

CITY OF CHANDLER
Chandler, Oklahoma

**FINANCIAL STATEMENTS &
INDEPENDENT AUDITORS REPORT**

For the Year Ended June 30, 2020

CITY OF CHANDLER CHANDLER, OKLAHOMA

	<u>Page</u>
INDEPENDENT AUDITOR'S REPORT	1
BASIC FINANCIAL STATEMENTS:	
Government-wide Financial Statements:	
Statement of Net Position - Modified Cash Basis	4
Statement of Activities - Modified Cash Basis	5
Fund Financial Statements:	
Balance Sheet - Governmental Funds - Modified Cash Basis	6
Statement of Revenues, Expenditures, and Changes in Fund Balance - Governmental Funds - Modified Cash Basis	7
Statement of Net Position - Proprietary Fund - Modified Cash Basis	9
Statement of Revenues, Expenses, and Changes in Fund Net Position - Proprietary Fund - Modified Cash Basis	10
Statement of Cash Flows - Proprietary Fund - Modified Cash Basis	11
Notes to Basic Financial Statements	12
OTHER SUPPLEMENTARY INFORMATION:	
Combining Balance Sheets - Nonmajor Governmental Funds - Modified Cash Basis	33
Combining Statements of Revenues, Expenditures, and Changes in Fund Balance - Nonmajor Governmental Funds - Modified Cash Basis	34
Schedule of Expenditures of Federal Awards	35
Notes to Schedule of Expenditures or Federal Awards	36
Independent Auditor's Report on Compliance and on Internal Control Over Financial Reporting Based on an Audit of Financial Statements Performed in Accordance with <i>Government</i> <i>Auditing Standards</i>	37
Independent Auditor's Report on Compliance for Each Major Program and on Internal Control over Compliance required by the Uniform Guidance	38
Schedule of Findings and Questioned	41
Costs Schedule of Prior Audit Findings	43

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INDEPENDENT AUDITOR'S REPORT

To the Mayor and City Council
City of Chandler, Oklahoma

Report on the Financial Statements

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 (the City), as of and for the year ended June 30, 2020, 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 the modified cash basis of accounting described in Note 1.B.; this includes determining that the modified cash basis of accounting is an acceptable basis for the preparation of the financial statements in the circumstances. Management is also responsible 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.

Auditor's Responsibility

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

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the City'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 City's internal control. Accordingly, I express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

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

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

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 (the Authority) in the City's, financial statements. The modified cash basis of accounting requires the Authority to be presented as a component unit and a major fund, and the financial information about the Authority to be part of the business-type activities, thus increasing that activity's assets, liabilities, revenues, and expenses, and changes in net position. The amount by which this departure would affect the assets, liabilities, net position, revenues, and expenses of the business-type activities and the omitted major fund has not been determined.

Adverse Opinion

In my opinion, because of the significance of the matter discussed in the "Basis for Adverse Opinion on the Chandler Community Development Trust Authority" paragraph, the financial statements referred to above do not present fairly the financial position of the business-type activities of the City, as of June 30, 2020, or the changes in financial position or cash flows thereof for the year then ended in accordance with the modified cash basis of accounting.

Qualified Opinion

In my opinion, except for the matter described in the "Basis for Adverse Opinion on 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, as of June 30, 2020, and the changes in financial position thereof for the year then ended in accordance with the modified cash basis of accounting.

Unmodified Opinions

In my opinion, the financial statements referred to above present fairly, in all material respects, the respective cash basis financial position of the governmental activities, each major fund, and the aggregate remaining fund information of the City, as of June 30, 2020, and the respective changes in modified cash basis 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 of Accounting

I draw 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.

Other Matters

Other Information

My audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the City's basic financial statements. The combining and individual nonmajor fund financial statements, as listed in the table of contents, are presented for purposes of additional analysis and are not a required part of the basic financial statements. The schedule of expenditures of federal awards is presented for purposes of additional analysis as required by Title 2 U.S. *Code of Federal Regulations* Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards*, and is also not a required part of the basic financial statements.

The combining and individual nonmajor fund financial statements and the schedule of expenditures of federal awards are the responsibility of management and were derived from and relate directly to the underlying accounting and other records used to prepare the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In my opinion, the combining and individual nonmajor fund financial statements and the schedule of expenditures of federal awards is 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 February 12, 2021, on my consideration of the City's, internal control over financial reporting and on my tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of my testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the City's, internal control over financial reporting and compliance.

Regards,

A handwritten signature in black ink, appearing to read "Michael Green".

