

CITY OF CHANDLER

Chandler, Oklahoma

FINANCIAL STATEMENTS

For the Year Ended June 30, 2011

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CITY OF CHANDLER
Chandler, Oklahoma

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To the City Commission
City of Chandler, Oklahoma

INDEPENDENT AUDITOR'S REPORT

I have audited the accompanying financial statements of the governmental activities, business-type activities, each major fund, and the aggregate remaining fund information of the City of Chandler, Oklahoma, as of and for the year ended June 30, 2011, which collectively comprise the City's basic financial statements as listed in the table of contents. These financial statements are the responsibility of the City of Chandler, Oklahoma's, management. My responsibility is to express an opinion on these financial statements based on my audit. I did not audit the financial statements of the Chandler Community Development Trust Authority, which represent 10.5 percent, 10.9 percent, and 1.9 percent, respectively, of the assets, fund balance, and revenues of the governmental funds. Those financial statements were audited by another auditor whose report thereon has been furnished to me, and my opinion, insofar as it relates to the amounts included for the Chandler Community Development Trust Authority, is based on the report of the other auditor.

I conducted my 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 I 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 significant estimates made by management, as well as evaluating the overall financial statement presentation. I believe that my audit provides a reasonable basis for my opinion.

In my opinion, based on my audit and the report of the other auditor, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the City of Chandler, Oklahoma, as of June 30, 2011, and the respective changes in financial position and, where applicable, cash flows thereof for the year then ended in conformity with accounting principles generally accepted in the United States of America.

In accordance with *Government Auditing Standards*, I have also issued a report dated May 8, 2012, on my consideration of the City of Chandler, Oklahoma's, internal control over financial reporting and my tests of its compliance with certain provisions of laws, regulations, contracts, grant agreements and other matters. The purpose of that report is to describe the scope of my 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 my audit.

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis, on pages 3 through 11, be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. I have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to my inquiries, the basic financial statements, and other knowledge I obtained during my audit of the basic financial statements. I do not express an opinion or provide any assurance on the information because the limited procedures do not provide me with sufficient evidence to express an opinion or provide any assurance.

The City of Chandler, Oklahoma, has not presented the budgetary comparison information that the Governmental Accounting Standards Board has determined is necessary to supplement, although not required to be part of, the basic financial statements.

My audit was made for the purpose of forming opinions on the financial statements that collectively comprise the City of Chandler, Oklahoma's, financial statements as a whole. The accompanying Combining Nonmajor Governmental Fund financial statements, on pages 51 and 52, and the Schedule of Grant Funds, on pages 53 and 54, are presented for purposes of additional analysis and are not a required part of the basic financial statements. The accompanying Schedule of Expenditures of Federal Awards and the Schedule of Findings and Questioned Costs, on pages 49 and 50, are presented for purposes of additional analysis as required by U.S. Office of Management and Budget Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*, and are also not a required part of the basic financial statements of the City of Chandler, Oklahoma. The Combining Nonmajor Governmental Fund financial statements, the Schedule of Grant Funds, the Schedule of Expenditures of Federal Awards, and the Schedule of Findings and Questioned Costs are the responsibility of management and were 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 my opinion, the information is fairly stated in all material respects in relation to the financial statements as a whole.



Bruce G. Luttrell, CPA, PC

May 8, 2012

MANAGEMENT'S DISCUSSION AND ANALYSIS

MANAGEMENT'S DISCUSSION AND ANALYSIS

Our discussion and analysis of the City of Chandler's financial performance provides an overview of the City's financial activities for the fiscal year ended June 30, 2011. Please read it in conjunction with the City's financial statements, which begin on page 12.

FINANCIAL HIGHLIGHTS

* City wide net assets increased by 9.56%, representing a 12.4% increase for governmental activities and a 0.83% increase for business-type activities. This also represents a city wide increase in current assets of 7.32% and a 1.14% increase in capital assets.

* Governmental Fund Balance increased by 20.7% from \$2,502,442 to \$3,021,467.

USING THIS ANNUAL REPORT

This annual report consists of a series of financial statements. The Statement of Net Assets and the Statement of Activities (on pages 12 and 13) provide information about the activities of the City as a whole and present a longer-term view of the City's finances. Fund financial statements start on page 14. For governmental activities, these statements tell how these services were financed in the short term as well as what remains for future spending. Fund financial statements also report the City's operations in more detail than the government-wide statements by providing information about the City's most significant funds.

Reporting the City as a Whole

The financial statements for the City as a whole begin on page 12. One of the most important questions asked about the City's finances is, "Is the City as a whole better or worse as a result of the year's activities?" The Statement of Net Assets and the Statement of Activities report information about the City as a whole and about its activities in a way that helps answer this question. These statements include *all* assets and liabilities using the *accrual basis of accounting*, which is similar to the accounting used by most private-sector companies. All of the current year's revenues and expenses are taken into account regardless of when cash is received or paid.

These two statements report the City's *net assets* and changes in them. You can think of the City's net assets – the difference between assets and liabilities – as one way to measure the City's financial health, or financial position. Over time, *increases* or *decreases* in the City's net assets are one indicator of whether its *financial health* is improving or deteriorating. You will also need to consider other non-financial factors; however, such as changes in the City's sales tax base and the condition of the City's infrastructure, to assess the *overall health* of the City.

In the statement of Net Assets and the Statement of Activities, we divide the City into two kinds of activities:

- Governmental activities – Most of the City’s basic services are reported here; including police, fire, ambulance, emergency management, code enforcement, municipal court, streets, library, parks and recreation, golf, lake and cemetery as well as general administration. Sales and use taxes, franchise fees, fire and ambulance run fees, golf and lake use fees, court fees and state and federal grants finance most of these activities.
- Business-type activities – The City’s water and sewer system and sanitation activities are reported here. The City charges a fee to customers to help cover the cost of these services.

Reporting the City’s Most Significant Funds

Our analysis of the City’s major funds begins on page 14 with the fund financial statements which provide detailed information about the most significant funds – not the city as a whole. The City’s two kinds of funds – *governmental* and *proprietary*– use different accounting approaches.

- Governmental funds – Most of the City’s basic services are reported in the governmental funds, which focus on how money flows into and out of those funds and the balances left at year-end that are available for spending. These funds are reported using an accounting method called *modified* accrual accounting, which measures cash and all other *financial* assets that can readily be converted to cash. The governmental fund statements provide a detailed *short-term* view of the City’s general government operations and the basic services it provides. Governmental fund information helps you determine whether there are more or fewer financial resources that can be spent in the near future to finance the City’s programs. We describe the relationship (or differences) between governmental *activities* (reported in the Statement of Net Assets and the Statement of Activities) and governmental *funds* in reconciliation at the bottom of the fund financial statements.
- Proprietary Funds – When the City charges its customers for the services it provides – whether to outside customers or to other units of the City – these services are generally reported in proprietary funds. Proprietary funds are reported in the same way that all activities are reported in the Statement of Net Assets and the Statement of Activities. In fact, the City’s enterprise fund is the same as the business-type activities we report in the government-wide statements but provides more detail and additional information, such as cash flows, for the proprietary fund.

THE CITY AS A WHOLE

For the year ended June 30, 2011, net assets (the difference between assets and liabilities) changed as follows: *Please note that Table 1 is a condensed financial comparison. The full statement of net assets is found on page 12.*

Table 1
Net Assets
(In Thousands)

					Total		Total
	Governmental		Business-type		Primary		Percentage
	Activities		Activities		Government		Change
	2010	2011	2010	2011	2010	2011	
Current and other assets	2,834.4	3,509.2	2,094.6	1,076.2	4,929.0	5,271.4	6.95 %
Capital assets	8,287.0	9,099.8	6,886.0	6,733.7	15,173.0	15,833.5	4.35 %
Total assets	11,121.4	12,608.9	8,980.6	8,495.9	20,102.0	21,104.9	4.99%
Long-term debt outstanding			4,810.9	4,293.5	4,810.9	4,293.5	-10.75%
Other liabilities	376.3	530.0	661.3	664.9	1,037.6	1,194.9	15.16%
Total liabilities	376.3	530.0	5,472.2	4,958.4	5,848.5	5,488.4	-6.16%
Net assets:							
Invested in capital assets, net of related debt		7,823.9	1,558.9	1,922.8	1,558.9	9,746.8	
Restricted	847.6	196.9	913.1	183.5	1,760.7	380.5	
Committed		2,471.9				2,471.9	
Assigned		32.9				32.9	
Unassigned	9,897.5	1,553.1	1,036.4	1,431.2	10,934.0	2,984.3	
Total net assets	\$10,745.1	\$12,078.9	\$3,508.4	\$3,537.6	\$14,253.6	\$15,616.5	9.56%

Table 1 shows the change in net assets over the past year. It reflects an overall increase in net assets of \$1,362.9 up 9.56% from last year; with a 12.41% increase in net assets for governmental activities and a 0.83% increase in net assets for business-type activities.

In order to fully analyze these changes in net assets we will look at each component of net assets separately.

Table 1 also shows the changes in current and other assets (comprised mostly of cash and cash equivalents and investments, and does not include capital assets) compared to last year. It reflects an overall increase in current and other assets of \$342,400 representing a 6.95% increase over last year. There was a slight (5.40%) decrease in total assets for business-type while there was a 13.38% increase in total assets for the governmental activities.

Governmental activities had an overall increase to capital assets (net of depreciation) in the amount of \$812,781 (9.81%). Additions to capital assets include \$652,929 for an airport parallel taxiway, \$12,000 for airport fuel apron, \$70,548 for street overlays, \$19,504 for sidewalks, abutments and electric for the new fishing docks, \$15,500 for two new mowers, \$34,536 for a new police Tahoe, \$50,000 payment on the new fire pumper engine, \$29,761 for ambulance payments and \$33,597 for golf cart paths.

The business-type activities had a decrease in capital assets in the amount of \$152,333 (2.21%) additions include \$14,698 for waste water pumps and actuator, \$33,500 for water tank maintenance and \$15,907 for a pump motor and flush meters for the water department.

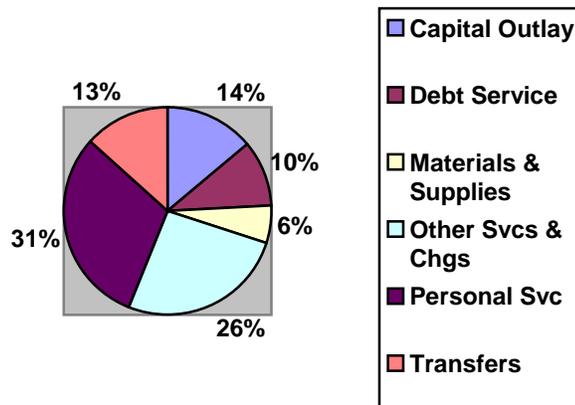
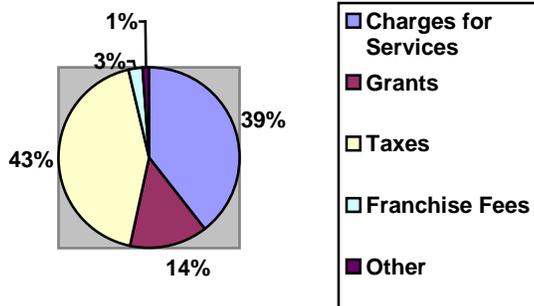
Table 2

	Governmental Activities		Business-Type Activities		Total		% Change
	2010	2011	2010	2011	2010	2011	2010-2011
Revenues							
Program Revenues							
Charges for Services	569,222	601,370	1,715,062	1,821,040	2,284,284	2,422,410	6.05 %
Operating Grants	19,909	10,173			19,909	10,173	(48.9) %
Capital Grants	308,132	855,153			308,132	855,153	177.53 %
General revenues							
Sales Tax	2,379,131	2,473,796			2,379,131	2,473,796	4.0 %
Use Tax	79,435	128,188			79,435	128,188	61.37 %
Tobacco Tax	33,812	35,548			33,812	35,548	5.13 %
Intergovernmental	52,886	54,334			52,886	54,334	2.74 %
Franchise Fees	174,450	170,946			174,450	170,946	(2.01) %
Interest Expense			(236,401)	(215,339)	(236,401)	(215,339)	8.91 %
Miscellaneous	96,690	86,594	13,655	10,443	110,345	97,037	(12.06) %
Investment Earnings	10,159	6,360	41,981	31,952	52,140	38,312	(26.52) %
Total Revenues	\$3,723,827	\$4,422,462	\$1,534,297	\$1,648,096	\$5,258,123	\$6,070,558	15.45 %

Changes in Net Assets

Revenue Sources - City as a Whole

**Expenses - City as a Whole
(By category)**



	<u>Governmental Activities</u>		<u>Business-Type Activities</u>		<u>Total</u>		<u>% Change</u>
	<u>2010</u>	<u>2011</u>	<u>2010</u>	<u>2011</u>	<u>2010</u>	<u>2011</u>	<u>2010-2011</u>
Expenses							
General Government	449,848	464,344	222,175	238,187	672,023	702,531	4.5 %
Public Safety	1,357,355	1,486,266			1,357,355	1,486,266	9.5 %
Streets	267,226	350,832			267,226	350,832	31.3 %
Culture & Recreation	488,019	587,602			488,019	587,602	20.4 %
Airport	70,762	97,543			70,762	97,543	37.8 %
Cemetery	18,510	11,421			18,510	11,421	(38.3 %)
Community Develop	109,138	116,053			109,138	116,053	6.3 %
Water			450,582	466,758	450,582	466,758	3.6 %
Waste Water			270,016	279,236	270,016	279,236	3.4 %
Distribution			303,787	345,468	303,787	345,468	13.7 %
Sanitation			328,750	263,950	328,750	263,950	(19.7 %)
Total Expenses	\$2,760,858	\$3,114,061	\$1,575,310	\$1,593,599	\$4,336,168	\$4,707,660	8.6 %
Excess (deficiency)							
before transfers	962,968	1,308,401	(41,013)	54,497	921,955	1,362,898	47.8 %
Transfers	(300,808)	25,402	154,302	(25,402)	(146,506)	-0-	%
CHANGE In Net Assets	\$662,160	\$1,333,803	\$113,289	\$29,094	\$775,449	\$1,362,898	75.8 %

Table 2 is a summary of the changes in net assets. The full statement of the changes in net assets is found on page 13. You will notice that the change in net assets increased by 75.8%. In 2010 the net assets increased by \$775,449 while in 2011 they increased by \$1,362,898. This increase is due to the fact that revenues increased by a total of 15.45% while expenses only increased by 8.6%.

