

CITY OF CHANDLER, TEXAS

**BASIC FINANCIAL STATEMENTS and
REQUIRED SUPPLEMENTARY and OTHER
INFORMATION**

FISCAL YEAR ENDED SEPTEMBER 30, 2014

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CITY OF CHANDLER, TEXAS

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INDEPENDENT AUDITORS' REPORT

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

Report on the Financial Statements

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 City of Chandler, Texas, as of and for the year ended September 30, 2014, and the related notes to the financial statements, which collectively comprise City of Chandler, Texas's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

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

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

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

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 City of Chandler, Texas, as of September 30, 2014, and the respective changes in financial position and, where applicable, cash flows thereof and the respective budgetary comparison for the General Fund 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, schedule of funding progress and budgetary comparison information on pages 3-8 and page 36 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 City of Chandler, Texas 's basic financial statements. The additional supplemental information is presented for purposes of additional analysis and are not a required part of the basic financial statements.

The additional supplemental information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the basic financial statements. 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 additional supplemental information is fairly stated, in all material respects, in relation to the basic financial statements as a whole.

The additional supplemental information has not been subjected to the auditing procedures applied in the audit of the basic financial statements, and accordingly, we do not express an opinion or provide any assurance on it.

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated March 16, 2015 on our consideration of City of Chandler, Texas 's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering City of Chandler, Texas 's internal control over financial reporting and compliance.



Certified Public Accountants

Tyler, Texas
March 16, 2015

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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, 2014.

Financial Highlights

- As of the end of the current fiscal year, the assets of the City exceed its liabilities by \$7,933,633 (net position). Of this amount \$834,554 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 \$571,840. Of this amount \$274,089 (47.93%) is available for spending at the government's discretion.
- The total net position of \$7,933,633 is made up of \$6,419,598 in capital assets net of related debt and \$1,514,035 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, 2014, the City's assets exceeded liabilities by \$7,933,633.

By far the largest portion of the City's net position, \$6,419,598, 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 \$711,923 from the prior year primarily from new capital asset additions. The amount of unrestricted net position \$834,554 decreased by \$82,951 from the prior year due to the current year increase of fixed assets by the governmental and business-type activities.

City of Chandler's Net Position

	Governmental Activities		Business-type Activities		Total	
	2014	2013	2014	2013	2014	2013
Current and other assets	\$ 720,509	\$ 1,155,303	\$ 1,221,576	\$ 1,301,863	\$ 1,942,085	\$ 2,457,166
Capital assets	3,938,095	3,466,649	5,685,908	5,615,777	9,624,003	9,082,426
Total assets	4,658,604	4,621,952	6,907,484	6,917,640	11,566,088	11,539,592
Current liabilities	124,235	276,815	49,739	269,699	173,974	546,514
Noncurrent liabilities	318,481	306,645	3,140,000	3,095,000	3,458,481	3,401,645
Total liabilities	442,716	583,460	3,189,739	3,364,699	3,632,455	3,948,159
Net invested in capital assets	3,631,452	3,090,845	2,788,146	2,616,830	6,419,598	5,707,675
Restricted	285,872	615,616	393,609	350,638	679,481	966,254
Unrestricted	298,564	332,032	535,990	585,473	834,554	917,505
Total net position	\$ 4,215,888	\$ 4,038,493	\$ 3,717,745	\$ 3,552,941	\$ 7,933,633	\$ 7,591,434

Governmental activities. Governmental activities increased net position by \$177,395 during the year which is \$159,266 more than the prior year's increase which was primarily attributable to transfers of funds from the business-type activities to the governmental activities. The business-type activities resulted in a \$164,804 increase to net position.

City of Chandler's Changes in Net Position

	Governmental Activities		Business-type Activities		Total	
	2014	2013	2014	2013	2014	2013
Revenues						
Charges for services	\$ 878,274	\$ 891,846	\$ 1,454,176	\$ 1,265,788	\$ 2,332,450	\$ 2,157,634
Capital grants and contributions	90,150	-	-	-	90,150	-
General Revenue						
Property taxes	658,768	643,346	-	-	658,768	643,346
Franchise taxes	124,972	117,215	-	-	124,972	117,215
Sales and use taxes	624,107	549,343	-	-	624,107	549,343
Interest income	1,617	2,092	1,969	2,071	3,586	4,163
Total revenue	2,377,888	2,203,842	1,456,145	1,267,859	3,834,033	3,471,701
Expenses						
General government	1,028,325	889,833	-	-	1,028,325	889,833
Public safety	698,281	749,234	-	-	698,281	749,234
Public works	565,726	366,101	-	-	565,726	366,101
Community center	19,527	15,696	-	-	19,527	15,696
Parks and recreation	-	163,754	-	-	-	163,754
City library	40,176	34,921	-	-	40,176	34,921
Interest	36,121	37,577	-	-	36,121	37,577
Water and sewer operations	-	-	1,107,678	1,161,506	1,107,678	1,161,506
Total expenses	2,388,156	2,257,116	1,107,678	1,161,506	3,495,834	3,418,622

Other						
Gain on sale of assets	4,000	9,600	-	-	4,000	9,600
Transfers	183,663	61,803	(183,663)	(61,803)	-	-
Total other	187,663	71,403	(183,663)	(61,803)	4,000	9,600
Change in net position	177,395	18,129	164,804	44,550	342,199	62,679
Net position, beginning, as originally stated	4,038,493	4,020,364	3,552,941	3,564,871	7,591,434	7,585,235
Prior period adjustment for GASB 65	-	-	-	(56,480)	-	(56,480)
Net position, beginning, as originally stated	4,038,493	4,020,364	3,552,941	3,508,391	7,591,434	7,528,755
Net position, end of the year	\$ 4,215,888	\$ 4,038,493	\$ 3,717,745	\$ 3,552,941	\$ 7,933,633	\$ 7,591,434

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 \$571,840 of which \$274,089 is unrestricted 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 \$535,990. The total net position increased by \$164,804 for the year.

General Fund Budgetary Highlights

Over the year, the City of Chandler made revisions to its original budget. At the end of the year, revenues were less than the budgeted amount by \$318,110. Actual expenditures were more than budgeted amounts by \$324,070 and GAAP adjustments of \$105,160 and transfers between the governmental funds and proprietary funds resulted in an actual decrease to fund balance of \$35,279 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, 2014, amounts to \$6,419,598 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 \$711,923.

