

CITY OF CHANDLER

Chandler, Oklahoma

FINANCIAL STATEMENTS

For the Year Ended June 30, 2014

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CITY OF CHANDLER
Chandler, Oklahoma

CONTENTS

		<u>Page</u>
	INDEPENDENT AUDITOR'S REPORT	1-3
<u>Statement</u>	BASIC FINANCIAL STATEMENTS:	
	Government-wide Financial Statements:	
1	Statement of Net Position	4
2	Statement of Activities	5
	Fund Financial Statements:	
3	Balance Sheet – Governmental Funds	6
4	Statement of Revenues, Expenditures, and Changes In Fund Balance – Governmental Funds	7-8
5	Statement of Net Position – Proprietary Fund	9
6	Statement of Revenues, Expenses, and Changes in Fund Net Position – Proprietary Fund	10
7	Statement of Cash Flows – Proprietary Fund	11
	Notes to Basic Financial Statements	12-38
<u>Exhibit</u>	OTHER SUPPLEMENTARY INFORMATION:	
	Auditor's 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	39-40
	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	41-42
	Schedule of Expenditures of Federal Awards	43
	Schedule of Findings and Questioned Costs – Federal Awards	44
1	Combining Balance Sheets – Nonmajor Governmental Funds	45
2	Combining Statements of Revenues, Expenditures, and Changes in Fund Balance – Nonmajor Governmental Funds	46
3	Schedule of Grant Funds	47-48
4	Schedule of Findings and Responses	49

INDEPENDENT AUDITOR'S REPORT

To the City Commission
City of Chandler, Oklahoma

Report on the Financial Statements

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, 2014, and the related notes to the financial statements, which collectively comprise the City's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with accounting principles generally accepted in the United States of America; this includes the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

My responsibility is to express opinions on these financial statements based on my audit. 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 from material misstatement.

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

I believe that the audit evidence I have obtained is sufficient and appropriate to provide a basis for my audit opinions.

Basis for Adverse Opinion on Chandler Community Development Trust Authority and Qualified Opinion on Business-Type Activities

Management has not included the Chandler Community Development Trust Authority in the City's financial

statements. Accounting principles generally accepted in the United States of America require the Chandler Community Development Trust Authority to be presented as a major enterprise fund and financial information about the Chandler Community Development Trust Authority to be part of the business-type activities, thus increasing that activity's assets, liabilities, revenues, and expenses, and changing its net position. The amount by which this departure would affect the assets, liabilities, net position, revenues, and expenses of the business-type activities and the omitted major fund has not been determined.

Adverse Opinion

In my opinion, because of the significance of the matter described in the "Basis for Adverse Opinion on the Chandler Community Development Trust Authority and Qualified Opinion on Business-Type Activities" paragraph, the financial statements referred to above do not present fairly the financial position of the business-type activities of the City of Chandler, Oklahoma, as of June 30, 2014, or the changes in financial position or cash flows thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Unmodified Opinions

In my opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, each major fund other than the Chandler Community Development Trust Authority, and the aggregate remaining fund information of the City of Chandler, Oklahoma, as of June 30, 2014, and the respective changes in financial position and, where applicable, cash flows thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Other Matters

Required Supplementary Information

Management has omitted the management's discussion and analysis and the budgetary comparison information that accounting principles generally accepted in the United States of America requires to be presented to supplement the basic financial statements. Such missing 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. My opinion of the basic financial statements is not affected by this missing information.

Other Information

My audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the City of Chandler, Oklahoma's basic financial statements. The combining nonmajor governmental fund financial statements, on pages 44 and 45, and the schedule of grant funds, on pages 46 and 47, are presented for purposes of additional analysis and are not a required part of the basic financial statements. The schedule of expenditures of federal awards, on page 42, is 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 is also not a required part of the basic financial statements.

The combining nonmajor governmental fund financial statements, the schedule of grant funds, and the schedule of expenditures of federal awards are the responsibility of management and were derived from and relate directly to the underlying accounting and other records used to prepare the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the

underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In my opinion, the combining nonmajor governmental fund financial statements, the schedule of grant funds, and the schedule of expenditures of federal awards are fairly stated in all material respects in relation to the basic financial statements as a whole.

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, I have also issued my report dated June 9, 2015, on my consideration of the City of Chandler, Oklahoma's, internal control over financial reporting and on my tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of my testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the City of Chandler, Oklahoma's, internal control over financial reporting and compliance.



Bruce Luttrell, CPA, PC

June 9, 2015

GOVERNMENT-WIDE FINANCIAL STATEMENTS

**CITY OF CHANDLER
STATEMENT OF NET POSITION
JUNE 30, 2014**

Statement 1

	Government Activities	Business-Type Activities	Totals
Assets			
Current assets			
Cash and cash equivalents	\$ 679,804.88	\$ 705,575.94	\$ 1,385,380.82
Restricted cash and cash equivalents	3,201,383.69	251,615.21	3,452,998.90
Accounts receivable	460,533.54	241,447.50	701,981.04
Accrued interest receivable	16.55	5.92	22.47
Total current assets	4,341,738.66	1,198,644.57	5,540,383.23
Noncurrent assets			
Capital assets:			
Equipment and vehicles	3,328,115.96	901,723.35	4,229,839.31
Land and improvements	3,208,586.33	21,351.25	3,229,937.58
Buildings	1,985,167.81	2,824,339.38	4,809,507.19
Infrastructure	4,329,269.51	9,294,425.23	13,623,694.74
Less accumulated depreciation	(3,339,596.81)	(2,955,197.83)	(6,294,794.64)
Total noncurrent assets	9,511,542.80	10,086,641.38	19,598,184.18
Total assets	13,853,281.46	11,285,285.95	25,138,567.41
Liabilities			
Current liabilities			
Accounts payable	135,174.94	3,860.06	139,035.00
Accrued interest payable		53,664.03	53,664.03
Accrued compensated absences	31,488.64	10,235.52	41,724.16
Notes payable - current portion		551,000.00	551,000.00
Total current liabilities	166,663.58	618,759.61	785,423.19
Noncurrent liabilities			
Accrued compensated absences	11,202.24	2,187.61	13,389.85
Refundable deposits		67,800.00	67,800.00
Capital lease obligations	134,985.82		134,985.82
Notes payable		5,447,652.94	5,447,652.94
Less: current portion		(551,000.00)	(551,000.00)
Total noncurrent liabilities	146,188.06	4,966,640.55	5,112,828.61
Total liabilities	312,851.64	5,585,400.16	5,898,251.80
Net position (Note 1.D.)			
Invested in capital assets, net of related debt	9,511,542.80	4,638,988.44	14,150,531.24
Restricted	137,189.01	251,615.21	388,804.22
Committed	3,126,253.51		3,126,253.51
Assigned	47,251.85		47,251.85
Unassigned	718,192.65	809,282.14	1,527,474.79
Total net position	\$ 13,540,429.82	\$ 5,699,885.79	\$ 19,240,315.61