As we take a closer look at the revenues we see that overall they increased by 15.45% (from \$5,258,123 to \$6,070,588). The greatest unfavorable increase was in operating grants; however, the greatest favorable change was in capital grants. Not surprisingly, investment earnings were down by 26.52%. Sales tax increased by 4% and combined taxes (sales tax, use tax and cigarette tax) increased by 5.8%.

Taking a closer look at the expenses, we see that the largest increases, 31.3% in the street department and 37.8% in the airport fund, correlate directly with the receipt of capital grants for street paving and airport parallel runway construction. Water and waste water averaged 3.5% increases, which is even less than the 4.8% and 8.3% increases they had last year, which is incredible with the increase in supply costs that we have seen over the last couple of years.

Governmental Activities

To aid in the understanding of the Statement of Activities on page 13, pay particular interest to the format. You will notice that expenses are listed in the first column with revenues from that particular program reported directly to the right. The result is a Net (Expense)/Revenue. This kind of format highlights the relative financial burden of each function on the City's taxpayers. It identifies how much each function requires from the general revenues or if it is self-financing through fees and grants or donations. Some of the individual line item revenues reported for each function are:

General government	Building permits, canvassing permits, oversized permits, copy/fax fees and dog licenses
Public Safety	Fire protection, ambulance runs, court fines and costs
Culture & Recreation	Library fines and operating grants, lake and golf use fees

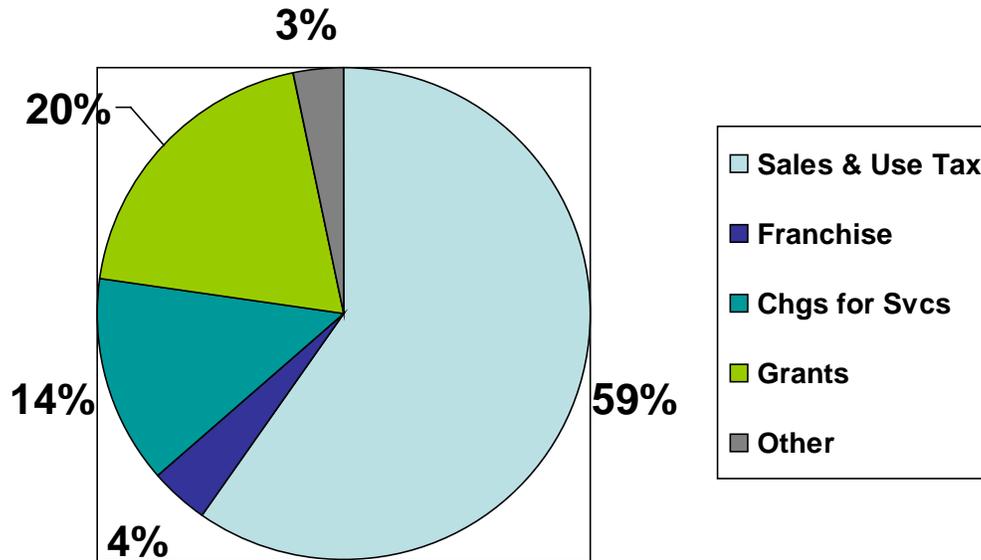
All other revenues are reported as general. It is important to note that all taxes are classified as general revenue even if restricted for a specific purpose.

For the year ended June 30, 2011, the City's governmental activities were funded as follows:

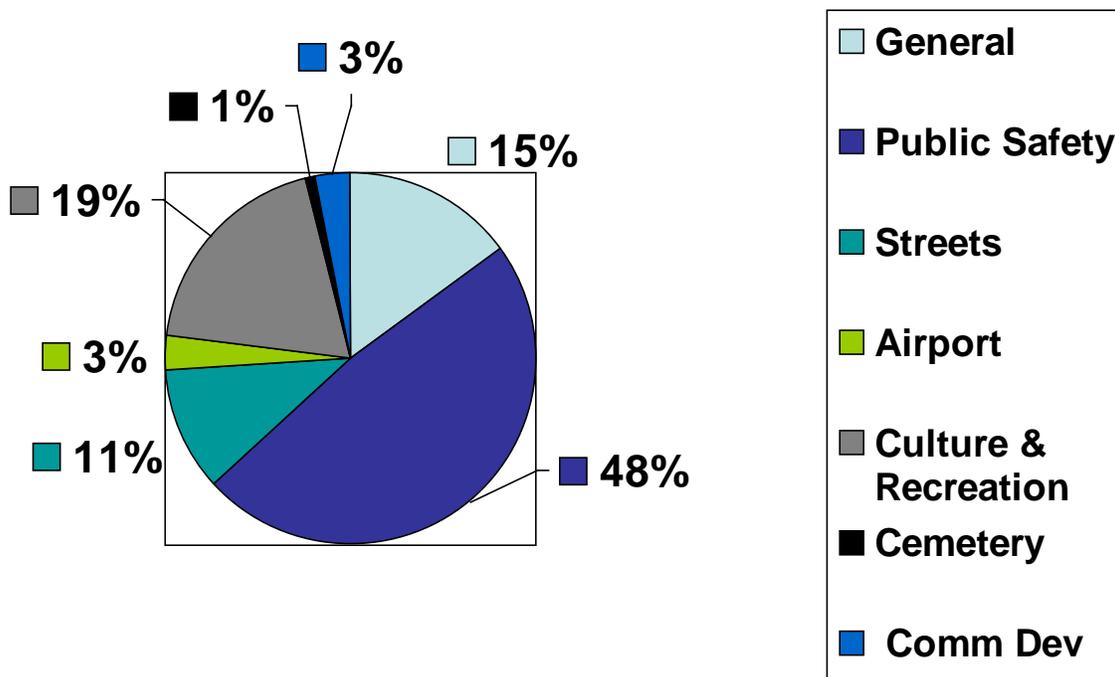
Table 3
Net Cost of City of Chandler Governmental Activities

	<u>Total Cost of Services</u>		<u>Percentage</u>	<u>Net Cost of Services</u>		<u>Percentage</u>
	<u>2010</u>	<u>2011</u>	<u>Change</u> <u>2010-2011</u>	<u>2010</u>	<u>2011</u>	<u>Change</u> <u>2010-2011</u>
General Gov't	\$ 442,066	\$ 464,344	5.0 %	\$ (442,066)	\$ (199,344)	(54.9 %)
Public Safety	1,420,872	1,486,266	4.6 %	(992,945)	(1,047,207)	5.5 %
Streets	301,752	350,832	16.3 %	(251,752)	(310,832)	23.5 %
Airport	73,762	97,543	32.2 %	164,370	452,609	(175.4 %)
Culture & Rec	531,220	587,602	10.6 %	(376,506)	(457,390)	21.5 %
Cemetery	18,510	11,421	(38.3 %)	(6,133)	8,989	(246.6 %)
Comm Devpmnt	114,512	116,053	1.3 %	(100,399)	(94,191)	(6.2 %)
TOTAL	\$ 2,902,694	\$ 3,114,061	7.3 %	\$ (2,005,431)	\$ (1,647,366)	(17.9 %)

Sources of Funds for Governmental Activities



Uses of Funds in Governmental Activities



Business-type Activities

As you will notice on the Statement of Activities and Changes in Net Assets report on page 13 and the Statement of Revenues, Expenses, and Changes in Net Assets, Proprietary Funds on page 18 the net *operating income* for the enterprise fund for this year was \$227,440 up from last year's \$139,752. This resulted from a 7.4% increase in revenue and a very small 1.2% increase in expenses from last year. As we saw in Table 1, the net assets for Business-type Activities increased by .83%.

The City's business-type activities are the maintaining, distribution / collection and sale of water, wastewater and sanitation services. The City currently contracts out sanitation collection.

THE CITY'S FUNDS

This section discusses and analyzes the significant differences in the City's governmental funds balance sheet. Since we have already examined the changes in net assets in Table 1 and the changes in revenue and expense in Table 2, we will concentrate here on the fund balances. This year we will only be comparing the total fund balance because GASB required significant changes to the way fund balance is reported. As you can see in footnote 1.D. we now report the fund balance divided into five different classifications which are completely different than in years past, making it next to impossible to compare. The new classifications (further defined in footnote 1.D.) are: nonspendable, restricted, committed, assigned and unassigned. These classifications are based primarily on the extent to which the city is bound to observe constraints imposed on the use of the resources.

Table 4
Fund Balances
Governmental Funds
(In Thousands)

	<u>General Fund</u>		<u>Airport</u>		<u>Other Gov't Funds</u>		<u>Total</u>		<u>% of Change</u>
	2010	2011	2010	2011	2010	2011	2010	2011	2010-2011
TOTAL	\$ 606	\$ 448	\$ 169	\$ 43	\$ 1,728	\$ 2,530	\$ 2,502	\$ 3,021	20.7 %

Table 4 shows a *combined* fund balance *increase* of 20.7% this year as compared to a 18.7% increase last year. It is important to note here that these figures do not include the reconciling items necessary to calculate net assets.

General Fund Budgetary Highlights

Over the course of the year, the City Council revised the City budget several times. These budget amendments fall into three categories. The first category includes supplemental appropriations either to reflect the actual beginning balances, i.e. the supplemental appropriation due to increased expenses or to reflect grants and/or donations received. The second category includes changes that were necessary due to unexpected events. The third category includes increases in appropriations to prevent budget overruns. Even with these adjustments, the actual appropriations (expenditures) were \$1,771,256 below the final budget amounts. This was due in part to \$400,000 in fire and ambulance monies budgeted for grants that were not received, \$150,000 budgeted for the swimming pool that was not used and various capital outlay accounts which had remaining balances.

Additionally, 2011's All Funds Budget Summary included \$2,049,000 for reserves. Combine that with the 20% of budgeted monies that weren't expended, and overall the City as a whole ended the year in excellent budgetary position.

CAPITAL ASSETS AND DEBT ADMINISTRATION

Capital Assets

At the end of 2011, the City had \$15.8 million in total net capital assets. This includes a broad range of capital assets, including police and fire equipment, buildings, park and library facilities, golf and lake facilities, roads and water and sewer infrastructure. This reflects a 4.35% increase over last year.

This year Governmental Activities had a total increase in capital assets of \$812,781 (9.81%). The major additions included: \$652,929 for an airport parallel taxiway, \$12,000 for airport fuel apron, \$70,548 for street overlays, \$19,504 for sidewalks, abutments and electric for the new fishing docks, \$15,500 for two new mowers, \$34,536 for a new police Tahoe, \$50,000 payment on the new fire pumper engine, \$29,761 for ambulance payments and \$33,597 for golf cart paths..

The business-type activities had an decrease in capital assets in the amount of \$152,333 (2.21%) additions include: \$14,698 for waste water pumps and actuator, \$33,500 for water tank maintenance and \$15,907 for a pump motor and flush meters for the water department.

Again, it is important to remember as we continue to analyze our capital assets over the next few years, that we are updating our computer system to ensure that all assets are recorded properly.

Debt

At year end, the City as a whole had \$4,810,862 in outstanding notes compared to \$5,303,609 last year representing a principal reduction of \$492,747. Other obligations of the City as a whole include accrued compensated absences (\$13,432), refundable deposits (\$67,950) and settlements payable to IPS and Danos.

ECONOMIC FACTORS AND NEXT YEAR'S BUDGETS AND RATES

The 2011-12 operating budget was determined based upon last year's revenue and expenses. We budgeted conservatively on sales tax revenue as well as for fire and ambulance payments, a new police Tahoe, misc fire and ambulance equipment, cart barn and tractor for the golf course, restrooms at the lake, street overlays, water tank maintenance, Phase 1 Alt 2 water line extension for Hiland Dairy, chlorine feed and building at the water plant, a pickup and a backhoe.

CONTACTING THE CITY'S FINANCIAL MANAGEMENT

This financial report is designed to provide our citizens, taxpayers, customers and creditors with a general overview of the City's finances and to show the City's accountability for the money it receives. If you have any questions about this report or need additional information, please contact Chandler City Hall. We can be contacted by phone at (405) 258-3200, in person at 414 Manvel Ave, Chandler, Oklahoma or by mail at 414 Manvel Ave, Chandler, Oklahoma 74834.

GOVERNMENT-WIDE FINANCIAL STATEMENTS

**CITY OF CHANDLER
STATEMENT OF NET ASSETS
JUNE 30, 2011**

Statement 1

	Government Activities	Business-Type Activities	Totals
Assets			
Current assets			
Cash and cash equivalents	\$ 410,987.04	\$ 442,821.28	\$ 853,808.32
Restricted cash and cash equivalents	2,649,788.10	183,488.55	2,833,276.65
Restricted investments		812,648.28	812,648.28
Accounts receivable	442,581.69	228,091.16	670,672.85
Accrued interest receivable	45.42	779.92	825.34
Inventory	5,794.00		5,794.00
Total current assets	<u>3,509,196.25</u>	<u>1,667,829.19</u>	<u>5,177,025.44</u>
Noncurrent assets			
Other assets:			
Debt issue costs (net)		94,444.45	94,444.45
Capital assets:			
Equipment and vehicles	3,141,455.66	668,317.45	3,809,773.11
Land and improvements	3,208,586.33	21,351.25	3,229,937.58
Buildings	2,474,909.43	2,824,339.38	5,299,248.81
Infrastructure	2,853,838.13	5,377,489.97	8,231,328.10
Less accumulated depreciation	<u>(2,579,003.76)</u>	<u>(2,157,786.44)</u>	<u>(4,736,790.20)</u>
Total noncurrent assets	<u>9,099,785.79</u>	<u>6,828,156.06</u>	<u>15,927,941.85</u>
Total assets	<u>12,608,982.04</u>	<u>8,495,985.25</u>	<u>21,104,967.29</u>
Liabilities			
Current liabilities			
Accounts payable	487,729.37	(420.95)	487,308.42
Accrued interest payable		67,805.62	67,805.62
Accrued compensated absences	31,026.10	10,056.04	41,082.14
Notes payable - current portion		517,363.63	517,363.63
Total current liabilities	<u>518,755.47</u>	<u>594,804.34</u>	<u>1,113,559.81</u>
Noncurrent liabilities			
Accrued compensated absences	11,257.17	2,174.78	13,431.95
Refundable deposits		67,950.00	67,950.00
Notes payable		4,810,862.49	4,810,862.49
Less: current portion		<u>(517,363.63)</u>	<u>(517,363.63)</u>
Total noncurrent liabilities	<u>11,257.17</u>	<u>4,363,623.64</u>	<u>4,374,880.81</u>
Total liabilities	<u>530,012.64</u>	<u>4,958,427.98</u>	<u>5,488,440.62</u>
Net assets (Note 1.D.)			
Invested in capital assets, net of related debt	7,823,982.46	1,922,849.12	9,746,831.58
Restricted	196,997.07	183,488.55	380,485.62
Committed	2,471,964.18		2,471,964.18
Assigned	32,908.00		32,908.00
Unassigned	<u>1,553,117.69</u>	<u>1,431,219.60</u>	<u>2,984,337.29</u>
Total net assets	<u>\$ 12,078,969.40</u>	<u>\$ 3,537,557.27</u>	<u>\$ 15,616,526.67</u>

The accompanying notes to the basic financial statements are an integral part of this statement.

