

CITY OF CHICKASHA, OKLAHOMA
June 30, 2012

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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, 2012, 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, 2012, 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 31, 2013, 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.

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 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.

Angel, Johnson + Blessingame, P.C.

Chickasha, Oklahoma
January 31, 2013

BASIC FINANCIAL STATEMENTS

STATEMENT OF NET ASSETS AND ACTIVITIES

CITY OF CHICKASHA, OKLAHOMA
Statement of Net Assets - Modified Cash Basis
June 30, 2012

	<u>Governmental Activities</u>	<u>Business-Type Activities</u>	<u>Total</u>
<u>Assets</u>			
Cash and cash equivalents	\$ 7,314,020	\$ 4,357,890	\$ 11,671,910
Deposits with insurance pool			-
Investments	5,650,000	1,350,000	7,000,000
Note receivable	1,313,481		1,313,481
Capital assets:			
Land and other non-depreciable assets	2,060,456	3,696,014	5,756,470
Other capital assets, net	31,635,355	35,971,631	67,606,986
Note issue costs, net	61,301	4,450	65,751
<i>Total Assets</i>	<u>48,034,613</u>	<u>45,379,985</u>	<u>93,414,598</u>
<u>Liabilities</u>			
Encumbrances payable	804,743	175,355	980,098
Police bonds	1,772		1,772
Due to depositors		296,573	296,573
Due to Other Funds	168,023	(168,023)	
Long-term liabilities:			
Due within one year	1,761,526	466,098	2,227,624
Due in more than one year	2,004,302	59,000	2,063,302
<i>Total Liabilities</i>	<u>4,740,366</u>	<u>829,003</u>	<u>5,569,369</u>
<u>Net Assets</u>			
Invested in capital assets, net of related debt	29,991,285	39,208,298	69,199,583
Restricted for debt service		933,630	933,630
Restricted for capital projects	642,048	471,439	1,113,487
Restricted for other purposes	2,814,834	885,832	3,700,666
Unrestricted	9,846,080	3,051,783	12,897,863
<i>Total Net Assets</i>	<u>\$ 43,294,247</u>	<u>\$ 44,550,982</u>	<u>\$ 87,845,229</u>

See accompanying notes to basic financial statements.

CITY OF CHICKASHA, OKLAHOMA
Statement of Activities - Modified Cash Basis
For the Year Ending June 30, 2012

Functions/Programs	Program Revenues				Net (Expenses) Revenue and Changes in Net Assets		
	Expenses	Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	Governmental Activities	Business-Type Activities	Total
Primary Government:							
Governmental Activities:							
Public safety	\$ 6,834,601	\$ 1,176,260	\$ 20,808	\$ 96,718	\$ (5,540,815)	\$ -	\$ (5,540,815)
Culture, parks and recreation	1,394,449	114,011	25,726		(1,254,712)	-	(1,254,712)
Streets	1,548,504				(1,548,504)	-	(1,548,504)
Central garage	123,101				(123,101)	-	(123,101)
Cemetery	120,903	74,198			(46,705)	-	(46,705)
Community development	280,301				(280,301)	-	(280,301)
General government	1,098,927	168,159			(930,768)	-	(930,768)
Economic development	316,300				(316,300)	-	(316,300)
<i>Total Governmental Activities</i>	<u>11,717,086</u>	<u>1,532,628</u>	<u>46,534</u>	<u>96,718</u>	<u>(10,041,206)</u>	<u>-</u>	<u>(10,041,206)</u>
Business-Type Activities:							
Water	2,183,604	2,793,267			-	609,663	609,663
Sewer	1,418,395	1,490,725			-	72,330	72,330
Sanitation	1,661,776	1,688,552			-	26,776	26,776
Lake	227,696	198,990			-	(28,706)	(28,706)
Economic development	25,452				-	(25,452)	(25,452)
Airport	464,660	381,708		194,947	-	111,995	111,995
Administration	644,812				-	(644,812)	(644,812)
<i>Total Business-Type Activities</i>	<u>6,626,395</u>	<u>6,553,242</u>	<u>-</u>	<u>194,947</u>	<u>-</u>	<u>121,794</u>	<u>121,794</u>
<i>Total Primary Government</i>	<u>18,343,481</u>	<u>8,085,870</u>	<u>46,534</u>	<u>291,665</u>	<u>(10,041,206)</u>	<u>121,794</u>	<u>(9,919,412)</u>
General Revenues:							
Taxes:							
Sales taxes					9,888,979		9,888,979
Use taxes					1,227,684		1,227,684
Franchise taxes					594,363		594,363
Hotel/Motel taxes					257,612		257,612
E-911 taxes					138,183		138,183
Advalorem taxes					28,686		28,686
Intergovernmental revenue					761,522		761,522
Investment income					117,532	14,948	132,480
Miscellaneous					265,963	232,129	498,092
Transfers - internal activity					(242,451)	242,451	-
<i>Total General Revenues and Transfers</i>					<u>13,038,073</u>	<u>489,528</u>	<u>13,527,601</u>
<i>Change in Net Assets</i>					2,996,867	611,322	3,608,189
<i>Net Assets - beginning, restated</i>					<u>40,297,380</u>	<u>43,939,660</u>	<u>84,237,040</u>
<i>Net Assets - ending</i>					<u>\$ 43,294,247</u>	<u>\$ 44,550,982</u>	<u>\$ 87,845,229</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, 2012

	<u>General</u>	<u>EMS</u>	<u>ED-Dedicated Sales Tax</u>	<u>Dedicated Sales Tax</u>	<u>Other Governmental Funds</u>	<u>Total Governmental Funds</u>
<u>Assets</u>						
Cash and cash equivalents	\$ 1,572,811	\$ 495,770	\$ 919,553	\$ 655,067	\$ 2,208,444	\$ 5,851,645
Investments	1,150,000		1,500,000	900,000	1,400,000	4,950,000
Note receivable			1,313,481			1,313,481
<i>Total Assets</i>	<u>2,722,811</u>	<u>495,770</u>	<u>3,733,034</u>	<u>1,555,067</u>	<u>3,608,444</u>	<u>12,115,126</u>
<u>Liabilities</u>						
Encumbrances payable	153,710	7,798	2,905	192,765	448,111	805,289
Due to Other Funds	13,622	(30)			154,431	168,023
Police bonds	1,772					1,772
<i>Total Liabilities</i>	<u>169,104</u>	<u>7,768</u>	<u>2,905</u>	<u>192,765</u>	<u>602,542</u>	<u>975,084</u>
<u>Fund Equity</u>						
Fund Balance:						
Nonspendable			1,313,481			1,313,481
Restricted			1,857,202	642,048	957,632	3,456,882
Committed		110,397				110,397
Assigned	375,957	377,605	559,446	720,254	2,060,363	4,093,625
Unassigned	2,177,750				(12,094)	2,165,656
<i>Total Fund Equity</i>	<u>2,553,707</u>	<u>488,002</u>	<u>3,730,129</u>	<u>1,362,302</u>	<u>3,005,901</u>	<u>11,140,041</u>
<i>Total Liabilities and Fund Equity</i>	<u>\$ 2,722,811</u>	<u>\$ 495,770</u>	<u>\$ 3,733,034</u>	<u>\$ 1,555,067</u>	<u>\$ 3,608,443</u>	<u>\$ 12,115,125</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, 2012

