CITY OF CHANDLER

Chandler, Oklahoma

FINANCIAL STATEMENTS

For the Year Ended June 30, 2016

Bruce G. Luttrell, CPA, PC
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CITY OF CHANDLER
CHANDLER, OKLAHOMA

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INDEPENDENT AUDITOR'S REPORT

To the City Commission
City of Chandler, Oklahoma

Report on the Financial Statements

We 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, 2016, 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

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

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our 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 our 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, 2016, 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.

Qualified Opinion

In our opinion, except for 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 present fairly, in all material respects, the financial position of the business-type activities of the City of Chandler, Oklahoma, as of June 30, 2016, and the changes in financial position thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Unmodified Opinions

In our 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, 2016, 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

Accounting principles generally accepted in the United States of America require that the Schedule of the City's Proportionate Share of the Net Pension Liabilities, on page 48, and the Schedule of Contributions – All Pensions, on page 49, be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board (GASB), who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to my inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

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. Our opinion of the basic financial statements is not affected by this missing information.

Other Information

Our 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 52 and 53, and the schedule of grant funds, on pages 54 and 55, are presented for purposes of additional analysis and are not a required part of the basic financial statements.

The combining nonmajor governmental fund financial statements, and the schedule of grant funds, 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 our opinion, the combining nonmajor governmental fund financial statements, and the schedule of grant funds, 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,* we have also issued our report dated January 10, 2017, on our consideration of the City of Chandler, Oklahoma's, internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on 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

Bruce Luttrell, CPA, PC

January 10, 2017

GOVERNMENT-WIDE FINANCIAL STATEMENTS

CITY OF CHANDLER
STATEMENT OF NET POSITION
JUNE 30, 2016

Statement 1

	Government Activities	Business-Type Activities	Totals
Assets			
Current assets			
Cash and cash equivalents	$ 332,057.34	$ 313,598.21	$ 645,655.55
Restricted cash and cash equivalents	3,966,488.63	1,502,519.91	5,469,008.54
Accounts receivable	459,164.28	202,966.26	662,130.54
Accrued interest receivable	16.55	5.92	22.47
Total current assets	4,757,726.80	2,019,090.30	6,776,817.10
Noncurrent assets			
Capital assets:			
Equipment and vehicles	3,905,564.10	905,819.35	4,811,383.45
Land and improvements	3,208,586.33	21,351.25	3,229,937.58
Buildings	2,673,317.87	2,824,339.38	5,497,657.25
Infrastructure	4,581,027.47	9,426,125.23	14,007,152.70
Less accumulated depreciation	(4,141,375.81)	(3,685,757.92)	(7,827,133.73)
Total noncurrent assets	10,227,119.96	9,491,877.29	19,718,997.25
Total assets	14,984,846.76	11,510,967.59	26,495,814.35
Deferred Outflows of Resources			
Deferred amounts related to pensions	463,159.43	139,990.53	603,149.96
Liabilites			
Current liabilities			
Accounts payable	59,329.19	31,582.53	90,911.72
Accrued interest payable		51,351.31	51,351.31
Accrued compensated absences	32,483.97	11,907.42	44,391.39
Notes payable - current portion		743,000.00	743,000.00
Total current liabilities	91,813.16	837,841.26	929,654.42
Noncurrent liabilities			
Accrued compensated absences	13,912.73	4,141.42	18,054.15
Refundable deposits		67,750.00	67,750.00
Capital lease obligations	165,610.78		165,610.78
Pension plan liabilities	1,639,820.26	57,302.00	1,697,122.26
Notes payable		5,921,598.53	5,921,598.53
Less: current portion		(743,000.00)	(743,000.00)
Total noncurrent liabilities	1,819,343.77	5,307,791.95	7,127,135.72
Total liabilities	1,911,156.93	6,145,633.21	8,056,790.14
Deferred Inflows of Resources			
Deferred amounts related to pensions	389,822.14	110,154.00	499,976.14
Net position (Note 1.D.)			
Invested in capital assets, net of related debt	10,227,119.96	3,518,927.45	13,746,047.41
Restricted	82,412.04	1,502,519.91	1,584,931.95
Committed	3,831,362.09		3,831,362.09
Assigned	119,966.24		119,966.24
Unassigned	(1,113,833.21)	373,723.55	(740,109.66)
Total net position	$ 13,147,027.12	$ 5,395,170.91	$ 18,542,198.03

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, 2016

Statement 2

Functions/programs	Expenses	Program Revenues: Charges for Services	Program Revenues: Operating Grants and Contracts	Program Revenues: Capital Grants and Contracts	Net (Expenses) Revenue and Changes in Net Assets: Primary Government: Governmental Activities	Net (Expenses) Revenue and Changes in Net Assets: Primary Government: Business-type Activities	Net (Expenses) Revenue and Changes in Net Assets: Primary Government: Totals
Governmental activities							
General Government	$ 197,699.76	$ 17,848.50	$ -	$ -	$ (179,851.26)	$ -	$ (179,851.26)
Public Safety	1,855,564.13	543,377.81	11,389.96	9,676.00	(1,291,120.36)	-	(1,291,120.36)
Streets	382,874.14	-	-	50,000.00	(332,874.14)	-	(332,874.14)
Airport	192,512.27	-	-	-	(192,512.27)	-	(192,512.27)
Culture and recreation	614,503.18	190,606.92	15,751.00	-	(408,145.26)	-	(408,145.26)
Cemetery	34,121.20	13,896.90	-	-	(20,224.30)	-	(20,224.30)
Community development	95,586.03		-	-	(95,586.03)	-	(95,586.03)
Total government activities	3,372,860.71	765,730.13	27,140.96	59,676.00	(2,520,313.62)	-	(2,520,313.62)
Business-type activities							
Water	593,406.35	921,522.04	-	-	-	328,115.69	328,115.69
Wastewater	343,421.08	244,944.06	-	-	-	(98,477.02)	(98,477.02)
Distribution	305,031.50	-	-	-	-	(305,031.50)	(305,031.50)
Sanitation	286,710.14	500,184.13	-	-	-	213,473.99	213,473.99
Administrative and general	245,637.57	-	-	-	-	(245,637.57)	(245,637.57)
Total business-type activities	1,774,206.64	1,666,650.23	-	-	-	(107,556.41)	(107,556.41)
Totals	$ 5,147,067.35	$ 2,432,380.36	$ 27,140.96	$ 59,676.00	(2,520,313.62)	(107,556.41)	(2,627,870.03)
General revenues							
Sales tax					2,791,861.66	-	2,791,861.66
Use tax					112,414.59	-	112,414.59
Tobacco tax					33,317.04	-	33,317.04
Intergovernmental revenue not restricted to specific programs					35,005.26	-	35,005.26
Intergovernmental revenue restricted for streets & alleys					28,907.27	-	28,907.27
Franchise fees					146,613.89	-	146,613.89
Miscellaneous					265,645.33	1,643.74	267,289.07
Interest expense					-	(169,647.13)	(169,647.13)
Investment earnings					2,494.60	12,005.62	14,500.22
Transfers: In					755,377.51	819,986.84	1,575,364.35
Transfers: Out					(794,036.85)	(781,327.50)	(1,575,364.35)
Total general revenues and transfers					3,377,600.30	(117,338.43)	3,260,261.87
Change in net position					857,286.68	(224,894.84)	632,391.84
Net position, beginning of year					12,289,740.44	5,620,065.75	17,909,806.19
Net position, end of year					$ 13,147,027.12	$ 5,395,170.91	$ 18,542,198.03