CITY OF CHANDLER
STATEMENT OF ACTIVITIES AND CHANGES IN NET ASSETS
YEAR ENDED JUNE 30, 2011

Statement 2

Functions/programs	Program Revenues				Net (Expenses) Revenue and Changes in Net Assets			
	Expenses	Charges for Services	Operating Grants and Contracts	Capital Grants and Contracts	Primary Government			
					Governmental Activities	Business-type Activities	Totals	
Governmental activities								
General Government	\$ 464,343.58	\$ -	\$ -	\$ 265,000.00	\$ (199,343.58)	\$ -	\$ (199,343.58)	
Public Safety	1,486,266.18	432,735.98	6,322.72	-	(1,047,207.48)	-	(1,047,207.48)	
Streets	350,831.87	-	-	40,000.00	(310,831.87)	-	(310,831.87)	
Airport	97,543.34	-	-	550,153.00	452,609.66	-	452,609.66	
Culture and recreation	587,602.40	126,362.60	3,850.00	-	(457,389.80)	-	(457,389.80)	
Cemetery	11,420.80	20,409.43	-	-	8,988.63	-	8,988.63	
Community development	116,053.00	21,862.00	-	-	(94,191.00)	-	(94,191.00)	
Total government activities	<u>3,114,061.17</u>	<u>601,370.01</u>	<u>10,172.72</u>	<u>855,153.00</u>	<u>(1,647,365.44)</u>	<u>-</u>	<u>(1,647,365.44)</u>	
Business-type activities								
Water	466,757.89	1,060,552.65	-	-	-	593,794.76	593,794.76	
Wastewater	279,236.46	278,791.84	-	-	-	(444.62)	(444.62)	
Distribution	345,467.89	-	-	-	-	(345,467.89)	(345,467.89)	
Sanitation	263,949.91	481,695.30	-	-	-	217,745.39	217,745.39	
Administrative and general	238,187.29	-	-	-	-	(238,187.29)	(238,187.29)	
Total business-type activities	<u>1,593,599.44</u>	<u>1,821,039.79</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>227,440.35</u>	<u>227,440.35</u>	
Totals	<u>\$ 4,707,660.61</u>	<u>\$ 2,422,409.80</u>	<u>\$ 10,172.72</u>	<u>\$ 855,153.00</u>	<u>(1,647,365.44)</u>	<u>227,440.35</u>	<u>(1,419,925.09)</u>	
General revenues								
Sales tax					2,473,795.72	-	2,473,795.72	
Use tax					128,187.71	-	128,187.71	
Tobacco tax					35,547.99	-	35,547.99	
Intergovernmental revenue not restricted to specific programs					28,638.79	-	28,638.79	
Intergovernmental revenue restricted for streets & alleys					25,695.44	-	25,695.44	
Franchise fees					170,946.41	-	170,946.41	
Miscellaneous					86,594.29	10,442.98	97,037.27	
Interest expense					-	(215,338.72)	(215,338.72)	
Investment earnings					6,360.30	31,951.93	38,312.23	
Transfers: In					500,003.02	474,600.70	974,603.72	
Transfers: Out					(474,600.70)	(500,003.02)	(974,603.72)	
Total general revenues and transfers					<u>2,981,168.97</u>	<u>(198,346.13)</u>	<u>2,782,822.84</u>	
Change in net assets					1,333,803.53	29,094.22	1,362,897.75	
Net assets, beginning of year					10,745,165.87	3,508,463.05	14,253,628.92	
Net assets, end of year					<u>\$ 12,078,969.40</u>	<u>\$ 3,537,557.27</u>	<u>\$ 15,616,526.67</u>	

The accompanying notes to the basic financial statements are an integral part of this statement.

FUND FINANCIAL STATEMENTS

**CITY OF CHANDLER
BALANCE SHEET
GOVERNMENTAL FUNDS
JUNE 30, 2011**

Statement 3

	General Fund	Airport Fund	CMA Cap Fund	Water Cap Fund	Other Governmental Funds	Total Governmental Funds
Assets						
Cash and cash equivalents	\$ 410,987.04	-	-	-		\$ 410,987.04
Restricted cash and investments	129,309.20	36,988.60	568,462.02	1,630,601.36	284,426.92	2,649,788.10
Receivables from other governments		5,955.19	59,551.95	59,551.95		125,059.09
Accounts receivable	290,301.04				27,221.56	317,522.60
Accrued interest receivable	25.92				19.50	45.42
Inventory					5,794.00	5,794.00
Total assets	\$ 830,623.20	\$ 42,943.79	\$ 628,013.97	\$ 1,690,153.31	\$ 317,461.98	\$ 3,509,196.25
Liabilities						
Accounts payable	\$ 381,716.37	-	-	-	\$ 106,013.00	\$ 487,729.37
Payable to other governments						
Total liabilities	381,716.37	0.00	0.00	0.00	106,013.00	487,729.37
Fund Balance (Note 1.D.)						
Restricted	129,309.20				67,687.87	196,997.07
Committed			628,013.97	1,690,153.31	110,853.11	2,429,020.39
Assigned	319,597.63	42,943.79			32,908.00	75,851.79
Unassigned	448,906.83	42,943.79	628,013.97	1,690,153.31	211,448.98	319,597.63
Total fund balances	\$ 830,623.20	\$ 42,943.79	\$ 628,013.97	\$ 1,690,153.31	\$ 317,461.98	3,021,466.88
Total liabilities and fund balances						
						9,099,785.79
						(42,283.27)
Net assets of governmental activities						\$ 12,078,969.40

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 as assets in governmental funds. The cost of the assets is \$ 11,678,789.55. The accumulated depreciation is \$ 2,579,003.76.

Net effect for reconciliation

Other long-term liabilities are not due and payable in the current period and therefore are not reported in the funds:

Accrued compensated absences

Net assets of governmental activities

The accompanying notes to the basic financial statements are an integral part of this statement.

CITY OF CHANDLER
STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE
GOVERNMENTAL FUNDS
YEAR ENDED JUNE 30, 2011

Statement 4

	General Fund	Airport Fund	CMA Cap Fund	Water Cap Fund	Other Governmental Funds	Total Governmental Funds
Revenues:						
Sales tax	\$ 1,113,208.12	\$ 61,844.86	\$ 618,448.94	\$ 618,448.94	\$ 61,844.86	\$ 2,473,795.72
Use tax					128,187.71	128,187.71
Cigarette tax					35,547.99	35,547.99
Intergovernmental	54,334.23					54,334.23
Franchise fees	170,946.41					170,946.41
Grants	315,172.72	550,153.00				865,325.72
Charges for services	520,410.94				21,862.00	542,272.94
FEMA						-
Cemetery	20,409.43					20,409.43
Fines	38,687.64					38,687.64
Miscellaneous	20,645.47	5,919.24		1,425.00	43,801.57	71,791.28
Investment income	5,741.36				618.94	6,360.30
Total revenues	<u>2,259,556.32</u>	<u>617,917.10</u>	<u>618,448.94</u>	<u>619,873.94</u>	<u>291,863.07</u>	<u>4,407,659.37</u>
Expenditures:						
General government:						
General government	563,811.91				(24,000.00)	539,811.91
Cemetery	10,756.24					10,756.24
Public safety:						
Police	525,202.73				36,300.49	561,503.22
Fire	564,138.25				84,851.00	648,989.25
Ambulance	321,451.15				31,073.23	352,524.38
Emergency Management	1,023.66					1,023.66
Code Enforcement	48,352.58					48,352.58
Court	52,946.36					52,946.36
Streets	278,119.34				2,925.00	281,044.34
Culture and recreation:						
Parks and recreation	119,644.34					119,644.34
Lake	211,754.41				16,488.06	228,242.47
Golf	124,114.14				38,704.78	162,818.92
Library	95,573.75					95,573.75
Airport		743,876.74				743,876.74
Wastewater					-	-
Community Development					66,929.00	66,929.00
Total expenditures paid	<u>2,916,888.86</u>	<u>743,876.74</u>	<u>-</u>	<u>-</u>	<u>253,271.56</u>	<u>3,914,037.16</u>
Excess of revenues collected over (under) expenditures	<u>(657,332.54)</u>	<u>(125,959.64)</u>	<u>618,448.94</u>	<u>619,873.94</u>	<u>38,591.51</u>	<u>493,622.21</u>
Other financing sources (uses)						
Operating transfers in	500,003.02	-	-	-	-	500,003.02
Operating transfer out	-	-	(433,500.00)	(41,100.70)	-	(474,600.70)
Total other financing sources (uses)	<u>500,003.02</u>	<u>-</u>	<u>(433,500.00)</u>	<u>(41,100.70)</u>	<u>-</u>	<u>25,402.32</u>
Excess (deficiency) of revenues and other resources over expenditures and other uses	<u>(157,329.52)</u>	<u>(125,959.64)</u>	<u>184,948.94</u>	<u>578,773.24</u>	<u>38,591.51</u>	<u>519,024.53</u>
Fund balances, beginning of year	<u>606,236.35</u>	<u>168,903.43</u>	<u>443,065.03</u>	<u>1,111,380.07</u>	<u>172,857.47</u>	<u>2,502,442.35</u>
Fund balances, end of year	<u>\$ 448,906.83</u>	<u>\$ 42,943.79</u>	<u>\$ 628,013.97</u>	<u>\$ 1,690,153.31</u>	<u>\$ 211,448.98</u>	<u>\$ 3,021,466.88</u>

(Continued)

The accompanying notes to the basic financial statements are an integral part of this statement.

**CITY OF CHANDLER
STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE
GOVERNMENTAL FUNDS
YEAR ENDED JUNE 30, 2011**

Statement 4 (cont.)

Reconciliation of the change in fund balances: total governmental funds to the change in net assets of governmental activities:

Net change in fund balances: total governmental funds 519,024.53

Amounts reported for governmental activities in 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	1,113,569.39
Depreciation	(300,788.29)

Some expenses reported in the Statement of Activities do not require the use of current financial resources and therefore are not reported as expenditures in governmental funds:

Change in accrued compensated absences	1,997.90
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Change in net assets of governmental activities	<u>\$ 1,333,803.53</u>
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**CITY OF CHANDLER
STATEMENT OF NET ASSETS
PROPRIETARY FUND
JUNE 30, 2011**

Statement 5

	Municipal Authority
	Enterprise Fund
Assets	
Current assets	
Cash and cash equivalents	\$ 442,821.28
Restricted investments	812,648.28
Restricted cash and cash equivalents	183,488.55
Accounts receivable	228,091.16
Accrued interest receivable	779.92
Total current assets	1,667,829.19
Noncurrent assets	
Other assets:	
Debt issue costs (net)	94,444.45
Capital assets:	
Equipment and vehicles	668,317.45
Land and improvements	21,351.25
Buildings	2,824,339.38
Infrastructure	5,377,489.97
Less accumulated depreciation	(2,157,786.44)
Total capital assets	6,733,711.61
Total assets	8,495,985.25
Liabilities	
Current liabilities	
Accounts payable	(420.95)
Accrued interest payable	67,805.62
Accrued compensated absences	10,056.04
Notes payable - current portion	517,363.63
Total current liabilities	594,804.34
Noncurrent liabilities	
Refundable deposits	67,950.00
Accrued compensated absences	2,174.78
Notes payable	4,810,862.49
Less: current portion	(517,363.63)
Total noncurrent liabilities	4,363,623.64
Total liabilities	4,958,427.98
Net assets	
Invested in capital assets, net of related debt	1,922,849.12
Restricted for debt service	183,488.55
Unassigned	1,431,219.60
Total net assets	\$ 3,537,557.27

The accompanying notes to the basic financial statements are an integral part of this statement.

CITY OF CHANDLER
STATEMENT OF REVENUES, EXPENSES, AND CHANGES IN NET ASSETS
PROPRIETARY FUND
YEAR ENDED JUNE 30, 2011

Statement 6

	Municipal Authority
	Enterprise Fund
Operating revenue	
Charges for services:	
Water	\$ 1,060,552.65
Wastewater	278,791.84
Sanitation	481,695.30
Total operating revenue	1,821,039.79
Operating expenses:	
Water	378,540.88
Wastewater	211,137.71
Distribution	286,439.22
Sanitation	263,949.91
Administration and general	225,981.18
Depreciation and amortization	227,550.54
Total operating expenses	1,593,599.44
Net operating income	227,440.35
Nonoperating revenue (expense)	
Investment income	31,951.93
Interest expense	(215,338.72)
Other income	10,442.98
Total nonoperating revenue (expense)	(172,943.81)
Net income before transfers	54,496.54
Operating transfers: In	474,600.70
Operating transfers: Out	(500,003.02)
Net income	29,094.22
Net assets beginning of year	3,508,463.05
Net asset end of year	\$ 3,537,557.27

The accompanying notes to the basic financial statements are an integral part of this statement.

**CITY OF CHANDLER
STATEMENT OF CASH FLOWS
PROPRIETARY FUND
YEAR ENDED JUNE 30, 2011**

Statement 7

	Municipal Authority
	Enterprise Fund
Cash flows from operating activities	
Receipts from customers	\$ 1,751,569.94
Payments to suppliers	(988,478.39)
Payments to employees	(398,306.06)
Net cash provided (used) by operating activities	364,785.49
Cash flows from noncapital financing activities	
Transfers from other funds	474,600.70
Transfers to other funds	(500,003.02)
Other income	10,442.98
Net cash provided (used) by noncapital financing activities	(14,959.34)
Cash flows from capital and related financing activities	
Purchase of capital assets	(64,105.78)
Principal paid on capital debt	(492,746.27)
Interest paid on capital debt	(215,338.72)
Net cash provided (used) by capital and related financing activities	(772,190.77)
Cash flows from investing activities	
Interest income	31,951.93
Net increase (decrease) in cash and cash equivalents	(390,412.69)
Cash balance beginning of year	1,829,370.80
Cash balance end of year	\$ 1,438,958.11
Reconciliation of operating income (loss) to net cash provided (used) by operating activities	
Operating income (loss)	\$ 227,440.35
Adjustments to reconcile operating income to net cash provided (used) by operating activities:	
Cash flows reported in other categories:	
Depreciation and amortization expense	227,550.54
Change in assets and liabilities:	
Accounts receivable	(69,469.85)
Accrued interest receivable	289.07
Refundable deposits	-
Accounts payable	(13,918.83)
Accrued interest payable	(6,791.60)
Accrued compensated absences	(314.19)
Net cash provided by operating activities	\$ 364,785.49

The accompanying notes to the basic financial statements are an integral part of this statement.