	<u>General</u>	<u>EMS</u>	<u>ED-Dedicated Sales Tax</u>	<u>Dedicated Sales Tax</u>	<u>Other Governmental Funds</u>	<u>Total Governmental Funds</u>
Revenues						
Taxes	\$ 8,138,528	\$	\$ 543,002	\$ 2,106,567	\$ 1,347,410	\$ 12,135,507
Intergovernmental	389,844	369,654			145,276	904,774
Charges for services	222,924	921,003			82,834	1,226,761
Fines and forfeitures	237,637					237,637
Licenses and permits	132,489					132,489
Investment income	14,444	561	66,525	10,066	18,095	109,691
Miscellaneous	115,336	895			85,453	201,684
<i>Total Revenues</i>	<u>9,251,202</u>	<u>1,292,113</u>	<u>609,527</u>	<u>2,116,633</u>	<u>1,679,068</u>	<u>14,948,543</u>
Expenditures						
Current:						
Administration	252,430					252,430
Fire/EMS	2,188,387	1,354,150				3,542,537
E-911					50,963	50,963
Police	2,652,356					2,652,356
Parks and recreation	415,460					415,460
Cemetery	111,966				1,992	113,958
Sports complex	279,981					279,981
Library	336,174					336,174
Streets	945,759					945,759
Central garage	120,586					120,586
Support services	150,734					150,734
Finance	194,015					194,015
Community development	272,014					272,014
Utility billing	79,596					79,596
General government	243,908			2,000	7,680	253,588
Economic development			225		228,670	228,895
Capital outlay	254,900	8,042	2,905	832,445	1,581,056	2,679,348
Debt service					139,687	139,687
<i>Total Expenditures</i>	<u>8,498,266</u>	<u>1,362,192</u>	<u>3,130</u>	<u>834,445</u>	<u>2,010,048</u>	<u>12,708,081</u>
Excess (Deficiency) of Revenues over Expenditures	<u>752,936</u>	<u>(70,079)</u>	<u>606,397</u>	<u>1,282,188</u>	<u>(330,980)</u>	<u>2,240,462</u>
Other Financing Sources (Uses)						
Capital Lease Proceeds	349,282					349,282
Transfers in	1,700,024	55,000			952,525	2,707,549
Transfers out	(2,663,403)	(51,000)		(1,227,064)	(726,439)	(4,667,906)
<i>Total Other Financing Sources (Uses)</i>	<u>(614,097)</u>	<u>4,000</u>	<u>-</u>	<u>(1,227,064)</u>	<u>226,086</u>	<u>(1,611,075)</u>
Net Change in Fund Balances	138,839	(66,079)	606,397	55,124	(104,894)	629,387
Fund Balances - beginning, restated	<u>2,414,868</u>	<u>554,081</u>	<u>3,123,732</u>	<u>1,307,178</u>	<u>3,110,795</u>	<u>10,510,654</u>
Fund Balances - ending	<u>\$ 2,553,707</u>	<u>\$ 488,002</u>	<u>\$ 3,730,129</u>	<u>\$ 1,362,302</u>	<u>\$ 3,005,901</u>	<u>\$ 11,140,041</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, 2012

Reconciliation to Statement of Net Assets:

Fund balances of governmental funds	\$	11,140,041
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		33,695,811
Bond issue costs, net of accumulated amortization		61,302
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		2,162,921
Some liabilities are not due and payable in the current period and, therefore are not reported in the funds:		
Capital lease payable		(675,828)
Notes payable		<u>(3,090,000)</u>
Net assets of governmental activities	\$	<u><u>43,294,247</u></u>

Reconciliation to Statement of Activities:

Net change in fund balances of governmental funds	\$	629,387
Amounts reported for governmental activities on the Statement of Activities are different because:		
Governmental funds report capital outlays as expenditures while governmental activities report depreciation expense to allocate those expenditures over the life of the assets:		
Capital asset purchases capitalized in governmental funds		2,684,800
Capital asset purchases capitalized in proprietary funds		102,088
Capital Assets purchase in governmental for proprietary funds		95,340
Depreciation expense		(1,783,446)
Amortization expense		(30,650)
Capital assets purchased on behalf of business-type activities were transferred to the business-type activity and reported as capital assets.		
		(95,340)
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		(349,282)
Capital lease principal payments		116,406
Notes payable principal payments		1,538,000
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>89,564</u>
Change in net assets of governmental activities	\$	<u><u>2,996,867</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, 2012

	<u>Enterprise Funds</u>			<u>Internal Service Funds</u>
	<u>Chickasha Municipal Authority</u>	<u>Other Enterprise Funds</u>	<u>TOTAL</u>	
<u>Assets</u>				
Current Assets:				
Cash and cash equivalents	\$ 1,826,812	\$ 979,436	\$ 2,806,248	\$ 1,462,375
Deposits with insurance pool			-	
Investments	1,200,000		1,200,000	700,000
Due from other funds	166,773	1,250	168,023	
<i>Total Current Assets</i>	<u>3,193,585</u>	<u>980,686</u>	<u>4,174,271</u>	<u>2,162,375</u>
Noncurrent Assets:				
Restricted cash and cash equivalents	1,405,069	146,573	1,551,642	
Restricted investments		150,000	150,000	
Land and other non-depreciable assets	3,614,761	81,253	3,696,014	
Other capital assets, net of depreciation	32,738,577	3,233,054	35,971,631	
Note issue costs, net of amortization	65,751		65,751	
<i>Total Noncurrent Assets</i>	<u>37,824,158</u>	<u>3,610,880</u>	<u>41,435,038</u>	<u>-</u>
<i>Total Assets</i>	<u>41,017,743</u>	<u>4,591,566</u>	<u>45,609,309</u>	<u>2,162,375</u>
<u>Liabilities</u>				
Current Liabilities:				
Encumbrances payable	133,687	41,669	175,356	(546)
Due to other funds			-	
Due to depositors		296,573	296,573	
Capital lease obligations payable	35,098		35,098	
Revenue notes payable	2,055,000		2,055,000	
<i>Total Current Liabilities</i>	<u>2,223,785</u>	<u>338,242</u>	<u>2,562,027</u>	<u>(546)</u>
Noncurrent Liabilities:				
Capital lease obligations payable	-		-	
Revenue notes payable	1,525,000		1,525,000	
<i>Total Noncurrent Liabilities</i>	<u>1,525,000</u>	<u>-</u>	<u>1,525,000</u>	<u>-</u>
<i>Total Liabilities</i>	<u>3,748,785</u>	<u>338,242</u>	<u>4,087,027</u>	<u>(546)</u>
<u>Net Assets</u>				
Invested in capital assets, net of related debt	32,803,991	3,314,307	36,118,298	
Restricted for debt service	933,630		933,630	
Restricted for capital projects	471,439		471,439	
Restricted for other purposes		885,832	885,832	
Unrestricted	3,059,899	53,185	3,113,084	2,162,921
<i>Total Net Assets</i>	<u>\$ 37,268,959</u>	<u>\$ 4,253,324</u>	41,522,283	<u>\$ 2,162,921</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>3,028,699</u>	
Net assets of business-type activities			<u>\$ 44,550,982</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, 2012

	<u>Enterprise Funds</u>			<u>Internal Service Funds</u>
	<u>Chickasha Municipal Authority</u>	<u>Other Enterprise Funds</u>	<u>TOTAL</u>	
Operating Revenues				
Charges for Services:				
Water revenue	\$ 2,624,487	\$ 80,438	\$ 2,704,925	\$
Sewer revenue	1,453,804		1,453,804	
Sanitation revenue	1,646,731		1,646,731	
Penalties	147,436		147,436	
Miscellaneous fees	19,647		19,647	
Lake revenue	198,990		198,990	
Airport revenue		381,708	381,708	
Charges for services			-	2,095,300
Employee insurance contributions			-	65,830
Insurance reimbursements			-	337,781
<i>Total Operating Revenues</i>	<u>6,091,095</u>	<u>462,146</u>	<u>6,553,241</u>	<u>2,498,911</u>
Operating Expenses				
CMA general	409,066		409,066	
Administration	204,761		204,761	
Water	1,555,452	1	1,555,453	
Sewer	610,642		610,642	
Sanitation	1,636,952		1,636,952	
Lake	218,849		218,849	
Sports complex			-	
Airport		308,912	308,912	
Insurance coverage			-	2,273,670
Compensated absences			-	143,518
Amortization expense	32,876		32,876	
Depreciation expense	1,491,951	155,748	1,647,699	
<i>Total Operating Expenses</i>	<u>6,160,549</u>	<u>464,661</u>	<u>6,625,210</u>	<u>2,417,188</u>
<i>Operating Income (Loss)</i>	<u>(69,454)</u>	<u>(2,515)</u>	<u>(71,969)</u>	<u>81,723</u>
Nonoperating Revenues (Expenses)				
Investment income	12,807	2,141	14,948	7,641
Grant revenue		194,947	194,947	
Interest expense	(205,014)		(205,014)	
Trustee Fees			-	
Miscellaneous revenue	17,518	214,612	232,130	200
<i>Total Nonoperating Revenues (Expenses)</i>	<u>(174,689)</u>	<u>411,700</u>	<u>237,011</u>	<u>7,841</u>
Net Income (Loss) Before Contributions and Transfers	(244,143)	409,185	165,042	89,564
Capital contributions	76,757	18,584	95,341	
Contribution expense	(102,088)		(102,088)	
Transfers in	4,465,875	3,670	4,469,545	
Transfers out	(2,506,669)	(2,500)	(2,509,169)	
<i>Change in Net Assets</i>	1,689,732	428,939	2,118,671	89,564
<i>Net Assets - beginning, restated</i>	<u>35,579,227</u>	<u>3,824,385</u>	<u>39,403,612</u>	<u>2,073,357</u>
<i>Net Assets - ending</i>	<u>\$ 37,268,959</u>	<u>\$ 4,253,324</u>		<u>\$ 2,162,921</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.			<u>3,028,699</u>	
Change in net assets of business-type activities			<u>\$ 44,550,982</u>	

See accompanying notes to basic financial statements.

