and the 2005 notes provided financing for a new water tower, new fire station, and renovation of existing fire station for police purposes. The notes are payable from future sales tax revenue. The total principal and interest remaining to be paid on the notes are \$5,899,022, payable through April 2014. For the current year, debt service payments of \$1,845,000 were 77.5% of total sales tax revenues of \$2,380,594.

The following is a summary of changes in long-term debt for the year ended June 30, 2011:

	<u>Balance 6/30/10</u>	<u>Additions</u>	<u>Deductions</u>	<u>Balance 6/30/11</u>	<u>Amounts Due Within One Year</u>
<b>Governmental Activities:</b>					
Capital Lease Obligations	\$ 516,983	-	74,031	\$ 442,952	\$ 68,827
Revenue Notes Payable	<u>6,076,000</u>	-	<u>1,448,000</u>	<u>4,628,000</u>	<u>1,538,000</u>
Total Governmental Activities	<u>\$ 6,592,983</u>	<u>\$ -</u>	<u>\$ 1,522,031</u>	<u>\$ 5,070,952</u>	<u>\$ 1,606,827</u>
<b>Business-Type Activities:</b>					
Capital Lease Obligations	\$ 105,331	-	35,050	\$ 70,281	\$ 34,275
Revenue Notes Payable	<u>1,299,000</u>	-	<u>397,000</u>	<u>902,000</u>	<u>412,000</u>
Total Business-Type Activities	<u>\$ 1,404,331</u>	<u>\$ -</u>	<u>\$ 432,050</u>	<u>\$ 972,281</u>	<u>\$ 446,275</u>

The annual debt service requirements to maturity are as follows:

<u>Year Ending June 30</u>	<u>Capital Lease Obligations</u>		<u>Revenue Notes Payable</u>	
	<u>Principal</u>	<u>Interest</u>	<u>Principal</u>	<u>Interest</u>
2012	\$ 68,827	\$ 20,650	\$ 1,538,000	\$ 173,178
2013	67,067	17,483	1,624,000	109,815
2014	45,042	14,873	1,466,000	42,930
2015	47,334	12,581	-	-
2016	49,743	10,172	-	-
2017-2019	<u>164,939</u>	<u>14,806</u>	<u>-</u>	<u>-</u>
Total	<u>\$ 442,952</u>	<u>\$ 90,565</u>	<u>\$ 4,628,000</u>	<u>\$ 325,923</u>

**CITY OF CHICKASHA, OKLAHOMA**  
**Notes To Basic Financial Statements**  
**For the Year Ended June 30, 2011**

<b>Business-Type Activities:</b> <u>Year Ending June 30</u>	<b>Capital Lease Obligations</b>		<b>Revenue Notes Payable</b>	
	<u>Principal</u>	<u>Interest</u>	<u>Principal</u>	<u>Interest</u>
2012	\$ 34,275	\$ 3,084	\$ 412,000	\$ 36,005
2013	36,006	1,353	431,000	18,965
2014	-	-	59,000	1,136
Total	<u>\$ 70,281</u>	<u>\$ 4,437</u>	<u>\$ 902,000</u>	<u>\$ 56,106</u>

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

<b>Governmental Activities:</b>	
Public Safety	\$ 74,241
Culture, Parks and Recreation	141,124
Streets	37,772
General Government	<u>176</u>
Total interest expense for governmental activities	<u>\$ 253,313</u>
<b>Business-Type Activities:</b>	
Water	\$ 29,858
Sewer	10,716
Sanitation	10,716
Administration	<u>133</u>
Total interest expense for business-type activities	<u>\$ 51,423</u>

**6. Interfund Transfers**

Transfers between funds of the primary government for the year ended June 30, 2011, were as follows:

<u>Transfer Out</u>	<u>Transfer In</u>	<u>Amount</u>	<u>Purpose of Transfer</u>
Cemetery Care Fund	Capital Equip Repl Fund	\$ 2,500	Fund capital purchases
CMAA	Capital Equip Repl Fund	2,500	Fund capital purchases
CMA	Capital Equip Repl Fund	36,375	Fund capital purchases
E-911 Fund	Capital Equip Repl Fund	5,000	Fund capital purchases
EMS Fund	Capital Equip Repl Fund	16,250	Fund capital purchases
General Fund	Capital Equip Repl Fund	107,775	Fund capital purchases
General Fund	Tax Increment District	22,372	Transfer sales tax
General Fund	CMA	2,380,595	Trnsf sales tax for bond purposes
Dedicated Sales Tax Fund	CMA	1,204,182	Transfer bond payments
Capital Projects Fund	CMA	605,473	Transfer bond payments
CMA	General Fund	1,700,000	Subsidize operations
CMA	Capital Projects Fund	500,000	Fund capital purchases
CMA	EMS Fund	45,000	Subsidize operations
CMA	Water Resource Fund	250,000	Fund capital purchases
Capital Equip Repl Fund	CMA	<u>37,359</u>	Transfer lease payments
Total		<u>\$ 6,915,381</u>	

**Reconciliation to Fund Financial Statements:**

	<u>Transfers In</u>	<u>Transfers Out</u>	<u>Net Transfers</u>
Governmental Funds	\$ 2,437,772	\$ (4,381,506)	\$(1,943,734)
Proprietary Funds	4,477,609	(2,533,875)	1,943,734
Total	<u>\$ 6,915,381</u>	<u>\$ (6,915,381)</u>	<u>\$ 0</u>

**CITY OF CHICKASHA, OKLAHOMA**  
**Notes To Basic Financial Statements**  
**For the Year Ended June 30, 2011**

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

Net transfers	\$ (1,943,734)
Purchase of expenses for governmental funds by business-type activities	17,018
Purchase of capital assets for governmental funds by business-type activities	56,664
Reclassify governmental debt from business-type activities	1,689,316
Purchase of expenses for business-type activities by governmental funds	(11,313)
Purchase of capital assets for business-type activities by governmental funds	<u>(76,288)</u>
Transfers – Internal Activity	<u>\$ (268,337)</u>

**7. Internal Balances**

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

<u>Due From</u>	<u>Due To</u>	<u>Amount</u>	<u>Nature of Internal Balance</u>
Major Enterprise: CMA	Water Resource Fund	4	Posting error

**Reconciliation to Fund Financial Statements:**

	<u>Due From</u>	<u>Due To</u>	<u>Net Internal Balances</u>
Governmental Funds	\$ -	\$ -	\$ -
Proprietary Funds	<u>4</u>	<u>4</u>	<u>-</u>
Total	<u>\$ 4</u>	<u>\$ 4</u>	<u>\$ -</u>

**8. Fund Equity/Net Assets**

**Prior Period Adjustment** - Adjustments were made to beginning net assets and/or fund balances to reflect the cumulative effect of changes in accounting principles, correction of errors, and /or changes in accounting estimates as follows:

