

CITY OF CHANDLER
Chandler, Oklahoma

**ANNUAL FINANCIAL STATEMENTS &
INDEPENDENT AUDITOR'S REPORT**

For the Year Ended June 30, 2023

CITY OF CHANDLER CHANDLER, OKLAHOMA

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INDEPENDENT AUDITOR'S REPORT

To the Mayor and City Council
City of Chandler, Oklahoma

Report on the Financial Statements

Adverse, Qualified, and Unmodified Opinions

I have audited the accompanying modified cash basis financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the City of Chandler, Oklahoma, as of and for the year ended June 30, 2023, and the related notes to the financial statements, which collectively comprise the City's basic financial statements as listed in the table of contents.

Summary of Opinions

<u>Opinion Unit</u>	<u>Type of Opinion</u>
Governmental Activities	Unmodified
Business-type Activities	Qualified
General Fund	Unmodified
North Central Regional Airport Authority	Unmodified
CMA Capital Improvement Fund	Unmodified
Water Capital Improvement Fund	Unmodified
Chandler Municipal Authority (CMA)	Unmodified
Chandler Community Development Trust Authority	Adverse
Aggregate Remaining Fund Information	Unmodified

Adverse Opinion on Chandler Community Development Trust Authority

In my opinion, because of the significance of the matter discussed in the Basis for Adverse, Qualified, and Unmodified Opinions section of my report, the financial statements referred to above do not present fairly the financial position of the Chandler Community Development Trust Authority (the Authority) as of June 30, 2023, or the changes in financial position for the year then ended in accordance with the modified cash basis of accounting described in Note 1.B.

Qualified Opinion on Business-type Activities

In my opinion, except for the matter described in the Basis for Adverse, Qualified, and Unmodified Opinions section of my report, the financial statements referred to above present fairly, in all material respects, the financial position of the business-type activities of the City as of June 30, 2023, and the changes in financial position and, where applicable, cash flows thereof for the year then ended in accordance with the modified cash basis of accounting described in Note 1.B.

Unmodified Opinions on Governmental Activities, Each Major Fund and Aggregate Remaining Fund Information

In my opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, each major fund, and the aggregate remaining fund information of the City as of June 30, 2023, and the respective changes in financial position and, where applicable, cash flows thereof for the year then ended in accordance with the modified cash basis of accounting described in Note 1.B.

Basis for Adverse, Qualified, and Unmodified Opinions

I conducted my audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. My responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Financial Statements section of my report. I am required to be independent of the City, and to meet my other ethical responsibilities, in accordance with the relevant ethical requirements relating to my audit. I believe that the audit evidence I have obtained is sufficient and appropriate to provide a basis for my adverse, qualified, and unmodified audit opinions.

Matters Giving Rise to Adverse Opinion on Chandler Community Development Trust Authority and Qualified Opinion on the Business-type Activities

The financial statements do not include financial data for the City's legally separate component unit, Chandler Community Development Trust Authority. The modified basis of accounting requires the financial data for that component unit to be reported with the financial data of the City's primary government unless the City also issues financial statements for the financial reporting entity that include the financial data for its component unit. The City has not issued such reporting entity financial statements for Chandler Community Development Trust Authority. The effects of not including the City's legally separate component unit on the aggregate discretely presented component units and the aggregate remaining fund information have not been determined.

Emphasis of Matter—Basis of Accounting

I draw your attention to Note 1.B. of the financial statements, which describes the basis of accounting. The financial statements are prepared on the modified cash basis of accounting, which is a basis of accounting other than accounting principles generally accepted in the United States of America. My opinions are not modified with respect to this matter.

Responsibilities of Management for the Financial Statements

Management is responsible for the preparation and fair presentation of the financial statements in accordance with modified cash basis of accounting described in Note 1.B., and for 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.

In preparing the financial statements, management is required to evaluate whether there are conditions or events, considered in the aggregate, that raise substantial doubt about the City's ability to continue as a going concern for twelve months beyond the financial statement date, including any currently known information that may raise substantial doubt shortly thereafter.

Auditor's Responsibilities for the Audit of the Financial Statements

My objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes my opinions. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with generally accepted auditing standards and the standards applicable to financial audits contained in *Government Auditing Standards*, will always detect a material misstatement when it exists. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Misstatements are considered material if there is a substantial likelihood that, individually or in the aggregate, they would influence the judgment made by a reasonable user based on the financial statements.

In performing an audit in accordance with generally accepted auditing standards, the standards applicable to financial audits contained in *Government Auditing Standards, I:*

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements.

- Obtain an understanding of internal control relevant to the audit 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 City’s internal control. Accordingly, no such opinion is expressed.
- Evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the financial statements.
- Conclude whether, in my judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about the City’s ability to continue as a going concern for a reasonable period of time.

I am required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit, significant audit findings, and certain internal control-related matters that I identified during the audit.

Supplementary Information

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the City’s basic financial statements. The accompanying combining and individual nonmajor fund financial statements are presented for purposes of additional analysis and are not a required part of the basic financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the basic financial statements. The 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 and *Government Auditing Standards*. In our opinion, the combining and individual nonmajor fund financial statements are fairly stated, in all material respects, in relation to the basic financial statements as a whole.

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, I have also issued my report dated January 12, 2024, on my consideration of the City’s internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is solely to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the City’s 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 City’s internal control over financial reporting and compliance.

Regards,



Michael Green, CPA
Stilwell, Oklahoma
January 12, 2024

CITY OF CHANDLER
STATEMENT OF NET POSITION - MODIFIED CASH BASIS
JUNE 30, 2023

	Government Activities	Business-Type Activities	Totals
Assets			
Current assets			
Cash and cash equivalents	\$ 1,287,537	\$ 1,072,070	\$ 2,359,607
Investments	92,185	77,732	169,917
Restricted cash and cash equivalents	7,241,585	13,373,531	20,615,116
Total current assets	<u>8,621,307</u>	<u>14,523,333</u>	<u>23,144,640</u>
Noncurrent assets			
Capital assets:			
Equipment and vehicles	4,502,235	1,107,648	5,609,883
Land and improvements	3,678,813	69,702	3,748,515
Construction in progress	-	171,016	171,016
Buildings	2,849,898	5,119,960	7,969,858
Infrastructure	10,460,598	11,046,305	21,506,903
Less accumulated depreciation	<u>(6,884,300)</u>	<u>(6,643,413)</u>	<u>(13,527,713)</u>
Total noncurrent assets	<u>14,607,244</u>	<u>10,871,218</u>	<u>25,478,462</u>
Total assets	<u>23,228,551</u>	<u>25,394,551</u>	<u>48,623,102</u>
Liabilities			
Current liabilities			
Notes payable - current portion	-	622,000	622,000
Total current liabilities	<u>-</u>	<u>622,000</u>	<u>622,000</u>
Noncurrent liabilities			
Refundable deposits	-	67,750	67,750
Notes payable, net	-	15,110,863	15,110,863
Less: current portion	-	<u>(622,000)</u>	<u>(622,000)</u>
Total noncurrent liabilities	<u>-</u>	<u>14,556,613</u>	<u>14,556,613</u>
Total liabilities	<u>-</u>	<u>15,178,613</u>	<u>15,178,613</u>
Net position (Note 1.D.)			
Invested in capital assets	14,607,244	(4,239,645)	10,367,599
Restricted	7,333,770	689,750	8,023,520
Unrestricted	<u>1,287,537</u>	<u>13,765,833</u>	<u>15,053,370</u>
Total net position	<u>\$ 23,228,551</u>	<u>\$ 10,215,938</u>	<u>\$ 33,444,489</u>

The accompanying notes and auditor's reports are an integral part of these financial statements.

