

CITY OF CHANDLER, TEXAS

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

FISCAL YEAR ENDED SEPTEMBER 30, 2019

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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, 2019, 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, 2019, and the respective changes in financial position, and, where applicable, cash flows thereof and the respective budgetary comparison for the General Fund for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis, 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 are fairly stated in all material respects in relation to the basic financial statements as a whole.

The budgetary comparison information for the economic development and tax increment financing (TIF) 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 May 2, 2021, 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
May 2, 2021

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, 2019.

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 \$8,319,291 (net position). Of this amount \$1,259,836 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 \$2,842,198. Of this amount \$974,015 (34.27%) is available for spending at the government's discretion.
- The total net position of \$8,319,291 is made up of \$4,393,207 in capital assets net of related debt and \$3,926,084 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, 2019, the City's assets exceeded liabilities by \$8,319,291.

By far the largest portion of the City's net position, \$4,393,207, 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 \$668,261 from the prior year primarily from depreciation and debt payments. The amount of unrestricted net position \$1,259,836 decreased by \$380,319 from the prior year primarily due to the increase in restricted net position due to unspent bond funds associated with ongoing construction projects.

City of Chandler's Net Position

	Governmental Activities		Business-type Activities		Total	
	2019	2018	2019	2018	2019	2018
Current and other assets	\$ 3,484,482	\$ 1,978,653	\$ 2,003,951	\$ 2,854,419	\$ 5,488,433	\$ 4,833,072
Capital assets	5,746,848	4,770,541	5,624,765	5,133,867	11,371,613	9,904,408
Total assets	9,231,330	6,749,194	7,628,716	7,988,286	16,860,046	14,737,480
Deferred outflows	99,866	61,098	24,053	14,715	123,919	75,813
Current liabilities	379,373	382,343	186,191	124,335	565,564	506,678
Noncurrent liabilities	4,393,205	2,042,775	3,673,427	4,009,960	8,066,632	6,052,735
Total liabilities	4,772,578	2,425,118	3,859,618	4,134,295	8,632,196	6,559,413
Deferred inflows	26,174	31,760	6,304	7,649	32,478	39,409
Net invested in capital assets	1,721,179	2,607,193	2,672,028	2,454,275	4,393,207	5,061,468
Restricted	2,042,616	1,089,210	623,632	423,638	2,666,248	1,512,848
Unrestricted	768,649	657,011	491,187	983,144	1,259,836	1,640,155
Total net position	\$ 4,532,444	\$ 4,353,414	\$ 3,786,847	\$ 3,861,057	\$ 8,319,291	\$ 8,214,471

Governmental activities net position increased by \$179,030 during the year which was primarily attributable to increases in tax collections. Although revenues appear lower, this was do to moving trash services to the business-type activities, and netting citation revenue against the amount expensed to the State of Texas for their portion. The business-type activities resulted in a \$74,210 decrease due to accounting transfers to the governmental activities.

City of Chandler's Changes in Net Position

	Governmental Activities		Business-type Activities		Total	
	2019	2018	2019	2018	2019	2018
Revenues						
Charges for services	\$ 452,077	\$ 1,000,228	\$ 1,668,935	\$ 1,295,519	\$ 2,121,012	\$ 2,295,747
Operating grants and contributions	7,493	13,286	-	-	7,493	13,286
Capital grants and contributions	7,500	19,774	24,750	-	32,250	19,774
General Revenue						
Property taxes	1,031,332	981,437	-	-	1,031,332	981,437
Franchise taxes	148,657	139,797	-	-	148,657	139,797
Sales and use taxes	794,908	750,863	-	-	794,908	750,863
Impairment gain	10,975	15,636	-	-	10,975	15,636
Interest income	3,618	7,330	15,064	7,451	18,682	14,781
Total revenue	2,456,560	2,928,351	1,708,749	1,302,970	4,165,309	4,231,321

Expenses							
General government	957,909	1,135,155	-	-	957,909	1,135,155	
Public safety	746,649	815,017	-	-	746,649	815,017	
Public works	628,779	575,905	-	-	628,779	575,905	
Community center	3,470	6,995	-	-	3,470	6,995	
Parks and recreation	258,034	247,480	-	-	258,034	247,480	
City library	70,978	68,897	-	-	70,978	68,897	
Interest	84,948	58,658	113,726	117,968	198,674	176,626	
Bond issue cost	80,067	-	-	63,093	80,067	63,093	
Water and sewer operations	-	-	1,115,929	1,227,381	1,115,929	1,227,381	
Total expenses	\$ 2,830,834	\$ 2,908,107	\$ 1,229,655	\$ 1,408,442	\$ 4,060,489	\$ 4,316,549	
Excess (deficiency) of revenues over expenses							
	\$ (374,274)	\$ 20,244	\$ 479,094	\$ (105,472)	\$ 104,820	\$ (85,228)	
Other							
Transfers	553,304	(36,696)	(553,304)	36,696	-	-	
Total other	553,304	(36,696)	(553,304)	36,696	-	-	
Change in net position	179,030	(16,452)	(74,210)	(68,776)	104,820	(85,228)	
Net position, beginning, as originally stated	4,353,414	4,145,520	3,861,057	3,938,140	8,214,471	8,083,660	
Prior period adjustment	-	224,346	-	(8,307)	-	216,039	
Net position, beginning, as restated	4,353,414	4,369,866	3,861,057	3,929,833	8,214,471	8,299,699	
Net position, end of the year	\$ 4,532,444	\$ 4,353,414	\$ 3,786,847	\$ 3,861,057	\$ 8,319,291	\$ 8,214,471	

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 \$2,842,198 of which \$974,015 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, debt service, 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 \$491,187. The total net position decreased by \$74,210 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 \$69,714, due to lower than expected sports association revenue. Actual expenditures were less than budgeted amounts by \$401,785, due to efforts to control expenditures. Transfers between the governmental funds and proprietary funds resulted in an actual increase to fund balance of \$608,767 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, 2019, amounts to \$11,371,613 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 capital assets for the current year was \$1,467,205.

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 four projects under construction.

City of Chandler's Capital Assets

	Governmental Activities		Business-type Activities		Total	
	2019	2018	2019	2018	2019	2018
Land	\$ 595,874	\$ 595,874	\$ 124,933	\$ 124,933	\$ 720,807	\$ 720,807
Construction in Progress	652,612	-	502,887	17,827	1,155,499	17,827
Buildings						
and improvements	1,500,492	1,254,867	-	-	1,500,492	1,254,867
Infrastructure	2,705,033	2,772,317	-	-	2,705,033	2,772,317
Machinery and equipment	292,837	147,483	45,304	30,489	338,141	177,972
Water and sewer system	-	-	4,951,641	4,960,618	4,951,641	4,960,618
Combined total	\$ 5,746,848	\$ 4,770,541	\$ 5,624,765	\$ 5,133,867	\$ 11,371,613	\$ 9,904,408

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 \$8,066,632. Of this amount, \$6,355,000 comprises debt backed by revenue bonds, general obligation (ad valorem tax), 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	
	2019	2018	2019	2018	2019	2018
Compensated absences	\$ 65,560	\$ 57,703	\$ 12,854	\$ 12,388	\$ 78,414	\$ 70,091
Net pension liability	256,710	202,797	61,828	48,843	318,538	251,640
Total OPEB liability	45,265	42,850	10,902	10,320	56,167	53,170
Bonds payable	2,940,000	1,505,000	3,415,000	3,725,000	6,355,000	5,230,000
Premium on Bond Issue	207,696	62,101	-	-	207,696	62,101
Notes payable	877,974	172,324	172,843	213,409	1,050,817	385,733
Combined total	\$ 4,393,205	\$ 2,042,775	\$ 3,673,427	\$ 4,009,960	\$ 8,066,632	\$ 6,052,735

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. We also expect to see an increase in ad valorem taxes due to increased commercial and residential construction in process.

