

CITY OF CHANDLER, TEXAS

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

FISCAL YEAR ENDED SEPTEMBER 30, 2020

**CITY OF CHANDLER, TEXAS
TABLE OF CONTENTS
SEPTEMBER 30, 2020**

	<u>Exhibit or Schedule</u>	<u>Page</u>
FINANCIAL SECTION		
Independent Auditor's Report		1-2
Management's Discussion and Analysis		3-8
Basic Financial Statements:		
Government-wide Financial Statements:		
Statement of Net Position	1	9
Statement of Activities	2	10
Fund Financial Statements:		
Balance Sheet – Governmental Funds	3	11
Reconciliation of Governmental Funds Balance Sheet To the Statement of Net Position	4	12
Statement of Revenues, Expenditures, and Changes in Fund Balances – Governmental Funds	5	13
Reconciliation of the Statement of Revenues, Expenditures, and Changes in Fund Balances of Governmental Funds to the Statement of Activities	6	14
Statement of Revenues, Expenditures, and Changes in Fund Balance – Budget and Actual – General Fund	7	15
Statement of Net Position – Proprietary Funds	8	16
Statement of Revenues, Expenses, and Changes in Net Position – Proprietary Funds	9	17
Statement of Cash Flows – Proprietary Funds	10	18
Notes to Financial Statements		19-40
Required Supplementary Information:		
Schedule of Changes in Net Pension Liability and Related Ratios		41
Schedule of Pension Contributions		42
Schedule of Changes in Total OPEB Liability and Related Ratios		43
Additional Supplemental Information:		
Combining Balance Sheet – Nonmajor Governmental Funds	1	44
Combining Statement of Revenues, Expenditures and Changes in Fund Balances – Nonmajor Governmental Funds	2	45
Detailed Schedule of Revenues – Budget and Actual – Capital Projects Fund	3	46
Detailed Schedule of Expenditures - Budget and Actual – Capital Projects Fund	4	47

**CITY OF CHANDLER, TEXAS
TABLE OF CONTENTS
SEPTEMBER 30, 2020**

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 <i>Government Auditing Standards</i>	48-49
Independent Auditor's Report on Compliance for Each Major Program and on Internal Control Over Compliance Required by Uniform Guidance	50-51
Schedule of Expenditures of Federal Awards	52
Notes to Schedule of Expenditures of Federal Awards	53
Schedule of Findings and Questioned Costs	54
Summary Schedule of Prior Year Findings	55



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, 2020, 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, 2020, 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, 41-42, and 43 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 schedule of expenditures of federal awards is presented for purposes of additional analysis as required by Title 2 U.S. Code of Federal Regulations Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards*, and is also not a required part of the basic financial statements.

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

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

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated May 25, 2022, 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 25, 2022

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, 2020.

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 \$8,920,273 (net position). Of this amount \$1,174,301 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 \$2,107,190. Of this amount, \$765,847 (36.34%) is available for spending at the government's discretion.
- The total net position of \$8,920,273 is made up of \$5,767,498 in capital assets net of related debt and \$3,152,775 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 eleven 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, and capital project 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, 2020, the City's assets and deferred outflows of resources exceeded liabilities and deferred inflows of resources by \$8,920,273.

By far the largest portion of the City's net position, \$5,767,498, reflects its investment in capital assets (e.g., land, buildings, equipment, and infrastructure); less any related debt used to acquire these assets that is still outstanding. The City uses these capital assets to provide services to citizens; consequently, these assets are not available for future spending. Although the City's investment in its capital assets is reported net of related debt, it should be noted that the resources needed to repay this debt must be provided from other sources since the capital assets themselves cannot be used to liquidate these liabilities. This amount increased by \$1,374,291 from the prior year primarily from capital construction projects in progress. The amount of unrestricted net position \$1,174,301 decreased by \$85,535 from the prior year primarily due to capital expenditures and related debt.

City of Chandler's Net Position

	Governmental Activities		Business-type Activities		Total	
	2020	2019	2020	2019	2020	2019
Current and other assets	\$ 2,950,765	\$ 3,484,482	\$ 1,446,312	\$ 2,003,951	\$ 4,397,077	\$ 5,488,433
Capital assets	6,264,704	5,746,848	6,615,393	5,624,765	12,880,097	11,371,613
Total assets	9,215,469	9,231,330	8,061,705	7,628,716	17,277,174	16,860,046
Deferred outflows	103,615	99,866	24,957	24,053	128,572	123,919
Current and other liabilities	600,398	379,373	257,520	186,191	857,918	565,564
Long-term liabilities	4,261,954	4,393,205	3,286,037	3,673,427	7,547,991	8,066,632
Total liabilities	4,862,352	4,772,578	3,543,557	3,859,618	8,405,909	8,632,196
Deferred inflows	64,120	26,174	15,444	6,304	79,564	32,478
Net invested in capital assets	2,353,350	1,721,179	3,414,148	2,672,028	5,767,498	4,393,207
Restricted	1,532,479	2,042,616	445,995	623,632	1,978,474	2,666,248
Unrestricted	506,783	768,649	667,518	491,187	1,174,301	1,259,836
Total net position	\$ 4,392,612	\$ 4,532,444	\$ 4,527,661	\$ 3,786,847	\$ 8,920,273	\$ 8,319,291

Governmental activities net position decreased by \$139,832 during the year which was primarily attributable to unexpected capital expenditures. The business-type activities resulted in a \$740,814 increase due to grants and lower than expected operating cost.

City of Chandler's Changes in Net Position

	Governmental Activities		Business-type Activities		Total	
	2020	2019	2020	2019	2020	2019
Revenues						
Charges for services	\$ 308,459	\$ 452,077	\$ 1,641,360	\$ 1,668,935	\$ 1,949,819	\$ 2,121,012
Operating grants and contributions	175,690	7,493	-	-	175,690	7,493
Capital grants and contributions	-	7,500	248,800	24,750	248,800	32,250
General Revenue						
Property taxes	1,163,468	1,031,332	-	-	1,163,468	1,031,332
Franchise taxes	139,696	148,657	-	-	139,696	148,657
Sales and use taxes	900,310	794,908	-	-	900,310	794,908
Impairment gain	15,586	10,975	-	-	15,586	10,975
Interest income	4,427	3,618	5,726	15,064	10,153	18,682
Total revenue	2,707,636	2,456,560	1,895,886	1,708,749	4,603,522	4,165,309
Expenses						
General government	931,370	957,909	-	-	931,370	957,909
Public safety	824,038	746,649	-	-	824,038	746,649
Public works	674,533	628,779	-	-	674,533	628,779
Community center	3,253	3,470	-	-	3,253	3,470
Parks and recreation	220,283	258,034	-	-	220,283	258,034
City library	65,043	70,978	-	-	65,043	70,978
Interest	128,948	84,948	106,327	113,726	235,275	198,674
Bond issue cost	-	80,067	-	-	-	80,067
Water and sewer operations	-	-	1,048,745	1,115,929	1,048,745	1,115,929
Total expenses	\$ 2,847,468	\$ 2,830,834	\$ 1,155,072	\$ 1,229,655	\$ 4,002,540	\$ 4,060,489