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

**CITY OF CHANDLER
STATEMENT OF ACTIVITIES
YEAR ENDED JUNE 30, 2014**

Statement 2

Functions/programs	Program Revenues				Net (Expenses) Revenue and Changes in Net Assets			
	Expenses	Charges for Services	Operating Grants and Contracts		Primary Government			
			Operating Grants and Contracts	Capital Grants and Contracts	Governmental Activities	Business-type Activities	Totals	
Governmental activities								
General Government	\$ 327,494.83	\$ 15,508.27	\$ -	\$ -	\$ (311,986.56)	\$ -	\$ -	\$ (311,986.56)
Public Safety	1,846,413.26	414,665.84	4,973.98	63,981.57	(1,362,791.87)	-	-	(1,362,791.87)
Streets	359,980.65	-	-	-	(359,980.65)	-	-	(359,980.65)
Airport	100,707.19	20,144.25	-	1,230,277.08	1,149,714.14	-	-	1,149,714.14
Culture and recreation	583,712.82	136,305.82	5,856.00	5,499.03	(436,051.97)	-	-	(436,051.97)
Cemetery	37,550.00	12,425.07	-	-	(25,124.93)	-	-	(25,124.93)
Community development	4,710.77	-	-	92,678.00	87,967.23	-	-	87,967.23
Total government activities	3,260,569.52	599,049.25	10,829.98	1,392,435.68	(1,258,254.61)	-	-	(1,258,254.61)
Business-type activities								
Water	610,431.12	1,021,441.88	-	-	-	411,010.76	-	411,010.76
Wastewater	315,456.66	251,409.53	-	-	-	(64,047.13)	-	(64,047.13)
Distribution	334,953.69	-	-	-	-	(334,953.69)	-	(334,953.69)
Sanitation	281,815.53	486,542.42	-	-	-	204,726.89	-	204,726.89
Administrative and general	265,767.26	-	-	-	-	(265,767.26)	-	(265,767.26)
Total business-type activities	1,808,424.26	1,759,393.83	-	-	-	(49,030.43)	(49,030.43)	(49,030.43)
Totals	\$ 5,068,993.78	\$ 2,358,443.08	\$ 10,829.98	\$ 1,392,435.68	(1,258,254.61)	(49,030.43)	(1,307,285.04)	(1,307,285.04)
General revenues								
Sales tax					2,797,332.95	-	-	2,797,332.95
Use tax					134,148.37	-	-	134,148.37
Tobacco tax					32,818.97	-	-	32,818.97
Intergovernmental revenue not restricted to specific programs					34,462.64	-	-	34,462.64
Intergovernmental revenue restricted for streets & alleys					28,382.90	-	-	28,382.90
Franchise fees					167,590.69	-	-	167,590.69
Miscellaneous					242,130.21	588,001.98	-	830,132.19
Interest expense					-	(173,705.46)	-	(173,705.46)
Investment earnings					2,508.09	11,700.43	-	14,208.52
Transfers: In					749,705.40	1,308,478.49	-	2,058,183.89
Transfers: Out					(1,380,863.29)	(650,000.00)	-	(2,030,863.29)
Total general revenues and transfers					2,808,216.93	1,084,475.44	-	3,892,692.37
Change in net position					1,549,962.32	1,035,445.01	-	2,585,407.33
Net position, beginning of year					11,990,467.50	4,664,440.78	-	16,654,908.28
Net position, end of year					\$ 13,540,429.82	\$ 5,699,885.79	\$ -	\$ 19,240,315.61

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, 2014**

Statement 3

	General Fund	Airport Fund	CMA Cap Fund	Water Cap Fund	Other Governmental Funds	Total Governmental Funds
Assets						
Cash and cash equivalents	\$ 679,804.88	-	-	-		\$ 679,804.88
Restricted cash and investments	101,427.06	41,251.33	1,309,632.74	1,436,443.83	312,628.73	3,201,383.69
Receivables from other governments		6,000.52	60,005.23	60,005.23	18,781.29	126,010.98
Accounts receivable	315,741.27					334,522.56
Accrued interest receivable	2.88				13.67	16.55
Total assets	\$ 1,096,976.09	\$ 47,251.85	\$ 1,369,637.97	\$ 1,496,449.06	\$ 331,423.69	\$ 4,341,738.66
Liabilities						
Accounts payable	\$ 135,174.94	-	-	-		\$ 135,174.94
Capital lease obligations	134,985.82					134,985.82
Total liabilities	270,160.76	0.00	0.00	0.00	0.00	270,160.76
Fund Balance (Note 1.D.)						
Restricted	65,931.80					137,189.01
Committed			1,369,637.97	1,496,449.06	71,257.21	3,126,253.51
Assigned		47,251.85				47,251.85
Unassigned	760,883.53					760,883.53
Total fund balances	826,815.33	47,251.85	1,369,637.97	1,496,449.06	331,423.69	4,071,577.90
Total liabilities and fund balances	\$ 1,096,976.09	\$ 47,251.85	\$ 1,369,637.97	\$ 1,496,449.06	\$ 331,423.69	

Amounts reported for governmental activities in the Statement of Net Position 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 \$ 12,851,139.61.

The accumulated depreciation is \$ 3,339,596.81.

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 position of governmental activities

9,511,542.80

(42,690.88)

\$ 13,540,429.82

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, 2014

Statement 4

	General Fund	Airport Fund	CMA Cap Fund	Water Cap Fund	Other Governmental Funds	Total Governmental Funds
Revenues:						
Sales tax	\$ 1,258,799.73	\$ 69,933.35	\$ 699,333.26	\$ 699,333.26	\$ 69,933.35	\$ 2,797,332.95
Use tax					134,148.37	134,148.37
Cigarette tax					32,818.97	32,818.97
Intergovernmental	62,845.54					62,845.54
Franchise fees	167,590.69					167,590.69
Grants	172,988.58	1,230,277.08				1,403,265.66
Charges for services	520,346.13					520,346.13
Cemetery	12,425.07					12,425.07
Fines	46,133.80					46,133.80
Miscellaneous	162,865.78	20,144.25	44,820.00		34,444.43	262,274.46
Investment income	2,147.66				360.43	2,508.09
Total revenues	<u>2,406,142.98</u>	<u>1,320,354.68</u>	<u>744,153.26</u>	<u>699,333.26</u>	<u>271,705.55</u>	<u>5,441,689.73</u>
Expenditures:						
General government:						
General government	419,771.80				-	419,771.80
Cemetery	37,550.00					37,550.00
Public safety:						
Police	574,279.02				36,562.88	610,841.90
Fire	699,146.69				22,491.86	721,638.55
Ambulance	274,844.32					274,844.32
Emergency Management	2,153.39					2,153.39
Code Enforcement	57,989.23					57,989.23
Court	61,833.09					61,833.09
Streets	313,560.47					313,560.47
Culture and recreation:						
Parks and recreation	126,421.55				29,689.98	156,111.53
Lake	207,839.77				9,500.00	217,339.77
Golf	130,392.21				8,627.50	139,019.71
Library	110,643.68					110,643.68
Airport		1,398,404.78				1,398,404.78
Wastewater			66,602.34		-	66,602.34
Water			28,990.00	81,293.44	-	110,283.44
Total expenditures paid	<u>3,016,425.22</u>	<u>1,398,404.78</u>	<u>95,592.34</u>	<u>81,293.44</u>	<u>106,872.22</u>	<u>4,698,588.00</u>
Excess of revenues collected over (under) expenditures	<u>(610,282.24)</u>	<u>(78,050.10)</u>	<u>648,560.92</u>	<u>618,039.82</u>	<u>164,833.33</u>	<u>743,101.73</u>
Other financing sources (uses)						
Operating transfers in	666,435.03	-	-	-	4.93	666,439.96
Operating transfer out		-	(380,000.00)	(756,303.48)	-	(1,136,303.48)
Total other financing sources (uses)	<u>666,435.03</u>	<u>-</u>	<u>(380,000.00)</u>	<u>(756,303.48)</u>	<u>4.93</u>	<u>(469,863.52)</u>
Excess (deficiency) of revenues and other resources over expenditures and other uses	56,152.79	(78,050.10)	268,560.92	(138,263.66)	164,838.26	273,238.21
Fund balances, beginning of year	<u>770,662.54</u>	<u>125,301.95</u>	<u>1,101,077.05</u>	<u>1,634,712.72</u>	<u>166,585.43</u>	<u>3,798,339.69</u>
Fund balances, end of year	<u>\$ 826,815.33</u>	<u>\$ 47,251.85</u>	<u>\$ 1,369,637.97</u>	<u>\$ 1,496,449.06</u>	<u>\$ 331,423.69</u>	<u>\$ 4,071,577.90</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, 2014**

Statement 4 (cont.)