CITY OF CHANDLER
STATEMENT OF ACTIVITIES - MODIFIED CASH BASIS
YEARENDED JUNE 30, 2023

	Program Revenues				Net (Expenses) Revenue and Changes in Net Assets			
	Expenses	Charges for Services	Operating Grants and Contracts		Primary Government			
			Operating Grants and Contracts	Capital Grants and Contracts	Governmental Activities	Business-type Activities	Totals	
Governmental activities								
General Government	\$ 605,218	\$ -	\$ -	\$ 173,629	\$ (431,589)	\$ -	\$ (431,589)	
Public Safety	1,813,752	368,756	-	-	(1,444,996)	-	(1,444,996)	
Streets	479,831	-	-	-	(479,831)	-	(479,831)	
Airport	568,530	33,328	-	95,662	(439,540)	-	(439,540)	
Culture and recreation	647,099	73,283	-	-	(573,816)	-	(573,816)	
Cemetery	34,938	23,756	-	-	(11,182)	-	(11,182)	
Community development	108,947	-	-	-	(108,947)	-	(108,947)	
Total government activities	4,258,315	499,123	-	269,291	(3,489,901)	-	(3,489,901)	
Business-type activities								
Water	753,999	1,279,944	-	-	-	525,945	525,945	
Wastewater	389,412	319,856	-	-	-	(69,556)	(69,556)	
Distribution	332,608	-	-	-	-	(332,608)	(332,608)	
Sanitation	398,358	558,141	-	-	-	159,783	159,783	
Administrative and general	772,524	-	-	-	-	(772,524)	(772,524)	
Total business-type activities	2,646,901	2,157,941	-	-	(3,489,901)	(488,960)	(488,960)	
Totals	\$ 6,905,216	\$ 2,657,064	\$ -	\$ 269,291	(3,489,901)	(488,960)	(3,978,861)	
General revenues								
Sales tax					3,994,105	-	3,994,105	
Use tax					356,009	-	356,009	
Other taxes					99,048	-	99,048	
Permits licenses and fees					163,689	-	163,689	
Intergovernmental revenue restricted for streets & alleys					25,912	-	25,912	
Franchise fees					183,252	-	183,252	
Miscellaneous					36,253	337,468	373,721	
Interest expense					-	(28,165)	(28,165)	
Investment earnings					61,397	229,707	291,104	
Gain on sale of capital assets					-	2,294	2,294	
Transfers: In					420,000	418,960	838,960	
Transfers: Out					(418,960)	(420,000)	(838,960)	
Total general revenues and transfers					4,920,705	540,264	5,460,969	
Change in net position					1,430,804	51,304	1,482,108	
Net position, June 30, 2020					21,797,747	10,164,634	31,962,381	
Net position, end of year					\$ 23,228,551	\$ 10,215,938	\$ 33,444,489	

The accompanying notes and auditor's reports are an integral part of these financial statements.

**CITY OF CHANDLER
BALANCE SHEET - MODIFIED CASH BASIS
GOVERNMENTAL FUNDS
JUNE 30, 2023**

	General Fund	Airport Fund	CMA Cap Fund	Water Cap Fund	Other Governmental Funds	Total Governmental Funds
Assets						
Cash and cash equivalents	\$ 1,287,537	\$ -	\$ -	\$ -	\$ -	\$ 1,287,537
Investments	37,419	-	-	-	54,766	92,185
Restricted cash and investments	-	297,562	3,446,543	2,836,093	661,387	7,241,585
Total assets	<u>\$ 1,324,956</u>	<u>\$ 297,562</u>	<u>\$ 3,446,543</u>	<u>\$ 2,836,093</u>	<u>\$ 716,153</u>	<u>\$ 8,621,307</u>
Liabilities						
Accounts payable	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Total liabilities	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Fund Balance (Note 1.D.)						
Restricted	37,419	-	3,446,543	2,836,093	716,153	7,036,208
Committed	-	-	-	-	-	-
Assigned	-	297,562	-	-	-	297,562
Unassigned	1,287,537	-	-	-	-	1,287,537
Total fund balances	<u>1,324,956</u>	<u>297,562</u>	<u>3,446,543</u>	<u>2,836,093</u>	<u>716,153</u>	<u>8,621,307</u>
Total liabilities and fund balances	<u>\$ 1,324,956</u>	<u>\$ 297,562</u>	<u>\$ 3,446,543</u>	<u>\$ 2,836,093</u>	<u>\$ 716,153</u>	<u>\$ 8,621,307</u>

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 \$ 21,491,544

The accumulated depreciation is \$ 6,884,300 at June 30.

Net effect for reconciliation

Net position of governmental activities

14,607,244
\$ 23,228,551

The accompanying notes and the auditor's report are an integral part of the financial statements.

CITY OF CHANDLER
STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES
IN FUND BALANCE - MODIFIED CASH BASIS
GOVERNMENTAL FUNDS
YEAR ENDED JUNE 30, 2023

	General Fund	Airport Fund	CMA Cap Fund	Water Cap Fund	Other Governmental Funds	Total Governmental Funds
Revenues:						
Sales tax	\$ 1,797,347	\$ 99,853	\$ 998,526	\$ 998,526	\$ 99,853	\$ 3,994,105
Use tax	-	-	-	-	356,009	356,009
Other taxes	88,952	-	-	-	27,546	116,498
Franchise fees	183,252	-	-	-	-	183,252
Hotel/motel tax	-	-	-	-	8,462	8,462
Grants	77,967	95,662	-	-	-	173,629
Golf	67,459	-	-	-	-	67,459
Licenses & Permits	136,607	-	-	-	-	136,607
Fines & fees	27,082	-	-	-	-	27,082
Charges for services	394,943	33,328	-	-	3,393	431,664
Miscellaneous	68,172	63,743	-	-	-	131,915
Investment income	61,392	-	-	-	5	61,397
Total revenues	<u>2,903,173</u>	<u>292,586</u>	<u>998,526</u>	<u>998,526</u>	<u>495,268</u>	<u>5,688,079</u>
Expenditures:						
General government:						
General government	510,943	-	15,049	41,828	-	567,820
Cemetery	34,938	-	-	-	-	34,938
Public safety:						
Police	774,084	-	-	-	-	774,084
Fire	648,892	-	-	-	-	648,892
Ambulance	181,379	-	-	-	-	181,379
Emergency Management	-	-	-	-	-	-
Code Enforcement	36,303	-	-	-	-	36,303
Court	58,117	-	-	-	-	58,117
Streets	379,667	-	-	-	-	379,667
Culture and recreation:						
Parks and recreation	99,386	-	-	-	-	99,386
Lake	202,418	-	-	-	-	202,418
Golf	156,626	-	-	-	-	156,626
Library	153,455	-	-	-	-	153,455
Airport	-	84,057	-	-	-	84,057
Capital outlay	-	102,420	154,347	306,070	733,626	1,296,463
Total expenditures	<u>3,236,208</u>	<u>186,477</u>	<u>169,396</u>	<u>347,898</u>	<u>733,626</u>	<u>4,673,605</u>
Excess of revenues collected over (under) expenditures	<u>(333,035)</u>	<u>106,109</u>	<u>829,130</u>	<u>650,628</u>	<u>(238,358)</u>	<u>1,014,474</u>
Other financing sources (uses)						
Gain on disposal of assets	2,294	-	-	-	-	2,294
Operating transfers in	420,000	-	-	-	-	420,000
Operating transfer out	-	-	(134,227)	(284,733)	-	(418,960)
Total other financing sources (uses)	<u>422,294</u>	<u>-</u>	<u>(134,227)</u>	<u>(284,733)</u>	<u>-</u>	<u>3,334</u>
Excess (deficiency) of revenues and other resources over expenditures and other uses	89,259	106,109	694,903	365,895	(238,358)	1,017,808
Fund balances, beginning of year	<u>1,235,697</u>	<u>191,453</u>	<u>2,751,640</u>	<u>2,470,198</u>	<u>954,511</u>	<u>7,603,499</u>
Fund balances, end of year	<u>\$ 1,324,956</u>	<u>\$ 297,562</u>	<u>\$ 3,446,543</u>	<u>\$ 2,836,093</u>	<u>\$ 716,153</u>	<u>8,621,307</u>