	<u>Police Bond Fund Account</u>	<u>Governmental Activities</u>
Beginning net assets (as previously reported)	\$ -	\$ 38,030,720
Prior period adjustments for corrections of errors:		
Capital assets, construction in progress	-	(6,929)
Reclassify Police Bond Fund from Agency Fund to Police Bond Fund Account	<u>200,969</u>	<u>200,969</u>
Beginning fund balance/net assets, restated	<u>\$ 200,969</u>	<u>\$ 38,224,760</u>
	<u>CMAA</u>	<u>Business-Type Activities</u>
Beginning net assets (as previously reported)	\$ 3,550,083	\$ 44,628,560
Prior period adjustments for corrections of errors:		
Capital assets, construction in progress	<u>(655)</u>	<u>(655)</u>
Beginning net assets, restated	<u>\$ 3,549,428</u>	<u>\$ 44,627,905</u>

# CITY OF CHICKASHA, OKLAHOMA

## Notes To Basic Financial Statements

### For the Year Ended June 30, 2011

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

	General	EMS	Dedicated	Other	
	<u>Fund</u>	<u>Fund</u>	<u>Sales Tax</u>	<u>Governmental</u>	
			<u>Fund</u>	<u>Funds</u>	<u>Total</u>
<i>Fund Balance:</i>					
<b>Nonspendable:</b>					
Long-term receivable	-	-	-	1,500,000	1,500,000
<b>Restricted for:</b>					
TIF District	-	-	-	20,181	20,181
Economic Dev	-	-	-	1,583,732	1,583,732
E911	-	-	-	442,119	442,119
Water/Sewer, Streets, Parks and Recreation	-	-	817,516	-	817,516
Cemetery	-	-	-	9,444	9,444
Traffic Signal	-	-	-	75,000	75,000
Other Purposes	-	-	-	49,375	49,375
<b>Committed to:</b>					
EMS	-	440,638	-	-	440,638
<b>Assigned to:</b>					
Fire/EMS	2,534	113,443			115,977
Police	301,779				301,779
Water/Sewer, Streets, Parks and Recreation	-	-	489,662	-	489,662
TIF District				155	155
Economic Dev	-	-	-	679,925	679,925
E911	-	-	-	31,294	31,294
Streets	-	-	-	314,232	314,232
Cemetery	-	-	-	502,886	502,886
Capital Projects	-	-	-	576,770	576,770
Capital Assets	-	-	-	284,736	284,736
Other Purposes	-	-	-	164,679	164,679
<b>Unassigned</b>	<b>2,110,554</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>2110,554</b>
<i>Total Fund Balance</i>	<i>2,414,867</i>	<i>554,081</i>	<i>1,307,178</i>	<i>6,234,528</i>	<i>10,510,654</i>

**Net Assets Restricted by Enabling Legislation** - The governmental activities statement of net assets reports \$5,837,085 of restricted net assets, of which \$5,772,083 is restricted by enabling legislation.

Enabling Legislation:	
Dedicated Sales Tax	\$ 1,307,178
Tax Increment District	20,336
ED-Dedicated Sales Tax	3,123,732
E-911	473,412
Street and Alley	314,232
Cemetery Care	468,193
Capital Eq Replacement-E-911	30,000
Capital Eq Replacement-Cemetery	35,000
Total	<u>\$ 5,772,083</u>

**CITY OF CHICKASHA, OKLAHOMA**  
**Notes To Basic Financial Statements**  
**For the Year Ended June 30, 2011**

---

**9. 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 \$653,058 at June 30, 2011. 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, 2011, are as follows:

	<b>Health Care</b>
Claim liability, July 1, 2009	\$ 72,966
Claims and changes in estimates	837,398
Claims payments	<u>(831,657)</u>
Claim liability, July 1, 2010	78,707
Claims and changes in estimates	1,372,749
Claims payments	<u>(1,292,811)</u>
Claim liability, June 30, 2011	<u>\$ 158,645</u>

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.

**10. 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 judgement rendered against the City. This provision is not applicable to authorities or public trusts. While the outcome of the above noted proceedings cannot be predicted, due to the insurance coverage maintained by the City and the State statute



**CITY OF CHICKASHA, OKLAHOMA**  
**Notes To Basic Financial Statements**  
**For the Year Ended June 30, 2011**

---

relating to judgements, the City feels that any settlement or judgement not covered by insurance would not have a material adverse effect on the financial condition of the City.

**11. 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 \$526,824, while the General Fund unassigned fund balance is \$2,110,554 at June 30, 2011.

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

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

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

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

The contribution rates for the City and its employees are established by Statute. The City is required to contribute 13% for the year ended June 30, 2011. Participating members are required to contribute 8%. The plan is funded by contributions from participants, employers, insurance premium taxes, and state appropriations, as necessary.

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

Schedule of Retirement Plan Contributions – OFPRS

<u>Fiscal Year</u>	<u>Required Contribution</u>	<u>Amount Contributed</u>
2009	\$230,784	\$230,784
2010	\$241,482	\$241,482
2011	\$244,470	\$244,470

**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, 2011. Participating members are required to contribute 8%. The plan is funded by contributions from participants, employers, insurance premium taxes, and state appropriations, as necessary.

**CITY OF CHICKASHA, OKLAHOMA**  
**Notes To Basic Financial Statements**  
**For the Year Ended June 30, 2011**

---

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

Schedule of Retirement Plan Contributions – OPPRS

<u>Fiscal Year</u>	<u>Required Contribution</u>	<u>Amount Contributed</u>
2009	\$124,629	\$124,629
2010	\$145,721	\$145,721
2011	\$146,159	\$146,159

**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 at June 30, 2011 is 15.12% of covered payroll.

*Annual Pension Cost* – For 2010-2011, the City of Chickasha's annual pension cost of \$305,917 for the OMRF plan was equal to the required and actual contributions. The required contribution was determined as part of the March 31, 2010 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 3%, compounded annually, and (c) projected salary increases due to age/seniority, compounded annually. However, due to the plan's overfunded status, the funding requirements for the 2006-2007 year is less than the value of benefits accruing (15.17%, as measured by the entry age normal cost). Funding requirements may increase in the future as benefits accrue.