Michael Green, CPA
February 12, 2021

CITY OF CHANDLER
STATEMENT OF NET POSITION - MODIFIED CASH BASIS
JUNE 30, 2020

	Government Activities	Business-Type Activities	Totals
Assets			
Current assets			
Cash and cash equivalents	\$ 274,176	\$ 163,333	\$ 437,509
Investments	91,800	77,446	169,246
Restricted cash and cash equivalents	5,190,197	1,736,565	6,926,762
Total current assets	<u>5,556,173</u>	<u>1,977,344</u>	<u>7,533,517</u>
Noncurrent assets			
Capital assets:			
Construction in progress	2,778,511	586,869	3,365,380
Equipment and vehicles	3,985,112	926,067	4,911,179
Land and improvements	3,208,586	21,351	3,229,937
Buildings	2,673,318	4,436,180	7,109,498
Infrastructure	5,526,677	10,742,907	16,269,584
Less accumulated depreciation	(5,794,621)	(5,835,488)	(11,630,109)
Total noncurrent assets	<u>12,377,583</u>	<u>10,877,886</u>	<u>23,255,469</u>
Total assets	<u>17,933,756</u>	<u>12,855,230</u>	<u>30,788,986</u>
Liabilities			
Current liabilities			
Capital lease obligations	19,928	-	19,928
Notes payable - current portion	-	966,000	966,000
Total current liabilities	<u>19,928</u>	<u>966,000</u>	<u>985,928</u>
Noncurrent liabilities			
Refundable deposits	-	80,865	80,865
Notes payable	-	4,270,599	4,270,599
Less: current portion	-	(966,000)	(966,000)
Total noncurrent liabilities	<u>-</u>	<u>3,385,464</u>	<u>3,385,464</u>
Total liabilities	<u>19,928</u>	<u>4,351,464</u>	<u>4,371,392</u>
Net position (Note 1.D.)			
Invested in capital assets	12,377,583	5,641,287	18,018,870
Restricted	565,309	1,033,421	1,598,730
Committed	4,576,855	-	4,576,855
Assigned	139,833	-	139,833
Unassigned	254,248	1,829,058	2,083,306
Total net position	<u>\$ 17,913,828</u>	<u>\$ 8,503,766</u>	<u>\$ 26,417,594</u>

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

CITY OF CHANDLER
STATEMENT OF ACTIVITIES - MODIFIED CASH BASIS
YEARENDED JUNE 30, 2020

	Program Revenues				Net (Expenses) Revenue and Changes in Net Assets		
	Expenses	Charges for Services	Operating Grants and Contracts		Governmental Activities	Business-type Activities	Totals
			Operating Grants and Contracts	Capital Grants and Contracts			
Governmental activities							
General Government	\$ 497,300	\$ -	\$ 6,236	\$ -	\$ (491,064)	\$ -	\$ (491,064)
Public Safety	1,834,778	511,731	45,494	61,143	(1,216,410)	-	(1,216,410)
Streets	479,723	-	-	-	(479,723)	-	(479,723)
Airport	333,478	66,342	-	2,143,931	1,876,795	-	1,876,795
Culture and recreation	578,001	86,028	1,000	-	(490,973)	-	(490,973)
Cemetery	33,362	15,994	-	-	(17,368)	-	(17,368)
Community development	63,185	-	114,369	-	51,184	-	51,184
Total government activities	3,819,827	680,095	167,099	2,205,074	(767,559)	-	(767,559)
Business-type activities							
Water	1,003,593	1,027,453	-	-	-	23,860	23,860
Wastewater	447,601	271,437	-	-	-	(176,164)	(176,164)
Distribution	339,267	-	-	-	-	(339,267)	(339,267)
Sanitation	311,823	507,329	-	-	-	195,506	195,506
Administrative and general	700,333	-	-	-	-	(700,333)	(700,333)
Total business-type activities	2,802,617	1,806,219	-	-	(767,559)	(996,398)	(996,398)
Totals	\$ 6,622,444	\$ 2,486,314	\$ 167,099	\$ 2,205,074			
General revenues							
Sales tax					2,664,323	-	2,664,323
Use tax					241,045	-	241,045
Other taxes					90,365	-	90,365
Proceeds from debt					-	474,145	474,145
Permits licenses and fees					186,998	-	186,998
Intergovernmental revenue restricted for streets & alleys					27,896	-	27,896
Franchise fees					137,633	-	137,633
Miscellaneous					191,708	-	191,708
Interest expense					-	39,952	39,952
Investment earnings					6,176	(133,685)	(133,685)
Loss on sale of capital assets					(192)	41,351	41,351
Transfers: In					503,000	942,326	1,445,326
Transfers: Out					(1,067,326)	(378,000)	(1,445,326)
Total general revenues and transfers					2,981,626	946,916	3,928,542
Change in net position					2,214,067	(49,482)	2,164,585
Net position, June 30, 2019					15,144,699	8,005,499	23,150,198
Prior period adjustment					555,062	547,749	1,102,811
Net position, July 1, 2019					15,699,761	8,553,248	24,253,009
Net position, end of year					\$ 17,913,828	\$ 8,503,766	\$ 26,417,594

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

CITY OF CHANDLER
BALANCE SHEET - MODIFIED CASH BASIS
GOVERNMENTAL FUNDS
JUNE 30, 2020

	General Fund	Airport Fund	CMA Cap Fund	Water Cap Fund	Other Governmental Funds	Total Governmental Funds
Assets						
Cash and cash equivalents	\$ 274,176	\$ -	\$ -	\$ -	\$ -	\$ 274,176
Investments	37,373	-	-	-	54,427	91,800
Restricted cash and investments	-	139,833	3,281,632	1,295,223	473,509	5,190,197
Total assets	<u>\$ 311,549</u>	<u>\$ 139,833</u>	<u>\$ 3,281,632</u>	<u>\$ 1,295,223</u>	<u>\$ 527,936</u>	<u>\$ 5,556,173</u>
Liabilities						
Accounts payable	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Total liabilities	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Fund Balance (Note 1.D.)						
Restricted	37,373	-	-	-	527,936	565,309
Committed	-	-	3,281,632	1,295,223	-	4,576,855
Assigned	-	139,833	-	-	-	139,833
Unassigned	274,176	-	-	-	-	274,176
Total fund balances	<u>\$ 311,549</u>	<u>\$ 139,833</u>	<u>\$ 3,281,632</u>	<u>\$ 1,295,223</u>	<u>\$ 527,936</u>	<u>\$ 5,556,173</u>
Total liabilities and fund balances	<u>\$ 311,549</u>	<u>\$ 139,833</u>	<u>\$ 3,281,632</u>	<u>\$ 1,295,223</u>	<u>\$ 527,936</u>	<u>\$ 5,556,173</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 \$ 18,002,479

The accumulated depreciation is \$ 5,794,621.