All of these factors were considered in preparing the City's budget for the 2020 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@chandlertx.com.

BASIC FINANCIAL STATEMENTS

CITY OF CHANDLER, TEXAS
STATEMENT OF NET POSITION
SEPTEMBER 30, 2019

	PRIMARY GOVERNMENT		
	GOVERNMENTAL	BUSINESS- TYPE	TOTAL
	ACTIVITIES	ACTIVITIES	
ASSETS			
Cash and cash equivalents	\$ 676,638	\$ 606,707	\$ 1,283,345
Inventory	-	37,517	37,517
Receivables (net of allowance for doubtful accounts)	651,364	251,394	902,758
Internal balances	150,404	(150,404)	-
Restricted Assets:			
Temporarily restricted:			
Revenue bond debt service	180,594	446,904	627,498
Cash for construction	1,521,507	176,728	1,698,235
Other programs	303,975	-	303,975
Capital Assets (net of accumulated depreciation):			
Land	595,874	124,933	720,807
Construction in progress	652,612	502,887	1,155,499
Buildings and improvements	1,500,492	-	1,500,492
Water and sewer system	-	4,951,641	4,951,641
Machinery and equipment	292,837	45,304	338,141
Infrastructure	2,705,033	-	2,705,033
Other Assets:			
Escrow account	-	635,105	635,105
Total Assets	9,231,330	7,628,716	16,860,046
DEFERRED OUTFLOWS OF RESOURCES			
Deferred charge on TMRS SDBF OPEB	2,768	667	3,435
Deferred charge on TMRS pension	97,098	23,386	120,484
Total Deferred Outflows of Resources	99,866	24,053	123,919
LIABILITIES			
Accounts payable	297,786	121,570	419,356
Accrued wages payable	27,295	6,215	33,510
Deposits	-	10,625	10,625
Accrued interest payable	54,292	47,781	102,073
Non-current liabilities:			
Due within one year	342,350	399,451	741,801
Due in more than one year	4,050,855	3,273,976	7,324,831
Total Liabilities	4,772,578	3,859,618	8,632,196
DEFERRED INFLOWS OF RESOURCES			
Deferred charge on TMRS SDBF OPEB	2,865	690	3,555
Deferred charge on TMRS pension	23,309	5,614	28,923
Total Deferred Inflows of Resources	26,174	6,304	32,478
NET POSITION			
Net investment in capital assets	1,721,179	2,672,028	4,393,207
Restricted for:			
Debt service	180,594	446,904	627,498
City Programs	5,067	-	5,067
Law Enforcement	4,290	-	4,290
Court Security and Technology	50,193	-	50,193
Economic development	303,471	-	303,471
Future construction	1,499,001	176,728	1,675,729
Unrestricted	768,649	491,187	1,259,836
Total Net Position	\$ 4,532,444	\$ 3,786,847	\$ 8,319,291

**CITY OF CHANDLER, TEXAS
STATEMENT OF ACTIVITIES
FISCAL YEAR ENDED SEPTEMBER 30, 2019**

		PROGRAM REVENUES			NET (EXPENSE) REVENUE AND CHANGES IN NET POSITION		
					PRIMARY GOVERNMENT		
					BUSINESS-		
PROGRAM ACTIVITIES	EXPENSES	CHARGES FOR SERVICES	OPERATING GRANTS AND CONTRIBUTIONS	CAPITAL GRANTS AND CONTRIBUTIONS	GOVERNMENTAL ACTIVITIES	TYPE ACTIVITIES	TOTAL
PRIMARY GOVERNMENT:							
Governmental activities:							
General government	\$ 957,909	\$ 60,307	\$ -	\$ -	\$ (897,602)	\$ -	\$ (897,602)
Public safety	746,649	215,350	-	7,500	(523,799)	-	(523,799)
Public works	628,779	-	-	-	(628,779)	-	(628,779)
Community center	3,470	9,232	-	-	5,762	-	5,762
Parks and recreation	258,034	142,188	7,493	-	(108,353)	-	(108,353)
City library and museum	70,978	25,000	-	-	(45,978)	-	(45,978)
Bond issue cost	80,067	-	-	-	(80,067)	-	(80,067)
Interest and fees	84,948	-	-	-	(84,948)	-	(84,948)
Total governmental activities	2,830,834	452,077	7,493	7,500	(2,363,764)	-	(2,363,764)
Business-type activities:							
Water and sewer	1,115,929	1,668,935	-	24,750	-	577,756	577,756
Interest	113,726	-	-	-	-	(113,726)	(113,726)
Total business-type activities	1,229,655	1,668,935	-	24,750	-	464,030	464,030
Total primary government	\$ 4,060,489	\$ 2,121,012	\$ 7,493	\$ 32,250	(2,363,764)	464,030	(1,899,734)
General revenues:							
Property taxes					1,031,332	-	1,031,332
Franchise taxes					148,657	-	148,657
Sales and use taxes					794,908	-	794,908
Interest income					3,618	15,064	18,682
Impairment gain					10,975	-	10,975
Transfers					553,304	(553,304)	-
Total general revenues and transfers					2,542,794	(538,240)	2,004,554
Change in Net Position					179,030	(74,210)	104,820
Net Position - beginning of year					4,353,414	3,861,057	8,214,471
Net Postition - end of year					\$ 4,532,444	\$ 3,786,847	\$ 8,319,291

**CITY OF CHANDLER, TEXAS
BALANCE SHEET
GOVERNMENTAL FUNDS
SEPTEMBER 30, 2019**

	GENERAL	ECONOMIC DEVELOPMENT FUND	CAPITAL PROJECTS FUND	TIF FUND	NON-MAJOR GOVERNMENTAL FUNDS	ELIMINATIONS	TOTAL GOVERNMENTAL FUNDS
ASSETS							
Cash and cash equivalents	\$ 851,071	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 851,071
Receivables:							
Sales tax receivable	99,065	33,022	-	-	-	-	132,087
Property tax receivable (net of allowance for estimated uncollectibles)	14,091	-	-	-	-	-	14,091
Court receivable (net of allowance for estimated uncollectibles)	505,186	-	-	-	-	-	505,186
Restricted cash and cash equivalents	-	244,425	1,097,193	424,314	65,711	-	1,831,643
Due from other funds	150,404	31,024	-	-	-	(31,024)	150,404
Total Assets	<u>\$ 1,619,817</u>	<u>\$ 308,471</u>	<u>\$ 1,097,193</u>	<u>\$ 424,314</u>	<u>\$ 65,711</u>	<u>\$ (31,024)</u>	<u>\$ 3,484,482</u>
LIABILITIES, DEFERRED INFLOWS OF RESOURCES AND FUND BALANCES							
LIABILITIES:							
Accounts payable	\$ 68,206	\$ 5,000	\$ 22,506	\$ -	\$ -	\$ -	\$ 95,712
Accrued wages payable	27,295	-	-	-	-	-	27,295
Due to other funds	31,024	-	-	-	-	(31,024)	-
Total Liabilities	<u>126,525</u>	<u>5,000</u>	<u>22,506</u>	<u>-</u>	<u>-</u>	<u>(31,024)</u>	<u>123,007</u>
DEFERRED INFLOWS OF RESOURCES:							
Unavailable revenue - court fine:	505,186	-	-	-	-	-	505,186
Unavailable revenue - property taxes:	14,091	-	-	-	-	-	14,091
Total Deferred Inflows of Resources:	<u>519,277</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>519,277</u>
FUND BALANCES:							
Restricted:							
Capital Improvements	-	-	1,074,687	424,314	-	-	1,499,001
City Programs	-	-	-	-	5,067	-	5,067
Economic Development	-	303,471	-	-	-	-	303,471
Law Enforcement Purposes	-	-	-	-	4,290	-	4,290
Court Security and Technology	-	-	-	-	50,193	-	50,193
Debt Service	-	-	-	-	6,161	-	6,161
Unassigned	974,015	-	-	-	-	-	974,015
Total Fund Balances	<u>974,015</u>	<u>303,471</u>	<u>1,074,687</u>	<u>424,314</u>	<u>65,711</u>	<u>-</u>	<u>2,842,198</u>
Total Liabilities, Deferred Inflows of Resources and Fund Balances:	<u>\$ 1,619,817</u>	<u>\$ 308,471</u>	<u>\$ 1,097,193</u>	<u>\$ 424,314</u>	<u>\$ 65,711</u>	<u>\$ (31,024)</u>	<u>\$ 3,484,482</u>