Schedule of Retirement Plan Contributions – OMRF Defined Benefit Plan

<u>Fiscal Year</u>	<u>Actuarial Required Contribution</u>	<u>Percentage Contributed</u>	<u>Pension Benefit Obligation</u>
2009	\$93,698	100%	\$0
2010	\$237,644	100%	\$0
2011	\$305,917	100%	\$0

*Funding Status and Funding Progress* – As of December 31, 2010, the most recent actuarial valuation date, the plan was 94.1 percent funded. The actuarial accrued liability for benefits was \$13,274,047, and the actuarial value of assets was \$12,491,599, resulting in an unfunded actuarial accrued liability (UAAL) of \$782,448. The covered payroll (total annualized rate of pay as of the valuation date based on actual pay for the preceding year) was \$1,983,741, and the ratio of the UAAL to the covered payroll was 39.4 percent. The City's unfunded actuarial accrued liability is being amortized as a level dollar amount on an open basis.

**CITY OF CHICKASHA, OKLAHOMA**  
**Notes To Basic Financial Statements**  
**For the Year Ended June 30, 2011**

---

The schedule of funding progress, presented as RSI following the notes to the financial statements, presents trend information about whether the actuarial value of plan assets is increasing or decreasing over time relative to the actuarial accrued liability for benefits.

**City Manager Retirement Plan** - The City has provided a defined contribution plan and trust known as the City of Chickasha City Manager Retirement Plan (the "Plan") in the form of The ICMA Retirement Corporation Deferred Compensation Plan and Trust available only to the city manager. The Plan is administered by ICMA Retirement Corporation. According to the Plan, the City is required to contribute 13% of earnings while the city manager is required to contribute to 2.5% of earnings for the Plan year. The Plan administrator notifies the City of any amendments to the Plan. This plan terminated with the retiring of the former city manager.

For the year ended June 30, 2011, employee contributions were \$2,698 and the employer contributions were \$14,027.

**UNAUDITED REQUIRED SUPPLEMENTARY INFORMATION**

**CITY OF CHICKASHA, OKLAHOMA**  
**Oklahoma Municipal Retirement Fund**  
**Unaudited Schedule of Funding Progress**  
**For the Year Ended June 30, 2011**

---

Actuarial Valuation Date	Actuarial Value of Assets a	Actuarial Accrued Liability (AAL) - Entry Age b	Unfunded AAL (UAAL) b-a	Funded Ratio a/b	Covered Payroll c	UAAL as a Percentage of Covered Payroll (b-a)/c
1/1/09	\$11,673,221	\$11,368,813	\$(304,408)	102.7%	\$2,000,088	(15.2%)
1/1/10	\$11,899,402	\$12,676,108	\$776,706	93.9%	\$2,126,995	36.5%
1/1/11	\$12,491,599	\$13,274,047	\$782,448	94.1%	\$1,983,741	39.4%

The schedule of funding progress presented above presents trend information about whether the actuarial value of plan assets is increasing or decreasing over time relative to the actuarial accrued liability for benefits.

**CITY OF CHICKASHA, OKLAHOMA**  
**Unaudited Budgetary Comparison Schedule**  
**General Fund - Modified Cash Basis**  
**For the Year Ending June 30, 2011**

	Budgeted Amounts		Actual Amounts	Variance with Final Budget Positive (Negative)
	Original	Final		
<b>Beginning Budgetary Fund Balance</b>	\$ 1,500,000	\$ 1,525,000	\$ 1,684,307	\$ (159,307)
<b>Resources (Inflows):</b>				
Taxes	5,320,000	5,320,000	5,352,942	(32,942)
Intergovernmental	85,593	111,193	614,428	(503,235)
Charges for services	275,450	275,450	287,466	(12,016)
Fines and forfeitures	10,000	10,000	13	9,987
Licenses and permits	77,500	77,500	101,992	(24,492)
Investment income	29,357	29,357	11,727	17,630
Miscellaneous	27,800	27,800	94,541	(66,741)
Transfers in	1,850,000	1,850,000	1,872,663	(22,663)
<b>Total Resources (Inflows)</b>	<u>7,675,700</u>	<u>7,701,300</u>	<u>8,335,772</u>	<u>(634,472)</u>
<b>Amounts available for appropriations</b>	<u>9,175,700</u>	<u>9,226,300</u>	<u>10,020,079</u>	<u>(793,779)</u>
<b>Charges to Appropriations (Outflows):</b>				
Administration	322,545	322,545	284,073	38,472
Fire	2,190,860	2,190,860	1,986,899	203,961
Police	2,784,444	2,808,644	2,589,473	219,171
Parks and recreation	337,948	337,948	298,515	39,433
Cemetery maintenance	125,400	125,400	123,623	1,777
Sports complex	467,270	467,270	422,608	44,662
Library	314,310	317,460	305,325	12,135
Streets	722,210	722,210	641,404	80,806
Central garage	139,940	139,940	131,317	8,623
Support services	293,200	293,200	184,535	108,665
Finance	266,445	271,945	264,818	7,127
Community development	278,500	288,200	281,837	6,363
General government	932,628	925,628	395,098	530,531
<b>Total Charges to Appropriations</b>	<u>9,175,700</u>	<u>9,211,250</u>	<u>7,909,525</u>	<u>1,301,725</u>
<b>Ending Budgetary Fund Balance</b>	<u>\$ -</u>	<u>\$ 15,050</u>	<u>\$ 2,110,554</u>	<u>\$ (2,095,504)</u>
Reconciliation to Statement of Revenues, Expenditures, and Changes in Fund Balance:				
Fire/EMS Training Account Fund Balance			2,534	
Police Training Account Fund Balance			84,104	
Police Bond Account Fund Balance			<u>211,568</u>	
Total General Fund Fund Balance			<u>\$ 2,408,760</u>	

See Disclaimer in Independent Auditor's Report.

**CITY OF CHICKASHA, OKLAHOMA**  
**Unaudited Budgetary Comparison Schedule**  
**EMS Fund - Modified Cash Basis**  
**For the Year Ending June 30, 2011**

	<u>Budgeted Amounts</u>		<u>Actual Amounts</u>	<u>Variance with Final Budget Positive (Negative)</u>
	<u>Original</u>	<u>Final</u>		
<b>Beginning Budgetary Fund Balance</b>	\$ 430,000	\$ 430,000	\$ 550,805	\$ (120,805)
<b>Resources (Inflows):</b>				
Charges for services	1,107,860	1,107,860	1,230,283	(122,423)
Intergovernmental	-	41,800	41,768	32
Investment income	750	750	4,157	(3,407)
Miscellaneous revenue	2,000	2,000	1,053	947
Transfers in	100,000	100,000	45,000	55,000
<b>Total Resources (Inflows)</b>	<u>1,210,610</u>	<u>1,252,410</u>	<u>1,322,261</u>	<u>(69,851)</u>
<b>Amounts available for appropriations</b>	<u>1,640,610</u>	<u>1,682,410</u>	<u>1,873,066</u>	<u>(190,656)</u>
<b>Charges to Appropriations (Outflows):</b>				
EMS	<u>1,640,610</u>	<u>1,676,010</u>	<u>1,318,985</u>	<u>357,025</u>
<b>Total Charges to Appropriations</b>	<u>1,640,610</u>	<u>1,676,010</u>	<u>1,318,985</u>	<u>357,025</u>
<b>Ending Budgetary Fund Balance</b>	<u>\$ -</u>	<u>\$ 6,400</u>	<u>\$ 554,081</u>	<u>\$ (547,681)</u>

See Disclaimer in Independent Auditor's Report.