Net effect for reconciliation

12,377,583

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

Capital lease obligations

(19,928)

Net position of governmental activities

\$ 17,913,828

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
GOVERNMENTAL FUNDS
YEAR ENDED JUNE 30, 2020

	General Fund	Airport Fund	CMA Cap Fund	Water Cap Fund	Other Governmental Funds	Total Governmental Funds
Revenues:						
Sales tax	\$ 997,951	\$ 69,540	\$ 760,396	\$ 760,396	\$ 76,040	\$ 2,664,323
Use tax	-	-	-	-	241,045	241,045
Other taxes	85,720	-	-	-	27,862	113,582
Franchise fees	137,633	-	-	-	-	137,633
Hotel/motel tax	-	-	-	-	4,679	4,679
Grants	113,873	2,143,931	-	-	114,369	2,372,173
Golf	80,060	-	-	-	-	80,060
Licenses & Permits	184,860	-	-	-	-	184,860
Fines & fees	2,138	-	-	-	-	2,138
Charges for services	531,715	66,342	-	-	1,978	600,035
Miscellaneous	120,936	-	21,657	8,879	40,043	191,515
Investment income	5,409	-	-	-	767	6,176
Total revenues	<u>2,260,295</u>	<u>2,279,813</u>	<u>782,053</u>	<u>769,275</u>	<u>506,783</u>	<u>6,598,219</u>
Expenditures:						
General government:						
General government	289,497	-	-	-	-	289,497
Cemetery	33,362	-	-	-	-	33,362
Public safety:						
Police	615,111	-	-	-	-	615,111
Fire	673,498	-	-	-	-	673,498
Ambulance	212,821	-	-	-	-	212,821
Emergency Management	940	-	-	-	-	940
Code Enforcement	63,185	-	-	-	-	63,185
Court	90,741	-	-	-	-	90,741
Streets	295,178	-	-	-	-	295,178
Culture and recreation:						
Parks and recreation	97,553	-	-	-	-	97,553
Lake	157,045	-	-	-	-	157,045
Golf	132,864	-	-	-	-	132,864
Library	121,268	-	-	-	-	121,268
Airport	-	96,632	-	-	-	96,632
Wastewater	-	-	-	-	-	-
Water	-	-	-	94,194	-	94,194
Capital outlay	62,143	2,259,307	38,180	-	405,370	2,765,000
Total expenditures	<u>2,845,206</u>	<u>2,355,939</u>	<u>38,180</u>	<u>94,194</u>	<u>405,370</u>	<u>5,738,889</u>
Excess of revenues collected over (under) expenditures	<u>(584,911)</u>	<u>(76,126)</u>	<u>743,873</u>	<u>675,081</u>	<u>101,413</u>	<u>859,330</u>
Other financing sources (uses)						
Loss on disposal of assets	-	(192)	-	-	-	(192)
Operating transfers in	378,000	125,000	-	-	-	503,000
Operating transfer out	-	(31,000)	(635,396)	(275,930)	(125,000)	(1,067,326)
Total other financing sources (uses)	<u>378,000</u>	<u>93,808</u>	<u>(635,396)</u>	<u>(275,930)</u>	<u>(125,000)</u>	<u>(564,518)</u>
Excess (deficiency) of revenues and other resources over expenditures and other uses	(206,911)	17,682	108,477	399,151	(23,587)	294,812
Fund balances, June 30, 2019	136,534	116,457	3,173,155	896,072	551,523	4,873,741
Prior period adjustment	381,926	5,694	-	-	-	387,620
Fund balances, July 1, 2020	<u>518,460</u>	<u>122,151</u>	<u>3,173,155</u>	<u>896,072</u>	<u>551,523</u>	<u>5,261,361</u>
Fund balances, end of year	<u>\$ 311,549</u>	<u>\$ 139,833</u>	<u>\$ 3,281,632</u>	<u>\$ 1,295,223</u>	<u>\$ 527,936</u>	<u>\$ 5,556,173</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
GOVERNMENTAL FUNDS
YEAR ENDED JUNE 30, 2020**

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 \$ 294,812

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	3,147,150
Capital asset disposals	(425,317)
Depreciation	(843,761)
	1,878,072

Governmental funds expense capital lease payments while the government activities reports them as a reduction in long-term liability	41,183
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Change in net position of governmental activities	\$ 2,214,067
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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, 2020

	Municipal Authority
	Enterprise Fund
Assets	
Current assets	
Cash and cash equivalents	\$ 163,333
Certificate of Deposit	77,446
Restricted cash and cash equivalents	1,736,565
Total current assets	1,977,344
Noncurrent assets	
Capital assets:	
Equipment and vehicles	926,067
Land and improvements	21,351
Buildings	4,436,180
Infrastructure	10,742,907
Less accumulated depreciation	(5,835,488)
Construction in Process	586,869
Total capital assets	10,877,886
Total assets	12,855,230
Liabilities	
Current liabilities	
Notes payable - current portion	966,000
Total current liabilities	966,000
Noncurrent liabilities	
Deposits subject to refund	80,865
Notes payable	4,270,599
Less: current portion	(966,000)
Total noncurrent liabilities	3,385,464
Total liabilities	4,351,464
Net position	
Invested in capital assets	5,641,287
Restricted for debt service	1,033,421
Unrestricted	1,829,058
Total net position	\$ 8,503,766