(Continued)

The accompanying notes and auditor's report are an integral part of the financial statements.

CITY OF CHANDLER
STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES
IN FUND BALANCE - MODIFIED CASH BASIS - CONTINUED
GOVERNMENTAL FUNDS
YEAR ENDED JUNE 30, 2023

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 \$ 1,017,808

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 outlay additions to fixed assets	1,007,821
Depreciation	(594,825)
	412,996

Change in net position of governmental activities	\$ 1,430,804
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The accompanying notes and auditor's report are an integral part of the financial statements.

CITY OF CHANDLER
STATEMENT OF NET POSITION - MODIFIED CASH BASIS
PROPRIETARY FUND
JUNE 30, 2023

	<u>Municipal Authority Enterprise Fund</u>
Assets	
Current assets	
Cash and cash equivalents	\$ 1,072,070
Certificate of Deposit	77,732
Restricted cash and cash equivalents	13,373,531
Total current assets	<u>14,523,333</u>
Noncurrent assets	
Capital assets:	
Land and improvements	69,702
Construction in progress	171,016
Equipment and vehicles	1,107,648
Buildings	5,119,960
Infrastructure	11,046,305
Less accumulated depreciation	(6,643,413)
Total capital assets	<u>10,871,218</u>
Total assets	<u>25,394,551</u>
Liabilities	
Current liabilities	
Notes payable - current portion	622,000
Total current liabilities	<u>622,000</u>
Noncurrent liabilities	
Deposits subject to refund	67,750
Notes payable, net of premium	15,110,863
Less: current portion	(622,000)
Total noncurrent liabilities	<u>14,556,613</u>
Total liabilities	<u>15,178,613</u>
Net position	
Invested in capital assets	(4,239,645)
Restricted for debt service	689,750
Unrestricted	13,765,833
Total net position	<u>\$ 10,215,938</u>

The accompanying notes and auditor's report are an integral part of the financial statements.

CITY OF CHANDLER
STATEMENT OF REVENUES, EXPENSES, AND CHANGES
IN NET POSITION - MODIFIED CASH BASIS
PROPRIETARY FUND
YEAR ENDED JUNE 30, 2023

	<u>Municipal Authority Enterprise Fund</u>
Operating revenue	
Charges for services:	
Water	\$ 1,279,944
Wastewater	319,856
Sanitation	558,141
Miscellaneous	337,468
Total operating revenue	<u>2,495,409</u>
 Operating expenses:	
Water	514,864
Wastewater	273,415
Distribution	285,260
Sanitation	398,358
Administration and general	772,353
Depreciation expense	402,651
Total operating expenses	<u>2,646,901</u>
 Net operating income (loss)	 <u>(151,492)</u>
 Nonoperating revenue (expense)	
Gain on sale of assets	2,294
Investment income	229,707
Interest expense	(28,165)
Total nonoperating revenue (expense)	<u>203,836</u>
 Net income before transfers	 52,344
Operating transfers: In	418,960
Operating transfers: Out	<u>(420,000)</u>
Net Transfers	<u>(1,040)</u>
 Change in net position	 51,304
 Net position, beginning of year	 <u>10,164,634</u>
 Net position, end of year	 <u><u>\$ 10,215,938</u></u>

The accompanying notes and auditor's report are an integral part of the financial statements.

CITY OF CHANDLER
STATEMENT OF CASH FLOWS - MODIFIED CASH BASIS
PROPRIETARY FUND
YEAR ENDED JUNE 30, 2023

	<u>Municipal Authority</u> Enterprise Fund
Cash flows from operating activities	
Receipts from customers	\$ 2,495,309
Payments to suppliers	(1,694,666)
Payments to employees	(549,584)
Net cash provided (used) by operating activities	<u>251,059</u>
Cash flows from noncapital financing activities	
Transfers from other funds	418,960
Transfers to other funds	(420,000)
Other income - gain on sale	2,294
Net cash provided (used) by noncapital financing activities	<u>1,254</u>
Cash flows from capital and related financing activities	
Net purchase/disposal of capital assets	(318,577)
Proceeds from OWRB Notes	13,727,863
Principal paid on capital debt	(389,489)
Interest paid on capital debt	(28,165)
Net cash provided (used) by capital and related financing activities	<u>12,991,632</u>
Cash flows from investing activities	
Interest income	<u>229,707</u>
	<u>229,707</u>
Net increase (decrease) in cash and cash equivalents	13,473,652
Cash balance beginning of year	<u>971,949</u>
Cash balance end of year	<u><u>\$ 14,445,601</u></u>
Reconciliation of operating income (loss) to net cash provided (used) by operating activities	
Net operating income (loss)	\$ (151,492)
Adjustments to reconcile operating income to net cash provided (used) by operating activities:	
Cash flows reported in other categories:	
Depreciation and amortization expense	402,651
Change in assets and liabilities:	
Change in refundable deposits	(100)
Net cash provided by operating activities	<u><u>\$ 251,059</u></u>

The accompanying notes and auditor's report are an integral part of the financial statements.

CITY OF CHANDLER
Chandler, Oklahoma

NOTES TO THE MODIFIED CASH BASIS FINANCIAL STATEMENTS
For the year ended June 30, 2023

NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

As discussed in Note 1.B., these financial statements, for the City of Chandler, Oklahoma, (the City) are presented on a modified cash basis of accounting, which is a basis of accounting other than accounting principles generally accepted in the United States of America (GAAP) established by the Governmental Accounting Standards Board (GASB.) These modified cash basis financial statements generally meet the presentation and disclosure requirements applicable to GAAP, in substance, but are limited to the elements presented in the financial statements and the constraints of the measurement and recognition criteria of the modified cash basis of accounting.