**CITY OF CHICKASHA, OKLAHOMA**  
**Unaudited Budgetary Comparison Schedule**  
**Dedicated Sales Tax Fund - Modified Cash Basis**  
**For the Year Ending June 30, 2011**

	<u>Budgeted Amounts</u>		<u>Actual Amounts</u>	<u>Variance with Final Budget Positive (Negative)</u>
	<u>Original</u>	<u>Final</u>		
<b>Beginning Budgetary Fund Balance</b>	\$ 675,000	\$ 675,000	\$ 923,769	\$ (248,769)
<b>Resources (Inflows):</b>				
Taxes	1,728,750	1,728,750	1,844,007	(115,257)
Intergovernmental	86,000	86,000	13,209	72,791
Investment income	20,000	20,000	8,638	11,362
Miscellaneous revenue	1,000	1,000	6,899	(5,899)
Transfers in	-	-	-	-
<b>Total Resources (Inflows)</b>	<u>1,835,750</u>	<u>1,835,750</u>	<u>1,872,754</u>	<u>(37,004)</u>
<b>Amounts available for appropriations</b>	<u>2,510,750</u>	<u>2,510,750</u>	<u>2,796,523</u>	<u>(285,773)</u>
<b>Charges to Appropriations (Outflows):</b>				
Department No. 53	<u>2,510,750</u>	<u>2,510,750</u>	<u>1,489,345</u>	<u>1,021,405</u>
<b>Total Charges to Appropriations</b>	<u>2,510,750</u>	<u>2,510,750</u>	<u>1,489,345</u>	<u>1,021,405</u>
<b>Ending Budgetary Fund Balance</b>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 1,307,178</u>	<u>\$ (1,307,178)</u>

See Disclaimer in Independent Auditor's Report.



**CITY OF CHICKASHA, OKLAHOMA**  
**Notes to Budgetary Comparison Schedules**  
**For the year Ended June 30, 2011**

---

**1. Budgetary Information**

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

The city manager submits an annual budget to the City Council in accordance with the Oklahoma Municipal Budget Act. In June the City Council adopts annual fiscal year appropriated budgets for all city funds.

The appropriated budget is prepared by fund, department and categories (personal services, maintenance and operations, other services and charges, capital outlay, debt service and transfers). Transfers of appropriations between departments within a fund require the approval of the City Manager. Transfers of appropriations between funds and supplements to the budget require City Council approval. The legal level of budgetary control (i.e., the level at which expenditures may not legally exceed appropriations) is the department level.

**THIS PAGE INTENTIONALLY LEFT BLANK**

**OTHER SUPPLEMENTARY INFORMATION**

**CITY OF CHICKASHA, OKLAHOMA**  
**Combining Statement of Assets, Liabilities, and Fund Equity**  
**Nonmajor Governmental Funds - Modified Cash Basis**  
**June 30, 2011**

	Special Revenue Funds					Capital Project Funds			Total Nonmajor Governmental Funds	
	Donations	Tax Increment District	Chickasha Industrial Auth	ED-Dedicated Sales Tax	E-911	Street and Alley	Cemetery Care	Capital Project		Capital Equip Repl
<b>Assets</b>										
Cash and cash equivalents	\$ 214,054	\$ 20,336	\$ 189,982	\$ 1,623,732	\$ 273,818	\$ 110,732	\$ 112,330	\$ 528,532	\$ 284,736	\$ 3,358,252
Investments			450,000	-	200,000	203,500	400,000	200,000	-	1,453,500
Note receivable	-	-	-	1,500,000	-	-	-	-	-	1,500,000
<i>Total Assets</i>	<u>214,054</u>	<u>20,336</u>	<u>639,982</u>	<u>3,123,732</u>	<u>473,818</u>	<u>314,232</u>	<u>512,330</u>	<u>728,532</u>	<u>284,736</u>	<u>6,311,752</u>
<b>Liabilities</b>										
Encumbrances payable	-	-	57	-	405	-	-	76,762	-	77,224
<i>Total Liabilities</i>	<u>-</u>	<u>-</u>	<u>57</u>	<u>-</u>	<u>405</u>	<u>-</u>	<u>-</u>	<u>76,762</u>	<u>-</u>	<u>77,224</u>
<b>Fund Equity</b>										
Fund Balance										
Nonspendable	-	-	-	1,500,000	-	-	-	-	-	1,500,000
Restricted	49,375	20,181	182,173	1,401,559	442,119	-	9,444	75,000	-	2,179,851
Committed	-	-	-	-	-	-	-	-	-	-
Assigned	164,679	155	457,752	222,173	31,294	314,232	502,886	576,770	284,736	2,554,677
Unassigned	-	-	-	-	-	-	-	-	-	-
<i>Total Fund Equity</i>	<u>214,054</u>	<u>20,336</u>	<u>639,925</u>	<u>3,123,732</u>	<u>473,413</u>	<u>314,232</u>	<u>512,330</u>	<u>651,770</u>	<u>284,736</u>	<u>6,234,528</u>
<i>Total Liabilities and Fund Equity</i>	<u>\$ 214,054</u>	<u>\$ 20,336</u>	<u>\$ 639,982</u>	<u>\$ 3,123,732</u>	<u>\$ 473,818</u>	<u>\$ 314,232</u>	<u>\$ 512,330</u>	<u>\$ 728,532</u>	<u>\$ 284,736</u>	<u>\$ 6,311,752</u>

**CITY OF CHICKASHA, OKLAHOMA**  
**Combining Statement of Revenues, Expenditures, and Changes in Fund Balances**  
**Nonmajor Governmental Funds - Modified Cash Basis**  
**For the Year Ended June 30, 2011**

