

CITY OF CHANDLER, TEXAS
FINANCIAL STATEMENTS
TOGETHER WITH
INDEPENDENT AUDITOR'S REPORT
SEPTEMBER 30, 2013

**CITY OF CHANDLER, TEXAS
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SQUIRES, JOHNSON, SQUIRES

Certified Public Accountants

INDEPENDENT AUDITOR'S REPORT

Honorable Mayor and Members of the City Council
City of Chandler, Texas

We have audited the accompanying financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the City of Chandler, Texas as of and for the year ended September 30, 2013, and the related notes to the financial statements, which collectively comprise the City's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

Our responsibility is to express opinions on these financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

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

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

Opinions

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the City of Chandler, Texas as of September 30, 2013, and the respective changes in financial position and, where applicable, cash flows thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis and the schedule of funding progress on pages 4-9 and 40 be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Other Information

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the City of Chandler, Texas's basic financial statements. The supplemental schedules 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 supplemental schedules listed in the Table of Contents are the responsibility of management and were derived from and relate directly to the underlying accounting and other records used to prepare the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the supplemental schedules listed in the Table of Contents are fairly stated, in all material respects, in relation to the basic financial statements as a whole.


Certified Public Accountants

Tyler, Texas
June 13, 2014

REQUIRED SUPPLEMENTARY INFORMATION
MANAGEMENT'S DISCUSSION AND ANALYSIS

Management's Discussion and Analysis

As management of the City of Chandler, we offer readers of the City's financial statements this narrative overview and analysis of the financial activities of the City for the Fiscal year ended September 30, 2013.

Financial Highlights

- As of the end of the current fiscal year, the assets of the City exceed its liabilities by \$7,591,434 (net position). Of this amount \$917,505 may be used to meet the City's ongoing obligations to citizens and creditors.
- As of the end of the current fiscal year, the City's governmental funds reported combined ending fund balance of \$936,863. Of this amount \$306,976 (32.77%) is available for spending at the government's discretion.
- The total net position of \$7,591,434 is made up of \$5,707,675 in capital assets net of related debt and \$1,883,759 in other net position.

Overview of the Financial Statements

This discussion and analysis is intended to serve as an introduction to the City's basic financial statements. The financial statements are prepared using Governmental Accounting Statement No. 34 *Basic Financial Statements – and Management Discussion and Analysis – for State and Local Governments*.

The City's basic financial statements comprise three components: 1) government-wide financial statements, 2) fund financial statements, and 3) notes to the financial statements. This report also includes other supplementary information in addition to the basic financial statements.

The *government-wide financial statements* are designed to provide readers with a broad overview of the City of Chandler's finances, in a manner similar to a private sector business.

The *statement of net position* presents information on all of the City's assets and liabilities, with the difference between the two reported as *net position*. Over time, increases or decreases in net position may serve as a useful indicator of whether the financial position of the City is improving or deteriorating. However, other nonfinancial factors must also be considered.

The *statement of activities* presents information showing how the City's net position changed during the fiscal year. All changes in net position are reported as soon as the underlying event giving rise to the change occurs, regardless of the timing of related cash flows. Thus all of the current year's revenue and expenses are taken into account regardless of when cash is received or paid.

Both of the government-wide financial statements distinguish functions of the City of Chandler that are principally supported by taxes and other governmental revenue (governmental activities) from other functions that are intended to recover all or a significant portion of their costs through user fees and charges (business-type activities). The governmental activities of the City include general government, public safety and streets and drainage. The business-type activities include water and sewer.

The fund financial statements are presented using fund designations. A fund is a group of related accounts that is used to maintain control over resources that have been segregated for specific activities or objectives. The City, like other local governments, used fund accounting to ensure and demonstrate

compliance with finance-related legal requirements. All of the funds of the City can be divided into two categories: governmental funds and proprietary funds.

Governmental funds. These funds are used to account for essentially the same functions reported as *governmental activities* in the government-wide financial statements. However, unlike the government-wide financial statements, governmental funds financial statements focus on near-term inflows and outflows of spendable resources, as well as on balances of spendable resources available at the end of the fiscal year. Such information may be useful in evaluating the City's near-term financing requirements.

Because the focus of governmental funds is narrower than that of the government-wide financial statements, it is useful to compare the information presented for governmental funds with similar information presented for governmental activities in the government-wide financial statements. By doing so, readers may better understand the long-term impact of the City's near term financing decisions. Both the governmental fund balance sheet and the governmental fund statement of revenues, expenditures, and changes in fund balances provide a reconciliation to facilitate this comparison between governmental funds and governmental activities.

The City maintains two individual governmental funds. Information is presented separately in the governmental fund balance sheet and in the governmental fund statement of revenues, expenditures, and changes in fund balances for the general fund, which is considered to be a major fund. Data from the other governmental fund is presented as a single aggregated presentation as it is considered a nonmajor governmental fund.

Proprietary funds. The City of Chandler maintains one type of proprietary fund – an enterprise fund. Enterprise funds are used to report the same functions as business-type activities in the government-wide financial statements. The City used enterprise funds to account for its water and sewer operations and capital projects.

Proprietary funds provide the same type of information as the government-wide financial statements, only in more detail. The proprietary fund financial statements provide separate information for the water and sewer as well as for the capital projects. A combination of the two funds was presented in the government-wide financial statements.

Notes to the financial statements: The notes provide additional information that is essential to a full understanding of the data provided in the government-wide and fund financial statements.

Government-wide Financial Analysis

As noted earlier, net position may serve over time as a useful indicator of the City's financial position. As of the end of the fiscal year, September 30, 2013, the City's assets exceeded liabilities by \$7,591,434.

By far the largest portion of the City's net position, \$5,707,675, reflects its investment in capital assets (e.g., land, buildings, equipment, and infrastructure); less any related debt used to acquire these assets that is still outstanding. The City uses these capital assets to provide services to citizens; consequently, these assets are not available for future spending. Although the City's investment in its capital assets is reported net of related debt, it should be noted that the resources needed to repay this debt must be provided from other sources since the capital assets themselves cannot be used to liquidate these liabilities. This amount increased by \$44,022 from the prior year primarily from new capital asset additions. The amount of unrestricted net position \$917,505 decreased by \$101,442 from the prior year due to the current year increase of assets and decrease of related debt by the governmental and business-type activities.

City of Chandler's Net Position

	Governmental Activities		Business-type Activities		Total	
	2013	2012	2013	2012	2013	2012
Current and other assets	\$ 1,155,304	\$ 1,102,589	\$ 1,301,863	\$ 1,527,348	\$ 2,457,167	\$ 2,629,937
Capital assets	3,466,649	3,433,230	5,615,777	5,533,682	9,082,426	8,966,912
Total assets	4,621,953	4,535,819	6,917,640	7,061,030	11,539,593	11,596,849
Current liabilities	276,815	193,910	269,699	236,159	546,514	430,069
Noncurrent liabilities	306,645	321,545	3,095,000	3,260,000	3,401,645	3,581,545
Total liabilities	583,460	515,455	3,364,699	3,496,159	3,948,159	4,011,614
Net invested in capital assets	3,090,845	3,071,798	2,616,830	2,591,855	5,707,675	5,663,653
Restricted	615,616	574,388	350,638	328,247	966,254	902,635
Unrestricted	332,032	374,178	585,473	644,769	917,505	1,018,947
Total net position	\$4,038,493	\$ 4,020,364	\$3,552,941	\$ 3,564,871	\$7,591,434	\$ 7,585,235

Governmental activities. Governmental activities increased net position by \$18,129 during the year which is \$21,874 less than the prior year's increase which was primarily attributable to increased revenues and decreased expenses in general government and public service. The business-type activities resulted in an \$11,930 decrease to net position, which includes the effects of a prior period adjustment.

City of Chandler's Changes in Net Position

	Governmental Activities		Business-type Activities		Total	
	2013	2012	2013	2012	2013	2012
Revenues						
Charges for services	\$ 891,846	\$ 963,160	\$ 958,869	\$ 1,291,108	\$ 1,850,715	\$ 2,254,268
General Revenue						
Property taxes	643,346	597,419	-	-	643,346	597,419
Franchise taxes	117,215	129,541	-	-	117,215	129,541
Sales and use taxes	549,343	475,335	-	-	549,343	475,335
Interest income	2,092	2,796	2,070	4,686	4,162	7,482
Total revenue	2,203,842	2,168,251	960,939	1,295,794	3,164,781	3,464,045
Expenses						
General government	889,833	909,342	-	-	889,833	909,342
Public safety	749,234	729,952	-	-	749,234	729,952
Environmental and public service	164,167	70,594	-	-	164,167	70,594
Highways and streets	217,630	250,744	-	-	217,630	250,744
Parks and recreation	163,754	124,558	-	-	163,754	124,558
City library	34,921	-	-	-	34,921	-
Interest	37,577	43,058	-	-	37,577	43,058
Water and sewer operations	-	-	854,586	1,060,231	854,586	1,060,231
Total expenses	2,257,116	2,128,248	854,586	1,060,231	3,111,702	3,188,479

Other						
Gain on sale of assets	9,600	-	-	-	9,600	-
Transfers	61,803	-	(61,803)	-	-	-
Total other	71,403	-	(61,803)	-	9,600	-
Change in net position	18,129	40,003	44,550	235,563	62,679	275,566
Net position, beginning, as originally stated	4,020,364	3,980,361	3,564,871	3,329,308	7,585,235	7,309,669
Prior period adjustment for GASB 65	-	-	(56,480)	-	(56,480)	-
Net position, beginning, as originally stated	4,020,364	3,980,361	3,508,391	3,329,308	7,528,755	7,309,669
Net position, end of the year	<u>\$ 4,038,493</u>	<u>\$ 4,020,364</u>	<u>\$ 3,552,941</u>	<u>\$ 3,564,871</u>	<u>\$ 7,591,434</u>	<u>\$ 7,585,235</u>

Financial Analysis of the Government's Funds

As noted earlier, the City of Chandler uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements.