CITY OF CHICKASHA, OKLAHOMA
Statement of Cash Flows
Proprietary Funds - Modified Cash Basis
For the Year Ending June 30, 2012

	<u>Enterprise Funds</u>			<u>Internal Service Funds</u>
	<u>Chickasha Municipal Authority</u>	<u>Other Enterprise Funds</u>	<u>TOTAL</u>	
Cash Flows From Operating Activities				
Receipts from customers	\$ 6,091,095	\$ 462,146	\$ 6,553,241	\$ 378,983
Receipts from other funds			-	2,095,300
Vendors and others paid	(4,557,797)	(274,285)	(4,832,082)	(2,460,848)
Payments of claims			-	
Customer meter deposits receipts/refunds		5,023	5,023	
Other receipts (payments)	(166,777)	(1,246)	(168,023)	24,628
<i>Net Cash Provided by Operating Activities</i>	<u>1,366,521</u>	<u>191,638</u>	<u>1,558,159</u>	<u>38,063</u>
Cash Flows From Noncapital Financing Activities				
Miscellaneous revenue	17,518	214,611	232,129	201
Transfers from other funds	4,542,632	19,754	4,562,386	
Transfers to other funds	(2,608,757)		(2,608,757)	
<i>Net Cash Provided by Noncapital Financing Activities</i>	<u>1,951,393</u>	<u>234,365</u>	<u>2,185,758</u>	<u>201</u>
Cash Flows From Capital and Related Financing Activities				
Grant revenue		194,947	194,947	
Purchases of capital assets	(411,095)	(267,060)	(678,155)	
Principal paid on capital debt	(1,985,184)		(1,985,184)	
Fiscal charges paid on capital debt			-	
Interest paid on capital debt	(205,014)		(205,014)	
<i>Net Cash Provided by (used in) Capital and Related Financing Activities</i>	<u>(2,601,293)</u>	<u>(72,113)</u>	<u>(2,673,406)</u>	<u>-</u>
Cash Flows From Investing Activities				
Interest received	12,807	2,141	14,948	7,641
Increase/decrease in investments	(500,000)		(500,000)	(150,000)
<i>Net Cash Provided by Investing Activities</i>	<u>(487,193)</u>	<u>2,141</u>	<u>(485,052)</u>	<u>(142,359)</u>
<i>Net Increase in Cash and Cash Equivalents</i>	229,428	356,031	585,459	(104,095)
<i>Balance - beginning of the year</i>	<u>3,002,453</u>	<u>769,978</u>	<u>3,772,431</u>	<u>1,566,470</u>
<i>Balance - end of the year</i>	<u><u>3,231,881</u></u>	<u><u>1,126,009</u></u>	<u><u>4,357,890</u></u>	<u><u>1,462,375</u></u>
Reconciliation of Operating Income (Loss) to Net Cash Provided by Operating Activities:				
Operating income (loss)	(69,454)	(2,515)	(71,969)	81,723
Adjustments to reconcile operating income to net cash provided (used) by operating activities:				
Depreciation expense	1,491,951	155,748	1,647,699	
Amortization expense	32,876		32,876	
Changes in assets and liabilities:				
Due from other funds	(166,777)	(1,246)	(168,023)	
Encumbrances payable	77,925	34,628	112,553	(43,660)
Due to other funds			-	
Due to depositors		5,023	5,023	
<i>Net Cash Provided by Operating Activities</i>	<u>\$ 1,366,521</u>	<u>\$ 191,638</u>	<u>\$ 1,558,159</u>	<u>\$ 38,063</u>
<i>Noncash item:</i>				
Value of donated capital asset	<u>\$</u>	<u>\$</u>	<u>\$</u>	<u>\$</u>

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, 2012

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.

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.

CITY OF CHICKASHA, OKLAHOMA
Notes To Basic Financial Statements
For the Year Ended June 30, 2012

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

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.

CITY OF CHICKASHA, OKLAHOMA
Notes To Basic Financial Statements
For the Year Ended June 30, 2012

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.
- ED-Dedicated Sales Tax Fund – accounts for ¼ cent sales tax restricted by voters for economic development purposes.

Capital Project Fund:

- Dedicated Sales Tax Fund – accounts for ¾ cent sales tax restricted by voters for renovation, upgrading and expansion of the water, wastewater, street and drainage systems, and parks and recreation.

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.
- 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.

Proprietary Funds

Major Enterprise Fund:

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

CITY OF CHICKASHA, OKLAHOMA
Notes To Basic Financial Statements
For the Year Ended June 30, 2012

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. The City’s investment policy also allows for the purchase of U.S. Government obligations, negotiated certificates of deposits, select prime banker acceptances and select prime commercial paper. However, the currently is not investing in any of these additional investments.

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

Capital Assets - 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.

CITY OF CHICKASHA, OKLAHOMA
Notes To Basic Financial Statements
For the Year Ended June 30, 2012

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 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.

CITY OF CHICKASHA, OKLAHOMA
Notes To Basic Financial Statements
For the Year Ended June 30, 2012

- 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 seven-thirty-seconds (expires 6/30/16) 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 seven-thirty seconds sales tax allocated to the ED-Dedicated Sales Tax Fund is restricted by voters for economic development expenses.

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 4th street. The ordinance provides that the developer would make and pay for the cost of certain

CITY OF CHICKASHA, OKLAHOMA
Notes To Basic Financial Statements
For the Year Ended June 30, 2012

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, 2012, the reporting entity had the following deposits and investments:

<u>Type of Deposits</u>	<u>Carrying Value</u>
Deposits:	
Demand deposits	\$ 10,266,842
Time Deposits	7,000,000
Money Market Mutual Funds	<u>1,405,068</u>
Total	<u>\$ 17,266,842</u>
Money Market Mutual Funds:	
Invesco Aim Treas-Cash Mgnt Fd	\$ 1,405,068
Total	<u>\$ 1,405,068</u>
Reconciliation to Statement of Net Assets	
Cash and cash equivalents	\$ 10,266,842
Investments	<u>7,000,000</u>
	<u>\$ 17,266,842</u>

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, 2012, 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, 2012.

Investment Credit Risk – The City does have a written investment policy that limits its investment choices according to the limitations stated in the *Oklahoma Statutes* except for #4 that is presented below. *Oklahoma Statutes* allow the City to invest in: (1) full faith and credit, direct obligations of the U. S. Government, its agencies and instrumentalities, and the State of Oklahoma and certain mortgage insured federal debt; (2) certificates of deposits or savings accounts that are either insured or secured with acceptable collateral; (3) negotiable certificates of deposit, prime bankers acceptances, prime commercial paper and repurchase agreements with certain limitations; (4) county, municipal or school district tax supported debt

CITY OF CHICKASHA, OKLAHOMA
Notes To Basic Financial Statements
For the Year Ended June 30, 2012

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 2012.

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, 2012 were as follows:

<u>Type of Restricted Assets</u>	<u>Cash and Cash Equivalents</u>	<u>Investments</u>
Utility Deposits	\$ 146,573	\$ 150,000
Trustee Accounts:		
Series 2002 Note Interest Fund	321,704	-
Series 2004 Construction Fund	1	-
Series 2004 Note Interest Fund	310,066	-
Series 2005 Construction Fund	471,438	-
Series 2005 Note Interest Fund	<u>301,860</u>	<u>-</u>
Total Restricted Assets	<u>\$ 1,551,641</u>	<u>\$ 150,000</u>

4. Capital Assets

Capital asset activity resulting from modified cash basis transactions for the fiscal year ended June 30, 2012, was as follows:

	<u>Restated Balance 6/30/11</u>	<u>Additions</u>	<u>Disposals</u>	<u>Reclassify</u>	<u>Balance 6/30/12</u>
Governmental Activities:					
Capital Assets, not being depreciated:					
Land	\$ 1,879,938	\$ -	\$ -	\$ -	\$ 1,879,938
Construction in progress	<u>635,373</u>	<u>185,464</u>	<u>(640,319)</u>	<u>-</u>	<u>180,518</u>
Total capital assets, not being depreciated	<u>2,515,311</u>	<u>185,464</u>	<u>(640,319)</u>	<u>-</u>	<u>2,060,456</u>
Capital assets, being depreciated:					
Buildings	7,802,470	694,215	-	-	8,496,685
Improvements	2,027,379	244,392	-	-	2,271,771
Infrastructure	46,325,003	1,433,699	-	-	47,758,702
Machinery and equipment	2,546,276	624,287	-	(146,733)	3,023,830
Vehicles	3,923,461	245,150	-	(223,759)	3,944,852
Surplus property	<u>917,792</u>	<u>-</u>	<u>-</u>	<u>370,492</u>	<u>1,288,284</u>
Total capital assets, being depreciated	<u>63,542,381</u>	<u>3,241,743</u>	<u>-</u>	<u>-</u>	<u>66,784,124</u>

