

**CITY OF CHANDLER, TEXAS**

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

**FISCAL YEAR ENDED SEPTEMBER 30, 2018**

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**FRANK CAMPOS & ASSOCIATES, PLLC**  
*Certified Public Accountants*

## **INDEPENDENT AUDITOR'S REPORT**

To the 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 the City of Chandler, Texas, as of and for the year ended September 30, 2018, and the related notes to the financial statements, which collectively comprise the City of Chandler, Texas's basic financial statements as listed in the table of contents.

### ***Management's Responsibility for the Financial Statements***

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

### ***Auditor's Responsibility***

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

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

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

### ***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, 2018, 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.

### ***Change in Accounting Principle and Prior Period Adjustments***

As described in Note 1 and Note 11 to the financial statements, in 2018, the City adopted new accounting guidance, *GASBS No. 75, Accounting and Financial Reporting for Postemployment Benefits Other Than Pensions*. Our opinion is not modified with respect to this matter.

As discussed in Note 11 to the financial statements, prior period adjustments were made to correct the beginning balances of notes payable, compensated absences, court fines receivable, and court fees payable to the state. Our opinion is not modified with respect to these matters.

### ***Other Matters***

#### ***Required Supplementary Information***

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis, pension schedules, and OPEB schedule on pages 3-8, 42-43, and 44 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 combining nonmajor fund financial statements are presented for purposes of additional analysis and are not a required part of the basic financial statements.

The combining nonmajor fund financial statements are the responsibility of management and were derived from and relate directly to the underlying accounting and other records used to prepare the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the combining nonmajor fund financial statements is fairly stated in all material respects in relation to the basic financial statements as a whole.

The budgetary comparison information for the enterprise and capital projects funds have 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 them.

### ***Other Reporting Required by Government Auditing Standards***

In accordance with *Government Auditing Standards*, we have also issued our report dated July 2, 2019, on our consideration of the 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 solely to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the City of Chandler, Texas's internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the City of Chandler, Texas's internal control over financial reporting and compliance.

*Frank Campos & Associates PLLC*

Frank Campos & Associates, PLLC  
Palestine, Texas  
July 2, 2019

## Management's Discussion and Analysis

As management of the City of Chandler (City), 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, 2018.

### Financial Highlights

- As of the end of the current fiscal year, the assets and deferred outflows of resources of the City exceed its liabilities and deferred inflows of resources by \$8,214,471 (net position). Of this amount \$1,640,155 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 \$1,342,558. Of this amount \$365,248 (27.21%) is available for spending at the government's discretion.
- The total net position of \$8,214,471 is made up of \$5,061,468, in capital assets net of related debt and \$3,153,003 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, liabilities and deferred inflows / outflows of resources, with the difference 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, public works, community center, parks and recreation, and city library and museum. 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 eight 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, economic development fund, capital project fund and TIF fund. Data from the other governmental funds is presented as a single aggregated presentation.

*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.

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.

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, 2018, the City's assets exceeded liabilities by \$8,214,471.

By far the largest portion of the City's net position, \$5,061,468, 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 decreased by \$183,830 from the prior year primarily from depreciation. The amount of unrestricted net position \$1,640,155 increased by \$622,508 from the prior year primarily due to the decrease in investment in capital assets from depreciation of capital assets and payment of debt related to those assets, and prior period adjustments to net position.

### City of Chandler's Net Position

	Governmental Activities		Business-type Activities		Total	
	2018	2017	2018	2017	2018	2017
Current and other assets	\$ 1,978,653	\$ 2,136,265	\$ 2,854,419	\$ 2,296,240	\$ 4,833,072	\$ 4,432,505
Capital assets	4,770,541	4,216,945	5,133,867	5,287,609	9,904,408	9,504,554
<b>Total assets</b>	<b>6,749,194</b>	<b>6,353,210</b>	<b>7,988,286</b>	<b>7,583,849</b>	<b>14,737,480</b>	<b>13,937,059</b>
<b>Deferred outflows</b>	<b>61,098</b>	<b>60,548</b>	<b>14,715</b>	<b>14,583</b>	<b>75,813</b>	<b>75,131</b>
Current liabilities	382,343	122,708	124,335	79,600	506,678	202,308
Noncurrent liabilities	2,042,775	2,140,908	4,009,960	3,579,579	6,052,735	5,720,487
<b>Total liabilities</b>	<b>2,425,118</b>	<b>2,263,616</b>	<b>4,134,295</b>	<b>3,659,179</b>	<b>6,559,413</b>	<b>5,922,795</b>
<b>Deferred inflows</b>	<b>31,760</b>	<b>4,622</b>	<b>7,649</b>	<b>1,113</b>	<b>39,409</b>	<b>5,735</b>
Net invested in capital assets	2,607,193	2,338,019	2,454,275	2,907,279	5,061,468	5,245,298
Restricted	1,089,210	1,599,238	423,638	221,477	1,512,848	1,820,715
Unrestricted	657,011	208,263	983,144	809,384	1,640,155	1,017,647
<b>Total net position</b>	<b>\$ 4,353,414</b>	<b>\$ 4,145,520</b>	<b>\$ 3,861,057</b>	<b>\$ 3,938,140</b>	<b>\$ 8,214,471</b>	<b>\$ 8,083,660</b>

Governmental activities net position increased by \$207,894 during the year which was primarily attributable to prior period adjustments due to the adoption of GASB Statement No. 75 and other items detailed in the note disclosures. The business-type activities resulted in a \$77,083 decrease due to expensing amounts in the current year, capitalized in prior years for the water well #7B that failed to produce, and a prior period adjustment due to the adoption of GASB Statement No. 75.

### City of Chandler's Changes in Net Position

	Governmental Activities		Business-type Activities		Total	
	2018	2017	2018	2017	2018	2017
<b>Revenues</b>						
Charges for services	\$ 1,000,228	\$ 1,027,009	\$ 1,295,519	\$ 1,217,793	\$ 2,295,747	\$ 2,244,802
Operating grants and contributions	13,286	-	-	-	13,286	-
Capital grants and contributions	19,774	29,059	-	-	19,774	29,059
General Revenue						
Property taxes	981,437	935,724	-	-	981,437	935,724
Franchise taxes	139,797	133,978	-	-	139,797	133,978
Sales and use taxes	750,863	857,572	-	-	750,863	857,572
Settlement Revenue	-	-	-	399,912	-	399,912
Insurance Proceeds	15,636	38,282	-	-	15,636	38,282
Interest income	7,330	5,723	7,451	3,183	14,781	8,906
<b>Total revenue</b>	<b>2,928,351</b>	<b>3,027,347</b>	<b>1,302,970</b>	<b>1,620,888</b>	<b>4,231,321</b>	<b>4,648,235</b>
<b>Expenses</b>						
General government	1,135,155	1,022,571	-	-	1,135,155	1,022,571
Public safety	815,017	778,805	-	-	815,017	778,805
Public works	575,905	563,587	-	-	575,905	563,587
Community center	6,995	7,302	-	-	6,995	7,302
Parks and recreation	247,480	239,798	-	-	247,480	239,798
City library	68,897	61,726	-	-	68,897	61,726
Interest	58,658	76,552	117,968	122,131	176,626	198,683
Bond issue cost	-	69,792	63,093	-	63,093	69,792
Water and sewer operations	-	-	1,227,381	870,736	1,227,381	870,736
<b>Total expenses</b>	<b>\$ 2,908,107</b>	<b>\$ 2,820,133</b>	<b>\$ 1,408,442</b>	<b>\$ 992,867</b>	<b>\$ 4,316,549</b>	<b>\$ 3,813,000</b>



Excess (deficiency) of revenues over expenses	\$ 20,244	\$ 207,214	\$ (105,472)	\$ 628,021	\$ (85,228)	\$ 835,235
Other						
Transfers	(36,696)	(2,820)	36,696	2,820	-	-
<b>Total other</b>	<b>(36,696)</b>	<b>(2,820)</b>	<b>36,696</b>	<b>2,820</b>	<b>-</b>	<b>-</b>
Change in net position	(16,452)	204,394	(68,776)	630,841	(85,228)	835,235
Net position, beginning, as originally stated	4,145,520	3,899,400	3,938,140	3,349,025	8,083,660	7,248,425
Prior period adjustment	224,346	41,726	(8,307)	(41,726)	216,039	-
Net position, beginning, as restated	4,369,866	3,941,126	3,929,833	3,307,299	8,299,699	7,248,425
Net position, end of the year	\$ 4,353,414	\$ 4,145,520	\$ 3,861,057	\$ 3,938,140	\$ 8,214,471	\$ 8,083,660

### Current Year Reporting Changes

For the year ended September 30, 2018, the City implemented GASB Statement No. 75, *Accounting and Financial Reporting for Postemployment Benefits Other Than Pensions*. The City participates in a defined benefit group-term life insurance plan, both for current and retired employees, administered by the Texas Municipal Retirement System (TMRS). The City reports the total liability for this plan on the government-wide and proprietary fund financial statements. Information regarding the City's total OPEB liability is obtained from TMRS through a report prepared for the City by TMRS' consulting actuary, Gabriel Roeder Smith & Company, in compliance with GASB Statement No. 75. In connection with the implementation of GASB 75, a restatement to beginning net position has been made for the recording of the beginning total OPEB liability and for the recording of deferred outflows of resources for contributions made after the measurement date of the beginning total OPEB liability and the beginning of the reporting entity's fiscal year. More detailed information regarding GASB 75 and its implementation can be found with Note 9, Other Post-Employment Benefits, in the note disclosures.

The City also made several prior period adjustments to the financial statements in order to present more accurate financial data. More detailed information is provided in Note 11, Prior Period Adjustments, in the note disclosures.

### 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 \$1,342,558 of which \$365,248 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, court technology and economic development.

*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 \$983,144. The total net position decreased by \$77,083 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 lower than the budgeted amount by \$41,105, due to lower than expected property tax collections and sports

association revenue. Actual expenditures were more than budgeted amounts by \$15,080, due to the unbudgeted payroll cost associated with staff leaving employment. Transfers between the governmental funds and proprietary funds resulted in an actual decrease to fund balance of \$36,696 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, 2018, amounts to \$9,904,408 net of accumulated depreciation. 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 \$399,854.

During the year, the City made additions to the water and sewer system, made various additions to machinery and equipment, buildings and improvements, and infrastructure. The City also had two projects under construction.

#### City of Chandler's Capital Assets

	Governmental Activities		Business-type Activities		Total	
	2018	2017	2018	2017	2018	2017
Land	\$ 595,874	\$ 595,874	\$ 124,933	\$ 124,933	\$ 720,807	\$ 720,807
Construction in Progress	-	395,163	17,827	52,888	17,827	448,051
Buildings and improvements	1,254,867	1,258,565	-	-	1,254,867	1,258,565
Infrastructure	2,772,317	1,788,216	-	-	2,772,317	1,788,216
Machinery and equipment	147,483	179,127	30,489	53,511	177,972	232,638
Water and sewer system	-	-	4,960,618	5,056,277	4,960,618	5,056,277
<b>Combined total</b>	<b>\$ 4,770,541</b>	<b>\$ 4,216,945</b>	<b>\$ 5,133,867</b>	<b>\$ 5,287,609</b>	<b>\$ 9,904,408</b>	<b>\$ 9,504,554</b>

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 \$6,052,735. Of this amount, \$5,230,000 comprises debt backed by revenue bonds, refunding bonds and certificates of obligation.