During the year the City made additions to the water and sewer system, added a new baseball field and Pavillion to Winchester Park, completed the River Park and Sawmill Road projects and purchased

equipment for the new public works department which brought the water utilities department in house. The water utilities service was previously contracted out to a private provider.

City of Chandler's Capital Assets

	Governmental Activities		Business-type Activities		Total	
	2014	2013	2014	2013	2014	2013
Land	\$ 575,760	\$ 575,760	\$ 108,962	\$ 108,962	\$ 684,722	\$ 684,722
Construction in Progress	295,423	-	33,860	-	329,283	-
Buildings and improvements	771,672	644,429	-	-	771,672	644,429
Infrastructure	1,984,763	1,897,580	-	-	1,984,763	1,897,580
Machinery and equipment	310,477	348,880	87,274	5,460	397,751	354,340
Water and sewer system	-	-	5,455,812	5,501,355	5,455,812	5,501,355
Combined total	\$ 3,938,095	\$ 3,466,649	\$ 5,685,908	\$ 5,615,777	\$ 9,624,003	\$ 9,082,426

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 \$3,458,481. Of this amount, \$3,140,000 comprises debt backed by revenue bonds, refunding bonds and certificates of obligation. During the current year, the City issued Series 2014 Refunding Bonds in the amount of \$1,210,000 to early defease the outstanding Series 2010 Revenue Bonds.

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	
	2014	2013	2014	2013	2014	2013
Capital leases	\$ 27,717	\$ 54,258	\$ -	\$ -	\$ 27,717	\$ 54,258
Compensated absences	11,838	31,750	-	-	11,838	31,750
Revenue bonds	-	-	3,140,000	3,260,000	3,140,000	3,260,000
Note payable	278,926	321,545	-	-	278,926	321,545
Combined total	\$ 318,481	\$ 407,553	\$ 3,140,000	\$ 3,260,000	\$ 3,458,481	\$ 3,667,553

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 2015 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@chandlertx.com.

BASIC FINANCIAL STATEMENTS

CITY OF CHANDLER, TEXAS
STATEMENT OF NET POSITION
SEPTEMBER 30, 2014

	PRIMARY GOVERNMENT		
	GOVERNMENTAL ACTIVITIES	BUSINESS-TYPE ACTIVITIES	TOTAL
ASSETS			
Cash and cash equivalents	\$ 413,360	\$ 452,859	\$ 866,219
Inventory	-	39,819	39,819
Receivables (net of allowance for doubtful accounts)	258,077	142,122	400,199
Internal balances	49,072	(49,072)	-
Restricted Assets:			
Temporarily restricted:			
Revenue bond debt service	-	393,609	393,609
Cash for construction	-	242,239	242,239
Capital Assets (net of accumulated depreciation):			
Land	575,760	108,962	684,722
Construction in progress	295,423	33,860	329,283
Buildings and improvements	771,672	-	771,672
Water and sewer system	-	5,455,812	5,455,812
Machinery and equipment	310,477	87,274	397,751
Infrastructure	1,984,763	-	1,984,763
Total Assets	4,658,604	6,907,484	11,566,088
LIABILITIES			
Accounts payable and accrued expenses	124,235	49,739	173,974
Non-current liabilities:			
Due within one year	71,481	190,000	261,481
Due in more than one year	247,000	2,950,000	3,197,000
Total Liabilities	442,716	3,189,739	3,632,455
NET POSITION			
Investment in capital assets, net of related debt	3,631,452	2,788,146	6,419,598
Restricted for:			
Debt service	-	393,609	393,609
Future construction	285,872	-	285,872
Unrestricted	298,564	535,990	834,554
Total Net Position	\$ 4,215,888	\$ 3,717,745	\$ 7,933,633

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

**CITY OF CHANDLER, TEXAS
STATEMENT OF ACTIVITIES
FISCAL YEAR ENDED SEPTEMBER 30, 2014**

PROGRAM ACTIVITIES	EXPENSES	PROGRAM REVENUES		NET (EXPENSE) REVENUE AND CHANGES IN NET POSITION		
		CHARGES FOR SERVICES	CAPITAL GRANTS AND CONTRIBUTIONS	GOVERNMENTAL ACTIVITIES	BUSINESS- TYPE ACTIVITIES	TOTAL
PRIMARY GOVERNMENT:						
Governmental activities:						
General government	\$ 1,028,325	\$ 455,909	\$ -	\$ (572,416)	\$ -	\$ (572,416)
Public safety	698,281	375,941	-	(322,340)	-	(322,340)
Public works	565,726	21,073	90,150	(454,503)	-	(454,503)
Community center	19,527	6,075	-	(13,452)	-	(13,452)
City library	40,176	19,276	-	(20,900)	-	(20,900)
Interest and fees	36,121	-	-	(36,121)	-	(36,121)
Total governmental activities	2,388,156	878,274	90,150	(1,419,732)	-	(1,419,732)
Business-type activities						
Water and sewer	948,863	1,454,176	-	-	505,313	505,313
Interest	126,455	-	-	-	(126,455)	(126,455)
Bond issue cost	32,360	-	-	-	(32,360)	(32,360)
Total business-type activities	1,107,678	1,454,176	-	-	346,498	346,498
Total primary government	\$ 3,495,834	\$ 2,332,450	\$ 90,150	(1,419,732)	346,498	(1,073,234)
General revenues:						
Property taxes				658,768	-	658,768
Franchise taxes				124,972	-	124,972
Sales and use taxes				624,107	-	624,107
Interest income				1,617	1,969	3,586
Gain on sale of assets				4,000	-	4,000
Transfers				183,663	(183,663)	-
Total general revenues and transfers				1,597,127	(181,694)	1,415,433
Change in Net Position				177,395	164,804	342,199
Net Position - beginning of year				4,038,493	3,552,941	7,591,434
Net Postition - end of year				\$ 4,215,888	\$ 3,717,745	\$ 7,933,633