	Special Revenue Funds					Capital Project Funds			Total Nonmajor Governmental Funds	
	Donations	Tax Increment District	Chickasha Industrial Auth	ED-Dedicated Sales Tax	E-911	Street and Alley	Cemetery Care	Capital Project		Capital Equip Repl
<b>Revenues</b>										
Taxes	\$ -	\$ 29,113	\$ 216,306	\$ 563,693	\$ 130,137	\$ -	\$ -	\$ 234,245	\$ -	\$ 1,173,494
Intergovernmental	-	-	-	-	-	144,815	-	110,770	-	255,585
Charges for services	-	-	-	-	-	-	21,601	-	-	21,601
Investment income	1,442	75	7,875	21,667	3,409	974	803	6,631	3,380	46,256
Miscellaneous	2,341	-	-	-	-	23,013	-	164,065	26,772	216,191
<i>Total Revenues</i>	<u>3,783</u>	<u>29,188</u>	<u>224,181</u>	<u>585,360</u>	<u>133,546</u>	<u>168,802</u>	<u>22,404</u>	<u>515,711</u>	<u>30,152</u>	<u>1,713,127</u>
<b>Expenditures</b>										
Current:										
E-911	-	-	-	-	56,214	-	-	-	-	56,214
Cemetery	-	-	-	-	-	-	2,482	-	-	2,482
Library	2,119	-	-	-	-	-	-	-	-	2,119
Streets	-	-	-	-	-	50	-	-	-	50
General government	-	-	-	-	-	-	-	2,075	-	2,075
Economic development	-	-	195,070	-	-	-	-	-	-	195,070
Capital outlay	-	95,000	24,081	1,505	-	304,006	1,357	438,609	143,444	1,008,002
Debt service	-	-	-	-	-	-	-	-	86,028	86,028
<i>Total Expenditures</i>	<u>2,119</u>	<u>95,000</u>	<u>219,151</u>	<u>1,505</u>	<u>56,214</u>	<u>304,056</u>	<u>3,839</u>	<u>440,684</u>	<u>229,472</u>	<u>1,352,040</u>
<i>Excess (Deficiency) of Revenues over Expenditures</i>	<u>1,664</u>	<u>(65,812)</u>	<u>5,030</u>	<u>583,855</u>	<u>77,332</u>	<u>(135,254)</u>	<u>18,565</u>	<u>75,027</u>	<u>(199,320)</u>	<u>361,087</u>
<b>Other Financing Sources (Uses)</b>										
Transfers in	-	22,372	-	-	-	-	-	500,000	170,400	692,772
Transfers out	-	-	-	-	(5,000)	-	(2,500)	(605,473)	(37,359)	(650,332)
<i>Total Other Financing Sources (Uses)</i>	<u>-</u>	<u>22,372</u>	<u>-</u>	<u>-</u>	<u>(5,000)</u>	<u>-</u>	<u>(2,500)</u>	<u>(105,473)</u>	<u>133,041</u>	<u>42,440</u>
Net Change in Fund Balances	1,664	(43,440)	5,030	583,855	72,332	(135,254)	16,065	(30,446)	(66,279)	403,527
Fund Balances - beginning	212,390	63,776	634,895	2,539,877	401,081	449,486	496,265	682,216	351,015	5,831,001
Fund Balances - ending	\$ <u>214,054</u>	\$ <u>20,336</u>	\$ <u>639,925</u>	\$ <u>3,123,732</u>	\$ <u>473,413</u>	\$ <u>314,232</u>	\$ <u>512,330</u>	\$ <u>651,770</u>	\$ <u>284,736</u>	\$ <u>6,234,528</u>

**CITY OF CHICKASHA, OKLAHOMA**  
**Combining Statement of Assets, Liabilities, and Fund Equity**  
**General Fund Accounts - Modified Cash Basis**  
**June 30, 2011**

	<u>General Fund Account</u>	<u>Fire/EMS Training Fund Account</u>	<u>Police Training Fund Account</u>	<u>Police Operations Account</u>	<u>Police Bond Fund Account</u>	<u>Inter Account Elimination</u>	<u>Total General Fund</u>
<b><u>Assets</u></b>							
Cash and cash equivalents	\$ 1,045,639	\$ 2,510	\$ 85,314	\$ 6,107	\$ 236,680	\$ -	\$ 1,376,251
Investments	1,100,000	-	-	-	-	-	1,100,000
Due from other funds	19,245	24	-	-	-	(19,269)	-
<i>Total Assets</i>	<u>2,164,884</u>	<u>2,534</u>	<u>85,314</u>	<u>6,107</u>	<u>236,680</u>	<u>(19,269)</u>	<u>2,476,251</u>
<b><u>Liabilities</u></b>							
Due to other funds	-	-	-	-	19,269	(19,269)	0
Encumbrances payable	54,330	-	1,211	-	4,071	-	59,612
Police bonds	-	-	-	-	1,772	-	1,772
<i>Total Liabilities</i>	<u>54,330</u>	<u>-</u>	<u>1,211</u>	<u>-</u>	<u>25,112</u>	<u>(19,269)</u>	<u>61,384</u>
<b><u>Fund Equity</u></b>							
Fund Balance							
Nonspendable	-	-	-	-	-	-	-
Restricted	-	-	-	-	-	-	-
Committed	-	-	-	-	-	-	-
Assigned	-	2,534	84,104	6,107	211,568	-	304,313
Unassigned	2,110,554	-	-	-	-	-	2,110,554
<i>Total Fund Equity</i>	<u>2,110,554</u>	<u>2,534</u>	<u>84,104</u>	<u>6,107</u>	<u>211,568</u>	<u>-</u>	<u>2,414,867</u>
<i>Total Liabilities and Fund Eq</i>	<u>\$ 2,164,884</u>	<u>\$ 2,534</u>	<u>\$ 85,314</u>	<u>\$ 6,107</u>	<u>\$ 236,680</u>	<u>\$ (19,269)</u>	<u>\$ 2,476,251</u>

**CITY OF CHICKASHA, OKLAHOMA**  
**Combining Statement of Revenues, Expenditures, and Changes in Fund Balances**  
**General Fund Accounts - Modified Cash Basis**  
**For the Year Ended June 30, 2011**