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, 2020

	Municipal Authority <hr/> Enterprise Fund <hr/>
Operating revenue	
Charges for services:	
Water	\$ 1,027,453
Wastewater	271,437
Sanitation	507,329
Miscellaneous	12,355
Total operating revenue	<hr/> 1,818,574 <hr/>
Operating expenses:	
Water	1,003,593
Wastewater	447,601
Distribution	339,267
Sanitation	311,823
Administration and general	700,333
Total operating expenses	<hr/> 2,802,617 <hr/>
Net operating income (loss)	<hr/> (984,043) <hr/>
Nonoperating revenue (expense)	
Proceeds from loan	474,145
Loss on sale	(39,173)
Investment income	41,351
Interest expense	(133,685)
Other income	27,597
Total nonoperating revenue (expense)	<hr/> 370,235 <hr/>
Net income before transfers	(613,808)
Operating transfers: In	942,326
Operating transfers: Out	(378,000)
	<hr/> 564,326
Change in net position	(49,482)
Net position, June 30, 2020	8,005,499
Prior period adjustment	547,749
Net position, July 1, 2020	<hr/> 8,553,248 <hr/>
Net position, end of year	<hr/> \$ 8,503,766 <hr/>

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, 2020

	Municipal Authority Enterprise Fund
Cash flows from operating activities	
Receipts from customers	\$ 1,830,987
Payments to suppliers	(1,325,533)
Payments to employees	(531,543)
Net cash provided (used) by operating activities	<u>(26,089)</u>
Cash flows from noncapital financing activities	
Transfers from other funds	942,326
Transfers to other funds	(378,000)
Other income	27,597
Net cash provided (used) by noncapital financing activities	<u>591,923</u>
Cash flows from capital and related financing activities	
Net purchases and prior period adjustment capital assets	499,096
Proceeds from loan	474,145
Principal paid on capital debt	(854,000)
Interest paid on capital debt	(133,685)
Net cash provided (used) by capital and related financing activities	<u>(14,444)</u>
Cash flows from investing activities	
Change in restricted cash	
Investment in certificate of deposit	(77,446)
Interest income	41,351
	<u>(36,095)</u>
Net increase (decrease) in cash and cash equivalents	515,295
Cash balance beginning of year	<u>1,384,603</u>
Cash balance end of year	<u>\$ 1,899,898</u>
Reconciliation of operating income (loss) to net cash provided (used) by operating activities	
Change in Net Position	\$ (984,043)
Adjustments to reconcile operating income to net cash provided (used) by operating activities:	
Cash flows reported in other categories:	
Depreciation and amortization expense	984,714
Change in assets and liabilities:	
Loss on sale	(39,173)
Proceeds from loan	
Change in refundable deposits	12,413
Net cash provided by operating activities	<u>\$ (26,089)</u>

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

CITY OF CHANDLER
Chandler, Oklahoma

NOTES TO THE FINANCIAL STATEMENTS
For the year ended June 30, 2020

NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

As discussed in Note 1.B., these financial statements, for the City of Chandler, Oklahoma, 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, 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, 2020.

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, 2020, is summarized as follows:

- City – accrued compensated absences \$ 50,525.
- Chandler Municipal Authority – accrued compensated absences \$ 17,898.

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 two components:

- 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, 2020, for the governmental funds are as follows:

Fund Balances:	General Fund	Airport Fund	Capital Projects Funds		Other Gov Funds	Total
			CMA Cap Fund	Water Cap Fund		
Invested in Capital Assets, Net	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Restricted for:						
Capital Projects	37,373	-	-	-	441,462	478,835
Economic Development	-	-	-	-	4,679	4,679
Perpetual Cemetery Care	-	-	-	-	81,795	81,795
Total Restricted	37,373	-	-	-	527,936	565,309
Committed to:						
Capital Improvement Projects	-	-	3,281,632	1,295,223	-	4,576,855
Assigned to:						
Airport Operations	-	139,833	-	-	-	139,833
Total Assigned	-	139,833	-	-	-	139,833
Unassigned	274,176	-	-	-	-	274,176
Total Fund Balances	<u>\$ 311,549</u>	<u>\$ 139,833</u>	<u>\$ 3,281,632</u>	<u>\$ 1,295,223</u>	<u>\$ 527,936</u>	<u>\$ 5,556,173</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.

The Sales Tax Revenue Note – Series 2006 (Note 3.E.) was paid in full during fiscal 2020 and at June 30, 2020 the balance of the note was zero.

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, 2020.

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, 2020, 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, 2020:	Maturity				
Asset Classification:	(Months)	Credit Rating	Market Value	Cost	
Cash	N/A	N/A	\$ 437,509	\$ 437,509	
Investments:					
Money Market Funds	N/A	AAAm	6,926,762	6,926,762	
Certificates of Deposit	12	N/A	169,246	169,246	
Total Deposits and Investments:			<u>\$ 7,533,517</u>	<u>\$ 7,533,517</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 \$80,865; amounts held in trustee accounts on behalf of the promissory notes in the amount of \$ 1,736,565; amounts held in various checking accounts for various capital projects of \$ 4,576,855; amounts held in various grant and other checking accounts of \$ 4,962; amounts held for airport operations of \$ 139,833; amount held for economic development of \$4,679 and amounts held for perpetual cemetery care of \$ 27,368.