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

CITY OF CHANDLER, TEXAS
BALANCE SHEET
GOVERNMENTAL FUNDS
SEPTEMBER 30, 2014

	GENERAL	ECONOMIC DEVELOPMENT FUND	TOTAL GOVERNMENTAL FUNDS
ASSETS			
Cash and Cash Equivalents	\$ 134,418	\$ 278,942	\$ 413,360
Receivables:			
Sales Tax Receivable	95,130	31,710	126,840
Trash Services Receivable	28,491	-	28,491
Grants Receivable	90,150	-	90,150
Property Tax Receivable (net of allowance for estimated uncollectibles)	12,596	-	12,596
Due from Other Funds	49,072	-	49,072
 Total Assets	 <u>\$ 409,857</u>	 <u>\$ 310,652</u>	 <u>\$ 720,509</u>
LIABILITIES, DEFERRED INFLOWS OF RESOURCES AND FUND BALANCES			
LIABILITIES:			
Accounts Payable	\$ 99,455	\$ 24,780	\$ 124,235
Accrued Compensated Absences	11,838	-	11,838
 Total Liabilities	 <u>111,293</u>	 <u>24,780</u>	 <u>136,073</u>
DEFERRED INFLOWS OF RESOURCES:			
Unavailable revenue - property taxes	12,596	-	12,596
 Total Deferred Inflows of Resources	 <u>12,596</u>	 <u>-</u>	 <u>12,596</u>
FUND BALANCES:			
Restricted:			
Capital Improvements	-	285,872	285,872
Court Security and Technology	11,879	-	11,879
Unassigned	274,089	-	274,089
 Total Fund Balances	 <u>285,968</u>	 <u>285,872</u>	 <u>571,840</u>
 Total Liabilities, Deferred Inflows of Resources and Fund Balances	 <u>\$ 409,857</u>	 <u>\$ 310,652</u>	

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

CITY OF CHANDLER, TEXAS
BALANCE SHEET
GOVERNMENTAL FUNDS
SEPTEMBER 30, 2014

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

	Total Governmental Funds
Total fund balances governmental funds (Exhibit 3 page 1)	\$ 571,840
Capital assets used in governmental activities are not current financial resources and, therefore, are not reported in the governmental funds balance sheet.	3,938,095
Other long-term assets are not available to pay for current-period expenditures and, therefore, are deferred in the funds.	12,596
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>(306,643)</u>
Net position of governmental activities	<u>\$ 4,215,888</u>

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

CITY OF CHANDLER, TEXAS
STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES
GOVERNMENTAL FUNDS
FISCAL YEAR ENDED SEPTEMBER 30, 2014

	GENERAL	ECONOMIC DEVELOPMENT FUND	ELIMINATIONS	TOTAL GOVERNMENTAL FUNDS
REVENUES				
Property taxes	\$ 656,956	\$ -	\$ -	\$ 656,956
Sales tax	457,739	166,368	-	624,107
Franchise tax	124,972	-	-	124,972
Fines	375,941	-	-	375,941
Licenses and permits	30,602	-	-	30,602
Zoning and platting fees	32,291	-	-	32,291
Library	19,276	-	-	19,276
Little league fees	4,300	-	-	4,300
Winchester park	16,773	-	-	16,773
Interest	583	1,034	-	1,617
Rents	19,375	-	-	19,375
Miscellaneous	29,222	-	-	29,222
Grants	90,150	-	-	90,150
Trash and tax collection	337,894	-	-	337,894
Lease income	12,600	-	-	12,600
Total Revenues	2,208,674	167,402	-	2,376,076
EXPENDITURES				
General government	862,272	107,421	-	969,693
Public safety	464,779	-	-	464,779
Public works	380,147	-	-	380,147
Community center expense	19,527	-	-	19,527
Municipal court	195,530	-	-	195,530
City Library	40,176	-	-	40,176
Appraisal and collection fees	10,412	-	-	10,412
Capital outlay	753,629	-	-	753,629
Debt service - principal	69,160	-	-	69,160
Debt service - interest	25,709	-	-	25,709
Total Expenditures	2,821,341	107,421	-	2,928,762
Excess (Deficiency) of Revenues Over (Under) Expenditures	(612,667)	59,981	-	(552,686)
Other Financing Sources (Uses):				
Sale of assets	4,000	-	-	4,000
Transfers in	573,388	5,150	(394,875)	183,663
Transfers out	-	(394,875)	394,875	-
Total Other Financing Sources (Uses)	577,388	(389,725)	-	187,663
Net Change in Fund Balances	(35,279)	(329,744)	-	(365,023)
Fund Balance, October 1, 2013	321,247	615,616	-	936,863
Fund Balance, September 30, 2014	<u>\$ 285,968</u>	<u>\$ 285,872</u>	<u>\$ -</u>	<u>\$ 571,840</u>

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

**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, 2014**

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

Net change in fund balances - total governmental funds	\$ (365.023)
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 capital outlay exceeded depreciation in the current period.	471.446
Revenues in the statement of activities that do not provide current financial resources are not reported as revenues in the funds.	1.812
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>69.160</u>
Change in net position of governmental activities	<u><u>\$ 177.395</u></u>

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

CITY OF CHANDLER, TEXAS
STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN
FUND BALANCE - BUDGET AND ACTUAL
GENERAL FUND
FISCAL YEAR ENDED SEPTEMBER 30, 2014

	GENERAL FUND			VARIANCE WITH FINAL BUDGET POSITIVE (NEGATIVE)
	ORIGINAL BUDGET	FINAL BUDGET	ACTUAL	
REVENUES				
Property taxes	\$ 658,126	\$ 658,126	\$ 656,956	\$ (1,170)
Sales tax	590,000	590,000	442,602	(147,398)
Franchise tax	109,500	109,500	124,972	15,472
Fines	450,000	450,000	375,941	(74,059)
Licenses and permits	27,500	27,500	30,602	3,102
Library	1,620	18,000	19,276	1,276
Little league fees	4,500	4,500	4,300	(200)
Winchester park	-	-	10,000	10,000
Subdivision fees	2,000	-	-	-
Interest	590	590	583	(7)
Rents	12,547	13,620	19,375	5,755
Expense reimbursements	40,000	78,659	66,067	(12,592)
Grants	-	-	90,150	90,150
Miscellaneous	28,609	11,156	29,222	18,066
Trash and tax collection	366,877	366,877	335,451	(31,426)
Lease income	12,600	12,600	12,600	-
Zoning & platting fees	-	2,000	32,291	30,291
Concession revenue	-	-	6,773	6,773
Capital reserve/unexpended funds	232,143	232,143	-	(232,143)
Total Revenues	2,536,612	2,575,271	2,257,161	(318,110)
EXPENDITURES				
General government	1,001,586	1,032,821	933,722	99,099
Public safety	519,423	519,423	509,592	9,831
Public works	-	731,282	1,169,507	(438,225)
Community center expense	-	9,600	19,527	(9,927)
Municipal court	237,120	237,120	215,621	21,499
Environmental and public service	84,100	-	-	-
Parks and recreation	336,408	-	-	-
City Library	45,025	45,025	40,960	4,065
Maintenance expense	302,450	-	-	-
Appraisal and collection fees	10,500	-	10,412	(10,412)
Total Expenditures	2,536,612	2,575,271	2,899,341	(324,070)
Revenues Over (Under) Expenditures	-	-	(642,180)	(642,180)
OTHER FINANCING SOURCES (USES)				
Transfers in	-	-	497,741	497,741
Sale of assets	-	-	4,000	4,000
Total Other Financing Sources (Uses)	-	-	501,741	501,741
Revenues and Other Sources Over (Under) Expenditures and Other Uses - Budget Basis	-	-	(140,439)	(140,439)
Budget Basis to GAAP Basis Adjustments (Note A)	-	-	105,160	105,160
Revenues and Other Sources Over (Under) Expenditures and Other Uses - GAAP Basis	-	-	(35,279)	(35,279)
Net Change in Fund Balances	-	-	(35,279)	(35,279)
Fund Balance, October 1, 2013	-	-	321,247	321,247
Fund Balance, September 30, 2014	\$ -	\$ -	\$ 285,968	\$ 285,968