Governmental funds. The focus of the City's governmental funds is to provide information on near-term inflows, outflows and balances of spendable resources. Such information is useful in assessing the City's financing requirements. In particular, unreserved fund balances may serve as a useful measure of the City's net resources available for spending at the end of the fiscal year.

At the end of the current fiscal year, the City's governmental funds reported an ending fund balance of \$936,863 of which \$306,976 is unassigned and available for spending at the City's discretion. The remainder is reserved to indicate that it is not available for new spending because it has already been committed for future capital improvements and court technology.

Proprietary funds. The City's proprietary funds provide the same type of information found in the government-wide financial statements but in more detail.

Unrestricted net position of the proprietary fund amounted to \$585,473. The total net position decreased by \$11,930 for the year.

General Fund Budgetary Highlights

Over the year, the City of Chandler did not make any revisions to its original budget. At the end of the year, revenues were more than the budgeted amount by \$31,878. Actual expenditures were more than budgeted amounts by \$46,796 and GAAP adjustments of \$23,029 resulted in an actual decrease to fund balance of \$37,947 at year end.

Capital Assets and Debt Administration

Capital Assets. The City of Chandler's investment in capital assets for the governmental and business-type activities as of September 30, 2013, amounts to \$5,707,675 net of accumulated depreciation and related debt. This investment in capital assets includes land, construction in progress, buildings, machinery and equipment, water and sewer systems, and infrastructure. The total increase in the City's investment in fixed assets for the current year was \$44,022.

During the year the City made major improvements to the water treatment plant and built a new fishing lake at Winchester Park.

City of Chandler's Capital Assets

	Governmental Activities		Business-type Activities		Total	
	2013	2012	2013	2012	2013	2012
Land	\$ 575,760	\$ 575,760	\$ 108,962	\$ 108,962	\$ 684,722	\$ 684,722
Construction in Progress	-	-	-	19,949	-	19,949
Buildings and improvements	644,429	577,113	-	-	644,429	577,113
Infrastructure	1,897,580	1,945,537	-	-	1,897,580	1,945,537
Machinery and equipment	348,880	334,820	5,460	9,228	354,340	344,048
Water and sewer system	-	-	5,501,355	5,395,543	5,501,355	5,395,543
Combined total	\$ 3,466,649	\$ 3,433,230	\$ 5,615,777	\$ 5,533,682	\$ 9,082,426	\$ 8,966,912

Additional information on the City's capital assets can be found in the footnotes to this financial report.

Long-term debt. At the end of the current year, the City had total debt outstanding of \$3,667,553. Of this amount, \$3,260,000 comprises debt backed by revenue bonds, refunding bonds and certificates of obligation. During the current year, the City did not incur any new debt.

Several of the City's bonds are insured thus holding a Triple A rating from both Moody's and Standard & Poor's. Additional information on the City's long-term debt can be found in the footnotes to this financial report.

City of Chandler's Outstanding Debt

	Governmental Activities		Business-type Activities		Total	
	2013	2012	2013	2012	2013	2012
Capital leases	\$ 54,258	\$ -	\$ -	\$ -	\$ 54,258	\$ -
Compensated absences	31,750	10,497	-	-	31,750	10,497
Revenue bonds	-	-	3,260,000	3,420,000	3,260,000	3,420,000
Note payable	321,545	361,433	-	-	321,545	361,433
Combined total	\$ 407,553	\$ 371,930	\$ 3,260,000	\$ 3,420,000	\$ 3,667,553	\$ 3,791,930

Economic Factors and Next Year's Budgets and Rates

Economic trends in the area mirror those of Tyler, Texas that is located in a U. S. Census metropolitan economic region within commuting distance of most of the City's citizens. In the region, unemployment has remained steady and is generally better than that of the whole country.

The City strives to keep expenditures to a minimum. With controlled spending and use of reserves, the City should be able to absorb any unexpected inflationary price change such as fuel and power costs.

The City expects to see an increase in sales tax revenue for the next couple years due to beer and wine sales.

All of these factors were considered in preparing the City's budget for the 2013 fiscal year.

Request for Information

This financial report is designed to provide a general overview of the City of Chandler's finances for all of those with an interest in the government's finances. Questions concerning any of the information provided in this report or requests for additional financial information should be addressed to: City of Chandler, Attn: City Secretary, P. O. Box 425, Chandler, TX 75758 or call 903-849-6853 or email sparmer@chandler.tx.com.

BASIC FINANCIAL STATEMENTS

**CITY OF CHANDLER, TEXAS
STATEMENT OF NET POSITION
SEPTEMBER 30, 2013**

	PRIMARY GOVERNMENT		
	GOVERNMENTAL ACTIVITIES	BUSINESS- TYPE ACTIVITIES	TOTAL
ASSETS			
Cash and certificates of deposit	\$ 936,769	\$ 590,946	\$ 1,527,715
Inventory	-	39,819	39,819
Receivables (net of allowance for doubtful accounts)	143,492	134,447	277,939
Internal balances	75,043	(75,043)	-
Restricted Assets:			
Temporarily restricted:			
Revenue bond debt service	-	350,638	350,638
Cash for construction	-	261,056	261,056
Capital Assets (net of accumulated depreciation):			
Land	575,760	108,962	684,722
Buildings and improvements	644,429	-	644,429
Water and sewer system	-	5,501,355	5,501,355
Machinery and equipment	348,880	5,460	354,340
Infrastructure	1,897,580	-	1,897,580
Total Assets	4,621,953	6,917,640	11,539,593
LIABILITIES			
Accounts payable and accrued expenses	175,907	104,699	280,606
Non-current liabilities:			
Due within one year	100,908	165,000	265,908
Due in more than one year	306,645	3,095,000	3,401,645
Total Liabilities	583,460	3,364,699	3,948,159
NET POSITION			
Investment in capital assets, net of related debt	3,090,845	2,616,830	5,707,675
Restricted for:			
Debt service	-	350,638	350,638
Future construction	615,616	-	615,616
Unrestricted	332,032	585,473	917,505
Total Net Position	\$ 4,038,493	\$ 3,552,941	\$ 7,591,434

The accompanying notes are an integral part of these financial statements.

**CITY OF CHANDLER, TEXAS
STATEMENT OF ACTIVITIES
FISCAL YEAR ENDED SEPTEMBER 30, 2013**

PROGRAM ACTIVITIES	EXPENSES	PROGRAM REVENUES		NET (EXPENSE) REVENUE AND CHANGES IN NET POSITION		
		CHARGES FOR SERVICES		GOVERNMENTAL ACTIVITIES	BUSINESS- TYPE ACTIVITIES	TOTAL
PRIMARY GOVERNMENT:						
Governmental activities:						
General government	\$ 889,833	\$ 423,908	\$ (465,925)	\$ -	\$ (465,925)	
Public safety	749,234	428,307	(320,927)	-	(320,927)	
Environmental and public service	164,167	-	(164,167)	-	(164,167)	
Highways and streets	217,630	-	(217,630)	-	(217,630)	
Parks and recreation	163,754	21,348	(142,406)	-	(142,406)	
City library	34,921	18,283	(16,638)	-	(16,638)	
Interest and fees	37,577	-	(37,577)	-	(37,577)	
Total governmental activities	2,257,116	891,846	(1,365,270)	-	(1,365,270)	
Business-type activities:						
Water and sewer	854,586	958,869	-	104,283	104,283	
Total business-type activities	854,586	958,869	-	104,283	104,283	
Total primary government	\$ 3,111,702	\$ 1,850,715	(1,365,270)	104,283	(1,260,987)	
General revenues:						
Property taxes			643,346	-	643,346	
Franchise taxes			117,215	-	117,215	
Sales and use taxes			549,343	-	549,343	
Interest income			2,092	2,070	4,162	
Gain on sale of assets			9,600	-	9,600	
Transfers			61,803	(61,803)	-	
Total general revenues and transfers			1,383,399	(59,733)	1,323,666	
Change in Net Position			18,129	44,550	62,679	
Net Position - beginning of year, as originally stated			4,020,364	3,564,871	7,585,235	
Prior period adjustment (Note 10)			-	(56,480)	(56,480)	
Net Position - beginning of year, restated			4,020,364	3,508,391	7,528,755	
Net Position - end of year			\$ 4,038,493	\$ 3,552,941	\$ 7,591,434	

The accompanying notes are an integral part of these financial statements.