1.A. FINANCIAL REPORTING ENTITY

The municipality is a corporate body for public purposes created under Title 11 of the Oklahoma Statutes and accordingly is a separate entity for operating and financial reporting purposes. The general operating authority for the municipality is the Oklahoma Municipal Code contained in Title 11, Oklahoma Statutes. The governing body of the municipality is the City Council composed of elected members. The mayor is the executive officer of the municipality.

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*, as amended by Statement No. 61.

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

The component units are public trusts established pursuant to Title 60 of Oklahoma state law. Public Trusts (Authorities) have no taxing power. The Authorities are generally created to finance City services through issuance of revenue bonds or other non-general obligation debt and to enable the City Council to delegate certain functions to the governing body (Trustees) of the Authority. The Authorities generally retain title to assets which are acquired or constructed with Authority debt or other Authority generated resources. The City, as beneficiary of the public trusts, receives title to any residual assets when the public trusts are dissolved.

The component units of the City of Chandler are as follows:

<u>Component Unit</u>	<u>Brief Description / Inclusion Criteria</u>	<u>Fund Included In</u>
Chandler 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.	CMA 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

The Chandler Community Development Trust Authority is excluded from the financial statements of the City of Chandler. The Chandler Community Development Trust Authority issues separate financial statements. Based upon the application of the criteria above, 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. The modified cash basis of accounting requires 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 assets, 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 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.

The Chandler Municipal Authority (CMA), 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 activities are reported on a modified cash basis of accounting. The modified cash basis of accounting is based on the recording of cash and cash equivalents and changes therein, and only recognizes revenues, expenses, assets and liabilities resulting from cash transactions adjusted for certain modifications that have substantial support in generally accepted accounting principles. The City has chosen to include adjustments for the following balances arising from cash transactions:

- capital assets and the depreciation of those assets, where applicable
- long-term debt
- cash-based interfund receivables and payables
- other cash-based receivables/payables
- investments
- utility deposit liabilities

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

As a result of the City's use of the modified cash basis of accounting, accrued liabilities related to compensated absences (vacation and sick leave) and compensatory time earned but unpaid at year-end, and any employer-related costs earned and unpaid, are not reflected in the financial statements as liabilities, but are normally reported as a commitment disclosure.

Program revenues within the statement of activities 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: License and permits, operating and capital grants and contributions
- Public safety: Fine revenue, operating and capital grants and contributions
- Streets: Gas excise and commercial vehicle taxes

Governmental Funds

The City's governmental funds are comprised of the following:

Major Fund

- General Fund - accounts for all activities not accounted for in other special-purpose funds
- Airport Fund – accounts for specific revenues, transfers, and expenditures for operations of the airport
- CMA Capital Improvement Fund – accounts for the one cent sales tax under Ordinance 1995-06, to be expended for capital improvements for water or sewer improvements, or any other project approved by the city council, or the payment of debt service
- Water Capital Improvement Fund – accounts for the one cent sales tax under Ordinance 1980-04, to be expended only on the water system

Non-Major Funds (Reported as Other Governmental Funds)

- City Capital Improvement Fund – accounts for the specific revenues and transfers from other City funds and expenditures for various capital projects
- Cemetery Fund – accounts for the 12.5 % of all cemetery revenues that are legally restricted for cemetery use
- Lodging Tax Fund – accounts for specific revenues (Hotel/Motel Tax) to be used for economic development for the City.

The governmental funds are reported on a modified cash basis of accounting. Only current financial assets and liabilities arising from cash transactions are generally included on the fund balance sheets. The operating statements present sources and uses of available spendable financial resources during a given period. These fund financial statements use fund balance as their measure of available spendable financial resources at the end of the period.

PROPRIETARY FUNDS

Enterprise Fund

The City’s proprietary fund is comprised of the following:

- Chandler Municipal Authority – an enterprise fund that accounts for the operation of the water, sewer and sanitation activities

For purposes of the statement of revenues, expenses and changes in fund net position, operating revenues and expenses are considered those whose cash flows are related to operating activities, while revenues and expenses related to financing, capital and investing activities are reported as non-operating or transfers and contributions.

1.C. BUDGETS AND BUDGETARY ACCOUNTING

The City adopted a budget, under the New Budget Act, for the year ended June 30, 2023.

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 and a money market sweep account. Investments are carried at cost, which approximates fair value.

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 and payables between funds within governmental activities are eliminated in the Statement of Net Position. See Note 3.F. 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:

<u>Type of Asset</u>	<u>Years</u>
Office Equipment	5-10
Furniture	7-10
Equipment	5-15
Vehicles	5-10
Buildings	20-40
Infrastructure	25-50

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 Funds, and the grant and other restricted bank accounts of the General Fund.

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.

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 of 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.

As a result of the City's use of the modified cash basis of accounting, accrued liabilities related to compensated absences (vacation and comp leave) earned but unpaid at year-end are not reflected in the basic financial statements. The compensated absence commitment at June 30, 2023, is summarized as follows:

- City – accrued compensated absences \$ 42,338
- Chandler Municipal Authority – accrued compensated absences \$ 15,699

FUND BALANCES AND NET POSITION

Fund Balances

Governmental fund equity is classified as fund balance. Fund balance is further classified as non-spendable, restricted, committed, assigned, and unassigned. These classifications are defined as:

- *Non-spendable* – includes amounts that cannot be spent because they are either (a) not in spendable form or (b) legally or contractually required to be maintained intact.
- *Restricted* – consists of fund balance with constraints placed on the use of resources either by (a) external groups such as creditors, grantors, contributors, or laws or regulations of other governments or (b) laws through constitutional provisions or enabling legislation.
- *Committed* - includes amounts that can be used only for specific purposes pursuant to constraints imposed by formal action of the City's highest level of decision-making authority. The City's highest level of decision-making authority is made by ordinance.

- *Assigned* – includes amounts that are constrained by the City’s intent to be used for specific purposes but are neither restricted nor committed. Assignments of fund balance may be made by City Council action or management decision when the City Council has delegated that authority. Assignments for transfers and interest income for governmental funds are made through budgetary process.
- *Unassigned* – represents fund balance that has not been assigned to other funds and has not been restricted, committed, or assigned to specific purposes within the General Fund.

It is the City’s policy to first use restricted fund balance prior to the use of the unrestricted fund balance when an expense is incurred for purposes for which both restricted and unrestricted fund balances are available. The City’s policy for the use of unrestricted fund balance amounts require that committed amounts would be reduced first, followed by assigned amounts and then unassigned amounts when expenditures are incurred for purposes for which amounts in any of those unrestricted fund balance classifications could be used.

Net Position

Net position is displayed in three components:

- *Net investment in Capital Assets* – Consists of capital assets and related accounts, net of accumulated depreciation and reduced by the outstanding balances of any bonds, mortgages, notes, or other borrowings that are attributable to the acquisition, construction or improvements of those assets.
- *Restricted net position* – Consists of net position with constraints placed on the use either by 1) external groups such as creditors, grantors, contributors, or laws and regulations of other governments, or 2) law through constitutional provisions or enabling legislation.
- *Unrestricted net position* – All remaining net position that does not meet the definition of “restricted”

It is the City’s policy to first use restricted net position prior to the use of unrestricted net position when an expense is incurred for purposes for which both restricted and unrestricted net position are available.