CITY OF CHICKASHA, OKLAHOMA
Notes To Basic Financial Statements
For the Year Ended June 30, 2012

Less accumulated depreciation:					
Buildings	2,192,509	195,051	-	-	2,387,560
Improvements	429,063	182,815	-	-	611,878
Infrastructure	25,778,000	806,624	-	-	26,584,624
Machinery and equipment	1,522,501	280,606	-	(75,164)	1,727,943
Vehicles	2,601,836	292,415	-	(270,148)	2,624,103
Surplus property	841,414	25,935	-	345,312	1,212,661
Total accumulated depreciation	<u>33,365,323</u>	<u>1,783,446</u>	<u>-</u>	<u>-</u>	<u>35,148,769</u>
Total capital assets, being depreciated, net	<u>30,177,058</u>	<u>1,458,297</u>	<u>-</u>	<u>-</u>	<u>31,635,355</u>
Governmental activities capital assets, net	<u>\$32,692,369</u>	<u>\$ 1,643,761</u>	<u>\$ (640,319)</u>	<u>\$ -</u>	<u>\$33,695,811</u>

	Restated Balance 6/30/11	Additions	Disposals	Reclassify	Balance 6/30/12
Business-Type Activities:					
Capital Assets, not being depreciated:					
Land	\$ 3,623,966	\$ -	\$ -	\$ -	\$ 3,623,966
Construction in progress	<u>16,000</u>	<u>260,169</u>	<u>(204,121)</u>	<u>-</u>	<u>72,048</u>
Total capital assets, not being depreciated	<u>3,639,966</u>	<u>260,169</u>	<u>(204,121)</u>	<u>-</u>	<u>3,696,014</u>
Capital assets, being depreciated:					
Buildings	24,843,721	-	-	-	24,843,721
Improvements	1,532,206	249,876	-	-	1,782,082
Infrastructure	7,466,240	165,461	-	-	7,631,701
Machinery and equipment	884,867	178,187	-	(5,000)	1,058,054
Vehicles	670,106	28,584	-	(7,800)	690,890
Utility property/improvements	70,096,813	-	-	-	70,096,813
Surplus property	<u>130,934</u>	<u>-</u>	<u>-</u>	<u>12,800</u>	<u>143,734</u>
Total capital assets, being depreciated	<u>105,624,887</u>	<u>622,108</u>	<u>-</u>	<u>-</u>	<u>106,246,995</u>
Less accumulated depreciation:					
Buildings	15,278,244	496,554	-	-	15,774,798
Improvements	418,180	77,563	-	-	495,743
Infrastructure	6,116,730	32,233	-	-	6,148,963
Machinery and equipment	657,158	49,989	-	-	707,147
Vehicles	477,223	37,175	-	-	514,398
Utility property/improvements	45,550,196	954,185	-	-	46,504,381
Surplus property	<u>129,934</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>129,934</u>
Total accumulated depreciation	<u>68,627,665</u>	<u>1,647,699</u>	<u>-</u>	<u>-</u>	<u>70,275,364</u>
Total capital assets, being depreciated, net	<u>36,997,222</u>	<u>(1,025,591)</u>	<u>-</u>	<u>-</u>	<u>35,971,631</u>
Business-type activities capital assets, net	<u>\$40,637,188</u>	<u>\$ (765,422)</u>	<u>\$ (204,121)</u>	<u>\$ -</u>	<u>\$39,667,645</u>

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

Governmental Activities:	
Public Safety	\$ 526,102
Culture, Parks and Recreation	311,458
Streets	858,269
Community Development	9,186
General Government	<u>78,431</u>
Total depreciation expense for governmental activities	<u>\$ 1,783,446</u>

CITY OF CHICKASHA, OKLAHOMA
Notes To Basic Financial Statements
For the Year Ended June 30, 2012

Business-Type Activities:	
Water	\$ 618,703
Sewer	807,753
Sanitation	17,601
Lake	8,847
Economic Development	25,452
Airport	155,748
Administration	<u>13,595</u>
Total depreciation expense for business-type activities	<u>\$ 1,647,699</u>

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, 2012, 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.	\$ 24,206
\$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.	345,522
\$204,906 Capital lease obligation payable to First National Bank for a street Sweeper, payable in monthly installments of \$3,723, including principal and interest at 3.50%, final payment due August 15, 2016.	172,956
\$144,376 Capital lease obligation payable to Chickasha Bank for a motor grader, payable in monthly installments of \$2,597, including principal and interest at \$3.01%, final payment due January 27, 2017.	<u>133,145</u>
Total Capital Lease Obligations	<u>\$ 675,829</u>
Current portion	\$ 137,526
Non-current portion	<u>538,303</u>
Total Capital Lease Obligations	<u>\$ 675,829</u>

Revenue Notes Payable:

2004 Sales Tax Revenue Notes payable – See revenue note detail in Business-Type Activities.	2,390,000
2005 Sales Tax Revenue Notes payable – See revenue note detail in Business-Type Activities.	<u>700,000</u>
Total Revenue Notes Payable	<u>\$ 3,090,000</u>
Current portion	\$ 1,624,000
Non-current portion	<u>1,466,000</u>
Total Revenue Notes Payable	<u>\$ 3,090,000</u>

CITY OF CHICKASHA, OKLAHOMA
Notes To Basic Financial Statements
For the Year Ended June 30, 2012

Business-Type Activities – As of June 30, 2012, 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>\$ 35,098</u>
Current portion	\$ 35,098
Non-current portion	-
Total Capital Lease Obligations	<u>\$ 35,098</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>\$ 315,000</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)	2,390,000
Less amount for Governmental Activities	<u>(2,390,000)</u>
Business-Type Activities	-
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)	875,000
Less amount for Governmental Activities	<u>(700,000)</u>
Business-Type Activities	<u>175,000</u>
Total Revenue Notes Payable	<u>\$ 490,000</u>
Current portion	\$ 431,000
Non-current portion	<u>59,000</u>
Total Revenue Notes Payable	<u>\$ 490,000</u>

The capital assets acquired through capital leases are as follows:

Date	Capital Asset	Amount	Accumulated Depreciation
Vehicles:			
5/15/2008	Wheel Loader	\$ 120,824	\$ 50,343
6/15/2009	Ladder Truck	574,992	118,193
3/17/2008	2007 Vacuum Truck	<u>231,797</u>	<u>98,514</u>
		<u>\$ 927,613</u>	<u>\$ 267,050</u>

CITY OF CHICKASHA, OKLAHOMA
Notes To Basic Financial Statements
For the Year Ended June 30, 2012

Machinery and Equipment:			
1/09/2008	Phone System	\$ 32,026	\$ 17,615
9/15/2011	Street Sweeper	204,906	17,075
1/27/2012	Volvo Grader	<u>144,376</u>	<u>6,016</u>
		<u>\$ 381,308</u>	<u>\$ 40,706</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 \$3,752,846, payable through April 2014. For the current year, debt service payments of \$1,950,000 were 77.3% of total sales tax revenues of \$2,522,378.

The following is a summary of changes in long-term debt for the year ended June 30, 2012:

	Balance 6/30/11	Additions	Deductions	Balance 6/30/12	Amounts Due Within One Year
Governmental Activities:					
Capital Lease Obligations	\$ 442,952	\$ 349,282	116,405	\$ 675,829	\$ 137,526
Revenue Notes Payable	<u>4,628,000</u>	<u>-</u>	<u>1,538,000</u>	<u>3,090,000</u>	<u>1,624,000</u>
Total Governmental Activities	<u>\$ 5,070,952</u>	<u>\$ 349,282</u>	<u>\$ 1,654,405</u>	<u>\$ 3,765,829</u>	<u>\$ 1,761,526</u>
Business-Type Activities:					
Capital Lease Obligations	\$ 70,282	-	35,184	\$ 35,098	\$ 35,098
Revenue Notes Payable	<u>902,000</u>	<u>-</u>	<u>412,000</u>	<u>490,000</u>	<u>431,000</u>
Total Business-Type Activities	<u>\$ 972,282</u>	<u>\$ -</u>	<u>\$ 447,184</u>	<u>\$ 525,098</u>	<u>\$ 466,098</u>

The annual debt service requirements to maturity are as follows:

	Capital Lease Obligations		Revenue Notes Payable	
	Principal	Interest	Principal	Interest
Governmental Activities:				
<u>Year Ending June 30</u>				
2013	\$ 137,526	\$ 22,856	\$ 1,624,000	\$ 109,815
2014	117,442	18,305	1,466,000	42,930
2015	121,715	14,032	-	-
2016	126,142	9,604	-	-
2017	79,973	5,565	-	-
2018-2020	<u>93,031</u>	<u>4,015</u>	<u>-</u>	<u>-</u>
Total	<u>\$ 675,829</u>	<u>\$ 74,377</u>	<u>\$ 3,090,000</u>	<u>\$ 152,745</u>
Business-Type Activities:				
<u>Year Ending June 30</u>				
2013	\$ 35,098	\$ 912	\$ 431,000	\$ 18,965
2014	-	-	59,000	1,136
Total	<u>\$ 35,098</u>	<u>\$ 912</u>	<u>\$ 490,000</u>	<u>\$ 20,101</u>

CITY OF CHICKASHA, OKLAHOMA
Notes To Basic Financial Statements
For the Year Ended June 30, 2012

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

Governmental Activities:	
Public Safety	\$ 54,696
Culture, Parks and Recreation	106,572
Streets	<u>35,192</u>
Total interest expense for governmental activities	<u>\$ 196,460</u>
Business-Type Activities:	
Water	\$ 18,723
Sewer	6,557
Sanitation	<u>6,557</u>
Total interest expense for business-type activities	<u>\$ 31,837</u>

6. Interfund Transfers

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

Transfer Out	Transfer In	Amount	Purpose of Transfer
Cemetery Care Fund	Capital Equip Repl Fund	\$ 5,000	Fund capital purchases
CMAA	Capital Equip Repl Fund	2,500	Fund capital purchases
CMA	Capital Equip Repl Fund	88,000	Fund capital purchases
E-911 Fund	Capital Equip Repl Fund	5,000	Fund capital purchases
EMS Fund	Capital Equip Repl Fund	51,000	Fund capital purchases
General Fund	Capital Equip Repl Fund	115,700	Fund capital purchases
General Fund	Tax Increment District	25,325	Transfer sales tax
General Fund	CMA	2,522,378	Trnsf sales tax for bond purposes
Dedicated Sales Tax Fund	CMA	1,227,064	Transfer bond payments
Capital Projects Fund	CMA	609,080	Transfer bond payments
Capital Projects Fund	CMA	70,000	Fund capital purchases at Lake
CMA	General Fund	1,700,000	Subsidize operations
CMA	Capital Projects Fund	660,000	Fund capital purchases
CMA	EMS Fund	55,000	Subsidize operations
CMA	Water Resource Fund	3670	Fund capital purchases
Capital Equip Repl Fund	CMA	<u>37,359</u>	Transfer lease payments
Total		<u>\$ 7,177,076</u>	

Reconciliation to Fund Financial Statements:

	<u>Transfers In</u>	<u>Transfers Out</u>	<u>Net Transfers</u>
Governmental Funds	\$ 2,707,531	\$ (4,667,907)	\$ (1,960,376)
Proprietary Funds	<u>4,469,545</u>	<u>(2,509,169)</u>	<u>1,960,376</u>
Total	<u>\$ 7,177,076</u>	<u>\$ (7,177,076)</u>	<u>\$ 0</u>

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

Net transfers	\$ (1,960,376)
Purchase of expenses for governmental funds by business-type activities	
Purchase of capital assets for governmental funds by business-type activities	(95,341)
Reclassify governmental debt from business-type activities	1,711,178
Purchase of expenses for business-type activities by governmental funds	
Purchase of capital assets for business-type activities by governmental funds	<u>102,088</u>
Transfers – Internal Activity	<u>\$ (242,451)</u>

CITY OF CHICKASHA, OKLAHOMA
Notes To Basic Financial Statements
For the Year Ended June 30, 2012

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>
EMS	General Fund	30	Posting error
General Fund	CMA	12,342	
General Fund	CMAA	1,250	
Cemetery Care	CMA	154,431	

Reconciliation to Fund Financial Statements:

	<u>Due From</u>	<u>Due To</u>	<u>Net Internal Balances</u>
Governmental Funds	\$ 30	\$ 168,053	\$ 168,023
Proprietary Funds	<u>168,023</u>	<u>0</u>	<u>168,023</u>
Total	<u>\$ 168,053</u>	<u>\$ 168,053</u>	<u>\$ -</u>

8. Fund Equity/Net Assets

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

	General	EMS	Economic Dedicated	Dedicated Sales Tax	Other Governmental	Total
	<u>Fund</u>	<u>Fund</u>	<u>Sales Tax</u>	<u>Fund</u>	<u>Funds</u>	<u>Total</u>
<i>Fund Balance:</i>						
Nonspendable:						
Long-term receivable	-	-	1,313,481	-		1,313,481
Restricted for:						
TIF District	-	-		-	14,885	14,885
Economic Dev	-	-	1,857,202	-	188,116	2,045,318
E911	-	-		-	477,483	477,483
Water/Sewer, Streets, Parks and Recreation	-	-		642,048	-	642,048
Cemetery	-	-		-	35,000	35,000
Airport	-	-		-	40,000	40,000
Other Purposes	-	-		-	202,148	202,148
Committed to:						
EMS	-	110,397		-	-	110,397
Assigned to:						
Fire/EMS	1,468	377,605				379,073
Police	374,489					374,489
Water/Sewer, Streets, Parks and Recreation	-	-		720,254	-	720,254

CITY OF CHICKASHA, OKLAHOMA
Notes To Basic Financial Statements
For the Year Ended June 30, 2012

TIF District						
Economic Dev	-	-	559,446	-	460,725	1,020,171
E911	-	-		-	3,268	3,268
Streets	-	-		-	236,198	236,198
Cemetery	-	-		-	481,017	481,017
Capital Projects	-	-		-	879,155	879,155
Capital Assets	-	-		-		
Other Purposes	-	-		-		
Unassigned	2,177,750	-		-	(12,094)	2,165,656
<i>Total Fund Balance</i>	<i>2,553,707</i>	<i>488,002</i>	<i>3,730,129</i>	<i>1,362,302</i>	<i>3,005,901</i>	<i>11,140,041</i>

Net Assets Restricted by Enabling Legislation - The governmental activities statement of net assets reports \$3,456,882 of restricted net assets, of which \$3,254,734 is restricted by enabling legislation.

Enabling Legislation:	
Dedicated Sales Tax	\$ 642,048
Tax Increment District	14,885
ED-Dedicated Sales Tax	1,857,202
E-911	477,483
Chickasha Industrial Authority	188,116
Street and Alley	0
Cemetery Care	0
Capital Eq Replacement-Airport	40,000
Capital Eq Replacement-Cemetery	<u>35,000</u>
Total	<u>\$ 3,254,734</u>

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 \$860,254 at June 30, 2012. 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.

CITY OF CHICKASHA, OKLAHOMA
Notes To Basic Financial Statements
For the Year Ended June 30, 2012

Changes in the claims liability for the City from July 1, 2009, to June 30, 2012, are as follows:

	Health Care
Claim liability, July 1, 2009	\$ 72,966
Claims and changes in estimates	837,398
Claims payments	(831,657)
Claim liability, July 1, 2010	78,707
Claims and changes in estimates	1,372,749
Claims payments	(1,292,811)
Claim liability, June 30, 2011	158,645
Claims and changes in estimates	975,801
Claims payments	(1,079,966)
Claims liability, June 30, 2012	54,480

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 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 \$539,721, while the General Fund unassigned fund balance is \$2,177,750 at June 30, 2012.

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

CITY OF CHICKASHA, OKLAHOMA
Notes To Basic Financial Statements
For the Year Ended June 30, 2012

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, 2012. 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
2012	\$252,295	\$252,295

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, 2012. Participating members are required to contribute 8%. The plan is funded by contributions from participants, employers, insurance premium taxes, and state appropriations, as necessary.

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

Schedule of Retirement Plan Contributions – OPPRS

<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
2012	\$154,769	\$154,769

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.

CITY OF CHICKASHA, OKLAHOMA
Notes To Basic Financial Statements
For the Year Ended June 30, 2012

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, 2012 is 15.26% of covered payroll.

Annual Pension Cost – For 2011-2012, the City of Chickasha’s annual pension cost of \$382,297 for the OMRF plan was equal to the required and actual contributions. The required contribution was determined as part of the March 31, 2012 actuarial valuation using the entry age normal actuarial cost method. The actuarial assumptions included (a) 7.5% investment rate of return, (b) projected salary increases due to inflation of 4%, compounded annually (higher for younger employees), and (c) projected salary increases due to age/seniority, compounded annually. Funding requirements may increase in the future as benefits accrue.