**CITY OF CHANDLER, TEXAS
BALANCE SHEET
GOVERNMENTAL FUNDS
SEPTEMBER 30, 2013**

	<u>GENERAL</u>	<u>ECONOMIC DEVELOPMENT FUND</u>	<u>TOTAL GOVERNMENTAL FUNDS</u>
ASSETS			
Cash and Certificates of Deposit	\$ 334,324	\$ 602,445	\$ 936,769
Receivables:			
Sales Tax Receivable	79,994	26,665	106,659
Trash Services Receivable	26,049	-	26,049
Property Tax Receivable (net of allowance for estimated uncollectibles)	10,784	-	10,784
Due from Other Funds	<u>75,043</u>	<u>-</u>	<u>75,043</u>
Total Assets	<u>\$ 526,194</u>	<u>\$ 629,110</u>	<u>\$ 1,155,304</u>
LIABILITIES, DEFERRED INFLOWS OF RESOURCES AND FUND BALANCES			
LIABILITIES:			
Accounts Payable	\$ 162,413	\$ 13,494	\$ 175,907
Accrued Compensated Absences	<u>31,750</u>	<u>-</u>	<u>31,750</u>
Total Liabilities	<u>194,163</u>	<u>13,494</u>	<u>207,657</u>
DEFERRED INFLOWS OF RESOURCES:			
Unavailable revenue - property taxes	<u>10,784</u>	<u>-</u>	<u>10,784</u>
Total Deferred Inflows of Resources	<u>10,784</u>	<u>-</u>	<u>10,784</u>
FUND BALANCES:			
Restricted:			
Capital Improvements	-	615,616	615,616
Court Security and Technology	14,271	-	14,271
Unassigned	<u>306,976</u>	<u>-</u>	<u>306,976</u>
Total Fund Balances	<u>321,247</u>	<u>615,616</u>	<u>936,863</u>
Total Liabilities, Deferred Inflows of Resources and Fund Balances	<u>\$ 526,194</u>	<u>\$ 629,110</u>	<u>\$ 1,155,304</u>

The accompanying notes are an integral part of these financial statements.

**CITY OF CHANDLER, TEXAS
BALANCE SHEET
GOVERNMENTAL FUNDS
SEPTEMBER 30, 2013**

Reconciliation of the Governmental Funds Balance Sheet to the Statement of Net Position (Exhibit 1)

	<u>Total Governmental Funds</u>
Total fund balances governmental funds (Exhibit 3 page 1)	\$ 936,863
Capital assets used in governmental activities are not current financial resources and, therefore, are not reported in the governmental funds balance sheet.	3,466,649
Other long-term assets are not available to pay for current-period expenditures and, therefore, are deferred in the funds.	10,784
Long term liabilities, including bonds payable, are not due and payable in the current period and, therefore, are not reported in the governmental funds balance sheet.	<u>(375,803)</u>
Net position of governmental activities	<u>\$ 4,038,493</u>

The accompanying notes are an integral part of these financial statements.

CITY OF CHANDLER, TEXAS
STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES
GOVERNMENTAL FUNDS
FISCAL YEAR ENDED SEPTEMBER 30, 2013

	GENERAL	ECONOMIC DEVELOPMENT FUND	TOTAL GOVERNMENTAL FUNDS
REVENUES			
Property taxes	\$ 647,546	\$ -	\$ 647,546
Sales tax	411,860	137,483	549,343
Franchise tax	117,215	-	117,215
Fines	428,307	-	428,307
Licenses and permits	35,630	-	35,630
Library	18,283	-	18,283
Little league fees	3,075	-	3,075
Winchester park	18,273	-	18,273
Interest	941	1,151	2,092
Rents	19,300	-	19,300
Expense reimbursements	38,000	-	38,000
Miscellaneous	7,586	-	7,586
Trash and tax collection	310,792	-	310,792
Lease income	12,600	-	12,600
Total Revenues	2,069,408	138,634	2,208,042
EXPENDITURES			
General government	740,738	97,406	838,144
Public safety	466,453	-	466,453
Municipal court	219,750	-	219,750
Environmental and public service	163,582	-	163,582
Highways and streets	74,010	-	74,010
Parks and recreation	113,717	-	113,717
City Library	34,921	-	34,921
Capital outlay	342,381	-	342,381
Debt service - principal	68,855	-	68,855
Debt service - interest	26,043	-	26,043
Appraisal and collection fees	11,534	-	11,534
Total Expenditures	2,261,984	97,406	2,359,390
Excess (Deficiency) of Revenues Over (Under) Expenditures	(192,576)	41,228	(151,348)
Other Financing Sources (Uses):			
Capital lease proceeds	83,226	-	83,226
Sale of assets	9,600	-	9,600
Transfers in	61,803	-	61,803
Total Other Financing Sources (Uses)	154,629	-	154,629
Net Change in Fund Balances	(37,947)	41,228	3,281
Fund Balance, October 1, 2012	359,194	574,388	933,582
Fund Balance, September 30, 2013	\$ 321,247	\$ 615,616	\$ 936,863

The accompanying notes are an integral part of these financial statements.

CITY OF CHANDLER, TEXAS
RECONCILIATION OF THE STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES
OF GOVERNMENTAL FUNDS TO THE STATEMENT OF ACTIVITIES
FISCAL YEAR ENDED SEPTEMBER 30, 2013

Amounts reported for governmental activities in the statement of activities (Exhibit 2) are different because:

Net change in fund balances - total governmental funds	\$	3,281
Governmental funds report capital outlays as expenditures. However, in the statement of activities the cost of those assets is allocated over their estimated useful lives and reported as depreciation expense. This is the amount by which depreciation exceeded capital outlay in the current period.		33,419
Revenues in the statement of activities that do not provide current financial resources are not reported as revenues in the funds.		(14,371)
The issuance of long-term debt (e.g. bonds) provides current financial resources to governmental funds, while the repayment of the principal of long-term debt consumes the current financial resources of governmental funds. Neither transaction, however, has any effect on financial position. Also, governmental funds report the effect of issuance costs, premiums, discounts, and similar items when debt is first issued; whereas the amounts are deferred and amortized in the statement of activities. This amount is the net effect of these differences in the treatment of long-term debt and related items.		<u>(4,200)</u>
Change in net position of governmental activities	\$	<u><u>18,129</u></u>

The accompanying notes are an integral part of these financial statements.

CITY OF CHANDLER, TEXAS
STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN
FUND BALANCE - BUDGET AND ACTUAL
GENERAL FUND
FISCAL YEAR ENDED SEPTEMBER 30, 2013

	GENERAL FUND			VARIANCE WITH FINAL BUDGET POSITIVE (NEGATIVE)
	ORIGINAL BUDGET	FINAL BUDGET	ACTUAL	
REVENUES				
Property taxes	\$ 635,555	\$ 635,555	\$ 647,546	\$ 11,991
Sales tax	480,000	480,000	398,375	(81,625)
Franchise tax	109,500	109,500	117,215	7,715
Fines	385,000	385,000	428,307	43,307
Licenses and permits	14,000	14,000	35,630	21,630
Library	18,300	18,300	18,283	(17)
Little league fees	3,500	3,500	3,075	(425)
Winchester park	-	-	18,273	18,273
Subdivision fees	2,000	2,000	-	(2,000)
Interest	1,550	1,550	941	(609)
Rents	16,020	16,020	19,300	3,280
Expense reimbursements	40,000	40,000	38,000	(2,000)
Contributions	500	500	-	(500)
Miscellaneous	13,010	13,010	7,586	(5,424)
Trash and tax collection	305,000	305,000	310,082	5,082
Lease income	9,000	9,000	12,600	3,600
Sale of assets	-	-	9,600	9,600
Total Revenues	2,032,935	2,032,935	2,064,813	31,878
EXPENDITURES				
General government	860,109	860,109	828,728	31,381
Public safety	497,871	497,871	455,224	42,647
Municipal court	212,561	212,561	215,925	(3,364)
Environmental and public service	76,000	76,000	89,925	(13,925)
Highways and streets	246,676	246,676	260,691	(14,015)
Parks and recreation	89,784	89,784	114,297	(24,513)
City Library	39,434	39,434	34,552	4,882
Debt service - principal	-	-	68,855	(68,855)
Appraisal and collection fees	10,500	10,500	11,534	(1,034)
Total Expenditures	2,032,935	2,032,935	2,079,731	(46,796)
Excess (Deficiency) of Revenues Over (Under) Expenditures - Budget Basis	-	-	(14,918)	(14,918)
Budget Basis to GAAP Basis Adjustments (Note A)	-	-	(23,029)	(23,029)
Excess (Deficiency) of Revenues Over (Under) Expenditures - GAAP Basis	-	-	(37,947)	(37,947)
Net Change in Fund Balances	-	-	(37,947)	(37,947)
Fund Balance, October 1, 2012	359,194	359,194	359,194	-
Fund Balance, September 30, 2013	\$ 359,194	\$ 359,194	\$ 321,247	\$ (37,947)

The accompanying notes are an integral part of these financial statements.