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

CITY OF CHANDLER, TEXAS
STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN
FUND BALANCE - BUDGET AND ACTUAL
GENERAL FUND
FISCAL YEAR ENDED SEPTEMBER 30, 2014

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

Basis Presentation	
Sources/Inflows of Resources	
Differences - Budget to GAAP	
Increase in accrued sales taxes	\$ 15,137
Increase in accrued revenues on charges for services	<u>2,443</u>
Total Sources/Inflows of Resources	<u>17,580</u>
Uses/Outflows of Resources	
Differences - Budget to GAAP	
Decrease in accrued expenses	<u>87,580</u>
Total Uses/Outflows of Resources	<u>87,580</u>
Net Change in Budget Basis Presentation and GAAP Basis Presentation	<u>\$ 105,160</u>

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

**CITY OF CHANDLER, TEXAS
STATEMENT OF NET POSITION
PROPRIETARY FUNDS
SEPTEMBER 30, 2014**

	BUSINESS-TYPE ACTIVITIES
	ENTERPRISE FUND OPERATING FUND
ASSETS	
Current Assets:	
Cash and cash equivalents	\$ 452,859
Inventory	39,819
Accounts receivable (Net)	142,122
Total Current Assets	634,800
Restricted Assets:	
Temporarily Restricted	
Revenue bond debt service	393,609
Cash for construction	242,239
Total Restricted Assets	635,848
Capital Assets:	
Land	108,962
Water and sewer system	7,606,049
Machinery & equipment	143,130
Construction in progress	33,860
Less: Accumulated depreciation	(2,206,093)
Total Capital Assets Net Of Accumulated Depreciation	5,685,908
Total Assets	6,956,556
LIABILITIES	
Current Liabilities:	
Accounts payable	6,846
Accrued interest	42,893
Due to other funds	49,072
Revenue bonds payable	190,000
Total Current Liabilities	288,811
Noncurrent Liabilities:	
Revenue bonds payable	2,950,000
Total Liabilities	3,238,811
NET POSITION	
Invested in capital assets, net of related debt	2,788,146
Restricted for debt service	393,609
Unrestricted	535,990
Total Net Position	\$ 3,717,745

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

CITY OF CHANDLER, TEXAS
STATEMENT OF REVENUES, EXPENSES AND CHANGES IN NET POSITION
PROPRIETARY FUNDS
FISCAL YEAR ENDED SEPTEMBER 30, 2014

	BUSINESS-TYPE ACTIVITIES
	ENTERPRISE FUND
	OPERATING FUND
OPERATING REVENUES	
Water sales and sewer service	\$ 983,000
Charges for services	471,176
	1,454,176
OPERATING EXPENSES	
Water and sewer operations	790,094
Depreciation	158,769
	948,863
Operating Income (Loss)	505,313
NON-OPERATING REVENUES (EXPENSES)	
Interest expense	(126,455)
Bond issue cost	(32,360)
Interest income	1,969
Transfers in	14,884
Transfers out	(198,547)
	(340,509)
Change in Net Position	164,804
Net Position, October 1, 2013	3,552,941
Net Position, September 30, 2014	\$ 3,717,745

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

**CITY OF CHANDLER, TEXAS
STATEMENT OF CASH FLOWS
PROPRIETARY FUNDS
FISCAL YEAR ENDED SEPTEMBER 30, 2014**

Increase (Decrease) in Cash and Cash Equivalents

	OPERATING FUND
CASH FLOWS FROM OPERATING ACTIVITIES:	
Cash received from customers and users	\$ 1,420,530
Cash paid to suppliers for goods and services	(825,280)
Net cash provided by operating activities	595,250
CASH FLOWS FROM NON-CAPITAL FINANCING ACTIVITIES	
Transfers in	14,884
Transfers out	(198,547)
Net cash used in non-capital financing activities	(183,663)
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES:	
Proceeds from Bond Issued	1,210,000
Bond issue cost	(32,360)
Capital asset purchases	(228,900)
Interest paid	(146,229)
Principal paid on bonds	(1,330,000)
Net cash used in capital and related financing activities	(527,489)
CASH FLOWS FROM INVESTING ACTIVITIES:	
Interest earned on investments	1,969
Net cash provided by investing activities	1,969
Net decrease in cash	(113,933)
Cash, beginning of period	1,202,640
Cash, end of period	\$ 1,088,707
Reconciliation of Cash on Exhibit 7:	
Cash and certificates of deposit	\$ 452,859
Cash - restricted assets	635,848
Total Cash	\$ 1,088,707
Reconciliation of Operating Income (Loss) To Net Cash Provided By (Used In) Operating Activities:	
Operating income	\$ 505,313
Adjustments to reconcile net income to net cash provided by (used in) operating activities:	
Depreciation expense	158,769
Increase in accounts receivable	(7,675)
Decrease in due to other funds	(25,971)
Increase in accounts payable	(35,186)
Total adjustments	89,937
NET CASH PROVIDED BY OPERATING ACTIVITIES	\$ 595,250

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

CITY OF CHANDLER, TEXAS
NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2014

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 non-fiduciary activities of the primary government. Governmental activities, which normally are supported by the taxes and intergovernmental revenues, are reported separately from business-type activities, which rely, to a significant extent on fees and charges for support.

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.

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, as well as the construction of related construction projects and the payment of the debt on these projects.