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, 2016

Statement 3

	General Fund	Airport Fund	CMA Cap Fund	Water Cap Fund	Other Governmental Funds	Total Governmental Funds
Assets						
Cash and cash equivalents	$ 332,057.34	$ -	$ -	$ -		$ 332,057.34
Restricted cash and investments	43,311.14	142,432.88	2,043,386.96	1,484,946.51	252,411.14	3,966,488.63
Receivables from other governments		5,947.96	59,479.60	59,479.60		124,907.16
Accounts receivable	316,493.11				17,764.01	334,257.12
Accrued interest receivable	2.88				13.67	16.55
Total assets	$ 691,864.47	$ 148,380.84	$ 2,102,866.56	$ 1,544,426.11	$ 270,188.82	$ 4,757,726.80
Liabilites						
Accounts payable	$ 19,757.18	$ 28,414.60	$ -	$ -	$ 11,157.41	$ 59,329.19
Accrued compensated absences	32,483.97					
Capital lease obligations	165,610.78					165,610.78
Total liabilities	217,851.93	28,414.60	0.00	0.00	11,157.41	224,939.97
Fund Balance (Note 1.D.)						
Restricted	7,450.05				74,961.99	82,412.04
Committed			2,102,866.56	1,544,426.11	184,069.42	3,831,362.09
Assigned		119,966.24				119,966.24
Unassigned	466,562.49					466,562.49
Total fund balances	474,012.54	119,966.24	2,102,866.56	1,544,426.11	259,031.41	4,500,302.86
Total liabilities and fund balances	$ 691,864.47	$ 148,380.84	$ 2,102,866.56	$ 1,544,426.11	$ 270,188.82	

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 $ 14,368,495.77. The accumulated depreciation is $ 4,141,375.81.	
Net effect for reconciliation	10,227,119.96
Certain long-term assets are not available to pay for current fund liabilities and, therefore, are deferred in the funds:	
Pension related deferred outflows	463,159.43
Certain long-term liabilities are not due and payable in the current financial resources and, therefore, are not reported in the funds:	
Accrued compensated absences	(13,912.73)
Net pension liabilities	(1,639,820.26)
Pension related deferred inflows	(389,822.14)
Net position of governmental activities	$ 13,147,027.12

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, 2016

Statement 4

	General Fund	Airport Fund	CMA Cap Fund	Water Cap Fund	Other Governmental Funds	Total Governmental Funds
Revenues:						
Sales tax	$ 1,256,337.66	$ 69,796.54	$ 697,965.46	$ 697,965.46	$ 69,796.54	$ 2,791,861.66
Use tax					112,414.59	112,414.59
Cigarette tax					33,317.04	33,317.04
Intergovernmental	63,912.53					63,912.53
Franchise fees	146,613.89					146,613.89
Grants	86,816.96					86,816.96
Charges for services	682,480.27					682,480.27
Cemetery	13,896.90					13,896.90
Fines	69,352.96					69,352.96
Miscellaneous	224,124.69	39,505.04			2,015.60	265,645.33
Investment income	2,152.41				342.19	2,494.60
Total revenues	2,545,688.27	109,301.58	697,965.46	697,965.46	217,885.96	4,268,806.73
Expenditures:						
General government:						
General government	340,193.49				4,960.00	345,153.49
Cemetery	34,121.20					34,121.20
Public safety:						
Police	670,660.16				35,653.33	706,313.49
Fire	718,710.23				22,491.86	741,202.09
Ambulance	175,814.36				33,356.04	209,170.40
Emergency Management	30,799.97					30,799.97
Code Enforcement	66,270.08					66,270.08
Court	67,671.70					67,671.70
Streets	301,017.08				54,915.37	355,932.45
Culture and recreation:						
Parks and recreation	111,002.24				25,000.00	136,002.24
Lake	197,483.98				4,666.10	202,150.08
Golf	152,256.81				831.95	153,088.76
Library	119,014.66					119,014.66
Airport		359,819.34				359,819.34
Wastewater					-	-
Water			38,154.39	57,431.64	-	95,586.03
Total expenditures paid	2,985,015.96	359,819.34	38,154.39	57,431.64	181,874.65	3,622,295.98
Excess of revenues collected over (under) expenditures	(439,327.69)	(250,517.76)	659,811.07	640,533.82	36,011.31	646,510.75
Other financing sources (uses)						
Operating transfers in	759,430.41	192,877.51	-	-	-	952,307.92
Operating transfer out	-	-	(166,571.31)	(627,465.54)	-	(794,036.85)
Total other financing sources (uses)	759,430.41	192,877.51	(166,571.31)	(627,465.54)	-	158,271.07
Excess (deficiency) of revenues and other resources over expenditures and other uses	320,102.72	(57,640.25)	493,239.76	13,068.28	36,011.31	804,781.82
Fund balances, beginning of year	451,775.66	177,606.49	1,609,626.80	1,531,357.83	223,020.10	3,993,386.88
Fund balances, end of year	$ 771,878.38	$ 119,966.24	$ 2,102,866.56	$ 1,544,426.11	$ 259,031.41	$ 4,798,168.70

(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, 2016

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	804,781.82
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	316,901.95
Depreciation	(422,691.61)
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:	
Net increase in accrued compensated absences	(1,047.42)
Net decrease in pension expense	159,341.94
Change in net position of governmental activities	$ 857,286.68

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

CITY OF CHANDLER
STATEMENT OF NET POSITION
PROPRIETARY FUND
JUNE 30, 2016

Statement 5

	Municipal Authority Enterprise Fund
Assets	
Current assets	
Cash and cash equivalents	$ 313,598.21
Restricted cash and cash equivalents	1,502,519.91
Accounts receivable	202,966.26
Accrued interest receivable	5.92
Total current assets	2,019,090.30
Noncurrent assets	
Capital assets:	
Equipment and vehicles	905,819.35
Land and improvements	21,351.25
Buildings	2,824,339.38
Infrastructure	9,426,125.23
Less accumulated depreciation	(3,685,757.92)
Total capital assets	9,491,877.29
Total assets	11,510,967.59
Deferred Outflows of Resources	
Deferred amounts related to pensions	139,990.53
Liabilities	
Current liabilities	
Accounts payable	31,582.53
Accrued interest payable	51,351.31
Accrued compensated absences	11,907.42
Notes payable - current portion	743,000.00
Total current liabilities	837,841.26
Noncurrent liabilities	
Refundable deposits	67,750.00
Accrued compensated absences	4,141.42
Pension plan liabiltiies	57,302.00
Notes payable	5,921,598.53
Less: current portion	(743,000.00)
Total noncurrent liabilities	5,307,791.95
Total liabilities	6,145,633.21
Deferred Inflows of Resources	
Deferred amounts related to pensions	110,154.00
Net position	
Invested in capital assets, net of related debt	3,518,927.45
Restricted for debt service	1,502,519.91
Unrestricted	373,723.55
Total net position	$ 5,395,170.91

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, 2016

Statement 6

	Municipal Authority Enterprise Fund
Operating revenue	
Charges for services:	
Water	$ 921,522.04
Wastewater	244,944.06
Sanitation	500,184.13
Total operating revenue	1,666,650.23
Operating expenses:	
Water	593,406.35
Wastewater	343,421.08
Distribution	305,031.50
Sanitation	286,710.14
Administration and general	245,637.57
Total operating expenses	1,774,206.64
Net operating income	(107,556.41)
Nonoperating revenue (expense)	
Investment income	12,005.62
Interest expense	(169,647.13)
Other income	1,643.74
Total nonoperating revenue (expense)	(155,997.77)
Net income before transfers	(263,554.18)
Operating transfers: In	819,986.84
Operating transfers: Out	(781,327.50)
Change in net position	(224,894.84)
Net position, beginning of year	5,620,065.75
Net position, end of year	$ 5,395,170.91

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, 2016

Statement 7

	Municipal Authority Enterprise Fund
Cash flows from operating activities	
Receipts from customers	$ 1,673,143.08
Payments to suppliers	(987,996.32)
Payments to employees	(427,407.22)
Net cash provided (used) by operating activities	257,739.54
Cash flows from noncapital financing activities	
Transfers from other funds	819,986.84
Transfers to other funds	(781,327.50)
Other income	1,643.74
Net pension expense	(21,020.29)
Net cash provided (used) by noncapital financing activities	19,282.79
Cash flows from capital and related financing activities	
Purchase of capital assets	(46,700.00)
Issue new capital debt	-
Principal paid on capital debt	(708,000.00)
Interest paid on capital debt	(169,647.13)
Net cash provided (used) by capital and related financing activities	(924,347.13)
Cash flows from investing activities	
Interest income	12,005.62
Net increase (decrease) in cash and cash equivalents	(635,319.18)
Cash balance beginning of year	2,451,437.30
Cash balance end of year	$ 1,816,118.12
Reconciliation of operating income (loss) to net cash provided (used) by operating activities	
Operating income (loss)	$ (107,556.41)
Adjustments to reconcile operating income to net cash provided (used) by operating activities:	
Cash flows reported in other categories:	
Depreciation and amortization expense	364,530.08
Change in assets and liabilities:	
Accounts receivable	6,492.85
Accrued interest receivable	-
Refundable deposits	(50.00)
Accounts payable	(2,445.93)
Accrued interest payable	(4,470.40)
Accrued compensated absences	1,239.35
Net cash provided by operating activities	$ 257,739.54

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

NOTES TO BASIC FINANCIAL STATEMENTS

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

BLENDED COMPONENT UNITS

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

1.A. FINANCIAL REPORTING ENTITY (continued)

Component Unit	Brief Description / Inclusion Criteria	Fund Included In
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.