NOTES TO BASIC FINANCIAL STATEMENTS

CITY OF CHANDLER
Chandler, Oklahoma

NOTES TO THE FINANCIAL STATEMENTS
For the year ended June 30, 2011

NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The City complies with generally accepted accounting principles (GAAP.) GAAP includes all relevant Governmental Accounting Standards Board (GASB) pronouncements. In the government-wide financial statements and the fund financial statements for the proprietary funds, Financial Accounting Standards Board (FASB) pronouncements and Accounting Principles Board (APB) opinions issued on or before November 30, 1989, have been applied, unless those pronouncements conflict with or contradict GASB pronouncements, in which case, GASB prevails. For enterprise funds, GASB Statement Nos. 20 and 34 provide the City the option of electing to apply FASB pronouncements issued after November 30, 1989. The City has elected not to apply those pronouncements. The accounting and reporting framework and the more significant accounting policies are discussed in subsequent subsections of this Note.

1.A. FINANCIAL REPORTING ENTITY

In evaluating how to define the reporting entity, management has considered all potential component units. The decision to include a potential component unit in the reporting entity was made by applying the criteria established by the Governmental Accounting Standards Board (GASB), GASB Statement No. 14, *The Financial Reporting Entity*. The basic (but not the only) criterion for including a potential component unit within the reporting entity is the governing body's ability to exercise oversight responsibility. The most significant manifestation of this ability is financial interdependency. Other manifestations of the ability to exercise oversight responsibility included, but are not limited to, the selection of governing authority, the designation of management, the ability to significantly influence operations, and accountability for fiscal matters. A second criterion used in evaluating potential component units is the scope of public service. Application of this criterion involves considering whether the activity benefits the City and/or its citizens, or whether the activity is conducted within the geographic boundaries of the City and is generally available to its patrons. A third criterion used to evaluate potential component units for inclusion or exclusion from the reporting entity is the existence of special financial relationships, regardless of whether the City is able to exercise oversight responsibilities.

Based upon the application of these criteria, the City's financial reporting entity is composed of the following:

- Primary Government: City of Chandler
- Blended Component Units: Chandler Municipal Authority
North Central Regional Airport Authority
Chandler Community Development Trust Authority

BLENDED COMPONENT UNITS

A blended component unit is a separate legal entity that meets the component unit criteria. In addition, the blended component unit's governing body is the same or substantially the same as the City Council, or the component unit provides services entirely to the City. The component unit's funds are blended into those of the City by appropriate fund type to constitute the primary government presentation. The blended component units are presented below:

<u>Component Unit</u>	<u>Brief Description / Inclusion Criteria</u>	<u>Fund Included In</u>
Municipal Authority	Created September 15, 1970, to finance, develop, and operate	Enterprise Fund

CITY OF CHANDLER
Chandler, Oklahoma

NOTES TO THE FINANCIAL STATEMENTS
For the year ended June 30, 2011

1.A. FINANCIAL REPORTING ENTITY (continued)

<u>Component Unit</u>	<u>Brief Description / Inclusion Criteria</u>	<u>Fund Included In</u>
(CMA)	the water, wastewater, and sanitation activities of the City. Current City Council members serve as entire governing body (trustees). The City of Chandler is the beneficiary of the trust.	
North Central Regional Airport Authority	Created May 5, 1998, to finance, develop, and operate the regional airport. The Authority is governed by five trustees, which are appointed by the City Council of the City of Chandler. The beneficiary of the trust is the City of Chandler and any other additional beneficiaries admitted pursuant to the trust indenture. The Mayor of the City of Chandler currently serves as a trustee.	Separate Fund
Chandler Community Development Trust Authority	Created November 6, 2001, to finance, develop, and operate the facilities to promote cultural awareness, preservation of heritage, recreational opportunities, educational activities, community and civic events, economic growth and tourism growth in the Chandler area. The Authority is governed by five trustees, which are appointed by the City Council of the City of Chandler. The beneficiary of the trust is the City of Chandler. The Mayor of the City of Chandler currently serves as a trustee.	Separate Fund

The Chandler Community Development Trust Authority (CCDTA) currently leases the Old Armory building, from the City of Chandler, to house the Route 66 Interpretive Center. The building was renovated with a \$ 631,697 grant from the Oklahoma Department of Transportation. The Route 66 Interpretive Center was opened on May 19, 2007. The lease was for an initial term of 20 years, for \$ 1 per year. The City of Chandler provides insurance coverage on the building, for which the CCDTA is to reimburse the City. An amendment, and an addendum to the lease, were entered into on September 30, 2009, and were effective for the fiscal year ended June 30, 2010. Among other provisions, the City funded the CCDTA for the fiscal year ended June 30, 2011, in the amount of \$ 2,000 per month, of which no less than 25 % was to be used for advertising to promote the City. Other terms allow the City to waive the requirement of the CCDTA to reimburse the City for various expenses, and contain certain reporting requirements.

The Chandler Community Development Trust Authority's financial statements for the year ended June 30, 2011, were audited by another auditor whose report thereon has been furnished to me, and my opinion, insofar as it relates to the amounts included for the Chandler Community Development Trust Authority, is based on the report of the other auditor. A copy of that audit report can be reviewed at City Hall, 414 Manvel Avenue, Chandler, Oklahoma 74834.

DISCRETELY PRESENTED COMPONENT UNIT

Discretely presented component units are separate legal entities that meet the component unit criteria but do not meet the criteria for blending. The City of Chandler does not have any discretely presented component units.

CITY OF CHANDLER
Chandler, Oklahoma

NOTES TO THE FINANCIAL STATEMENTS
For the year ended June 30, 2011

1.B. BASIS OF PRESENTATION

GOVERNMENT-WIDE FINANCIAL STATEMENTS

The Statement of Net Assets and Statement of Activities display information about the reporting government as a whole. They include all funds of the reporting entity except for fiduciary funds. The statements distinguish between governmental and business-type activities. Governmental activities generally are financed through taxes, intergovernmental revenues, and other non-exchange revenues. Business-type activities are financed in whole or in part by fees charged to external parties for goods or services.

FUND FINANCIAL STATEMENTS

Fund financial statements of the reporting entity are organized into funds, each of which is considered to be a separate accounting entity. Each fund is accounted for by providing a separate set of self-balancing accounts that constitutes its assets, liabilities, fund equity, revenues, and expenditures/expenses. Funds are organized into three major categories: governmental, proprietary, and fiduciary. The City presently has no fiduciary funds. An emphasis is placed on major funds within the governmental and proprietary categories. A fund is considered major if it is the primary operating fund of the City or meets the following criteria:

- a. Total assets, liabilities, revenues, or expenditures/expenses of that individual governmental or enterprise fund are at least 10 percent of the corresponding total for all funds of that category or type, and
- b. Total assets, liabilities, revenues, or expenditures/expenses of the individual governmental fund or enterprise fund are at least 5 percent of the corresponding total for all governmental and enterprise funds combined.

The funds of the financial reporting entity are described below:

Governmental Funds

Governmental funds are those through which most governmental functions are financed. Governmental fund reporting focuses on the sources, uses, and balances of current financial resources. Expendable assets are assigned to the various governmental funds according to the purpose for which they may or must be used. Current liabilities are assigned to the fund from which they will be paid. The difference between governmental fund assets and liabilities is reported as fund balance.

General Fund

The General Fund is the primary operating fund of the City and is always classified as a major fund. It is used to account for all activities except those legally or administratively required to be accounted for in other funds.

Special Revenue Funds

Special Revenue Funds are used to account for the proceeds of the specific revenue sources that are either legally restricted to expenditures for specified purposes or designated to finance particular functions or activities of the City. The reporting entity includes the following special revenue funds that are reported as major funds:

CITY OF CHANDLER
Chandler, Oklahoma

NOTES TO THE FINANCIAL STATEMENTS
For the year ended June 30, 2011

1.B. BASIS OF PRESENTATION (continued)

Fund	Brief Description
North Central Regional Airport Authority	Accounts for specific revenues and transfers from other City funds and expenditures for operations of the airport, and various capital projects. The City is currently allocating five percent of its two cents sales tax to the North Central Regional Airport Authority.

Capital Project Funds

Capital project funds are used to account for resources restricted for the acquisition or construction of specific capital projects or items. The reporting entity includes the following capital project funds that are reported as major funds; except for the City Capital Improvement Fund which is reported as a nonmajor fund.

Fund	Brief Description
CMA Capital Improvement Fund	Accounts for the one cent sales tax under Ordinance 1995-06. Funds can be expended for capital improvements for water plant improvements, sewer plant improvements, water line repair and replacement, or sewer line repair and replacement, or any other public works projects approved by the city council or the payment of debt service. The CMA Capital Improvement Fund was not created and utilized until July 1, 2008. Prior to that, revenue and expenditures were through the CMA Fund.
CMA Water Capital Improvement Fund	Accounts for the one cent sales tax under Ordinance 1980-04. Funds can be expended only for the water system. The CMA Water Capital Improvement Fund was not created and utilized until July 1, 2008. Prior to that, revenue and expenditures were through the CMA Fund.
City Capital Improvement Fund	Accounts for specific revenues and transfers from other City funds and expenditures for various capital projects. The City is currently allocating five percent of its two cents sales tax to the City Capital Improvement Fund, to be used for any capital improvement project approved by the city council.
Cemetery Perpetual Care Fund	Accounts for the 12.5 % of all cemetery revenues that are legally restricted for cemetery use.

Proprietary Funds

Enterprise Fund

Enterprise funds are used to account for business-like activities provided to the general public. These activities are financed primarily by user charges, and the measurement of financial activity focuses on net income measurement similar to the private sector. The reporting entity includes the following enterprise fund that is reported as a major fund:

CITY OF CHANDLER
Chandler, Oklahoma

NOTES TO THE FINANCIAL STATEMENTS
For the year ended June 30, 2011

1.B. BASIS OF PRESENTATION (continued)

Fund	Brief Description
Municipal Authority (CMA)	Accounts for the activities of the public trust in providing water, wastewater, and sanitation services to the public.

1.C. MEASUREMENT FOCUS AND BASIS OF ACCOUNTING

Measurement focus is a term used to describe “how” transactions are recorded within the various financial statements. Basis of accounting refers to “when” transactions are recorded regardless of the measurement focus applied.

MEASUREMENT FOCUS

In the government-wide Statement of Net Assets and the Statement of Activities, both governmental and business-like activities are presented using the economic resources measurement focus, as defined in item b below.

In the fund financial statements, the “current financial resources” measurement focus or the “economic resources” measurement focus is used as appropriate:

- a. All governmental funds utilize a “current financial resources” measurement focus. Only current financial assets and liabilities are generally included on their balance sheets. Their operating statements present sources and uses of available spendable financial resources during a given period. These funds use fund balance as their measure of available spendable financial resources at the end of the period.
- b. The proprietary fund utilizes an “economic resources” measurement focus. The accounting objectives of this measurement focus are the determination of operating income, changes in net assets (or cost recovery), financial position, and cash flows. All assets and liabilities (whether current or noncurrent, financial, or nonfinancial) associated with their activities are reported. Proprietary fund equity is classified as net assets.

BASIS OF ACCOUNTING

In the government-wide Statement of Net Assets and Statement of Activities and the fund financial statements, governmental and business-like activities, and component unit activities, are presented using the accrual basis of accounting. Under the accrual basis of accounting, revenues are recognized when earned and expenses are recorded when the liability is incurred or economic asset used. Revenues, expenses, gains, losses, assets, and liabilities resulting from exchange and exchange-like transactions are recognized when the exchange takes place.

In the fund financial statements, governmental funds and agency funds are presented on the modified accrual basis of accounting. Under this modified accrual basis of accounting, revenues are recognized when “measurable and available.” Measurable means knowing or being able to reasonably estimate the amount.

CITY OF CHANDLER
Chandler, Oklahoma

NOTES TO THE FINANCIAL STATEMENTS
For the year ended June 30, 2011

1.C. MEASUREMENT FOCUS AND BASIS OF ACCOUNTING (continued)

Available means collectible within the current period or within sixty days after year end. Expenditures (including capital outlay) are recorded when the related fund liability is incurred, except for general obligation bond principal and interest which are reported when due.

All proprietary funds utilize the accrual basis of accounting. Under the accrual basis of accounting, revenues are recognized when earned and expenses are recorded when the liability is incurred or economic asset used.

1.D. ASSETS, LIABILITIES, AND EQUITY

CASH AND CASH EQUIVALENTS

For the purpose of financial reporting, "cash and cash equivalents" include all demand and savings accounts and certificates of deposit or short-term investments with an original maturity of three months or less.

INVESTMENTS

Investments classified in the financial statements, consist entirely of certificates of deposit whose original maturity term exceeds three months. Investments are carried at cost, which approximates fair value.

RECEIVABLES

In the government-wide statements, receivables consist of all revenues earned at year-end and not yet received. Uncollectible accounts receivable, based upon historical trends, are very minimal and thus immaterial to the financial statements. Thus, no allowance for uncollectible accounts receivable has been recorded. Major receivable balances for the governmental activities include sales and use taxes, franchise taxes, alcoholic beverage tax, motor vehicle taxes, and police fines. Business-type activities report utilities and interest earnings as their major receivables.

In the fund financial statements, material receivables in governmental funds include revenue accruals such as sales tax, franchise tax, and grants and other similar intergovernmental revenues since they are usually both measurable and available. Nonexchange transactions collectible but not available are deferred in the fund financial statements in accordance with modified accrual, but not deferred in the government-wide financial statements in accordance with the accrual basis. Interest and investment earnings are recorded when earned only if paid within 60 days since they would be considered both measurable and available. Proprietary fund material receivables consist of all revenues earned at year-end and not yet received. Utility accounts receivable and interest earnings compose the majority of proprietary fund receivables. Uncollectible accounts receivable, based upon historical trends, are very minimal and thus immaterial to the financial statements. Thus, no allowance for uncollectible accounts receivable has been recorded.