CITY OF CHANDLER, TEXAS
STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN
FUND BALANCE - BUDGET AND ACTUAL
GENERAL FUND
FISCAL YEAR ENDED SEPTEMBER 30, 2013

Note A - Explanation of Differences Between Budget Basis Presentation and GAAP

Basis Presentation:

Sources/Inflows of Resources:

Differences - Budget to GAAP

Transfers from Water & Sewer Fund for park project costs	\$ 61,803
Capital lease proceeds	83,226
Increase in accrued sales taxes	13,485
Increase in accrued revenues on charges for services	711
Loan proceeds for capital acquisitions	159,225
	159,225

Uses/Outflows of Resources:

Differences - Budget to GAAP

Park project costs	
Funds reserved for debt service	(61,803)
Increase in accrued expenses	(83,226)
Total Uses/Outflows of Resources	(37,225)
	(182,254)

Net Change in Budget Basis Presentation and GAAP Basis Presentation	\$ (23,029)
	(23,029)

The accompanying notes are an integral part of these financial statements.

**CITY OF CHANDLER, TEXAS
STATEMENT OF NET POSITION
PROPRIETARY FUNDS
SEPTEMBER 30, 2013**

	<u>BUSINESS-TYPE ACTIVITIES ENTERPRISE FUND OPERATING FUND</u>
ASSETS	
Current Assets:	
Cash and certificates of deposit	\$ 590,946
Inventory	39,819
Accounts receivable (Net)	<u>134,447</u>
Total Current Assets	<u>765,212</u>
Restricted Assets:	
Temporarily Restricted	
Revenue bond debt service	350,638
Cash for construction	<u>261,056</u>
Total Restricted Assets	<u>611,694</u>
Capital Assets:	
Land	108,962
Water and sewer system	7,495,498
Machinery & equipment	58,641
Less: Accumulated depreciation	<u>(2,047,324)</u>
Total Capital Assets Net Of Accumulated Depreciation	<u>5,615,777</u>
Total Assets	<u>6,992,683</u>
LIABILITIES	
Current Liabilities:	
Accounts payable	42,031
Accrued interest	62,668
Due to other funds	75,043
Revenue bonds payable	<u>165,000</u>
Total Current Liabilities	<u>344,742</u>
Noncurrent Liabilities:	
Revenue bonds payable	<u>3,095,000</u>
Total Liabilities	<u>3,439,742</u>
NET POSITION	
Invested in capital assets, net of related debt	2,616,830
Restricted for debt service	350,638
Unrestricted	<u>585,473</u>
Total Net Position	<u>\$ 3,552,941</u>

The accompanying notes are an integral part of these financial statements.

CITY OF CHANDLER, TEXAS
STATEMENT OF REVENUES, EXPENSES AND CHANGES IN NET POSITION
PROPRIETARY FUNDS
FISCAL YEAR ENDED SEPTEMBER 30, 2013

	BUSINESS-TYPE ACTIVITIES
	ENTERPRISE FUND
	OPERATING FUND
OPERATING REVENUES	
Water sales and sewer service	\$ 874,918
Charges for services	83,951
Total Operating Revenues	958,869
OPERATING EXPENSES	
Water and sewer operations	561,441
Depreciation	153,817
Total Operating Expenses	715,258
Operating Income (Loss)	243,611
NON-OPERATING REVENUES (EXPENSES)	
Interest expense	(139,328)
Interest income	2,070
Transfers out	(61,803)
Total Non-Operating Revenues (Expenses)	(199,061)
Change in Net Position	44,550
Net Position, October 1, 2012 as originally stated	3,564,871
Prior period adjustment (Note 10)	(56,480)
Net Position, October 1, 2012 as restated	3,508,391
Net Position, September 30, 2013	\$ 3,552,941

The accompanying notes are an integral part of these financial statements.

**CITY OF CHANDLER, TEXAS
STATEMENT OF CASH FLOWS
PROPRIETARY FUNDS
FISCAL YEAR ENDED SEPTEMBER 30, 2013**

Increase (Decrease) in Cash and Cash Equivalents

	<u>OPERATING FUND</u>
CASH FLOWS FROM OPERATING ACTIVITIES:	
Cash received from customers and users	\$ 938,497
Cash paid to suppliers for goods and services	(491,798)
Cash paid to employees for services	<u>(38,000)</u>
Net cash provided by operating activities	<u>408,699</u>
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES:	
Capital asset purchases	(297,714)
Interest paid	(142,432)
Principal paid on bonds	<u>(160,000)</u>
Net cash used in capital and related financing activities	<u>(600,146)</u>
CASH FLOWS FROM INVESTING ACTIVITIES:	
Interest earned on investments	<u>2,070</u>
Net cash provided by investing activities	<u>2,070</u>
Net decrease in cash	(189,377)
Cash, beginning of period	<u>1,392,017</u>
Cash, end of period	<u><u>\$ 1,202,640</u></u>
Reconciliation of Cash on Exhibit 7:	
Cash and certificates of deposit	\$ 590,946
Cash - restricted assets	<u>611,694</u>
Total Cash	<u><u>\$ 1,202,640</u></u>
Reconciliation of Operating Income (Loss) To Net Cash Provided By (Used In) Operating Activities:	
Operating income (loss)	\$ 243,611
Adjustments to reconcile net income (loss) to net cash provided by (used in) operating activities:	
Depreciation expense	153,817
Increase in accounts receivable	(18,480)
Decrease in due to other funds	(1,892)
Increase in accounts payable	<u>31,643</u>
Total adjustments	<u>165,088</u>
NET CASH PROVIDED BY (USED IN) OPERATING ACTIVITIES	<u><u>\$ 408,699</u></u>

The accompanying notes are an integral part of these financial statements.

CITY OF CHANDLER, TEXAS
NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2013

NOTE 1: — SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

A. General Statement

The City of Chandler, Texas (the "City") was incorporated on January 9, 1913, under the provisions of the State of Texas. The City operates under a council form of government and provides the following services as authorized by its charter: public safety (police), streets, health and social services, culture, recreation, public improvements, planning, general administrative services, and utilities operations.

The accounting policies of the City of Chandler, Texas conform to generally accepted accounting principles as applicable to governmental units. The following is a summary of the more significant policies:

B. The Reporting Entity

These financial statements present all of the funds of the City.

The financial statements of the City of Chandler, Texas include all funds and account groups and other organizations for which the City is financially accountable. Financial accountability is determined on the basis of appointment of a voting majority of the respective governing board, imposition of will, financial benefit or burden and financial accountability as a result of fiscal dependency. In determining the financial reporting entity, the City complies with the provisions of Government Accounting Standards Board Statement No. 14, "The Financial Reporting Entity", and includes all component units of which the City appointed a voting majority of the units' board and the City is either able to impose its will on the unit or a financial benefit or burden relationship exists.

The Chandler Area Economic Development Corporation, Inc. was formed in 1998, and is governed by a seven-member board of directors, which includes the City's council members. For financial reporting purposes, the Chandler Area Economic Development Corporation, Inc. has been presented as a blended component unit of the City and is reported as a Capital Projects Fund, because its purpose is to account for construction activities funded by the revenues generated by the one-half cent sales tax. The Chandler Area Economic Development Corporation, Inc. does not issue separate financial statements.

C. Government-wide and Fund Financial Statements

The government-wide financial statements (i.e., the statement of net position and the statement of activities) report information on all of the nonfiduciary activities of the primary government.

The statement of activities demonstrates the degree to which the direct expenses of a given function or segment are offset by program revenues. Direct expenses are those that are clearly identifiable with a specific function. Program revenues include 1) charges to customers or applicants who purchase, use, or directly benefit from goods, services, or privileges provided by a given function and 2) grants and contributions that are restricted to meeting the operational or capital requirements of a particular function. Taxes and other items not properly included among program revenues are reported instead as general revenues. Major individual governmental funds are reported as separate columns in the fund financial statements.

CITY OF CHANDLER, TEXAS
NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2013

D. Measurement Focus, Basis of Accounting, and Financial Statement Presentation

The government-wide financial statements are reported using the economic resources measurement focus and the accrual basis of accounting, as are the proprietary fund financial statements. Revenues are recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of related cash flows. Property taxes are recognized as revenues in the year for which they are levied. Grants and similar items are recognized as revenue as soon as all eligibility requirements imposed by the provider have been met.

Governmental fund financial statements are reported using the current financial resources measurement focus and the modified accrual basis of accounting. Revenues are recognized as soon as they are both measurable and available. Revenues are considered to be available when they are collectible within the current period or soon enough thereafter to pay liabilities of the current period. For this purpose, the government considers revenues to be available if they are collected within 60 days of the end of the current fiscal period. Expenditures generally are recorded when a liability is incurred, as under accrual accounting.

However, debt service expenditures, as well as expenditures related to compensated absences and claims and judgments, are recorded only when payment is due.