Private-sector standards of accounting and financial reporting issued prior to December 1, 1989, generally are followed in both the government-wide and proprietary fund financial statements to the extent that those standards do not conflict with or contradict guidance of the Governmental Accounting Standards Board. Governments also have the option of following subsequent private-sector guidance for their business-type activities and enterprise funds, subject to this same limitation. The government has elected not to follow subsequent private-sector guidance.

Amounts reported as program revenues include (1) charges to customers or applicants for goods, services, or privileges provided and (2) capital grants and contributions, including special assessments. 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 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.

Certain activity occurs during the year involving transfers of resources between funds. In fund financial statements, these amounts are reported at gross amounts as transfers in/out. While reported in fund financial statements, certain eliminations are made in the preparation of the government-wide financial statements. Transfers between the funds included in governmental activities are eliminated so that only the net amount is included as transfers in the governmental activities column. Similarly, balances between the funds included in business-type activities are eliminated so that only the net amount is included as transfers in the business-type activities column.

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 deferred revenue on October 1. The deferred revenue 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

6. 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.

7. Bond issue costs – The City chose early implementation of GASB Statement No. 65. Under GASB Statement No. 65, bond issue costs are expensed when incurred.
8. Compensated Absences - A liability for unused vacation time for all full time employees is calculated and reported in the proprietary fund and government-wide statements. For financial reporting, the following criteria must be met to be considered as compensated absences:

Leave or compensation is attributable to services already rendered
Leave or compensation is not contingent on a specific event (such as illness)

Per GASB Interpretation No. 6, liabilities for compensated absences are recognized in the fund statements to the extent the liabilities have matured (i.e., are due for payment). Compensated absences are accrued in the proprietary fund and government-wide statements.

Vacation time is earned based on years of service. Regular full-time employees after one year of service up to four years of service earn ten days of vacation, regular full-time employees with five to fourteen years of service earn fifteen days of vacation, and regular full-time employees with sixteen or more years of service earn twenty days of vacation. Employees must use their vacation within the twelve month period after it is earned. They are not allowed to carry over unused vacation.

The regular workweek is based on 40 hours actually worked. Overtime, unless required to be paid by Federal statutes, is accumulated as compensatory (comp) time and earned at time and a half for non-exempt employees and at straight time for exempt employees. Comp time is accumulated and may be taken off with approval.

9. Long-term Obligations – In the government-wide financial statements, and proprietary fund types in the fund financial statements, long-term debt and other long-term obligations are reported as liabilities in the applicable governmental activities, business-type activities, or proprietary fund type statement of net position. Bond premiums and discounts are deferred and amortized over the life of the bonds using the effective interest method. Bonds payable are reported net of the applicable bond premium or discount.
10. Deferred Outflows / Inflows of Resources – In addition to assets, the statement of financial position will sometimes report a separate section for deferred outflows of resources. This separate financial statement element, deferred outflows of resources, represents a consumption of net position that applies to a future period(s) and so will not be recognized as an outflow of resources (expense/expenditure) until then.

In addition to liabilities, the statement of financial position will sometimes report a separate section for deferred inflows of resources (revenue) until that time. The City has only one type of item, which arises only under a modified accrual basis of accounting, that qualifies for reporting in this category. Accordingly, the item, unavailable revenue, is reported only in the governmental funds balance sheet. The governmental funds report unavailable revenues from property taxes. These amounts are deferred and recognized as an inflow of resources in the period that the amounts become available.

11. 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 – The City has 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. 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.

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 financial 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 \$3,938,095 difference are as follows:

Capital assets, October 1, 2012, net of accumulated depreciation	\$3,466,649
Capital asset additions, net of retirements	738,942
Depreciation of capital assets, net of retirements, current year	<u>(267,496)</u>
	<u>\$3,938,095</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 \$471,446 difference are as follows:

Capital outlay, asset additions, net of retirements	\$ 738,972
Depreciation expense, net of retirements	<u>(267,496)</u>
	<u>\$ 471,446</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.

NOTE 4 — DETAILED NOTES ON ALL FUNDS

A. Deposits and Investments

As of September 30, 2014, the City had the following deposits and investments:

	<u>BOOK BALANCE</u>	<u>BANK BALANCE</u>
Depository Accounts		
Insured	\$ 512,335	\$ 515,143
Collateral held by pledging banks Trust Department in City's name	<u>989,034</u>	<u>1,036,134</u>
Total Deposits	1,501,369	1,551,277
Petty Cash on hand	<u>698</u>	<u>-</u>
Total Cash and Cash Equivalents	<u>\$ 1,502,067</u>	<u>\$ 1,551,277</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	\$ 26,062	\$ -	\$ -	\$ 26,062
Sales Tax	95,130	31,710	-	126,840
Grants	90,150	-	-	90,150
Accounts (services)	<u>28,491</u>	<u>-</u>	<u>150,901</u>	<u>179,392</u>
Gross Receivables	239,833	31,710	150,901	422,444
Less: Allowance for Uncollectibles	<u>(13,466)</u>	<u>-</u>	<u>(8,779)</u>	<u>(22,245)</u>
Net Receivables	<u>\$ 226,367</u>	<u>\$ 31,710</u>	<u>\$ 142,122</u>	<u>\$ 400,199</u>