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	
	2018	2017	2018	2017	2018	2017
Compensated						
absences	\$ 57,703	\$ 26,940	\$ 12,388	\$ -	\$ 70,091	\$ 26,940
Net pension liability	202,797	235,042	48,843	56,609	251,640	291,651
Total OPEB liability	42,850	-	10,320	-	53,170	-
Revenue bonds	1,505,000	1,505,000	3,725,000	3,270,000	5,230,000	4,775,000
Premium on Bond Issue	62,101	67,794	-	-	62,101	67,794
Note payable	172,324	306,132	213,409	252,970	385,733	559,102
<b>Combined total</b>	<b>\$ 2,042,775</b>	<b>\$ 2,140,908</b>	<b>\$ 4,009,960</b>	<b>\$ 3,579,579</b>	<b>\$ 6,052,735</b>	<b>\$ 5,720,487</b>

### 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 increased commercial development.

All of these factors were considered in preparing the City's budget for the 2018 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: Director of Finance, P. O. Box 425, Chandler, TX 75758 or call 903-849-6853 or email [wjohnston@chandler.tx.com](mailto:wjohnston@chandler.tx.com).

## **BASIC FINANCIAL STATEMENTS**

**CITY OF CHANDLER, TEXAS**  
**STATEMENT OF NET POSITION**  
**SEPTEMBER 30, 2018**

	PRIMARY GOVERNMENT		
	GOVERNMENTAL	BUSINESS- TYPE	TOTAL
	ACTIVITIES	ACTIVITIES	
<b>ASSETS</b>			
Cash and cash equivalents	\$ 144,165	\$ 1,124,711	\$ 1,268,876
Inventory	-	39,819	39,819
Receivables (net of allowance for doubtful accounts)	647,444	157,838	805,282
Internal balances	150,404	(150,404)	-
Restricted Assets:			
Temporarily restricted:			
Revenue bond debt service	111,900	423,638	535,538
Cash for construction	424,238	580,594	1,004,832
Other programs	500,502	-	500,502
Capital Assets (net of accumulated depreciation):			
Land	595,874	124,933	720,807
Construction in progress	-	17,827	17,827
Buildings and improvements	1,254,867	-	1,254,867
Water and sewer system	-	4,960,618	4,960,618
Machinery and equipment	147,483	30,489	177,972
Infrastructure	2,772,317	-	2,772,317
Other Assets:			
Escrow Account (Note F)	-	678,223	678,223
Total Other Asset	-	678,223	678,223
 Total Assets	 6,749,194	 7,988,286	 14,737,480
<b>DEFERRED OUTFLOWS OF RESOURCES</b>			
Deferred charge on TMRS SDBF	3,082	743	3,825
Deferred charge on TMRS pension	58,016	13,972	71,988
Total Deferred Outflows of Resources	61,098	14,715	75,813
<b>LIABILITIES</b>			
Accounts payable	296,863	60,712	357,575
Accrued wages payable	61,382	10,306	71,688
Accrued interest payable	24,098	53,317	77,415
Non-current liabilities:			
Due within one year	225,051	362,955	588,006
Due in more than one year	1,817,724	3,647,005	5,464,729
Total Liabilities	2,425,118	4,134,295	6,559,413
<b>DEFERRED INFLOWS OF RESOURCES</b>			
Deferred charge on TMRS pension	31,760	7,649	39,409
Total Deferred Inflows of Resources	31,760	7,649	39,409
<b>NET POSITION</b>			
Investment in capital assets, net of related debt	2,607,193	2,454,275	5,061,468
Restricted for:			
Debt service	111,900	423,638	535,538
City Programs	4,304	-	4,304
Law Enforcement	109	-	109
Court Security and Technology	43,714	-	43,714
Economic development	505,260	-	505,260
Future construction	423,923	-	423,923
Unrestricted	657,011	983,144	1,640,155
Total Net Position	\$ 4,353,414	\$ 3,861,057	\$ 8,214,471

**CITY OF CHANDLER, TEXAS  
STATEMENT OF ACTIVITIES  
FISCAL YEAR ENDED SEPTEMBER 30, 2018**

PROGRAM ACTIVITIES	EXPENSES	PROGRAM REVENUES			NET (EXPENSE) REVENUE AND CHANGES IN NET POSITION		
		CHARGES FOR SERVICES	OPERATING GRANTS AND CONTRIBUTIONS	CAPITAL GRANTS AND CONTRIBUTIONS	PRIMARY GOVERNMENT		
					GOVERNMENTAL ACTIVITIES	BUSINESS- TYPE ACTIVITIES	TOTAL
<b>PRIMARY GOVERNMENT:</b>							
Governmental activities:							
General government	\$ 1,135,155	\$ 483,514	\$ -	\$ -	\$ (651,641)	\$ -	\$ (651,641)
Public safety	815,017	349,522	1,086	-	(464,409)	-	(464,409)
Public works	575,905	-	-	-	(575,905)	-	(575,905)
Community center	6,995	-	-	-	(6,995)	-	(6,995)
Parks and recreation	247,480	148,916	12,200	19,774	(66,590)	-	(66,590)
City library and museum	68,897	18,276	-	-	(50,621)	-	(50,621)
Interest and fees	58,658	-	-	-	(58,658)	-	(58,658)
Total governmental activities	2,908,107	1,000,228	13,286	19,774	(1,874,819)	-	(1,874,819)
Business-type activities:							
Water and sewer	1,227,381	1,295,519	-	-	-	68,138	68,138
Interest	117,968	-	-	-	-	(117,968)	(117,968)
Bond issue cost	63,093	-	-	-	-	(63,093)	(63,093)
Total business-type activities	1,408,442	1,295,519	-	-	-	(112,923)	(112,923)
Total primary government	\$ 4,316,549	\$ 2,295,747	\$ 13,286	\$ 19,774	(1,874,819)	(112,923)	(1,987,742)
General revenues:							
Property taxes					981,437	-	981,437
Franchise taxes					139,797	-	139,797
Sales and use taxes					750,863	-	750,863
Interest income					7,330	7,451	14,781
Insurance proceeds					15,636	-	15,636
Transfers					(36,696)	36,696	-
Total general revenues and transfers					1,858,367	44,147	1,902,514
Change in Net Position					(16,452)	(68,776)	(85,228)
Net Position - beginning of year					4,145,520	3,938,140	8,083,660
Prior period adjustment (Note 11)					224,346	(8,307)	216,039
Net Position - beginning of year, as restated					4,369,866	3,929,833	8,299,699
Net Postition - end of year					\$ 4,353,414	\$ 3,861,057	\$ 8,214,471

**CITY OF CHANDLER, TEXAS  
BALANCE SHEET  
GOVERNMENTAL FUNDS  
SEPTEMBER 30, 2018**

	GENERAL	ECONOMIC DEVELOPMENT FUND	CAPITAL PROJECTS FUND	TIF FUND	NON-MAJOR GOVERNMENTAL FUNDS	ELIMINATIONS	TOTAL GOVERNMENTAL FUNDS
<b>ASSETS</b>							
Cash and cash equivalents	\$ 256,066	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 256,066
Receivables:							
Sales tax receivable	98,068	32,689	-	-	-	-	130,757
Trash services receivable	44,503	-	-	-	-	-	44,503
Grants receivable	19,774	-	-	-	-	-	19,774
Property tax receivable (net of allowance for estimated uncollectibles)	16,013	-	-	-	-	-	16,013
Court receivable (net of allowance for estimated uncollectibles)	436,397	-	-	-	-	-	436,397
Restricted cash and cash equivalents	-	452,374	-	424,238	48,127	-	924,739
Due from other funds	150,404	31,024	-	-	-	(31,024)	150,404
<b>Total Assets</b>	<b>\$ 1,021,225</b>	<b>\$ 516,087</b>	<b>\$ -</b>	<b>\$ 424,238</b>	<b>\$ 48,127</b>	<b>\$ (31,024)</b>	<b>\$ 1,978,653</b>
<b>LIABILITIES, DEFERRED INFLOWS OF RESOURCES AND FUND BALANCES</b>							
<b>LIABILITIES:</b>							
Accounts payable	\$ 111,161	\$ 10,827	\$ -	\$ 315	\$ -	\$ -	\$ 122,303
Accrued wages payable	61,382	-	-	-	-	-	61,382
Due to other funds	31,024	-	-	-	-	(31,024)	-
<b>Total Liabilities</b>	<b>203,567</b>	<b>10,827</b>	<b>-</b>	<b>315</b>	<b>-</b>	<b>(31,024)</b>	<b>183,685</b>
<b>DEFERRED INFLOWS OF RESOURCES:</b>							
Unavailable revenue - court fine	436,397	-	-	-	-	-	436,397
Unavailable revenue - property taxes	16,013	-	-	-	-	-	16,013
<b>Total Deferred Inflows of Resources:</b>	<b>452,410</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>452,410</b>
<b>FUND BALANCES:</b>							
Restricted:							
Capital Improvements	-	-	-	423,923	-	-	423,923
City Programs	-	-	-	-	4,304	-	4,304
Economic Development	-	505,260	-	-	-	-	505,260
Law Enforcement Purposes	-	-	-	-	109	-	109
Court Security and Technology	-	-	-	-	43,714	-	43,714
Unassigned	365,248	-	-	-	-	-	365,248
<b>Total Fund Balances</b>	<b>365,248</b>	<b>505,260</b>	<b>-</b>	<b>423,923</b>	<b>48,127</b>	<b>-</b>	<b>1,342,558</b>
<b>Total Liabilities, Deferred Inflows of Resources and Fund Balances</b>	<b>\$ 1,021,225</b>	<b>\$ 516,087</b>	<b>\$ -</b>	<b>\$ 424,238</b>	<b>\$ 48,127</b>	<b>\$ (31,024)</b>	<b>\$ 1,978,653</b>

**CITY OF CHANDLER, TEXAS  
RECONCILIATION OF GOVERNMENTAL FUNDS  
BALANCE SHEET TO THE STATEMENT OF NET POSITION  
SEPTEMBER 30, 2018**

**Amounts reported for governmental activities in the statement of net position are different because:**

Total fund balances governmental funds (Exhibit 3)	\$ 1,342,558
Capital assets used in governmental activities are not current financial resources and, therefore, are not reported in the governmental funds balance sheet.	4,770,541
Other long-term assets are not available to pay for current-period expenditures and, therefore, are deferred in the funds.	452,410
Deferred outflows represent the consumption of net position that are applicable to a future reporting period.	61,098
Liabilities associated with deferred funds are not payable until collected in future periods.	(174,560)
Deferred inflows is an acquisition of net assets that is applicable to a future reporting period.	(31,760)
Interest payable on long-term debt does not require current financial resources and, therefore, interest payable is not reported as a liability in governmental funds balance sheet.	(24,098)
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>(2,042,775)</u>
Net position of governmental activities	<u><u>\$ 4,353,414</u></u>