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	\$ 112,609
Public Safety	241,667
Airport	236,847
Streets	184,367
Culture and Recreation	68,271
Total depreciation expense for governmental activities	<u>\$ 843,761</u>
Business-Type Activities:	
Water	\$ 585,878
Distribution	140,888
Wastewater	256,668
Admin and General	1,280
Total depreciation expense for business-type activities	<u>\$ 984,714</u>

Capital asset activity for the fiscal year ended June 30, 2020, was as follows:

	Beginning Balance	Additions	Deletions	Ending Balance
<i>Governmental activities</i>				
Capital assets not being depreciated:				
Land	\$ 3,208,586	\$ -	\$ -	\$ 3,208,586
Construction in progress	232,996	2,545,515	-	2,778,511
Total capital assets not being depreciated	3,441,582	2,545,515	-	5,987,097
Other capital assets:				
Office furniture & equipment	138,942	-	-	138,942
Equipment	2,177,036	62,955	(58,000)	2,181,991
Vehicles	1,963,130	126,366	(425,317)	1,664,179
Buildings	2,673,318	-	-	2,673,318
Infrastructure	5,114,363	412,314	-	5,526,677
Total other capital assets	12,066,789	601,635	(483,317)	12,185,107
Less accumulated depreciation for:				
Office furniture & equipment	128,296	5,002	-	133,298
Equipment	1,390,585	165,886	(18,900)	1,537,571
Vehicles	1,640,625	156,091	(225,525)	1,571,191
Buildings	1,010,032	171,975	-	1,182,007
Infrastructure	1,025,747	344,807	-	1,370,554
Total accumulated depreciation	5,195,285	843,761	(244,425)	5,794,621
Other capital assets, net	6,871,504	(242,126)	(238,892)	6,390,486
Governmental activities capital assets, net	<u>\$ 10,313,086</u>	<u>\$ 2,303,389</u>	<u>\$ (238,892)</u>	<u>\$ 12,377,583</u>
<i>Business-type activities</i>				
Capital assets not being depreciated:				
Land	\$ 21,351	\$ -	\$ -	\$ 21,351
Construction in progress	547,749	39,120	-	586,869
Total capital assets not being depreciated	569,100	39,120	-	608,220
Other capital assets:				
Office furniture & equipment	30,318	-	-	30,318
Equipment	718,742	3,799	-	722,541
Vehicles	189,035	-	(15,827)	173,208
Buildings	4,436,180	-	-	4,436,180
Infrastructure	10,737,041	5,866	-	10,742,907
Total other capital assets	16,111,316	9,665	(15,827)	16,105,154
Less accumulated depreciation for:				
Office furniture & equipment	44,653	1,280	-	45,933
Equipment	596,912	73,579	-	670,491
Vehicles	171,965	10,937	(15,695)	167,207
Buildings	634,686	108,652	-	743,338
Infrastructure	3,418,253	790,266	-	4,208,519
Total accumulated depreciation	4,866,469	984,714	(15,695)	5,835,488
Other capital assets, net	11,244,847	(975,049)	(132)	10,269,666
Business-type activities capital assets, net	<u>\$ 11,813,947</u>	<u>\$ (935,929)</u>	<u>\$ (132)</u>	<u>\$ 10,877,886</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, 2020, 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 – 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. \$ 375,000

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. \$ 710,000

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 %. \$ 546,481

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 %. \$ 1,167,118

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. \$ 1,472,000

Total Notes Payable, Proprietary Fund \$4,270,599

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 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.

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.

Refundable Deposits:

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

Utility Deposits – Refundable	<u>\$ 80,865</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, 2020.

Type of Debt	Balance 7/1/2019	Additions	Reductions	Balance 6/30/2020	Amount Due Within One Year
Business-Type Activities:					
Bank of America	\$ 255,000	\$ -	\$ 255,000	\$ -	\$ -
Oklahoma Water Resources Board	1,445,118	-	278,000	1,167,118	225,000
Oklahoma Water Resources Board	682,481	-	136,000	546,481	460,000
Utility Sys & Sales Tax Rev Note	406,000	-	31,000	375,000	32,000
Utility Sys & Sales Tax Rev Note	830,000	-	120,000	710,000	120,000
Utility Sys & Sales Tax Rev Note	1,506,000	-	34,000	1,472,000	129,000
Total Business-Type Activities	<u>\$5,124,599</u>	<u>\$ -</u>	<u>\$ 854,000</u>	<u>\$4,270,599</u>	<u>\$ 966,000</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, 2020, are as follows:

For the Year Ended 06/30/2020	Oklahoma Water Resources Board		Oklahoma Water Resources Board		Water System Improvements Loan	
	Prin	Int	Prin	Int	Prin	Int
	2021	225,000	12,175	460,000	31,253	120,000
2022	229,000	8,400	469,000	22,059	120,000	13,720
2023	92,481	4,559	238,118	11,313	160,000	10,780
2024	-	-	-	-	205,000	7,595
2025	-	-	-	-	105,000	2,573
	<u>\$ 546,481</u>	<u>\$ 25,134</u>	<u>\$1,167,118</u>	<u>\$ 64,625</u>	<u>\$ 710,000</u>	<u>\$ 51,329</u>

Estimated debt service requirements, continued:

For the Year Ended 06/30/2020	Airport Loan		Travel Plaza Extension Loan	
	Prin	Int	Prin	Int
	2021	32,000	16,586	129,000
2022	34,000	15,061	133,000	40,741
2023	35,000	13,883	137,000	36,574
2024	36,000	12,000	140,000	32,419
2025	36,000	9,702	144,000	27,912
2026-2030	202,000	24,905	789,000	41,705
	<u>\$ 375,000</u>	<u>\$ 92,137</u>	<u>\$1,472,000</u>	<u>\$ 224,135</u>

3.F. INTERFUND TRANSFERS AND BALANCES

INTERFUND TRANSFERS

Transfers between funds of the primary government for the year ended June 30, 2020, were as follows:

MAJOR FUNDS	<u>Transfers In</u>	<u>Transfers Out</u>
GENERAL FUND		
Municipal Authority	\$ 378,000	\$ -
Total General Fund	<u>378,000</u>	<u>-</u>
AIRPORT FUND		
City Capital Imp Fund	125,000	-
Municipal Authority	-	31,000
Total General Fund	<u>125,000</u>	<u>31,000</u>
ENTERPRISE FUND		
Municipal Authority		
General Fund	-	378,000
Airport Fund	31,000	-
CMA Capital Improvement Fund	635,396	-
Water Capital Improvement Fund	275,930	-
Total Enterprise Fund	<u>942,326</u>	<u>378,000</u>
CITY CAPITAL IMPROVEMENT FUND		
Municipal Authority	-	-
Airport Fund	-	125,000
Total City Capital Impr Fund	<u>-</u>	<u>125,000</u>
CMA CAPITAL IMPROVEMENT FUND		
Municipal Authority	-	635,396
Total CMA Capital Improvement Fund	<u>-</u>	<u>635,396</u>
WATER CAPITAL IMPROVEMENT FUND		
Municipal Authority	-	275,930
Total Water Capital Improvement Fund	<u>-</u>	<u>275,930</u>
GRAND TOTALS	<u>\$ 1,445,326</u>	<u>\$ 1,445,326</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>
2017	\$81,089	\$81,089
2018	82,611	82,611
2019	91,910	91,910
2020	85,953	85,953

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 at 10 % during the year ended June 30, 2020. 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, 2020, for employee and employer were \$ 7,900 and \$ 11,207, respectively, on a covered payroll of \$ 105,327.

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>
2017	\$1,380	\$1,380
2018	1,200	1,200
2019	960	960
2020	1,260	1,260

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>
2017	\$57,349	\$57,349
2018	54,477	54,477
2019	60,937	60,937
2020	52,596	52,596

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>
2017	\$35,369	\$35,369
2018	36,173	36,173
2019	38,144	38,144
2020	30,693	30,693

4.A.1. TERMINATION BENEFITS

At June 30, 2020, 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 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 \$ 22,492 each, which includes interest at 4 %, and which terminate with the fiscal year of the City (June 30.) The lease included nine successive options to renew for one year, under the same terms.

The annual lease payments are as follows:

<u>Year Ended</u> <u>June 30</u>	<u>Fire Truck</u>
2020	<u>22,492</u>
Total	<u>22,492</u>
Less Interest	<u>(2,564)</u>
Net Lease Obligations	<u>\$ 19,928</u>

Grants

During fiscal 2020, the City was awarded a \$2,945,961 Federal Aviation Administration grant (FAA) through the United States Department of Transportation, for airport improvements including runway rehabilitation. The grant called for matching funds on the City's behalf of \$ 163,650 with the Oklahoma Aeronautics Commission supplying a matching grant of \$163,649 to assist the City in their airport rehabilitation. The City expended \$2,350,740 during the current fiscal year.

In August 2017, the City was awarded a grant through the Oklahoma Tourism & Recreation Department to build a splash pad in the City park. This grant was primarily comprised of funding from the Land and Water Conservation Fund. The City was able to complete the project during fiscal 2020, expending the project funds of \$285,922 of which \$142,961 were funds from the federal Land and Water Conservation Fund.

CONTINGENCIES & 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.

Uncertainties

During March 2020, the World Health Organization declared a pandemic with the outbreak of the COVID-19 and declared a "Public Health Emergency of International Concern". The U.S. Government and local governmental authorities implemented procedures to attempt to contain the virus and lessen its impact. The spread of this virus has caused business interruptions that are expected to continue for the foreseeable future. The extent of the impact of COVID-19 on the City's operational and financial performance has not yet been determined. As such, these financial statements do not include any adjustments that might result from the outcome of this uncertainty.

4.D. SUBSEQUENT EVENTS

Subsequent events have been evaluated through February 12, 2021, which is the date the financial statements were available to be issued.

**CITY OF CHANDLER
 COMBINING BALANCE SHEET - MODIFIED CASH BASIS
 NONMAJOR GOVERNMENTAL FUNDS
 JUNE 30, 2020**

	CAPITAL PROJECTS FUNDS		SPECIAL REVENUE FUND		Total Nonmajor Governmental Funds
	Cemetery Fund	City Cap Fund	Lodging Tax Fund		
ASSETS					
Cash and cash equivalents	\$ -	\$ -	\$ -	\$ -	\$ -
Investments	54,427	-	-	-	54,427
Restricted cash and cash equivalents	27,368	441,462	4,679	4,679	473,509
Total assets	<u>\$ 81,795</u>	<u>\$ 441,462</u>	<u>\$ 4,679</u>	<u>\$ 4,679</u>	<u>\$ 527,936</u>
LIABILITIES AND FUND BALANCE					
Current liabilities:					
Accounts payable	\$ -	\$ -	\$ -	\$ -	\$ -
Total current liabilities	-	-	-	-	-
Fund Balance:					
Restricted	81,795	441,462	4,679	4,679	527,936
Unassigned	-	-	-	-	-
Total Fund Balance	<u>81,795</u>	<u>441,462</u>	<u>4,679</u>	<u>4,679</u>	<u>527,936</u>
Total Liabilities and Fund Balance	<u>\$ 81,795</u>	<u>\$ 441,462</u>	<u>\$ 4,679</u>	<u>\$ 4,679</u>	<u>\$ 527,936</u>