C. Capital Assets

Capital asset activity for the year ended September 30, 2014 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:				
Construction in Progress	\$ -	295,423	-	\$ 295,423
Land	<u>575,760</u>	<u>-</u>	<u>-</u>	<u>575,760</u>
Total Capital Assets, Not Being Depreciated	575,760	295,423	-	871,183
Capital Assets, Being Depreciated:				
Buildings and Improvements	1,586,840	207,320	-	1,794,160
Infrastructure	2,952,850	218,972	-	3,171,822
Machinery and Equipment	<u>1,006,517</u>	<u>31,914</u>	<u>(14,687)</u>	<u>1,023,744</u>
Total Capital Assets, Being Depreciated	5,546,207	458,206	(14,687)	5,989,726
Less Accumulated Depreciation For:				
Buildings and Improvements	(942,411)	(80,077)	-	(1,022,488)
Infrastructure	(1,055,270)	(131,789)	-	(1,187,059)
Machinery and Equipment	<u>(657,637)</u>	<u>(70,317)</u>	<u>14,687</u>	<u>(713,267)</u>
Total Accumulated Depreciation	(2,655,318)	(282,183)	14,687	(2,922,814)
Net Total Assets Being Depreciated	<u>2,890,889</u>	<u>176,023</u>	<u>-</u>	<u>3,066,912</u>
Governmental Activities Capital Assets, Net	<u>\$ 3,466,649</u>	<u>\$ 471,446</u>	<u>\$ -</u>	<u>\$ 3,938,095</u>
Business-Type Activities:				
Capital Assets, Not Being Depreciated:				
Construction in Progress	\$ -	\$ 33,860	\$ -	\$ 33,860
Land	<u>108,962</u>	<u>-</u>	<u>-</u>	<u>108,962</u>
Total Capital Assets, Not Being Depreciated	108,962	33,860	-	142,822
Capital Assets, Being Depreciated:				
Water and Sewer System	7,495,498	110,551	-	7,606,049
Machinery and Equipment	<u>58,641</u>	<u>84,489</u>	<u>-</u>	<u>143,130</u>
Total Capital Assets, Being Depreciated	7,554,139	195,040	-	7,749,179
Less Accumulated Depreciation For:				
Water and Sewer System	(1,994,143)	(156,094)	-	(2,150,237)
Machinery and Equipment	<u>(53,181)</u>	<u>(2,675)</u>	<u>-</u>	<u>(55,856)</u>
Total Accumulated Depreciation	(2,047,324)	(158,769)	-	(2,206,093)
Net Total Assets Being Depreciated	<u>5,506,815</u>	<u>36,271</u>	<u>-</u>	<u>5,543,086</u>
Business-Type Activities Capital Assets, Net	<u>\$ 5,615,777</u>	<u>\$ 70,131</u>	<u>\$ -</u>	<u>\$ 5,685,908</u>

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

Governmental Activities:	
General Government	\$ 58,632
Public Safety	37,972
Parks and Recreation	53,790
Public Service	<u>131,789</u>
Total depreciation expense, governmental activities	<u>\$282,183</u>
Business-Type Activities:	
Water, Sewer and Sanitation Operations	<u>\$158,769</u>

Construction Commitments

The City has the following active construction projects as of September 30, 2014.

<u>Project</u>	<u>Spent-to- Date</u>	<u>Estimated Remaining</u>
Pavillion Project	\$ 295,423	\$ 10,905
Water Well #7 Project	<u>33,860</u>	<u>504,896</u>
Total Construction in Progress	<u>\$ 329,283</u>	<u>\$ 515,801</u>

D. Interfund receivables, payables, and transfers

The composition of interfund balances as of September 30, 2014 is as follows:

Due to/from other funds:

<u>Receivable Fund</u>	<u>Payable Fund</u>	<u>Amount</u>
General Fund	Water & Sewer	\$ 49,072

Interfund transfers:

<u>Fund</u>	<u>Transfers In</u>	<u>Transfers Out</u>
Water & Sewer Fund	\$ -	\$ 183,663
General Fund	183,663	-

During the year the Water & Sewer Fund purchased capital project assets which are governmental assets. Thus, they were transferred to the governmental funds. The Water & Sewer fund also transferred funds for payroll expenses 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, 2014, the City received \$9,000 in rent under this agreement.

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

<u>Year Ended</u>	<u>Amount</u>
2015	9,270
2016	9,548
2017	9,834
2018	10,129
2019	10,433
2019-2023	57,050
2024-2028	66,136
2029-2033	76,668
2034-2036	33,984
	<u>\$ 283,052</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, 2014.

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	(33,290)
Total	<u>\$ 49,936</u>

The future minimum lease obligations and the net present value of these minimum lease payments as of September 30, 2014 were as follows:

<u>Year Ending September 30,</u>	<u>Governmental Activities</u>
2015	\$ 28,967
Total minimum lease payments	28,967
Less: Amount representing interest	(1,250)
Present Value of minimum lease payments	<u>\$ 27,717</u>

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%	\$ 485,000
Series - 2006	Certificate of Obligation	4.90%	1,445,000
Series - 2014	Refunding Issue	2.93%	<u>1,210,000</u>
Total Outstanding Revenue Bonds and Certificates of Obligation			<u><u>\$ 3,140,000</u></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, 2014, the City was in compliance with all of its bond ordinances.

During the current year, the City issued \$1,210,000 in Refunding Bonds as a current refunding to defease \$1,165,000 of the principal balance of the Series 2010 Revenue Bonds. The transaction resulted in a savings of \$102,908 in future debt service payments.

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>
2015	\$ 190,000	\$ 106,308
2016	190,000	108,372
2017	195,000	101,104
2018	200,000	93,554
2019	215,000	85,856
2020-2024	1,185,000	300,752
2025-2029	790,000	80,381
2030-2031	<u>175,000</u>	<u>5,200</u>
	<u><u>\$ 3,140,000</u></u>	<u><u>\$ 881,527</u></u>

Revenue bond ordinances require that the following information concerning insurance coverage as of September 30, 2014 be disclosed.

<u>ANNUAL PREMIUM</u>	<u>POLICY NO.</u>	<u>NATURE OF COVERAGE</u>	<u>AMOUNT OF COVERAGE</u>	<u>POLICY PERIOD</u>
\$ 13,321	#H5490-01	Workers Compensation	Statutory Limits	10-1-14 to 10-1-15
\$ 14,318	#NYA803565	Liability General Auto and Law Enforcement	\$2,000,000/occurrence	10-1-14 to 10-1-15
		Property:		
		Real & Personal	6,812,863	10-1-14 to 10-1-15
		Mobile Equipment	\$325,485	10-1-14 to 10-1-15
		Boiler & Machinery	\$100,000/accident	10-1-14 to 10-1-15
\$ 4,317	#NYA812114	Errors & Omissions	\$1,000,000	10-1-14 to 10-1-15

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.