**CITY OF CHANDLER, TEXAS**  
**STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES**  
**GOVERNMENTAL FUNDS**  
**FISCAL YEAR ENDED SEPTEMBER 30, 2018**

	GENERAL	ECONOMIC DEVELOPMENT FUND	CAPITAL PROJECTS FUND	TIF FUND	NON-MAJOR GOVERNMENTAL FUNDS	ELIMINATIONS	TOTAL GOVERNMENTAL FUNDS
<b>REVENUES</b>							
Property taxes	\$ 939,636	\$ -	\$ -	\$ 35,187	\$ -	\$ -	\$ 974,823
Sales tax	563,505	187,358	-	-	-	-	750,863
Franchise tax	139,797	-	-	-	-	-	139,797
Fines	260,590	-	-	-	23,675	-	284,265
Licenses and permits	35,302	-	-	-	-	-	35,302
Zoning and platting fees	3,368	-	-	-	-	-	3,368
Library	18,276	-	-	-	-	-	18,276
Sports Association revenue	87,014	-	-	-	-	-	87,014
Concession revenue	61,902	-	-	-	-	-	61,902
Interest	2,577	860	-	3,889	4	-	7,330
Rents	20,121	-	-	-	-	-	20,121
Donations	-	-	-	-	12,200	-	12,200
Miscellaneous	22,265	-	-	-	-	-	22,265
Grants	19,774	-	-	-	1,086	-	20,860
Trash and tax collection	390,528	-	-	-	-	-	390,528
Lease income	11,930	-	-	-	-	-	11,930
Total Revenues	<u>2,576,585</u>	<u>188,218</u>	<u>-</u>	<u>39,076</u>	<u>36,965</u>	<u>-</u>	<u>2,840,844</u>
<b>EXPENDITURES</b>							
Current:							
General government	883,603	176,968	30,870	765	-	-	1,092,206
Public safety	509,231	-	-	-	2,256	-	511,487
Public works	394,703	-	-	-	-	-	394,703
Community center expense	6,995	-	-	-	-	-	6,995
Municipal court	209,618	-	-	-	3,567	-	213,185
City library and museum	68,063	-	-	-	-	-	68,063
Parks and recreation	181,812	-	-	-	6,537	-	188,349
Capital outlay	214,645	-	22,648	631,195	-	-	868,488
Debt Service:							
Principal	97,655	-	-	-	-	-	97,655
Interest	11,981	-	-	53,083	-	-	65,064
Total Expenditures	<u>2,578,306</u>	<u>176,968</u>	<u>53,518</u>	<u>685,043</u>	<u>12,360</u>	<u>-</u>	<u>3,506,195</u>
Excess (Deficiency) of Revenues Over (Under) Expenditures	<u>(1,721)</u>	<u>11,250</u>	<u>(53,518)</u>	<u>(645,967)</u>	<u>24,605</u>	<u>-</u>	<u>(665,351)</u>
Other Financing Sources (Uses):							
Insurance proceeds	6,506	-	9,130	-	-	-	15,636
Transfers in	5,909	-	34,596	1,034,835	24,881	(1,100,221)	-
Transfers out	<u>(96,173)</u>	<u>(2,659)</u>	<u>(1,034,835)</u>	<u>-</u>	<u>(3,250)</u>	<u>1,100,221</u>	<u>(36,696)</u>
Total Other Financing Sources (Uses)	<u>(83,758)</u>	<u>(2,659)</u>	<u>(991,109)</u>	<u>1,034,835</u>	<u>21,631</u>	<u>-</u>	<u>(21,060)</u>
Net Change in Fund Balances	<u>(85,479)</u>	<u>8,591</u>	<u>(1,044,627)</u>	<u>388,868</u>	<u>46,236</u>	<u>-</u>	<u>(686,411)</u>
Fund Balance, beginning of year	423,787	496,669	1,044,627	35,055	1,891	-	2,002,029
Prior period adjustment (Note 11)	26,940	-	-	-	-	-	26,940
Fund Balance, beginning of year as restated	<u>450,727</u>	<u>496,669</u>	<u>1,044,627</u>	<u>35,055</u>	<u>1,891</u>	<u>-</u>	<u>2,028,969</u>
Fund Balance, end of year	<u>\$ 365,248</u>	<u>\$ 505,260</u>	<u>\$ -</u>	<u>\$ 423,923</u>	<u>\$ 48,127</u>	<u>\$ -</u>	<u>\$ 1,342,558</u>

**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, 2018**

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

Net change in fund balances - total governmental funds	\$ (686,411)
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.	553,596
Revenues in the statement of activities that do not provide current financial resources are not reported as revenues in the funds.	71,871
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.	104,061
Some expenses reported in the statement of activities do not require the use of current financial resources, and therefore, are not reported as expenditures in governmental funds	(59,569)
Change in net position of governmental activities	<u><u>\$ (16,452)</u></u>

## Exhibit 7

**CITY OF CHANDLER, TEXAS**  
**STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN**  
**FUND BALANCE - BUDGET AND ACTUAL**  
**GENERAL FUND**  
**FISCAL YEAR ENDED SEPTEMBER 30, 2018**

	ORIGINAL BUDGET	FINAL BUDGET	ACTUAL	VARIANCE WITH FINAL BUDGET POSITIVE (NEGATIVE)
<b>REVENUES</b>				
Property taxes	\$ 964,357	\$ 964,357	\$ 939,636	\$ (24,721)
Sales tax	745,780	545,130	563,505	18,375
Franchise tax	137,500	138,617	139,797	1,180
Fines	333,833	249,539	260,590	11,051
Licenses and permits	28,600	33,685	38,670	4,985
Library	18,276	18,276	18,276	-
Sports Association revenue	127,350	160,068	87,014	(73,054)
Interest	400	400	2,577	2,177
Rent and lease	35,029	31,389	32,051	662
Grants	-	14,484	19,774	5,290
Miscellaneous	7,150	11,190	22,265	11,075
Trash and tax collection	380,556	380,555	390,528	9,973
Concession revenue	70,000	70,000	61,902	(8,098)
Total Revenues	2,848,831	2,617,690	2,576,585	(41,105)
<b>EXPENDITURES</b>				
General government	1,080,002	927,644	975,242	(47,598)
Public safety	569,174	548,884	555,398	(6,514)
Public works	366,548	576,297	572,708	3,589
Community center expense	6,200	6,200	6,995	(795)
Municipal court	257,103	255,424	209,618	45,806
City library and museum	63,508	70,680	68,063	2,617
Parks and recreation	197,100	208,257	190,282	17,975
Total Expenditures	2,539,635	2,593,386	2,578,306	15,080
Revenues Over (Under) Expenditures	309,196	24,304	(1,721)	(26,025)
<b>OTHER FINANCING SOURCES (USES)</b>				
Transfers in	-	5,909	5,909	-
Transfers out	(309,196)	(34,596)	(96,173)	(61,577)
Insurance proceeds	-	4,383	6,506	2,123
Total Other Financing Sources (Uses)	(309,196)	(24,304)	(83,758)	(59,454)
Revenues and Other Sources Over (Under)				
Expenditures and Other Uses - Budget Basis	-	-	(85,479)	(85,479)
Budget Basis to GAAP Basis Adjustments	-	-	-	-
Revenues and Other Sources Over (Under)				
Expenditures and Other Uses - GAAP Basis	-	-	(85,479)	(85,479)
Net Change in Fund Balances	-	-	(85,479)	(85,479)
Fund Balance, beginning of year	-	-	423,787	423,787
Prior period adjustment (Note 11)	-	-	26,940	26,940
Fund Balance, beginning of year as restated	-	-	450,727	450,727
Fund Balance, end of year	\$ -	\$ -	\$ 365,248	\$ 365,248

**CITY OF CHANDLER, TEXAS  
STATEMENT OF NET POSITION  
PROPRIETARY FUNDS  
SEPTEMBER 30, 2018**

	BUSINESS-TYPE ACTIVITIES ENTERPRISE FUND WATER AND SEWER FUND
<b>ASSETS</b>	
Current Assets:	
Cash and cash equivalents	\$ 1,124,711
Inventory	39,819
Accounts receivable (net of allowance for estimated uncollectibles)	157,838
Total Current Assets	1,322,368
Restricted Assets:	
Temporarily Restricted	
Revenue bond debt service	423,638
Cash for construction	580,594
Total Restricted Assets	1,004,232
Capital Assets:	
Land	124,933
Water and sewer system	7,741,284
Machinery & equipment	177,738
Construction in progress	17,827
Less: Accumulated depreciation	(2,927,915)
Total Capital Assets Net Of Accumulated Depreciation	5,133,867
Other Assets:	
Escrow Account	678,223
Total Other Asset	678,223
Total Assets	8,138,690
<b>DEFERRED OUTFLOWS OF RESOURCES</b>	
Deferred charge on TMRS SDBF	743
Deferred charge on TMRS pension	13,972
Total Deferred Outflows of Resources	14,715
<b>LIABILITIES</b>	
Current Liabilities:	
Accounts payable	60,712
Accrued wages payable	10,306
Accrued interest	53,317
Due to other funds	150,404
Noncurrent liabilities - current portion	362,955
Total Current Liabilities	637,694
Noncurrent Liabilities:	
Net pension liability	48,843
Total OPEB liability	10,320
Revenue bonds payable	3,587,842
Total Liabilities	4,284,699
<b>DEFERRED INFLOWS OF RESOURCES</b>	
Deferred charge on TMRS pension	7,649
Total Deferred Inflows of Resources	7,649
<b>NET POSITION</b>	
Invested in capital assets, net of related debt	2,454,275
Restricted for debt service	423,638
Unrestricted	983,144
Total Net Position	\$ 3,861,057

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, 2018**

	BUSINESS-TYPE ACTIVITIES
	ENTERPRISE FUND
	WATER AND SEWER FUND
<b>OPERATING REVENUES</b>	
Water sales and sewer service	\$ 1,224,456
Charges for services	71,063
Total Operating Revenues	<u>1,295,519</u>
<b>OPERATING EXPENSES</b>	
Water and sewer operations	1,042,441
Depreciation	184,940
Total Operating Expenses	<u>1,227,381</u>
Operating Income (Loss)	<u>68,138</u>
<b>NON-OPERATING REVENUES (EXPENSES)</b>	
Interest expense	(117,968)
Bond issue cost	(63,093)
Interest income	7,451
Transfers in	390,032
Transfers out	<u>(353,336)</u>
Total Non-Operating Revenues (Expenses)	<u>(136,914)</u>
Change in Net Position	(68,776)
Net Position, beginning of year	3,938,140
Prior period adjustment (Note 11)	<u>(8,307)</u>
Net Position, beginning of year as restated	<u>3,929,833</u>
Net Position, end of year	<u><u>\$ 3,861,057</u></u>