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

Net change in fund balances: total governmental funds	273,238.21
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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	1,622,528.56
Depreciation	(351,244.77)

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	5,440.32
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Change in net position of governmental activities	\$ 1,549,962.32
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**CITY OF CHANDLER
STATEMENT OF NET POSITION
PROPRIETARY FUND
JUNE 30, 2014**

Statement 5

	Municipal Authority
Assets	Enterprise Fund
Current assets	
Cash and cash equivalents	\$ 705,575.94
Restricted cash and cash equivalents	251,615.21
Accounts receivable	241,447.50
Accrued interest receivable	5.92
Total current assets	1,198,644.57
Noncurrent assets	
Capital assets:	
Equipment and vehicles	901,723.35
Land and improvements	21,351.25
Buildings	2,824,339.38
Infrastructure	9,294,425.23
Less accumulated depreciation	(2,955,197.83)
Total capital assets	10,086,641.38
 Total assets	 11,285,285.95
 Liabilities	
Current liabilities	
Accounts payable	3,860.06
Accrued interest payable	53,664.03
Accrued compensated absences	10,235.52
Notes payable - current portion	551,000.00
Total current liabilities	618,759.61
Noncurrent liabilities	
Refundable deposits	67,800.00
Accrued compensated absences	2,187.61
Notes payable	5,447,652.94
Less: current portion	(551,000.00)
Total noncurrent liabilities	4,966,640.55
 Total liabilities	 5,585,400.16
 Net position	
Invested in capital assets, net of related debt	4,638,988.44
Restricted for debt service	251,615.21
Unrestricted	809,282.14
 Total net position	 \$ 5,699,885.79

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 POSITION
PROPRIETARY FUND
YEAR ENDED JUNE 30, 2014**

Statement 6

	Municipal Authority
	Enterprise Fund
Operating revenue	
Charges for services:	
Water	\$ 1,021,441.88
Wastewater	251,409.53
Sanitation	486,542.42
Total operating revenue	1,759,393.83
Operating expenses:	
Water	610,431.12
Wastewater	315,456.66
Distribution	334,953.69
Sanitation	281,815.53
Administration and general	265,767.26
Total operating expenses	1,808,424.26
Net operating income	(49,030.43)
Nonoperating revenue (expense)	
Investment income	11,700.43
Interest expense	(173,705.46)
Other income	588,001.98
Total nonoperating revenue (expense)	425,996.95
Net income before transfers	376,966.52
Operating transfers: In	1,308,478.49
Operating transfers: Out	(650,000.00)
Change in net position	1,035,445.01
Net position, beginning of year	4,664,440.78
Net position, end of year	\$ 5,699,885.79

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, 2014**

Statement 7

	Municipal Authority Enterprise Fund
Cash flows from operating activities	
Receipts from customers	\$ 1,747,979.96
Payments to suppliers	(1,009,081.67)
Payments to employees	(440,696.83)
Net cash provided (used) by operating activities	298,201.46
Cash flows from noncapital financing activities	
Transfers from other funds	1,308,478.49
Transfers to other funds	(650,000.00)
Other income	588,001.98
Net cash provided (used) by noncapital financing activities	1,246,480.47
Cash flows from capital and related financing activities	
Purchase of capital assets	(832,042.39)
Issue new capital debt	663,114.46
Principal paid on capital debt	(530,000.00)
Debt forgiven by ORWB	(585,000.00)
Interest paid on capital debt	(173,705.46)
Net cash provided (used) by capital and related financing activities	(1,457,633.39)
Cash flows from investing activities	
Interest income	11,700.43
Net increase (decrease) in cash and cash equivalents	98,748.97
Cash balance beginning of year	858,442.18
Cash balance end of year	\$ 957,191.15
Reconciliation of operating income (loss) to net cash provided (used) by operating activities	
Operating income (loss)	\$ (49,030.43)
Adjustments to reconcile operating income to net cash provided (used) by operating activities:	
Cash flows reported in other categories:	
Depreciation and amortization expense	359,137.78
Change in assets and liabilities:	
Accounts receivable	(11,414.07)
Accrued interest receivable	-
Refundable deposits	-
Accounts payable	4,221.58
Accrued interest payable	(4,746.30)
Accrued compensated absences	32.90
Net cash provided by operating activities	\$ 298,201.46

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, 2014

NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The City of Chandler, Oklahoma (the City) complies with accounting principles generally accepted in the United States of America (GAAP) as applicable to governmental units. The Governmental Accounting Standards Board (GASB) is responsible for establishing GAAP for state and local governments through its pronouncements (Statements and Interpretations.) The accounting and reporting framework and the more significant accounting policies established in GAAP and used by the City are discussed below.

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*, GASB Statement No. 34, *Basic Financial Statements—and Management's Discussion and Analysis—for State and Local Governments*, and GASB Statement No. 61, amending GASB Statements No. 14 and 34. The basic criteria for including a potential component unit within the reporting entity is the governing body's ability to exercise oversight responsibility. Accountability flows from the notion that individuals are obligated to account for their acts, including the acts of the officials they appoint to operate governmental agencies. Thus, elected officials are accountable for an organization if they appoint a voting majority of the organization's governing board. The primary government is financially accountable if it appoints a voting majority of the organization's governing body *and* (1) it is able to impose its will on that organization, *or* (2) there is a potential for the organization to provide specific financial benefits to, or impose specific financial burdens on, the primary government. An organization has a financial benefit or burden relationship with the primary government if the primary government is legally obligated or has otherwise assumed the obligation to finance the deficits of, or provide financial support to, the organization.

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
Omitted Component Unit:	Chandler Community Development Trust Authority

BLENDING 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:

CITY OF CHANDLER
Chandler, Oklahoma

NOTES TO THE FINANCIAL STATEMENTS
For the year ended June 30, 2014

1.A. FINANCIAL REPORTING ENTITY (continued)

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

OMITTED COMPONENT UNIT

Based upon the application of these criteria, the Chandler Community Development Trust Authority is considered a component unit of the City of Chandler. However, management has not included the Chandler Community Development Trust Authority in the City of Chandler, Oklahoma's, financial statements. Accounting principles generally accepted in the United States of America require the Chandler Community Development Trust Authority to be presented as a major enterprise fund and financial information about the Chandler Community Development Trust Authority to be part of the business-type activities, thus increasing that activity's assets, liabilities, revenues, and expenses, and changing its net position. The amount by which this departure would affect the assets, liabilities, net position, revenues, and expenses of the business-type activities and the omitted major fund is not reasonably determinable.

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 was to reimburse the City. An amendment and an addendum to the lease were entered into on September 30, 2009. The amendment became a part of the lease while the addendum is renewed each fiscal year. Among other provisions, the City funds the CCDTA in the amount of \$ 2,000 per month, of which no less than 25 % is to be used for advertising to promote the City. Other terms allow the City to waive the requirements of the CCDTA to reimburse the City for various expenses, and contains certain reporting requirements.