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:

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:

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.

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

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.

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.

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.

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, 2016, for the governmental funds are as follows:

			Capital Projects Funds		Other	
	General Fund	Airport Fund	CMA Cap Fund	Water Cap Fund	Government Funds	Total
Fund balances:						
Invested in capital assets, net of related depreciation	7,229,821.88	2,997,298.08				10,227,119.96
Restricted for:						
Capital projects	4,522.05					4,522.05
Bond fund / CLEET	2,928.00					2,928.00
Perpetual cemetery care					74,961.99	74,961.99
Total Restricted	7,450.05	-	-	-	74,961.99	82,412.04
Committed to:						-
Capital projects			2,102,866.56	1,544,426.11	184,069.42	3,831,362.09
Assigned to:						
Airport operations	-	119,966.24				119,966.24
Unassigned	(1,113,833.21)					(1,113,833.21)
Total Fund Balances	6,123,438.72	3,117,264.32	2,102,866.56	1,544,426.11	259,031.41	13,147,027.12

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

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 December 1, 2014, 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 the Sales Tax Agreement between the City and the Chandler Municipal Authority, dated December 1, 2014, 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, a $ 2,500,000 Drinking Water SRF Promissory Note, as well as the $ 1,300,000 and $ 530,000 Utility System and Sales Tax Revenue Notes. 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 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

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:

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

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, 2016, $ 500,000.00 of the City's bank balances at the local bank, of $ 4,611,404.18, was covered by federal depository insurance, and the remainder of the local bank funds (excluding the petty cash funds of $ 740.00) was covered by a $ 4,600,000 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, 2016, 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.

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, 2016, are as follows:

Type	Maturity (Months)	Credit Rating	Market Value	Cost
Cash Deposits	N/A	N/A	5,952,973.97	5,952,973.97
Investments				
Certificates of Deposit	12	N/A	161,690.12	161,690.12
Total Deposits and Investments			6,114,664.09	6,114,664.09

Reconciliation to Statement of Net Assets	
Governmental Activities	$ 4,298,545.97
Business-Type Activities	1,816,118.12
	$ 6,114,664.09

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 $ 73,761.48; amounts held in trustee accounts on behalf of the promissory note in the amount of $ 334,060.93; amounts held in various checking accounts for various capital projects of $ 4,874,286.39; amounts held in various grant and other checking accounts of $ 7,450.05; amounts held for airport operations of $ 142,432.88; and amounts held for perpetual cemetery care of $ 74,917.20.

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 (51.8 %), franchise tax (28.3 %), ambulance service (7.7 %), use tax (1.9 %), tobacco tax (0.6 %), motor vehicle tax (0.4 %), gasoline excise tax (0.01 %), fines and court costs (9.1 %), and other (0.19%.) Receivables detail at June 30, 2016, is as follows:

3.D. ACCOUNTS RECEIVABLE

	Governmental Activities	Business-type Activities	Total
Accounts receivable	$ 459,164	202,966	662,130

3.E. CAPITAL ASSETS

Capital asset activity for the fiscal year ended June 30, 2016, was as follows:

	Balance at July 1, 2015	Additions	Deductions	Balance at June 30, 2016
Governmental activities:				
Capital assets not being depreciated:				
Land	$ 3,208,586	$	$	$ 3,208,586
Other capital assets:				
Office furniture & equipment	138,942			138,942
Equipment	1,908,204	29,329		1,937,533
Vehicles	1,708,305	35,274		1,743,579
Buildings	2,418,622	254,696		2,673,318
Infrastructure	4,404,270	176,757		4,581,027
Total other capital assets at historical cost	10,578,343	496,056		11,074,399
Less accumulated depreciation for:				
Office furniture & equipment	107,879	4,017		111,896
Equipment	1,042,616	110,947		1,153,563
Vehicles	1,235,791	117,556		1,353,347
Buildings	733,468	70,242		803,710
Infrastructure	598,930	119,930		718,860
Total accumulated depreciation	3,718,684	422,692	-	4,141,376
Other capital assets, net	6,859,659	73,364	-	6,933,023
Government activities capital assets, net	$ 10,068,245	$ 73,364	$ -	$ 10,141,609
Business-type activities:				
Capital assets not being depreciated:				
Land	$ 21,351	$	$	$ 21,351
Other capital assets:				
Office furniture & equipment	30,318			30,318
Equipment	686,466			686,466
Vehicles	189,035			189,035
Buildings	2,824,339			2,824,339
Infrastructure	9,379,425	46,700		9,426,125
Total other capital assets at historical cost	13,109,583	46,700		13,156,283
Less accumulated depreciation for:				
Office furniture & equipment	39,401	588		39,989
Equipment	432,392	37,837		470,229
Vehicles	124,726	11,102		135,828
Buildings	569,876	4,395		574,271
Infrastructure	2,154,832	310,608		2,465,440
Total accumulated depreciation	3,321,227	364,530	-	3,685,757
Other capital assets, net	9,788,356	<317,830>	-	9,470,526
Business-type activities capital assets, net	$ 9,809,707	$ <317,830>	$ -	$ 9,491,877

3.E. CAPITAL ASSETS (continued)

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

Primary Government:		
Governmental Activities:		
General Government	$	60,841
Public Safety		171,150
Airport		82,389
Streets		76,942
Culture and Recreation		31,370
Total depreciation expense for governmental activities	$	422,692
Business-Type Activities:		
Water	$	198,944
Distribution		55,501
Wastewater		109,286
Admin and general		799
Total depreciation expense for business-type activities	$	364,530

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, 2016, the governmental long-term debt of the financial reporting entity consisted of the following:

Accrued Compensated Absences:

• Current Portion	$	32,483.97
• Noncurrent portion		13,912.73
Total Governmental activity debt	$	46,396.70

BUSINESS-TYPE ACTIVITIES

3.G. LONG-TERM DEBT (continued)

As of June 30, 2016, 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.	$ 1,705,000.00
• In December 2014, the Authority and Bancfirst, Oklahoma City, Oklahoma, (the "Trustee") approved a note indenture providing for the issuance of its Utility System and Sales Tax Revenue Note – Taxable Series 2014, in the principal amount of $ 530,000. Branch Banking & Trust Company purchased the note. The note is for a period of 15 years, with interest at 4.62 %. 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.	491,000.00
• In December 2014, the Authority and Bancfirst, Oklahoma City, Oklahoma, (the "Trustee") approved a note indenture providing for the issuance of its Utility System and Sales Tax Revenue Note – Series 2015, in the principal amount of $ 1,300,000. Bancfirst of Chandler purchased the note. The note is for a period of 9 1/2 years, with interest at 2.45 %. 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.	1,190,000.00
• 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 %.	814,480.82
• 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 %.	1,721,117.71
Total Notes Payable	$ 5,921,598.53

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

3.G. LONG-TERM DEBT (continued)

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 December 1, 2014, 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. 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 a previous 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.)

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. 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 a previous 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.)

The two Utility System and Sales Tax Revenue Notes were both issued pursuant to the General Bond Indenture dated December 1, 2014, and separate Supplemental Note Indentures for each note (dated December 1, 2014, and April 9, 2015.) Both notes are secured by the gross revenue of the system, and the sales tax revenue pledged under the Sales Tax Agreement dated December 1, 2014, whereby the City agreed on a year-to-year basis to pay the sales tax revenues derived from Ordinance No. 95-06, to be used for capital improvements for water plant improvements, and/or any other public works project approved by the City Council, and/or the payment of debt service. Pursuant to the terms of the General Bond Indenture and a Parity Agreement dated December 16, 2014, between the Authority, the Oklahoma Water Resources Board, and the trustee, the mortgaged property and the lien on the revenues of the system and the sales tax revenue are on a parity with the mortgage and lien in favor of the existing debt.