**CITY OF CHANDLER, TEXAS  
STATEMENT OF CASH FLOWS  
PROPRIETARY FUNDS  
FISCAL YEAR ENDED SEPTEMBER 30, 2018**

	BUSINESS-TYPE ACTIVITIES
	ENTERPRISE FUND
	WATER AND SEWER FUND
<b>CASH FLOWS FROM OPERATING ACTIVITIES:</b>	
Cash received from customers and users	\$ 1,291,321
Cash paid to suppliers for goods and services	(700,063)
Cash paid to employees for services	(286,807)
	<u>304,451</u>
<b>CASH FLOWS FROM NON-CAPITAL FINANCING ACTIVITIES</b>	
Transfers in	390,032
Transfers out	(353,336)
	<u>36,696</u>
<b>CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES:</b>	
Proceeds from issuance of debt	750,000
Bond proceeds placed in escrow	(678,223)
Bond issue cost	(63,093)
Assets capitalized in prior year and expensed in current year	52,888
Capital asset purchases	(84,086)
Interest paid	(115,764)
Principal paid on bonds	(334,561)
	<u>(472,839)</u>
<b>CASH FLOWS FROM INVESTING ACTIVITIES:</b>	
Interest earned on investments	7,451
	<u>7,451</u>
<b>Net decrease in cash</b>	(124,241)
Cash, beginning of period	2,253,184
Cash, end of period	<u><u>\$ 2,128,943</u></u>
<b>Reconciliation of Cash on Exhibit 7:</b>	
Cash and certificates of deposit	\$ 1,124,711
Cash - restricted assets	1,004,232
<b>Total Cash</b>	<u><u>\$ 2,128,943</u></u>
<b>Reconciliation of Operating Income To Net Cash Provided by Operating Activities:</b>	
Operating income	\$ 68,138
<b>Adjustments to reconcile net income to net cash provided by (used in) operating activities:</b>	
Depreciation expense	184,940
Increase in accounts receivable	(1,064)
Decrease in due to other funds	(3,133)
Increase in deferred outflows of resources	(103)
Increase in accounts payable	42,531
Increase in compensated absences	12,388
Increase in deferred inflows of resources	6,536
Increase in total OPEB liability	1,984
Decrease in net pension liability	(7,766)
	<u>236,313</u>
<b>NET CASH PROVIDED BY OPERATING ACTIVITIES</b>	<u><u>\$ 304,451</u></u>

**CITY OF CHANDLER, TEXAS**  
**NOTES TO FINANCIAL STATEMENTS**  
**SEPTEMBER 30, 2018**

**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 state law: 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 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 Capital Projects Fund is used to account for construction projects of the City.

The TIF Fund is used to account for all financial resources of the Tax Increment Finance Zone #1.

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 \$5,000 (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	3-5
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 has implemented 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. The City has two items that qualify for reporting in this category. The first item is a deferred charge on the TMRS pension. The TMRS pension expense and net pension liability are reported as of the date of the last actuarial study, which was December 31, 2017. The deferred outflow shows the difference in contributions to the TMRS retirement plan that occurred between December 31, 2017 and September 30, 2018. The second item is a deferred charge on the TMRS Supplemental Death Benefit Fund (SDBF). The TMRS SDBF is considered an “Other Post-Employment Benefit” (OPEB). The deferred outflow shows the difference in contributions to the TMRS SDBF plan that occurred between December 31, 2017 and September 30, 2018.

In addition to liabilities, the statement of net position will sometimes report a separate section for deferred inflows of resources (revenue) until that time. The City has two items that qualify for reporting in this category. The first is an item which arises only under a modified accrual basis of accounting. Unavailable revenue is reported only in the governmental funds balance sheet. The governmental funds report unavailable revenues from property taxes. This amount is deferred and recognized as an inflow of resources in the period that the amounts become available. The second is reported in the government-wide statement of net position. It is a deferred charge related to the TMRS retirement pension. This represents the differences between expected and actual actuarial gains and losses, and projected and actual pension plan investment gains and losses. This amount will be amortized in future periods.

11. Fund Balance Classification – The City has 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.

When an expenditure is incurred for a purpose for which more than one fund balance classification could be used, the City considers the expenditure to be made from the most restrictive classification first.

12. 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. The City's policy for expenditures of a restricted nature, is to first use restricted funds and then unrestricted funds. Total restricted net position of the City at September 30, 2018 was \$1,512,848. Of this amount \$977,310 was restricted by enabling legislation, and \$535,538 was restricted for debt service.
13. 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.
14. Pensions – For purposes of measuring the net pension liability, deferred outflows of resources and deferred inflows of resources related to pensions, and pension expense, information about the Fiduciary Net Position of the Texas Municipal Retirement System (TMRS) and additions to / deductions from TMRS's Fiduciary Net Position have been determined on the same basis as they are reported by TMRS. For this purpose, plan contributions are recognized in the period that compensation is reported for the employee, which is when contributions are legally due. Benefit payments and refunds are recognized when due and payable in accordance with the benefit terms. Investments are reported at fair value.
15. Other Post-Employment Benefits (OPEB) – For the year ended September 30, 2018, The City implemented GASB Statement No. 75, *Accounting and Financial Reporting for Postemployment Benefits Other Than Pensions*. The City participates in a defined benefit group-term life insurance plan, both for current and retired employees, administered by the Texas Municipal Retirement System (TMRS). The City reports the total liability for this plan on the government-wide and proprietary fund financial statements. Information regarding the City's total OPEB liability is obtained from TMRS through a report prepared for the City by TMRS' consulting actuary, Gabriel Roeder Smith & Company, in compliance with GASB Statement No. 75.

#### 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 \$4,770,541 difference are as follows:

Capital assets, October 1, 2017 net of accumulated depreciation	\$ 4,216,945
Capital asset additions, net of retirements	868,489
Depreciation of capital assets, net of retirements, current year	<u>(314,893)</u>
	<u>\$ 4,770,541</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 \$553,596 difference are as follows:

Capital outlay, asset additions, net of retirements	\$ 868,489
Depreciation expense, net of retirements	<u>(314,893)</u>
	<u>\$ 553,596</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, 2018, the City had the following deposits and investments:

Statement of net position:	
Primary Government	
Cash and cash equivalents	\$ 1,268,876
Restricted cash and cash equivalents	<u>2,040,872</u>
Total Cash and cash equivalents	<u>\$ 3,309,748</u>
Cash on hand	\$ 698
Savings and checking accounts	<u>3,309,050</u>
Total Cash and Investments	<u>\$ 3,309,748</u>

**Credit Risk** – In the case of deposits, this is the risk that in the event of a bank failure, the City's deposits may not be returned to it. State statutes require that all deposits in financial institutions be fully collateralized by U.S. Government obligations or its agencies and instrumentalities or direct obligations of Texas or its agencies and instrumentalities that have a fair value of not less than the principal amount of deposits.

At September 30, 2018, the carrying value of the City's bank deposits was \$3,309,050 while the bank balance was \$3,375,033. As of September 30, 2018, all deposits were covered by federal depository insurance or collateral held in the pledging financial institutions' trust department in the City's name.

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:

	General Fund	Economic Development Fund	Water & Sewer Fund	Total
Receivables:				
Taxes	\$ 34,320	\$ -	\$ -	\$ 34,320
Sales Tax	98,068	32,689	-	130,757
Court	1,454,655	-	-	1,454,655
Grants	19,774	-	-	19,774
Accounts (services)	49,510	-	174,353	223,863
Gross Receivables	1,656,327	32,689	174,353	1,863,369
Less: Allowance for Uncollectibles	(1,041,572)	-	(16,515)	(1,058,087)
Net Receivables	<u>\$ 614,755</u>	<u>\$ 32,689</u>	<u>\$ 157,838</u>	<u>\$ 805,282</u>

## C. Capital Assets

Capital asset activity for the year ended September 30, 2018 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	\$ 395,163	\$ 631,195	\$ (1,026,358)	\$ -
Land	595,874	-	-	595,874
Total Capital Assets, Not Being Depreciated	991,037	631,195	(1,026,358)	595,874
Capital Assets, Being Depreciated:				
Buildings and Improvements	2,549,960	85,907	-	2,635,867
Infrastructure	3,398,779	1,141,237	-	4,540,016
Machinery and Equipment	1,096,624	36,508	-	1,133,132
Total Capital Assets, Being Depreciated	7,045,363	1,263,652	-	8,309,015
Less Accumulated Depreciation For:				
Buildings and Improvements	(1,291,395)	(89,605)	-	(1,381,000)
Infrastructure	(1,610,563)	(157,136)	-	(1,767,699)
Machinery and Equipment	(917,497)	(68,152)	-	(985,649)
Total Accumulated Depreciation	(3,819,455)	(314,893)	-	(4,134,348)
Net Total Assets Being Depreciated	3,225,908	948,759	-	4,174,667
Governmental Activities Capital Assets, Net	<u>\$ 4,216,945</u>	<u>\$ 1,579,954</u>	<u>\$ (1,026,358)</u>	<u>\$ 4,770,541</u>

<u>PRIMARY GOVERNMENT</u>	<u>BEGINNING BALANCE</u>	<u>INCREASES</u>	<u>DECREASES</u>	<u>ENDING BALANCE</u>
Business-Type Activities:				
Capital Assets, Not Being Depreciated:				
Construction in Progress	\$ 52,888	\$ 17,827	\$ (52,888)	\$ 17,827
Land	124,933	-	-	124,933
Total Capital Assets, Not Being Depreciated	177,821	17,827	(52,888)	142,760
Capital Assets, Being Depreciated:				
Water and Sewer System	7,675,024	66,259	-	7,741,283
Machinery and Equipment	177,738	-	-	177,738
Total Capital Assets, Being Depreciated	7,852,762	66,259	-	7,919,021
Less Accumulated Depreciation For:				
Water and Sewer System	(2,618,747)	(161,918)	-	(2,780,665)
Machinery and Equipment	(124,227)	(23,022)	-	(147,249)
Total Accumulated Depreciation	(2,742,974)	(184,940)	-	(2,927,914)
Net Total Assets Being Depreciated	5,109,788	(118,681)	-	4,991,107
Business-Type Activities Capital Assets, Net	<u>\$ 5,287,609</u>	<u>\$ (100,854)</u>	<u>\$ (52,888)</u>	<u>\$ 5,133,867</u>

The City has the following construction projects in progress at 9/30/2018:

<u>Project</u>	<u>Spent-to- Date</u>	<u>Estimated Remaining</u>
Water Well #4 Improvements	\$ 12,827	\$ 786,680
Water Well #7C Project	\$ 5,000	\$ 314,950

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

Governmental Activities:	
General Government	\$ 33,532
Public Safety	48,386
Parks & Recreation	58,372
Public Service	<u>174,603</u>
Total depreciation expense, governmental activities	<u>\$ 314,893</u>
Business-Type Activities:	
Water, Sewer Operations	<u>\$ 184,940</u>

#### **D. Interfund receivables, payables, and transfers**

The composition of interfund balances as of September 30, 2018 is as follows:

Due to/from other funds:

<u>Receivable Fund</u>	<u>Payable Fund</u>	<u>Amount</u>
General Fund	Water & Sewer Fund	\$ 150,404

All due to / from interfund balances were used to record general transactions between funds.