Property taxes, franchise taxes, licenses, and interest associated with the current fiscal period are all considered to be susceptible to accrual and so have been recognized as revenues of the current fiscal period. Only the portion of special assessments receivable due within the current fiscal period is considered to be susceptible to accrual as revenue of the current period. All other revenue items are considered to be measurable and available only when cash is received by the government.

The government reports the following major governmental funds:

The General Fund is the government's primary operating fund. It accounts for all financial resources of the general government, except those required to be accounted for in another fund.

The Economic Development Fund is used to account for the use of the one-half cent sales tax proceeds for capital improvement projects of the City.

The government reports the following major proprietary fund:

The Water and Sewer Fund is used to account for sale of water and wastewater treatment by the City to businesses and residential customers.

Amounts reported as program revenues include charges to customers or applicants for goods, services, or privileges provided. Internally dedicated resources are reported as general revenues rather than as program revenues. Likewise, general revenues include all taxes.

Proprietary funds distinguish operating revenues and expenses from non-operating items. Operating revenues and expenses generally result from providing services and producing and delivery of goods in connection with a proprietary fund's principal ongoing operations. The principal operating revenues of the City's enterprise funds are charges to customers for sales and services. The City also recognizes as operating revenue the portion of tap fees intended to recover the cost of connecting new customers to the system. Operating expenses for enterprise funds include the cost of sales and services, administrative expense, and depreciation on capital assets. All revenues and expenses not meeting this definition are reported as non-operating revenues and expenses.

CITY OF CHANDLER, TEXAS
NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2013

E. Assets, Liabilities, and Financial Position or Equity

1. Cash and cash equivalents – the City considers all cash in demand deposit accounts and petty cash accounts to be cash and cash equivalents, as well as certificates of deposit with original maturities of 90 days or less.

2. Receivables and Payables

Activity between funds that are representative of lending/borrowing arrangements outstanding at the end of the fiscal year are referred to as either “due to/from other funds” (i.e., the current portion of interfund loans) or “advances to/from other funds:” (i.e., the non-current portion of interfund loans). All other outstanding balances between funds are reported as “due to/from other funds.” Any residual balances outstanding between the governmental activities and business-type activities are reported in the government-wide financial statements as “internal balances”.

Advances between funds, as reported in the fund financial statements, are offset by a fund balance reserve account in applicable governmental funds to indicate that they are not available for appropriation and are not expendable available financial resources.

All receivables are shown net of an allowance for uncollectible.

The City provides an allowance for doubtful accounts based upon the anticipated collectability of each specific account, as determined by experience.

Property taxes are levied October 1 on the assessed value of property at January 1 and are due by January 31 of the following year. Unpaid taxes attach as an enforceable lien on property as of January 31. Revenue from taxes assessed is recorded as unavailable revenue – property taxes on October 1. The unavailable revenue – property taxes from taxes is then recognized as revenue during the year as the taxes are actually received.

3. Due from Other Funds

Current portions of long-term interfund loans receivable (reported in “Due from” asset accounts) are considered “available spendable resources”.

4. Inventory – is stated at cost using the first in/first out method. Quantities are determined by physical counts made at year end.

5. Capital Assets – includes property, plant and equipment, are reported in the government-wide financial statements. Capital assets are defined by the government as assets with an initial, individual cost of more than \$2,000 (amount not rounded) and an estimated life in excess of one year. Such assets are recorded at historical cost or estimated historical cost if purchased or constructed. Donated capital assets are recorded at estimated fair market value at the date of donation. The costs of normal maintenance and repairs that do not add to the value of the asset or materially extend asset lives are not capitalized.

Property, plant and equipment of the government are depreciated using the straight line method over the following estimated useful lives:

<u>Assets</u>	<u>Years</u>
Buildings and improvements	20
Machinery and equipment	5
Infrastructure	20
Police vehicles	3

CITY OF CHANDLER, TEXAS
NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2013

Construction in progress – Expenditures on incomplete capital projects have been capitalized as construction in progress. The assets resulting from these projects will be transferred from the construction in progress accounts to the appropriate asset accounts as the projects are completed.

6. Bond issue costs – During the current year the City chose early implementation of GASB Statement No. 65. Under GASB Statement No. 65, bond issue costs are expensed when incurred and a restatement to beginning net position has been made in accordance with this statement.
7. Fund Balance Classification – During the fiscal year ended September 30, 2012, the City adopted GASB Statement No. 54, which redefined how fund balances of governmental funds are presented in the financial statements. Fund balances are classified as follows:

Nonspendable – Amounts that cannot be spent either because they are not in a spendable form or because they are legally or contractually required to be maintained intact.

Restricted – Amounts that can be spent only for specific purposes because of the City Charter, City Code, state or federal laws, or externally imposed conditions by grantors or creditors.

Committed – Amounts that can be used only for specific purposes determined by a formal action by City Council ordinance or resolution. This includes any budgeted reserve account.

Assigned – Amounts that are designated by City Council for a specific purpose but are not spendable until a budget ordinance is passed.

Unassigned – All amounts not included in other spendable classifications.

9. Net Position – During the fiscal year ended September 30, 2013, the City adopted GASB Statement No. 63, which redefines how net assets are presented in the financial statements. The Statement of Net Assets is now the Statement of Net Position. Net position represents the difference between assets and liabilities and deferred inflows of resources. Amounts invested in capital assets, net of related debt, consists of the City's capital assets, net of accumulated depreciation, reduced by any outstanding debt used for the acquisition or construction of those assets. Amounts reported as restricted are those amounts which have limitations imposed on their use either through legislation adopted by the City or through external restrictions imposed by creditors, grantors, or other laws and regulations.
10. Estimates – The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

CITY OF CHANDLER, TEXAS
NOTES TO FINANCIAL STATEMENTS

SEPTEMBER 30, 2013

NOTE 2 — RECONCILIATION OF GOVERNMENT-WIDE AND FUND FINANCIAL STATEMENTS

A. Explanation of certain differences between the governmental fund balance sheet and the government-wide statement of net position - One element of that reconciliation states that "Capital assets used in governmental activities are not current financial resources and, therefore, are not reported in the governmental funds balance sheet." The details of this \$3,466,649 difference are as follows:

Capital assets, October 1, 2012, net of accumulated depreciation	\$3,433,230
Capital asset additions, net of retirements	342,381
Depreciation of capital assets, current year	<u>(308,962)</u>
	<u>\$3,466,649</u>

B. Explanation of certain differences between the governmental fund statement of revenue, expenditures, and changes in fund balance and the government-wide statement of activities - One element of that reconciliation explains that "Governmental funds report capital outlays as expenditures. However, in the statement of activities, the cost of those assets is allocated to their estimated useful lives and reported as depreciation expense." The detail of this \$33,419 difference are as follows:

Capital outlay, asset additions, net of retirements	\$ 342,381
Depreciation expense	<u>(308,962)</u>
	<u>\$ 33,419</u>

NOTE 3 — STEWARDSHIP, COMPLIANCE AND ACCOUNTABILITY

A. Budgetary Information

The City follows these procedures in establishing the budgetary data reflected in the financial statements:

1. The budget for the General Fund is adopted essentially on the cash basis. The budgetary comparisons for this fund are on this non-GAAP budgetary basis.
2. Appropriations lapse at year end.
4. Encumbrance accounting is not used.

CITY OF CHANDLER, TEXAS
NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2013

NOTE 4 — DETAILED NOTES ON ALL FUNDS

A. Deposits and Investments

As of September 30, 2013, the City had the following deposits and investments:

	<u>BOOK BALANCE</u>	<u>BANK BALANCE</u>
Depository Accounts		
Insured	\$ 255,375	\$275,397
Collateral held by pledging banks Trust Department in City's name	<u>1,883,336</u>	<u>1,898,271</u>
Total Deposits	2,138,711	2,173,668
Petty Cash on hand	<u>698</u>	<u>-</u>
Total Cash and Cash Equivalents	<u>\$ 2,139,409</u>	<u>\$ 2,173,668</u>

Interest Rate Risk – The City's investment policy allows for investments in certificates of deposit and money market funds to be made in order to achieve the highest return of interest on excess cash.