Schedule of Retirement Plan Contributions – OMRF Defined Benefit Plan

<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
2012	\$382,297	100%	\$0

Funding Status and Funding Progress – As of December 31, 2011, the most recent actuarial valuation date, the plan was 93.81 percent funded. As of 12-31-2009 the funded percentage was 93.9% and as of 12-31-2010 the funded percentage was 94.1%. The actuarial accrued liability for benefits was \$13,697,525, and the actuarial value of assets was \$12,847,566, resulting in an unfunded actuarial accrued liability (UAAL) of \$849,959. The covered payroll (total annualized rate of pay as of the valuation date based on actual pay for the preceding year) was \$1,875,988, and the ratio of the UAAL to the covered payroll was 45.3 percent. The City’s unfunded actuarial accrued liability is being amortized as a level dollar amount on an open basis.

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 to the prior city manager. The Plan is administered by ICMA Retirement Corporation. According to the Plan, the City was 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, 2012, employee contributions were \$145 and the employer contributions were \$540.

SUPPLEMENTARY INFORMATION

CITY OF CHICKASHA, OKLAHOMA
Unaudited Budgetary Comparison Schedule
General Fund - Modified Cash Basis
For the Year Ending June 30, 2012

	Budgeted Amounts		Actual Amounts	Variance with Final Budget Positive (Negative)
	Original	Final		
Beginning Budgetary Fund Balance	\$ 2,058,207	\$ 2,058,207	\$ 2,110,554	\$ (52,347)
Resources (Inflows):				
Taxes	5,713,000	5,713,000	5,616,150	96,850
Intergovernmental	143,400	143,400	389,844	(246,444)
Charges for services	331,800	331,800	222,924	108,876
Fines and forfeitures				-
Licenses and permits	94,000	94,000	132,489	(38,489)
Investment income	12,000	12,000	13,266	(1,266)
Miscellaneous	25,000	25,000	109,932	(84,932)
Transfers in	1,900,000	1,900,000	1,829,171	70,829
Total Resources (Inflows)	8,219,200	8,219,200	8,313,776	(94,576)
Amounts available for appropriations	10,277,407	10,277,407	10,424,330	(146,923)
Charges to Appropriations (Outflows):				
Administration	234,800	259,800	252,430	7,370
Fire	2,115,800	2,275,800	2,311,040	(35,240)
Police	2,886,600	2,886,600	2,668,313	218,287
Parks and recreation	831,500	460,600	440,339	20,261
Cemetery maintenance		120,200	111,966	8,234
Sports complex		380,900	300,228	80,672
Library	360,900	370,900	352,416	18,484
Streets	967,700	716,000	596,477	119,523
Central garage		131,500	124,310	7,190
Support services	231,500	231,500	154,705	76,795
Finance	282,700	215,700	196,370	19,330
Utility Billing		77,000	79,596	(2,596)
Community development	356,800	356,800	273,457	83,343
General government	1,785,400	1,570,400	243,908	1,326,492
Transfers out			-	-
Total Charges to Appropriations	10,053,700	10,053,700	8,105,555	1,948,145
Ending Budgetary Fund Balance	\$ 223,707	\$ 223,707	\$ 2,318,775	\$ (2,095,068)

Reconciliation to Statement of Revenues, Expenditures, and Changes in

Fund Balance:	
Capital Lease Proceeds	349,282
Assets from Capital Leases	(349,282)
Fire/EMS Training Account Fund Balance	1,468
Police Operating Account	6,566
Police Training Account Fund Balance	87,276
Police Bond Account Fund Balance	280,647
Total General Fund Fund Balance	\$ 2,694,732

See Disclaimer in Independent Auditor's Report.

CITY OF CHICKASHA, OKLAHOMA
Notes to Budgetary Comparison Schedules
For the year Ended June 30, 2012

1. Budgetary Information

The budgetary comparison schedule is 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.

CITY OF CHICKASHA, OKLAHOMA
Combining Statement of Assets, Liabilities, and Fund Equity
Nonmajor Governmental Funds - Modified Cash Basis
June 30, 2012

	Special Revenue Funds				Capital Project Funds			Total Nonmajor Governmental Funds	
	Donations	Tax Increment District	Chickasha Industrial Auth	E-911	Street and Alley	Cemetery Care	Capital Project		Capital Equip Repl
Assets									
Cash and cash equivalents	\$ 218,205	\$ 14,885	\$ 448,841	\$ 281,436	\$ 453,518	\$ 235,758	\$ 481,297	\$ 74,504	\$ 2,208,444
Investments			200,000	200,000		400,000	600,000		1,400,000
Note receivable									-
<i>Total Assets</i>	<u>218,205</u>	<u>14,885</u>	<u>648,841</u>	<u>481,436</u>	<u>453,518</u>	<u>635,758</u>	<u>1,081,297</u>	<u>74,504</u>	<u>3,608,444</u>
Liabilities									
Due to Other Funds						154,431			154,431
Encumbrances payable	810			684	217,320	310	202,142	26,845	448,111
<i>Total Liabilities</i>	<u>810</u>	<u>-</u>	<u>-</u>	<u>684</u>	<u>217,320</u>	<u>154,741</u>	<u>202,142</u>	<u>26,845</u>	<u>602,542</u>
Fund Equity									
Fund Balance									
Nonspendable									-
Restricted	202,148	14,885	188,116	477,483				75,000	957,632
Committed									-
Assigned			460,725	3,268	236,198	481,017	879,155		2,060,363
Unassigned	15,247							(27,341)	(12,094)
<i>Total Fund Equity</i>	<u>217,395</u>	<u>14,885</u>	<u>648,841</u>	<u>480,751</u>	<u>236,198</u>	<u>481,017</u>	<u>879,155</u>	<u>47,659</u>	<u>3,005,901</u>
<i>Total Liabilities and Fund Equity</i>	<u>\$ 218,205</u>	<u>\$ 14,885</u>	<u>\$ 648,841</u>	<u>\$ 481,435</u>	<u>\$ 453,518</u>	<u>\$ 635,758</u>	<u>\$ 1,081,297</u>	<u>\$ 74,504</u>	<u>\$ 3,608,443</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, 2012

	Special Revenue Funds				Capital Project Funds			Total Nonmajor Governmental Funds
	Donations	Tax Increment District	Chickasha Industrial Auth	E-911	Street and Alley	Cemetery Care	Capital Project	
Revenues								
Taxes	\$	\$ 28,686	\$ 257,612	\$ 138,183	\$	\$ 922,929	\$	\$ 1,347,410
Intergovernmental					145,276			145,276
Charges for services						18,575	64,259	82,834
Investment income	568	38	2,974	1,975	3,461	5,405	3,401	18,095
Miscellaneous	10,453			75,000			273	85,453
<i>Total Revenues</i>	<u>11,021</u>	<u>28,724</u>	<u>260,586</u>	<u>215,158</u>	<u>148,737</u>	<u>23,980</u>	<u>273</u>	<u>1,679,068</u>
Expenditures								
Current:								
E-911				50,963				50,963
Culture, Parks and Recreation								-
Cemetery						1,992		1,992
Library								-
Streets								-
General government	7,680							7,680
Economic development			226,670				2,000	228,670
Capital outlay		59,500	25,000	151,856	226,771	48,301	742,124	1,581,056
Debt service								139,687
<i>Total Expenditures</i>	<u>7,680</u>	<u>59,500</u>	<u>251,670</u>	<u>202,819</u>	<u>226,771</u>	<u>50,293</u>	<u>744,124</u>	<u>2,010,048</u>
<i>Excess (Deficiency) of Revenues over Expenditures</i>	<u>3,341</u>	<u>(30,776)</u>	<u>8,916</u>	<u>12,339</u>	<u>(78,034)</u>	<u>(26,313)</u>	<u>246,465</u>	<u>(330,980)</u>
Other Financing Sources (Uses)								
Transfers in		25,325	-				660,000	267,200
Transfers out				(5,000)		(5,000)	(679,080)	(726,439)
<i>Total Other Financing Sources (Uses)</i>	<u>-</u>	<u>25,325</u>	<u>-</u>	<u>(5,000)</u>	<u>-</u>	<u>(5,000)</u>	<u>(19,080)</u>	<u>226,086</u>
Net Change in Fund Balances	3,341	(5,451)	8,916	7,339	(78,034)	(31,313)	227,385	(104,894)
Fund Balances - beginning	214,054	20,336	639,925	473,412	314,232	512,330	651,770	3,110,795
Fund Balances - ending	<u>\$ 217,395</u>	<u>\$ 14,885</u>	<u>\$ 648,841</u>	<u>\$ 480,751</u>	<u>\$ 236,198</u>	<u>\$ 481,017</u>	<u>\$ 879,155</u>	<u>\$ 3,005,901</u>

CITY OF CHICKASHA, OKLAHOMA
Combining Statement of Assets, Liabilities, and Fund Equity
General Fund Accounts - Modified Cash Basis
June 30, 2012