Increase (decrease) in net position before transfers	\$ (139,832)	\$ (374,274)	\$ 740,814	\$ 479,094	\$ 600,982	\$ 104,820
Transfers	-	553,304	-	(553,304)	-	-
Change in net position	(139,832)	179,030	740,814	(74,210)	600,982	104,820
Net position, beginning of the year	4,532,444	4,353,414	3,786,847	3,861,057	8,319,291	8,214,471
Net position, end of the year	\$ 4,392,612	\$ 4,532,444	\$ 4,527,661	\$ 3,786,847	\$ 8,920,273	\$ 8,319,291

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 \$2,107,190 of which \$765,847 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 restricted for future capital improvements, debt service, economic development, city programs, law enforcement programs, and municipal court.

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 \$667,518. The total net position increased by \$740,814 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 higher than the budgeted amount by \$68,523, due to higher collections of sales and franchise tax collections, as well as grants received. Actual expenditures were less than budgeted amounts by \$247,981, due to efforts to control expenditures.

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, 2020, amounts to \$12,880,097 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 \$1,508,484.

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	
	2020	2019	2020	2019	2020	2019
Land	\$ 595,874	\$ 595,874	\$ 124,933	\$ 124,933	\$ 720,807	\$ 720,807
Construction in Progress	1,317,378	652,612	1,285,735	502,887	2,603,113	1,155,499
Buildings						
and improvements	1,395,694	1,500,492	-	-	1,395,694	1,500,492
Infrastructure	2,651,710	2,705,033	-	-	2,651,710	2,705,033
Machinery and equipment	304,048	292,837	34,823	45,304	338,871	338,141
Water and sewer system	-	-	5,169,902	4,951,641	5,169,902	4,951,641
Combined total	\$ 6,264,704	\$ 5,746,848	\$ 6,615,393	\$ 5,624,765	\$ 12,880,097	\$ 11,371,613

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 \$7,547,991. Of this amount, \$5,945,000 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	
	2020	2019	2020	2019	2020	2019
Compensated						
absences	\$ 59,788	\$ 65,560	\$ 14,750	\$ 12,854	\$ 74,538	\$ 78,414
Net pension liability	227,704	256,710	54,842	61,828	282,546	318,538
Total OPEB liability	63,108	45,265	15,200	10,902	78,308	56,167
Bonds payable	2,875,000	2,940,000	3,070,000	3,415,000	5,945,000	6,355,000
Premium on Bond Issue	195,958	207,696	-	-	195,958	207,696
Notes payable	840,396	877,974	131,245	172,843	971,641	1,050,817
Combined total	\$ 4,261,954	\$ 4,393,205	\$ 3,286,037	\$ 3,673,427	\$ 7,547,991	\$ 8,066,632

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 changes 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 progress.

All of these factors were considered in preparing the City's budget for the 2021 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, 2020

	PRIMARY GOVERNMENT		
	GOVERNMENTAL	BUSINESS- TYPE	TOTAL
	ACTIVITIES	ACTIVITIES	
ASSETS			
Cash and cash equivalents	\$ 431,441	\$ 845,067	\$ 1,276,508
Restricted Assets:			
Temporarily restricted:			
Debt service	211,500	445,995	657,495
Cash for construction	1,024,399	-	1,024,399
Other programs	336,528	-	336,528
Receivables (net of allowance for doubtful accounts)	796,493	211,783	1,008,276
Internal balances	150,404	(150,404)	-
Inventory	-	48,481	48,481
Capital Assets (net of accumulated depreciation):			
Land	595,874	124,933	720,807
Construction in progress	1,317,378	1,285,735	2,603,113
Buildings and improvements	1,395,694	-	1,395,694
Water and sewer system	-	5,169,902	5,169,902
Machinery and equipment	304,048	34,823	338,871
Infrastructure	2,651,710	-	2,651,710
Other Assets:			
Escrow account	-	45,390	45,390
Total Assets	9,215,469	8,061,705	17,277,174
DEFERRED OUTFLOWS OF RESOURCES			
Deferred charge on TMRS SDBF OPEB	12,986	3,128	16,114
Deferred charge on TMRS pension	90,629	21,829	112,458
Total Deferred Outflows of Resources	103,615	24,957	128,572
LIABILITIES			
Accounts payable	465,227	161,801	627,028
Accrued wages payable	75,139	15,238	90,377
Deposits	-	32,625	32,625
Accrued interest payable	60,032	47,856	107,888
Non-current liabilities:			
Due within one year	330,526	412,405	742,931
Due in more than one year	3,931,428	2,873,632	6,805,060
Total Liabilities	4,862,352	3,543,557	8,405,909
DEFERRED INFLOWS OF RESOURCES			
Deferred charge on TMRS SDBF OPEB	2,337	563	2,900
Deferred charge on TMRS pension	61,783	14,881	76,664
Total Deferred Inflows of Resources	64,120	15,444	79,564
NET POSITION			
Net investment in capital assets	2,353,350	3,414,148	5,767,498
Restricted for:			
Debt service	211,500	445,995	657,495
City Programs	5,576	-	5,576
Law Enforcement	1,864	-	1,864
Court	46,018	-	46,018
Economic development	352,447	-	352,447
Future construction	915,074	-	915,074
Unrestricted	506,783	667,518	1,174,301
Total Net Position	\$ 4,392,612	\$ 4,527,661	\$ 8,920,273