B. Receivables

Receivables as of year end for the government's individual major funds in the aggregate, including the applicable allowances for uncollectible accounts, are as follows:

	<u>General Fund</u>	<u>Economic Development Fund</u>	<u>Water & Sewer Fund</u>	<u>Total</u>
Receivables:				
Taxes	\$ 22,034	\$ -	\$ -	\$ 22,034
Sales Tax	79,994	26,665	-	106,659
Accounts (services)	<u>26,049</u>	<u>-</u>	<u>142,579</u>	<u>168,628</u>
Gross Receivables	128,077	26,665	142,579	297,321
Less: Allowance for Uncollectibles	<u>(11,250)</u>	<u>-</u>	<u>(8,132)</u>	<u>(19,382)</u>
Net Receivables	<u>\$ 116,827</u>	<u>\$ 26,665</u>	<u>\$ 134,447</u>	<u>\$ 277,939</u>

CITY OF CHANDLER, TEXAS
NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2013

C. Capital Assets

Capital asset activity for the year ended September 30, 2013 was as follows:

<u>PRIMARY GOVERNMENT</u>	<u>BEGINNING BALANCE</u>	<u>INCREASES</u>	<u>DECREASES</u>	<u>ENDING BALANCE</u>
Governmental Activities:				
Capital Assets, Not Being Depreciated:				
Land	\$ 575,760	\$ -	\$ -	\$ 575,760
Total Capital Assets, Not Being Depreciated	575,760	-	-	575,760
Capital Assets, Being Depreciated:				
Buildings and Improvements	1,445,394	141,446	-	1,586,840
Infrastructure	2,857,589	95,261	-	2,952,850
Machinery and Equipment	993,499	105,674	92,656	1,006,517
Total Capital Assets, Being Depreciated	5,296,482	342,381	92,656	5,546,207
Less Accumulated Depreciation For:				
Buildings and Improvements	(868,281)	(74,130)	-	(942,411)
Infrastructure	(912,052)	(143,218)	-	(1,055,270)
Machinery and Equipment	(658,679)	(91,614)	(92,656)	(657,637)
Total Accumulated Depreciation	(2,439,012)	(308,962)	(92,656)	(2,655,318)
Net Total Assets Being Depreciated	2,857,470	33,419	-	2,890,889
Governmental Activities Capital Assets, Net	<u>\$ 3,433,230</u>	<u>\$ 33,419</u>	<u>\$ -</u>	<u>\$ 3,466,649</u>
Business-Type Activities:				
Capital Assets, Not Being Depreciated:				
Construction in Progress	\$ 19,949	\$ -	\$ 19,949	\$ -
Land	108,962	-	-	108,962
Total Capital Assets, Not Being Depreciated	128,911	-	19,949	108,962
Capital Assets, Being Depreciated:				
Water and Sewer System	7,239,637	255,861	-	7,495,498
Machinery and Equipment	58,641	-	-	58,641
Total Capital Assets, Being Depreciated	7,298,278	255,861	-	7,554,139
Less Accumulated Depreciation For:				
Water and Sewer System	(1,844,094)	(150,049)	-	(1,994,143)
Machinery and Equipment	(49,413)	(3,768)	-	(53,181)
Total Accumulated Depreciation	(1,893,507)	(153,817)	-	(2,047,324)
Net Total Assets Being Depreciated	5,404,771	102,044	-	5,506,815
Business-Type Activities Capital Assets, Net	<u>\$ 5,533,682</u>	<u>\$ 102,044</u>	<u>\$ 19,949</u>	<u>\$ 5,615,777</u>

CITY OF CHANDLER, TEXAS
NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2013

Depreciation expense was charged to functions/programs of the primary government as follows:

Governmental Activities:	
General Government	\$ 51,689
Public Safety	63,031
Environmental and Public Service	585
Parks and Recreation	50,037
Highways and Streets	<u>143,620</u>
Total depreciation expense, governmental activities	<u>\$308,962</u>
Business-Type Activities:	
Water, Sewer and Sanitation Operations	<u>\$153,817</u>

Construction Commitments

The City does not have any active construction projects as of September 30, 2013.

D. Interfund receivables, payables, and transfers

The composition of interfund balances as of September 30, 2013 is as follows:

Due to/from other funds:

<u>Receivable Fund</u>	<u>Payable Fund</u>	<u>Amount</u>
General Fund	Water & Sewer	\$ 75,043

Interfund transfers:

<u>Fund</u>	<u>Transfers In</u>	<u>Transfers Out</u>
Water & Sewer Fund	\$ -	\$ 61,803
General Fund	61,803	-

During the year the Water & Sewer Fund purchased park project assets of \$61,803, which are governmental assets. Thus, they were transferred to the governmental funds.

E. Leases

Operating Leases

Effective March 15, 2005, the City entered into a 10-year agreement to lease land to Alltel Communications, formerly Sprint Cellular, for a communications tower site. Effective August 14, 2007, the lease agreement was amended. The lease term was extended with Alltel Communications having the option to extend the agreement for each of four additional five year terms. Commencing on March 15, 2008, the rent increased to \$9,000 per year. On March 15, 2015 and on each March 15th thereafter, rent shall increase by an amount equal to 3% of the rent payable for the year immediately preceding such increase. During the year ended September 30, 2013, the City received \$9,000 in rent under this agreement.

CITY OF CHANDLER, TEXAS
NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2013

Future rentals to be earned by the City under this agreement are as follows:

<u>Year Ended</u>	<u>Amount</u>
2014	9,000
2015	9,270
2016	9,548
2017	9,834
2018	10,130
2019-2023	55,393
2024-2028	64,215
2029-2033	74,443
2034-2036	32,998
	<u>\$ 274,831</u>

The City also entered into a lease agreement to rent a piece of property for a monthly amount of \$600. Effective April 10, 2007, this lease agreement was amended and the rent was increased to \$650 per month. The City will sublease a portion of this property to an organization for \$300 per month. Under these two agreements, the City paid \$7,800 in rent and received \$3,600 in rent during the year ended September 30, 2013.

Capital Leases

The City has entered into a lease agreement as lessee for financing the purchase of police vehicles. This lease agreement qualifies as a capital lease for accounting purposes.

The assets acquired through the capital lease are as follows:

	<u>Governmental Activities</u>
Asset:	
(2) Police Tahoe Cruisers	\$ 83,226
Less: Accumulated depreciation	<u>(16,645)</u>
Total	<u>\$ 66,581</u>

The future minimum lease obligations and the net present value of these minimum lease payments as of September 30, 2013 were as follows:

<u>Year Ending September 30,</u>	<u>Governmental Activities</u>
2014	\$ 28,967
2015	<u>28,968</u>
Total minimum lease payments	57,935
Less: Amount representing interest	<u>(3,677)</u>
Present Value of minimum lease payments	<u>\$ 54,258</u>

CITY OF CHANDLER, TEXAS
NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2013

F. Long-term debt

Revenue Bonds and Certificates of Obligation

The government has issued bonds where the government pledges tax revenue and income derived from the acquired or constructed assets to pay debt service. The bonds issued by the City in prior years were to fund construction projects to improve or expand the water and sewer system. Income derived from the sale of water will be used to service the debt requirements. In prior years, the City issued refunding bonds to refinance a portion of its old bonds and the City also issued certificates of obligation to pay for wastewater system and street improvements.

Revenue bonds outstanding are as follows:

<u>Issue</u>	<u>Purpose</u>	<u>Interest Rates</u>	<u>Amount</u>
Series - 2006	Refunding Issue	4.90%	\$ 515,000
Series - 2006	Certificate of Obligation	4.90%	1,535,000
Series - 2010	Revenue Bond	4.20%	<u>1,210,000</u>

Total Outstanding Revenue Bonds and Certificates of Obligation	<u>\$ 3,260,000</u>
--	---------------------

The respective bond ordinances of the issues listed above require the following of the City: (a) creation of an interest and sinking fund for each issue; (b) establish a minimum balance to be held by each issue in order to pay the next interest and sinking requirement due; and (c) maintain tax revenue and net income from the City's water and sewer system sufficient to meet annual debt service requirement for all bond issues before the passage of a resolution authorizing the issuance of any new obligations.

As of September 30, 2013, the City was in compliance with all of its bond ordinances.

Annual debt service requirements to maturity for bonds are as follows:

<u>Year Ending</u> <u>September 30</u>	<u>Principal</u>	<u>Interest</u>
2014	\$ 165,000	\$ 135,770
2015	175,000	128,747
2016	185,000	121,409
2017	190,000	113,653
2018	195,000	105,582
2019-2023	1,120,000	395,521
2024-2028	960,000	147,093
2029-2031	<u>270,000</u>	<u>17,430</u>
	<u>\$ 3,260,000</u>	<u>\$ 1,165,205</u>

CITY OF CHANDLER, TEXAS
NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2013

Revenue bond ordinances require that the following information concerning insurance coverage as of September 30, 2013 be disclosed.