Fund balances at June 30, 2023, for the governmental funds are as follows:

Fund Balances:	General Fund	Airport Fund	Capital Projects Funds			Total
			CMA Cap Fund	Water Cap Fund	Other Gov Funds	
Invested in Capital Assets, Net	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Restricted for:						
Capital Projects	37,419	-	3,446,543	2,836,093	625,969	6,946,024
Economic Development	-	-	-	-	-	-
Perpetual Cemetery Care	-	-	-	-	90,184	90,184
Total Restricted	37,419	-	3,446,543	2,836,093	716,153	7,036,208
Committed to:						
Capital Improvement Projects	-	-	-	-	-	-
Assigned to:						
Airport Operations	-	297,562	-	-	-	297,562
Total Assigned	-	297,562	-	-	-	297,562
Unassigned	1,287,537	-	-	-	-	1,287,537
Total Fund Balances	<u>\$ 1,324,956</u>	<u>\$ 297,562</u>	<u>\$ 3,446,543</u>	<u>\$ 2,836,093</u>	<u>\$ 716,153</u>	<u>\$ 8,621,307</u>

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 Municipal Authority, one cent is allocated to the CMA Capital Improvement Fund, and one cent is allocated to the CMA Water Capital Improvement Fund.

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.

PROGRAM REVENUES

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

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

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

OPERATING REVENUE AND EXPENSES

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

1.F. INTERNAL AND INTERFUND BALANCES AND ACTIVITIES

The City's policy is to eliminate interfund transfers and balances in the statement of activities and net position to avoid the grossing up of balances. Only the residual balances transferred between governmental and business-type activities are reported as internal transfers and internal balances then offset in the total column in the government-wide statements. Internal transfers and balances between funds are not eliminated in the fund financial statements.

1.G. USE OF ESTIMATES

The preparation of financial statements in conformity with the modified cash basis 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 at June 30, 2023.

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 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 use sweep accounts that sweeps all funds except \$200,000 out of the bank overnight. The \$200,000 bank balance is covered by FDIC insurance.

Investment Credit Risk - The City 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, 2022, 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.

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.

Deposits and Investments at June 30, 2023:		Maturity			
<i>Governmental Activities:</i>		(Months)	Credit Rating	Market Value	Cost
Cash		N/A	N/A	\$ 1,287,537	\$ 1,287,537
Investments:					
Money Market Funds		N/A	AAAm	7,241,585	7,241,585
Certificates of Deposit		12	N/A	92,185	92,185
Total Deposits and Investments:				<u>\$ 8,621,307</u>	<u>\$ 8,621,307</u>

<i>Business-Type Activities:</i>		Maturity			
		(Months)	Credit Rating	Market Value	Cost
Cash		N/A	N/A	\$ 1,072,070	\$ 1,072,070
Investments:					
Money Market Funds		N/A	AAAm	13,373,531	13,373,531
Certificates of Deposit		12	N/A	77,732	77,732
Total Deposits and Investments:				<u>\$ 14,523,333</u>	<u>\$ 14,523,333</u>

3.B. RESTRICTED ASSETS

The amounts reported as restricted assets are composed of amounts held by the Municipal Authority for utility deposits (refunded upon termination of service or applied to final bill) of \$77,732; amounts held in trustee accounts on behalf of the promissory notes in the amount of \$13,373,531; amounts held in various checking accounts for various capital projects of \$6,282,636; amount held for economic development of \$958,949 and amounts held for perpetual cemetery care of \$ 54,766.

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
Hotel/Motel Tax	Economic development

3.D. CAPITAL ASSETS

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

Primary Government:	
General Government	\$ 81,631
Public Safety	151,280
Airport	226,536
Streets	100,164
Culture and Recreation	35,214
Total depreciation expense for governmental activities	<u>\$ 594,825</u>
Business-Type Activities:	
Water	\$ 239,135
Distribution	47,348
Wastewater	115,997
Admin and General	171
Total depreciation expense for business-type activities	<u>\$ 402,651</u>

Capital asset activity for the fiscal year ended June 30, 2023, was as follows:

	Beginning Balance 6/30/22	Additions	Deletions/ Adjustments	Ending Balance 6/30/2023
<i>Governmental activities</i>				
Capital assets not being depreciated:				
Land	\$ 3,208,586	\$ 470,227	\$ -	\$ 3,678,813
Construction in progress	-	-	-	-
Total capital assets not being depreciated	<u>3,208,586</u>	<u>470,227</u>	<u>-</u>	<u>3,678,813</u>
Other capital assets:				
Office furniture & equipment	138,942	-	-	138,942
Equipment	2,378,844	121,776	-	2,500,620
Vehicles	1,808,231	99,380	(44,938)	1,862,673
Buildings	2,673,318	176,580	-	2,849,898
Infrastructure	10,290,035	170,563	-	10,460,598
Total other capital assets	<u>17,289,370</u>	<u>568,299</u>	<u>(44,938)</u>	<u>17,812,731</u>
Less accumulated depreciation for:				
Office furniture & equipment	134,533	4,640	-	139,173
Equipment	1,602,503	83,504	-	1,686,007
Vehicles	1,656,495	62,201	(44,233)	1,674,463
Buildings	1,254,405	95,167	-	1,349,572
Infrastructure	1,685,772	349,313	-	2,035,085
Total accumulated depreciation	<u>6,333,708</u>	<u>594,825</u>	<u>(44,233)</u>	<u>6,884,300</u>
Other capital assets, net	<u>10,955,662</u>	<u>(26,526)</u>	<u>(705)</u>	<u>10,928,431</u>
Governmental activities capital assets, net	<u>\$ 14,164,248</u>	<u>\$ 443,701</u>	<u>\$ (705)</u>	<u>\$ 14,607,244</u>
<i>Business-type activities</i>				
Capital assets not being depreciated:				
Land	\$ 21,351	\$ 48,351	\$ -	\$ 69,702
Construction in progress	-	171,016	-	171,016
Total capital assets not being depreciated	<u>21,351</u>	<u>219,367</u>	<u>-</u>	<u>240,718</u>
Other capital assets:				
Office furniture & equipment	30,318	-	-	30,318
Equipment	810,012	59,170	-	869,182
Vehicles	173,208	34,940	-	208,148
Buildings	5,114,860	5,100	-	5,119,960
Infrastructure	11,046,305	-	-	11,046,305
Total other capital assets	<u>17,174,703</u>	<u>99,210</u>	<u>-</u>	<u>17,273,913</u>
Less accumulated depreciation for:				
Office furniture & equipment	46,445	4,577	-	51,022
Equipment	702,016	74,582	-	776,598
Vehicles	173,839	60,011	-	233,850
Buildings	778,795	93,875	-	872,670
Infrastructure	4,539,667	169,606	-	4,709,273
Total accumulated depreciation	<u>6,240,762</u>	<u>402,651</u>	<u>-</u>	<u>6,643,413</u>
Other capital assets, net	<u>10,933,941</u>	<u>(303,441)</u>	<u>-</u>	<u>10,630,500</u>
Business-type activities capital assets, net	<u>\$ 10,955,292</u>	<u>\$ (84,074)</u>	<u>\$ -</u>	<u>\$ 10,871,218</u>

3.E. 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.