**CITY OF CHANDLER, TEXAS
RECONCILIATION OF GOVERNMENTAL FUNDS
BALANCE SHEET TO THE STATEMENT OF NET POSITION
SEPTEMBER 30, 2019**

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

Total fund balances governmental funds (Exhibit 3)	\$ 2,842,198
Capital assets used in governmental activities are not current financial resources and, therefore, are not reported in the governmental funds balance sheet.	5,746,848
Other long-term assets are not available to pay for current-period expenditures and, therefore, are deferred in the funds.	519,277
Deferred outflows represent the consumption of net position that are applicable to a future reporting period.	99,866
Liabilities associated with deferred funds are not payable until collected in future periods.	(202,074)
Deferred inflows represent an acquisition of net assets that is applicable to a future reporting period.	(26,174)
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.	(54,292)
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>(4,393,205)</u>
Net position of governmental activities (Exhibit 1)	<u><u>\$ 4,532,444</u></u>

CITY OF CHANDLER, TEXAS
STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES
GOVERNMENTAL FUNDS
FISCAL YEAR ENDED SEPTEMBER 30, 2019

	GENERAL	ECONOMIC DEVELOPMENT FUND	CAPITAL PROJECTS FUND	TIF FUND	NON-MAJOR GOVERNMENTAL FUNDS	ELIMINATIONS	TOTAL GOVERNMENTAL FUNDS
REVENUES							
Property taxes	\$ 997,062	\$ -	\$ -	\$ 36,192	\$ -	\$ -	\$ 1,033,254
Sales tax	596,522	198,386	-	-	-	-	794,908
Franchise tax	148,657	-	-	-	-	-	148,657
Fines	158,599	-	-	-	6,381	-	164,980
Forfeitures	-	-	-	-	9,094	-	9,094
Licenses and permits	27,477	-	-	-	-	-	27,477
Zoning and platting fees	609	-	-	-	-	-	609
Library	25,000	-	-	-	-	-	25,000
Sports association revenue	99,125	-	-	-	-	-	99,125
Concession revenue	42,883	-	-	-	-	-	42,883
Interest	1,423	928	419	737	111	-	3,618
Rents	21,412	-	-	-	-	-	21,412
Donations	-	-	-	-	7,493	-	7,493
Miscellaneous	9,788	-	-	-	-	-	9,788
Grants	7,500	-	-	-	-	-	7,500
Lease income	10,433	-	-	-	-	-	10,433
Total Revenues	2,146,490	199,314	419	36,929	23,079	-	2,406,231
EXPENDITURES							
Current:							
General government	597,260	330,541	-	-	-	-	927,801
Public safety	512,161	-	-	-	5,852	-	518,013
Public works	366,666	-	-	-	-	-	366,666
Community center expense	3,470	-	-	-	-	-	3,470
Municipal court	146,430	-	-	-	-	-	146,430
City library and museum	69,626	-	-	-	-	-	69,626
Parks and recreation	178,980	-	-	-	6,991	-	185,971
Capital outlay	819,907	-	584,410	-	-	-	1,404,317
Debt Service:							
Principal	121,398	-	-	60,000	-	-	181,398
Interest	8,485	-	-	51,900	-	-	60,385
Total Expenditures	2,824,383	330,541	584,410	111,900	12,843	-	3,864,077
Excess (Deficiency) of Revenues Over (Under) Expenditures	(677,893)	(131,227)	(583,991)	(74,971)	10,236	-	(1,457,846)
OTHER FINANCING SOURCES (USES):							
Insurance proceeds	10,975	-	-	-	-	-	10,975
Loan proceeds	827,048	-	-	-	-	-	827,048
Bond proceeds	-	-	1,488,841	-	-	-	1,488,841
Bond premium	-	-	151,226	-	-	-	-
Bond issue cost	-	-	(80,067)	-	-	-	(80,067)
Excess bond proceeds	-	-	-	-	6,159	-	6,159
Transfers in	581,033	4,800	98,678	75,362	1,189	(180,029)	581,033
Transfers out	(132,396)	(75,362)	-	-	-	180,029	(27,729)
Total Other Financing Sources (Uses)	1,286,660	(70,562)	1,658,678	75,362	7,348	-	2,806,260
Net Change in Fund Balances	608,767	(201,789)	1,074,687	391	17,584	-	1,499,640
Fund Balance, beginning of year	365,248	505,260	-	423,923	48,127	-	1,342,558
Fund Balance, end of year	\$ 974,015	\$ 303,471	\$ 1,074,687	\$ 424,314	\$ 65,711	\$ -	\$ 2,842,198

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, 2019

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

Net change in fund balances - total governmental funds (Exhibit 5)	\$ 1,499,640
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.	976,307
Revenues in the statement of activities that do not provide current financial resources are not reported as revenues in the funds.	39,352
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.	(2,316,439)
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	(19,830)
Change in net position of governmental activities (Exhibit 2)	<hr/> \$ 179,030 <hr/>

CITY OF CHANDLER, TEXAS
STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN
FUND BALANCE - BUDGET AND ACTUAL
GENERAL FUND
FISCAL YEAR ENDED SEPTEMBER 30, 2019

	ORIGINAL BUDGET	FINAL BUDGET	ACTUAL	VARIANCE WITH FINAL BUDGET POSITIVE (NEGATIVE)
REVENUES				
Property taxes	\$ 1,010,730	\$ 1,010,730	\$ 997,062	\$ (13,668)
Sales tax	563,418	563,418	596,522	33,104
Franchise tax	140,904	140,904	148,657	7,753
Fines	181,410	181,410	158,599	(22,811)
Licenses, permits, and fees	37,422	37,422	28,086	(9,336)
Library	18,276	18,276	25,000	6,724
Sports Association revenue	154,068	154,068	99,125	(54,943)
Interest	1,000	1,000	1,423	423
Rent and lease	31,643	31,643	31,845	202
Grants	7,500	7,500	7,500	-
Miscellaneous	4,833	4,833	9,788	4,955
Concession revenue	65,000	65,000	42,883	(22,117)
Total Revenues	2,216,204	2,216,204	2,146,490	(69,714)
EXPENDITURES				
General government	950,985	950,985	739,702	211,283
Public safety	620,261	688,676	652,696	35,980
Public works	759,383	1,145,188	1,018,690	126,498
Community center expense	7,211	7,211	3,470	3,741
Municipal court	149,785	149,785	146,430	3,355
City library and museum	70,484	70,484	69,626	858
Parks and recreation	213,839	213,839	193,769	20,070
Total Expenditures	2,771,948	3,226,168	2,824,383	401,785
Revenues Over (Under) Expenditures	(555,744)	(1,009,964)	(677,893)	332,071
OTHER FINANCING SOURCES (USES)				
Transfers in	208,835	208,835	581,033	372,198
Transfers out	(33,323)	(33,323)	(132,396)	(99,073)
Insurance proceeds	-	10,975	10,975	-
Loan proceeds	-	521,440	827,048	305,608
Total Other Financing Sources (Uses)	175,512	707,927	1,286,660	578,733
Revenues and Other Sources Over (Under) Expenditures and Other Uses - Budget Basis	-	-	608,767	608,767
Budget Basis to GAAP Basis Adjustments	-	-	-	-
Revenues and Other Sources Over (Under) Expenditures and Other Uses - GAAP Basis	-	-	608,767	608,767
Net Change in Fund Balances	-	-	608,767	608,767
Fund Balance, beginning of year	-	-	365,248	365,248
Fund Balance, end of year	\$ -	\$ -	\$ 974,015	\$ 974,015