<u>ANNUAL PREMIUM</u>	<u>POLICY NO.</u>	<u>NATURE OF COVERAGE</u>	<u>AMOUNT OF COVERAGE</u>	<u>POLICY PERIOD</u>
\$ 12,133	#H5490-01	Workers Compensation	Statutory Limits	10-1-12 - 10-1-13
\$ 20,488	#NYA 803565	Liability General Auto and Law Enforcement	\$2,000,000/occurrence \$1,000,000/occurrence	10-1-12 - 10-1-13 10-1-12 - 10-1-13
		Property:		
		Real & Personal	\$6,731,790	10-1-12 - 10-1-13
		Mobile Equipment	\$325,485	10-1-12 - 10-1-13
		Boiler & Machinery	\$100,000/accident	10-1-12 - 10-1-13
\$ 3,380	#NYA812114	Errors & Omissions	\$1,000,000	10-1-12 - 10-1-13

Notes Payable

The City entered into a note payable with an individual; original loan amount of \$385,000; bearing 6% interest; payable in equal annual installments of \$52,317.95, due May 1 of each year beginning in 2011 and ending in 2021; secured by land. \$ 308,677

The City entered into a note payable for purchase of a law enforcement mobile computer system in the amount of \$50,143; bearing 5.8% interest payable in equal annual installments of \$13,613.09, due July 12 of each year beginning in 2011 and ending in 2014; secured by equipment. \$ 12,868

Total 321,545

Less: Current Portion (42,618)

LONG-TERM PORTION \$ 278,927

Annual debt service requirements to maturity for the City's note payable are as follows:

<u>Year Ending September 30</u>	<u>Principal</u>	<u>Interest</u>
2014	\$ 42,618	\$ 23,312
2015	31,926	20,392
2016	34,260	18,058
2017	36,765	15,553
2018	39,453	12,866
2019-2021	136,523	20,431
	<u>\$ 321,545</u>	<u>\$ 110,612</u>

CITY OF CHANDLER, TEXAS
NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2013

Changes in long-term liabilities

Long term liability activity for the year ended September 30, 2013 was as follows:

	Beginning Balance <u>10/1/2012</u>	Additions	Reductions	Ending Balance <u>9/30/2013</u>	Due Within <u>One Year</u>
Governmental Activities:					
Capital Leases	\$ -	\$ 83,226	\$ 28,968	\$ 54,258	\$ 26,540
Notes Payable	361,433	-	39,888	321,545	42,618
Compensated Absences	<u>10,497</u>	<u>21,253</u>	<u>-</u>	<u>31,750</u>	<u>31,750</u>
Governmental Activity Long-Term Liabilities	<u>\$ 371,930</u>	<u>\$ 104,479</u>	<u>\$ 68,856</u>	<u>\$ 407,553</u>	<u>\$ 100,908</u>
Business-Type Activities:					
Revenue Bonds	<u>\$ 3,420,000</u>	<u>\$ -</u>	<u>\$ 160,000</u>	<u>\$ 3,260,000</u>	<u>\$ 165,000</u>
Business-Type Activity Long-Term Liabilities	<u>\$ 3,420,000</u>	<u>\$ -</u>	<u>\$ 160,000</u>	<u>\$ 3,260,000</u>	<u>\$ 165,000</u>

NOTE 5 — GROUP CONCENTRATIONS OF CREDIT RISK

The City provides water and sewer services as well as solid waste collection and disposal services to its residents. Residents use the City's water and sewer system and the solid waste collection services and are billed each month for usage in the prior month. The credit granted by the City for usage of these services is all with residents of the City. As of September 30, 2013, the City had \$160,496 in net receivables from its residents for the usage of these services.

NOTE 6 — RISK MANAGEMENT

The City is exposed to various risks of loss related to torts; theft of, damage to and destruction of assets; errors and omissions; and natural disasters for which the City carries commercial insurance and insurance with the Texas Municipal League (TML), a public entity risk pool for municipalities. The City pays premiums in monthly installments for this coverage. As of September 30, 2013, the City did not have any liability for unpaid claims or adjustments under policies carried with TML. During the year ended September 30, 2013, there was no reduction in insurance coverage from the prior year. There were no settlements in the prior three fiscal years which exceeded insurance coverage carried by the City.

NOTE 7 — COMMITMENTS

The City has a contract with the Chandler Volunteer Fire Department in which it makes an annual contribution of \$30,000 in exchange for fire protection for residents of the City. During the year ended September 30, 2013, the City paid \$30,000 under this contract.

The City has a contract with its water superintendent for meter reading services. This contract, which calls for the City to pay \$11.50 per meter read each month, is for a five-year period beginning January 1, 2011 and ending on January 1, 2016. During the year ended September 30, 2013, the City paid \$178,308 under this contract.

CITY OF CHANDLER, TEXAS

NOTES TO FINANCIAL STATEMENTS

SEPTEMBER 30, 2013

The City has a contract with the BMC Boys Baseball and the East Texas Girls Softball Leagues to lease the concession operation at Winchester Park. Under the agreement, the lessee will pay the City the first \$10,000 made on concession sales, with the funds to be used by the City for park projects. Revenues received under this agreement during the year ended September 30, 2013 were \$10,000.

The City has a contract with Sanitation Solutions for solid waste collection and disposal services for the residents of the City. The contract began May 1, 2007 and is effective until September 30, 2012. This contract has been extended until September 30, 2015. The City paid \$210,875 under this contract as of September 30, 2013.

NOTE 8 – EMPLOYEES’ PENSION PLAN OBLIGATIONS

Plan Description

The City provides pension benefits for all of its eligible employees through a non-traditional, joint contributory, hybrid defined benefit plan in the statewide Texas Municipal Retirement System (TMRS), an agent multiple-employer public employee retirement system. The plan provisions that have been adopted by the City are within the options available in the governing state statutes of TMRS.

TMRS issues a publicly available comprehensive annual financial report that includes financial statements and required supplementary information (RSI) for TMRS; the report also provides detailed explanations of the contributions, benefits and actuarial methods and assumptions used by the System. This report may be obtained from TMRS’ website at www.TMRS.com.

The plan provisions are adopted by the governing body of the city, within the options available in the state statutes governing TMRS. Plan provisions for the City were as follows:

	<u>Plan Year 2012</u>	<u>Plan Year 2013</u>
Employee deposit rate	5.0%	5.0%
Matching ratio (city to employee)	1 to 1	1 to 1
Year required for vesting	5	5
Service retirement eligibility (expressed as age/years of service)	60/5, 0/20	60/5, 0/20
Updated Service Credit	0%	0%
Annuity Increase (to retirees)	0% of CPI	0% of CPI

CITY OF CHANDLER, TEXAS
NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2013

Contributions

Under the state law governing TMRS, the contribution rate for each City is determined annually by the actuary, using the Projected Unit Credit actuarial cost method. This rate consists of the normal cost contribution rate and the prior service cost contribution rate, which is calculated to be a level percent of payroll from year to year. The normal cost contribution rate finances the portion of an active member's projected benefit allocated annually; the prior service contribution rate amortizes the unfunded (overfunded) actuarial liability (asset) over the applicable period for that City. Both the normal cost and prior service contribution rates include recognition of the projected impact of annually repeating benefits, such as Updated Service Credits and Annuity Increases.

The City contributes to the TMRS Plan at an actuarially determined rate. Both the employees and the City make contributions monthly. Since the City needs to know its contribution rate in advance for budgetary purposes, there is a one-year delay between the actuarial valuation that serves as the basis for the rate and the calendar year when the rate goes into effect. The annual pension cost and net pension obligation/(asset) are as follows:

Annual Required Contribution (ARC)	\$ 34,561
Interest on Net Pension Obligation	-
Adjustment to the ARC	-
	-
Annual Pension Cost (APC)	34,561
Contribution Made	34,561
Increase (decrease) in net pension obligation	-
Net Pension Obligation/(Asset), beginning of year	-
Net Pension Obligation/(Asset), end of year	\$ -

Three Year Trend

Fiscal Year Ending	Annual Pension Cost (APC)	Actual Contribution Made	Percentage of APC Contributed	Net Pension Obligation/ (Asset)
9/30/2011	\$ 42,363	\$ 42,363	100%	-
9/30/2012	37,995	37,995	100%	-
9/30/2013	34,561	34,561	100%	-

CITY OF CHANDLER, TEXAS
NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2013

General System-wide Actuarial Assumptions

The required contribution rates for fiscal year 2013 were determined as part of the December 31, 2010 and 2011 actuarial valuations. Additional information as of the latest actuarial valuation, December 31, 2012, also follows:

Valuation Date	12/31/2010	12/31/2011	12/31/2012
Actuarial Cost Method	Projected Unit Credit	Projected Unit Credit	Projected Unit Credit
Amortization Method	Level Percent of Payroll	Level Percent of Payroll	Level Percent of Payroll
Remaining Amortization Period	22.1 years; closed period	21.0 years; closed period	20.0 years; closed period
Amortization Period for new Gains / Losses	22 years	22 years	22 years
Asset Valuation Method	10-year Smoothed Market	10-year Smoothed Market	10-year Smoothed Market
Actuarial Assumptions:			
Investment Rate of Return*	7.0%	7.0%	7.0%
Projected Salary Increases*	Varies by age and service	Varies by age and service	Varies by age and service
*Includes Inflation at	3.00%	3.00%	3.00%
Cost-of-Living Adjustments	N/A	N/A	N/A

Funding Status and Funding Progress

The funded status as of December 31, 2012, the most recent actuarial valuation date, is as follows:

Actuarial Valuation Date	Actuarial Value of Assets	Actuarial Accrued Liability (AAL)	Funded Ratio	Unfunded AAL (UAAL)	Covered Payroll	UAAL as a Percentage of Covered Payroll
12/31/2012	\$ 274,302	\$ 524,080	52.3%	\$ 249,778	\$ 615,343	40.6%

Actuarial valuations involve estimates of the value of reported amounts and assumptions about the probability of events far into the future. Actuarially determined amounts are subject to continual revision as actual results are compared to past expectations and new estimates are made about the future.

CITY OF CHANDLER, TEXAS

NOTES TO FINANCIAL STATEMENTS

SEPTEMBER 30, 2013

Actuarial calculations are based on the benefits provided under the terms of the substantive plan in effect at the time of each valuation, and reflect a long-term perspective. Consistent with that perspective, actuarial methods and assumptions used include techniques that are designed to reduce short-term volatility in actuarial accrued liabilities and the actuarial value of assets. The schedule of funding progress, presented as Required Supplementary Information following the notes to the financial statements, presents multi-year trend information about whether the actuarial value of the plan assets is increasing or decreasing over time relative to the actuarial accrued liability of benefits.