CITY OF CHANDLER, TEXAS
STATEMENT OF ACTIVITIES
FISCAL YEAR ENDED SEPTEMBER 30, 2020

PROGRAM ACTIVITIES	EXPENSES	PROGRAM REVENUES			NET (EXPENSE) REVENUE AND CHANGES IN NET POSITION		
		CHARGES FOR SERVICES	OPERATING GRANTS AND CONTRIBUTIONS	CAPITAL GRANTS AND CONTRIBUTIONS	PRIMARY GOVERNMENT		
					GOVERNMENTAL ACTIVITIES	BUSINESS- TYPE ACTIVITIES	TOTAL
PRIMARY GOVERNMENT:							
Governmental activities:							
General government	\$ 931,370	\$ 92,289	\$ 171,490	\$ -	\$ (667,591)	\$ -	\$ (667,591)
Public safety	824,038	79,427	-	-	(744,611)	-	(744,611)
Public works	674,533	-	-	-	(674,533)	-	(674,533)
Community center	3,253	-	-	-	(3,253)	-	(3,253)
Parks and recreation	220,283	111,743	4,200	-	(104,340)	-	(104,340)
City library and museum	65,043	25,000	-	-	(40,043)	-	(40,043)
Interest and fees	128,948	-	-	-	(128,948)	-	(128,948)
Total governmental activities	2,847,468	308,459	175,690	-	(2,363,319)	-	(2,363,319)
Business-type activities:							
Water and sewer	1,048,745	1,641,360	-	248,800	-	841,415	841,415
Interest	106,327	-	-	-	-	(106,327)	(106,327)
Total business-type activities	1,155,072	1,641,360	-	248,800	-	735,088	735,088
Total primary government	\$ 4,002,540	\$ 1,949,819	\$ 175,690	\$ 248,800	(2,363,319)	735,088	(1,628,231)
General revenues:							
Property taxes					1,163,468	-	1,163,468
Franchise taxes					139,696	-	139,696
Sales and use taxes					900,310	-	900,310
Interest income					4,427	5,726	10,153
Impairment gain					15,586	-	15,586
Total general revenues and transfers					2,223,487	5,726	2,229,213
Change in Net Position					(139,832)	740,814	600,982
Net Position - beginning of year					4,532,444	3,786,847	8,319,291
Net Postition - end of year					\$ 4,392,612	\$ 4,527,661	\$ 8,920,273

**CITY OF CHANDLER, TEXAS
BALANCE SHEET
GOVERNMENTAL FUNDS
SEPTEMBER 30, 2020**

	GENERAL	CAPITAL PROJECTS FUND	NON-MAJOR GOVERNMENTAL FUNDS	ELIMINATIONS	TOTAL GOVERNMENTAL FUNDS
ASSETS					
Cash and cash equivalents	\$ 622,577	\$ -	\$ -	\$ -	\$ 622,577
Restricted cash and cash equivalents	-	676,798	704,493	-	1,381,291
Receivables:					
Sales tax receivable	123,971	-	-	-	123,971
Other receivables	1,000	-	-	-	1,000
Grants receivable	137,192	-	-	-	137,192
Property tax receivable (net of allowance for estimated uncollectibles)	18,514	-	41,324	-	59,838
Court receivable (net of allowance for estimated uncollectibles)	474,492	-	-	-	474,492
Due from other funds	150,404	-	31,024	(31,024)	150,404
Total Assets	\$ 1,528,150	\$ 676,798	\$ 776,841	\$ (31,024)	\$ 2,950,765
LIABILITIES, DEFERRED INFLOWS OF RESOURCES AND FUND BALANCES					
LIABILITIES:					
Accounts payable	\$ 163,134	\$ 109,325	\$ 2,971	\$ -	\$ 275,430
Accrued wages payable	75,139	-	-	-	75,139
Due to other funds	31,024	-	-	(31,024)	-
Total Liabilities	269,297	109,325	2,971	(31,024)	350,569
DEFERRED INFLOWS OF RESOURCES:					
Unavailable revenue - court fines	474,492	-	-	-	474,492
Unavailable revenue - property taxes	18,514	-	-	-	18,514
Total Deferred Inflows of Resources	493,006	-	-	-	493,006
FUND BALANCES:					
Restricted:					
Capital Improvements	-	567,473	347,601	-	915,074
City Programs	-	-	5,576	-	5,576
Economic Development	-	-	352,447	-	352,447
Law Enforcement Purposes	-	-	1,864	-	1,864
Court	-	-	46,018	-	46,018
Debt Service	-	-	20,364	-	20,364
Unassigned	765,847	-	-	-	765,847
Total Fund Balances	765,847	567,473	773,870	-	2,107,190
Total Liabilities, Deferred Inflows of Resources and Fund Balances	\$ 1,528,150	\$ 676,798	\$ 776,841	\$ (31,024)	\$ 2,950,765

**CITY OF CHANDLER, TEXAS
RECONCILIATION OF GOVERNMENTAL FUNDS
BALANCE SHEET TO THE STATEMENT OF NET POSITION
SEPTEMBER 30, 2020**

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

Total fund balances governmental funds (Exhibit 3)	\$ 2,107,190
Capital assets used in governmental activities are not current financial resources and, therefore, are not reported in the governmental funds balance sheet.	6,264,704
Other long-term assets are not available to pay for current-period expenditures and, therefore, are reported as unavailable revenue in the funds.	493,006
Deferred outflows represent the consumption of net position that are applicable to a future reporting period.	103,615
Liabilities associated with unavailable revenue are not payable until collected in future periods.	(189,797)
Deferred inflows represent an acquisition of net assets that is applicable to a future reporting period.	(64,120)
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.	(60,032)
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>(4,261,954)</u>
Net position of governmental activities (Exhibit 1)	<u><u>\$ 4,392,612</u></u>

CITY OF CHANDLER, TEXAS
STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES
GOVERNMENTAL FUNDS
FISCAL YEAR ENDED SEPTEMBER 30, 2020

	GENERAL	CAPITAL PROJECTS FUND	NON-MAJOR GOVERNMENTAL FUNDS	ELIMINATIONS	TOTAL GOVERNMENTAL FUNDS
REVENUES					
Property taxes	\$ 1,036,755	\$ -	\$ 122,290	\$ -	\$ 1,159,045
Sales tax	675,437	-	224,873	-	900,310
Franchise tax	139,696	-	-	-	139,696
Fines	91,824	-	6,020	-	97,844
Licenses and permits	55,453	-	-	-	55,453
Zoning and platting fees	1,735	-	-	-	1,735
Library	25,000	-	-	-	25,000
Sports association revenue	72,795	-	-	-	72,795
Concession revenue	38,948	-	-	-	38,948
Interest	1,763	1,553	1,111	-	4,427
Rents	15,975	-	-	-	15,975
Donations	-	-	4,200	-	4,200
Miscellaneous	8,380	-	-	-	8,380
Grants	171,490	-	-	-	171,490
Lease income	10,746	-	-	-	10,746
Total Revenues	2,345,997	1,553	358,494	-	2,706,044
EXPENDITURES					
Current:					
General government	700,100	-	186,836	-	886,936
Public safety	613,726	-	2,426	-	616,152
Public works	403,021	240	-	-	403,261
Community center	3,253	-	-	-	3,253
Municipal court	131,409	-	10,275	-	141,684
City library and museum	63,969	-	-	-	63,969
Parks and recreation	136,747	-	3,700	-	140,447
Capital outlay	454,885	508,527	-	-	963,412
Debt Service:					
Principal	148,081	-	60,000	-	208,081
Interest	83,796	-	51,150	-	134,946
Total Expenditures	2,738,987	508,767	314,387	-	3,562,141
Excess (Deficiency) of Revenues Over (Under) Expenditures	(392,990)	(507,214)	44,107	-	(856,097)
OTHER FINANCING SOURCES (USES):					
Insurance proceeds	15,586	-	-	-	15,586
Loan proceeds	105,503	-	-	-	105,503
Transfers in	63,733	-	-	(63,733)	-
Transfers out	-	-	(63,733)	63,733	-
Total Other Financing Sources (Uses)	184,822	-	(63,733)	-	121,089
Net Change in Fund Balances	(208,168)	(507,214)	(19,626)	-	(735,008)
Fund Balance, beginning of year	974,015	1,074,687	793,496	-	2,842,198
Fund Balance, end of year	\$ 765,847	\$ 567,473	\$ 773,870	\$ -	\$ 2,107,190