INTERFUND RECEIVABLES AND PAYABLES

During the course of operations, numerous transactions occur between individual funds that may result in amounts owed between funds. Those related to goods and services type transactions are classified as "due to and from other funds." Short-term interfund loans are reported as "interfund receivables and payables." Long-term interfund loans (noncurrent portion) are reported as "advances from and to other funds." Interfund receivables

CITY OF CHANDLER
Chandler, Oklahoma

NOTES TO THE FINANCIAL STATEMENTS
For the year ended June 30, 2011

1.D. ASSETS, LIABILITIES, AND EQUITY (continued)

and payables between funds within governmental activities are eliminated in the Statement of Net Assets. See Note 3.H. for details of interfund transactions, including receivables and payables at year-end.

INVENTORIES

The cost of consumable materials and supplies on hand are immaterial to the financial statements, and the City has therefore chosen to report these items as expenditures at the time of purchase, except for the Chandler Community Development Trust Authority.

CAPITAL ASSETS

The accounting treatment of property, plant, and equipment (capital assets) depends on whether the assets are used in governmental fund operations or proprietary fund and similar discretely presented component unit operations and whether they are reported in the government-wide or fund financial statements.

Government-Wide Statements

In the government-wide financial statements, fixed assets are accounted for as capital assets. All capital assets are valued at historical cost, or estimated historical cost if actual is unavailable.

Depreciation of all exhaustible capital assets is recorded as an allocated expense in the Statement of Activities, with accumulated depreciation reflected in the Statement of Net Assets. Depreciation is provided over the assets' estimated useful lives using the straight-line method of depreciation. A capitalization threshold of \$ 2,000 is used to report capital assets. The range of estimated useful lives by type of asset is as follows:

Office equipment	5-10 years
Furniture	7-10 years
Equipment	5-15 years
Vehicles	5-10 years
Buildings	20-40 years
Infrastructure	25-50 years

Fund Financial Statements

In the fund financial statements, capital assets used in governmental fund operations are accounted for as capital outlay expenditures of the governmental fund upon acquisition. Capital assets acquired for use in proprietary fund operations are accounted for the same as in the government-wide statements.

RESTRICTED ASSETS

Restricted assets include cash and investments that are legally restricted as to their use. The primary restricted assets, of the proprietary fund, are related to promissory note trustee accounts and utility meter deposits. The primary restricted assets of the governmental funds are the sales tax amounts of the Capital Improvement Fund, and the grant and other restricted bank accounts of the General Fund.

CITY OF CHANDLER
Chandler, Oklahoma

NOTES TO THE FINANCIAL STATEMENTS
For the year ended June 30, 2011

1.D. ASSETS, LIABILITIES, AND EQUITY (continued)

LONG-TERM DEBT

The accounting treatment of long-term debt depends on whether the assets are used in governmental fund operations or proprietary fund operations and whether they are reported in the government-wide or fund financial statements.

All long-term debt to be repaid from governmental and business-type resources are reported as liabilities in the government-wide statements. The long-term debt consists primarily of notes payable and accrued compensated absences.

Long-term debt for governmental funds is not reported as liabilities in the fund financial statements. The debt proceeds are reported as other financing sources and payment of principle and interest reported as expenditures. The accounting for proprietary funds is the same in the fund statements as it is in the government-wide statements.

COMPENSATED ABSENCES

The City's policies regarding vacation time permit employees to accumulate earned but unused vacation and sick leave. Vacation pay vests for full time employees, after six months of continuous service, as outlined in the Personnel Policies Handbook, adopted by the city council on September 2, 2003. Vacation pay accrues on a scale from 6.67 hours per month for zero to two years service, to 13.33 hours per month for 19 plus years of service. Fire department and management employees are subject to a slightly different scale. Vacation time is to be taken in the calendar year in which earned. Employees may carry over a maximum of forty hours from year to year. Employees may request payment in lieu of vacation time off for a maximum of forty hours each year.

Sick leave accrues for full time employees at 8 hours per month, to a maximum accrual of 1,400 hours although it is not vested. Any employee who has not used more than two days of sick leave during the previous twelve months may receive a well bonus equal to two paid days or have two days added to their vacation time as determined by the department head.

The liability for these compensated absences is recorded as long-term debt in the government-wide statements. The current portion of this debt is estimated based on historical trends. In the fund financial statements, governmental funds report only the compensated absence liability payable from expendable available financial resources, while the proprietary funds report the liability as it is incurred.

EQUITY CLASSIFICATION

Net Assets

Net assets represent the difference between assets and liabilities. Net assets invested in capital assets, net of related debt consists of capital assets, net of accumulated depreciation, reduced by the outstanding balances of any borrowings used for the acquisition, construction or improvement of those assets. Net assets are reported as restricted when there are limitations imposed on their use either through the enabling legislation adopted by the City or through external restrictions imposed by creditors, grantors or laws or regulations of other governments.

CITY OF CHANDLER
Chandler, Oklahoma

NOTES TO THE FINANCIAL STATEMENTS
For the year ended June 30, 2011

1.D. ASSETS, LIABILITIES, AND EQUITY (continued)

EQUITY CLASSIFICATION

The City applies restricted resources when an expense is incurred for purposes for which both restricted and unrestricted net assets are available.

Fund Balance

Fund Balance is divided into five classifications based primarily on the extent to which the City is bound to observe constraints imposed upon the use of the resources in the governmental funds. The classifications are as follows:

Nonspendable – The nonspendable fund balance category includes amounts that cannot be spent because they are not in spendable form, or legally or contractually required to be maintained intact. The “not in spendable form” criterion includes items that are not expected to be converted to cash. It also includes the long-term amount of interfund loans.

Restricted – Fund balance is reported as restricted when constraints placed on the use of resources are either externally imposed by creditors (such as through debt covenants), grantors, contributors, or laws or regulations of other governments or is imposed by law through constitutional provisions or enabling legislation (City ordinances).

Enabling legislation authorizes the City to assess, levy, charge, or otherwise mandate payment of resources (from external resource providers) and includes a legally enforceable requirement that those resources be used only for the specific purposes stipulated in the legislation. Legal enforceability means that the City can be compelled by an external party – such as citizens, public interest groups, or the judiciary to use resources created by enabling legislation only for the purposes specified by the legislation.

Committed - The committed fund balance classification includes amounts that can be used only for the specific purposes imposed by formal action (ordinance or resolution) of the City Council. Those committed amounts cannot be used for any other purpose unless the City Council removes or changes the specified use by taking the same type of action (ordinance or resolution) it employed to previously commit those amounts. In contrast to fund balance that is restricted by enabling legislation, committed fund balance classification may be redeployed for other purposes with appropriate due process. Constraints imposed on the use of committed amounts are imposed by the City Council, separate from the authorization to raise the underlying revenue; therefore, compliance with these constraints are not considered to be legally enforceable. Committed fund balance also incorporates contractual obligations to the extent that existing resources in the fund have been specifically committed for use in satisfying those contractual requirements.

Assigned – Amounts in the assigned fund balance classification are intended to be used by the City for specific purposes but do not meet the criteria to be classified as restricted or committed. In governmental funds other than the General Fund, assigned fund balance represents the remaining amount that is not restricted or committed. In the General Fund, assigned amounts represent intended uses established by the City Council or a City official delegated that authority by City Charter or ordinance.

CITY OF CHANDLER
Chandler, Oklahoma

NOTES TO THE FINANCIAL STATEMENTS
For the year ended June 30, 2011

1.D. ASSETS, LIABILITIES, AND EQUITY (continued)

Unassigned – Unassigned fund balance is the residual classification for the General Fund and includes all spendable amounts not contained in the other classifications. In other governmental funds, the unassigned classification is used only to report a deficit balance resulting from overspending for specific purposes for which amounts had been restricted, committed, or assigned.

The City applies restricted resources first when expenditures are incurred for purposes for which either restricted or unrestricted (committed, assigned, and unassigned) amounts are available. Similarly, within unrestricted fund balance, committed amounts are reduced first followed by assigned, and then unassigned amounts when expenditures are incurred for purposes for which amounts in any of the unrestricted fund balance classifications could be used.

Fund balances at June 30, 2011, for the governmental funds are as follows:

	General Fund	Airport Fund	<u>Capital Projects Funds</u>		Other Government Funds	<u>Total</u>
			CMA Cap Fund	Water Cap Fund		
Fund balances:						
Invested in cap assets, net of related depreciation	6,515,437.54	1,308,544.92				7,823,982.46
Restricted for:						
Capital projects	126,381.20					126,381.20
Bond fund / CLEET	2,928.00					2,928.00
Perpetual cemetery care					67,687.87	67,687.87
Total Restricted	129,309.20				67,687.87	196,997.07
Committed to:						
Airport operations		42,943.79				42,943.79
Capital projects			628,013.97	1,690,153.31	110,853.11	2,429,020.39
Total Committed		42,943.79	628,013.97	1,690,153.31	110,853.11	2,471,964.18
Assigned to:						
Chandler Community Development Trust					32,908.00	32,908.00
Total Assigned					32,908.00	32,908.00
Unassigned	1,553,117.69					1,553,117.69
Total Fund Balances	8,197,864.43	1,351,488.71	628,013.97	1,690,153.31	211,448.98	12,078,969.40

1.E. REVENUES, EXPENDITURES, AND EXPENSES

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 Tax Commission receives the sales tax approximately one month after collection by vendors. The sales tax is allocated two cents to the General Fund, and two cents to the Chandler Municipal Authority. Of the two cents allocated to the General Fund, five percent is allocated to the City Capital Improvement Fund, and five percent is allocated to the North Central Regional Airport Authority Fund. Of the two cents allocated to the Chandler

CITY OF CHANDLER
Chandler, Oklahoma

NOTES TO THE FINANCIAL STATEMENTS
For the year ended June 30, 2011

1.E. REVENUES, EXPENDITURES, AND EXPENSES (continued)

Municipal Authority, one cent is allocated to the CMA Capital Improvement Fund, and one cent is allocated to the CMA Water Capital Improvement Fund. Sales tax collected by the State in June and received by the City in July has been accrued and is included under the caption "Receivable from other governments."

USE TAX

The City levies a four-cent use tax on personal property purchased outside of Oklahoma but stored, used, or consumed within the city. The use tax is collected by the Oklahoma Tax Commission and remitted to the City in the month following receipt by the Tax Commission, which is one month after the tax is received from the vendors. The use tax is allocated entirely to the City Capital Improvement Fund. Use tax collected by the State in June and received by the City in July has been accrued and is included under the caption "Receivable from other governments."

PROGRAM REVENUES

In the Statement of Activities, revenues that are derived directly from each activity or from parties outside the City's taxpayers are reported as program revenues. The City has the following program revenues in each activity:

General Government	Permit fees
Public Safety	Fine revenue, fire protection, ambulance service, operating and capital grants including State Department of Agriculture grants
Culture and Recreation	Sign up fees, membership fees, gate fees, use fees, operating and capital grants include an Oklahoma Department of Libraries grant

All other governmental revenues are reported as general. All taxes are classified as general revenue even if restricted for a specific purpose, except for the commercial vehicle tax and the gasoline excise tax, both of which are restricted for street and alley purposes.

OPERATING REVENUE AND EXPENSES

Operating revenues and expenses for proprietary funds result from providing services and producing and delivering goods and/or services. They also include all revenues and expenses not related to capital and related financing, noncapital financing, or investing activities.

1.F. INTERNAL AND INTERFUND BALANCES AND ACTIVITIES

In the process of aggregating the financial information for the government-wide Statement of Net Assets and Statement of Activities, some amounts reported as interfund activity and balances in the fund financial statements have been eliminated or reclassified.

CITY OF CHANDLER
Chandler, Oklahoma

NOTES TO THE FINANCIAL STATEMENTS
For the year ended June 30, 2011

1.F. INTERNAL AND INTERFUND BALANCES AND ACTIVITIES (continued)

FUND FINANCIAL STATEMENTS

Interfund activity, if any, within and among the governmental and proprietary fund categories is reported as follows in the fund financial statements:

1. Interfund loans – Amounts provided with a requirement for repayment are reported as interfund receivables and payables.
2. Interfund services – Sales or purchases of goods and services between funds are reported as revenues and expenditures/expenses.
3. Interfund reimbursements – Repayments from funds responsible for certain expenditures/expenses to the funds that initially paid for them are not reported as reimbursements but as adjustments to expenditure/expenses in the respective funds.
4. Interfund transfers – Flow of assets from one fund to another where repayment is not expected is reported as transfers in and out.

GOVERNMENT-WIDE FINANCIAL STATEMENTS

Interfund activity and balances, if any, are eliminated or reclassified in the government-wide financial statements as follows:

1. Internal balances – Amounts reported in the fund financial statements as interfund receivables and payables are eliminated in the governmental and business-type activities columns of the Statement of Net Assets, except for the net residual amounts due between governmental and business-type activities, which are reported as Internal Balances.
2. Internal activities – Amounts reported as interfund transfers in the fund financial statements are eliminated in the government-wide Statement of Activities except for the net amount of transfers between governmental and business-type activities, which are reported as Transfers – Internal Activities. The effects of interfund services between funds, if any, are not eliminated in the Statement of Activities.
3. Primary government and component unit activity and balances – Resource flows between the primary government (the City and Municipal Authority) and the discretely-presented component units (if any) are reported as if they were external transactions and are classified separately from internal balances and activities within the primary government.

1.G. USE OF ESTIMATES

The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and 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 (such as estimated useful lives in determining depreciation expense.) Accordingly, actual results could differ from those estimates.

NOTE 2. STEWARDSHIP, COMPLIANCE, AND ACCOUNTABILITY

By its nature as a local government unit, the City and its component units are subject to various federal, state, and local laws and contractual regulations. An analysis of the City's compliance with significant laws and regulations and demonstration of its stewardship over City resources follows.

CITY OF CHANDLER
Chandler, Oklahoma

NOTES TO THE FINANCIAL STATEMENTS
For the year ended June 30, 2011

2.A. UNINSURED AND UNCOLLATERALIZED DEPOSITS

In accordance with State law, all uninsured deposits of municipal funds in financial institutions must be secured with acceptable collateral. Acceptable collateral includes certain U.S. Government or Government Agency securities, certain State or political subdivision debt obligations, surety bonds, or certain letters of credit. As reflected in Note 3.A., all deposits were fully insured or collateralized.