	<u>General Fund Account</u>	<u>Fire/EMS Training Fund Account</u>	<u>Police Training Fund Account</u>	<u>Police Operations Account</u>	<u>Police Bond Fund Account</u>	<u>Inter Account Elimination</u>	<u>Total General Fund</u>
<b>Revenues</b>							
Taxes	\$ 7,733,536	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 7,733,536
Intergovernmental	614,428	-	-	-	-	-	614,428
Charges for services	287,466	-	-	-	-	-	287,466
Fines and forfeitures	13	-	-	-	232,925	-	232,938
Licenses and permits	101,992	-	-	-	-	-	101,992
Investment income	11,727	5	182	-	365	-	12,279
Miscellaneous	94,541	-	465	5,000	4,092	-	104,098
<i>Total Revenues</i>	<u>8,843,703</u>	<u>5</u>	<u>647</u>	<u>5,000</u>	<u>237,382</u>	<u>-</u>	<u>9,086,737</u>
<b>Expenditures</b>							
Current:							
Administration	280,419	-	-	-	-	-	280,419
Fire/EMS	1,944,585	-	-	-	-	-	1,944,585
Police	2,546,506	-	8,614	500	39,022	-	2,594,642
Parks and recreation	284,581	-	-	-	-	-	284,581
Cemetery	123,623	-	-	-	-	-	123,623
Sports complex	401,692	-	-	-	-	-	401,692
Library	295,584	-	-	-	-	-	295,584
Streets	609,654	-	-	-	-	-	609,654
Central garage	129,867	-	-	-	-	-	129,867
Support services	182,391	-	-	-	-	-	182,391
Finance	263,818	-	-	-	-	-	263,818
Community development	280,108	-	-	-	-	-	280,108
General government	362,725	-	-	-	-	-	362,725
Capital outlay	73,824	-	-	-	-	-	73,824
Debt service	-	-	-	-	-	-	-
<i>Total Expenditures</i>	<u>7,779,377</u>	<u>-</u>	<u>8,614</u>	<u>500</u>	<u>39,022</u>	<u>-</u>	<u>7,827,513</u>
<i>Excess (Deficiency) of Revenues over Expenditures</i>	<u>1,064,326</u>	<u>5</u>	<u>(7,967)</u>	<u>4,500</u>	<u>198,360</u>	<u>-</u>	<u>1,259,224</u>
<b>Other Financing Sources (Uses)</b>							
Transfers in	1,872,663	512	14,586	-	-	(187,761)	1,700,000
Transfers out	(2,510,742)	-	-	-	(187,761)	187,761	(2,510,742)
<i>Total Other Financing Sources (Uses)</i>	<u>(638,079)</u>	<u>512</u>	<u>14,586</u>	<u>-</u>	<u>(187,761)</u>	<u>-</u>	<u>(810,742)</u>
Net Change in Fund Balances	426,247	517	6,619	4,500	10,599	-	448,482
Fund Balances - beginning	1,684,307	2,017	77,485	1,607	200,969	-	1,966,385
Fund Balances - ending	<u>\$ 2,110,554</u>	<u>\$ 2,534</u>	<u>\$ 84,104</u>	<u>\$ 6,107</u>	<u>\$ 211,568</u>	<u>\$ -</u>	<u>\$ 2,414,867</u>

**CITY OF CHICKASHA, OKLAHOMA**  
**Combining Statement of Net Assets**  
**Nonmajor Proprietary Funds - Modified Cash Basis**  
**June 30, 2011**

	<u>Enterprise Funds</u>			<u>TOTAL</u>
	<u>Chickasha Municipal Airport Authority</u>	<u>Water Meter Deposit</u>	<u>Water Resource</u>	
<b><u>Assets</u></b>				
Current Assets:				
Cash and cash equivalents	\$ 280,446	\$ 52,219	\$ 295,763	\$ 628,428
Due from other funds	-	-	4	4
<i>Total Current Assets</i>	<u>280,446</u>	<u>52,219</u>	<u>295,767</u>	<u>628,432</u>
Noncurrent Assets:				
Restricted cash and cash equivalents	-	141,550	-	141,550
Restricted investments	-	150,000	-	150,000
Land and other non-depreciable assets	68,000	-	-	68,000
Other capital assets, net of depreciation	3,134,995	-	-	3,134,995
<i>Total Noncurrent Assets</i>	<u>3,202,995</u>	<u>291,550</u>	<u>-</u>	<u>3,494,545</u>
<i>Total Assets</i>	<u>3,483,441</u>	<u>343,769</u>	<u>295,767</u>	<u>4,122,977</u>
<b><u>Liabilities</u></b>				
Current Liabilities:				
Encumbrances payable	7,041	-	-	7,041
Due to depositors	-	291,550	-	291,550
Capital debt obligations	-	-	-	-
<i>Total Current Liabilities</i>	<u>7,041</u>	<u>291,550</u>	<u>-</u>	<u>298,591</u>
Noncurrent Liabilities:				
Capital debt obligations	-	-	-	-
<i>Total Noncurrent Liabilities</i>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
<i>Total Liabilities</i>	<u>7,041</u>	<u>291,550</u>	<u>-</u>	<u>298,591</u>
<b><u>Net Assets</u></b>				
Invested in capital assets, net of related debt	3,202,995	-	-	3,202,995
Restricted for other purposes	273,404	-	295,767	569,171
Unrestricted	-	52,219	-	52,219
<i>Total Net Assets</i>	<u>\$ 3,476,399</u>	<u>\$ 52,219</u>	<u>\$ 295,767</u>	<u>\$ 3,824,385</u>



**CITY OF CHICKASHA, OKLAHOMA**  
**Combining Statement of Revenues, Expenses and Changes in Fund Net Assets**  
**Nonmajor Proprietary Funds - Modified Cash Basis**  
**For the Year Ending June 30, 2011**

	Enterprise Funds			TOTAL
	Chickasha Municipal Airport Authority	Water Meter Deposit	Water Resource	
<b>Operating Revenues</b>				
Charges for Services:				
Airport revenue	\$ 232,273	\$ -	\$ -	\$ 232,273
Water resource fee	-	-	45,543	45,543
<i>Total Operating Revenues</i>	<u>232,273</u>	<u>-</u>	<u>45,543</u>	<u>277,816</u>
<b>Operating Expenses</b>				
Water operations	-	140	-	140
Airport operations	214,364	-	-	214,364
Depreciation expense	151,419	-	-	151,419
<i>Total Operating Expenses</i>	<u>365,783</u>	<u>140</u>	<u>-</u>	<u>365,923</u>
<i>Operating Income (Loss)</i>	<u>(133,510)</u>	<u>(140)</u>	<u>45,543</u>	<u>(88,107)</u>
<b>Nonoperating Revenues (Expenses)</b>				
Investment income	1,691	2,070	224	3,985
Grant revenue	47,499	-	-	47,499
Miscellaneous revenue	13,791	31	-	13,822
<i>Total Nonoperating Revenues (Expenses)</i>	<u>62,981</u>	<u>2,101</u>	<u>224</u>	<u>65,306</u>
Net Income (Loss) Before Contributions and Tran:	(70,529)	1,961	45,767	(22,801)
Capital contributions	-	-	-	-
Transfers in	-	-	250,000	250,000
Transfers out	(2,500)	-	-	(2,500)
<i>Change in Net Assets</i>	<u>(73,029)</u>	<u>1,961</u>	<u>295,767</u>	<u>224,699</u>
<i>Net Assets - beginning, restated</i>	<u>3,549,428</u>	<u>50,258</u>	<u>-</u>	<u>3,599,686</u>
<i>Net Assets - ending</i>	<u>\$ 3,476,399</u>	<u>\$ 52,219</u>	<u>\$ 295,767</u>	<u>\$ 3,824,385</u>

**CITY OF CHICKASHA, OKLAHOMA**  
**Combining Statement of Cash Flows**  
**Nonmajor Proprietary Funds - Modified Cash Basis**  
**For the Year Ending June 30, 2011**