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, 2020

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

Net change in fund balances - total governmental funds (Exhibit 5)	\$ (735,008)
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.	517,856
Revenues in the statement of activities that do not provide current financial resources are not reported as revenues in the funds.	(13,994)
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 net 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.	114,349
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	(23,035)
Change in net position of governmental activities (Exhibit 2)	<u><u>\$ (139,832)</u></u>

CITY OF CHANDLER, TEXAS
STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN
FUND BALANCE - BUDGET AND ACTUAL
GENERAL FUND
FISCAL YEAR ENDED SEPTEMBER 30, 2020

	ORIGINAL BUDGET	FINAL BUDGET	ACTUAL	VARIANCE WITH FINAL BUDGET POSITIVE (NEGATIVE)
REVENUES				
Property taxes	\$ 1,125,359	\$ 1,125,359	\$ 1,036,755	\$ (88,604)
Sales tax	601,300	601,300	675,437	74,137
Franchise tax	141,830	123,830	139,696	15,866
Fines	106,127	135,127	91,824	(43,303)
Licenses, permits, and fees	32,962	32,962	57,188	24,226
Library	25,000	25,000	25,000	-
Sports Association revenue	117,500	117,500	72,795	(44,705)
Interest	1,000	1,000	1,763	763
Rent and lease	33,396	33,396	26,721	(6,675)
Grants	-	-	171,490	171,490
Miscellaneous	17,000	17,000	8,380	(8,620)
Concession revenue	65,000	65,000	38,948	(26,052)
Total Revenues	2,266,474	2,277,474	2,345,997	68,523
EXPENDITURES				
General government	1,085,942	1,063,730	1,011,224	52,506
Public safety	699,190	699,190	730,028	(30,838)
Public works	719,462	719,462	662,357	57,105
Community center	6,600	6,600	3,253	3,347
Municipal court	229,728	229,728	131,409	98,319
City library and museum	77,542	77,542	63,969	13,573
Parks and recreation	190,716	190,716	136,747	53,969
Total Expenditures	3,009,180	2,986,968	2,738,987	247,981
Revenues Over (Under) Expenditures	(742,706)	(709,494)	(392,990)	(316,504)
OTHER FINANCING SOURCES (USES)				
Transfers in	163,733	163,733	63,733	(100,000)
Insurance proceeds	-	-	15,586	15,586
Loan proceeds	300,000	300,000	105,503	(194,497)
Total Other Financing Sources (Uses)	463,733	463,733	184,822	(278,911)
Net Change in Fund Balances	-	-	(208,168)	(208,168)
Fund Balance, beginning of year	-	-	974,015	974,015
Fund Balance, end of year	\$ -	\$ -	\$ 765,847	\$ 765,847

**CITY OF CHANDLER, TEXAS
STATEMENT OF NET POSITION
PROPRIETARY FUNDS
SEPTEMBER 30, 2020**

	ENTERPRISE FUND WATER AND SEWER FUND
ASSETS	
Cash and cash equivalents	\$ 845,067
Restricted Assets:	
Temporarily restricted:	
Debt service	445,995
Accounts receivable (net of allowance for estimated uncollectibles)	211,783
Inventory	48,481
Total Current Assets	1,551,326
Capital Assets:	
Land	124,933
Water and sewer system	8,279,966
Machinery and equipment	215,411
Construction in progress	1,285,735
Less: Accumulated depreciation	(3,290,652)
Total Capital Assets Net of Accumulated Depreciation	6,615,393
Other Assets:	
Escrow account	45,390
Total Other Asset	45,390
Total Assets	8,212,109
DEFERRED OUTFLOWS OF RESOURCES	
Deferred charge on TMRS SDBF OPEB	3,128
Deferred charge on TMRS pension	21,829
Total Deferred Outflows of Resources	24,957
LIABILITIES	
Current Liabilities:	
Accounts payable	161,801
Accrued wages payable	15,238
Deposits	32,625
Accrued interest payable	47,856
Due to other funds	150,404
Noncurrent liabilities - current portion	412,405
Total Current Liabilities	820,329
Noncurrent Liabilities:	
Net pension liability	54,842
Total TMRS OPEB liability	15,200
Revenue bonds payable	2,803,590
Total Liabilities	3,693,961
DEFERRED INFLOWS OF RESOURCES	
Deferred charge on TMRS SDBF OPEB	563
Deferred charge on TMRS pension	14,881
Total Deferred Inflows of Resources	15,444
NET POSITION	
Net investment in capital assets	3,414,148
Restricted for debt service	445,995
Unrestricted	667,518
Total Net Position	\$ 4,527,661

CITY OF CHANDLER, TEXAS
STATEMENT OF REVENUES, EXPENSES AND CHANGES IN NET POSITION
PROPRIETARY FUNDS
FISCAL YEAR ENDED SEPTEMBER 30, 2020

	<u>ENTERPRISE FUND</u> <u>WATER AND SEWER</u> <u>FUND</u>
OPERATING REVENUES	
Water sales and sewer service	\$ 1,176,771
Charges for services	<u>464,589</u>
Total Operating Revenues	<u>1,641,360</u>
OPERATING EXPENSES	
Water and sewer operations	870,079
Depreciation	<u>178,666</u>
Total Operating Expenses	<u>1,048,745</u>
Operating Income (Loss)	<u>592,615</u>
NON-OPERATING REVENUES (EXPENSES)	
Interest expense	(106,327)
Interest income	<u>5,726</u>
Total Non-Operating Revenues (Expenses)	<u>(100,601)</u>
Income before capital contributions and transfers	492,014
Capital Contributions	
Grants	<u>248,800</u>
Change in Net Position	740,814
Net Position, beginning of year	<u>3,786,847</u>
Net Position, end of year	<u><u>\$ 4,527,661</u></u>