NOTE 3. DETAIL NOTES – TRANSACTION CLASSES/ACCOUNTS

3.A. DEPOSITS AND INVESTMENTS

DEPOSITS

All the deposits of the City are either insured by the Federal Deposit Insurance Corporation (FDIC), collateralized with securities held by the City (or public trusts) or by its agent in its name, or by an Irrevocable Letter of Credit for Local Funds issued in the City's favor with the Federal Home Loan Bank of Topeka.

At June 30, 2011, (excluding the Chandler Community Development Trust Authority) the City's deposits had a carrying amount of \$ 4,470,616.25 and a bank balance of \$ 4,470,616.25. Of the bank balance, \$ 754,868.13 was covered by federal depository insurance and the remainder was covered by collateral held by the City's agent in the City's name and by three Irrevocable Letters of Credit for Local Funds issued in the City's favor with the Federal Home Loan Bank of Topeka. At June 30, 2011, the City's petty cash funds totaled \$ 740.00.

INVESTMENTS

Investments of the City (excluding Public Trusts) are limited by State law to the following:

- a. Direct obligations of the U.S. Government, its agencies, and instrumentalities to which the full faith and credit of the U.S. Government is pledged, or obligations to the payment of which the full faith and credit of the State is pledged.
- b. Certificates of deposit or savings accounts that are either insured or secured with acceptable collateral with in-state financial institutions, and fully insured certificates of deposit or savings accounts in out-of-state financial institutions.
- c. With certain limitation, negotiable certificates of deposit, prime bankers acceptances, prime commercial paper, and repurchase agreements with certain limitations.
- d. County, municipal, or school district tax-supported debt obligations, bond or revenue anticipation notes, money judgments, or bond or revenue anticipation notes of public trusts whose beneficiary is a county, municipality, or school district.
- e. Notes or bonds secured by mortgage or trust deed insured by the Federal Housing Administrator and debentures issued by the Federal Housing Administrator, and in obligations of the National Mortgage Association.
- f. Money market funds regulated by the Securities and Exchange Commission and in which investments consist of the investments mentioned in the previous paragraphs a,b,c, and d.

CITY OF CHANDLER
Chandler, Oklahoma

NOTES TO THE FINANCIAL STATEMENTS
For the year ended June 30, 2011

3.A. DEPOSITS AND INVESTMENTS (continued)

Public trusts created under O.S. Title 60 are not subject to the above noted investment limitations and are primarily governed by any restrictions in their trust or bond indentures. For the year ended June 30, 2011, the City and its public trusts complied, in all material respects, with these investment restrictions.

At June 30, 2011, the City's investments consisted solely of certificates of deposit whose original maturity terms exceeded three months. At June 30, 2011, the carrying value and fair value of the certificates of deposit totaled \$ 34,818.25. The Chandler Municipal Authority's investments consisted solely of certificates of deposit whose original maturity terms exceeded three months. At June 30, 2011, the carrying value and fair value of the certificates of deposit totaled \$ 812,648.28. For purposes of the Statement of Net Assets and the Statement of Cash Flows, the certificates of deposit are classified as investments.

Interest Rate Risk: The City does not have a formal investment policy.

Credit Risk: The City has no policy regarding credit risk.

Concentration of Credit Risk: The City places no limit on the amount that the City may invest in any one issuer.

3.B. RESTRICTED ASSETS

The amounts reported as restricted assets are composed of amounts held by the Municipal Authority for utility deposits (refunded upon termination of service or applied to final bill) of \$ 71,379.58; amounts held in trustee accounts on behalf of the promissory note in the amount of \$ 183,488.55; amounts held in certificates of deposit for various capital projects of \$ 741,268.70; amounts held in various checking accounts for various capital projects of \$ 2,387,444.93; amounts held in various grant and other checking accounts of \$ 129,309.20; amounts held for airport operations of \$ 36,988.60; and amounts held for perpetual cemetery care of \$ 67,668.37.

3.C. RESTRICTED REVENUES

The City has various restrictions placed over certain revenue sources from state or local requirements. The primary restricted revenue sources include:

Revenue Source	Legal Restrictions of Use
Sales Tax	See Note 1.E.
Gasoline Excise & Commercial Vehicle Tax	Street & Alley purposes
Grant proceeds	Grant expenditures

Accounts receivable of the business-type activities consist entirely of utilities receivable. Accounts receivable of the governmental activities consist of sales tax (36.9 %), franchise tax (47.0 %), ambulance service (7.1 %), motor vehicle tax (0.6 %), gasoline excise tax (0.3 %), fines and court costs (8.1 %). Receivables detail at June 30, 2011, is as follows:

CITY OF CHANDLER
Chandler, Oklahoma

NOTES TO THE FINANCIAL STATEMENTS
For the year ended June 30, 2011

3.D. ACCOUNTS RECEIVABLE

	Governmental Activities	Business-type Activities	Total
Accounts receivable	\$ 290,301	228,091	518,392

3.E. CAPITAL ASSETS

Capital asset activity for the fiscal year ended June 30, 2011, was as follows (excluding the Chandler Community Development Trust Authority):

	Balance at July 1, 2010	Additions	Deductions	Balance at June 30, 2011
<i>Governmental activities:</i>				
Capital assets not being depreciated:				
Land	\$ 3,208,586	\$ _____	\$ _____	\$ 3,208,586
Other capital assets:				
Office furniture & equipment	112,107	4,596		116,703
Equipment	1,262,713	247,652		1,510,365
Vehicles	1,213,839	84,536		1,298,375
Buildings	1,216,299			1,216,299
Infrastructure	2,065,259	788,578		2,853,837
Total other capital assets at historical cost	5,870,217	1,125,362		6,995,579
Less accumulated depreciation for:				
Office furniture & equipment	93,933	2,374		96,307
Equipment	625,648	65,680		691,328
Vehicles	687,530	93,885		781,415
Buildings	524,078	31,681		555,759
Infrastructure	197,333	58,044		255,377
Total accumulated depreciation	2,128,522	251,664		2,380,186
Other capital assets, net	3,741,695	873,698		4,615,393
Government activities capital assets, net	\$ 6,950,281	\$ 873,698	\$ _____	\$ 7,823,979
<i>Business-type activities:</i>				
Capital assets not being depreciated:				
Land	\$ 21,351	\$ _____	\$ _____	\$ 21,351
Other capital assets:				
Office furniture & equipment	23,567			23,567
Equipment	487,617	23,005		510,622
Vehicles	134,128			134,128
Buildings	2,824,339			2,824,339
Infrastructure	5,336,390	41,100		5,377,490
Total other capital assets at historical cost	8,806,041	64,105		8,870,146
Less accumulated depreciation for:				
Office furniture & equipment	29,722	3,625		33,347
Equipment	246,532	36,633		283,165
Vehicles	78,412	7,681		86,093
Buildings	547,896	4,396		552,292
Infrastructure	1,038,784	164,104		1,202,888
Total accumulated depreciation	1,941,346	216,439		2,157,785
Other capital assets, net	6,864,695	<152,334>		6,712,361
Business-type activities capital assets, net	\$ 6,886,046	\$ <152,334>	\$ _____	\$ 6,733,712

CITY OF CHANDLER
Chandler, Oklahoma

NOTES TO THE FINANCIAL STATEMENTS
For the year ended June 30, 2011

3.E. CAPITAL ASSETS (continued)

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

Primary Government:	
Governmental Activities:	
General Government	\$ 31,055
Public Safety	113,457
Streets	69,787
Culture and Recreation	<u>37,365</u>
Total depreciation expense for governmental activities	<u>\$ 251,664</u>
Business-Type Activities:	
Water	\$ 88,217
Distribution	59,028
Wastewater	68,099
Admin and general	<u>1,095</u>
Total depreciation expense for business-type activities	<u>\$ 216,439</u>

3.F. ACCOUNTS PAYABLE

Payables in the General Fund and nonmajor governmental funds are composed entirely of payables to vendors. Payables of Utilities Enterprise Fund are also composed entirely of payables to vendors.

3.G. LONG-TERM DEBT

The reporting entity's long-term debt is segregated between the amounts to be repaid from governmental activities and amounts to be repaid from business-type activities.

GOVERNMENTAL ACTIVITIES

As of June 30, 2011, the governmental long-term debt of the financial reporting entity consisted of the following:

Accrued Compensated Absences:

• Current Portion	\$ 31,026.10
• Noncurrent portion	<u>11,257.17</u>
Total Governmental activity debt	<u>\$ 42,283.27</u>

BUSINESS-TYPE ACTIVITIES

As of June 30, 2011, the long-term debt payable from proprietary fund resources consisted of the following:

CITY OF CHANDLER
Chandler, Oklahoma

NOTES TO THE FINANCIAL STATEMENTS
For the year ended June 30, 2011

3.G. LONG-TERM DEBT (continued)

Notes Payable:

<ul style="list-style-type: none"> • In June 2006, the Authority and Bancfirst, Oklahoma City, Oklahoma, (the "Trustee") approved a note indenture providing for the issuance of its Sales Tax Revenue Note – Series 2006, in the principal amount of \$ 5,630,000. Bank of America, N.A purchased the note. The note is for a period of 13 ½ years, with interest at 4.495 %. Monthly payments are made to a debt service fund maintained by the trustee, who then makes the semi-annual principal and interest payments under the note. • In November 1996, the Authority entered into a loan agreement with the Oklahoma Water Resources Board for \$ 2,695,000. The loan is for a period of 19 ½ years, with semi-annual payments of principal and interest beginning March 15, 1999. The loan includes interest at 2.972 %. 	<p>\$ 3,740,000.00</p> <p>_____ 1,070,862.49</p>
Total Notes Payable	<p>\$ 4,810,862.49</p> <p>=====</p>

Subsequent to June 30, 2011, the loan with the Oklahoma Water Resources Board was paid in full.

The sales tax revenue note will be repaid from a portion of the revenue generated by an aggregate total of two percent sales tax levied pursuant to Ordinance Nos. 745 and 80-4 of the City of Chandler, Oklahoma. As consideration for the execution of the note indenture and the issuance of the note by the Authority and in order to secure all the payments required by the note, the Authority has pledged the sales tax revenue to the Trustee as set out in the note indenture, and has created a security interest in that sales tax revenue in favor of the Trustee for the benefit of the holders of the notes. The Authority and the City of Chandler, Oklahoma, have entered into a Sales Tax Agreement, dated June 1, 2006, wherein the City of Chandler agrees, on a year-to-year basis subject to annual appropriation, to pay under certain circumstances to the Authority each month as received, a portion of the monies derived from the levy and collection of the excise tax levied pursuant to the sales tax ordinances discussed above.

Refundable Deposits:

- Refundable deposits reported as a liability within the Statement of Net Assets are composed of the following:

Utility Deposits – Refundable	<p>\$ 67,950.00</p> <p>=====</p>
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Accrued Compensated Absences:

<ul style="list-style-type: none"> • Current portion • Noncurrent portion 	<p>\$ 10,056.04</p> <p>_____ 2,174.78</p> <p>\$ 12,230.82</p> <p>=====</p>
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CHANGES IN LONG-TERM DEBT

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

CITY OF CHANDLER
Chandler, Oklahoma

NOTES TO THE FINANCIAL STATEMENTS
For the year ended June 30, 2011

3.G. LONG-TERM DEBT (continued)

Type of Debt	Balance July 1, 2010	Additions	Reductions	Balance June 30, 2011	Amount Due Within One Year
Governmental Activities:					
Accrued compensated absences	44,281		1,998	42,283	31,026
Business-Type Activities:					
Bank of America	4,100,000		360,000	3,740,000	380,000
Oklahoma Water Resources Board	1,203,609		132,747	1,070,862	1,070,862
Accrued compensated absences	12,545		314	12,231	2,175
Refundable deposits	67,950			67,950	67,950
Total Business-Type Activities	5,384,104	-	493,061	4,891,043	1,520,987

DEBT SERVICE REQUIREMENTS TO MATURITY

The annual debt service requirements to maturity, including principal and interest, for long-term debt, as of June 30, 2011, are as follows:

Year Ended June 30,	Bank of America Loan		Oklahoma Water Resources Board Loan	
	Principal	Interest	Principal	Interest
2012	380,000	163,843	1,070,862	18,115
2013	385,000	146,762	-	-
2014	405,000	129,231	-	-
2015	425,000	110,802	-	-
2016	440,000	91,473	-	-
2017-2021	1,705,000	156,314	-	-
2022-2026	-	-	-	-
Total	3,740,000	798,425	1,070,862	18,115

3.H. INTERFUND TRANSFERS AND BALANCES

INTERFUND TRANSFERS

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

MAJOR FUNDS	Transfers In	Transfers Out
GENERAL FUND		
City Capital Improvement Fund	160,708.94	
Municipal Authority	500,003.02	-
Total General Fund	660,711.96	-

CITY OF CHANDLER
Chandler, Oklahoma

NOTES TO THE FINANCIAL STATEMENTS
For the year ended June 30, 2011

3.H. INTERFUND TRANSFERS AND BALANCES

INTERFUND TRANSFERS

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

MAJOR FUNDS	<u>Transfers In</u>	<u>Transfers Out</u>
CITY CAPITAL IMPROVEMENT FUND		
General Fund		160,708.94
ENTERPRISE FUND		
Municipal Authority		
General Fund		500,003.02
CMA Capital Improvement Fund	433,500.00	
Water Capital Improvement Fund	<u>41,100.70</u>	-
Total Enterprise Fund	474,600.70	500,003.02
CMA CAPITAL IMPROVEMENT FUND		
Municipal Authority		433,500.00
WATER CAPITAL IMPROVEMENT FUND		
Municipal Authority		41,100.70
 GRAND TOTALS	 <u><u>1,135,312.66</u></u>	 <u><u>1,135,312.66</u></u>

The transfers reflected in the above schedule are used to move restricted resources collected by the General Fund to the funds authorized to spend the resources and to transfer funds from the Municipal Authority to the General Fund in accordance with the budget.

NOTE 4: OTHER NOTES

4.A. RETIREMENT PLANS

4.A.1. DEFINED CONTRIBUTION PLANS

OKLAHOMA MUNICIPAL RETIREMENT FUNDS

The City provides a defined benefit plan, with the Oklahoma Municipal Retirement Fund, for all employees. The plan is available to all full-time employees not already participating in another state plan. In a defined benefit plan, benefits are actuarially determined based on number of years of service, as determined under the plan. Benefits vest after five years. All employees contribute to the Plan an amount equal to 4.5 % of annual compensation. The City contributed at the rate of 8.13 % of employee compensation for the year ended June 30, 2011.