	Enterprise Funds			
	Chickasha Municipal Airport Authority	Water Meter Deposit	Water Resource	TOTAL
<b>Cash Flows From Operating Activities</b>				
Receipts from customers	\$ 232,273	\$ -	\$ 45,543	\$ 277,816
Vendors and others paid	(247,975)	(140)	-	(248,115)
Customer meter deposits receipts/refunds	-	10,137	-	10,137
Other receipts (payments)	-	50	(4)	46
<i>Net Cash Provided by Operating Activities</i>	<u>(15,702)</u>	<u>10,047</u>	<u>45,539</u>	<u>39,884</u>
<b>Cash Flows From Noncapital Financing Activities</b>				
Miscellaneous revenues	5,766	31	-	5,797
Transfers from other funds	-	-	250,000	250,000
Transfers to other funds	(2,500)	-	-	(2,500)
<i>Net Cash Provided by Noncapital Financing Activities</i>	<u>3,266</u>	<u>31</u>	<u>250,000</u>	<u>253,297</u>
<b>Cash Flows From Capital and Related Financing Activities</b>				
Grant revenue	47,499	-	-	47,499
Purchases of capital assets	(16,000)	-	-	(16,000)
<i>Net Cash Provided by (used in) Capital and Related Financing Activities</i>	<u>31,499</u>	<u>-</u>	<u>-</u>	<u>31,499</u>
<b>Cash Flows From Investing Activities</b>				
Interest received	1,691	2,070	224	3,985
(Increase) decrease in investments	-	(50,999)	-	(50,999)
<i>Net Cash Provided by Investing Activities</i>	<u>1,691</u>	<u>(48,929)</u>	<u>224</u>	<u>(47,014)</u>
<i>Net Increase in Cash and Cash Equivalents</i>	20,754	(38,851)	295,763	277,666
<i>Balance - Beginning of the Year</i>	<u>259,692</u>	<u>232,620</u>	<u>-</u>	<u>492,312</u>
<i>Balance - End of the Year</i>	<u><u>280,446</u></u>	<u><u>193,769</u></u>	<u><u>295,763</u></u>	<u><u>769,978</u></u>
<b>Reconciliation of Operating Income (Loss) to Net Cash Provided by Operating Activities:</b>				
Operating income (loss)	(133,510)	(140)	45,543	(88,107)
Adjustments to reconcile operating income to net cash provided (used) by operating activities:				
Depreciation expense	151,419	-	-	151,419
Changes in assets and liabilities:				
Due from other funds	-	50	(4)	46
Encumbrances payable	(33,611)	-	-	(33,611)
Due to depositors	-	10,137	-	10,137
<i>Net Cash Provided by Operating Activities</i>	<u>\$ (15,702)</u>	<u>\$ 10,047</u>	<u>\$ 45,539</u>	<u>\$ 39,884</u>
<i>Noncash item:</i>				
Value of Donated capital asset	<u>\$ 8,025</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 8,025</u>

**CITY OF CHICKASHA, OKLAHOMA**  
**Schedule of Federal and State Awards**  
**Modified Cash Basis**  
**For the Year Ending June 30, 2011**

<u>Grantor/Program Title</u>	<u>Federal CFDA #</u>	<u>Award Amount</u>	<u>Prior Year Revenues</u>	<u>Current Year Revenues</u>	<u>Prior Year Expenditures</u>	<u>Current Year Expenditures</u>
<b>Federal Awards:</b>						
FAA AIP 3-40-0018-007-2008	20.106	\$ 55,723	\$ 50,973	\$ 4,750	\$ 55,723	\$ -
FAA AIP 3-40-0018-008-2009	20.106	123,319	108,567	14,752	108,567	14,752
FAA AIP 3-40-0018-010-2010	20.106	63,650	-	9,500	-	11,400
FAA AIP 3-40-0018-010-2011	20.106	170,130	-	-	-	3,800
FAA AIP 3-40-0018-009-2010	20.106	18,497	-	18,497	-	18,497
USDOJ-LLEBG G9197-OKDJ	16.607	18,897	18,897	-	18,700	165
USDOJ-LLEBG-LBBX-PS	16.607	94,882	94,882	-	93,841	1,041
USDOJ-LLEBG-DJBX-0748	16.607	17,600	-	17,600	-	6,750
USDOJ-LLEBG-DJBX-0748	16.607	2,482	-	2,482	-	2,482
CDBG-Small City Ent	14.228	122,186	-	122,186	122,186	-
CDBG-13102 2007	14.228	108,000	34,943	13,209	48,152	-
CDBG-13897-09	14.228	80,387	-	-	-	26,615
CDBG-14415-10	14.228	90,235	-	-	-	-
USDOT-Trail Project	20.219	114,450	-	107,533	100,160	7,373
FEMA 1718-DR-OK		36,648	17,138	19,510	17,138	19,510
FEMA EMW-2009-FO-05821		44,793	-	40,390	-	38,965
FEMA EMW-2010-FO-04339		41,800	-	41,768	-	41,768
FEMA Jan 2010 Ice Storm		<u>187,071</u>	<u>26,555</u>	<u>160,516</u>	<u>26,555</u>	<u>160,516</u>
Total Federal Awards		<u><u>1,390,750</u></u>	<u><u>351,955</u></u>	<u><u>572,693</u></u>	<u><u>591,022</u></u>	<u><u>353,634</u></u>
<b>State Awards:</b>						
Library State Aid		25,366	-	25,366	-	25,366
FEMA 1718-DR-OK		<u>5,873</u>	<u>2,748</u>	<u>3,215</u>	<u>2,748</u>	<u>3,215</u>
Total State Awards		<u><u>\$ 31,239</u></u>	<u><u>\$ 2,748</u></u>	<u><u>\$ 28,581</u></u>	<u><u>\$ 2,748</u></u>	<u><u>\$ 28,581</u></u>

## **INTERNAL CONTROL AND COMPLIANCE**

CERTIFIED PUBLIC ACCOUNTANTS

**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 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, 2011, which collectively comprise the City's basic financial statements and have issued our report thereon dated January 19, 2012. The report was a special report on the City's use of a comprehensive basis of accounting other than accounting principles generally accepted in the United States of America. The Management Discussion and Analysis is not presented as required by the Governmental Accounting Standards Board. 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 *Government Auditing Standards*, issued by the Comptroller General of the United States.

**Internal Control Over Financial Reporting**

In planning and performing our audit, we considered the City's internal control over financial reporting as a basis for designing our auditing procedures 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 over financial reporting. Accordingly, we do not express an opinion on the effectiveness of the City's internal control over financial reporting.

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.