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.

The Chandler Municipal Authority, and the North Central Regional Airport Authority, do not issue separately audited component unit financial statements. The Chandler Community Development Trust Authority does issue separately audited component unit financial statements.

CITY OF CHANDLER
Chandler, Oklahoma

NOTES TO THE FINANCIAL STATEMENTS
For the year ended June 30, 2014

1.B. BASIS OF PRESENTATION

GOVERNMENT-WIDE FINANCIAL STATEMENTS

The Statement of Net Position 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, 2014

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, 2014

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 Position 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 Position 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, 2014

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

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, 2014

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

and payables between funds within governmental activities are eliminated in the Statement of Net Position. 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.

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 Position. 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, 2014

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 Position

Net position 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, 2014

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, 2014

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, 2014, for the governmental funds are as follows:

	General Fund	Airport Fund	Capital Projects Funds		Other Government Funds	Total
			CMA Cap Fund	Water Cap Fund		
Fund balances:						
Invested in capital assets, net						
of related depreciation	6,925,719.21	2,585,823.59				9,511,542.80
Restricted for:						
Capital projects	63,003.80					63,003.80
Bond fund / CLEET	2,928.00					2,928.00
Perpetual cemetery care					71,257.21	71,257.21
Total Restricted	65,931.80	-	-	-	71,257.21	137,189.01
Committed to:						-
Capital projects			1,369,637.97	1,496,449.06	260,166.48	3,126,253.51
Assigned to:						
Airport operations	-	47,251.85				47,251.85
Unassigned	718,192.65					718,192.65
Total Fund Balances	7,709,843.66	2,633,075.44	1,369,637.97	1,496,449.06	331,423.69	13,540,429.82

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, 2014

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."

The sales tax revenue note (Note 3.G.) will be repaid from a portion of the revenue generated by the two percent sales tax levied pursuant to Ordinance Nos. 745 and 80-4 of the City, and transferred to the Chandler Municipal Authority. 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.

In accordance with a Sales Tax Agreement between the City and the Chandler Municipal Authority, dated May 1, 2012, the City agreed to pledge the 1 % sales tax allocated to the Chandler Municipal Authority to secure the payment of a \$ 1,175,000 Clean Water SRF Promissory Note and a \$ 2,500,000 Drinking Water SRF Promissory Note, both issued by the Oklahoma Water Resources Board, for the purposes of financing wastewater system improvements and drinking water improvements serving the City. The sales tax is to be deposited in a special account established in the General Fund of the City. The City agrees to appropriate that money each year, to be paid over as received for immediate deposit in a bank designated by the Authority, in an account to be established entitled the Chandler Municipal Authority Sales Tax Fund. The Authority has pledged the Sales Tax Revenue to the Oklahoma Water Resources Board for the purpose of paying debt service on the notes. In the event the Authority is current on its debt service payments as required by the loan agreements and there is no event of default as defined in the loan agreements, then any remaining Sales Tax Revenue in the Sales Tax Fund shall be transferred back to the special account established in the General Fund of the City and shall be available on the last day of the month for any lawful purpose.

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

CITY OF CHANDLER
Chandler, Oklahoma

NOTES TO THE FINANCIAL STATEMENTS
For the year ended June 30, 2014

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

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 Position and Statement of Activities, some amounts reported as interfund activity and balances in the fund financial statements have been eliminated or reclassified.

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:

CITY OF CHANDLER
Chandler, Oklahoma

NOTES TO THE FINANCIAL STATEMENTS
For the year ended June 30, 2014

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

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.

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

Custodial Credit Risk - Custodial credit risk related to deposits exists when the City holds deposits that are uninsured and uncollateralized with securities held by the pledging financial institution, or by its trust department or agent but not in the City's name, or collateralized without a written or approved collateral agreement. Exposure to custodial credit risk related to investments exists when the City holds investments that

CITY OF CHANDLER
Chandler, Oklahoma

NOTES TO THE FINANCIAL STATEMENTS
For the year ended June 30, 2014

NOTE 3. DETAIL NOTES – TRANSACTION CLASSES/ACCOUNTS

3.A. DEPOSITS AND INVESTMENTS (continued)

are uninsured and unregistered, with securities held by the counterparty or by its trust department or agent but not in the City's name. The City's policy for custodial credit risk is to secure its uninsured deposits with collateral.

At June 30, 2014, \$ 677,018.39 of the City's bank balances of \$ 4,838,379.72 was covered by federal depository insurance, and the remainder (excluding the petty cash funds of \$ 740.00) was covered by collateral held by the City's bank in the City's name, and by a \$ 4,000,000 Irrevocable Letter of Credit for Local Funds issued in the City's favor with the Federal Home Loan Bank of Topeka.

Investment Credit Risk - The City's has no investment policy that limits its investments choices other than the limitation of state law as follows:

- a) Direct obligations of the U.S. Government, its agencies or 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 obligation, 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.

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, 2014, the City, the Chandler Municipal Authority, and the North Central Regional Airport Authority complied, in all material respects, with these investment restrictions.

Investment Interest Rate Risk – the City does not have a formal investment policy that limits investment maturities as a means of managing its exposure to fair value losses arising from increasing interest rates.

CITY OF CHANDLER
Chandler, Oklahoma

NOTES TO THE FINANCIAL STATEMENTS
For the year ended June 30, 2014

3.A. DEPOSITS AND INVESTMENTS (continued)

Concentration of Credit Risk – The City places no limit on the amount it may invest in any one issuer. Since the City has all investments in certificates of deposit, there is no concentration of investment credit risk exposure.

The deposits and investments held at June 30, 2014, are as follows:

Type	Maturity (Months)	Credit Rating	Market Value	Cost
Cash Deposits	N/A	N/A	4,678,415.09	4,678,415.09
Investments				
Certificates of Deposit	12	N/A	<u>159,964.63</u>	<u>159,964.63</u>
Total Deposits and Investments			<u><u>4,838,379.72</u></u>	<u><u>4,838,379.72</u></u>

Reconciliation to Statement of Net Assets

Governmental Activities	\$ 3,881,188.57
Business-Type Activities	<u>957,191.15</u>
	<u><u>\$ 4,838,379.72</u></u>

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 \$ 72,899.71; amounts held in trustee accounts on behalf of the promissory note in the amount of \$ 178,515.50; amounts held in various checking accounts for various capital projects of \$ 2,988,024.39; amounts held in various grant and other checking accounts of \$ 65,931.80; amounts held for airport operations of \$ 41,251.33; and amounts held for perpetual cemetery care of \$ 70,680.91.