The city manager participates in the CMO plan of the Oklahoma Municipal Retirement Fund, which is the defined contribution plan for city managers only, as well as the defined benefit plan above. In a defined contribution plan, benefits depend solely on amounts contributed to the plan, investment earnings, and forfeitures of other

CITY OF CHANDLER
Chandler, Oklahoma

NOTES TO THE FINANCIAL STATEMENTS
For the year ended June 30, 2011

4.A.1. DEFINED CONTRIBUTION PLANS (continued)

participants' benefits that may be allocated to such participant's account. The City contributed 10 % of covered payroll (of which 8.13 % went into the defined benefit plan above, and 1.87 % went into the CMO plan) and the city manager contributed 7.5 % for the year ended June 30, 2011 (of which 4.5 % went into the defined benefit plan above, and 3 % went into the CMO plan.) These percentages can vary from year to year. Participants are permitted to make voluntary deductible contributions to the plan. Benefits are immediately vested.

For the year ended June 30, 2011, the following amounts relate to the plans:

	<u>CMO Plan</u>	<u>Defined Benefit Plan</u>
City total payroll	\$ 89,439	\$ 1,492,391
Payroll for covered employees	89,439	929,511
Employee contributions made	2,683	41,828
Employer (City) contributions made	1,673	75,569
City contributions as a % of covered payroll	1.87 %	8.13 %

4.A.2. COST-SHARING, MULTIPLE-EMPLOYER PLANS

OKLAHOMA POLICE AND FIREFIGHTER'S PENSION AND RETIREMENT SYSTEMS

The City of Chandler participates in two statewide, cost-sharing, multiple-employer defined benefit plans on behalf of police officers and firefighters. The systems are administered by agencies of the State of Oklahoma and funded by contributions from participants, employers, insurance premium taxes, and state appropriations, as necessary. The following is a summary of eligibility factors, contribution methods, and benefit provisions.

	<u>Oklahoma Police Pension and Retirement System</u>	<u>Oklahoma Firefighter's Pension and Retirement System</u>
Eligibility to participate	All full-time officers employed by a participating municipality; not less than 21 years of age or more than 45 years of age when hired	All full-time or voluntary firefighters of a participating municipality and hired before age 45.
Authority establishing contribution obligations and benefits	State Statute	State Statute
Plan members' contribution rate	8 % of covered payroll	8 % of covered payroll
City's contribution rate	13 % of covered payroll	13 % of covered payroll
Period required to vest	10 years	10 years

CITY OF CHANDLER
Chandler, Oklahoma

NOTES TO THE FINANCIAL STATEMENTS
For the year ended June 30, 2011

4.A.2. COST-SHARING, MULTIPLE-EMPLOYER PLANS (continued)

	<u>Oklahoma Police Pension and Retirement System</u>	<u>Oklahoma Firefighter's Pension and Retirement System</u>
Benefits and eligibility for distribution (full-time)	20 years credited service, 2.5 % of final average salary multiplied by the years of credited service with a maximum of 30 years considered; if vested, at or after age 50, or after 10 but before 20 years of credited service, with reduced benefits.	20 years credited service, 2.5 % of final average salary multiplied by the years of credited service with a maximum of 30 years considered; if vested, at or after age 50, or after 10 but before 20 years of credited service, with reduced benefits.
Benefits and eligibility for distribution (volunteer)		20 years credited service equal to \$ 5.46 per month per year of service, with a maximum of 30 years considered
Deferred retirement option	Yes, 20 years credited service with additional option to participate in deferred option plan for a maximum of 5 years	Yes, 20 years credited service with continued service for 30 or more years
Provisions for:		
Cost of living adjustments (normal retirement)	Yes	Yes, if vested by 5/83
Death (duty, non-duty, post retirement)	Yes	Yes
Disability (duty, non-duty)	Yes	Yes
Cost of living allowances	Yes	Yes

Trend Information

Contributions required by State Statute:

<u>Year End</u>	<u>Oklahoma Police Pension and Retirement System</u>		<u>Oklahoma Firefighter's Pension and Retirement System</u>	
	<u>Required Contribution</u>	<u>Percentage Contributed</u>	<u>Required Contribution</u>	<u>Percentage Contributed</u>
June 30, 2011	\$ 25,274.55	100 %	\$ 38,662.03	100 %
June 30, 2010	30,334.12	100 %	39,513.38	100 %
June 30, 2009	26,335.01	100 %	31,796.92	100 %

Trend information showing the progress of the systems in accumulating sufficient assets to pay benefits when due is presented in the annual financial reports of the respective plans. Copies of these reports may be obtained from the respective state retirement systems.

4.A.3. TERMINATION BENEFITS

At June 30, 2011, the City's reporting entity had no terminated employees participating in COBRA health care in various options available from the City. COBRA participants pay 100 % of the premium cost for continuing coverage. COBRA continuation coverage benefits are available for eligible employees for 18 months. Dependents of employees who lose coverage due to a qualifying event are eligible for 30 months. Benefits provided are not material to the financial statements.

CITY OF CHANDLER
Chandler, Oklahoma

NOTES TO THE FINANCIAL STATEMENTS
For the year ended June 30, 2011

4.B. RISK MANAGEMENT

The City is exposed to various risks of loss related to torts; theft of, damage to, or destruction of assets; errors and omissions; injuries to employees; employees' health and life; and natural disasters.

The City manages these various risks of loss as follows:

<u>Type of Loss</u>	<u>Method Managed</u>	<u>Risk of Loss Retained</u>
a. General liability: - Torts - Errors and omissions - Police liability - Vehicle	Purchased commercial insurance	None
b. Physical property: - Theft - Damage to assets - Natural disasters	Purchased commercial insurance, with a deductible of \$ 1,000	Deductible amount
c. Workers compensation: - Employee injuries	Purchased commercial insurance, claims are administered by CompSource Oklahoma	Specific aggregate stop loss coverage provided by CompSource Oklahoma
d. Health and life: - Medical - Dental - Vision	All group health and life coverage is insured through commercial insurance	None

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

4.C. COMMITMENTS AND CONTINGENCIES

COMMITMENTS

Capital Leases

In June 2009, the City entered into a lease purchase agreement with a local bank, for an ambulance. The lease included 48 monthly payments of \$ 2,480.08 each, which includes interest at 2 ½ %, and which terminate with the fiscal year of the City (June 30.) The lease included three successive options to renew for one year, under the same terms.

In May 2011, the City entered into a lease purchase agreement with a local bank, for a fire truck. The lease includes 10 annual payments of \$ 22,491.86 each, which includes interest at 4 %, and which terminate with the fiscal year of the City (June 30.) The lease included nine successive options to renew for one year, under the same terms.

The annual lease payments are as follows:

CITY OF CHANDLER
Chandler, Oklahoma

NOTES TO THE FINANCIAL STATEMENTS
For the year ended June 30, 2011

4.C. COMMITMENTS AND CONTINGENCIES (continued)

Year ending <u>June 30</u>	<u>Ambulance</u>	<u>Fire Truck</u>	<u>Total</u>
2012	\$ 29,760.96	\$ 22,491.86	\$ 52,252.82
2013	29,760.96	22,491.86	52,252.82
2014	-	22,491.86	22,491.86
2015	-	22,491.86	22,491.86
2016	-	22,491.86	22,491.86
2017-2021	-	112,459.30	112,459.30
Total	59,521.92	224,918.60	284,440.52
Less interest	<u><1,547.06></u>	<u><36,746.59></u>	<u><38,293.65></u>
Net lease obligations	<u>\$ 57,974.86</u>	<u>\$ 188,172.01</u>	<u>\$ 246,146.87</u>

Grants

The City has been approved for a \$ 30,000 grant under the Hazard Mitigation Grant Program (HMGP) funded by FEMA, for the purchase of a natural gas generator for emergency operations of the fire, ambulance, and emergency management departments. The grant calls for matching on the City's behalf of 25 % (or \$ 10,000.) As of June 30, 2011, no funds had been drawn under the grant. See the Schedule of Grant Funds for further details.

The City was previously approved for a \$ 187,900 Federal Aviation Administration grant (FAA) through the United States Department of Transportation, for "Project Formulation Study for Runway Improvements." The grant calls for matching funds on the City's behalf of \$ 9,895. As of June 30, 2009, a total of \$ 135,762 had been drawn, and \$ 133,280 had been expended, under the grant and the City had provided \$ 7,015 in matching costs. During the year ended June 30, 2010, another \$ 46,731 was drawn, and \$ 49,213 was expended. During the current year, another \$ 2,090 was drawn, and expended, and the City provided another \$ 110 in matching costs. See the Schedule of Grant Funds for further details.

The City was previously approved for a \$ 276,000 Federal Aviation Administration grant (FAA) through the United States Department of Transportation, to acquire land for an approach. The grant calls for matching funds on the City's behalf of \$ 14,526. During the previous year, \$ 191,401 was drawn, and expended, under the grant. No grant funds were drawn, or expended, during the current year. See the Schedule of Grant Funds for further details.

The City was previously approved for a \$ 586,100 Federal Aviation Administration grant (FAA) through the United States Department of Transportation, for airport development, to construct a portion of the parallel and partial parallel and connecting taxiway. The grant calls for matching funds on the City's behalf of \$ 113,004. As of June 30, 2010, no funds had been drawn under the grant. During the current year, \$ 548,063 was drawn, and expended, under the grant, and the City provided \$ 105,170.01 in matching costs. See the Schedule of Grant Funds for further details.

The City was previously approved for a \$ 260,000 HOME Investment Partnerships Program grant through the Oklahoma Housing Finance Agency, funded by the United States Department of Housing and Urban Development, to rehabilitate four single family homeowner occupied dwellings. The grant called for

CITY OF CHANDLER
Chandler, Oklahoma

NOTES TO THE FINANCIAL STATEMENTS
For the year ended June 30, 2011

4.C. COMMITMENTS AND CONTINGENCIES (continued)

matching funds on the City's behalf of \$ 67,508. As of June 30, 2010, no funds had been drawn under the grant. During the current year, the entire amount of the grant was drawn, and expended, and the City provided \$ 51,357.04 in matching costs. See the Schedule of Grant Funds for further details.

The City was previously approved for a \$ 40,000 Rural Economic Action Plan Grant (REAP) from the State of Oklahoma, administered through the Central Oklahoma Economic Development District (COEDD) to help asphalt city streets. The funding period ran from July 1, 2009, through June 30, 2010. As of June 30, 2010, no funds had been received, or expended, under the grant. During the current year, the entire amount of the grant was drawn and expended. See the Schedule of Grant Funds for further details.

The City was approved for a \$ 2,500 grant from the Oklahoma Arts Council, funded by the Oklahoma legislature through the Oklahoma Arts Council Small Grant Support Program, to help fund the Chandler Ice Cream Festival. During the current year, the entire amount of the grant was drawn and expended. See the Schedule of Grant Funds for further details.

The City was approved for a \$ 2,300 Community Expansion of Nutritional Assistance (CENA) grant through the State of Oklahoma, administered through the Central Oklahoma Economic Development District Area Agency on Aging (COEDD AAA) to buy commercial glass doors for the senior center, for 2010-2011. During the current year, \$ 2,250 was drawn under the grant, and expended. See the Schedule of Grant Funds for further details.

The City has been approved for a \$ 83,754 Sport Fish Restoration Fund grant, funded by the U.S. Department of the Interior, passed through the Oklahoma Department of Wildlife Conservation, to build two boat docks on Bell Cow Lake. The cost-share agreement calls for \$ 27,918 to be provided by the City. As of June 30, 2011, no funds had been drawn under the grant. See the Schedule of Grant Funds for further details.

The City has been approved for a \$ 466,779 Community Development Block Grant, Economic Development Infrastructure Financing Agreement, funded by the U.S. Department of Housing and Urban Development, passed through the Oklahoma Department of Commerce, for the construction of a building and access road for a private business to provide jobs for low income individuals. The grant calls for the private company to provide \$ 934,842 in matching funds. The funding period runs from June 17, 2011 through June 17, 2014. As of June 30, 2011, no funds had been drawn under the grant. See the Schedule of Grant Funds for further details.

CONTINGENCIES

In connection with the December 2007 ice storm, the City suffered significant damage. The City contracted with an experienced monitoring company and an experienced storm debris collection company to clean up the related debris. (The City also incurred approximately \$ 50,000 in forced labor of City employees during the clean up.) The original Project Worksheets prepared by FEMA shortly after the storm, indicated an estimated expense on the City's behalf of approximately \$ 332,700. However, as the clean up progressed, it was apparent that the scope of the damage, and the resulting expense to clean up the debris, was much larger. When the work was completed, the Oklahoma Department of Emergency Management (OEM) certified the actual cost of the cleanup at approximately \$ 957,000, with which the City agreed. FEMA has reimbursed the City as follows: approximately \$ 250,000 during the year ended June 30, 2008,

CITY OF CHANDLER
Chandler, Oklahoma

NOTES TO THE FINANCIAL STATEMENTS
For the year ended June 30, 2011

4.C. COMMITMENTS AND CONTINGENCIES (continued)

approximately \$ 45,000 during the year ended June 30, 2009, and approximately \$ 61,000 during the year ended June 30, 2010, for a total of approximately \$ 356,000. The City requested additional disaster assistance from FEMA based on the completed Project Certification reports prepared by OEM, and was denied. The City appealed that ruling with FEMA twice, and was denied on both appeals.

At the completion of the clean up, the City owed the two contractors approximately \$ 835,000. During the year ended June 30, 2009, approximately \$ 181,000 was disbursed to the two contractors (in accordance with the original Project Worksheets) from the funds already reimbursed by FEMA, leaving approximately \$ 654,000 due. One of the contractors was paid \$ 25,500 during the current year, in settlement of their claim. The other contractor sued the City of Chandler (along with three other towns) in U.S. District Court, for \$ 512,770.69 plus general and special damages for breach of contract. During the previous year, the contractor and the City were ordered to undergo mediation. The City accrued a total of \$ 219,320 in the June 30, 2011, financial statements. The claim was settled subsequent to June 30, 2011, for \$ 197,986.66.

Grant Program Involvement

In the normal course of operations, the City participates in various federal or state grant/loan programs from year to year. The grant/loan programs are often subject to additional audits by agents of the granting or loaning agency, the purpose of which is to ensure compliance with the specific conditions of the grant or loan. Any liability of reimbursement that may arise as a result of these audits cannot be reasonably determined at this time, although it is believed the amount, if any, would not be material.

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 any accruals or provisions for loss contingencies that may result from these proceedings. State statutes provide for the levy of an ad valorem tax over a 3-year period by a City "Sinking Fund" for the payment of any court assessed judgment rendered against the City. While the outcome of the above noted proceedings cannot be predicted, due to the insurance coverage maintained by the City and the State statute relating to judgments, the City feels that any settlement or judgment not covered by insurance would not have a material adverse effect on the financial condition of the City.