**CITY OF CHANDLER, TEXAS
STATEMENT OF NET POSITION
PROPRIETARY FUNDS
SEPTEMBER 30, 2019**

	<u>ENTERPRISE FUND</u> <u>WATER AND SEWER</u> <u>FUND</u>
ASSETS	
Current Assets:	
Cash and cash equivalents	\$ 606,707
Inventory	37,517
Accounts receivable (net of allowance for estimated uncollectibles)	<u>251,394</u>
Total Current Assets	<u>895,618</u>
Restricted Assets:	
Temporarily Restricted	
Revenue bond debt service	446,904
Cash for construction	<u>176,728</u>
Total Restricted Assets	<u>623,632</u>
Capital Assets:	
Land	124,933
Water and sewer system	7,893,520
Machinery and equipment	215,411
Construction in progress	502,887
Less: Accumulated depreciation	<u>(3,111,986)</u>
Total Capital Assets Net of Accumulated Depreciation	<u>5,624,765</u>
Other Assets:	
Escrow account	<u>635,105</u>
Total Other Asset	<u>635,105</u>
Total Assets	<u>7,779,120</u>
DEFERRED OUTFLOWS OF RESOURCES	
Deferred charge on TMRS SDBF OPEB	667
Deferred charge on TMRS pension	<u>23,386</u>
Total Deferred Outflows of Resources	<u>24,053</u>
LIABILITIES	
Current Liabilities:	
Accounts payable	121,570
Accrued wages payable	6,215
Deposits	10,625
Accrued interest	47,781
Due to other funds	150,404
Noncurrent liabilities - current portion	<u>399,451</u>
Total Current Liabilities	<u>736,046</u>
Noncurrent Liabilities:	
Net pension liability	61,828
Total TMRS OPEB liability	10,902
Revenue bonds payable	<u>3,201,246</u>
Total Liabilities	<u>4,010,022</u>
DEFERRED INFLOWS OF RESOURCES	
Deferred charge on TMRS SDBF OPEB	690
Deferred charge on TMRS pension	<u>5,614</u>
Total Deferred Inflows of Resources	<u>6,304</u>
NET POSITION	
Net investment in capital assets	2,672,028
Restricted for debt service	446,904
Restricted for capital projects	176,728
Unrestricted	<u>491,187</u>
Total Net Position	<u>\$ 3,786,847</u>

CITY OF CHANDLER, TEXAS
STATEMENT OF REVENUES, EXPENSES AND CHANGES IN NET POSITION
PROPRIETARY FUNDS
FISCAL YEAR ENDED SEPTEMBER 30, 2019

	<u>ENTERPRISE FUND</u> <u>WATER AND SEWER</u> <u>FUND</u>
OPERATING REVENUES	
Water sales and sewer service	\$ 1,198,476
Charges for services	<u>470,459</u>
Total Operating Revenues	<u>1,668,935</u>
OPERATING EXPENSES	
Water and sewer operations	931,858
Depreciation	<u>184,071</u>
Total Operating Expenses	<u>1,115,929</u>
Operating Income (Loss)	<u>553,006</u>
NON-OPERATING REVENUES (EXPENSES)	
Interest expense	(113,726)
Interest income	15,064
Grants	24,750
Transfers in	27,729
Transfers out	<u>(581,033)</u>
Total Non-Operating Revenues (Expenses)	<u>(627,216)</u>
Change in Net Position	(74,210)
Net Position, beginning of year	<u>3,861,057</u>
Net Position, end of year	<u><u>\$ 3,786,847</u></u>

**CITY OF CHANDLER, TEXAS
STATEMENT OF CASH FLOWS
PROPRIETARY FUNDS
FISCAL YEAR ENDED SEPTEMBER 30, 2019**

	<u>ENTERPRISE FUND</u> <u>WATER AND SEWER</u> <u>FUND</u>
CASH FLOWS FROM OPERATING ACTIVITIES:	
Cash received from customers and users	\$ 1,586,005
Cash paid to suppliers for goods and services	(582,765)
Cash paid to employees for services	<u>(286,674)</u>
Net cash provided by operating activities	<u>716,566</u>
CASH FLOWS FROM NON-CAPITAL FINANCING ACTIVITIES:	
Transfers in	27,729
Transfers out	<u>(581,033)</u>
Net cash used in non-capital financing activities	<u>(553,304)</u>
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES:	
Bond proceeds from escrow used	43,118
Capital grant revenue	24,750
Capital asset purchases	(674,969)
Interest paid	(119,263)
Principal paid on bonds	<u>(350,566)</u>
Net cash used in capital and related financing activities	<u>(1,076,930)</u>
CASH FLOWS FROM INVESTING ACTIVITIES:	
Interest earned on investments	<u>15,064</u>
Net cash provided by investing activities	<u>15,064</u>
Net decrease in cash	(898,604)
Cash, beginning of period	<u>2,128,943</u>
Cash, end of period	<u>\$ 1,230,339</u>
Reconciliation of Cash on Exhibit 8:	
Cash and certificates of deposit	\$ 606,707
Cash - restricted assets	<u>623,632</u>
Total Cash	<u>\$ 1,230,339</u>
Reconciliation of Operating Income To Net Cash Provided by Operating Activities:	
Operating income	\$ 553,006
Adjustments to reconcile net income to net cash provided by (used in) operating activities:	
Depreciation expense	184,071
Increase in accounts receivable	(93,556)
Decrease in inventory	2,302
Increase in deferred outflows of resources	(9,338)
Increase in accounts payable	56,768
Increase in deposits	10,625
Increase in compensated absences	466
Decrease in deferred inflows of resources	(1,345)
Increase in total TMRS OPEB liability	582
Increase in net pension liability	<u>12,985</u>
Total adjustments	<u>163,560</u>
NET CASH PROVIDED BY OPERATING ACTIVITIES	<u>\$ 716,566</u>

CITY OF CHANDLER, TEXAS
NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2019

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, Deferred Outflows / Inflows, and Net Position or Fund Balance

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, and 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	3-10
Infrastructure	20
Water and sewer system	5-50

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, 2018. The deferred outflow shows the difference in contributions to the TMRS retirement plan that occurred between December 31, 2018 and September 30, 2019. 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, 2018 and September 30, 2019.

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 three 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 and court fines. 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. The third is reported in the government-wide statement of net position. It is a deferred charge related to the TMRS Supplemental Death Benefit Fund (SDBF). 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, deferred outflows, liabilities and deferred inflows. 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, 2019 was \$2,666,248. Of this amount \$2,038,750 was restricted by enabling legislation, and \$627,498 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) – The City has 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 \$5,746,848 difference are as follows:

Capital assets, October 1, 2018 net of accumulated depreciation	\$ 4,770,541
Capital asset additions, net of retirements	1,365,036
Depreciation of capital assets, net of retirements, current year	<u>(388,729)</u>
	<u><u>\$ 5,746,848</u></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 \$976,307 difference are as follows:

Capital outlay, asset additions, net of retirements	\$ 1,365,036
Depreciation expense, net of retirements	<u>(388,729)</u>
	<u><u>\$ 976,307</u></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, 2019, the City had the following deposits and investments:

Statement of net position:	
Primary Government	
Cash and cash equivalents	\$ 1,283,345
Restricted cash and cash equivalents	<u>2,629,708</u>
Total Cash and cash equivalents	<u><u>\$ 3,913,053</u></u>
Cash on hand	\$ 698
Savings and checking accounts	<u>3,912,355</u>
Total Cash and Investments	<u><u>\$ 3,913,053</u></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, 2019, the carrying value of the City’s bank deposits was \$3,912,355 while the bank balance was \$4,018,670. As of September 30, 2019, 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	\$ 33,731	\$ -	\$ -	\$ 33,731
Sales Tax	99,065	33,022	-	132,087
Court	1,683,953	-	-	1,683,953
Accounts (services)	-	-	256,585	256,585
Gross Receivables	1,816,749	33,022	256,585	2,106,356
Less: Allowance for Uncollectibles	(1,198,407)	-	(5,191)	(1,203,598)
Net Receivables	<u>\$ 618,342</u>	<u>\$ 33,022</u>	<u>\$ 251,394</u>	<u>\$ 902,758</u>

C. Capital Assets

Capital asset activity for the year ended September 30, 2019 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	\$ -	\$ 652,612	\$ -	\$ 652,612
Land	595,874	-	-	595,874
Total Capital Assets, Not Being Depreciated	595,874	652,612	-	1,248,486
Capital Assets, Being Depreciated:				
Buildings and Improvements	2,635,867	348,250	-	2,984,117
Infrastructure	4,540,016	139,285	-	4,679,301
Machinery and Equipment	1,133,132	264,170	(39,281)	1,358,021
Total Capital Assets, Being Depreciated	8,309,015	751,705	(39,281)	9,021,439
Less Accumulated Depreciation For:				
Buildings and Improvements	(1,381,000)	(102,625)	-	(1,483,625)
Infrastructure	(1,767,699)	(206,569)	-	(1,974,268)
Machinery and Equipment	(985,649)	(118,816)	39,281	(1,065,184)
Total Accumulated Depreciation	(4,134,348)	(428,010)	39,281	(4,523,077)
Net Total Assets Being Depreciated	4,174,667	323,695	-	4,498,362
Governmental Activities Capital Assets, Net	<u>\$ 4,770,541</u>	<u>\$ 976,307</u>	<u>\$ -</u>	<u>\$ 5,746,848</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	\$ 17,827	\$ 485,060	\$ -	\$ 502,887
Land	124,933	-	-	124,933
Total Capital Assets, Not Being Depreciated	142,760	485,060	-	627,820
Capital Assets, Being Depreciated:				
Water and Sewer System	7,741,284	152,236	-	7,893,520
Machinery and Equipment	177,738	37,673	-	215,411
Total Capital Assets, Being Depreciated	7,919,022	189,909	-	8,108,931
Less Accumulated Depreciation For:				
Water and Sewer System	(2,780,666)	(161,213)	-	(2,941,879)
Machinery and Equipment	(147,249)	(22,858)	-	(170,107)
Total Accumulated Depreciation	(2,927,915)	(184,071)	-	(3,111,986)
Net Total Assets Being Depreciated	4,991,107	5,838	-	4,996,945
Business-Type Activities Capital Assets, Net	<u>\$ 5,133,867</u>	<u>\$ 490,898</u>	<u>\$ -</u>	<u>\$ 5,624,765</u>

The City has the following construction projects in progress at September 30, 2019:

<u>Project</u>	<u>Spent-to- Date</u>	<u>Estimated Remaining</u>
<u>Governmental Activities:</u>		
2019 Street Project	\$ 584,410	\$ 975,590
Incode 10 Financial System	68,202	237,405
	<u>\$ 652,612</u>	<u>\$ 1,212,995</u>
<u>Business-Type Activities</u>		
Water Well #4 Improvements	\$ 94,021	\$ 692,659
Water Well #7C Project	408,866	288,608
	<u>\$ 502,887</u>	<u>\$ 981,267</u>

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

<u>Governmental Activities:</u>	
General Government	\$ 34,293
Public Safety	66,821
Parks & Recreation	70,632
Public Works	<u>256,264</u>
Total depreciation expense, governmental activities	<u>\$ 428,010</u>
<u>Business-Type Activities:</u>	
Water and Sewer Operations	<u>\$ 184,071</u>

D. Interfund receivables, payables, and transfers

The composition of interfund balances as of September 30, 2019 is as follows:

Due to/from other funds:

<u>Receivable Fund</u>	<u>Payable Fund</u>	<u>Amount</u>
Governmental Activities	Business-Type Activities	\$ 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>
Business-Type Funds	\$ -	\$ 533,304
Governmental Funds	\$ 533,304	\$ -

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 15th 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, 2019, the City received \$10,433 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>
2020	10,746
2021	11,068
2022	11,400
2023	11,742
2024	12,094
2025-2029	66,136
2030-2034	76,668
2035-2039	99,233
2040-2044	115,038
2045-2049	133,361
2050-2054	154,601
2055-2059	179,225
2060-2064	207,772
2065	45,368
	<u>\$ 1,134,452</u>

F. Long-term debt

Revenue Bonds and Certificates of Obligation

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

Revenue bonds outstanding are as follows:

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%	1,445,000	10/15/2036
Series - 2019	General Obligation Bonds	3.00% - 6.00%	<u>1,495,000</u>	8/15/2039

Total Outstanding Revenue Bonds and Certificates of Obligation \$ 2,940,000

Business-Type Activities:

<u>Issue</u>	<u>Purpose</u>	<u>Interest Rates</u>	<u>Amount</u>	<u>Maturity Date</u>
Series - 2006	Refunding Issue	4.19%	\$ 310,000	4/15/2026
Series - 2006	Certificate of Obligation	4.19%	930,000	4/15/2026
Series - 2014	Refunding Issue	2.93%	910,000	10/15/2030
Series - 2014	Revenue Bond	2.40%	515,000	10/15/2023
Series - 2018	Certificate of Obligation	0.31% - 2.24%	<u>750,000</u>	10/15/2042

Total Outstanding Revenue Bonds and Certificates of Obligation \$ 3,415,000

During the year ended September 30, 2019, the City issued \$1,495,000 in Series 2019 General Obligation Bonds. The proceeds from the issuance will be used to fund the 2019 Street Improvement project. The bond payments will be made in installments with principal and interest payments due on August 15 of each year through 2039, and interest only payments due on February 15 of each year. The bonds are to be paid from interest and sinking ad valorem tax assessments.

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, 2019, 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>
2020	\$ 65,000	\$ 109,432
2021	105,000	106,500
2022	120,000	102,225
2023	120,000	96,975
2024	125,000	92,275
2025-2029	720,000	379,475
2030-2034	870,000	222,950
2035-2039	<u>815,000</u>	<u>64,900</u>
	<u>\$ 2,940,000</u>	<u>\$ 1,174,732</u>

Business-Type Activities:

<u>Year Ending September 30</u>	<u>Principal</u>	<u>Interest</u>
2020	\$ 345,000	\$ 101,904
2021	355,000	90,995
2022	365,000	79,480
2023	375,000	67,789
2024	385,000	55,631
2025-2029	940,000	136,029
2030-2034	325,000	47,778
2035-2039	175,000	26,072
2040-2043	150,000	6,918
	<u>\$ 3,415,000</u>	<u>\$ 612,596</u>

Revenue bond ordinances require that the following information concerning insurance coverage as of September 30, 2019 be disclosed.