Interfund transfers:

<u>Fund</u>	<u>Transfers In</u>	<u>Transfers Out</u>
Water & Sewer Fund	\$ 36,696	\$ -
Governmental Funds	-	\$ 36,696

All interfund transfers were for general accounting purposes between 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 15<sup>th</sup> thereafter, rent shall increase by an amount equal to 3% of the rent payable for the year immediately preceding such increase.

On April 26, 2016 the City agreed to amend the lease with Verizon Wireless (American Towers, LLC, formerly Alltel Communications) in return for a signing bonus of \$30,000, which would provide six additional five year extensions. Under the new agreement, in March 2035, the rent will escalate 15%. The annual 3% escalation previously agreed to will remain in effect.

During the year ended September 30, 2018, the City received \$10,129 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>
2019	10,433
2020	10,746
2021	11,068
2022	11,400
2023	11,742
2024-2028	64,210
2029-2033	74,435
2034-2038	94,449
2039-2043	111,687
2044-2048	129,476
2049-2053	150,099
2054-2058	174,005
2059-2063	201,720
2064-2065	89,415
	<u>\$ 1,144,885</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 \$4,550 in rent and received \$1,800 in rent during the year ended September 30, 2018. Both of these leases ended during the year ended September 30, 2018.

## 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:

#### Governmental Activities:

<u>Issue</u>	<u>Purpose</u>	<u>Interest Rates</u>	<u>Amount</u>	<u>Maturity Date</u>
Series - 2017	Certificate of Obligation	2.00% - 4.00%	1,505,000	10/15/2036

#### Business-Type Activities:

<u>Issue</u>	<u>Purpose</u>	<u>Interest Rates</u>	<u>Amount</u>	<u>Maturity Date</u>
Series - 2006	Refunding Issue	4.90%	\$ 350,000	4/15/2026
Series - 2006	Certificate of Obligation	4.90%	1,040,000	4/15/2026
Series - 2014	Refunding Issue	2.93%	975,000	10/15/2030
Series - 2014	Revenue Bond	2.40%	610,000	10/15/2023
Series - 2018	Certificate of Obligation	2.16%	<u>750,000</u>	10/15/2042

Total Outstanding Revenue Bonds and Certificates of Obligation	<u><u>\$ 3,725,000</u></u>
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During the year ended September 30, 2018, the City issued \$750,000 in Series 2018 Certificates of Obligation. The proceeds from the issuance will be used to fund the Water Well #4 Improvement project. The certificates of obligation were purchased by the Texas Water Development Board with the use of Federal grant funds. The proceeds from the issuance of the certificates of obligation were placed in an escrow fund. As cost are incurred on the Water Well #4 project, the funds will be drawn out of escrow to pay invoices related to the project. The certificate payments will be made in installments with principal and interest payments due on October 15 of each year through 2024, and interest only payments due on April 15 of each year. The certificates of obligation are to be paid out of excess revenues of the water and sewer fund.

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, 2018, the City was in compliance with all of its bond ordinances.

The City is not obligated in any manner for special assessment debt.

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



Governmental Activities:

<u>Year Ending September 30</u>	<u>Principal</u>	<u>Interest</u>
2019	\$ 60,000	\$ 51,900
2020	60,000	50,700
2021	60,000	49,500
2022	65,000	47,925
2023	65,000	45,975
2024-2028	355,000	198,750
2029-2033	430,000	126,600
2034-2037	410,000	33,800
	<u>\$ 1,505,000</u>	<u>\$ 605,150</u>

Business-Type Activities:

<u>Year Ending September 30</u>	<u>Principal</u>	<u>Interest</u>
2019	\$ 310,000	\$ 113,638
2020	345,000	101,904
2021	355,000	90,995
2022	365,000	79,480
2023	375,000	67,789
2024-2028	1,210,000	175,112
2029-2033	410,000	56,976
2034-2038	170,000	29,704
2039-2043	185,000	10,638
	<u>\$ 3,725,000</u>	<u>\$ 726,236</u>

Revenue bond ordinances require that the following information concerning insurance coverage as of September 30, 2018 be disclosed.

<u>ANNUAL PREMIUM</u>	<u>POLICY NO.</u>	<u>NATURE OF COVERAGE</u>	<u>AMOUNT OF COVERAGE</u>	<u>POLICY PERIOD</u>
\$ 19,177	#H5490-01	Workers Compensation	Statutory Limits	10-1-17 to 10-1-2018
\$ 12,914	#NYA803565	Liability General	\$2,000,000/occurrence	10-1-17 to 10-1-2018
		Auto and Law		
		Enforcement	\$1,000,000/occurrence	10-1-17 to 10-1-2018
		Property:		
		Real & Personal	7,351,614	10-1-17 to 10-1-2018
		Mobile Equipment	388,819	10-1-17 to 10-1-2018
		Boiler & Machinery	\$100,000/accident	10-1-17 to 10-1-2018
\$ 3,752	#NYA812114	Errors & Omissions	\$1,000,000	10-1-17 to 10-1-2018

### Governmental 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 2020; secured by land.

\$ 95,903

Government Capital Corporation; original loan amount of \$133,767; bearing 2.28% interest; payable in equal annual installments of \$35,370, due September 4 of each year beginning in 2016 and ending in 2019; secured by equipment.

34,581

Government Capital Corporation; original loan amount of \$82,904; bearing 3.29% interest; payable in equal annual installments of \$21,958, due March 30 of each year beginning in 2017 and ending in 2020; secured by equipment.

41,840

Total \$ 172,324

Less: Current Portion (101,717)

LONG-TERM PORTION \$ 70,607

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

<u>Year Ending</u> <u>September 30</u>	<u>Principal</u>	<u>Interest</u>
2019	\$ 101,717	\$ 7,919
2020	70,607	3,660
	<u>\$ 172,324</u>	<u>\$ 11,579</u>

### Business-Type Notes Payable

Government Capital Corporation; original loan amount of \$329,175; bearing 2.542% interest; payable in equal annual installments of \$45,990, due September 4 of each year beginning in 2016 and ending in 2023; secured by equipment.

\$ 213,409

Total \$ 213,409

Less: Current Portion (40,567)

LONG-TERM PORTION \$ 172,842

Annual debt service requirements to maturity for the City's Business-Type notes payable are as follows:

<u>Year Ending September 30</u>	<u>Principal</u>	<u>Interest</u>
2019	\$ 40,567	\$ 5,424
2020	41,598	4,393
2021	42,655	3,336
2022	43,739	2,252
2023	44,850	1,140
	<u>\$ 213,409</u>	<u>\$ 16,545</u>

#### Changes in long-term liabilities

Long term liability activity for the year ended September 30, 2018 was as follows:

	<u>Beginning Balance 10/1/2017</u>	<u>Additions</u>	<u>Reductions</u>	<u>Ending Balance 9/30/2018</u>	<u>Due Within One Year</u>
Governmental Activities:					
Revenue Bonds	\$ 1,505,000	\$ -	\$ -	\$ 1,505,000	\$ 60,000
Premium on issue of 2017 Bond	67,794	-	5,693	62,101	5,631
Notes Payable	269,979	-	97,655	172,324	101,717
Net Pension Liability	235,042	113,976	146,221	202,797	-
Total OPEB Liability	34,611	8,239	-	42,850	-
Compensated Absences	26,940	30,763	-	57,703	57,703
Governmental Activity Long-Term Liabilities	<u>\$ 2,139,366</u>	<u>\$ 152,978</u>	<u>\$ 249,569</u>	<u>\$ 2,042,775</u>	<u>\$ 225,051</u>
Business-Type Activities:					
Revenue Bonds	\$ 3,270,000	\$ 750,000	\$ 295,000	\$ 3,725,000	\$ 310,000
Net Pension Liability	56,609	27,452	35,218	48,843	-
Total OPEB Liability	8,336	1,984	-	10,320	-
Notes Payable	252,970	-	39,561	213,409	40,567
Compensated Absences	-	12,388	-	12,388	12,388
Business-Type Activity Long-Term Liabilities	<u>\$ 3,587,915</u>	<u>\$ 791,824</u>	<u>\$ 369,779</u>	<u>\$ 4,009,960</u>	<u>\$ 362,955</u>

Unrestricted governmental funds have been and will be used to liquidate other long-term liabilities (pension, OPEB and compensated absences).

The water and sewer fund will be used to liquidate part of the compensated absences liability, which is a change from prior years.

#### 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, 2018, the City had \$202,341 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, 2018, the City did not have any liability for unpaid claims or adjustments under policies carried with TML. During the year ended September 30, 2018, 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 \$36,000 in exchange for fire protection for residents of the City. During the year ended September 30, 2018, the City paid \$36,000 under this contract.

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 was extended until September 30, 2017. The City renewed the contract effective October 1, 2017 for a term of five years. The City paid \$251,861 under this contract as of September 30, 2018.

#### NOTE 8 — DEFINED BENEFIT PENSION PLAN

##### **Plan Description**

The City of Chandler participates as one of 883 plans in the nontraditional, joint contributory, hybrid defined benefit pension plan administered by the Texas Municipal Retirement System (TMRS). TMRS is an agency created by the State of Texas and administered in accordance with the TMRS Act, Subtitle G, Title 8, Texas Government Code (the TMRS Act) as an agent multiple-employer retirement system for municipal employees in the State of Texas. The TMRS Act places the general administration and management of the System with a six-member Board of Trustees. Although the Governor, with the advice and consent of the Senate, appoints the Board, TMRS is not fiscally dependent on the State of Texas. TMRS's defined benefit pension plan is a tax-qualified plan under Section 401(a) of the Internal Revenue Code. TMRS issues a publicly available comprehensive annual financial report (CAFR) that can be obtained at [www.tmr.com](http://www.tmr.com).

All eligible employees of the city are required to participate in TMRS.

##### **Benefits Provided**

TMRS provides retirement, disability, and death benefits. Benefit provisions are adopted by the governing body of the city, within the options available in the state statutes governing TMRS.

At retirement, the benefit is calculated as if the sum of the employee's contributions, with interest, and the city-financed monetary credits with interest were used to purchase an annuity. Members may choose to receive their retirement benefit in one of seven payments options. Members may also choose to receive a portion of their benefit as a Partial Lump Sum Distribution in an amount equal to 12, 24, or 36 monthly payments, which cannot exceed 75% of the member's deposits and interest.