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 (49.5 %), franchise tax (30.1 %), ambulance service (7.9 %), use tax (2.1 %), tobacco tax (0.5 %), motor vehicle tax (0.4 %), gasoline excise tax (0.08 %), fines and court costs (6.6 %), and other (2.82 %). Receivables detail at June 30, 2014, is as follows:

CITY OF CHANDLER
Chandler, Oklahoma

NOTES TO THE FINANCIAL STATEMENTS
For the year ended June 30, 2014

3.D. ACCOUNTS RECEIVABLE

	Governmental Activities	Business-type Activities	Total
Accounts receivable	\$ 460,533	241,448	701,981

3.E. CAPITAL ASSETS

Capital asset activity for the fiscal year ended June 30, 2014, was as follows:

	Balance at July 1, 2013	Additions	Deductions	Balance at June 30, 2014
<i>Governmental activities:</i>				
Capital assets not being depreciated:				
Land	\$ 3,208,586	\$	\$	\$ 3,208,586
Other capital assets:				
Office furniture & equipment	127,202	3,000		130,202
Equipment	1,698,871	61,729		1,760,600
Vehicles	1,389,517	47,797		1,437,314
Buildings	1,799,782	185,386		1,985,168
Infrastructure	3,004,652	1,324,618		4,329,270
Total other capital assets at historical cost	8,020,024	1,622,530		9,642,554
Less accumulated depreciation for:				
Office furniture & equipment	100,367	3,271		103,638
Equipment	842,807	94,074		936,881
Vehicles	1,007,430	122,192		1,129,622
Buildings	633,525	48,946		682,471
Infrastructure	404,224	82,762		486,986
Total accumulated depreciation	2,988,353	351,245	-	3,339,598
Other capital assets, net	5,031,671	1,271,285	-	6,302,956
Government activities capital assets, net	\$ 8,240,257	\$ 1,271,285	\$ -	\$ 9,511,542
 <i>Business-type activities:</i>				
Capital assets not being depreciated:				
Land	\$ 21,351	\$	\$	\$ 21,351
Other capital assets:				
Office furniture & equipment	26,222			26,222
Equipment	686,466			686,466
Vehicles	160,045	28,990		189,035
Buildings	2,824,339			2,824,339
Infrastructure	8,491,373	803,052		9,294,425
Total other capital assets at historical cost	12,188,445	832,042		13,020,487
Less accumulated depreciation for:				
Office furniture & equipment	38,921	91		39,012
Equipment	355,788	42,490		398,278
Vehicles	96,685	16,090		112,775
Buildings	561,084	4,396		565,480
Infrastructure	1,543,581	296,071		1,839,652
Total accumulated depreciation	2,596,059	359,138	-	2,955,197
Other capital assets, net	9,592,386	472,904	-	10,065,290
Business-type activities capital assets, net	\$ 9,613,737	\$ 472,904	\$ -	\$ 10,086,641

CITY OF CHANDLER
Chandler, Oklahoma

NOTES TO THE FINANCIAL STATEMENTS
For the year ended June 30, 2014

3.E. CAPITAL ASSETS (continued)

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

Primary Government:	
Governmental Activities:	
General Government	\$ 57,960
Public Safety	157,397
Airport	33,320
Streets	75,904
Culture and Recreation	<u>26,664</u>
Total depreciation expense for governmental activities	<u>\$ 351,245</u>
Business-Type Activities:	
Water	\$ 189,836
Distribution	61,991
Wastewater	107,009
Admin and general	<u>302</u>
Total depreciation expense for business-type activities	<u>\$ 359,138</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, 2014, the governmental long-term debt of the financial reporting entity consisted of the following:

Accrued Compensated Absences:

• Current Portion	\$ 31,488.64
• Noncurrent portion	<u>11,202.24</u>
Total Governmental activity debt	<u>\$ 42,690.88</u>

BUSINESS-TYPE ACTIVITIES

CITY OF CHANDLER
Chandler, Oklahoma

NOTES TO THE FINANCIAL STATEMENTS
For the year ended June 30, 2014

3.G. LONG-TERM DEBT (continued)

As of June 30, 2014, the long-term debt payable from proprietary fund resources consisted of the following:

Notes Payable:

• 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.	\$ 2,570,000.00
• In May 2012, the Authority entered into a loan agreement with the Oklahoma Water Resources Board, as part of the wastewater project discussed below, for \$ 1,175,000. The loan is for a period of 10 years, with semi-annual payments beginning September 15, 2013. The loan includes interest and an administrative fee totaling 1.67 %.	924,168.10
• In July 2012, the Authority entered into a loan agreement with the Oklahoma Water Resources Board, as part of the drinking water system discussed below, for \$ 2,500,000. The loan is for a period of 10 years, with semi-annual payments beginning September 15, 2013. The loan includes interest and an administrative fee totaling 1.99 %.	<u>1,953,484.84</u>
Total Notes Payable	<u><u>\$ 5,447,652.94</u></u>

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.

In May 2012, the Chandler Municipal Authority entered into a \$ 1,175,000 loan with the Oklahoma Water Resources Board, through the Clean Water SRF (State Revolving Fund) Loan Program, for improvements to the wastewater system. The total cost of the project was estimated at \$ 1,175,000. Under the FY 2011 Appropriation Bill for the Clean Water State Revolving Fund Program (CWSRF) the Oklahoma Water Resources Board had the ability to provide additional subsidization in the form of principal forgiveness to projects that incorporate eligible "green" elements. The OWRB engineering staff determined that \$ 210,000 was considered "green" according to EPA's Green Project Reserve Guidelines. Thus, the loan principle forgiveness amount was \$ 210,000, pending compliance with ORWB's guidelines. That amount was forgiven during the current year. The security for the loan includes a pledge and assignment of revenues derived by the Authority from its

CITY OF CHANDLER
Chandler, Oklahoma

NOTES TO THE FINANCIAL STATEMENTS
For the year ended June 30, 2014

3.G. LONG-TERM DEBT (continued)

operation of the water, sanitary sewer and sanitation systems serving the City of Chandler, and a year-to-year pledge of certain sales tax revenue (discussed in Note 1.E.) Through June 30, 2014, a total of \$ 1,174,168.10 was drawn under the loan agreement, and expended.

In July 2012, the Chandler Municipal Authority entered into a \$ 2,500,000 loan with the Oklahoma Water Resources Board, through the Drinking Water SRF (State Revolving Fund) Loan Program, for improvements to the drinking water system. The total cost of the project was estimated at \$ 2,500,000. Under the FY 2011 Appropriation Bill for the Drinking Water State Revolving Fund Program (DWSRF) the Oklahoma Water Resources Board had the ability to provide additional subsidization in the form of principal forgiveness to projects that incorporate eligible "green" elements. The OWRB engineering staff determined that \$ 375,000 was considered "green" according to EPA's Green Project Reserve Guidelines. Thus, the loan principle forgiveness amount was \$ 375,000, pending compliance with ORWB's guidelines. That amount was forgiven during the current year. The security for the loan includes a pledge and assignment of revenues derived by the Authority from its operation of the water, sanitary sewer and sanitation systems serving the City of Chandler, and a year-to-year pledge of certain sales tax revenue (discussed in Note 1.E.) Through June 30, 2014, a total of \$ 2,413,484.84 was drawn under the loan agreement, and expended.