Refundable Deposits:

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

Utility Deposits – Refundable	$ 67,750.00

3.G. LONG-TERM DEBT (continued)

Accrued Compensated Absences:

• Current portion	$ 11,907.42
• Noncurrent portion	4,141.42
	$ 16,048.84

CHANGES IN LONG-TERM DEBT

The following is a summary of changes in long-term debt for the year ended June 30, 2016.

Type of Debt	Balance July 1, 2015	Additions	Reductions	Balance June 30, 2016	Amount Due Within One Year
Governmental Activities:					
Accrued compensated absences	46,067	330		46,397	32,484
Business-Type Activities:					
Bank of America	2,145,000		440,000	1,705,000	460,000
Oklahoma Water Resources Board	1,811,118		90,000	1,721,118	92,000
Oklahoma Water Resources Board	856,481		42,000	814,481	44,000
Utility Sys & Sales Tax Rev Note	517,000		26,000	491,000	27,000
Utility Sys & Sales Tax Rev Note	1,300,000		110,000	1,190,000	120,000
Accrued compensated absences	14,809	1,240		16,049	11,907
Refundable deposits	67,800	14,050	14,100	67,750	67,750
Total Business-Type Activities	6,712,208	15,290	722,100	6,005,398	822,657

DEBT SERVICE REQUIREMENTS TO MATURITY

The annual debt service requirements to maturity, including principal and interest, for long-term debt, as of June 30, 2016, 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
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	255,000	5,731	136,000	15,171	278,000	38,556
2021	-	-	225,000	12,175	460,000	31,253
2022-2026	-	-	321,481	12,959	707,118	33,372
2027-2031	-	-	-	-	-	-
Total	1,705,000	156,312	814,481	90,338	1,721,118	230,034

3.G. LONG-TERM DEBT (continued)

Year Ended June 30,	Airport Loan Principal	Airport Loan Interest	Water System Improvements Loan Principal	Water System Improvements Loan Interest
2017	27,000	22,084	120,000	28,420
2018	28,000	20,790	120,000	25,480
2019	30,000	19,450	120,000	22,540
2020	31,000	18,064	120,000	19,600
2021	32,000	16,586	120,000	16,661
2022-2026	186,000	58,582	590,000	32,156
2027-2031	157,000	13,883	-	-
Total	491,000	169,439	1,190,000	144,857

3.H. INTERFUND TRANSFERS AND BALANCES

INTERFUND TRANSFERS

Transfers between funds of the primary government for the year ended June 30, 2016, were as follows:

MAJOR FUNDS	Transfers In	Transfers Out
GENERAL FUND		
City Capital Improvement Fund	196,930.41	
Municipal Authority	562,500.00	-
Total General Fund	759,430.41	-
CITY CAPITAL IMPROVEMENT FUND		
General Fund		196,930.41
ENTERPRISE FUND		
Municipal Authority		
General Fund		562,500.00
Airport Fund	25,949.99	218,827.50
CMA Capital Improvement Fund	166,571.31	
Water Capital Improvement Fund	627,465.54	-
Total Enterprise Fund	819,986.84	781,327.50
CMA CAPITAL IMPROVEMENT FUND		
Municipal Authority		166,571.31
Airport Fund		-
Total CMA Capital Impr Fund		166,571.31
WATER CAPITAL IMPROVEMENT FUND		
Municipal Authority		627,465.54
AIRPORT FUND	218,827.50	25,949.99
GRAND TOTALS	1,798,244.75	1,798,244.75

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

CITY MANAGER PLAN (the CMO PLAN)

Plan Description – During the current year, the City provided a defined contribution plan and trust known as the Oklahoma Municipal Retirement Fund Customized Manager Option Plan Retirement Plan and Trust (the CMO Plan) in the form of The Oklahoma Municipal Retirement Fund Master Defined Contribution Plan (OkMRF). The plan is administered by JP Morgan Chase Bank of Oklahoma City, Oklahoma. The defined contribution plan is available to any person who is in the position of City Manager. Separate audited GAAP – basis financial statements are not available.

Funding Policy – Benefits depend solely on amounts contributed to the plan plus investment earnings. Employees are eligible to participate upon employment, and voluntarily elect their percentage of contribution with a minimum contribution of 3 % of compensation. The City makes contributions to the CMO Plan based on the employment agreement with the employee and employer contributions are immediately vested. The City contributed at 10 % during the year ended June 30, 2016. The authority to establish and amend the provisions of the plan rests with the City Council. Contributions to the plan for the year ended June 30, 2016, for employee and employer were $ 2,994 and $ 1,869, respectively, on a covered payroll of $ 99,813.

OKLAHOMA MUNICIPAL RETIREMENT FUND

General Information about the Pension Plan

Plan description. The City of Chandler, as the employer, contributes to the Oklahoma Municipal Retirement Fund (OMRF) for all eligible employees except for those covered by the Police and Firefighters Pension Systems. There are two programs available to each participating municipality, one being a defined contribution plan and the other a defined benefit plan. The City participates in the defined benefit plan, which is a cost-sharing agent multiple-employer type plan.

The OMRF issues a separate financial report that can be obtained from OkMRF or from their website at www.okmrf.org.

Benefits provided. OMRF provides retirement, disability, and death benefits to members of the plan.

Members participating in the Plan become 100 % vested after 5 years of service. Participants are eligible for normal retirement at their normal retirement age, 65, with 5 or more years of vesting service. The normal retirement benefit is equal to an elected percentage of final compensation for each year of credited service.

4.A. RETIREMENT PLANS (continued)

The City's participates under Plan BB, with 2.25 % of final average compensation multiplied by the number of years of credited service. Final compensation is defined as the average salary for the highest 60 consecutive months (5 years) out of the last 10 years of the participant's employment.

Members are eligible for early retirement after age 55 with 5 or more years of vesting service. The benefit payable is reduced 5 % for each year the participant retires before normal retirement age.

A member is eligible for disability benefits upon becoming permanently disabled after 5 or more years of service.

Contributions. The contribution requirements of the Plan are at an established rate determined by which plan the municipality participates in. The City is participating in Plan BB, under which employees are required to contribute 4.5 % of their annual pay, and the City contributes 8.76 % of the employees' annual pay. Contributions to the Plan from the City were $ 88,335.

Pension Liabilities, Pension Expense, and Deferred Outflows of Resources and Deferred Inflows of Resources

At June 30, 2016, the City reported a liability of $ 114,604 for its proportionate share of the net pension liability. The net pension liability was measured as of June 30, 2015, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of June 30, 2015.

The following table (excluding any employer-specific amounts) presents the fiscal amounts determined and their effect on pension expense, deferred inflows, and deferred outflows, respectively, as well as remaining unamortized deferral balances at June 30, 2015.

	Amount Included in 2015 Pension Expense Calculation	Deferred Inflows Balance for 2015	Deferred Outflows Balance for 2015	Amortization Period (Years)
Actuarial (gains)/losses				
2015	$ -	-	-	-
2016	<8,939>	<40,583>	-	5.54
Investment (gains)/losses				
2015	<23,191>	<69,571>	-	5.00
2016	23,956	-	95,823	5.00
		$ <110,154>	$ 95,823	

$ 88,335 reported as deferred outflows of resources related to pensions resulting from City contributions subsequent to the measurement date will be recognized as a reduction of the net pension liability in the year ended June 30, 2017. Any other amounts reported as deferred outflows of resources and deferred inflows of resources related to pensions will be recognized in pension expense as follows:

4.A. RETIREMENT PLANS (continued)

Year ended June 30:		
2016	$	<8,174>
2017		<8,174>
2018		<8,172>
2019		15,016
2020		<4,827>
Thereafter		-

Expected Remaining Service Life of Members – Certain deferred inflow and deferred outflow calculations require amortization over the remaining service life of the System's members, including retirees. For the fiscal year ended June 30, 2015, the membership's remaining service life was 4 years. The average expected remaining service life of the System is determined by taking the calculated total future service years of the System divided by the number of people in the System including retirees. The total future service years of the System are determined using the mortality, termination, retirement and disability assumptions associated with the plan.