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:

	Plan Year 2016	Plan Year 2017
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

#### **Employees covered by benefit terms.**

At the December 31, 2017 valuation and measurement date, the following employees were covered by the benefit terms:

	<u>12/31/2017</u>
Inactive employees or beneficiaries currently receiving benefits	7
Inactive employees entitled to but not yet receiving benefits	8
Active employees	<u>26</u>
	<u>41</u>

#### **Contributions**

The contribution rates for employees in TMRS are either 5%, 6%, or 7% of employee gross earnings, and the city matching percentages are either 100%, 150%, or 200%, both as adopted by the governing body of the city. Under the state law governing TMRS, The contribution rate for each city is determined annually by the actuary, using the Entry Age Normal (EAN) actuarial cost method. The actuarially determined rate is the estimated amount necessary to finance the cost of benefits earned by employees during the year, with an additional amount to finance any unfunded accrued liability.

Employees for the City of Chandler were required to contribute 5% of their annual gross earnings during the fiscal year. The contribution rates for the City of Chandler were 4.58% and 4.65% in calendar years 2017 and 2018, respectively. The City's contributions to TMRS for the year ended September 30, 2018, were \$47,974, and were equal to the required contributions.

#### **Net Pension Liability**

The City's Net Pension Liability (NPL) was measured as of December 31, 2017, and the Total Pension Liability (TPL) used to calculate the Net Pension Liability was determined by an actuarial valuation as of that date.

#### **Actuarial assumptions:**

The Total Pension Liability in the December 31, 2017 actuarial valuation was determined using the following actuarial assumptions:

Inflation	2.5% per year
Overall payroll growth	3.0% per year
Investment Rate of Return	6.75% net of pension plan investment expense, including inflation

Salary increases were based on a service-related table. Mortality rates for active members, retirees, and beneficiaries were based on the gender-distinct RP2000 Combined Healthy Mortality Table with Blue Collar Adjustment, with male rates multiplied by 109% and female rates multiplied by 103%. The rates are projected on a fully generational basis by scale BB to account for future mortality improvements. For disabled annuitants, the gender-distinct RP2000 Combined Healthy Mortality Tables with Blue Collar Adjustments are used with male rates multiplied by 109% and female rates multiplied by 103%, with a 3-year set-forward for both males and females. In addition, a 3% minimum mortality rate is applied to reflect the impairment for younger members who become disabled. The rates are projected on a fully generational basis by scale BB to account for future mortality improvements subject to the 3% floor.

The actuarial assumptions were developed primarily from the actuarial investigation of the experience of TMRS over the four year period from December 31, 2010 to December 31, 2014. They were adopted in 2015 and first used in the December 31, 2015 actuarial valuation. The post-retirement mortality assumption for healthy annuitants and Annuity Purchase Rate (APR's) are based on the Mortality Experience Investigation Study covering 2009 through 2011 and dated December 31, 2013. In conjunction with these changes first used in the December 31, 2013 valuation, the System adopted the Entry Age Normal actuarial cost method and a one-time change to the amortization policy. Plan assets are managed on a total return basis with an emphasis on both capital appreciation as well as production of income, in order to satisfy the short-term and long-term funding needs of TMRS.

The long-term expected rate of return on pension plan investments was determined using a building-block method in which best estimated ranges of expected future real rates of return (expected returns, net of pension plan investment expense and inflation) are developed for each major asset class. These ranges are combined to produce the long-term expected rate of return by weighting the expected future real rates of return by the target asset allocation percentage and by adding expected inflation. In determining their best estimate of a recommended investment return assumption under the various alternative asset allocation portfolios, GRS focused on the area between (1) arithmetic mean (aggressive) without an adjustment for time (conservative) and (2) the geometric mean (conservative) with an adjustment for time (aggressive). The target allocation and best estimates of real rates of return for each major asset class are summarized in the following table:

Asset Class	Target Allocation	Long-Term Expected Real Rate of Return (Arithmetic)
Domestic Equity	17.50%	4.55%
International Equity	17.50%	6.35%
Core Fixed Income	10.00%	1.00%
Non-Core Fixed Income	20.00%	3.90%
Real Return	10.00%	3.80%
Real Estate	10.00%	4.50%
Absolute Return	10.00%	3.75%
Private Equity	5.00%	7.50%
Total	100.00%	

### Discount Rate

The discount rate used to measure the Total Pension Liability was 6.75%. The projection of cash flows used to determine the discount rate assumed that employee and employer contributions will be made at the rates specified in statute. Based on that assumption, the pension plan's Fiduciary Net Position was projected to be available to make all projected future benefit payments of current active and inactive employees. Therefore, the long-term expected rate of return on pension plan investments was applied to all periods of projected benefit payments to determine the Total Pension Liability

## Changes in the Net Pension Liability

	Increase (Decrease)		
	Total Pension Liability	Plan Fiduciary Net Position	Net Pension Liability
	(a)	(b)	(a)-(b)
Balance at 12/31/2016	\$ 912,826	\$ 621,175	\$ 291,651
Changes for the year:			
Service cost	70,652	-	70,652
Interest	61,142	-	61,142
Changes in current period benefits	-	-	-
Difference between expected and actual experience	9,164	-	9,164
Changes of assumptions	-	-	-
Contributions - employer	-	45,594	(45,594)
Contributions - employee	-	49,755	(49,755)
Net investment income	-	86,090	(86,090)
Benefit payments, including refunds of employee contributions	(84,698)	(84,698)	-
Administrative expense	-	(446)	446
Other changes	-	(24)	24
Net changes	56,260	96,271	(40,011)
Balance at 12/31/2017	\$ 969,086	\$ 717,446	\$ 251,640

## Sensitivity of the net pension liability to changes in the discount rate

The following presents the net pension liability of the City, calculated using the discount rate of 6.75%, as well as what the City's net pension liability would be if it were calculated using a discount rate that is 1-percentage-point lower (5.75%) or 1-percentage-point higher (7.75%) than the current rate:

	1% Decrease in Discount Rate (5.75%)	Discount Rate (6.75%)	1% Increase in Discount Rate (7.75%)
City's net pension liability	\$ 362,248	\$ 251,640	\$ 158,471

## Pension Plan Fiduciary Net Position

Detailed information about the pension plan's Fiduciary Net Position is available in a separately-issued TMRS financial report. That report may be obtained on the internet at [www.tmr.com](http://www.tmr.com).

## Pension Expense and Deferred Outflows of Resources and Deferred Inflows of Resources Related to Pensions

For the year ended September 30, 2018, the City recognized pension expense of \$44,799.

At September 30, 2018, the City reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual economic experience	\$ 8,627	\$ (4,011)
Changes in actuarial assumptions	13,444	-
Difference between projected and actual investment earnings	13,198	(35,398)
Contributions subsequent to the measurement date	36,719	-
Total	<u>\$ 71,988</u>	<u>\$ (39,409)</u>

\$36,719 reported as deferred outflows of resources related to pensions resulting from contributions subsequent to the measurement date will be recognized as a reduction of the net pension liability for the year ending September 30, 2018. Other amounts reported as deferred outflows and inflows of resources related to pensions will be recognized in pension expense as follows:

	Year Ended December 31
2018	\$ 4,218
2019	3,217
2020	(5,139)
2021	(6,985)
2022	549
	<u>\$ (4,140)</u>

#### NOTE 9 – OTHER POST-EMPLOYMENT BENEFITS

##### **Plan Description**

The City of Chandler participates in the TMRS Supplemental Death Benefits Fund as a post-employment benefit for its employees. Texas Municipal Retirement System (TMRS) administers a single-employer defined benefit group-term life insurance plan known as the Supplemental Death Benefits Fund (SDBF). This is a voluntary program in which participating member cities may elect, by ordinance, to provide group-term life insurance coverage for their active members, including or not including retirees. The City has elected coverage for both active employees and retirees.

##### **Benefits Provided**

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). The death benefit for retirees is considered an other post-employment benefit (OPEB) and is a fixed amount of \$7,500. As the SDBF covers both active and retiree participants, with no segregation of assets, the SDBF is considered to be an unfunded OPEB plan (i.e. no assets are accumulated).



### Employees Covered by Benefit Terms

At the December 31, 2017 valuation and measurement date, the following employees were covered by the benefit terms:

	<u>12/31/2017</u>
Inactive employees or currently receiving benefits	7
Inactive employees entitled to but not yet receiving benefits	3
Active employees	<u>26</u>
	<u>36</u>

### Contributions

The member 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 City's contributions to SDBF for the year ended September 30, 2018 were \$2,722, which equaled the required contributions for the year. 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 employees' entire careers.

### Yearly Contribution Rates

<u>Plan / Calendar Year</u>	<u>Total SDB Contribution (Rate)</u>	<u>Retiree Portion of SDB Contribution (Rate)</u>
2017	0.24%	0.02%
2018	0.27%	0.02%

### Total OPEB Liability

For the fiscal year ended September 30, 2018, the City recognized a total OPEB liability of \$53,170. The liability was measured as of December 31, 2017 and was determined by an actuarial valuation as of that date.

### Actuarial Assumptions

The total OPEB liability in the December 31, 2017 actuarial valuation was determined using the following assumptions:

Inflation	2.5% per year
Overall payroll growth	3.5% to 10.5% per year, including inflation
Discount Rate*	3.31%
Retirees' share of benefit related cost	\$0
Mortality	<p><b>For service retirees:</b> Based on the RP2000 Combined Mortality Tables with Blue Collar Adjustment with male rates multiplied by 109% and female rate multiplied by 103% and projected on a fully generational basis with scale BB.</p> <p><b>For disabled retirees:</b> Based on the RP2000 Combined Mortality Tables with Blue Collar Adjustment with male rates multiplied by 109% and female rate multiplied by 103% with a 3 year set-forward for both males and females. The rates are projected on a fully generational basis with scale BB to account for future mortality improvements subject to the 3% floor.</p>

\* Because this plan is considered an unfunded trust under GASB Statement No. 75, the relevant discount rate for calculating the total OPEB liability is based on the Fidelity Index's "20-Year Municipal GO AA Index" rate as of December 31, 2017

The actuarial assumptions used in the December 31, 2017 valuations were based on the results of an actuarial experience study for the period December 31, 2010 to December 31, 2014. They were adopted in 2015 and first used in the December 31, 2015 actuarial valuation. The post-retirement mortality assumption for healthy annuitants and annuity purchase rate is based on the Mortality Experience Investigation Study covering 2009 through 2011 and dated December 31, 2013.