<u>ANNUAL PREMIUM</u>	<u>POLICY NO.</u>	<u>NATURE OF COVERAGE</u>	<u>AMOUNT OF COVERAGE</u>	<u>POLICY PERIOD</u>
\$ 24,808	#H5490-01	Workers Compensation	Statutory Limits	10-1-18 to 10-1-2019
\$ 16,098	#NYA803565	Liability General	\$2,000,000/occurrence	10-1-18 to 10-1-2019
		Auto and Law		
		Enforcement	\$1,000,000/occurrence	10-1-18 to 10-1-2019
		Property:		
		Real & Personal	\$ 7,242,614	10-1-18 to 10-1-2019
		Mobile Equipment	\$ 388,819	10-1-18 to 10-1-2019
		Boiler & Machinery	\$100,000/accident	10-1-18 to 10-1-2019
\$ 3,621	#NYA812114	Errors & Omissions	\$1,000,000	10-1-18 to 10-1-2019

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. \$ 49,348

Musco Finance Corporation; original loan amount of \$309,000; bearing 4.20% interest; payable in equal annual installments of \$38,633, due November 5 of each year beginning in 2019 and ending in 2028; secured by equipment. 309,000

Government Capital Corporation; original loan amount of \$155,000; bearing 3.97% interest; payable in equal annual installments of \$34,788, due October 5 of each year beginning in 2019 and ending in 2023; secured by equipment. 155,000

Government Capital Corporation; original loan amount of \$56,940; bearing 4.79% interest; payable in equal annual installments of \$20,247, due December 30 of each year beginning in 2018 and ending in 2020; secured by equipment. 37,259

Government Capital Corporation; original loan amount of \$55,283; bearing 4.25% interest; payable in equal annual installments of \$19,374, due November 15 of each year beginning in 2019 and ending in 2021; secured by equipment. 55,283

Government Capital Corporation; original loan amount of \$250,826; bearing 3.57% interest; payable in equal annual installments of \$40,014, due November 15 of each year beginning in 2019 and ending in 2025; secured by equipment. 250,826

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. 21,258

Total \$ 877,974

Less: Current Portion (200,052)

LONG-TERM PORTION \$ 677,922

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

<u>Year Ending September 30</u>	<u>Principal</u>	<u>Interest</u>
2020	\$ 200,052	\$ 27,271
2021	125,329	27,215
2022	110,739	22,070
2023	95,765	17,670
2024	99,517	13,918
2025-2029	246,572	26,621
	<u>\$ 877,974</u>	<u>\$ 134,765</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.

\$ 172,843

Total \$ 172,843

Less: Current Portion (41,597)

LONG-TERM PORTION \$ 131,246

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>
2020	41,597	4,393
2021	42,655	3,336
2022	43,739	2,252
2023	44,852	1,140
	<u>\$ 172,843</u>	<u>\$ 11,121</u>

Changes in long-term liabilities

Long term liability activity for the year ended September 30, 2019 was as follows:

	Beginning Balance <u>10/1/2018</u>	<u>Additions</u>	<u>Reductions</u>	Ending Balance <u>9/30/2019</u>	Due Within <u>One Year</u>
Governmental Activities:					
Revenue Bonds	\$ 1,505,000	\$ 1,495,000	\$ 60,000	\$ 2,940,000	\$ 65,000
Premium on issue of Bonds	62,101	151,226	5,631	207,696	11,738
Notes Payable	172,324	827,048	121,398	877,974	200,052
Net Pension Liability	202,797	53,913	-	256,710	-
Total OPEB Liability	42,850	2,415	-	45,265	-
Compensated Absences	57,703	7,857	-	65,560	65,560
Governmental Activity Long-Term Liabilities	<u>\$ 2,042,775</u>	<u>\$ 2,537,459</u>	<u>\$ 187,029</u>	<u>\$ 4,393,205</u>	<u>\$ 342,350</u>
Business-Type Activities:					
Revenue Bonds	\$ 3,725,000	\$ -	\$ 310,000	\$ 3,415,000	\$ 345,000
Net Pension Liability	48,843	12,985	-	61,828	-
Total OPEB Liability	10,320	582	-	10,902	-
Notes Payable	213,409	-	40,566	172,843	41,597
Compensated Absences	12,388	466	-	12,854	12,854
Business-Type Activity Long-Term Liabilities	<u>\$ 4,009,960</u>	<u>\$ 14,033</u>	<u>\$ 350,566</u>	<u>\$ 3,673,427</u>	<u>\$ 399,451</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.

Note G – 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, 2019, the City had \$251,394 in net receivables from its residents for the usage of these services.

Note H – 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, 2019, the City did not have any liability for unpaid claims or adjustments under policies carried with TML. During the year ended September 30, 2019, 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 I - 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, 2019, 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 \$258,125 under this contract as of September 30, 2019.

Note J – Defined Benefit Pension Plan

Plan Description

The City of Chandler participates as one of 887 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.

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:

	<u>Plan Year 2017</u>	<u>Plan Year 2018</u>
Employee deposit rate	5.0%	5.0%
Matching ratio (city to employee)	1 to 1	1 to 1
Year required for vesting	5	5
Service retirement eligibility (expressed as age/years of service)	60/5, 0/20	60/5, 0/20
Updated Service Credit	0%	0%
Annuity Increase (to retirees)	0% of CPI	0% of CPI

Employees covered by benefit terms.

At the December 31, 2018 valuation and measurement date, the following employees were covered by the benefit terms:

	<u>12/31/2018</u>
Inactive employees or beneficiaries currently receiving benefits	8
Inactive employees entitled to but not yet receiving benefits	9
Active employees	<u>26</u>
	<u>43</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 4.65% and 4.70% in calendar years 2018 and 2019, respectively. The City's contributions to TMRS for the year ended September 30, 2019, were \$53,242, and were equal to the required contributions.

Net Pension Liability

The City's Net Pension Liability (NPL) was measured as of December 31, 2018, 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, 2018 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%	4.30%
International Equity	17.50%	6.10%
Core Fixed Income	10.00%	1.00%
Non-Core Fixed Income	20.00%	3.39%
Real Return	10.00%	3.78%
Real Estate	10.00%	4.44%
Absolute Return	10.00%	3.56%
Private Equity	5.00%	7.75%
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 12/31/2017	\$ 969,086	\$ 717,446	\$ 251,640
Changes for the year:			
Service cost	78,318	-	78,318
Interest	66,194	-	66,194
Changes in current period benefits	-	-	-
Difference between expected and actual experience	5,846	-	5,846
Changes of assumptions	-	-	-
Contributions - employer	-	50,777	(50,777)
Contributions - employee	-	54,615	(54,615)
Net investment income	-	(21,495)	21,495
Benefit payments, including refunds of employee contributions	(55,187)	(55,187)	-
Administrative expense	-	(415)	415
Other changes	-	(22)	22
Net changes	95,171	28,273	66,898
Balance at 12/31/2018	\$ 1,064,257	\$ 745,719	\$ 318,538

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	\$ 441,477	\$ 318,538	\$ 214,992

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.

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

For the year ended September 30, 2019, the City recognized pension expense of \$61,143.

At September 30, 2019, 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	\$ 11,255	\$ (2,380)
Changes in actuarial assumptions	7,980	-
Difference between projected and actual investment earnings	62,079	(26,543)
Contributions subsequent to the measurement date	39,170	-
Total	<u>\$ 120,484</u>	<u>\$ (28,923)</u>

\$39,170 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, 2019. 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
2019	\$ 18,236
2020	9,880
2021	8,034
2022	15,570
2023	671
	<u>\$ 52,391</u>

Note K – 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, 2018 valuation and measurement date, the following employees were covered by the benefit terms:

	<u>12/31/2018</u>
Inactive employees or currently receiving benefits	8
Inactive employees entitled to but not yet receiving benefits	3
Active employees	<u>26</u>
	<u>37</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, 2019 were \$2,901, 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>
2019	0.25%	0.03%
2018	0.27%	0.02%
2017	0.24%	0.02%

Total OPEB Liability

For the fiscal year ended September 30, 2019, the City recognized a total OPEB liability of \$56,167. The liability was measured as of December 31, 2018 and was determined by an actuarial valuation as of that date.