	Years
June 30, 2015	4

Actuarial assumptions. The total pension liability was determined by an actuarial valuation as of July 1, 2015, using the following actuarial assumptions, applied to all prior periods included in the measurement:

Inflation:	3 %
Salary increases:	4 % to 7.42 % average, including inflation
Investment rate of:	7.75 % net of pension plan investment expense

Mortality rates were based on the UP1994 combined healthy with blue collar adjustment as appropriate, with adjustments for generational mortality improvement using scale AA for healthy lives.

The actuarial present value of projected benefit payments is attributed to periods of time using the entry age normal cost method. Assets and liabilities reflect only benefits payable from the OkMRF Trust.

Under the entry age normal cost method, the service cost for an employee is computed as the level percent of pay which, if paid from the time the employee's service begins accruing benefits under the terms of the plan until assumed retirement or other termination of employment, would accumulate to a fund sufficient to pay all plan benefits payable to that employee. The service cost for the plan is the sum of the service costs so determined for all active employees participating in the plan.

The long-term expected rate of return on pension plan investments was determined using a building-block method in which best-estimate ranges of expected future real rates of return (expected returns, net of pension plan investment expense, and inflation) are developed for each major asset class. These ranges are combined to produce the long-term expected rate of return by weighting the expected future real rates of return by the target asset allocation percentage and by adding expected inflation (3 %.) Best estimates of arithmetic real rates of return for each major asset class included in the pension plan's target asset allocation as of June 30, 2015, are summarized in the following table:

4.A. RETIREMENT PLANS (continued)

Asset Class	Target Allocation	Long-Term Expected Real Rate of Return
Large Cap Stocks	25 %	5.40 %
Small/Mid Cap Stocks	10 %	7.50 %
Long/Short Equity	10 %	6.10 %
International Stocks	20 %	5.10 %
Fixed Income	30 %	2.60 %
Real Estate	5 %	4.80 %

Discount rate. The discount rate used to measure the total pension liability was 7.75 percent. The projection of cash flows used to determine the discount rate assumed that contributions from plan members will be made at the current contribution rate. Based on these assumptions, the pension plan's fiduciary net position is projected to be sufficient to make all projected future benefit payments of current plan members.

The employer has adopted a funding method that is designed to fund all benefits payable to participants over the course of their working careers. Any differences between actual and expected experience are funded over a fixed period to ensure all funds necessary to pay benefits have been contributed to the trust before those benefits are payable.

Sensitivity of the City's proportionate share of the net pension liability to changes in the discount rate.

The following presents the net pension liability of the City calculated using the discount rate of 7.75 %, as well as what the Plan's net pension liability would be if it were calculated using a discount rate that is 1-percentage point lower (6.75 %) or 1-percentage point higher (8.75 %) than the current rate:

	1 % Decrease (6.75 %)	Current Discount Rate (7.75 %)	1 % Increase (8.75 %)
Employers' net pension liability	$ 401,288	$ 114,604	$ <127,206>

Pension plan fiduciary net position. Detailed information about the pension plan's fiduciary net position is available in the separately issued Oklahoma Municipal Retirement Fund financial report.

FIREFIGHTER'S PENSION AND RETIREMENT SYSTEM

General Information about the Pension Plan

Plan description. The City of Chandler, as the employer, participates in the Firefighters Pension & Retirement Plan – a cost-sharing multiple-employer defined benefit pension plan administered by the Oklahoma Firefighters Pension & Retirement System (FPRS). Oklahoma State Statutes grant the authority to establish and amend the benefit terms to the FPRS. FPRS issues a publicly available financial report that can be obtained at www.ok.gov/fprs.

Benefits provided. FPRS provides retirement, disability, and death benefits to members of the plan.

4.A. RETIREMENT PLANS (continued)

Benefits for member hired prior to November 1, 2013, are determined as 2.5 percent of the employee's final average compensation times the employee's years of service and who have reached the age of 50 or have completed 20 years of service, whichever is later. For volunteer firefighters, the monthly pension benefit for normal retirement is $ 150.60 per month. Benefits vest with 10 years or more of service.

Benefits for members hired after November 1, 2013, are determined as 2.5 percent of the employee's final average compensation times the employee's years of service and who have reached the age of 50 or have completed 22 years of service, whichever is later. For volunteer firefighters, the monthly pension benefit for normal retirement is $ 165.66 per month. Benefits vest with 11 years or more of service.

All firefighters are eligible for immediate disability benefits. For paid firefighters, the disability in-the-line-of-duty benefit for firefighters with less than 20 years of service is equal to 50 % of final average monthly compensation, based on the most recent 30 months of service. For firefighters with over 20 years of service, a disability in-the-line-0f-duty is calculated based on 2.5 % of final average monthly compensation, based on the most recent 30 months, per year of service, with a maximum of 30 years of service. For disabilities not-in-the-line-of-duty, the benefit is limited to only those with less than 20 years of service and is 50 % of final average monthly compensation, based on the most recent 60 month salary as opposed to 30 months. For volunteer firefighters, the not-in-the-line-of-duty disability is also limited to only those with less than 20 years of service and is $ 7.53 per year of service. For volunteer firefighters, the in-line-of-duty disability pension is $ 150.60 with less than 20 years of service, or $ 7.53 per year of service, with a maximum of 30 years.

A $ 5,000 lump sum death benefit is payable to the qualified spouse or designated recipient upon the participant's death. The $ 5,000 death benefit does not apply to members electing the vested benefit.

Contributions. The contribution requirements of the Plan are at an established rate determined by Oklahoma statute and are not based on actuarial calculations. Employees are required to contribute 9 % of their annual pay. Participating cities are required to contribute 14 % of the employees' annual pay. Contributions to the Plan from the City were $ 58,357. The State of Oklahoma also made on-behalf contributions to FPRS in the amount of $ 91,235,807; these on-behalf payments did not meet the criteria of a special funding situation.

Pension Liabilities, Pension Expense, and Deferred Outflows of Resources and Deferred Inflows of Resources

At June 30, 2016, the City reported a liability of $ 1,578,634 for its proportionate share of the net pension liability. The net pension liability was measured as of June 30, 2015, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of June 30, 2015. The City's proportion of the net pension liability was based on a projection of the City's long-term share of contributions to the pension plan relative to the projected contributions of all participating municipalities, actuarially determined. At June 30, 2015, the City's proportion was 0.14873 percent.

The following table (excluding any employer-specific amounts) presents the fiscal amounts determined and their effect on pension expense, deferred inflows, and deferred outflows, respectively, as well as remaining unamortized deferral balances at June 30, 2015.

4.A. RETIREMENT PLANS (continued)

	Total Fiscal (Gains)/Losses	Amount Included in 2015 Pension Expense Calculation	Deferred Inflows Balance for 2015	Deferred Outflows Balance for 2015	Amortization Period (Years)
Differences between expected and actual experience					
2014	$ 43,228	6,786	-	29,655	6.37
2015	1,822	289	-	1,533	6.31
Difference between Projected and Actual Earnings					
2014	<289,398>	<57,880>	<173,639>	-	5
2015	69,954	13,991	-	55,964	5
Differences Due to Changes in Proportion					
2014	-	-	-	-	6.37
2015	-	-	<28,203>	28,203	6.31
			$ <201,842>	$ 115,355	

$ 58,357 reported as deferred outflows of resources related to pensions resulting from City contributions subsequent to the measurement date will be recognized as a reduction of the net pension liability in the year ended June 30, 2017. Any other amounts reported as deferred outflows of resources and deferred inflows of resources related to pensions will be recognized in pension expense as follows:

Year ended June 30:	Deferred Inflows	Deferred Outflows
2016	$ <63,191>	$ 26,674
2017	<63,191>	26,674
2018	<63,191>	26,674
2019	<5,311>	26,674
2020	<5,311>	6,921
Thereafter	<1,647>	1,738
	$ <201,842>	$ 115,355

Expected Remaining Service Life of Members – Certain deferred inflow and deferred outflow calculations require amortization over the remaining service life of the System's members, including retirees. For the fiscal year ended June 30, 2015, the membership's remaining service life was 6.37 years. The average expected remaining service life of the System is determined by taking the calculated total future service years of the System divided by the number of people in the System including retirees. The total future service years of the System are determined using the mortality, termination, retirement and disability assumptions associated with the plan.