Refundable Deposits:

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

Utility Deposits -- Refundable	\$	67,800.00

Accrued Compensated Absences:

- | | | |
|----------------------|----|--------------|
| • Current portion | \$ | 10,235.52 |
| • Noncurrent portion | | 2,187.61 |
| | | \$ 12,423.13 |

CHANGES IN LONG-TERM DEBT

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

Type of Debt	Balance July 1, 2013	Additions	Reductions	Balance June 30, 2014	Amount Due Within One Year
Governmental Activities:					
Accrued compensated absences	48,131		5,440	42,691	31,489
Business-Type Activities:					
Bank of America	2,975,000		405,000	2,570,000	425,000
Oklahoma Water Resources Board	1,961,050	452,435	460,000	1,953,485	86,000
Oklahoma Water Resources Board	963,489	210,679	250,000	924,168	40,000
Accrued compensated absences	12,390	33		12,423	10,236
Refundable deposits	67,800			67,800	67,800
Total Business-Type Activities	5,979,729	663,147	1,115,000	5,527,876	629,036

CITY OF CHANDLER
Chandler, Oklahoma

NOTES TO THE FINANCIAL STATEMENTS
For the year ended June 30, 2014

3.G. LONG-TERM DEBT (continued)

DEBT SERVICE REQUIREMENTS TO MATURITY

The annual debt service requirements to maturity, including principal and interest, for long-term debt, as of June 30, 2014, are as follows:

Year Ended June 30,	Bank of America Loan		Oklahoma Water Resources Board Loan		Oklahoma Water Resources Board Loan	
	Principal	Interest	Principal	Interest	Principal	Interest
2015	425,000	110,802	40,000	18,787	86,000	47,630
2016	440,000	91,473	42,000	18,119	90,000	45,919
2017	460,000	71,470	44,000	17,410	92,000	44,118
2018	485,000	50,568	43,000	16,675	91,000	42,278
2019	505,000	28,543	45,000	15,948	93,000	40,457
2020-2024	255,000	5,731	710,168	40,305	1,501,485	103,181
2025-2029	-	-	-	-	-	-
Total	<u>2,570,000</u>	<u>358,587</u>	<u>924,168</u>	<u>127,244</u>	<u>1,953,485</u>	<u>323,583</u>

3.H. INTERFUND TRANSFERS AND BALANCES

INTERFUND TRANSFERS

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

MAJOR FUNDS	Transfers In	Transfers Out
GENERAL FUND		
City Capital Improvement Fund	99,705.40	
Municipal Authority	<u>650,000.00</u>	-
Total General Fund	749,705.40	-
CITY CAPITAL IMPROVEMENT FUND		
General Fund		99,705.40
ENTERPRISE FUND		
Municipal Authority		
General Fund		650,000.00
CMA Capital Improvement Fund	475,592.34	
Water Capital Improvement Fund	<u>832,886.15</u>	-
Total Enterprise Fund	1,308,478.49	650,000.00
CMA CAPITAL IMPROVEMENT FUND		
Municipal Authority		475,592.34
WATER CAPITAL IMPROVEMENT FUND		
Municipal Authority		<u>832,886.15</u>
GRAND TOTALS	<u>2,058,183.89</u>	<u>2,058,183.89</u>

CITY OF CHANDLER
Chandler, Oklahoma

NOTES TO THE FINANCIAL STATEMENTS
For the year ended June 30, 2014

3.H. INTERFUND TRANSFERS AND BALANCES (continued)

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 8.77 % of employee compensation for the year ended June 30, 2014.

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 participants' benefits that may be allocated to such participant's account. The City contributed 10.64 % of covered payroll (of which 8.77 % 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, 2014 (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, 2014, the following amounts relate to the plans:

	<u>CMO Plan</u>	<u>Defined Benefit Plan</u>
City total payroll	\$ 98,111	\$ 1,843,721
Payroll for covered employees	98,111	1,036,141
Employee contributions made	2,943	49,044
Employer (City) contributions made	1,835	91,680
City contributions as a % of covered payroll	1.87 %	8.77 %

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

OKLAHOMA POLICE AND FIREFIGHTER'S PENSION AND RETIREMENT SYSTEMS

CITY OF CHANDLER
Chandler, Oklahoma

NOTES TO THE FINANCIAL STATEMENTS
For the year ended June 30, 2014

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

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
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:

CITY OF CHANDLER
Chandler, Oklahoma

NOTES TO THE FINANCIAL STATEMENTS
For the year ended June 30, 2014

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

<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, 2014	\$ 30,218.10	100 %	51,886.26	\$ 100 %
June 30, 2013	33,090.95	100 %	48,296.49	100 %
June 30, 2012	27,462.34	100 %	51,169.12	100 %
June 30, 2011	25,274.55	100 %	38,662.03	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, 2014, 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.

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

CITY OF CHANDLER
Chandler, Oklahoma

NOTES TO THE FINANCIAL STATEMENTS
For the year ended June 30, 2014

4.B. RISK MANAGEMENT (continued)

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 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:

<u>Year ending</u> <u>June 30</u>	<u>Fire Truck</u>
2015	\$ 22,491.86
2016	22,491.86
2017	22,491.86
2018	22,491.86
2019	22,491.86
2020-2024	<u>44,983.72</u>
Total	157,443.02
Less interest	<u><22,457.20></u>
Net lease obligations	<u>\$ 134,985.82</u>

Grants

The City was previously approved for a \$ 395,001 Federal Aviation Administration grant (FAA) through the United States Department of Transportation, for airport development, to rehabilitate the apron and taxi lanes to the newly constructed hangar complex. The grant called for matching funds on the City's behalf of \$ 43,889. During the current year, \$ 368,780.40 was drawn under the grant, and expended. The City also provided \$ 85,545 in matching funds. See the Schedule of Grant Funds for further details.

The City was approved for a \$ 896,859 Federal Aviation Administration grant (FAA), funded by the United States Department of Transportation and passed through the Oklahoma Aeronautics Commission, to rehabilitate and overlay the existing runway. The grant called for matching funds on the City's behalf of \$ 47,203. During the current year, \$ 861,496.68 was drawn under the grant, and expended. The City also provided \$ 52,423 in matching funds. See the Schedule of Grant Funds for further details.

CITY OF CHANDLER
Chandler, Oklahoma

NOTES TO THE FINANCIAL STATEMENTS
For the year ended June 30, 2014

4.C. COMMITMENTS AND CONTINGENCIES (continued)

The City was previously 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 has been 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, none of the grant was drawn. See the Schedule of Grant Funds for further details.

The City was previously 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 ran from June 17, 2011 through June 17, 2014. As of June 30, 2013, \$ 370,718.36 was drawn, and expended, under the grant. The private company had provided \$ 714,842 in matching costs. During the current year, another \$ 92,678.00 was drawn, and expended, under the grant, and the private company provided another \$ 255,298 in matching costs. See the Schedule of Grant Funds for further details.

The City was previously approved for a \$ 74,707 Community Development Block Grant, funded by the U.S. Department of Housing and Urban Development, passed through the Oklahoma Department of Commerce, to help construct training classroom and living quarters in the existing fire station. The grant calls matching funds on the City's behalf of \$ 85,359, part of which will be provided by the REAP grant discussed in the following paragraph. The funding period runs from May 24, 2013 through May 24, 2015. During the current year, \$ 59,741.57 was drawn, and expended, under the grant. See the Schedule of Grant Funds for further details.

The City was previously approved for a \$ 74,707 Rural Economic Action Plan Grant (REAP) from the State of Oklahoma, administered through the Central Oklahoma Economic Development District (COEDD) to help construct training classroom and living quarters in the existing fire station. The funding period ran from June 1, 2012, through June 30, 2013. No funds were received under the grant during the current year. See the Schedule of Grant Funds for further details.

The City was previously approved for a \$ 3,000 Community Expansion of Nutritional Assistance grant (CENA) funded by the Central Oklahoma Economic Development District – Area Agency on Aging (COEDD-AAAA) to replace the carpet and repair the tile floor in the senior center. The funding period ran from July 1, 2012, through June 30, 2013. \$ 2,999.3 was expended during the previous year, and the City was reimbursed during the current year. See the Schedule of Grant Funds for further details

The City has been approved for a \$ 3,000 Community Expansion of Nutritional Assistance grant (CENA) funded by the Central Oklahoma Economic Development District – Area Agency on Aging (COEDD-AAAA) to purchase and install new fans and fixtures in the senior center. The funding period ran from July 1, 2013, through June 30, 2014. No funds were received under the grant during the current year. See the Schedule of Grant Funds for further details

CITY OF CHANDLER
Chandler, Oklahoma

NOTES TO THE FINANCIAL STATEMENTS
For the year ended June 30, 2014

4.C. COMMITMENTS AND CONTINGENCIES (continued)

The City was previously approved for a \$ 6,000 Emergency Preparedness Planning grant, funded through the Oklahoma State Department of Health, for help identifying healthcare planning priorities, enhance communications, and enhance information sharing. The contract period ran from January 1, 2013, through June 30, 2013. The City requested, and was reimbursed, a total of \$ 5,000 during the previous year, and another \$ 1,000 during the current year. See the Schedule of Grant Funds for further details.