Actuarial Assumptions

The total OPEB liability in the December 31, 2018 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*	3.71%
Retirees' share of benefit related cost	\$0
Mortality	<p>For service retirees: 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>For disabled retirees: 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, 2018

The actuarial assumptions used in the December 31, 2018 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, 2017	\$ 53,170
Changes for the year:	
Service cost	5,352
Interest on Total OPEB Liability	1,845
Change of benefit terms	-
Difference between expected and actual experience	228
Changes of assumptions or other inputs	(4,210)
Benefit payments	(218)
Net changes	2,997
Total OPEB Liability - December 31, 2018	\$ 56,167

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 3.71%, 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 (2.71%) or 1-percentage-point higher (4.71%) than the current discount rate:

	1% Decrease in Discount Rate (2.71%)	Current Discount Rate (3.71%)	1% Increase in Discount Rate (4.71%)
City's Total OPEB Liability	\$ 67,473	\$ 56,167	\$ 47,405

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

For the fiscal year ended September 30, 2019, the City recognized total OPEB expense of \$7,252. At September 30, 2019, 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
Differences between expected and actual economic experience	\$ 193	\$ -
Changes in actuarial assumptions	2,992	(3,555)
Contributions subsequent to the measurement date	250	-
Total	<u>\$ 3,435</u>	<u>\$ (3,555)</u>

Deferred outflows of resources related to OPEB resulting from contributions subsequent to the measurement date of \$250 will be recognized as a reduction of the total OPEB liability for the year ending September 30, 2019. Other amounts reported as deferred outflows of resources related to OPEB will be recognized in OPEB expense as follows:

	Year Ended December 31
2019	\$ 55
2020	55
2021	55
2022	55
2023	(328)
Thereafter	(262)
	<u>\$ (370)</u>

Note L – Subsequent Events

Subsequent to year end, the City entered into note payable agreement for the purchase of a vehicle and radios for the police department. The amount of the note was \$105,503.50.

Subsequent events were evaluated through May 03, 2021, 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, 2019

	<u>2014</u>	<u>2015</u>	<u>2016</u>	<u>2017</u>	<u>2018</u>
Total pension liability					
Service Cost	\$ 43,368	\$ 61,646	\$ 65,449	\$ 70,652	\$ 78,318
Interest (on the Total Pension Liability)	44,712	50,490	56,313	61,142	66,194
Changes in benefit terms	-	-	-	-	-
Difference between expected and actual results	1,313	(8,904)	1,259	9,164	5,846
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>	<u>(55,187)</u>
Net Change in Total Pension Liability	77,925	112,542	99,561	56,260	95,171
Total Pension Liability - Beginning	<u>622,798</u>	<u>700,723</u>	<u>813,265</u>	<u>912,826</u>	<u>969,086</u>
Total Pension Liability - Ending (a)	<u>\$ 700,723</u>	<u>\$ 813,265</u>	<u>\$ 912,826</u>	<u>\$ 969,086</u>	<u>\$ 1,064,257</u>
Plan Fiduciary Net Position					
Contributions - Employer	\$ 40,817	\$ 46,596	\$ 43,862	\$ 45,594	\$ 50,777
Contributions - Employee	39,097	45,063	46,483	49,755	54,615
Net Investment Income	20,573	662	35,184	86,090	(21,495)
Benefit payments, including refunds of employee contributions	(11,468)	(20,526)	(23,460)	(84,698)	(55,187)
Administrative Expense	(215)	(403)	(397)	(446)	(415)
Other	<u>(18)</u>	<u>(21)</u>	<u>(21)</u>	<u>(24)</u>	<u>(22)</u>
Net Change in Plan Fiduciary Net Position	88,786	71,371	101,651	96,271	28,273
Plan Fiduciary Net Position - Beginning	<u>359,367</u>	<u>448,153</u>	<u>519,524</u>	<u>621,175</u>	<u>717,446</u>
Plan Fiduciary Net Position - Ending (b)	<u>\$ 448,153</u>	<u>\$ 519,524</u>	<u>\$ 621,175</u>	<u>\$ 717,446</u>	<u>\$ 745,719</u>
Net Pension Liability - Ending (a)-(b)	<u>\$ 252,570</u>	<u>\$ 293,741</u>	<u>\$ 291,651</u>	<u>\$ 251,640</u>	<u>\$ 318,538</u>
Plan Fiduciary Net Position as a Percentage of Total Pension Liability	63.96%	63.88%	68.05%	74.03%	70.07%
Covered Employee Payroll	\$ 781,938	\$ 901,263	\$ 929,668	\$ 995,092	\$ 1,092,305
Net Pension Liability as a Percentage of Covered Employee Payroll	32.30%	32.59%	31.37%	25.29%	29.16%

**CITY OF CHANDLER, TEXAS
REQUIRED SUPPLEMENTARY INFORMATION
SCHEDULE OF PENSION CONTRIBUTIONS
FISCAL YEAR ENDED SEPTEMBER 30, 2019**

	<u>2014</u>	<u>2015</u>	<u>2016</u>	<u>2017</u>	<u>2018</u>	<u>2019</u>
Actuarially Determined Contribution	\$ 38,587	\$ 45,953	\$ 45,726	\$ 44,690	\$ 47,974	\$ 53,242
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>	<u>53,242</u>
Contribution deficiency (excess)	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Covered employee payroll	\$ 741,286	\$ 886,693	\$ 946,240	\$ 969,053	\$ 1,035,406	\$ 1,136,038
Contributions as a percentage of covered employee payroll	5.21%	5.18%	4.83%	4.61%	4.63%	4.69%

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	2.50%
Salary Increases	3.50% to 10.50% 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, 2019

	<u>2017</u>	<u>2018</u>
Total OPEB liability		
Service Cost	\$ 4,378	\$ 5,352
Interest (on the Total Pension Liability)	1,702	1,845
Changes in benefit terms	-	-
Difference between expected and actual results	-	228
Change of assumptions	4,342	(4,210)
Benefit payments	<u>(199)</u>	<u>(218)</u>
Net Change in Total OPEB Liability	10,223	2,997
Total OPEB Liability - Beginning	<u>42,947</u>	<u>53,170</u>
Total OPEB Liability - Ending	<u><u>\$ 53,170</u></u>	<u><u>\$ 56,167</u></u>
Covered Employee Payroll	\$ 995,092	\$1,092,305
Total OPEB Liability as a Percentage of Covered Employee Payroll	5.34%	5.14%

ADDITIONAL SUPPLEMENTAL INFORMATION

**CITY OF CHANDLER, TEXAS
COMBINING BALANCE SHEET
NONMAJOR GOVERNMENTAL FUNDS
SEPTEMBER 30, 2019**

	LEOSE FUND	DONATION FUND	COURT SECURITY FUND	COURT TECHNOLOGY FUND	DEBT SERVICE FUND	POLICE FORFEITURE FUND	TOTAL NONMAJOR GOVERNMENTAL FUNDS
ASSETS							
Restricted cash and cash equivalents	\$ -	\$ 5,067	\$ 39,848	\$ 10,345	\$ 6,161	\$ 4,290	\$ 65,711
Total Assets	<u>\$ -</u>	<u>\$ 5,067</u>	<u>\$ 39,848</u>	<u>\$ 10,345</u>	<u>\$ 6,161</u>	<u>\$ 4,290</u>	<u>\$ 65,711</u>
LIABILITIES AND FUND BALANCES							
LIABILITIES:							
Accounts payable	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Total Liabilities	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
FUND BALANCES:							
Restricted:							
City Programs	-	5,067	-	-	-	-	5,067
Court Technology	-	-	-	10,345	-	-	10,345
Court Security	-	-	39,848	-	-	-	39,848
Debt Service	-	-	-	-	6,161	-	6,161
Public Safety	-	-	-	-	-	4,290	4,290
Total Fund Balances	<u>-</u>	<u>5,067</u>	<u>39,848</u>	<u>10,345</u>	<u>6,161</u>	<u>4,290</u>	<u>65,711</u>
Total Liabilities and Fund Balances	<u>\$ -</u>	<u>\$ 5,067</u>	<u>\$ 39,848</u>	<u>\$ 10,345</u>	<u>\$ 6,161</u>	<u>\$ 4,290</u>	<u>\$ 65,711</u>