4.A. RETIREMENT PLANS (continued)

	Years
June 30, 2015	6.37

Actuarial assumptions. The total pension liability was determined by an actuarial valuation as of July 1, 2015, using the following actuarial assumptions, applied to all prior periods included in the measurement:

Inflation:	3 %
Salary increases:	3.5 % to 9.0 % average, including inflation
Investment rate of:	7.5 % net of pension plan investment expense

Mortality rates were based on the RP2000 combined healthy with blue collar adjustment as appropriate, with adjustments for generational mortality improvement using scale AA for healthy lives and no mortality improvement for disabled lives.

The actuarial assumptions used in the July 1, 2015, valuation were based on the results of an actuarial experience study for the period July 1, 2007, to June 30, 2012.

The long-term expected rate of return on pension plan investments was determined using a building-block method in which best-estimate ranges of expected future real rates of return (expected returns, net of pension plan investment expense, and inflation) are developed for each major asset class. These ranges are combined to produce the long-term expected rate of return by weighting the expected future real rates of return by the target asset allocation percentage and by adding expected inflation. Best estimates of arithmetic real rates of return for each major asset class included in the pension plan's target asset allocation as of June 30, 2015, are summarized in the following table:

Asset Class	Long-Term Expected Real Rate of Return
Fixed income	5.13 %
Domestic equity	8.02 %
International equity	9.94 %
Real estate	7.47 %
Other assets	6.25 %

Discount rate. The discount rate used to measure the total pension liability was 7.5 percent. The projection of cash flows used to determine the discount rate assumed that contributions from plan members will be made at the current contribution rate and that contributions from participating employers will be made at contractually required rates, determined by State statutes. Projected cash flows also assume the State of Oklahoma will continue contributing 36 % of the insurance premium, as established by statute. Based on these assumptions, the pension plan's fiduciary net position was projected to be available to make all projected future benefit payments of current plan members. Therefore, the long-term expected rate of return on pension plan investments was applied to all periods of projected benefit payments to determine the total pension liability.

Sensitivity of the City's proportionate share of the net pension liability to changes in the discount rate.

The following presents the net pension liability of the City calculated using the discount rate of 7.5 %, as well as what the Plan's net pension liability would be if it were calculated using a discount rate that is 1-percentage point lower (6.5 %) or 1-percentage point higher (8.5 %) than the current rate:

4.A. RETIREMENT PLANS (continued)

	1 % Decrease (6.5 %)	Current Discount Rate (7.5 %)	1 % Increase (8.5 %)
Employers' net pension liability	$ 2,049,689	$ 1,578,632	$ 1,183,555

Pension plan fiduciary net position. Detailed information about the pension plan's fiduciary net position is available in the separately issued Oklahoma Firefighters Pension and Retirement System financial report of the FPRS; which can be located at www.ok.gov/fprs.

POLICE PENSION AND RETIREMENT SYSTEM

General Information about the Pension Plan

Plan description. The City of Chandler, as the employer, participates in the Police Pension & Retirement Plan – a cost-sharing multiple-employer defined benefit pension plan administered by the Oklahoma Police Pension & Retirement System (OPPRS). Oklahoma State Statutes grants the authority to establish and amend the benefit terms to the OPPRS. The system covers substantially all police officers employed by the 137 participating municipalities and state agencies within the state of Oklahoma. OPPRS issues a publicly available financial report that can be obtained at http://www.ok.gov/OPPRS/Financials/index.html.

Benefits provided. OPPRS provides retirement, disability, and death benefits to members of the plan, as well as a deferred option plan.

The normal retirement date under the Plan is the date upon which the participant completes 20 years of service, regardless of age. Participants become vested upon completing 10 years of service. Participants who have completed 10 years of service may elect a vested benefit in lieu of having their accumulated contributions refunded. They are entitled to a monthly retirement benefit commencing at age 50 or the date the participant would have had 20 years of service.

Monthly retirement benefits are calculated at 2.5 % of the final average salary (the average paid base salary over the highest 30 consecutive months of the last 60 months of service) multiplied by the years of service, with a maximum of 30 years of service. Monthly benefits for permanent disability incurred in the line of duty are 2.5 % of the participant's final average salary multiplied by 20 years. This disability benefit is reduced by stated percentages for partial disability based on the percentage of impairment. After 10 years of service, participants who retire due to disability incurred from any cause are eligible for a monthly benefit based on 2.5 % of their final average salary multiplied by the years of service. This benefit is also reduced by stated percentages for partial disability based on the percentage of impairment. Effective July 1, 1998, once a disability benefit is granted to a participant, that participant is no longer allowed to apply for an increase in the dollar amount of the benefit at a subsequent date.

Survivor's benefits are payable in full to the participant's beneficiary upon the death of a retired participant. The beneficiary of any active participant killed in the line of duty is entitled to a pension benefit. Effective July 1,

4.A. RETIREMENT PLANS (continued)

1999, a $ 5,000 death benefit is also paid, in addition to any survivor's pension benefits under the Plan, to the participant's beneficiary or estate for active or retired members.

Contributions. The contribution requirements of the Plan are at an established rate determined by Oklahoma statute and are not based on actuarial calculations. Employees are required to contribute 8 % of their annual pay. Participating cities are required to contribute 13 % of the employees' annual pay. Contributions to the pension plan from the City were $ 32,876. The State of Oklahoma also made on-behalf contributions to OPPRS in the amount of $ 35,490,000; these on-behalf payments did not meet the criteria of a special funding situation.

Pension Liabilities, Pension Expense, and Deferred Outflows of Resources and Deferred Inflows of Resources

At June 30, 2016, the City reported a liability of $ 3,884 for its proportionate share of the net pension liability. The net pension liability was measured as of June 30, 2015, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of June 30, 2015. The City's proportion of the net pension liability was based on a projection of the City's long-term share of contributions to the pension plan relative to the projected contributions of all participating municipalities, actuarially determined. At June 30, 2015, the City's proportion was 0.0953 percent.

The following table (excluding any employer-specific amounts) presents the fiscal amounts determined and their effect on pension expense, deferred inflows, and deferred outflows, respectively, as well as remaining unamortized deferral balances at June 30, 2015.

	Total Fiscal (Gains)/Losses	Amount Included in 2015 Pension Expense Calculation	Deferred Inflows Balance for 2015	Deferred Outflows Balance for 2015	Amortization Period (Years)
Differences between expected and actual experience					
2014	$ <17,400>	<2,985>	<11,431>	-	5.83
2015	<12,164>	<2,108>	<10,056>	-	5.77
Difference between Projected and Actual Earnings					
2014	<140,973>	<28,195>	<84,584>	-	5
2015	87,040	17,408	-	69,632	5
Differences Due to Changes in Proportion					
2014	-	-	-	-	5.83
2015	-	-	<1,552>	1,552	5.77
			$ <107,623>	$ 71,184	

4.A. RETIREMENT PLANS (continued)

$ 32,876 reported as deferred outflows of resources related to pensions resulting from City contributions subsequent to the measurement date will be recognized as a reduction of the net pension liability in the year ended June 30, 2017. Any other amounts reported as deferred outflows of resources and deferred inflows of resources related to pensions will be recognized in pension expense as follows:

Year ended June 30:	Deferred Inflows	Deferred Outflows
2016	$ <33,613>	$ 17,733
2017	<33,613>	17,733
2018	<33,613>	17,733
2019	<4,911>	17,733
2020	<1,873>	252
Thereafter	-	-
	$ <107,623>	$ 71,184

Expected Remaining Service Life of Members – Certain deferred inflow and deferred outflow calculations require amortization over the remaining service life of the System's members, including retirees, as determined at the beginning of the measurement period. For the fiscal year ended June 30, 2015, the membership's remaining service life was 5.83 years. The average expected remaining service life of the System is determined by taking the calculated total future service years of the System divided by the number of people in the System including retirees. The total future service years of the System are determined using the mortality, termination, retirement and disability assumptions associated with the plan.

	Years
June 30, 2015	5.83

Actuarial assumptions. The total pension liability was determined by an actuarial valuation as of July 1, 2015, using the following actuarial assumptions, applied to all prior periods included in the measurement:

Inflation:	3 %
Salary increases:	4.5 % to 17.0 % average, including inflation
Investment rate of:	7.5 % net of pension plan investment expense

Mortality rates were based on the RP2000 combined healthy with blue collar adjustment as appropriate, with adjustments for generational mortality improvement using scale AA for active and disabled pensioners.