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, 2020

	CAPITAL PROJECTS FUNDS		SPECIAL REVENUE FUND	Total Nonmajor Governmental Funds
	Cemetery Fund	City Cap Fund	Lodging Tax Fund	
Revenues:				
Sales tax	\$ -	\$ 76,040	\$ -	\$ 76,040
Use tax	-	241,045	-	241,045
Cigarette tax	-	27,862	-	27,862
Grants	-	114,369	-	114,369
Hotel/Motel Tax	-	-	4,679	4,679
Charge for services	1,978	-	-	1,978
Miscellaneous	43	40,000	-	40,043
Investment income	767	-	-	767
Total Revenues	<u>\$ 2,788</u>	<u>\$ 499,316</u>	<u>\$ 4,679</u>	<u>\$ 506,783</u>
Expenditures:				
General government	-	-	-	-
Cemetery	-	-	-	-
Streets	-	-	-	-
Police	-	-	-	-
Fire	-	-	-	-
Ambulance	-	-	-	-
Lake	-	-	-	-
Golf	-	-	-	-
Parks & Recreation	-	-	-	-
Wastewater	-	-	-	-
Capital Outlay	-	405,370	-	405,370
Total Expenditures	<u>-</u>	<u>405,370</u>	<u>-</u>	<u>405,370</u>
Excess (deficiency) of revenues over expenditures	<u>2,788</u>	<u>93,946</u>	<u>4,679</u>	<u>101,413</u>
Other financing sources (uses):				
Operating transfers in	-	-	-	-
Operating transfers out	-	(125,000)	-	(125,000)
Total other financing sources (uses)	<u>-</u>	<u>(125,000)</u>	<u>-</u>	<u>(125,000)</u>
Net change in fund balances	2,788	(31,054)	4,679	(23,587)
Fund Balances - beginning of year	<u>79,007</u>	<u>472,516</u>	<u>-</u>	<u>551,523</u>
Fund Balances - end of year	<u>\$ 81,795</u>	<u>\$ 441,462</u>	<u>\$ 4,679</u>	<u>\$ 527,936</u>

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

CITY OF CHANDLER, OKLAHOMA
Schedule of Expenditures of Federal Awards
Year Ended June 30, 2020

<i>Federal grantor/Pass-Through Grantor/ Program or Cluster Title</i>	<i>Federal CFDA Number</i>	<i>Pass-through Entity Identifying Number/Description</i>	<i>Total Federal Expenditures</i>
U.S. DEPARTMENT OF HOUSING AND URBAN DEVELOPMENT			
<i>Passed through Oklahoma Department of Commerce</i>			
Community Development Block Grants/State's Program and Non-Entitlement Grants in Hawaii	14.228	17001 CDBG-17	\$ 61,143
Total U.S. Department of Housing and Urban Development			<u>61,143</u>
U.S. DEPARTMENT OF THE INTERIOR			
<i>Passed through Oklahoma Tourism and Recreation Department</i>			
Outdoor Recreation Acquisition, Development and Planning	15.916	40-01230	142,961
Total U.S. Department of the Interior			<u>142,961</u>
U.S. DEPARTMENT OF TRANSPORTATION - FEDERAL AVIATION ADMINISTRATION			
Federally-facilitated and State Partnership Exchanges	20.106		2,350,740
Total U.S. Department of Transportation			<u>2,350,740</u>
TOTAL EXPENDITURES OF FEDERAL AWARDS			<u><u>\$ 2,554,844</u></u>

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

CITY OF CHANDLER
Chandler, Oklahoma

NOTES TO SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
Year Ended June 30, 2020

NOTE A – BASIS OF PRESENTATION

The accompanying schedule of expenditures of federal awards (SEFA) includes the federal award activity of the City under programs of the federal government for the year ended June 30, 2020. The information in this SEFA is presented in accordance with the requirements of Title 2 U.S. Code of Federal Regulations Part 200, *Uniform Administrative Requirements, Cost Principles and Audit Requirements for Federal Awards* (Uniform Guidance). Because the SEFA presents only a selected portion of the operations of the Agency, it is not intended to and does not present the financial position, changes in net assets, or cash flows of the Agency.

NOTE B – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Expenditures reported on the SEFA are reported on the modified cash basis of accounting. Such expenditures are recognized following the cost principles contained in the Uniform Guidance, wherein certain types of expenditures are not allowable or are limited as to reimbursement. The City has elected not to use the 10-percent de minimis indirect cost rate as allowed under the Uniform Guidance.

MICHAEL W. GREEN
Certified Public Accountant

827 W. Locust Street
Stilwell, Oklahoma 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

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 (the City), as of and for the year ended June 30, 2020, and the related notes to the financial statements, which collectively comprise the City's basic financial statements and have issued our report thereon dated February 12, 2021. The financial statements of the Chandler Community Development Trust Authority (the Authority) were not included in the City'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 Authority. Our report on the business-type activities was modified due to the omission of this component unit. Our report also 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.

Internal Control Over Financial Reporting

In planning and performing our audit of the financial statements, we considered the City'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's, internal control. Accordingly, we do not express an opinion on the effectiveness of the City'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 and therefore, material weaknesses or significant deficiencies may exist that have not been identified. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses. We did identify certain deficiencies in internal control, described in the accompanying schedule of findings and questioned costs as item 2020-01 that we consider to be a significant deficiency.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the City'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 my 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

The City's response to the findings identified in our audit is described in the accompanying schedule of findings and questioned costs. The City's response was not subjected to the auditing procedures applied in the audit of the financial statements and, accordingly, we express no opinion on it.