CITY OF CHANDLER, TEXAS
COMBINING STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES
NONMAJOR GOVERNMENTAL FUNDS
FISCAL YEAR ENDED SEPTEMBER 30, 2019

	LEOSE FUND	DONATION FUND	COURT SECURITY FUND	COURT TECHNOLOGY FUND	DEBT SERVICE FUND	POLICE FORFEITURE FUND	TOTAL NONMAJOR GOVERNMENTAL FUNDS
REVENUES							
Fines	\$ -	\$ -	\$ 2,814	\$ 3,567	\$ -	\$ -	\$ 6,381
Donations	-	7,493	-	-	-	-	7,493
Forfeitures	-	-	-	-	-	9,094	9,094
Interest	-	11	80	18	2	-	111
Total Revenues	-	7,504	2,894	3,585	2	9,094	23,079
EXPENDITURES							
Current:							
Public Safety	1,048	-	-	-	-	4,804	5,852
Parks & Recreation	-	6,991	-	-	-	-	6,991
Total Expenditures	1,048	6,991	-	-	-	4,804	12,843
Excess (deficiency) of revenues over (under) expenditures	(1,048)	513	2,894	3,585	2	4,290	10,236
OTHER FINANCING SOURCES (USES)							
Excess bond proceeds	-	-	-	-	6,159	-	6,159
Transfers in	939	250	-	-	-	-	1,189
Total Other Financing Sources (Uses)	939	250	-	-	6,159	-	7,348
Net Change in Fund Balances	(109)	763	2,894	3,585	6,161	4,290	17,584
Fund Balance, beginning of year	109	4,304	36,954	6,760	-	-	48,127
Fund Balance, end of year	\$ -	\$ 5,067	\$ 39,848	\$ 10,345	\$ 6,161	\$ 4,290	\$ 65,711

CITY OF CHANDLER, TEXAS

DETAILED SCHEDULE OF REVENUES - BUDGET AND ACTUAL

(NON-GAAP BUDGET BASIS) - ECONOMIC DEVELOPMENT FUND

FISCAL YEAR ENDED SEPTEMBER 30, 2019

	ORIGINAL BUDGET	FINAL BUDGET	ACTUAL	VARIANCE WITH FINAL BUDGET POSITIVE (NEGATIVE)
REVENUES				
Sales tax	\$ 187,731	\$ 187,731	\$ 198,386	\$ 10,655
Interest income	1,000	1,000	928	(72)
Transfer in	<u>-</u>	<u>-</u>	<u>4,800</u>	<u>4,800</u>
Total Revenues - Budget Basis	<u>\$ 188,731</u>	<u>\$ 188,731</u>	204,114	<u>\$ 15,383</u>
Financial Statement Adjustments:			<u>-</u>	
TOTAL REVENUES - GAAP BASIS			<u>\$ 204,114</u>	

CITY OF CHANDLER, TEXAS

DETAILED SCHEDULE OF EXPENDITURES - BUDGET AND ACTUAL

(NON-GAAP BUDGET BASIS) - ECONOMIC DEVELOPMENT FUND

FISCAL YEAR ENDED SEPTEMBER 30, 2019

	ORIGINAL BUDGET	FINAL BUDGET	ACTUAL	VARIANCE WITH FINAL BUDGET POSITIVE (NEGATIVE)
EXPENDITURES				
Salary and Benefits	\$ 46,900	\$ 46,900	\$ 51,670	\$ (4,770)
Supplies	1,000	1,000	485	515
Membership fee / subscriptions	1,500	1,500	925	575
EDC risk pool insurance	200	200	-	200
Legal	-	-	925	(925)
Travel / training expense	3,500	3,500	1,991	1,509
Administration fee	-	-	4,800	(4,800)
Audit & accounting	1,000	1,000	150	850
Speaker / presentation expense	500	500	-	500
Web page hosting	9,000	9,000	6,240	2,760
Advertising / marketing	25,000	25,000	18,774	6,226
Conference expense	1,500	1,500	550	950
Business development expense	13,000	13,000	11,409	1,591
Business development grant	50,000	50,000	1,961	48,039
Project Expense	203,856	203,856	230,029	(26,173)
Computer hardware and software	1,000	1,000	632	368
Transfer Out	46,749	46,749	75,362	(28,613)
Total Expenses - Budget Basis	<u>\$ 404,705</u>	<u>\$ 404,705</u>	405,903	<u>\$ (1,198)</u>
Financial Statement Adjustments:			<u>-</u>	
TOTAL EXPENSES - GAAP BASIS			<u>\$ 405,903</u>	

CITY OF CHANDLER, TEXAS
DETAILED SCHEDULE OF REVENUES - BUDGET AND ACTUAL
(NON-GAAP BUDGET BASIS) - TIF FUND
FISCAL YEAR ENDED SEPTEMBER 30, 2019

	ORIGINAL BUDGET	FINAL BUDGET	ACTUAL	VARIANCE WITH FINAL BUDGET POSITIVE (NEGATIVE)
REVENUES				
Property taxes	\$ 72,269	\$ 72,269	\$ 36,192	\$ (36,077)
Transfer in	64,433	64,433	75,362	10,929
Interest	<u>1,812</u>	<u>1,812</u>	<u>737</u>	<u>(1,075)</u>
Total Revenues - Budget Basis	\$ <u><u>138,514</u></u>	\$ <u><u>138,514</u></u>	112,291	\$ <u><u>(26,223)</u></u>
Financial Statement Adjustments:			<u>-</u>	
TOTAL REVENUES - GAAP BASIS			\$ <u><u>112,291</u></u>	

CITY OF CHANDLER, TEXAS

DETAILED SCHEDULE OF EXPENDITURES - BUDGET AND ACTUAL

(NON-GAAP BUDGET BASIS) - TIF FUND

FISCAL YEAR ENDED SEPTEMBER 30, 2019

	ORIGINAL BUDGET	FINAL BUDGET	ACTUAL	VARIANCE WITH FINAL BUDGET POSITIVE (NEGATIVE)
EXPENDITURES				
Debt Service	\$ 111,900	\$ 111,900	\$ 111,900	\$ -
Capital expenditures	<u>51,742</u>	<u>51,742</u>	<u>-</u>	<u>51,742</u>
Total Expenses - Budget Basis	<u>\$ 163,642</u>	<u>\$ 163,642</u>	111,900	<u>\$ 51,742</u>
Financial Statement Adjustments:			<u>-</u>	
TOTAL EXPENSES - GAAP BASIS			<u>\$ 111,900</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, 2019, 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 May 2, 2021.

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 2019-01 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
May 2, 2021

CITY OF CHANDLER, TEXAS
SCHEDULE OF FINDINGS
SEPTEMBER 30, 2019

Material Weaknesses

2019-01 Municipal Court

Criteria

Procedures for processing cases that come within the criminal jurisdiction of the municipal court are governed by the Texas Code of Criminal Procedure Title I, Chapter 45: Justice and Municipal Courts. Further, adequate internal controls should be established and adhered to in order to ensure proper substantiation of court records.

Condition

During the audit, we noted that one out of twelve court case files selected for testwork could not be located and provided.

Cause

Inadequate internal control over municipal court recordkeeping.

Effect

The City does not have sufficient court records for all discharges of fines.

Recommendation

We recommend the City review their internal controls related to municipal court, implement controls over recordkeeping, and establish a process of monitoring compliance with established internal controls and relevant state statutes.



RE: Management Response to Internal Control Deficiency Findings

May 2, 2021

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

The City has already taken steps to change internal controls over municipal court recordkeeping. In fiscal year 2020, the city has undertaken the task to organize and update procedures concerning all court related documents. The city has also purchased and implemented new court software that is fully integrated with the police department and financial accounting software in order to better organize and to reduce errors in the management of court documents.

Sincerely,

A handwritten signature in blue ink, appearing to read "Wesley R. Johnston".

Wesley R. Johnston, CPA
Director of Finance