BUSINESS-TYPE ACTIVITIES

Notes Payable:

As of June 30, 2023, the long-term debt from proprietary fund resources consisted of the following:

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. \$ 310,000

In December 2017, the Authority and BancFirst, Oklahoma City, Oklahoma, (the “Trustee”) approved a note indenture providing for the issuance of its Sales Tax Revenue Note – Series 2017, in the principal amount of \$ 1,550,000. F & M Bank purchased the note. The note is for a period of 12 years, with interest at 3.11 %. 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. \$ 1,073,000

In May 2023, the Authority and BancFirst, Oklahoma City, Oklahoma (the "Trustee") approved a trust indenture which levied and assessed a one percent excise tax to provide revenues for the support of the functions of the municipal government to finance various street improvements within the city limits. Sales Tax Revenue Note, Series 2023 dated May 17, 2023, in the aggregate principal amount of \$1,500,000 with a base rate of 3.94% per annum. The note shall mature on May 1, 2028 and be payable semi-annually on each May 1 and November 1, beginning November 1, 2023 and continuing until the principal amount of the note is paid. \$ 1,500,000

In June 2023, the Authority and Oklahoma Water Resources Board, agency and department of the State of Oklahoma, (the “Board”) has issued its obligations designated State Loan Program Revenue Bonds, Series 2023A dated June 7, 2023, in the principal amount of \$12,055,000 for a purchase price of \$12,152,073 with a base rate of 5.5% per annum. The note shall mature on March 15, 2054 and be payable semi-annually on each September 15 and March 15, beginning September 15, 2023 and continuing until the principal amount of the note is paid. \$ 12,055,000
Add: Unamortized Premium 454,476
Less: Original Issue Discount (281,613)
\$ 12,227,863

Total Notes Payable \$ 15,110,863

Notes Payable:

Current portion \$ 622,000
Non-current portion 14,488,863
Total Notes Payable 15,110,863

During 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 principal 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.)

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. The Note dated 2014 with the original principal amount of \$530,000 was paid in full during fiscal 2022. The other note dated 2015 with the original principal amount of \$1,300,000 is still outstanding.

The Sales Tax Revenue Note – Series 2017 will be repaid from one half of the one percent sales tax levied pursuant to Ordinance No. 76-3. As consideration for the execution of the note indenture and the issuance of the note by the Authority and in order to secure all the payments required by the note, the Authority has pledged the sales tax revenue to the Trustee as set out in the note indenture and has created a security interest in that sales tax revenue in favor of the Trustee for the benefit of the holders of the notes. The Authority and the City of Chandler, Oklahoma, have entered into a Sales Tax Agreement, dated December 1, 2017, 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.

On May 1, 2023, the Chandler Municipal Authority issued Sales Tax Revenue Note, Series 2023 (the Notes) dated May 17, 2023 in the aggregate principal amount of \$1,500,000 with BancFirst as Trustee bank. The City adopted Ordinance No. 745 (collectively, the “Sales Tax Ordinance”) which levied and assessed a one percent (1.0%) sales tax to provide revenues for the support of the functions of the City government. On May 1, 2023 the City entered into an agreement with CMA to pay the 1% Sales Tax Revenues over to the CMA to use for pay costs and debt services on the note. The base annual interest on the Note is 3.94% and the Note will mature on May 1, 2028, with semi-annual payments each May 1 and November 1, beginning November 1, 2023.

On June 7, 2023, the Chandler Municipal Authority obtained a loan from Oklahoma Water Resources Board (OWRB) through the \$12,055,000 State Loan Program Revenue Bonds, Series 2023A to fund a water treatment plant project. Pursuant to Ordinance No. 95-06 of the City, pursuant to a Sales Tax Agreement Dated as of December 1, 2014, he City has pledged a sales tax of 1% to provide support for debt service on the loan. The Note is collateralized by a mortgage on the CMA’s Water Treatment Facility with annual interest coupon rates from 4.00% to 5.00% and an administrative fee of 0.20%. The total of \$12,055,000 was made up of serial bonds and term bonds with the serial bonds issued at a premium of \$454,476 and the term bonds issued at an original issue discount of (\$281,613).

Refundable Deposits:

- For 2023, refundable deposits reported as a liability within the Statement of Net Assets are composed of the following:

Utility Deposits – Refundable	<u>\$ 67,850</u>
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CHANGES IN LONG-TERM DEBT

The following is a summary of changes in long-term debt for the year ended June 30, 2023:

Type of Debt	Balance 7/1/2022	Additions	Reductions	Balance 6/30/2023	Amount Due Within One Year
Business-Type Activities:					
Oklahoma Water Resources Board	\$ 92,481	\$ -	\$ 92,481	\$ -	\$ -
Utility Sys & Sales Tax Rev Note	470,000	-	160,000	310,000	205,000
Airport Note Payable	32,000	-	32,000	-	-
Utility Sys & Sales Tax Rev Note	1,210,000	-	137,000	1,073,000	140,000
Street Improvements Sales Tax Note	-	1,500,000	-	1,500,000	277,000
Waste Water Expansion Rev 2023A, net	-	12,227,863	-	12,227,863	-
Total Business-Type Activities	<u>\$ 1,804,481</u>	<u>\$ 13,727,863</u>	<u>\$ 421,481</u>	<u>\$ 15,110,863</u>	<u>\$ 622,000</u>

DEBT SERVICE REQUIREMENTS TO MATURITY

The estimated annual debt service requirements to maturity, including principal and interest, for long-term debt, as of June 30, 2023, are as follows:

For the Year Ended 06/30	Water System Improvements Loan		Travel Plaza Extension Loan	
	Prin	Int	Prin	Int
	2024	205,000	6,370	140,000
2025	105,000	1,286	144,000	27,912
2026	-	-	148,000	23,403
2027	-	-	154,000	18,753
2028	-	-	158,000	13,933
2029-2030	-	-	329,000	12,891
	<u>\$ 310,000</u>	<u>\$ 7,656</u>	<u>\$ 1,073,000</u>	<u>\$ 129,189</u>

For the Year Ended 06/30	Street Project Improvement Loan		Waste Water Improvements Loan	
	Prin	Int	Prin	Int
	2024	277,000	53,774	-
2025	288,000	45,369	50,000	559,384
2026	299,000	33,923	50,000	556,784
2027	311,000	22,025	55,000	554,184
2028	325,000	9,633	55,000	551,324
2029-2033	-	-	1,040,000	2,673,678
2034-2038	-	-	1,875,000	2,287,318
2039-2043	-	-	2,365,000	1,792,301
2044-2048	-	-	2,925,000	1,234,263
Thereafter	-	-	3,640,000	514,459
	<u>\$ 1,500,000</u>	<u>\$ 164,724</u>	<u>12,055,000</u>	<u>\$ 11,460,214</u>
			454,476	Add: Unamortized Premium
			(281,613)	Less: Original Issue Discount
			<u>\$ 12,227,863</u>	