Purpose of this Report

The purpose of this report is solely to describe the scope of our 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 W. Green, CPA
February 12, 2021

MICHAEL W. GREEN
Certified Public Accountant

827 W. Locust St.
Stilwell, Oklahoma 74960

**INDEPENDENT AUDITOR'S REPORT ON COMPLIANCE FOR EACH
MAJOR PROGRAM AND ON INTERNAL CONTROL OVER COMPLIANCE
REQUIRED BY THE UNIFORM GUIDANCE**

To the Mayor and City Council
City of Chandler, Oklahoma

Report on Compliance for Each Major Federal Program

We have audited the City of Chandler, Oklahoma's (the City) compliance with the types of compliance requirements described in the *OMB Compliance Supplement* that could have a direct and material effect on each of City's major federal programs for the year ended June 30, 2020. The City's major federal programs are identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs.

Management's Responsibility

Management is responsible for compliance with federal statutes, regulations, and the terms and conditions of its federal awards applicable to its federal programs.

Auditor's Responsibility

Our responsibility is to express an opinion on compliance for each of the City's major federal programs based on our audit of the types of compliance requirements referred to above. We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and the audit requirements of Title 2 U.S. *Code of Federal Regulations* Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance). Those standards and the Uniform Guidance require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about the City's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances.

We believe that our audit provides a reasonable basis for our opinion on compliance for each major federal program. However, our audit does not provide a legal determination of the City's compliance.

Opinion on Each Major Federal Program

In our opinion, the City complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on each of its major federal programs for the year ended June 30, 2020.

Report on Internal Control over Compliance

Management of the City is responsible for establishing and maintaining effective internal control over compliance with the types of compliance requirements referred to above. In planning and performing our audit of compliance, we considered the City's internal control over compliance with the types of requirements that could have a direct and material effect on each major federal program to determine the auditing procedures that are appropriate in the circumstances for the purpose of expressing an opinion on compliance for each major federal program and to test and report on internal control over compliance in accordance with the Uniform Guidance, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of the City's internal control over compliance.

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

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

The purpose of this report on internal control over compliance is solely to describe the scope of our testing of internal control over compliance and the results of that testing based on the requirements of the Uniform Guidance. Accordingly, this report is not suitable for any other purpose.

Regards,

A handwritten signature in black ink, appearing to read "Michael W. Green". The signature is fluid and cursive, with the first name "Michael" and last name "Green" clearly distinguishable.

Michael W. Green, CPA
February 12, 2021

CITY OF CHANDLER
Chandler, Oklahoma

SCHEDULE OF FINDINGS AND QUESTIONED COSTS
Year Ended June 30, 2020

Section I – Summary of Auditor’s Results

Financial Statements

Type of auditor’s report issued on whether the financial statements were in accordance with the modified cash basis of accounting:

Governmental Activities – *Unmodified*
Business Activities – *Adverse*
Major Funds – *Unmodified*
Aggregate Fund Information - *Unmodified*

Internal control over financial reporting:

- Material weakness(es) identified? _____ yes _____ X no
- Significant deficiency(ies)? _____ X yes _____ no

Noncompliance material to financial statements noted? _____ yes _____ X no

Federal Awards

Internal control over major federal programs:

- Material weakness(es) identified? _____ yes _____ X no
- Significant deficiency(ies)? _____ yes _____ X no

Type of auditor’s report issued on compliance for major federal programs: *Unmodified*

Any audit findings disclosed that are required to be reported in accordance with 2 CFR 200.516(a)? _____ yes _____ X no

Identification of major federal programs:

<u>Program</u>	<u>CFDA Number</u>
Airport Improvement Program	20.106

Dollar threshold used to distinguish between type A and type B programs: \$750,000

Auditee qualified as a low-risk auditee? _____ yes _____ X no

CITY OF CHANDLER
Chandler, Oklahoma

SCHEDULE OF FINDINGS AND QUESTIONED COSTS
Year Ended June 30, 2020

Section II – Findings Required to be Reported in Accordance with Government Auditing Standards:

2020-01 Internal Controls over Financial Reporting

Criteria: Title 11 O.S. §17-105-113, and Title 60 O.S. §180.1-3 of the Oklahoma Statutes requires all audits to be filed with the Oklahoma Office of the State Auditor and Inspector within six months of the year end.

Condition: The City's internal control over computer systems allowed a ransom-ware attack to occur at the beginning of the fiscal year which caused difficulty reconciling its computer system. In addition, the City's internal controls over financial reporting were compromised leading to an abnormally lengthy process preparing reconciliations for financial reporting.

Cause/Effect: The ransom-ware attack led to difficulties reconciling the City's accounts once the computer system was rebuilt effecting the length of time it took for financial statement preparation.

Recommendation: We recommend that the City continue to work with their auditor to complete its audit filing requirements. We further recommend the City work with an accountant throughout the fiscal year to keep its subsidiary ledgers reconciled with its general ledger and to use computer security best practices to minimize the risk of any additional cyber-attacks.

City's Response: The City has worked with its computer consultant and its software vendor to strengthen the virus and ransom-ware protection of its computer systems. The City has also worked with its auditor to finalize the audit and will continue to make improvements to its reconciliation process.

Section III – Findings Required to be Reported in Accordance with Uniform Guidance:

None to report for the June 30, 2020 period.

CITY OF CHANDLER
Chandler, Oklahoma

SCHEDULE OF PRIOR AUDIT FINDINGS
Year Ended June 30, 2020

2019-01 – Risk related to the Information Technology Systems of the City

Condition

For fiscal year 2019, the City experienced a cyber-attack where malware/ransom ware was able to infiltrate the City's defenses although the City has virus protection software. The City did not have an extensive disaster recovery plan, and the City did experience some data loss, however, the City was able to recover from the attack with a minimal interruption of services. During the FY 2019 audit, we experienced a delay related to requests for information from the City's information systems.

This finding was resolved during fiscal 2020.