	<u>\$ 278,926</u>
Total	278,926
Less: Current Portion	<u>(31,926)</u>
LONG-TERM PORTION	<u>\$ 247,000</u>

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>
2015	\$ 31,926	\$ 20,392
2016	34,260	18,058
2017	36,765	15,553
2018	39,453	12,865
2019	42,337	9,981
2020-2021	94,185	10,451
	<u>\$ 278,926</u>	<u>\$ 87,300</u>

Changes in long-term liabilities

Long term liability activity for the year ended September 30, 2014 was as follows:

	Beginning Balance <u>10/1/2013</u>	<u>Additions</u>	<u>Reductions</u>	Ending Balance <u>9/30/2014</u>	Due Within <u>One Year</u>
Governmental Activities:					
Capital Leases	\$ 54,258	\$ -	\$ 26,541	\$ 27,717	\$ 27,717
Notes Payable	321,545	-	42,619	278,926	31,926
Compensated Absences	<u>31,750</u>	<u>-</u>	<u>19,912</u>	<u>11,838</u>	<u>11,838</u>
Governmental Activity Long-Term Liabilities	<u>\$ 407,553</u>	<u>\$ -</u>	<u>\$ 89,072</u>	<u>\$ 318,481</u>	<u>\$ 71,481</u>
Business-Type Activities:					
Revenue Bonds	<u>\$ 3,260,000</u>	<u>\$ 1,210,000</u>	<u>\$ 1,330,000</u>	<u>\$ 3,140,000</u>	<u>\$ 190,000</u>
Business-Type Activity Long-Term Liabilities	<u>\$ 3,260,000</u>	<u>\$ 1,210,000</u>	<u>\$ 1,330,000</u>	<u>\$ 3,140,000</u>	<u>\$ 190,000</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, 2014, the City had \$170,615 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, 2014, the City did not have any liability for unpaid claims or adjustments under policies carried with TML. During the year ended September 30, 2014, 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, 2014, the City paid \$30,000 under this contract.

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, 2014 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 \$222,465 under this contract as of September 30, 2014.

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 2013</u>	<u>Plan Year 2014</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

Contributions

Under the state law governing TMRS, the contribution rate for each City is determined annually by the actuary, using the Entry Age Normal (EAN) cost method (EAN was first used in the December 31, 2013 valuation; previously, the Projected Unit Credit actuarial cost method had been used). 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 for an employee is the contribution rate which, if applied to a member’s compensation throughout their period of anticipated covered service with the municipality, would be sufficient to meet all benefits payable on their behalf. The salary-weighted average of the individual rates is the total normal cost rate. 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)	\$ 40,700
Interest on Net Pension Obligation	-
Adjustment to the ARC	-
	<hr/>
Annual Pension Cost (APC)	40,700
Contribution Made	<u>40,700</u>
Increase (decrease) in net pension obligation	-
Net Pension Obligation/(Asset), beginning of year	<hr/> -
Net Pension Obligation/(Asset), end of year	<u><u>\$ -</u></u>

Three Year Trend

<u>Fiscal Year Ending</u>	<u>Annual Pension Cost (APC)</u>	<u>Actual Contribution Made</u>	<u>Percentage of APC Contributed</u>	<u>Net Pension Obligation/ (Asset)</u>
9/30/2012	37,995	37,995	100%	-
9/30/2013	32,637	32,637	100%	-
9/30/2014	40,700	40,700	100%	-

General System-wide Actuarial Assumptions

The required contribution rates for fiscal year 2014 were determined as part of the December 31, 2011 and 2012 actuarial valuations. Additional information as of the latest actuarial valuation, December 31, 2013, also follows:

Valuation Date	12/31/2011	12/31/2012	12/31/2013
Actuarial Cost Method	Projected Unit Credit	Projected Unit Credit	Entry Age Normal
Amortization Method	Level Percent of Payroll	Level Percent of Payroll	Level Percent of Payroll
Remaining Amortization Period	21.0 years; closed period	20.0 years; closed period	17.0 years; closed period
Amortization Period for new Gains / Losses	22 years	22 years	23 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

In October 2013, the TMRS Board approved actuarial changes in (a) the funding method from Projected Unit Credit to Entry Age Normal, (b) the post-retirement mortality assumptions used in calculating liabilities and contribution rates and in the development of the Annuity Purchase Rate factors, and (c) the amortization policy. These actuarial changes were effective with the December 31, 2013 actuarial valuation. For a complete description of the new actuarial cost method and assumptions, please see the December 31, 2013 TMRS Comprehensive Annual Financial Report (CAFR).

The funded status as of December 31, 2013, 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
12/31/2013	\$ 343,851	\$ 622,798	55.2%	\$ 278,947	\$ 664,555	42.0%

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.

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 2014, 2013, and 2012 were \$1,810, \$1,708, and \$1,415, 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
2012	0.01%	0.01%	100.00%
2013	0.01%	0.01%	100.00%
2014	0.01%	0.01%	100.00%

NOTE 9 – EXCESS OF EXPENDITURES OVER APPROPRIATIONS

For the year ended September 30, 2014, expenditures exceeded appropriations in the following departments of the General Fund: Public Works by \$438,225, Municipal Court by \$9,927, and Appraisal and Collection Fees by \$10,412. This over expenditure was funded by available fund balance in the General Fund and a grant from Texas Parks & Wildlife.

NOTE 10 – GRANTS

During the year, the City received a grant from Texas Parks & Wildlife in the amount of \$90,150 for the improvement of the existing boat ramp on the Neches River. This was part of the River Park project that was completed during the year. The grant was for 75% of the cost of the ramp renovation with the City paying for the remaining 25%. As of September 30, 2014, \$90,150 was included in accounts receivable.

NOTE 11 – SUBSEQUENT EVENTS

Subsequent events were evaluated through March 16, 2015, the date on which the financial statements were available to be issued.

REQUIRED SUPPLEMENTARY INFORMATION

**CITY OF CHANDLER, TEXAS
TEXAS MUNICIPAL RETIREMENT SYSTEM
SCHEDULE OF FUNDING PROGRESS - UNAUDITED
FISCAL YEAR ENDED SEPTEMBER 30, 2014**

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 Payroll</u>
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%
12/31/2013	343,851	622,798	55.2%	278,947	664,555	42.0%

CITY OF CHANDLER, TEXAS
DETAILED SCHEDULE OF EXPENDITURES - BUDGET AND ACTUAL
(NON-GAAP BUDGET BASIS) - GENERAL FUND
FISCAL YEAR ENDED SEPTEMBER 30, 2014

	GENERAL FUND			VARIANCE WITH FINAL BUDGET POSITIVE (NEGATIVE)
	ORIGINAL BUDGET	FINAL BUDGET	ACTUAL	
EXPENDITURES				
General government	\$ 1,001,586	\$ 1,032,821	\$ 933,722	\$ 99,099
Public safety	519,423	519,423	509,592	9,831
Public works	-	731,282	1,169,507	(438,225)
Community center expense	-	9,600	19,527	(9,927)
Municipal court	237,120	237,120	215,621	21,499
Environmental and public service	84,100	-	-	-
Parks and recreation	336,408	-	-	-
Appraisal and collection fees	10,500	-	10,412	(10,412)
Maintenance expense	302,450	-	-	-
City library	45,025	45,025	40,960	4,065
Total Expenditures - Budget Basis	\$ 2,536,612	\$ 2,575,271	2,899,341	\$ (324,070)
Financial Statement Adjustments				
Reclass expenditures recorded as revenues			9,580	
Decrease in accrued expenses			(87,580)	
TOTAL EXPENDITURES - GAAP BASIS			\$ 2,821,341	