The City was approved for a \$ 4,240 Emergency Preparedness Planning grant, funded through the Oklahoma State Department of Health, for help identifying healthcare planning priorities, enhance communications, and enhance information sharing. The contract period ran from September 1, 2013, through June 30, 2014. The City requested, and was reimbursed, a total of \$ 3,240 during the current year. See the Schedule of Grant Funds for further details.

CONTINGENCIES

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.

New Accounting Pronouncements

GASB issued Statement No. 67, *Financial Reporting for Pension Plans* and Statement No. 68, *Accounting and Financial Reporting for Pensions* in June 2012 that are effective for financial statements for periods beginning after June 15, 2013 and June 15, 2014, respectively. GASB Statement No. 67 became effective during the current year, and the City determined that there were no significant changes to the financial statements as a result of implementation. The City is in the process of evaluating the impact, if any, that will result from adopting GASB Statement No. 68.

Golf Course Loss

During the current year, the individual who leased the golf course from the City (effective December 20, 2013) was possibly in violation of several sections of the lease agreement, ultimately culminating in the non-

CITY OF CHANDLER
Chandler, Oklahoma

NOTES TO THE FINANCIAL STATEMENTS
For the year ended June 30, 2014

4.C. COMMITMENTS AND CONTINGENCIES (continued)

payment of monies due the City under the lease agreement. The City has estimated the loss at approximately \$ 12,800 for the period January 1, 2014, through September 30, 2014. Charges have been filed against the individual, and as of the audit report date, legal proceedings are pending.

4.D. SUBSEQUENT EVENTS

Subsequent events have been evaluated through June 9, 2015, which is the date the financial statements were available to be issued.

OTHER SUPPLEMENTARY INFORMATION

**INDEPENDENT AUDITOR'S 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, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the 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, 2014, and the related notes to the financial statements, which collectively comprise the City of Chandler, Oklahoma's, basic financial statements, and have issued my report thereon dated June 9, 2015. The financial statements of the Chandler Community Development Trust Authority were not included in the City of Chandler's financial statements and, accordingly, this report does not include reporting on internal control over financial reporting or instances of reportable noncompliance associated with the Chandler Community Development Trust Authority. My report included an explanatory paragraph that stated management had not presented the management's discussion and analysis and the budgetary comparison information, to supplement the financial statements, and my report on the business-type activities was qualified due to the omission of a component unit.

Internal Control Over Financial Reporting

In planning and performing my audit of the financial statements, I considered the City of Chandler, Oklahoma's, internal control over financial reporting (internal control) to determine the audit procedures that are appropriate in the circumstances 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, Oklahoma's, internal control. Accordingly, I do not express an opinion on the effectiveness of the City of Chandler, Oklahoma's, internal control.

A *deficiency in internal control* exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct misstatements on a timely basis. A *material weakness* is a deficiency, or 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. A *significant deficiency* is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

My consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or, significant deficiencies and therefore, material weaknesses or significant deficiencies may exist that were not identified. Given these limitations, during my audit I did not identify any deficiencies in internal control that I consider to be material weaknesses. However, material weaknesses may exist that have not been identified. I did identify a deficiency in internal control, described in the accompanying schedule of findings and responses (# 2014-1) that I consider to be a significant deficiency.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the City of Chandler, Oklahoma's, financial statements are free from 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*.

City of Chandler, Oklahoma's, Response to Findings

The City of Chandler, Oklahoma's, response to the findings identified in my audit is described in the accompanying schedule of findings and responses. The City of Chandler, Oklahoma's, response was not subjected to the auditing procedures applied in the audit of the financial statements and, accordingly, I express no opinion on it.

Purpose of this Report

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



Bruce G. Luttrell, CPA, PC

June 9, 2015

**INDEPENDENT AUDITOR'S REPORT ON COMPLIANCE FOR
EACH MAJOR PROGRAM AND ON INTERNAL CONTROL OVER
COMPLIANCE REQUIRED BY OMB CIRCULAR A-133**

To the City Commission
City of Chandler, Oklahoma

Report on Compliance for Each Major Federal Program

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, 2014. 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 – federal awards.

Management's Responsibility

Management is responsible for compliance with the requirements of laws, regulations, contracts, and grants applicable to its federal programs.

Auditor's Responsibility

My responsibility is to express an opinion on compliance for each of the City of Chandler, Oklahoma's major federal programs based on my audit of the types of compliance requirements referred to above. 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 on compliance for each major federal program. However, my audit does not provide a legal determination of the City of Chandler's compliance.

Opinion on Each Major Federal Program

In my opinion, the City of Chandler complied, in all material respects, with the types of 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, 2014.

Report on Internal Control over Compliance

Management of the City of Chandler, Oklahoma, is responsible for establishing and maintaining effective internal control over compliance with the types of compliance requirements referred to above. In planning and performing my audit of compliance, I considered the City of Chandler, Oklahoma's internal control over compliance with the types of requirements that could have a direct and material effect on each major federal program to determine the auditing procedures that are appropriate in the circumstances for the purpose of expressing an opinion on compliance for each major federal program 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. A *significant deficiency in internal control over compliance* is a deficiency, or a combination of deficiencies, in internal control over compliance with a type of compliance requirement of a federal program that is less severe than a material weakness in internal control over compliance, yet important enough to merit attention by those charged with governance.

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 material weakness or significant deficiencies. I did not identify any deficiencies in internal control over compliance that I consider to be material weaknesses. However, material weakness may exist that have not been identified.

The purpose of this report on internal control over compliance is solely to describe the scope of my testing of internal control over compliance and the results of that testing based on the requirements of OMB Circular A-133. Accordingly, this report is not suitable for any other purpose.



Bruce G. Luttrell, CPA, PC

June 9, 2015

CITY OF CHANDLER
Chandler, Oklahoma

SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
For the Year Ended June 30, 2014

Federal Grantor/Pass Through Grantor/Program Title	Year	Federal CFDA Number	Amount of Expenditures
U.S. Department of Transportation			
Passed through the Federal Aviation Administration			
AIP-3-40-0015-010-2013	6-30-14	20.106	\$ 368,780.40
Passed through the Oklahoma Aeronautics Commission			
CQB-14-S	6-30-14	20.106	<u>861,496.68</u>
Total Program			1,230,277.08
 U.S. Department of Housing and Urban Development			
Passed through the Oklahoma Department of Commerce			
CDBG-14589ED87	6-30-14	14.228	92,678.00
CDBG-15464CD96	6-30-14	14.228	<u>59,741.67</u>
Total Program			<u>152,419.67</u>
Total Expenditures of Federal Awards			 <u><u>\$ 1,382,696.75</u></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 – FEDERAL AWARDS
For the Year Ended June 30, 2014

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	\$ 1,230,277.08

Dollar threshold used to distinguish between Type A and Type B programs:	\$ 300,000
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Auditee qualified as low-risk auditee?	No
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SECTION II - FINANCIAL STATEMENT FINDINGS