### Changes in the Total OPEB Liability

	Increase (Decrease) Total OPEB Liability
Total OPEB Liability - December 31, 2016	\$ 42,947
Changes for the year:	
Service cost	4,378
Interest on Total OPEB Liability	1,702
Change of benefit terms	-
Difference between expected and actual experience	-
Changes of assumptions or other inputs	4,342
Benefit payments	(199)
Net changes	10,223
Total OPEB Liability - December 31, 2017	\$ 53,170

### Sensitivity of the Total OPEB Liability to Changes in the Discount Rate

The following table presents the total OPEB liability of the City, calculated using the rate of 3.31%, as well as what the City's total OPEB liability would be if it were calculated using a discount rate that is 1-percentage-point lower (2.31%) or 1-percentage-point higher (4.31%) than the current discount rate:

	1% Decrease in Discount Rate (2.31%)	Current Discount Rate (3.31%)	1% Increase in Discount Rate (4.31%)
City's Total OPEB Liability	\$ 64,641	\$ 53,170	\$ 44,465

#### **OPEB Expense and Deferred Outflows of Resources and Deferred Inflows of Resources Related to OPEBs**

For the fiscal year ended September 30, 2018, the City recognized total OPEB expense of \$6,755. At September 30, 2018, the City reported deferred outflows of resources and deferred inflows of resources related to OPEB from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Changes in actuarial assumptions	\$ 3,667	\$ -
Contributions subsequent to the measurement date	158	-
Total	\$ 3,825	\$ -

Deferred outflows of resources related to OPEB resulting from contributions subsequent to the measurement date of \$158 will be recognized as a reduction of the total OPEB liability for the year ending September 30, 2018. Other amounts reported as deferred outflows of resources related to OPEB will be recognized in OPEB expense as follows:

	Year Ended December 31
2018	\$ 675
2019	675
2020	675
2021	675
2022	675
Thereafter	292
	<u>\$ 3,667</u>

#### **NOTE 10 – EXCESS OF EXPENDITURES OVER APPROPRIATIONS**

For the year ended September 30, 2018, expenditures exceeded appropriations in the following departments of the General Fund: General government by \$47,598, Public Safety by \$6,514 and Community Center by \$795. This over expenditure was funded by excess appropriations in the General Fund and unassigned fund balance.

#### **NOTE 11 – PRIOR PERIOD ADJUSTMENTS**

The following adjustments were made to beginning net position or beginning fund balance:

Description	Governmental Activities	Business-Type Activities	TOTAL
Note payable	\$ 36,152	\$ -	\$ 36,152
OPEB liability	(34,611)	(8,336)	(42,947)
Deferred outflows of resources related to OPEB	121	29	150
Court fines receivable	371,139	-	371,139
Court fees payable to state	(148,455)		(148,455)
<b>Total</b>	<b>\$ 224,346</b>	<b>\$ (8,307)</b>	<b>\$ 216,039</b>

Description	General Fund	Water & Sewer Fund	TOTAL
Compensated absences	\$ 26,940	\$ -	\$ 26,940
OPEB liability	-	(8,336)	(8,336)
Deferred outflows of resources related to OPEB	-	29	29
<b>Total</b>	<b>\$ 26,940</b>	<b>\$ (8,307)</b>	<b>\$ 18,633</b>

Due to an error in the interest rate used to calculate the amount of interest paid each year, a prior period adjustment was made to decrease the beginning balance of a note payable resulting in a \$36,152 increase to government-wide net position for governmental activities. This prior period adjustment had no effect on fund balance since long-term debt is not recorded on the fund level for governmental funds.

In prior years, accrued compensated absences were recorded on the fund level even though it is considered a long-term liability which does not require the use of current financial resources. A prior period adjustment was made to remove accrued compensated absences from the governmental funds balance sheet and include it as an adjustment on the government-wide statement of net position. This adjustment resulted in an increase in general fund balance of \$26,940 and a decrease to governmental funds net position of \$26,940.

As noted in Note 1, the City adopted GASB Statement No. 75 during the year. As a result, a prior period adjustment was made to record the beginning balance of the OPEB liability and related beginning balance of deferred outflows of resources. The adjustment resulted in a decrease to governmental activities net position of \$34,611 for the liability and an increase to governmental activities net position of \$121 for the deferred outflows of resources. In addition, the adjustment resulted in a decrease to water and sewer net position and business-type net position of \$8,336 for the liability and an increase to water and sewer net position and business-type net position of \$29 for the deferred outflows of resources.

A prior period adjustment was made for municipal court fines receivables and related payable to state for court fees which were both omitted in prior years. The prior period adjustment for governmental activities resulted in a \$371,139 increase to net position for court fines receivable and a \$148,455 decrease to net position for court fees due to the state. This prior period adjustment had no effect on fund balance because court fines receivable are recorded in unavailable revenue on the fund level until they are received at which time they are recorded as revenue. In addition, since court fines receivable are not recorded as revenue on the fund level, the payable for fees due to the state is also not recorded in expenditures on the fund level.

#### NOTE 12 – SUBSEQUENT EVENTS

Subsequent to year end, the City entered into note payable agreement for the purchase of an in-car and body camera system for the police department. The amount of the note was \$56,940.

Subsequent to year end, the City entered into a note payable agreement for the purchase of heavy equipment in the amount of \$155,000.

Subsequent to year end, the City entered into a note payable agreement for the purchase of sport field lighting at Winchester Park, in the amount of \$309,000.

Subsequent to year end, the City's voters approved the issuance of \$1,560,000 in General Obligation bonds for the purpose of reconstructing and improving city streets and roads.

Subsequent events were evaluated through July 2, 2019, the date on which the financial statements were available to be issued.

## **REQUIRED SUPPLEMENTARY INFORMATION**

**CITY OF CHANDLER, TEXAS**  
**REQUIRED SUPPLEMENTARY INFORMATION**  
**SCHEDULE OF CHANGES IN NET PENSION LIABILITY AND RELATED RATIOS**  
**FISCAL YEAR ENDED SEPTEMBER 30, 2018**

	<u>2014</u>	<u>2015</u>	<u>2016</u>	<u>2017</u>
<b>Total pension liability</b>				
Service Cost	\$ 43,368	\$ 61,646	\$ 65,449	\$ 70,652
Interest (on the Total Pension Liability)	44,712	50,490	56,313	61,142
Changes in benefit terms	-	-	-	-
Difference between expected and actual results	1,313	(8,904)	1,259	9,164
Change of assumptions	-	29,836	-	-
Benefit payments, including refunds of employee contributions	<u>(11,468)</u>	<u>(20,526)</u>	<u>(23,460)</u>	<u>(84,698)</u>
Net Change in Total Pension Liability	77,925	112,542	99,561	56,260
Total Pension Liability - Beginning	<u>622,798</u>	<u>700,723</u>	<u>813,265</u>	<u>912,826</u>
Total Pension Liability - Ending (a)	<u>\$ 700,723</u>	<u>\$ 813,265</u>	<u>\$ 912,826</u>	<u>\$ 969,086</u>
<b>Plan Fiduciary Net Position</b>				
Contributions - Employer	\$ 40,817	\$ 46,596	\$ 43,862	\$ 45,594
Contributions - Employee	39,097	45,063	46,483	49,755
Net Investment Income	20,573	662	35,184	86,090
Benefit payments, including refunds of employee contributions	(11,468)	(20,526)	(23,460)	(84,698)
Administrative Expense	(215)	(403)	(397)	(446)
Other	<u>(18)</u>	<u>(21)</u>	<u>(21)</u>	<u>(24)</u>
Net Change in Plan Fiduciary Net Position	88,786	71,371	101,651	96,271
Plan Fiduciary Net Position - Beginning	<u>359,367</u>	<u>448,153</u>	<u>519,524</u>	<u>621,175</u>
Plan Fiduciary Net Position - Ending (b)	<u>\$ 448,153</u>	<u>\$ 519,524</u>	<u>\$ 621,175</u>	<u>\$ 717,446</u>
Net Pension Liability - Ending (a)-(b)	<u>\$ 252,570</u>	<u>\$ 293,741</u>	<u>\$ 291,651</u>	<u>\$ 251,640</u>
Plan Fiduciary Net Position as a Percentage of Total Pension Liability	63.96%	63.88%	68.05%	74.03%
Covered Employee Payroll	\$ 781,938	\$ 901,263	\$ 929,668	\$ 995,092
Net Pension Liability as a Percentage of Covered Employee Payroll	32.30%	32.59%	31.37%	25.29%

**CITY OF CHANDLER, TEXAS  
REQUIRED SUPPLEMENTARY INFORMATION  
SCHEDULE OF CONTRIBUTIONS  
FISCAL YEAR ENDED SEPTEMBER 30, 2018**

	<u>2014</u>	<u>2015</u>	<u>2016</u>	<u>2017</u>	<u>2018</u>
Actuarially Determined Contribution	\$ 38,587	\$ 45,953	\$ 45,726	\$ 44,690	\$ 47,974
Contributions in relation to the actuarially determined contributions	<u>38,587</u>	<u>45,953</u>	<u>45,726</u>	<u>44,690</u>	<u>47,974</u>
Contribution deficiency (excess)	\$ -	\$ -	\$ -	\$ -	\$ -
Covered employee payroll	\$ 741,286	\$ 886,693	\$ 946,240	\$ 969,053	\$ 1,035,406
Contributions as a percentage of covered employee payroll	5.21%	5.18%	4.83%	4.61%	4.63%

**NOTES TO SCHEDULE OF CONTRIBUTIONS**

**Valuation Date:** Actuarially determined contribution rates are calculated as of December 31 and become effective in January 13 months later.

**Methods and Assumptions Used to Determine Contribution Rates:**

Actuarial Cost Method	Entry Age Normal
Amortization Method	Level Percentage of Payroll, Closed
Remaining Amortization Period	25 years
Asset Valuation Method	10 Year smoothed market; 15% soft corridor
Inflation	2.5%
Salary Increases	3.50% to 10.5% including inflation
Investment Rate of Return	6.75%
Retirement Age	Experience-based table of rates that are specific to the City's plan of benefits. Last updated for the 2015 valuation pursuant to an experience study of the period 2010-2014
Mortality	RP2000 Combined Mortality Table with Blue Collar Adjustment with male rates multiplied by 109% and female rates multiplied by 103% and projected on a fully generational basis with scale BB

**Other Information:** There were no benefit changes during the year.



**CITY OF CHANDLER, TEXAS**  
**REQUIRED SUPPLEMENTARY INFORMATION**  
**SCHEDULE OF CHANGES IN TOTAL OPEB LIABILITY AND RELATED RATIOS**  
**FISCAL YEAR ENDED SEPTEMBER 30, 2018**

	<u>2017</u>
<b>Total OPEB liability</b>	
Service Cost	\$ 4,378
Interest (on the Total Pension Liability)	1,702
Changes in benefit terms	-
Difference between expected and actual results	-
Change of assumptions	4,342
Benefit payments	<u>(199)</u>
Net Change in Total OPEB Liability	10,223
Total OPEB Liability - Beginning	<u>42,947</u>
Total OPEB Liability - Ending	<u><u>\$ 53,170</u></u>
Covered Employee Payroll	\$ 995,092
Total OPEB Liability as a Percentage of Covered Employee Payroll	5.34%