	<u>General Fund Account</u>	<u>Fire/EMS Training Fund Account</u>	<u>Police Training Fund Account</u>	<u>Police Operation Account</u>	<u>Police Bond Fund Account</u>	<u>Inter Account Elimination</u>	<u>Total General Fund</u>
<u>Assets</u>							
Cash and cash equivalents	\$ 1,190,718	\$ 1,468	\$ 91,585	\$ 6,566	\$ 282,474	\$ -	\$ 1,572,811
Investments	1,150,000						1,150,000
Due from other funds							-
<i>Total Assets</i>	<u>2,340,718</u>	<u>1,468</u>	<u>91,585</u>	<u>6,566</u>	<u>282,474</u>	<u>-</u>	<u>2,722,811</u>
<u>Liabilities</u>							
Due to other funds	13,622						13,622
Encumbrances payable	149,346		4,309		55		153,710
Police bonds					1,772		1,772
<i>Total Liabilities</i>	<u>162,968</u>	<u>-</u>	<u>4,309</u>	<u>-</u>	<u>1,827</u>	<u>-</u>	<u>169,104</u>
<u>Fund Equity</u>							
Fund Balance							
Nonspendable							-
Restricted							-
Committed							-
Assigned		1,468	87,276	6,566	280,647		375,957
Unassigned	2,177,750						2,177,750
<i>Total Fund Equity</i>	<u>2,177,750</u>	<u>1,468</u>	<u>87,276</u>	<u>6,566</u>	<u>280,647</u>	<u>-</u>	<u>2,553,707</u>
<i>Total Liabilities and Fund Eq</i>	<u>\$ 2,340,718</u>	<u>\$ 1,468</u>	<u>\$ 91,585</u>	<u>\$ 6,566</u>	<u>\$ 282,474</u>	<u>\$ -</u>	<u>\$ 2,722,811</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, 2012

	<u>General Fund Account</u>	<u>Fire/EMS Training Fund Account</u>	<u>Police Training Fund Account</u>	<u>Police Operating Account</u>	<u>Police Bond Fund Account</u>	<u>Inter Account Elimination</u>	<u>Total General Fund</u>
Revenues							
Taxes	\$ 8,138,528	\$	\$	\$	\$	\$	\$ 8,138,528
Intergovernmental	389,844						389,844
Charges for services	222,924						222,924
Fines and forfeitures					237,637		237,637
Licenses and permits	132,489						132,489
Investment income	13,266	4	124	513	537		14,444
Miscellaneous	109,932				5,404		115,336
<i>Total Revenues</i>	<u>9,006,983</u>	<u>4</u>	<u>124</u>	<u>513</u>	<u>243,578</u>	<u>-</u>	<u>9,251,202</u>
Expenditures							
Current:							
Administration	252,430						252,430
Fire/EMS	2,186,845	1,542					2,188,387
Police	2,610,469		11,531	80	30,276		2,652,356
Parks and recreation	415,460						415,460
Cemetery	111,966						111,966
Sports complex	279,981						279,981
Library	336,174						336,174
Streets	945,759						945,759
Central garage	120,586						120,586
Support services	150,734						150,734
Finance	194,015						194,015
Community development	272,014						272,014
Utility Billing	79,596						79,596
General government	243,908						243,908
Capital outlay	254,900						254,900
Debt service							-
<i>Total Expenditures</i>	<u>8,454,837</u>	<u>1,542</u>	<u>11,531</u>	<u>80</u>	<u>30,276</u>	<u>-</u>	<u>8,498,266</u>
<i>Excess (Deficiency) of Revenues over Expenditures</i>	<u>552,146</u>	<u>(1,538)</u>	<u>(11,407)</u>	<u>433</u>	<u>213,302</u>	<u>-</u>	<u>752,936</u>
Other Financing Sources (Uses)							
Capital lease proceeds	349,282						349,282
Transfers in	1,829,171	496	14,580			(144,223)	1,700,024
Transfers out	(2,663,403)		-		(144,223)	144,223	(2,663,403)
<i>Total Other Financing Sources (Uses)</i>	<u>(484,950)</u>	<u>496</u>	<u>14,580</u>	<u>-</u>	<u>(144,223)</u>	<u>-</u>	<u>(614,097)</u>
Net Change in Fund Balances	67,196	(1,042)	3,173	433	69,079	-	138,839
Fund Balances - beginning	2,110,554	2,510	84,103	6,133	211,568	-	2,414,868
Fund Balances - ending	<u>\$ 2,177,750</u>	<u>\$ 1,468</u>	<u>\$ 87,276</u>	<u>\$ 6,566</u>	<u>\$ 280,647</u>	<u>\$ -</u>	<u>\$ 2,553,707</u>

CITY OF CHICKASHA, OKLAHOMA
Combining Statement of Net Assets
Nonmajor Proprietary Funds - Modified Cash Basis
June 30, 2012

	Enterprise Funds			TOTAL
	Chickasha Municipal Airport Authority	Water Meter Deposit	Water Resource	
<u>Assets</u>				
Current Assets:				
Cash and cash equivalents	\$ 546,054	\$ 53,185	\$ 380,197	\$ 979,436
Due from other funds	1,250	-	-	1,250
<i>Total Current Assets</i>	<u>547,304</u>	<u>53,185</u>	<u>380,197</u>	<u>980,686</u>
Noncurrent Assets:				
Restricted cash and cash equivalents		146,573		146,573
Restricted investments		150,000		150,000
Land and other non-depreciable assets	81,253			81,253
Other capital assets, net of depreciation	3,233,054			3,233,054
<i>Total Noncurrent Assets</i>	<u>3,314,307</u>	<u>296,573</u>	<u>-</u>	<u>3,610,880</u>
<i>Total Assets</i>	<u>3,861,611</u>	<u>349,758</u>	<u>380,197</u>	<u>4,591,566</u>
<u>Liabilities</u>				
Current Liabilities:				
Encumbrances payable	41,669			41,669
Due to depositors		296,573		296,573
Capital debt obligations				-
<i>Total Current Liabilities</i>	<u>41,669</u>	<u>296,573</u>	<u>-</u>	<u>338,242</u>
Noncurrent Liabilities:				
Capital debt obligations				-
<i>Total Noncurrent Liabilities</i>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
<i>Total Liabilities</i>	<u>41,669</u>	<u>296,573</u>	<u>-</u>	<u>338,242</u>
<u>Net Assets</u>				
Invested in capital assets, net of related debt	3,314,307			3,314,307
Restricted for other purposes	505,635		380,197	885,832
Unrestricted		53,185		53,185
<i>Total Net Assets</i>	<u>\$ 3,819,942</u>	<u>\$ 53,185</u>	<u>\$ 380,197</u>	<u>\$ 4,253,324</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, 2012

	Enterprise Funds			TOTAL
	Chickasha Municipal Airport Authority	Water Meter Deposit	Water Resource	
Operating Revenues				
Charges for Services:				
Airport revenue	\$ 381,708	\$	\$	\$ 381,708
Water resource fee			80,438	80,438
<i>Total Operating Revenues</i>	<u>381,708</u>	<u>-</u>	<u>80,438</u>	<u>462,146</u>
Operating Expenses				
Water operations			1	1
Airport operations	308,912			308,912
Depreciation expense	155,748			155,748
<i>Total Operating Expenses</i>	<u>464,660</u>	<u>-</u>	<u>1</u>	<u>464,661</u>
<i>Operating Income (Loss)</i>	<u>(82,952)</u>	<u>-</u>	<u>80,437</u>	<u>(2,515)</u>
Nonoperating Revenues (Expenses)				
Investment income	837	966	338	2,141
Grant revenue	194,947			194,947
Miscellaneous revenue	214,627		(15)	214,612
<i>Total Nonoperating Revenues (Expenses)</i>	<u>410,411</u>	<u>966</u>	<u>323</u>	<u>411,700</u>
Net Income (Loss) Before Contributions and Tran	327,459	966	80,760	409,185
Capital contributions	18,584			18,584
Transfers in			3,670	3,670
Transfers out	(2,500)			(2,500)
<i>Change in Net Assets</i>	<u>343,543</u>	<u>966</u>	<u>84,430</u>	<u>428,939</u>
<i>Net Assets - beginning, restated</i>	<u>3,476,399</u>	<u>52,219</u>	<u>295,767</u>	<u>3,824,385</u>
<i>Net Assets - ending</i>	<u>\$ 3,819,942</u>	<u>\$ 53,185</u>	<u>\$ 380,197</u>	<u>\$ 4,253,324</u>

CITY OF CHICKASHA, OKLAHOMA
Combining Statement of Cash Flows
Nonmajor Proprietary Funds - Modified Cash Basis
For the Year Ending June 30, 2012