None

SECTION III - FEDERAL AWARD FINDINGS AND QUESTIONED COSTS

None

**CITY OF CHANDLER
COMBINING BALANCE SHEET
NONMAJOR GOVERNMENTAL FUNDS
JUNE 30, 2014**

Exhibit 1

	CAPITAL PROJECTS FUNDS		Total Nonmajor Governmental Funds
	Cemetery Fund	City Cap Fund	
ASSETS			
Cash and cash equivalents	\$ 70,680.91	\$ 241,947.82	\$ 312,628.73
Accounts receivable	562.63	18,218.66	18,781.29
Accrued interest receivable	13.67		13.67
Inventory			-
Total assets	<u>\$ 71,257.21</u>	<u>\$ 260,166.48</u>	<u>\$ 331,423.69</u>
 LIABILITIES AND FUND BALANCE			
Current liabilities:			
Accounts payable	\$ -	\$ -	\$ -
Total current liabilities	<u>-</u>	<u>-</u>	<u>-</u>
Noncurrent liabilities:			
Payable to other funds			-
Less: current portion			-
Total noncurrent liabilities	<u>-</u>	<u>-</u>	<u>-</u>
Total liabilities	<u>-</u>	<u>-</u>	<u>-</u>
Fund Balance:			
Reserved, reported in nonmajor special revenue funds	71,257.21	260,166.48	331,423.69
Unreserved, reported in nonmajor special revenue funds			-
Total Fund Balance	<u>71,257.21</u>	<u>260,166.48</u>	<u>331,423.69</u>
Total Liabilities and Fund Balance	<u>\$ 71,257.21</u>	<u>\$ 260,166.48</u>	<u>\$ 331,423.69</u>

CITY OF CHANDLER
COMBINING STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE
NONMAJOR GOVERNMENTAL FUNDS
FOR THE YEAR ENDED JUNE 30, 2014

Exhibit 2

	CAPITAL PROJECTS FUNDS		Total Nonmajor Governmental Funds
	Cemetery Fund	City Cap Fund	
Revenues:			
Sales tax	\$ -	\$ 69,933.35	\$ 69,933.35
Use tax		134,148.37	134,148.37
Cigarette tax		32,818.97	32,818.97
Grants			-
Charge for services			-
Miscellaneous	2,265.56	32,178.87	34,444.43
Investment income	360.43		360.43
Total Revenues	<u>2,625.99</u>	<u>269,079.56</u>	<u>271,705.55</u>
Expenditures:			
General government			-
Streets			-
Police		36,562.88	36,562.88
Fire		22,491.86	22,491.86
Ambulance			-
Lake		9,500.00	9,500.00
Golf		8,627.50	8,627.50
Parks & Recreation		29,689.98	29,689.98
Wastewater			-
Amortization			-
Community Development Trust Authority			-
Total Expenditures	<u>-</u>	<u>106,872.22</u>	<u>106,872.22</u>
Excess (deficiency) of revenues over expenditures	<u>2,625.99</u>	<u>162,207.34</u>	<u>164,833.33</u>
Other financing sources (uses):			
Operating transfers in	4.93	-	4.93
Operating transfers out	-	-	-
Total other financing sources (uses)	<u>4.93</u>	<u>-</u>	<u>4.93</u>
Net change in fund balances	2,630.92	162,207.34	164,838.26
Fund Balances - beginning	<u>68,626.29</u>	<u>97,959.14</u>	<u>166,585.43</u>
Fund Balances - ending	<u>\$ 71,257.21</u>	<u>\$ 260,166.48</u>	<u>\$ 331,423.69</u>

**CITY OF CHANDLER
SCHEDULE OF GRANT FUNDS
FOR THE YEAR ENDED JUNE 30, 2014**

Exhibit 3

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, 2013	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, 2014
<u>U.S. Department of Transportation</u>										
Passed through the Federal Aviation Administration:										
AIP 3-40-0015-010-2013	20.106		395,001.00	-	368,780.40	368,780.40	-	84,545.00	84,545.00	-
Passed through the Oklahoma Aeronautics Commission										
CQB-14-S	20.106		896,859.00	-	861,496.68	861,496.68	-	52,423.00	52,423.00	-
Total			<u>1,291,860.00</u>	<u>-</u>	<u>1,230,277.08</u>	<u>1,230,277.08</u>	<u>-</u>	<u>136,968.00</u>	<u>136,968.00</u>	<u>-</u>
<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	-	92,678.00	92,678.00	-	255,298.00	255,298.00	-
Community Development Block	14.228	15464 CD96	74,707.00	-	59,741.57	59,741.57	-	-	-	-
Total			<u>541,486.00</u>	<u>-</u>	<u>152,419.57</u>	<u>152,419.57</u>	<u>-</u>	<u>255,298.00</u>	<u>255,298.00</u>	<u>-</u>

**CITY OF CHANDLER
SCHEDULE OF GRANT FUNDS
FOR THE YEAR ENDED JUNE 30, 2014**

Exhibit 3

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, 2013	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, 2014
Rural Economic Action Plan Grant Passed through the Central Oklahoma Economic Development District:			74,707.00	-	-	-	-	-	-	-
# 2012-2013 REAP Fund 008										
Community Expansion of Nutritional Assistance Passed through the Central Oklahoma Economic Development District Area Agency on Aging:			3,000.00	(2,999.03)	2,999.03	-	-	-	-	-
2012-2013 CENA Fund 008										
2013-2014 CENA Fund 006			3,000.00	-	-	-	-	-	-	-
6,000.00			6,000.00	(2,999.03)	2,999.03	-	-	-	-	-
State of Oklahoma Passed through the Oklahoma Arts Council:										
Small Grant Support Program FY 2013 # 2673-4138			2,500.00	-	2,500.00	2,500.00	-	-	-	-
FY 2014 # 3222-5031			2,500.00	-	-	-	-	-	-	-
Passed through the Oklahoma State Department of Health										
Emergency Preparedness Planning Grant			6,000.00	-	1,000.00	1,000.00	-	-	-	-
Emergency Preparedness Planning Grant			4,240.00	-	3,240.00	3,240.00	-	-	-	-
15,240.00			15,240.00	-	6,740.00	6,740.00	-	-	-	-

CITY OF CHANDLER
Chandler, Oklahoma

SCHEDULE OF FINDINGS AND RESPONSES
For the year ended June 30, 2014

Exhibit 4

2014-1 Golf Course Loss

Condition: The individual that leases the golf course receives monies from the public, does all the accounting for those funds, and remits to the City all funds due according to the lease agreement, with only limited oversight from the City in the conduct of his daily functions. During the current year, the lessee was possibly in violation of several sections of the lease agreement, ultimately culminating in the non-payment of monies due the City under the lease agreement. The City has estimated the loss at approximately \$ 12,800 for the period January 1, 2014, through September 30, 2014.

Criteria: A lessee who is unqualified, or untrained, and/or lacks the expertise to account for the funds is unable to adequately protect the City's assets and ensure accurate financial reporting.

Cause: The City's limited size and staffing resources have made it difficult to properly monitor the operations of the golf course on a timely basis.

Effect of Potential Effect: Without sufficient monitoring, the risk significantly increases that errors and fraud related to the operation of the golf course, including misappropriation of assets, could occur and not be detected within a timely basis.

Recommendation: I recommend that the staff consider a formal procedure to monitor the golf course operations on a monthly basis, including surprise audits.

Responsible Official's Response: The City concurs with the recommendation. The City has also begun legal proceedings to recover City funds.