3.F. INTERFUND TRANSFERS AND BALANCES

INTERFUND TRANSFERS

Transfers between funds of the primary government for the year ended June 30, 2022, were as follows:

MAJOR FUNDS	<u>Transfers In</u>	<u>Transfers Out</u>
GENERAL FUND		
Municipal Authority	\$ 420,000	\$ -
Total General Fund	420,000	-
ENTERPRISE FUND		
Municipal Authority		
General Fund	-	420,000
Airport Fund	-	-
CMA Capital Improvement Fund	134,227	-
Water Capital Improvement Fund	284,733	-
Total Enterprise Fund	418,960	420,000
CMA CAPITAL IMPROVEMENT FUND		
CMA	-	134,227
Airport	-	284,733
Total CMA Capital Improvement Fund	-	418,960
GRAND TOTALS	<u>\$ 838,960</u>	<u>\$ 838,960</u>

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

NOTE 4: OTHER NOTES

4.A. PENSION PLANS

The City of Chandler participates in four pension or retirement plans:

- 1) Oklahoma Municipal Retirement Fund (OMRF)
- 2) Oklahoma Municipal Retirement Fund Customized Manager Option Plan Retirement Plan and Trust (the CMO Plan)
- 3) Oklahoma Firefighter’s Pension and Retirement System (OFPRS) – a statewide cost-sharing plan
- 4) Oklahoma Police Pension and Retirement System (OPPRS) – a statewide cost-sharing plan

OKLAHOMA MUNICIPAL RETIREMENT FUND

OMRF

Plan Summary Information. The City of Chandler, as the employer, participates in a statewide cost-sharing multiple employer defined benefit pension plan through the Oklahoma Municipal Retirement Fund (OMRF). The OMRF defined benefit pension plan provides retirement and disability benefits, annual cost-of-living adjustments, and death benefits to plan members (except those covered by the Police and Firefighters Pension Systems) and beneficiaries. The City has no responsibility or authority for the operation or administration of the pension program nor has it any related liability, except for the current contribution requirements.

The OMRF issues a publicly available financial report that includes financial statements and required supplementary information. That report may be obtained from their website at www.okmrf.org, or from OkMRF by writing to:

OMRF
 525 Central Park Drive, Suite 320
 Oklahoma City, OK 73105

Funding Policy. The City participates under Plan BB, under which employees are required to contribute 4.5 % of their annual pay, and the City contributes 8.7 % of the employees’ annual pay.

The OMRF contributions are as follows:

Schedule of Retirement Plan Contributions OMRF Cost-Sharing Plan

<u>Fiscal Year</u>	<u>Required Contributions</u>	<u>Amount Contributed</u>
2019	\$91,910	\$91,910
2020	85,953	85,953
2021	57,176	57,176
2022	89,896	89,896
2023	90,643	90,643

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 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 2 % during the year ended June 30, 2023. 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, 2023, for employee and employer were \$ 3,453 and \$ 2,302, respectively, on a covered payroll of \$ 115,086.

FIREFIGHTER’S PENSION AND RETIREMENT SYSTEM

OFPRS:

Plan Summary Information. The City of Chandler, as the employer, participates in a statewide cost-sharing multiple employer defined benefit pension plan through the Oklahoma Firefighter’s Pension and Retirement System (OFPRS). This plan covers all full-time and volunteer firemen. The OFPRS defined benefit pension plan provides retirement and disability benefits, annual cost-of-living adjustments, and death benefits to plan members and beneficiaries. Pursuant to the requirements of Title 11, Section 22-102, the City must participate in the plan if they employ full-time or volunteer firefighters. The City has no responsibility or authority for the operation or administration of the pension program nor has it any related liability, except for the current contribution requirement.

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

Funding Policy. For volunteer firefighters the City is required by state law to contribute \$ 60 per year for each volunteer firefighter, while there is no required contribution by the volunteer.

Schedule of Retirement Plan Contributions for Volunteer Firefighters

<u>Fiscal Year</u>	<u>Required Contributions</u>	<u>Amount Contributed</u>
2019	\$960	\$960
2020	1,260	1,260
2021	1,020	1,020
2022	1,200	1,200
2023	1,020	1,020

The City participates in the OFPRS for all paid firefighters. OFPRS plan members are required to contribute 9 % to the plan. The City is required by state law to contribute 14 % per year of covered payroll per paid firefighter. The Plan is funded by contributions from participants, employers, insurance premium taxes, and state appropriations, as necessary.

Schedule of Retirement Plan Contributions OFPRS Cost-Sharing Plan

<u>Fiscal Year</u>	<u>Required Contributions</u>	<u>Amount Contributed</u>
2019	\$60,937	\$60,937
2020	52,596	52,596
2021	52,617	52,617
2022	50,367	50,367
2023	51,326	51,326

POLICE PENSION AND RETIREMENT SYSTEM

OPPRS:

Plan Summary Information. The City of Chandler, as the employer, participates in a statewide cost-sharing multiple employer defined benefit pension plan through the Oklahoma Police Pension & Retirement System (OPPRS). The OPPRS defined benefit pension plan provides retirement and disability benefits, annual cost-of-living adjustments, and death benefits to plan members and beneficiaries. Pursuant to Title 11, section 50-102, the City must participate in the plan if they employ a certain number of fulltime police officers. The City has no responsibility or authority for the operation or administration of the pension program nor has it any related liability, except for the current contribution requirements.

The OPPRS issues a publicly available financial report that includes financial statements and required supplementary information. That report may be obtained by writing to:

OPPRS
 1001 N.W. 63 rd St., Suite 305
 Oklahoma City, OK 73116-7335

Funding Policy. The City is required by state law to contribute 13 % of covered payroll per year for each police officer. Employees contribute 8 % of covered payroll. The Plan is funded by contributions from participants,

employers, insurance premium taxes, and state appropriations, as necessary. The OPPRS contributions are as follows:

Schedule of Retirement Plan Contributions OPPRS Cost-Sharing Plan

<u>Fiscal Year</u>	<u>Required Contributions</u>	<u>Amount Contributed</u>
2019	\$38,144	\$38,144
2020	30,693	30,693
2021	33,517	33,517
2022	36,697	36,697
2023	36,697	36,697

4.A.1. TERMINATION BENEFITS

At June 30, 2023, 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; and natural disasters. The City manages these various risks of loss by securing commercial insurance for all risks. 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, CONTINGENCIES AND UNCERTAINTIES

Grant Program Involvement

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

Litigation

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

4.D. SUBSEQUENT EVENTS

Subsequent events have been evaluated through January 12, 2024, which is the date the financial statements were available to be issued.