The actuarial assumptions used in the July 1, 2015, valuation were based on the results of an actuarial experience study for the period July 1, 2007, to June 30, 2012.

The long-term expected rate of return on pension plan investments was determined using a building-block method in which best-estimate ranges of expected future real rates of return (expected returns, net of pension plan investment expense, and inflation) are developed for each major asset class. These ranges are combined to produce the long-term expected rate of return by weighting the expected future real rates of return by the target

4.A. RETIREMENT PLANS (continued)

asset allocation percentage and by adding expected inflation. Best estimates of arithmetic real rates of return for each major asset class included in the pension plan's target asset allocation as of June 30, 2015, are summarized in the following table:

Asset Class	Long-Term Expected Real Rate of Return
Fixed income	2.83 %
Domestic equity	6.47 %
International equity	6.98 %
Real estate	5.50 %
Private equity	5.96 %
Commodities	3.08 %

Discount rate. The discount rate used to measure the total pension liability was 7.5 percent. The projection of cash flows used to determine the discount rate assumed that contributions from plan members will be made at the current contribution rate and that contributions from participating employers will be made at contractually required rates, determined by State statutes. Projected cash flows also assume the State of Oklahoma will continue contributing 14 % of the insurance premium, as established by statute. Based on these assumptions, the pension plan's fiduciary net position was projected to be available to make all projected future benefit payments of current plan members. Therefore, the long-term expected rate of return on pension plan investments was applied to all periods of projected benefit payments to determine the total pension liability.

Sensitivity of the City's proportionate share of the net pension liability to changes in the discount rate.

The following presents the net pension liability of the City calculated using the discount rate of 7.5 %, as well as what the Plan's net pension liability would be if it were calculated using a discount rate that is 1-percentage point lower (6.5 %) or 1-percentage point higher (8.5 %) than the current rate:

	1 % Decrease (6.5 %)	Current Discount Rate (7.5 %)	1 % Increase (8.5 %)
Employers' net pension liability	$ 233,486	$ 3,884	$ <189,683>

Pension plan fiduciary net position. Detailed information about the pension plan's fiduciary net position is available in the separately issued Oklahoma Police Pension and Retirement System financial report.

SUMMARY OF PENSION ACCOUNTS

Following is a summary of the different pension funds' effect on the current year financial statements:

	Deferred Outflows	Pension Liability	Deferred Inflows	Pension Expense
Ok.Municipal Retirement Fund – City	139,991	57,302	110,154	<21,020>
Ok.Municipal Retirement Fund – CMA	139,991	57,302	110,154	<21,020>
Ok.Firefighters Pension & Retirement Fund	210,646	1,578,634	173,639	<86,658>
Ok.Police Pension & Retirement Fund	112,522	3,884	106,029	<51,664>
Totals	603,150	1,697,122	499,976	<180,362>

4.A.1. TERMINATION BENEFITS

At June 30, 2016, 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:

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

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

4.C. COMMITMENTS AND CONTINGENCIES

COMMITMENTS

Capital Leases

In 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.

In March 2015, the City entered into a lease purchase agreement with a local bank, for an ambulance. The lease

4.C. COMMITMENTS AND CONTINGENCIES (continued)

includes 48 monthly payments of $ 1,904.67 each, which includes interest at 3 %, and which terminate with the fiscal year of the City (June 30.) The lease included three successive options to renew for one year, under the same terms.

The annual lease payments are as follows:

Year ending June 30	Fire Truck	Ambulance
2017	$ 22,491.86	$ 22,856.04
2018	22,491.86	22,856.04
2019	22,491.86	22,856.04
2020	22,491.86	-
2021	22,491.86	-
2022-2026	-	-
Total	112,459.30	68,568.12
Less interest	<12,342.03>	<3,074.61>
Net lease obligations	$ 100,117.27	$ 65,493.51

Grants

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 was approved for a $ 50,000 Rural Economic Action Plan Grant (REAP) from the State of Oklahoma, administered through the Central Oklahoma Economic Development District (COEDD) to overlay city streets. The funding period ran from June 1, 2014, through June 30, 2015. During the current year, the entire amount of the grant was drawn, and expended. See the Schedule of Grant Funds for further details.

The City was previously approved for a $ 2,850 Community Expansion of Nutritional Assistance grant (CENA) funded by the Central Oklahoma Economic Development District – Area Agency on Aging (COEDD-AAAA) to install mini blinds and an emergency exit door in the senior center. The funding period ran from July 1, 2014, through June 30, 2015. 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 $ 5,000 Community Expansion of Nutritional Assistance grant (CENA) funded by the Central Oklahoma Economic Development District – Area Agency on Aging (COEDD-AAAA) to paint and repair the senior center. The funding period runs from July 1, 2015, through June 30, 2016. No funds were received under the grant during the current year. See the Schedule of Grant Funds for further details

4.C. COMMITMENTS AND CONTINGENCIES (continued)

The City was approved for a $ 4,600 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 August 1, 2015, through June 30, 2016. The City requested, and was reimbursed, a total of $ 4,600 during the current year. See the Schedule of Grant Funds for further details.

The City was approved for a 2016 State and Local Assistance Sub-Grant, through the Oklahoma Department of Emergency Management, funded by the Department of Homeland Security – Federal Emergency Management Agency, to provide financial and technical assistance to improve emergency management capabilities. The $ 10,000 grant provides up to half the funding for necessary and essential state and local emergency preparedness personnel and expenses. The funding period runs concurrently with the federal fiscal year. During the current year, a total of $ 2,500 was received, and expended, under this grant. See the Schedule of Grant Funds for further details.

The City was approved for a $ 9,676 Justice Assistance Grant – Local Law Enforcement (JAG-LLE), through the District Attorneys Council to purchase hand held portable radios. The funding period ran from January 1, 2016 through June 30, 2016. The grant did not require any matching funds. During the current year, the entire amount was drawn under the grant, and expended. See the Schedule of Grant Funds for further details.

The City has been approved for a $ 130,000 Staffing for Adequate Fire and Emergency Response (SAFER) grant through the Federal Emergency Management Agency, funded by the Department of Homeland Security, to provide funding for personnel costs to protect the health and safety of the public and firefighting personnel against fire and fire related hazards. The funding period runs from January 28, 2017, through January 27, 2019. No funds were received under the grant 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

4.C. COMMITMENTS AND CONTINGENCIES (continued)

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

In November 2013, the Governmental Accounting Standards Board issued GASB Statement No. 71, *Pension Transition for Contributions Made Subsequent to the Measurement Date – an amendment of GASB Statement No. 68*, to be applied simultaneously with the provisions of GASB Statement No. 68. GASB Statement No. 71 requires that a government recognize a beginning deferred outflow of resources for its pension contributions, if any, made subsequent to the measurement date of the beginning net pension liability. The Town adopted GASB Statement No. 71 during the current year. This had no impact on the City's financial report

Golf Course Loss

During a previous year, the individual who leased the golf course from the City (effective December 20, 2013) was 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 estimated the loss at approximately $ 12,800 for the period January 1, 2014, through September 30, 2014. Charges were filed against the individual during the current year. An agreement was reached wherein the individual is to repay the City at $ 200 per month.

4.D. SUBSEQUENT EVENTS

Subsequent events have been evaluated through January 10, 2017, which is the date the financial statements were available to be issued.

REQUIRED SUPPLEMENTARY INFORMATION

CITY OF CHANDLER
SCHEDULE OF THE CITYS PROPORTIONATE SHARE
OF THE NET PENSION LIABILITIES
Last 10 Fiscal Years *

Exhibit 1

OMRF PENSION	Year End June 30, 2014	Year End June 30, 2015
Proportion of the net pension liability	100 %	100 %
Proportionate share of the net pension liability	$95,527	$114,604
Covered - employee payroll	$1,134,252	$1,016,725
Proportionate Share of the net pension liability as percentage of covered-employee payroll	8.42 %	11.27 %
Plan's fiduciary net position	$1,933,677	$2,103,115
Plan fiduciary net position as a percentage of the total pension liability	95.29 %	94.83 %
OKLAHOMA POLICE PENSION		
Proportion of the net pension liability	0.0831 %	0.0953 %
Proportionate share of the net pension liability	($27,979)	$3,884
Covered - employee payroll	$231,835	$262,602
Proportionate Share of the net pension liability as percentage of covered-employee payroll	(12.07 %)	1.48 %
Plan's fiduciary net position	$2,238,466,000	$2,264,996,000
Plan fiduciary net position as a percentage of the total pension liability	101.53 %	99.82 %
OKLAHOMA FIREFIGHTER'S PENSION		
Proportion of the net pension liability	0.1421 %	0.14873 %
Proportionate share of the net pension liability	$1,460,821	$1,578,632
Covered - employee payroll	$381,480	$419,624
Proportionate Share of the net pension liability as percentage of covered-employee payroll	382.94 %	376.20 %
Plan's fiduciary net position	$3,122,086	$3,396,348
Plan fiduciary net position as a percentage of the total pension liability	68.12 %	68.27 %

Notes to Schedule:

* June 30, 2015, was the first year of implementation, therefore only two years are shown.