CITY OF CHANDLER, TEXAS
STATEMENT OF CASH FLOWS
PROPRIETARY FUNDS
FISCAL YEAR ENDED SEPTEMBER 30, 2020

	<u>ENTERPRISE FUND</u> <u>WATER AND SEWER</u> <u>FUND</u>
CASH FLOWS FROM OPERATING ACTIVITIES:	
Cash received from customers and users	\$ 1,702,971
Cash paid to suppliers for goods and services	(528,023)
Cash paid to employees for services	(296,322)
	<u>878,626</u>
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES:	
Bond proceeds from escrow used	589,715
Capital grant revenue	248,800
Capital asset purchases	(1,169,294)
Interest paid	(106,252)
Principal paid on bonds	(386,598)
	<u>(823,629)</u>
CASH FLOWS FROM INVESTING ACTIVITIES:	
Interest earned on investments	5,726
	<u>5,726</u>
Net increase in cash	60,723
Cash, beginning of period	1,230,339
Cash, end of period	<u><u>\$ 1,291,062</u></u>
Reconciliation of Cash on Exhibit 8:	
Cash and cash equivalents	\$ 845,067
Cash - restricted assets	445,995
	<u><u>\$ 1,291,062</u></u>
Reconciliation of Operating Income To Net Cash Provided by Operating Activities:	
Operating income	\$ 592,615
Adjustments to reconcile operating income to net cash provided by (used in) operating activities:	
Depreciation expense	178,666
Decrease in accounts receivable	39,611
Increase in inventory	(10,964)
Increase in deferred outflows of resources	(904)
Increase in accounts payable	49,254
Increase in deposits	22,000
Increase in compensated absences	1,896
Increase in deferred inflows of resources	9,140
Increase in total TMRS OPEB liability	4,298
Decrease in net pension liability	(6,986)
	<u>286,011</u>
NET CASH PROVIDED BY OPERATING ACTIVITIES	<u><u>\$ 878,626</u></u>

CITY OF CHANDLER, TEXAS
NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2020

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 Capital Projects Fund is used to account for construction projects of the City.

The government reports the following major proprietary fund:

The Water and Sewer Fund is used to account for sale of water and wastewater treatment by the City to businesses and residential customers, as well as the construction of related construction projects and the payment of the debt on these projects.

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

Amounts reported as program revenues include (1) charges to customers or applicants for goods, services, or privileges provided and (2) capital grants and contributions, including special assessments. Internally dedicated resources are reported as general revenues rather than as program revenues. Likewise, general revenues include all taxes.

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

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

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

5. Construction in progress – Expenditures on incomplete capital projects have been capitalized as construction in progress. The assets resulting from these projects will be transferred from the construction in progress accounts to the appropriate asset accounts as the projects are completed.
6. Bond issue costs – The City has implemented GASB Statement No. 65. Under GASB Statement No. 65, bond issuance costs, except any portion related to prepaid insurance costs, are recognized as an expense in the period incurred. Prepaid insurance costs are reported as an asset and recognized as an expense in a systematic and rational manner over the duration of the related debt.
7. 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.

8. 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.
9. 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, 2019. The deferred outflow shows the difference in contributions to the TMRS retirement plan that occurred between December 31, 2019 and September 30, 2020. It also shows the differences in projected and actual economic experience, difference in assumption changes, and the difference in projected and actual earnings on investments. 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, 2019 and September 30, 2020, differences in expected versus actual economic experience, and differences in assumption changes.

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 pension. This represents the differences between expected and actual economic experience and projected and actual earnings on pension plan investments. 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 difference in actuarial assumptions. This amount will be amortized in future periods.

10. 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.

11. 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, 2020 was \$1,978,474. Of this amount \$1,320,979 was restricted by enabling legislation, and \$657,495 was restricted for debt service.
12. 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.
13. 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.
14. 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.
15. Asset Retirement Obligations (ARO) - Under the new GASB Statement No. 83, *Certain Asset Retirement Obligations*, (GASBS 83) a government should recognize an asset retirement obligation (ARO) when the liability is incurred and can be reasonably estimated. A liability is incurred by both an internal and external obligating event. Per GASBS 83, the City has an ARO for its wastewater treatment plant and water wells due to federal and state regulations that require the City to minimize the future need for further maintenance and minimizes or controls post-closure escape of hazardous waste, hazardous constituents, or hazardous waste decomposition products to the ground water or surface waters. At this time, the City cannot reasonably estimate the ARO for the wastewater treatment plant because the cost of remediation depends on numerous variables such as the thickness of residual waste and contaminated soil beneath the waste and the actual pollutants that will be present. In addition, the City cannot reasonably estimate the

ARO for the water wells at this time due to unknown variances at the time of closure that determine the cost of retirement such as the remaining amount of water, if any; the condition of the well at the time of abandonment; and the large range of estimated average per-foot cost to plug a well.

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 \$6,264,704 difference are as follows:

Capital assets, October 1, 2019 net of accumulated depreciation	\$ 5,746,848
Capital asset additions, net of retirements	922,924
Depreciation of capital assets, net of retirements, current year	<u>(405,068)</u>
	<u>\$ 6,264,704</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 \$517,856 difference are as follows:

Capital outlay, asset additions, net of retirements	\$ 922,924
Depreciation expense, net of retirements	<u>(405,068)</u>
	<u>\$ 517,856</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.
3. Encumbrance accounting is not used.