Our consideration of internal control over financial reporting was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control over financial reporting that might be deficiencies, significant deficiencies, or material weaknesses. We did not identify any deficiencies in internal control over financial reporting that we consider to be material weaknesses, as defined above. However, we identified certain deficiencies in internal control over financial reporting, described in the accompanying schedule of findings and responses that we consider to be significant deficiencies in internal control over financial reporting: 11-1, 11-2, 11-3, 11-4, 11-5, 11-6, 11-7. 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.

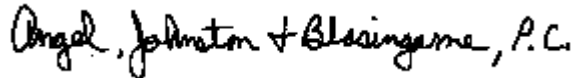
**Compliance and Other Matters**

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 no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

The City's response to the findings identified in our audit is described in the accompanying schedule of findings and responses. We did not audit the City's response and, accordingly, we express no opinion on it.

This report is intended solely for the information and use of management, City Council, others within the City of Chickasha, and federal awarding agencies, and pass-through entities and is not intended to be and should not be used by anyone other than these specified parties.

A handwritten signature in black ink that reads "Angel, Johnston & Blessingame, P.C." The signature is written in a cursive, flowing style.

Chickasha, Oklahoma  
January 19, 2012

**CITY OF CHICKASHA, OKLAHOMA**  
**Schedule of Findings and Responses**  
**For the Year Ended June 30, 2011**

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

- 11-1. Criteria – A single audit is required when the City spends federal funding in excess of \$500,000. A single audit requires identification of all federal program awards and expenditures. Then a schedule of federal expenditures is presented and an opinion is rendered on selected awards.

Condition – Federal awards and expenditures are not reconciled to the City’s financial statements monthly. This requires the auditor to perform a search for federal awards and expenditures. Because of this it is unknown at the beginning of the audit whether the City is subjected to a single audit and it is possible that an incorrect conclusion might be reached.

Cause – No one is assigned to perform the reconciliations.

Effect – Potential understatement of federal expenditures.

Recommendation – Reconcile federal awards and expenditures to the City’s financial statements monthly. Posting grant revenue and expenses to separate line items in the financial statements will make it easier. Assign someone to the task.

Management response – Management will assign someone to the task of reconciling federal awards and expenditures to the City’s financial statements. Budgeted line items for revenue are in place and have not been an inconvenience in the audit as much as the expenditures have. Management will assign separate line items to the budget process so that posting grant revenue and expenses will be easier to track.

- 11-2. Criteria – Non-cash adjustments that are made to police tickets should be verified by someone independent of the process.

Condition – As noted in the prior year audit, the City did not have a system to reconcile court fines receivable on a monthly basis. Starting in November of 2010 the court clerk was able to establish a reconciliation procedure. However, the individual non-cash adjustments are not being independently verified.

Cause – The procedure had not been established.

Effect – It leaves open the possibility of inappropriate adjustments to police fine accounts.

Recommendation – Have an employee independent of the collection process verify all non-cash adjustments.

Management response – Laura Miller, Court Clerk for the City of Chickasha was able to establish a reconciliation procedure starting in November, 2010. She has worked continuously to improve the reconciling of Police Bond Fund. Concerns of adjustments being made such as court refunds, dismissed fines, etc. needs to be signed off or addressed by someone other than court clerk. Management will assign this procedure to someone other than the Court Clerk.

- 11-3. Criteria – A receipt should be issued to customers for payments made to the City.

Condition – During revenue testing for the Community Development it was noted not all revenue is being receipted.

Cause – Procedures for receipting payments to customers is not being followed on all collections.

**CITY OF CHICKASHA, OKLAHOMA**  
**Schedule of Findings and Responses**  
**For the Year Ended June 30, 2011**

Effect – Not following receipting procedures increases the chance of fraud occurring and not being detected in a timely manner.

Recommendation – Issue receipts to customers when payments are made.

Management response – In August, 2011 the process of Community Development issuing receipts for any payments was eliminated. The procedure now is to have a Community Development customer bring the paper work to the Finance Department; in turn the Finance Department will issue a customer's receipt; and attach a duplicate to Community Development Department paper work to be returned by the customer and then placed in Community Development files.

- 11-4. Criteria – Community Development records for all licenses, permits and rentals should be retained.

Condition – While testing revenue for the Community Development we noted missing permits and inconsistencies in the permit numbering. Also, records were not well organized for easy access and testing.

Cause – Personnel was not consistently following good documentation procedures.

Effect – Errors and omissions could occur and not be detected.

Recommendation – Establish good documentation and retention procedures. Also independent monitoring should be in place to ensure compliance.

Management response – In August, 2011 the process was changed and established to have good documentation and retention procedures for issuing permits and license through the Community Development Department. Past files and documents have been in the process of being assessed and perfected.

- 11-5. Criteria – Capital assets (land, buildings, improvements, utility property/improvements, machinery, equipment, vehicles, and infrastructure) that exceed the City's \$3,500 threshold should be properly identified for capitalization and recorded in the capital asset listing.

Condition – Capital assets that exceed the threshold amount are not being tracked and recorded in the capital assets listing throughout the year. We received copies of invoices for five assets but twenty-one were capitalized. We had to search for the non-identified capital assets.

Cause – No one is assigned to perform the task.

Effect – A lack of proper procedures and controls for tracking capital assets allows for the potential overstatement of expenses and understatement of capital assets.

Recommendation – Assign staff who has knowledge of capital assets as they are purchased or being improved to accumulate a capital asset listing.

Management response – Management will assign a staff member who has knowledge of capital assets as they are purchased or being improved to accumulate the capital asset list.



**CITY OF CHICKASHA, OKLAHOMA**  
**Schedule of Findings and Responses**  
**For the Year Ended June 30, 2011**

11-6. Criteria – Capital assets disposed of during the year should be identified on the capital assets listing.

Condition – Disposed assets are tracked, but not verified to the asset listing. This makes it difficult to correctly record disposals in the financial statements.

Cause – The procedure had not been established.

Effect – Disposed assets may not get removed from the capital asset listing timely.

Recommendation – Identify disposed assets on the capital assets listing. Assign someone to the task.

Management response – Management will assign a staff member that is familiar with the listing of disposed assets. Disposed assets are tracked, but not verified to the asset listing.

11-7. Criteria – Project files or bid files should be identified on the capital assets listing for the amount that is in construction in progress or completed.

Condition – Projects and bids are maintained in files but we have to accumulate the total amount for capitalization. Also, major repairs should be considered for capitalization.

Cause – The procedure had not been established.

Effect – Potential understatement of capital assets and overstatement of expenditures.

Recommendation – Identify projects on the capital assets listing. Assign someone to the task.

Management response – Implement a procedure and assign staff to identify projects or bids on the capital assets list. Projects and bids are maintained in files but not accumulated for capitalization.