## **ADDITIONAL SUPPLEMENTAL INFORMATION**

**CITY OF CHANDLER, TEXAS  
COMBINING BALANCE SHEET  
NONMAJOR GOVERNMENTAL FUNDS  
SEPTEMBER 30, 2018**

	LEOSE FUND	DONATION FUND	COURT SECURITY FUND	COURT TECHNOLOGY FUND	TOTAL NONMAJOR GOVERNMENTAL FUNDS
<b>ASSETS</b>					
Restricted cash and cash equivalents	\$ 109	\$ 4,304	\$ 36,954	\$ 6,760	\$ 48,127
<b>Total Assets</b>	<u>\$ 109</u>	<u>\$ 4,304</u>	<u>\$ 36,954</u>	<u>\$ 6,760</u>	<u>\$ 48,127</u>
<b>LIABILITIES AND FUND BALANCES</b>					
Liabilities:					
Accounts payable	\$ -	\$ -	\$ -	\$ -	\$ -
<b>Total Liabilities</b>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Fund Balances:					
Restricted for:					
City Programs	-	4,304	-	-	4,304
Court Technology	-	-	-	6,760	6,760
Court Security	-	-	36,954	-	36,954
Law enforcement purposes	109	-	-	-	109
<b>Total Fund Balances</b>	<u>109</u>	<u>4,304</u>	<u>36,954</u>	<u>6,760</u>	<u>48,127</u>
<b>Total Liabilities and Fund Balances</b>	<u>\$ 109</u>	<u>\$ 4,304</u>	<u>\$ 36,954</u>	<u>\$ 6,760</u>	<u>\$ 48,127</u>

**CITY OF CHANDLER, TEXAS**  
**COMBINING STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES**  
**NONMAJOR GOVERNMENTAL FUNDS**  
**FISCAL YEAR ENDED SEPTEMBER 30, 2018**

	LEOSE FUND	DONATION FUND	COURT SECURITY FUND	COURT TECHNOLOGY FUND	TOTAL NONMAJOR GOVERNMENTAL FUNDS
REVENUES					
Fines	\$ -	\$ -	\$ 20,496	\$ 3,179	\$ 23,675
Donations	-	12,200	-	-	12,200
Grant revenue	1,086	-	-	-	1,086
Interest	-	-	-	4	4
Total Revenues	<u>1,086</u>	<u>12,200</u>	<u>20,496</u>	<u>3,183</u>	<u>36,965</u>
EXPENDITURES					
Current:					
Public Safety	2,256	-	-	-	2,256
Municipal Court	-	-	-	3,567	3,567
Parks & Recreation	-	6,537	-	-	6,537
Total Expenditures	<u>2,256</u>	<u>6,537</u>	<u>-</u>	<u>3,567</u>	<u>12,360</u>
Excess (deficiency) of revenues over (under) expenditures	<u>(1,170)</u>	<u>5,663</u>	<u>20,496</u>	<u>(384)</u>	<u>24,605</u>
OTHER FINANCING SOURCES (USES)					
Transfers in	1,279	-	16,458	7,144	24,881
Transfers out	-	(3,250)	-	-	(3,250)
Total Other Financing Sources (Uses)	<u>1,279</u>	<u>(3,250)</u>	<u>16,458</u>	<u>7,144</u>	<u>21,631</u>
Net Change in Fund Balances	109	2,413	36,954	6,760	46,236
Fund Balance, October 1, 2017	<u>-</u>	<u>1,891</u>	<u>-</u>	<u>-</u>	<u>1,891</u>
Fund Balance, September 30, 2018	<u>\$ 109</u>	<u>\$ 4,304</u>	<u>\$ 36,954</u>	<u>\$ 6,760</u>	<u>\$ 48,127</u>

**CITY OF CHANDLER, TEXAS**

**DETAILED SCHEDULE OF REVENUES - BUDGET AND ACTUAL**

**(NON-GAAP BUDGET BASIS) - ECONOMIC DEVELOPMENT FUND**

**FISCAL YEAR ENDED SEPTEMBER 30, 2018**

	ORIGINAL BUDGET	FINAL BUDGET	ACTUAL	VARIANCE WITH FINAL BUDGET POSITIVE (NEGATIVE)
<b><u>REVENUES</u></b>				
1/2 cent sales tax revenue	\$ 186,250	\$ 182,382	\$ 187,358	\$ 4,976
Interest income	<u>-</u>	<u>-</u>	<u>860</u>	<u>860</u>
Total Revenues - Budget Basis	\$ <u>186,250</u>	\$ <u>182,382</u>	188,218	\$ <u>5,836</u>
Financial Statement Adjustments:			<u>-</u>	
TOTAL REVENUES - GAAP BASIS			\$ <u>188,218</u>	

## CITY OF CHANDLER, TEXAS

## DETAILED SCHEDULE OF EXPENDITURES - BUDGET AND ACTUAL

## (NON-GAAP BUDGET BASIS) - ECONOMIC DEVELOPMENT FUND

FISCAL YEAR ENDED SEPTEMBER 30, 2018

	ORIGINAL BUDGET	FINAL BUDGET	ACTUAL	VARIANCE WITH FINAL BUDGET POSITIVE (NEGATIVE)
<u>EXPENDITURES</u>				
Salary and Benefits	\$ 46,900	\$ 46,900	\$ 51,600	\$ (4,700)
Supplies	2,100	925	449	476
Membership fee / subscriptions	1,500	1,500	1,070	430
EDC risk pool insurance	200	200	-	200
Travel / training expense	3,500	3,500	2,251	1,249
Admin fee	4,800	4,800	4,800	-
Speaker / presentation expense	500	500	240	260
Web page hosting	13,200	13,200	12,932	268
Advertising / marketing	25,000	25,000	3,932	21,068
Conference expense	1,500	1,500	-	1,500
Business development expense	13,000	13,000	7,110	5,890
Business development grant	50,000	13,091	-	13,091
Project Expense	200,000	271,909	91,409	180,500
Computer hardware and software	-	1,175	1,175	-
Transfer Out	-	2,659	2,659	-
Total Expenses - Budget Basis	\$ <u>362,200</u>	\$ <u>399,859</u>	179,627	\$ <u>220,232</u>
Financial Statement Adjustments:			-	
TOTAL EXPENSES - GAAP BASIS			\$ <u>179,627</u>	

**CITY OF CHANDLER, TEXAS**  
**DETAILED SCHEDULE OF REVENUES - BUDGET AND ACTUAL**  
**(NON-GAAP BUDGET BASIS) - TIF FUND**  
**FISCAL YEAR ENDED SEPTEMBER 30, 2018**

	ORIGINAL BUDGET	FINAL BUDGET	ACTUAL	VARIANCE WITH FINAL BUDGET POSITIVE (NEGATIVE)
<b><u>REVENUES</u></b>				
Property taxes	\$ 58,056	\$ 58,056	\$ 35,187	\$ (22,869)
Transfer in	1,165,425	1,034,835	1,034,835	-
Interest	<u>-</u>	<u>-</u>	3,889	3,889
Total Revenues - Budget Basis	\$ <u>1,223,481</u>	\$ <u>1,092,891</u>	1,073,911	\$ <u>(18,980)</u>
Financial Statement Adjustments:			<u>-</u>	
TOTAL REVENUES - GAAP BASIS			\$ <u>1,073,911</u>	

## CITY OF CHANDLER, TEXAS

## DETAILED SCHEDULE OF EXPENDITURES - BUDGET AND ACTUAL

## (NON-GAAP BUDGET BASIS) - TIF FUND

FISCAL YEAR ENDED SEPTEMBER 30, 2018

	ORIGINAL BUDGET	FINAL BUDGET	ACTUAL	VARIANCE WITH FINAL BUDGET POSITIVE (NEGATIVE)
<u>EXPENDITURES</u>				
Debt Service	\$ 58,056	\$ 58,056	\$ 53,083	\$ 4,973
Capital expenditures	<u>1,165,425</u>	<u>1,034,835</u>	<u>631,960</u>	<u>402,875</u>
Total Expenses - Budget Basis	<u>\$ 1,223,481</u>	<u>\$ 1,092,891</u>	685,043	<u>\$ 407,848</u>
Financial Statement Adjustments:			<u>-</u>	
TOTAL EXPENSES - GAAP BASIS			<u>\$ 685,043</u>	



## **OTHER REPORTS**



**INDEPENDENT AUDITOR'S REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING  
AND ON COMPLIANCE AND OTHER MATTERS BASED ON AN AUDIT OF FINANCIAL  
STATEMENTS PERFORMED IN ACCORDANCE WITH *GOVERNMENT AUDITING STANDARDS***

To the City Council  
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, 2018, and the related notes to the financial statements, which collectively comprise the City of Chandler, Texas's basic financial statements, and have issued our report thereon dated July 2, 2019.

**Internal Control over Financial Reporting**

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

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

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies, and therefore, material weaknesses or significant deficiencies may exist that have not been identified. We did identify a deficiency in internal control, described in the accompanying schedule of findings as item 2018-01 that we consider to be a material weakness.

**Compliance and Other Matters**

As part of obtaining reasonable assurance about whether the 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's Response to Findings**

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

### **Purpose of this Report**

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the 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.

*Frank Campos & Associates PLLC*

Frank Campos & Associates, PLLC  
Palestine, Texas  
July 2, 2019

**CITY OF CHANDLER, TEXAS**  
**SCHEDULE OF FINDINGS**  
**SEPTEMBER 30, 2018**

**Material Weaknesses**

***2018-01 Reporting under GASB***

*Criteria*

A good system of internal control over financial reporting includes proper segregation of various accounting functions and reconciliation and review of financial transactions by a person with the skills, knowledge, and experience in governmental accounting to ensure proper reporting in compliance with Governmental Accounting Standards and adherence to relevant local government code.

*Condition*

During the audit, we noted the following:

1. The City failed to record the court fines receivable, related reserve for uncollectible accounts, and unavailable revenue on the fund level as well as court fees payable to the state and revenue on the government-wide level.
2. The City miscalculated amortization of a note payable.
3. The City incorrectly recorded compensated absences for governmental funds on the Balance Sheet instead of only on the government-wide Statement of Net Position.

*Cause*

There was turnover in the finance director position towards the end of the year. The new finance director had a limited amount of time to review and make corrections to each account at yearend close.

*Effect*

The effects were material misstatements of the City's financial statements. The potential effects from these conditions, if not corrected, include the risk of fraud or error going undetected and the City overpaying its note payable by approximately \$52,435.

*Recommendation*

We recommend that the City generate and save time-sensitive court reports on the last day of the year and include the calculation of the court fines receivable and related reserve for uncollectible accounts and unavailable revenue to its yearend closing process. In addition, we recommend the City reconcile all balance sheet accounts, including notes payable, on a monthly basis to third-party statements as applicable.



RE: Management Response to Internal Control Deficiency Findings

July 2, 2019

The purpose of this letter is to provide management response to certain deficiencies that were considered to be material weaknesses in the 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*.

**Management Response**

Management concurs with the auditor's findings and has made the recommended changes to the financial statements and to the City's internal controls

Sincerely,

A handwritten signature in blue ink, appearing to read "Wesley R. Johnston", is written over a horizontal line.

Wesley R. Johnston, CPA  
Director of Finance