NOTE 4 — DETAILED NOTES ON ALL FUNDS

A. Deposits and Investments

As of September 30, 2020, the City had the following deposits and investments:

Statement of net position:	
Primary Government	
Cash and cash equivalents	\$ 1,276,508
Restricted cash and cash equivalents	<u>2,018,422</u>
Total Cash and cash equivalents	<u>\$ 3,294,930</u>
Cash on hand	\$ 698
Savings and checking accounts	<u>3,294,232</u>
Total Cash and Investments	<u>\$ 3,294,930</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, 2020, the carrying value of the City’s bank deposits was \$3,294,232 while the bank balance was \$3,323,271. As of September 30, 2020, 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	\$ 42,271	\$ -	\$ -	\$ 42,271
Sales Tax	123,971	41,324	-	165,295
Court	1,581,640	-	-	1,581,640
Grants	137,192	-	-	137,192
Other	1,000	-	-	1,000
Accounts (services)	-	-	224,829	224,829
Gross Receivables	1,886,074	41,324	224,829	2,152,227
Less: Allowance for Uncollectibles	<u>(1,130,905)</u>	<u>-</u>	<u>(13,046)</u>	<u>(1,143,951)</u>
Net Receivables	<u>\$ 755,169</u>	<u>\$ 41,324</u>	<u>\$ 211,783</u>	<u>\$ 1,008,276</u>

C. Capital Assets

Capital asset activity for the year ended September 30, 2020 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	\$ 664,766	\$ -	\$ 1,317,378
Land	595,874	-	-	595,874
Total Capital Assets, Not Being Depreciated	1,248,486	664,766	-	1,913,252
Capital Assets, Being Depreciated:				
Buildings and Improvements	2,984,117	5,585	-	2,989,702
Infrastructure	4,679,301	160,296	-	4,839,597
Machinery and Equipment	1,358,021	132,765	(40,488)	1,450,298
Total Capital Assets, Being Depreciated	9,021,439	298,646	(40,488)	9,279,597
Less Accumulated Depreciation For:				
Buildings and Improvements	(1,483,625)	(110,383)	-	(1,594,008)
Infrastructure	(1,974,268)	(213,619)	-	(2,187,887)
Machinery and Equipment	(1,065,184)	(121,554)	40,488	(1,146,250)
Total Accumulated Depreciation	(4,523,077)	(445,556)	40,488	(4,928,145)
Net Total Assets Being Depreciated	4,498,362	(146,910)	-	4,351,452
Governmental Activities Capital Assets, Net	<u>\$ 5,746,848</u>	<u>\$ 517,856</u>	<u>\$ -</u>	<u>\$ 6,264,704</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	\$ 502,887	\$ 782,848	\$ -	\$ 1,285,735
Land	124,933	-	-	124,933
Total Capital Assets, Not Being Depreciated	627,820	782,848	-	1,410,668
Capital Assets, Being Depreciated:				
Water and Sewer System	7,893,520	386,446	-	8,279,966
Machinery and Equipment	215,411	-	-	215,411
Total Capital Assets, Being Depreciated	8,108,931	386,446	-	8,495,377
Less Accumulated Depreciation For:				
Water and Sewer System	(2,941,879)	(168,185)	-	(3,110,064)
Machinery and Equipment	(170,107)	(10,481)	-	(180,588)
Total Accumulated Depreciation	(3,111,986)	(178,666)	-	(3,290,652)
Net Total Assets Being Depreciated	4,996,945	207,780	-	5,204,725
Business-Type Activities Capital Assets, Net	<u>\$ 5,624,765</u>	<u>\$ 990,628</u>	<u>\$ -</u>	<u>\$ 6,615,393</u>

The City has the following construction projects in progress at September 30, 2020:

<u>Project</u>	<u>Spent-to- Date</u>	<u>Estimated Remaining</u>
<u>Governmental Activities:</u>		
2019 Street Project	\$ 1,092,937	\$ 467,063
Incode 10 Financial System	224,441	81,167
	<u>\$ 1,317,378</u>	<u>\$ 548,230</u>
<u>Business-Type Activities</u>		
Water Well #4 Improvements	\$ 663,916	\$ 122,763
Water Well #7C Project	621,819	75,655
	<u>\$ 1,285,735</u>	<u>\$ 198,418</u>

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

<u>Governmental Activities:</u>	
General Government	\$ 34,536
Public Safety	62,437
Parks & Recreation	77,896
Public Works	<u>270,687</u>
Total depreciation expense, governmental activities	<u>\$ 445,556</u>
<u>Business-Type Activities:</u>	
Water and Sewer Operations	<u>\$ 178,666</u>

D. Interfund receivables, payables, and transfers

The composition of interfund balances as of September 30, 2020 is as follows:

Due to/from other funds:

<u>Receivable Fund</u>	<u>Payable Fund</u>	<u>Amount</u>
General Fund	Water & Sewer Fund	150,404
Economic Development Fund	General Fund	31,024

All due to / from interfund balances were used to record general transactions 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, 2020, the City received \$10,746 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>
2021	11,068
2022	11,400
2023	11,742
2024	12,094
2025	12,457
2026-2030	68,120
2031-2035	80,918
2036-2040	102,210
2041-2045	118,489
2046-2050	137,361
2051-2055	159,240
2056-2060	184,602
2061-2065	214,005
	<u>\$ 1,123,706</u>

F. Long-term debt

Bonds Payable

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.

Bonds payable 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%	1,385,000	10/15/2036
Series - 2019	General Obligation Bonds	3.00% - 6.00%	<u>1,490,000</u>	8/15/2039
Total Bonds Payable Outstanding			<u>\$ 2,875,000</u>	

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%	\$ 270,000	4/15/2026
Series - 2006	Certificate of Obligation	4.19%	815,000	4/15/2026
Series - 2014	Refunding Issue	2.93%	845,000	10/15/2030
Series - 2014	Revenue Bond	2.40%	415,000	10/15/2023
Series - 2018	Certificate of Obligation	0.31% - 2.24%	<u>725,000</u>	10/15/2042

Total Bonds Payable Outstanding \$ 3,070,000

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, 2020, 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:

Year Ending September 30	General obligation bonds		Certificates of obligation	
	Principal	Interest	Principal	Interest
2021	\$ 45,000	\$ 57,000	\$ 60,000	\$ 49,500
2022	55,000	54,300	65,000	47,925
2023	55,000	51,000	65,000	45,975
2024	60,000	48,250	65,000	44,025
2025	65,000	45,250	70,000	42,000
2026-2030	365,000	175,250	380,000	173,525
2031-2035	440,000	101,100	465,000	90,900
2036-2040	405,000	30,600	215,000	8,700
Total	<u>\$ 1,490,000</u>	<u>\$ 562,750</u>	<u>\$ 1,385,000</u>	<u>\$ 502,550</u>

Business-Type Activities:

Year Ending September 30	General Obligation Bonds from Direct Placements		Certificates of Obligation from Direct Placements		Revenue Bonds from Direct Placements	
	Principal	Interest	Principal	Interest	Principal	Interest
2021	\$ 105,000	\$ 35,119	\$ 150,000	\$ 47,115	\$ 100,000	\$ 8,761
2022	110,000	31,466	150,000	41,714	105,000	6,301
2023	115,000	27,739	155,000	36,270	105,000	3,780
2024	115,000	23,803	165,000	30,570	105,000	1,260
2025	120,000	19,866	175,000	24,375	-	-
2026-2030	460,000	45,752	300,000	59,567	-	-
2031-2035	90,000	1,319	155,000	39,619	-	-
2036-2040	-	-	175,000	22,336	-	-
2041-2043	-	-	115,000	3,967	-	-
Total	<u>\$ 1,115,000</u>	<u>\$ 185,064</u>	<u>\$ 1,540,000</u>	<u>\$ 305,533</u>	<u>\$ 415,000</u>	<u>\$ 20,102</u>

Revenue bond ordinances require that the following information concerning insurance coverage as of September 30, 2020 be disclosed.