CITY OF CHANDLER
SCHEDULE OF CONTRIBUTIONS
ALL PENSIONS
Last 10 Fiscal Years *

Exhibit 2

OMRF PENSION	Year End June 30, 2014	Year End June 30, 2015
Contractually required contribution	$89,845	$88,335
Contributions in relation fo the contractually required contributions	$89,845	$88,335
Contribution deficiency (excess)	$0	$0
City's covered-employee payroll	$1,134,252	$1,016,725
Contributions as a percentage of covered-employee payroll	7.92%	8.69%

OKLAHOMA POLICE PENSION		
Contractually required contribution	$30,218	$32,875
Contributions in relation fo the contractually required contributions	$30,218	$32,875
Contribution deficiency (excess)	$0	$0
City's covered-employee payroll	$231,835	$262,602
Contributions as a percentage of covered-employee payroll	13.03%	12.52%

OKLAHOMA FIREFIGHTER'S PENSION		
Contractually required contribution	$53,093	$58,357
Contributions in relation fo the contractually required contributions	$53,093	$58,357
Contribution deficiency (excess)	$0	$0
City's covered-employee payroll	$381,480	$419,624
Contributions as a percentage of covered-employee payroll	13.92%	13.91%

Notes to Schedule:

* June 30, 2015, was the first year of implementation, therefore only two years are shown.

OTHER SUPPLEMENTARY INFORMATION

Bruce G. Luttrell, CPA, PC
Certified Public Accountant

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(405) 743-1040

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

We 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, 2016, and the related notes to the financial statements, which collectively comprise the City of Chandler, Oklahoma's, basic financial statements, and have issued our report thereon dated January 10, 2017. 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. Our 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 our 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 our audit of the financial statements, we 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 our 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, we 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.

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or, significant deficiencies. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

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, we performed tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit and, accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

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 Luttrell, CPA, PC

Bruce G. Luttrell, CPA, PC

January 10, 2017

CITY OF CHANDLER
COMBINING BALANCE SHEET
NONMAJOR GOVERNMENTAL FUNDS
JUNE 30, 2016

Exhibit 3

	CAPITAL PROJECTS FUNDS		**Total Nonmajor Governmental Funds**
	Cemetery Fund	City Cap Fund	
ASSETS			
Cash and cash equivalents	$ 74,917.20	$ 177,493.94	$ 252,411.14
Accounts receivable	31.12	17,732.89	17,764.01
Accrued interest receivable	13.67		13.67
Inventory			-
Total assets	$ 74,961.99	$ 195,226.83	$ 270,188.82
LIABILITIES AND FUND BALANCE			
Current liabilities:			
Accounts payable	$ -	$ 11,157.41	$ 11,157.41
Total current liabilities	-	11,157.41	11,157.41
Noncurrent liabilities:			
Payable to other funds			-
Less: current portion			-
Total noncurrent liabilities	-	-	-
Total liabilities	-	11,157.41	11,157.41
Fund Balance:			
Reserved, reported in nonmajor special revenue funds	74,961.99	184,069.42	259,031.41
Unreserved, reported in nonmajor special revenue funds			-
Total Fund Balance	74,961.99	184,069.42	259,031.41
Total Liabilities and Fund Balance	$ 74,961.99	$ 195,226.83	$ 270,188.82

CITY OF CHANDLER
COMBINING STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE
NONMAJOR GOVERNMENTAL FUNDS
FOR THE YEAR ENDED JUNE 30, 2016

Exhibit 4

	CAPITAL PROJECTS FUNDS		**Total Nonmajor Governmental Funds**
	Cemetery Fund	City Cap Fund	
Revenues:			
Sales tax	$ -	$ 69,796.54	$ 69,796.54
Use tax		112,414.59	112,414.59
Cigarette tax		33,317.04	33,317.04
Grants			-
Charge for services			-
Miscellaneous	2,015.60		2,015.60
Investment income	342.19		342.19
Total Revenues	2,357.79	215,528.17	217,885.96
Expenditures:			
General government		4,960.00	4,960.00
Streets		54,915.37	54,915.37
Police		35,653.33	35,653.33
Fire		22,491.86	22,491.86
Ambulance		33,356.04	33,356.04
Lake		4,666.10	4,666.10
Golf		831.95	831.95
Parks & Recreation		25,000.00	25,000.00
Wastewater			-
Amortization			-
Community Development Trust Authority			-
Total Expenditures	-	181,874.65	181,874.65
Excess (deficiency) of revenues over expenditures	2,357.79	33,653.52	36,011.31
Other financing sources (uses):			
Operating transfers in	-	-	-
Operating transfers out	-	-	-
Total other financing sources (uses)	-	-	-
Net change in fund balances	2,357.79	33,653.52	36,011.31
Fund Balances - beginning	72,604.20	150,415.90	223,020.10
Fund Balances - ending	$ 74,961.99	$ 184,069.42	$ 259,031.41

CITY OF CHANDLER
SCHEDULE OF GRANT FUNDS
FOR THE YEAR ENDED JUNE 30, 2016

Exhibit 5

Federal/State Grantor/ Pass Through Grantor/ Program Title	Federal CFDA Number	Pass-Through Grantor's Number	Program or Award Amount	Cash Accrued or Deferred Revenue at July 1, 2015	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, 2016
U.S.Department of Justice, Bureau of Justice Assistance										
Passed through the State of Oklahoma District Attorneys Council										
Local Law Enforcement Grant JAG-LLE-2015-Chandler CI-00077	16.738		9,676.00	-	9,676.00	9,676.00	-	-	-	-
U.S.Department of Homeland Security										
Passed through the Federal Emergency Management Agency										
Staffing for Adequate Fire and Emergency Response (SAFER)	97.083	EMW-2015-FH-00077	130,000.00	-	-	-	-	-	-	-
Passed through the Oklahoma Department of Emergency Management										
Emergency Management Performance Grant State and Local Assistance Sub-Grants:	97.042	2016	10,000.00		2,500.00	2,500.00				-
			140,000.00	-	2,500.00	2,500.00	-	-	-	-
Rural Economic Action Plan Grant										
Passed through the Central Oklahoma Economic Development District:										
# 2014-2015 REAP Fund 006			50,000.00	-	50,000.00	50,000.00	-	-	-	-
Community Expansion of Nutritional Assistance										
Passed through the Central Oklahoma Economic Development District Area Agency on Aging:										
2014-2015 CENA Fund 007			2,850.00	-	2,850.00	2,850.00	-	-	-	-
2015-2016 CENA Fund 007			5,000.00	-	-	-	-	-	-	-
			7,850.00	-	2,850.00	2,850.00	-	-	-	-

CITY OF CHANDLER
SCHEDULE OF GRANT FUNDS
FOR THE YEAR ENDED JUNE 30, 2016

Exhibit 5

Federal/State Grantor/ Pass Through Grantor/ Program Title	Federal CFDA Number	Pass-Through Grantor's Number	Program or Award Amount	Cash Accrued or Deferred Revenue at July 1, 2015	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, 2016
State of Oklahoma										
Passed through the Oklahoma Arts Council:										
Small Grant Support Program FY 2015 # 3621-5631			2,500.00	-	2,500.00	2,500.00	-	-	-	-
Passed throught the Oklahoma State Department of Health										
Emergency Preparedness Planning Grant			4,600.00	-	4,600.00	4,600.00		-	-	-
			7,100.00	-	7,100.00	7,100.00	-	-	-	-