SUPPLEMENTARY INFORMATION

CITY OF CHANDLER
COMBINING BALANCE SHEET - MODIFIED CASH BASIS
NONMAJOR GOVERNMENTAL FUNDS
JUNE 30, 2023

	CAPITAL PROJECTS FUNDS		SPECIAL REVENUE FUND	Total Nonmajor Governmental Funds
	Cemetery Fund	City Cap Fund	Lodging Tax Fund	
ASSETS				
Cash and cash equivalents	\$ -	\$ -	\$ -	\$ -
Investments	54,766	-	-	54,766
Restricted cash and cash equivalents	35,418	598,696	27,273	661,387
Total assets	\$ 90,184	\$ 598,696	\$ 27,273	\$ 716,153
LIABILITIES AND FUND BALANCE				
Current liabilities:				
Accounts payable	\$ -	\$ -	\$ -	\$ -
Total current liabilities	-	-	-	-
Fund Balance:				
Restricted	90,184	598,696	27,273	716,153
Unassigned	-	-	-	-
Total Fund Balance	90,184	598,696	27,273	716,153
Total Liabilities and Fund Balance	\$ 90,184	\$ 598,696	\$ 27,273	\$ 716,153

The accompanying notes and auditor's report are an integral part of the financial statements.

CITY OF CHANDLER
COMBINING STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES
IN FUND BALANCE - MODIFIED CASH BASIS
NONMAJOR GOVERNMENTAL FUNDS
FOR THE YEAR ENDED JUNE 30, 2023

	CAPITAL PROJECTS FUNDS		SPECIAL REVENUE FUND	Total Nonmajor Governmental Funds
	Cemetery Fund	City Cap Fund	Lodging Tax Fund	
Revenues:				
Sales tax	\$ -	\$ 99,853	\$ -	\$ 99,853
Use tax	-	356,009	-	356,009
Cigarette tax	-	27,546	-	27,546
Grants	-	-	-	-
Hotel/Motel Tax	-	-	8,462	8,462
Charge for services	3,393	-	-	3,393
Miscellaneous	-	-	-	-
Investment income	5	-	-	5
Total Revenues	<u>\$ 3,398</u>	<u>\$ 483,408</u>	<u>\$ 8,462</u>	<u>\$ 495,268</u>
Expenditures:				
General government	-	-	-	-
Cemetery	-	-	-	-
Streets	-	-	-	-
Police	-	-	-	-
Fire	-	-	-	-
Ambulance	-	-	-	-
Lake	-	-	-	-
Golf	-	-	-	-
Parks & Recreation	-	-	-	-
Wastewater	-	-	-	-
Capital Outlay	-	733,626	-	733,626
Total Expenditures	<u>-</u>	<u>733,626</u>	<u>-</u>	<u>733,626</u>
Excess (deficiency) of revenues over expenditures	<u>3,398</u>	<u>(250,218)</u>	<u>8,462</u>	<u>(238,358)</u>
Other financing sources (uses):				
Operating transfers in	-	-	-	-
Operating transfers out	-	-	-	-
Total other financing sources (uses)	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Net change in fund balances	3,398	(250,218)	8,462	(238,358)
Fund Balances - beginning of year	<u>86,786</u>	<u>848,914</u>	<u>18,811</u>	<u>954,511</u>
Fund Balances - end of year	<u>\$ 90,184</u>	<u>\$ 598,696</u>	<u>\$ 27,273</u>	<u>\$ 716,153</u>

The accompanying notes and auditor's report are an integral part of these financial statements.

MICHAEL W. GREEN
Certified Public Accountant

827 W. Locust Street
STILWELL, OK. 74960
(918) 696-6298

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 Mayor and City Council
City of Chandler, Oklahoma

I have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the modified cash basis financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of City of Chandler, Oklahoma, as of and for the year ended June 30, 2023, and the related notes to the financial statements, which collectively comprise City's basic financial statements and have issued my report thereon dated January 12, 2024. The report included an emphasis-of-matter paragraph related to the City's use of a comprehensive basis of accounting other than accounting principles generally accepted in the United States of America. My report on the business-type activities and the Chandler Community Development Trust Authority (the Authority) was modified because the City did not include the Authority as a discretely presented component unit or major fund.

Report on Internal Control over Financial Reporting

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

My consideration of internal control was for the limited purpose described in the preceding paragraph and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies and therefore, material weaknesses or significant deficiencies may exist that were not identified. However, as described in the accompanying schedule of findings and questioned costs, I identified certain deficiencies in internal control that I consider to be material weaknesses and significant deficiencies.

A deficiency in internal control exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, misstatements on a timely basis. *A material weakness* is a deficiency, or a combination of deficiencies, in internal control, such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented, or detected and corrected, on a timely basis. *A significant deficiency* is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

My consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies and therefore, material weaknesses or significant deficiencies may exist that were not identified. We identified certain deficiencies in internal control, described in the accompanying schedule of findings and questioned costs as items 2023-01, and 2023-02 that we consider to be material weaknesses.

Report on Compliance and Other Matters

As part of obtaining reasonable assurance about whether the City's financial statements are free from material misstatement, I performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the financial statements. However,

providing an opinion on compliance with those provisions was not an objective of my audit, and accordingly, I do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

The City’s Response to Findings

Government Auditing Standards requires the auditor to perform limited procedures on the City’s response to the findings identified in my audit and described in the accompanying schedule of findings and questioned costs. The City’s response was not subjected to the other auditing procedures applied in the audit of the financial statements and, accordingly, I express no opinion on the response.

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 City’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 City’s internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

Regards,



Michael Green, CPA
Stilwell, Oklahoma
January 12, 2024

CITY OF CHANDLER
Schedule of Findings and Responses
For year ended June 30, 2023

2023-01 Internal Control – Reporting

Repeat Finding

Criteria: The City follows GASB Statement No. 14, *The Financial Reporting Entity*, as amended by GASB Statement No. 61 to determine what component units should be included in the financial statements.

Condition: The Chandler Community Development Trust Authority has been omitted from the City's financial statements. It appears that the component unit does not obtain a separate audit or prepare financial statements to be included within the City's annual report.

Cause and Effect: Since the Chandler Community Development Trust Authority is not included as a component unit in the City's government wide financial statements, the financial statements may be misstated.

Recommendation: We recommend the City review its relationship with the Chandler Community Development Trust Authority and include the financial information in the City's government-wide financial statements or ensure that a separate audit is obtained.

Responsible Official's Response: At this time, City Staff does not believe the Chandler Community Development Trust Authority needs to be included in the City's audit. However, this issue has been brought to our attention and we will review the Authority's Trust Indenture with our legal counsel to determine a path for future audits.

2023-02 Internal Control – Balance Sheet Account Reconciliations

Criteria: Internal control best practices dictate that all balance sheet accounts should be reconciled monthly. That includes all cash accounts, trust accounts, capital asset accounts, etc.

Condition: During fiscal year 2023, the only balance sheet account reconciled by the City has been pooled cash. That leaves all other balance sheet accounts unreconciled. Further, the City has not taken an inventory of capital assets in a number of years.

Cause and Effect: No procedure has been developed to reconcile all balance sheet accounts each month (i.e., restricted cash, utility receivables, account payables, capital assets, etc.). As a result, the balance sheet may be out of balance with the subsidiary accounts and ledgers and the City would not be aware of it.

Recommendation: We recommend the City consult with a third-party to establish monthly reconciliation procedures surrounding all balance sheet accounts. In addition, we recommend the City establish a procedure to take a physical inventory of capital assets annually.

Responsible Official's Response: City Staff will consider recommendations to develop procedures to ensure all accounts are balanced each month. City Staff will perform a physical inventory to ensure the asset listing is correct.