	Enterprise Funds			
	Chickasha Municipal Airport Authority	Water Meter Deposit	Water Resource	TOTAL
Cash Flows From Operating Activities				
Receipts from customers	\$ 381,708	\$	\$ 80,438	\$ 462,146
Vendors and others paid	(274,284)		(1)	(274,285)
Customer meter deposits receipts/refunds		5,023		5,023
Other receipts (payments)	(1,250)		4	(1,246)
<i>Net Cash Provided by Operating Activities</i>	<u>106,174</u>	<u>5,023</u>	<u>80,441</u>	<u>191,638</u>
Cash Flows From Noncapital Financing Activities				
Miscellaneous revenues	214,626		(15)	214,611
Transfers from other funds	16,084		3,670	19,754
Transfers to other funds				-
<i>Net Cash Provided by Noncapital Financing Activities</i>	<u>230,710</u>	<u>-</u>	<u>3,655</u>	<u>234,365</u>
Cash Flows From Capital and Related Financing Activities				
Grant revenue	194,947			194,947
Purchases of capital assets	(267,060)			(267,060)
<i>Net Cash Provided by (used in) Capital and Related Financing Activities</i>	<u>(72,113)</u>	<u>-</u>	<u>-</u>	<u>(72,113)</u>
Cash Flows From Investing Activities				
Interest received	837	966	338	2,141
(Increase) decrease in investments				-
<i>Net Cash Provided by Investing Activities</i>	<u>837</u>	<u>966</u>	<u>338</u>	<u>2,141</u>
<i>Net Increase in Cash and Cash Equivalents</i>	265,608	5,989	84,434	356,031
<i>Balance - Beginning of the Year</i>	<u>280,446</u>	<u>193,769</u>	<u>295,763</u>	<u>769,978</u>
<i>Balance - End of the Year</i>	<u><u>546,054</u></u>	<u><u>199,758</u></u>	<u><u>380,197</u></u>	<u><u>1,126,009</u></u>
Reconciliation of Operating Income (Loss) to Net Cash Provided by Operating Activities:				
Operating income (loss)	(82,952)	-	80,437	(2,515)
Adjustments to reconcile operating income to net cash provided (used) by operating activities:				
Depreciation expense	155,748			155,748
Changes in assets and liabilities:				
Due from other funds	(1,250)		4	(1,246)
Encumbrances payable	34,628			34,628
Due to depositors		5,023		5,023
<i>Net Cash Provided by Operating Activities</i>	<u>\$ 106,174</u>	<u>\$ 5,023</u>	<u>\$ 80,441</u>	<u>\$ 191,638</u>
<i>Noncash item:</i>				
Value of Donated capital asset	<u>\$</u>	<u>\$</u>	<u>\$</u>	<u>\$</u>

CITY OF CHICKASHA, OKLAHOMA
Schedule of Federal and State Awards
Modified Cash Basis
For the Year Ending June 30, 2012

<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>
Federal Awards:						
FAA AIP 3-40-0018-010-2010	20.106	\$ 63,650	\$ 9,500	\$ 37,050	\$ 11,400	\$ 52,250
FAA AIP 3-40-0018-010-2011	20.106	163,150		157,897	3,800	154,255
USDOJ-LLEBG-DJBX-0748	16.607	17,600	17,600		6,750	10,850
USDOJ BUL PROOF VEST	16.607	3,158		1,040		3,158
CDBG 13897-09	14.228	80,387			51,137	18,524
CDBG 14415-10	14.228	90,235				69,201
FEMA May Tornado	97.036					40,571
SRTS GRANT 2009-2011	20.205					11,800
DEPT HOMELAND SECURITY	97.039					113,111
LIVE AT 25 POLICE						580
		<u>418,180</u>	<u>27,100</u>	<u>195,987</u>	<u>73,087</u>	<u>474,300</u>
State Awards:						
State Library Aid		25,726	-	25,726	-	25,726
		<u>\$ 25,726</u>	<u>\$ -</u>	<u>\$ 25,726</u>	<u>\$ -</u>	<u>\$ 25,726</u>

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, 2012, which collectively comprise the City's basic financial statements and have issued our report thereon dated January 31, 2013. 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. 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

Management of the City is responsible for establishing and maintaining effective 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, and 11-6. 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.

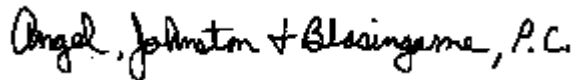
Compliance and Other Matters

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, slightly slanted style.

Chickasha, Oklahoma
January 31, 2013

CITY OF CHICKASHA, OKLAHOMA
Schedule of Findings and Responses
For the Year Ended June 30, 2012

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 the City to identify of all federal program awards and expenditures. The City is also required to prepare a schedule of expenditures of federal awards.

Condition – Federal awards and expenditures are not reconciled to the City’s financial statements monthly or at yearend. This requires the auditor to perform a search for federal awards and expenditures. Also non-cash grant activity is not tracked. Also the City does not prepare a schedule of expenditures of federal awards.

Cause – No one is assigned to perform the reconciliations or prepare this schedule.

Effect – Potential understatement of reporting of federal expenditures and inappropriate audit compliance. Also this could place the independence of the auditing firm in jeopardy.

Recommendation – Reconcile federal awards and expenditures to the City’s financial statements monthly. Also a tracking system for non-cash grants needs to be established. At yearend a schedule of expenditures of federal awards needs to be prepared.

Management response – Staff will assign Rick Walters, City Consultant, to the task of reconciling federal awards and expenditures monthly. A tracking system for non-cash grants is underway. A spreadsheet will be prepared monthly.

- 11-2. Criteria – Debt payments, proceeds and balances are required to be reported in the financial statements.

Condition – The City does not maintain a debt schedule showing the required reporting information.

Cause – No personnel have been assigned this responsibility.

Effect – Possibility the debt could be incorrectly reported. Also the auditing firm in performing these functions could place their independence in jeopardy.

Recommendation – Assign personnel to monitor all debt activity. This would include tracking interest and principal payments and new debt.

Management response – Finance Director will monitor all debt activities including interest, principal and new debt on spread sheets.

- 11-3. 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 had to search for the non-identified capital assets.

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Cause – No one is performing these tasks.

Effect – A lack of proper procedures and controls for tracking capital assets allows for the potential overstatement of expenses and understatement of capital assets. Also this could cause the independence of the auditing firm to be in jeopardy.

Recommendation – Assign personnel that possess the necessary knowledge of capital assets to an on-going accumulate a capital asset listing.

Management response – A committee has been formed that will consist of Stewart Fairburn, Gina Snedeker and Steve Chapman; they will keep an on-going cumulative list of capital assets that exceeds the \$3,500 threshold.

- 11-4. Criteria – Utility billing needs to have established controls over adjustments.

Condition – For all of last year the adjustments population was not independently verified. However, the individual adjustments are independently approved.

Cause – The wrong report criteria was used in printing the reconciliation report. The City asked for our help last year when they realized the reports did not reconcile. We did not make it out to assist in locating the issue.

Effect – Errors could have been made and not been identified. During the audit process we assisted in locating the reporting problem. However, further training was required understand the purpose for the reconciliation.

Recommendation – Control issues should be handled by staff or consultants independent of the auditing firm. This helps to retain the independence of the auditing firm.

Management response – The Finance Director has contacted Tyler Technology (INCODE). A report will be run monthly to reconcile utility billing.

- 11-5. Criteria – Construction in Progress should be identified so they can properly be reported in the yearend financial statements.

Condition – Projects and bids are maintained in files but the auditing firm had to accumulate the total amount for capitalization and there stage of completion at yearend.

Effect – Potential failure to identify of projects that are Construction in Progress. Also the independence of the auditing firm is placed in jeopardy.

Cause – The necessary procedures have not been established.

Recommendation – Establish the necessary procedures to Identify and report yearend Construction in Progress.

Management response – Management has formed a committee to identify and report yearend Construction in Progress. The committee members will be Stewart Fairburn, Gina Snedeker and Steve Chapman; they will develop a procedure that will identify and report yearend Construction in Progress.

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11-6. Criteria – Certain revenues are legally restricted to be spent for specific purposes. These funds need to be tracked to ensure proper use of funds.

Condition – Funds had been transferred from the Cemetery fund and E-911 fund to the Capital Equipment Replacement fund. These funds are legally restricted for specific purposes. However, at yearend the cash available in the Capital Equipment Replacement fund was less the restricted funds that had been placed in this fund and unspent.

Effect – Potential failure to spend restricted funds for their legally restricted purpose.

Cause – The procedure had not been established.

Recommendation – Transfer the funds necessary to restore the unspent cash to the appropriate amount. Establish monitoring procedures on all restricted revenue sources.

Management response – City Manager Fairburn did away with the Capital Equipment Replacement fund and the transfers-in for the FY 2012-13 Budget. Staff has transferred the funds necessary to restore the unspent cash to the appropriate funds.