ADDITIONAL SUPPLEMENTAL INFORMATION

CITY OF CHANDLER, TEXAS

DETAILED SCHEDULE OF REVENUES - BUDGET AND ACTUAL

(NON-GAAP BUDGET BASIS) - ENTERPRISE FUND

FISCAL YEAR ENDED SEPTEMBER 30, 2014

	ORIGINAL BUDGET	FINAL BUDGET	ACTUAL	VARIANCE WITH FINAL BUDGET POSITIVE (NEGATIVE)
REVENUES				
Water and sewer service	\$ 945,841	\$ 945,841	\$ 978,945	\$ 33,104
Interest income	1,811	1,811	1,969	158
Water connections	7,500	7,500	13,300	5,800
Sewer connections	7,500	7,500	11,750	4,250
Initial turn on	6,000	6,000	7,100	1,100
Reconnection fees	1,200	1,200	2,175	975
Trash & Tax Collection	367,458	367,458	331,259	(36,199)
Pump truck dumping	90,000	25,239	25,239	-
Customer Service Inspections	2,000	2,000	2,550	550
Water & Sewer Projects	103,762	103,762	77,293	(26,469)
Miscellaneous	200	200	510	310
Total Revenues - Budget Basis	\$ <u>1,533,272</u>	\$ <u>1,468,511</u>	1,452,090	\$ <u>(16,421)</u>
Financial Statement Adjustments:				
Increase in accrued revenues			4,055	
Reclass revenues recorded as expenses			<u>14,884</u>	
TOTAL REVENUES - GAAP BASIS			\$ <u>1,471,029</u>	

CITY OF CHANDLER, TEXAS
DETAILED SCHEDULE OF EXPENSES - BUDGET AND ACTUAL
(NON-GAAP BUDGET BASIS) - ENTERPRISE FUND
FISCAL YEAR ENDED SEPTEMBER 30, 2014

	<u>ORIGINAL BUDGET</u>	<u>FINAL BUDGET</u>	<u>ACTUAL</u>	<u>VARIANCE WITH FINAL BUDGET POSITIVE (NEGATIVE)</u>
<u>EXPENSES</u>				
Contract services	\$ 170,300	\$ 151,218	\$ 151,287	\$ (69)
Material and supplies	152,000	152,000	151,600	400
Personnel services	40,000	31,667	69,234	(37,567)
Other expenses	194,210	126,839	86,623	40,216
Bond principal	165,000	165,000	165,000	-
Bond interest and fees	135,770	135,970	133,591	2,379
Trash collection	366,877	366,877	333,753	33,124
Capital improvements	<u>309,115</u>	<u>338,939</u>	<u>359,131</u>	<u>(20,192)</u>
 Total Expenses - Budget Basis	 <u>\$ 1,533,272</u>	 <u>\$ 1,468,510</u>	 1,450,219	 <u>\$ 18,291</u>
 Financial Statement Adjustments:				
Expenses reclassified as decreases in liabilities			(165,000)	
Expenses reclassified as a increases in revenue			1,598	
Expenses paid by revenue bonds			45,000	
Decrease in accrued expenses			(44,687)	
Expenses reclassified as capital assets			(139,674)	
Depreciation			<u>158,769</u>	
 TOTAL EXPENSES - GAAP BASIS			 <u>\$ 1,306,225</u>	

OTHER REPORTS

**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***

Independent Auditor's Report

The Governing Body
City of Chandler, Texas

We have audited, 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, the financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of City of Chandler, Texas as of and for the year ended September 30, 2014, and the related notes to the financial statements, which collectively comprise City of Chandler, Texas 's basic financial statements, and have issued our report thereon dated March 16, 2015.

Internal Control over Financial Reporting

In planning and performing our audit of the financial statements, we considered City of Chandler, Texas '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 City of Chandler, Texas 's internal control. Accordingly, we do not express an opinion on the effectiveness of City of Chandler, Texas 's internal control.

Our consideration of internal control over financial reporting was for the limited purpose described in the preceding paragraph and was not designed to identify all deficiencies in internal control over financial reporting that might be material weaknesses or significant deficiencies and therefore, material weaknesses or significant deficiencies may exist that were not identified. However, as discussed below we identified certain deficiencies in internal control that we consider to be material weaknesses.

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. We consider the deficiencies described below to be material.

Fixed Assets

It was noted during the audit that a significant amount of capital purchases qualifying under the City's policy to be capitalized as fixed assets, were intermingled across three separate funds and multiple accounts. This creates a situation where fixed assets may not be capitalized or the amounts capitalized could be materially misstated. The City should design internal controls in order to efficiently track all cost associated with capital purchases and utilize transfers between funds in order to pay for capital items in a single fund.

Compliance and Other Matters

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

City of Chandler, Texas' Response to Findings

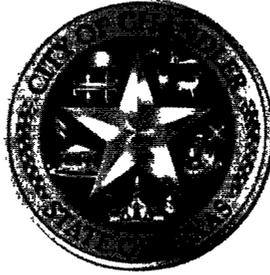
The City of Chandler, Texas' response to the findings identified in our audit is described in the accompanying letter of response. City of Chandler, Texas' response was not subjected to the auditing procedures applied in the audit of financial statements and, accordingly, we express no opinion on it.

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 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
March 16, 2015



March 16, 2015

Gollob Morgan Peddy
Certified Public Accountants
1001 ESE Loop 323, Suite 300
Tyler, Texas 75701

To Whom It May Concern:

It was noted during the audit that a significant amount of capital purchases qualifying under the City's policy to be capitalized as fixed assets, were intermingled across three separate funds and multiple accounts. This creates a problem in tracking cost efficiently that is associated with capital purchases.

This occurs when there is a lack of funds in the General Fund and invoices are paid out of other accounts and reimbursed when funds are available. In the future fixed assets will be paid for out of the fund with appropriate ownership of the asset and any monies utilized in the acquisition or construction of new assets from other funds will be deposited into that fund. This should help track all cost associated with capital purchases being paid for in a single fund.

Shirley Parmer
City Secretary
Public Funds Officer