4.D. SUBSEQUENT EVENTS

Subsequent events have been evaluated through May 8, 2012, which is the date the financial statements were available to be issued.

OTHER SUPPLEMENTARY INFORMATION

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

To the City Council
Chandler, Oklahoma

I have audited the financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the City of Chandler, Oklahoma, as of and for the year ended June 30, 2011, which collectively comprise the City of Chandler, Oklahoma's, basic financial statements and have issued my report thereon dated May 8, 2012. My report was modified to include a reference to another auditor, and included an explanatory paragraph that stated management had not presented the budgetary comparison information to supplement the financial statements. I conducted my 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. Another auditor audited the financial statements of the Chandler Community Development Trust Authority, as described in my report on the City of Chandler's financial statements. This report does not include the results of the other auditor's testing of internal control over financial reporting or compliance and other matters that are reported on separately by that auditor.

Internal Control Over Financial Reporting

In planning and performing my audit, I considered the City of Chandler's internal control over financial reporting as a basis for designing my auditing procedures for the purpose of expressing my opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the City of Chandler's internal control over financial reporting. Accordingly, I do not express an opinion on the effectiveness of the City of Chandler'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 a 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.

My 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. I did not identify any deficiencies in internal control over financial reporting that I consider to be material weaknesses, as defined above.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the City of Chandler's financial statements are free of material misstatement, I 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 my audit and, accordingly, I do not express such an opinion. The results of my tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

This report is intended solely for the information and use of management, the City Council, others within the entity, 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, appearing to read "Bruce G. Luttrell". The signature is written in a cursive style with a large initial "B" and "L".

Bruce G. Luttrell, CPA, PC

May 8, 2012

**INDEPENDENT AUDITOR'S REPORT ON COMPLIANCE WITH
REQUIREMENTS THAT COULD HAVE A DIRECT AND MATERIAL EFFECT ON
EACH MAJOR PROGRAM AND ON INTERNAL CONTROL OVER COMPLIANCE IN
ACCORDANCE WITH OMB CIRCULAR A-133**

To the City Commission
City of Chandler, Oklahoma

Compliance

I have audited the City of Chandler, Oklahoma's, compliance with the types of compliance requirements described in the OMB Circular A-133 *Compliance Supplement* that could have a direct and material effect on each of the City of Chandler, Oklahoma's, major federal programs for the year ended June 30, 2011. The City of Chandler's major federal programs are identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs. Compliance with the requirements of laws, regulations, contracts, and grants applicable to each of its major federal programs is the responsibility of the City of Chandler's management. My responsibility is to express an opinion on the City of Chandler's compliance based on my audit.

I conducted my audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and OMB Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*. Those standards and OMB Circular A-133 require that I plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about the City of Chandler's compliance with those requirements and performing such other procedures as I considered necessary in the circumstances. I believe that my audit provides a reasonable basis for my opinion. My audit does not provide a legal determination of the City of Chandler's compliance with those requirements.

In my opinion, the City of Chandler complied, in all material respects, with the compliance requirements referred to above that could have a direct and material effect on each of its major federal programs for the year ended June 30, 2011.

Internal Control Over Compliance

The management of the City of Chandler is responsible for establishing and maintaining effective internal control over compliance with the requirements of laws, regulations, contracts, and grants applicable to federal programs. In planning and performing my audit, I considered the City of Chandler's internal control over compliance with the requirements that could have a direct and material effect on a major federal program to determine the auditing procedures for the purpose of expressing my opinion on compliance and to test and report on internal control over compliance in accordance with OMB Circular A-133, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, I do not express an opinion on the effectiveness of the City of Chandler, Oklahoma's, internal control over compliance.

A deficiency in internal control over compliance exists when the design or operation of a control over compliance does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, noncompliance with a type of compliance requirement of a federal program on a timely basis. *A material weakness in internal control over compliance* is a deficiency, or combination of deficiencies, in internal control over compliance, such that there is a reasonable possibility that material noncompliance with a type of compliance requirement of a federal program will not be prevented, or detected and corrected, on a timely basis.

My consideration of internal control over compliance was for the limited purpose described in the first paragraph of this section and was not designed to identify deficiencies in internal control over compliance that might be deficiencies, significant deficiencies, or material weaknesses. I did not identify any deficiencies in internal control over compliance that I consider to be material weaknesses, as defined above.

This report is intended solely for the information and use of management, the City Council, others within the entity, 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, appearing to read "Bruce G. Luttrell". The signature is written in a cursive, flowing style.

Bruce G. Luttrell, CPA, PC

May 8, 2012

CITY OF CHANDLER
Chandler, Oklahoma

SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
For the Year Ended June 30, 2011

<u>Federal Grantor/Pass Through Grantor/Program Title</u>	<u>Year</u>	<u>Federal CFDA Number</u>	<u>Amount of Expenditures</u>
U.S. Department of Transportation			
Passed through the Federal Aviation Administration			
AIP 3-40-0015-007-2007	6-30-11	20.106	\$ 2,090.00
AIP 3-40-0015-009-2010	6-30-11	20.106	548,063.00
U.S. Department of Housing and Urban Development			
Passed through the Oklahoma Housing Finance Agency			
1266HOME09	6-30-11	14.239	<u>260,000.00</u>
Total Expenditures of Federal Awards			\$ <u>810,153.00</u>

Note A: Basis of Presentation - The Schedule of Expenditures of Federal Awards includes the federal grant activity of the City of Chandler and is presented under the accrual basis of accounting.

Note B: There were no amounts passed to subrecipients.

Note C: Grantor provides adequate insurance coverage against loss on assets purchased with Federal Awards.

CITY OF CHANDLER
Chandler, Oklahoma

SCHEDULE OF FINDINGS AND QUESTIONED COSTS
For the Year Ended June 30, 2011

SECTION I - SUMMARY OF AUDITOR'S RESULTS

FINANCIAL STATEMENTS

Type of auditor's report issued:	Unqualified
Internal control over financial reporting:	
Material weakness(es) identified?	No
Reportable condition(s) identified not considered to be material weaknesses?	None reported
Noncompliance material to financial statements noted?	No

FEDERAL AWARDS

Internal control over major programs:	
Material weakness(es) identified?	No
Reportable condition(s) identified not considered to be material weaknesses?	None reported
Type of auditor's report issued on compliance for major programs:	Unqualified
Any audit findings disclosed that are required to be reported in accordance with Circular A-133, Section .510(a)?	None reported

Identification of major programs:

<u>CFDA Number</u>	<u>Name of Federal Program</u>	<u>Expenditures</u>
20.106	Airport Improvement Program	\$ 550,153.00
Dollar threshold used to distinguish between Type A and Type B programs:		\$ 300,000
Auditee qualified as low-risk auditee?		No

SECTION II - FINANCIAL STATEMENT FINDINGS

None

SECTION III - FEDERAL AWARD FINDINGS AND QUESTIONED COSTS

No matters were reported.

**CITY OF CHANDLER
COMBINING BALANCE SHEET
NONMAJOR GOVERNMENTAL FUNDS
JUNE 30, 2011**

Exhibit 1

	CAPITAL PROJECTS FUNDS		Community Development Trust Authority	Total Nonmajor Governmental Funds
	Cemetery Fund	City Cap Fund		
ASSETS				
Cash and cash equivalents	\$ 67,668.37	\$ 188,381.55	\$ 28,377.00	\$ 284,426.92
Accounts receivable		27,221.56		27,221.56
Accrued interest receivable	19.50			19.50
Inventory			5,794.00	5,794.00
Total assets	<u>\$ 67,687.87</u>	<u>\$ 215,603.11</u>	<u>\$ 34,171.00</u>	<u>\$ 317,461.98</u>
 LIABILITIES AND FUND BALANCE				
Current liabilities:				
Accounts payable	\$ -	\$ 104,750.00	\$ 1,263.00	\$ 106,013.00
Total current liabilities	<u>-</u>	<u>104,750.00</u>	<u>1,263.00</u>	<u>106,013.00</u>
Noncurrent liabilities:				
Payable to other funds				-
Less: current portion				-
Total noncurrent liabilities	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Total liabilities	<u>-</u>	<u>104,750.00</u>	<u>1,263.00</u>	<u>106,013.00</u>
Fund Balance:				
Reserved, reported in nonmajor special revenue funds	67,687.87	110,853.11	32,908.00	211,448.98
Unreserved, reported in nonmajor special revenue funds				-
Total Fund Balance	<u>67,687.87</u>	<u>110,853.11</u>	<u>32,908.00</u>	<u>211,448.98</u>
Total Liabilities and Fund Balance	<u>\$ 67,687.87</u>	<u>\$ 215,603.11</u>	<u>\$ 34,171.00</u>	<u>\$ 317,461.98</u>

CITY OF CHANDLER
COMBINING STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE
NONMAJOR GOVERNMENTAL FUNDS
FOR THE YEAR ENDED JUNE 30, 2011

Exhibit 2

	CAPITAL PROJECTS FUNDS		Community Development Trust Authority	Total Nonmajor Governmental Funds
	Cemetery Fund	CMA Cap Fund		
Revenues:				
Sales tax	\$ -	\$ 61,844.86	\$ -	\$ 61,844.86
Use tax		128,187.71		128,187.71
Cigarette tax		35,547.99		35,547.99
Grants				-
Charge for services		1,600.00	20,262.00	21,862.00
Miscellaneous	2,915.57		40,886.00	43,801.57
Investment income	618.94			618.94
Total Revenues	<u>3,534.51</u>	<u>227,180.56</u>	<u>61,148.00</u>	<u>291,863.07</u>
Expenditures:				
General government			(24,000.00)	(24,000.00)
Streets		2,925.00		2,925.00
Police		36,300.49		36,300.49
Fire		84,851.00		84,851.00
Ambulance		31,073.23		31,073.23
Lake		16,488.06		16,488.06
Golf		38,704.78		38,704.78
Water				-
Wastewater				-
Amortization				-
Community Development Trust Authority			66,929.00	66,929.00
Total Expenditures	<u>-</u>	<u>210,342.56</u>	<u>42,929.00</u>	<u>253,271.56</u>
Excess (deficiency) of revenues over expenditures	<u>3,534.51</u>	<u>16,838.00</u>	<u>18,219.00</u>	<u>38,591.51</u>
Other financing sources (uses):				
Operating transfers in	-	-	-	-
Operating transfers out	-	-	-	-
Total other financing sources (uses)	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Net change in fund balances	3,534.51	16,838.00	18,219.00	38,591.51
Fund Balances - beginning	<u>64,153.36</u>	<u>94,015.11</u>	<u>14,689.00</u>	<u>172,857.47</u>
Fund Balances - ending	<u>\$ 67,687.87</u>	<u>\$ 110,853.11</u>	<u>\$ 32,908.00</u>	<u>\$ 211,448.98</u>

**CITY OF CHANDLER
SCHEDULE OF GRANT FUNDS
FOR THE YEAR ENDED JUNE 30, 2011**

Exhibit 5

Federal/State Grantor/ Pass Through Grantor/ Program Title	Federal CFDA Number	Pass- Through Grantor's	Program or Award Amount	Cash		Contract Receipts Revenue Recognized	Contract Disbursements Expenditures	Interest Earned Federal Funds	Match Receipts or Revenue Recognized	Match Disbursements Expenditures	Cash	
				Accrued or Deferred Revenue at July 1, 2010	Accrued or Deferred Revenue at June 30, 2011							
<u>U.S. Department of Transportation</u>												
Passed through the Federal Aviation Administration:												
AIP 3-40-0015-007-2007	20.106		187,900.00	-	2,090.00	2,090.00			110.00	110.00		-
AIP 3-40-0015-008-2008	20.106		276,000.00	-	-	-			-	-		-
AIP 3-40-0015-009-2010	20.106		586,100.00	-	548,063.00	548,063.00			105,170.01	105,170.01		-
Total			1,050,000.00	-	550,153.00	550,153.00			105,280.01	105,280.01		-
<u>U.S. Department of Housing and Urban Development</u>												
Passed through the Oklahoma Department of Commerce:												
Economic Development Infrastructure Financing	14.228	14589 ED87	466,779.00	-	-	-			-	-		-
Passed through the Oklahoma Housing Finance Agency:												
Home Investment Partnerships Program	14.239	1266HOME09	260,000.00	-	260,000.00	260,000.00			51,357.04	51,357.04		-
Total			726,779.00	-	260,000.00	260,000.00			51,357.04	51,357.04		-
<u>Federal Emergency Management Agency</u>												
Passed through the Oklahoma Department of Civil Emergency Management												
Disaster # FEMA-DR-1735-OK			332,702.19	151,881.20	-	25,500.00			-	-		126,381.20
Disaster # FEMA-DR-1735-OK Hazard Mitigation Grant Program (HMGF)			30,000.00	-	-	-			-	-		-
Total			362,702.19	151,881.20	-	25,500.00			-	-		126,381.20
<u>U.S. Department of the Interior</u>												
Passed through the Oklahoma Department of Wildlife Conservation												
Federal Aid in Sport Fish Restoration Funds			83,754.00	-	-	-			-	-		-

**CITY OF CHANDLER
SCHEDULE OF GRANT FUNDS
FOR THE YEAR ENDED JUNE 30, 2011**

Exhibit 5

Federal/State Grantor/ Pass Through Grantor/ Program Title	Federal CFDA Number	Pass-Through Grantor's Number	Program or Award Amount	Cash Accrued or Deferred Revenue at July 1, 2010	Contract Receipts Revenue Recognized	Contract Disbursements Expenditures	Interest Earned Federal Funds	Match Receipts or Revenue Recognized	Match Disbursements Expenditures	Cash Accrued or Deferred Revenue at June 30, 2011
<u>Community Expansion of Nutrition Assistance</u>										
Passed through the Central Oklahoma Economic Development District Area Agency on Aging										
# 2010-2011 CENA Fund 006										
			2,300.00	-	2,250.00	2,250.00	-	-	-	-
<u>Rural Economic Action Plan Grant</u>										
Passed through the Central Oklahoma Economic Development District:										
2009-2010 REAP Fund 08										
			40,000.00	-	40,000.00	40,000.00	-	30,548.00	30,548.00	-
<u>State of Oklahoma</u>										
Passed through the Oklahoma Arts Council:										
Small Grant Support Program FY2011 # 2544										
			2,500.00	-	2,500.00	2,500.00	-	11,210.00	11,210.00	-