The city also participates in the cost sharing multiple-employer defined benefit group-term life insurance plan operated by the Texas Municipal Retirement System (TMRS) known as the Supplemental Death Benefits Fund (SDBF). The city elected, by ordinance, to provide group-term life insurance coverage to both current and retired employees. The city may terminate coverage under and discontinue participation in the SDBF by adopting an ordinance before November 1 of any year to be effective the following January 1.

The death benefit for active employees provides a lump-sum payment approximately equal to the employee's annual salary (calculated based on the employee's actual earnings, for the 12-month period preceding the month of death); retired employees are insured for \$7,500; this coverage is an "other postemployment benefit," or OPEB.

The city contributes to the SDBF at a contractually required rate as determined by an annual actuarial valuation. The rate is equal to the cost of providing one-year term life insurance. The funding policy for the SDBF program is to assure that adequate resources are available to meet all death benefit payments for the upcoming year; the intent is not to pre-fund retiree term life insurance during employee's entire careers.

The city's contributions to the TMRS SDBF for the years ended 2013, 2012 and 2011 were \$1,708, \$1,415 and \$2,014, respectively, which equaled the required contributions each year.

Schedule of Contribution Rates:

(RETIREE-only portion of the rate)

Plan/ Calendar Year	Annual Required Contribution (Rate)	Actual Contribution Made (Rate)	Percentage of ARC Contributed
2011	0.01%	0.01%	100.00%
2012	0.01%	0.01%	100.00%
2013	0.01%	0.01%	100.00%

CITY OF CHANDLER, TEXAS
NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2013

NOTE 9 – EXCESS OF EXPENDITURES OVER APPROPRIATIONS

During the year ended September 30, 2013, expenditures exceeded appropriations in the following departments of the General Fund: Municipal Court by \$3,364, Environmental and Public Service by \$13,925, Highways and Streets by \$14,015, Parks & Recreation by \$24,513, and Appraisal and Collection Fees by \$1,034. This over expenditure was funded by available fund balance in the General Fund.

NOTE 10 – PRIOR PERIOD ADJUSTMENT

During the year, the City implemented GASB Statement No. 65 "Items Previously Reported as Assets and Liabilities." Under GASB Statement No. 65, bond issuance costs, which were previously amortized over the life of the bond issue, are now expenses as incurred. As of September 30, 2012, the City had unamortized bond issue costs of \$56,480. The remaining unamortized balance was written off as a prior period adjustment upon implementation of GASB Statement No. 65.

REQUIRED SUPPLEMENTARY INFORMATION

CITY OF CHANDLER, TEXAS
SCHEDULE OF FUNDING PROGRESS
SEPTEMBER 30, 2013

Schedule of Funding Progress (unaudited)

<u>Actuarial Valuation Date</u>	<u>Actuarial Value of Assets</u>	<u>Actuarial Accrued Liability (AAL)</u>	<u>Funded Ratio</u>	<u>Unfunded AAL (UAAL)</u>	<u>Covered Payroll</u>	<u>UAAL as a Percentage of Covered Payrol</u>
12/31/2010	\$ 135,377	\$ 400,587	33.8%	\$265,210	\$525,607	50.5%
12/31/2011	203,183	454,317	44.7%	251,134	592,425	42.4%
12/31/2012	274,302	524,080	52.3%	249,778	615,343	40.6%

SUPPLEMENTAL SCHEDULES

CITY OF CHANDLER, TEXAS
DETAILED SCHEDULE OF EXPENDITURES - BUDGET AND ACTUAL
(NON-GAAP BUDGET BASIS) - GENERAL FUND
FISCAL YEAR ENDED SEPTEMBER 30, 2013

	GENERAL FUND			VARIANCE WITH FINAL BUDGET POSITIVE (NEGATIVE)
	ORIGINAL BUDGET	FINAL BUDGET	ACTUAL	
EXPENDITURES				
General government	\$ 860,109	\$ 849,306	\$ 856,452	\$ (7,146)
Public safety	497,871	497,871	496,355	1,516
Municipal court	212,561	212,561	215,925	(3,364)
Environmental and public service	76,000	76,000	89,925	(13,925)
Highways and streets	246,676	246,676	260,691	(14,015)
Parks and recreation	89,784	100,587	114,297	(13,710)
Appraisal and collection fees	10,500	10,500	11,534	(1,034)
City library	39,434	39,434	34,552	4,882
Total Expenditures - Budget Basis	\$ 2,032,935	\$ 2,032,935	2,079,731	\$ (46,796)
Financial Statement Adjustments:				
Park project costs paid for in Water & Sewer Enterprise Fund			61,803	
Capital outlay acquired through financing agreements			83,226	
Increase in accrued expenses			37,225	
TOTAL EXPENDITURES - GAAP BASIS			\$ 2,261,985	

CITY OF CHANDLER, TEXAS
DETAILED SCHEDULE OF REVENUES - BUDGET AND ACTUAL
(NON-GAAP BUDGET BASIS) - PROPRIETARY FUND
FISCAL YEAR ENDED SEPTEMBER 30, 2013

<u>REVENUES</u>	<u>ORIGINAL BUDGET</u>	<u>FINAL BUDGET</u>	<u>ACTUAL</u>	<u>VARIANCE WITH FINAL BUDGET POSITIVE (NEGATIVE)</u>
Water and sewer service	\$ 796,000	\$ 796,000	\$ 856,439	\$ 60,439
Interest income	3,450	3,450	2,070	(1,380)
Water connections	3,100	3,100	14,375	11,275
Sewer connections	3,100	3,100	10,850	7,750
Initial turn on	6,000	6,000	7,275	1,275
Reconnection fees	1,200	1,200	2,025	825
Trash & Tax Collection	290,600	290,600	306,919	16,319
Pump truck dumping	100,000	100,000	46,639	(53,361)
Customer Service Inspections	750	750	2,625	1,875
Miscellaneous	200	200	161	(39)
Total Revenues - Budget Basis	\$ <u>1,204,400</u>	\$ <u>1,204,400</u>	1,249,378	\$ <u>44,978</u>
Financial Statement Adjustments:				
Increase in accrued revenues				
for water and sewer service			18,480	
Trash collection transferred to General Fund			<u>(306,919)</u>	
TOTAL REVENUES - GAAP BASIS			\$ <u>960,939</u>	

CITY OF CHANDLER, TEXAS
DETAILED SCHEDULE OF EXPENSES - BUDGET AND ACTUAL
(NON-GAAP BUDGET BASIS) - PROPRIETARY FUND
FISCAL YEAR ENDED SEPTEMBER 30, 2013

<u>EXPENSES</u>	<u>ORIGINAL BUDGET</u>	<u>FINAL BUDGET</u>	<u>ACTUAL</u>	<u>VARIANCE WITH FINAL BUDGET POSITIVE (NEGATIVE)</u>
Contract services	\$ 187,100	\$ 187,100	\$ 191,805	\$ (4,705)
Material and supplies	169,000	169,000	155,050	13,950
Personnel services	40,000	40,000	38,000	2,000
Other expenses	64,610	64,610	56,955	7,655
Bond principal	160,000	160,000	160,000	-
Bond interest and fees	142,478	142,478	142,432	46
Trash collection	291,000	291,000	308,162	(17,162)
Capital improvements	<u>150,212</u>	<u>150,212</u>	<u>158,227</u>	<u>(8,015)</u>
Total Expenses - Budget Basis	\$ <u>1,204,400</u>	\$ <u>1,204,400</u>	1,210,631	\$ <u>(6,231)</u>
Financial Statement Adjustments:				
Expenses reclassified as decreases in liabilities			(160,000)	
Expenses paid by revenue bonds			226,232	
Trash collection transferred to General Fund			(306,919)	
Increase in accrued expenses			28,540	
Expenses reclassified as capital assets			(235,912)	
Depreciation			<u>153,817</u>	
TOTAL EXPENSES - GAAP BASIS			\$ <u>916,389</u>	

COMPLIANCE AND INTERNAL CONTROL SECTION



SQUIRES, JOHNSON, SQUIRES

Certified Public Accountants

**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**

Honorable Mayor and Members of the City Council
City of Chandler, Texas

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, Texas as of and for the year ended September, 30, 2013, and the related notes to the financial statements, which collectively comprise the City of Chandler, Texas' basic financial statements and have issued our report thereon dated June 13, 2014.

Internal Control Over Financial Reporting

In planning and performing our audit of the financial statements, we considered City of Chandler, Texas' internal control over financial reporting (internal control) to determine the audit procedures that are appropriate in the circumstances for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the City of Chandler, Texas' internal control. Accordingly, we do not express an opinion on the effectiveness of City of Chandler, Texas' internal control.

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

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

Compliance and Other Matters

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

Purpose of this Report

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


Certified Public Accountants

Tyler, Texas
June 13, 2014