<u>ANNUAL PREMIUM</u>	<u>POLICY NO.</u>	<u>NATURE OF COVERAGE</u>	<u>AMOUNT OF COVERAGE</u>	<u>POLICY PERIOD</u>
\$ 34,108	#H5490-01	Workers Compensation	Statutory Limits	10-1-19 to 10-1-2020
\$ 22,639	#NYA803565	Liability General Auto and Law Enforcement	\$2,000,000/occurrence \$1,000,000/occurrence	10-1-19 to 10-1-2020 10-1-19 to 10-1-2020
		Property:		
		Real & Personal	\$ 7,551,614	10-1-19 to 10-1-2020
		Mobile Equipment	\$ 388,819	10-1-19 to 10-1-2020
		Boiler & Machinery	\$100,000/accident	10-1-19 to 10-1-2020
\$ 3,454	#NYA812114	Errors & Omissions	\$1,000,000	10-1-19 to 10-1-2020

Governmental Notes Payable from Direct Borrowings

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. 283,598

Southside Bank; 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. 126,366

Southside Bank; 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. 18,821

The Independent Bankers Bank; 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 2020 and ending in 2022;
secured by equipment. 55,283

The Independent Bankers Bank; original loan amount of \$250,825;
bearing 3.57% interest; payable in equal annual installments of \$41,377,
due November 15 of each year beginning in 2020 and ending in 2026;
secured by equipment. 250,825

First Financial Bank; original loan amount of \$105,503;
bearing 2.92% interest; payable in equal annual installments of \$28,329,
due May 20 of each year beginning in 2021 and ending in 2024;
secured by equipment.

105,503

Total \$ 840,396

Less: Current Portion (148,578)

LONG-TERM PORTION \$ 691,818

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

<u>Year Ending September 30</u>	<u>Principal</u>	<u>Interest</u>
2021	\$ 148,578	\$ 34,445
2022	136,637	26,650
2023	141,792	21,495
2024	126,986	16,141
2025	68,571	11,439
2026-2029	217,832	19,454
	<u>\$ 840,396</u>	<u>\$ 129,624</u>

Business-Type Notes Payable from Direct Borrowings

First Financial Bank; 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.

\$ 131,245

Total \$ 131,245

Less: Current Portion (42,655)

LONG-TERM PORTION \$ 88,590

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

<u>Year Ending September 30</u>	<u>Principal</u>	<u>Interest</u>
2021	42,655	3,336
2022	43,739	2,251
2023	44,851	1,140
	<u>\$ 131,245</u>	<u>\$ 6,727</u>

Changes in long-term liabilities

Long term liability activity for the year ended September 30, 2020 was as follows:

	Beginning Balance	Additions	Reductions	Ending Balance	Due Within One Year
Governmental activities:					
Long-term debt:					
General obligation bonds	\$ 1,495,000	\$ -	\$ 5,000	\$ 1,490,000	\$ 45,000
Premiums on issuances of GOs	151,226	-	6,316	144,910	11,979
Certificates of obligation	1,445,000	-	60,000	1,385,000	60,000
Premiums on issuances of COs	56,470	-	5,422	51,048	5,182
Notes payable from direct borrowings	877,974	105,503	143,081	840,396	148,578
Other long-term liabilities:					
Compensated absences	65,560	59,787	65,560	59,787	59,787
Net pension liability	256,710	159,910	188,916	227,704	-
Total OPEB liability	45,265	18,122	278	63,109	-
Total	<u>\$ 4,393,205</u>	<u>\$ 343,322</u>	<u>\$ 474,573</u>	<u>\$ 4,261,954</u>	<u>\$ 330,526</u>
Business-type activities:					
Long-term debt:					
General obligation bonds from direct placements	\$ 1,220,000	\$ -	\$ 105,000	\$ 1,115,000	\$ 105,000
Certificates of obligation from direct placements	1,680,000	-	140,000	1,540,000	150,000
Revenue bonds from direct placements	515,000	-	100,000	415,000	100,000
Notes payable from direct borrowings	172,843	-	41,598	131,245	42,655
Other long-term liabilities:					
Compensated absences	12,854	14,750	12,854	14,750	14,750
Net pension liability	61,828	38,515	45,500	54,843	-
Total OPEB liability	10,902	4,364	67	15,199	-
Total	<u>\$ 3,673,427</u>	<u>\$ 57,629</u>	<u>\$ 445,019</u>	<u>\$ 3,286,037</u>	<u>\$ 412,405</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, 2020, the City had \$211,783 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, 2020, the City did not have any liability for unpaid claims or adjustments under policies carried with TML. During the year ended September 30, 2020, 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, 2020, 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 \$278,226 under this contract as of September 30, 2020.

Note J – Defined Benefit Pension Plan

Plan Description

The City of Chandler participates as one of 888 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 annual comprehensive financial report (ACFR) that can be obtained at www.tmrs.com.

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

Benefits Provided

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

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

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

	Plan Year 2019	Plan Year 2020
Employee deposit rate	5.0%	5.0%
Matching ratio (city to employee)	1 to 1	1.5 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, 2019 valuation and measurement date, the following employees were covered by the benefit terms:

	<u>12/31/2019</u>
Inactive employees or beneficiaries currently receiving benefits	9
Inactive employees entitled to but not yet receiving benefits	9
Active employees	<u>26</u>
	<u><u>44</u></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 4.70% and 6.14% in calendar years 2019 and 2020, respectively. The City's contributions to TMRS for the year ended September 30, 2020, were \$68,296, and were equal to the required contributions.

Net Pension Liability

The City's Net Pension Liability (NPL) was measured as of December 31, 2019, 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, 2019 actuarial valuation was determined using the following actuarial assumptions:

Inflation	2.50% per year
Overall payroll growth	2.75% 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 are based on the PUB(10) mortality tables with the Public Safety table used for males and the General Employee table used for females. Mortality rates for healthy retirees and beneficiaries are based on the Gender-distinct 2019 Municipal Retirees of Texas mortality tables. The rates for actives, healthy retirees and beneficiaries are projected on a fully generational basis by Scale UMP to account for future mortality improvements. For disables annuitants, the same mortality tables for healthy retirees is used with a 4-year set-forward for males and a 3-year set-forward for females. In addition, a 3.5% and 3.0% minimum mortality rate is applied, for males and females respectively, to reflect the impairment for younger members who become disabled. The rates are projected on a fully generational basis by Scale UMP to account for future mortality improvements subject to the floor.

The actuarial assumptions were developed primarily from the actuarial investigation of the experience of TMRS over the four year period from December 31, 2014 to December 31, 2018. They were adopted in 2019 and first used in the December 31, 2019 actuarial valuation. The post-retirement mortality assumption for Annuity Purchase Rate (APR's) are based on the Mortality Experience Investigation Study covering 2009 through 2011 and dated December 31, 2013. 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)
Global Equity	30.00%	5.30%
Core Fixed Income	10.00%	1.25%
Non-Core Fixed Income	20.00%	4.14%
Real Return	10.00%	3.85%
Real Estate	10.00%	4.00%
Absolute Return	10.00%	3.48%
Private Equity	10.00%	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 12/31/2018	\$ 1,064,257	\$ 745,719	\$ 318,538
Changes for the year:			
Service cost	99,315	-	99,315
Interest	74,178	-	74,178
Changes benefit terms including substantively automatic status	16,417	-	16,417
Difference between expected and actual experience	(7,533)	-	(7,533)
Changes of assumptions	7,844	-	7,844
Contributions - employer	-	54,003	(54,003)
Contributions - employee	-	57,474	(57,474)
Net investment income	-	115,406	(115,406)
Benefit payments, including refunds of employee contributions	(62,798)	(62,798)	-
Administrative expense	-	(651)	651
Other changes	-	(20)	20
Net changes	127,423	163,414	(35,991)
Balance at 12/31/2019	\$ 1,191,680	\$ 909,133	\$ 282,547

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%)	Current Single Discount Rate (6.75%)	1% Increase in Discount Rate (7.75%)
City's net pension liability	\$ 416,880	\$ 282,547	\$ 168,495

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, 2020, the City recognized pension expense of \$88,049.

At September 30, 2020, the City reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual economic experience	\$ 8,122	\$ (6,920)
Changes in actuarial assumptions	8,942	-
Difference between projected and actual investment earnings	41,954	(69,744)
Contributions subsequent to the measurement date	53,440	-
Total	\$ 112,458	\$ (76,664)

\$53,440 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, 2021. 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
2020	\$ (3,078)
2021	(4,924)
2022	2,612
2023	(12,287)
2024	31
	<u>\$ (17,646)</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, 2019 valuation and measurement date, the following employees were covered by the benefit terms:

	<u>12/31/2019</u>
Inactive employees or currently receiving benefits	9
Inactive employees entitled to but not yet receiving benefits	3
Active employees	<u>26</u>
	<u>38</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, 2020 were \$2,792, 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>
2020	0.23%	0.03%
2019	0.25%	0.03%
2018	0.27%	0.02%

Total OPEB Liability

For the fiscal year ended September 30, 2020, the City recognized a total OPEB liability of \$78,308. The liability was measured as of December 31, 2019 and was determined by an actuarial valuation as of that date.

Actuarial Assumptions

The total OPEB liability in the December 31, 2019 actuarial valuation was determined using the following assumptions:

Inflation	2.50% per year
Overall payroll growth	3.50% to 11.50% per year, including inflation
Discount Rate*	2.75%
Retirees' share of benefit related cost	\$0
Administrative expenses	All administrative expenses are paid through the Pension Trust and accounted for under reporting requirements under GASB Statemeent No. 68.
Mortality rates - service retirees	2019 Municipal Retirees of Texas Mortality Tables. The rates are projected on a fully generational basis with scale UMP.
Mortality rates - disabled retirees	2019 Municipal Retirees of Texas Mortality Tables with a 4 year set-forward for males and a 3 year set-forward for females. In addition, a 3.5% and 3% minimum mortality rate will be applied to reflect the impairment for younger members who become disabled for males and females, respectively. The rates are projected on a fully generational basis by Scale UMP to account for future mortality improvements subject to the floor.

*The discount rate was based on the Fidelity Index's "20-Year Municipal GO AA Index" rate as of December 31, 2019.

Note: The actuarial assumptions used in the December 31, 2019 valuation were based on the results of an actuarial experience study for the period December 31, 2014 to December 31, 2018.

Changes in the Total OPEB Liability

	Increase (Decrease) Total OPEB Liability
Total OPEB Liability - December 31, 2018	\$ 56,167
Changes for the year:	
Service cost	4,483
Interest on Total OPEB Liability	2,161
Change of benefit terms	-
Difference between expected and actual experience	1,072
Changes of assumptions or other inputs	14,770
Benefit payments	(345)
Net changes	22,141
Total OPEB Liability - December 31, 2019	<u>\$ 78,308</u>

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 2.75%, 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 (1.75%) or 1-percentage-point higher (3.75%) than the current discount rate:

	1% Decrease in Discount Rate (1.75%)	Current Discount Rate (2.75%)	1% Increase in Discount Rate (3.75%)
City's Total OPEB Liability	\$ 95,128	\$ 78,308	\$ 65,200

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

For the fiscal year ended September 30, 2020, the City recognized total OPEB expense of \$9,163. At September 30, 2020, 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	\$ 1,063	\$ -
Changes in actuarial assumptions	14,790	(2,900)
Contributions subsequent to the measurement date	261	-
Total	<u>\$ 16,114</u>	<u>\$ (2,900)</u>

Deferred outflows of resources related to OPEB resulting from contributions subsequent to the measurement date of \$261 will be recognized as a reduction of the total OPEB liability for the year ending September 30, 2021. Other amounts reported as deferred outflows of resources related to OPEB will be recognized in OPEB expense as follows:

Year Ended December 31		
2020	\$	2,519
2021		2,519
2022		2,519
2023		2,136
2024		2,202
Thereafter		1,058
	\$	<u>12,953</u>

Note L – Subsequent Events

Subsequent to year end, the City issued Series 2021 Combination Tax and Surplus Revenue Certificates of Obligation in the amount of \$1,875,000, to fund water and sewer system improvements. The debt service for this issue will be paid from increased water and sewer rates.

Subsequent events were evaluated through May 25, 2022, 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, 2020

	<u>2014</u>	<u>2015</u>	<u>2016</u>	<u>2017</u>	<u>2018</u>	<u>2019</u>
Total pension liability						
Service Cost	\$ 43,368	\$ 61,646	\$ 65,449	\$ 70,652	\$ 78,318	\$ 99,315
Interest (on the Total Pension Liability)	44,712	50,490	56,313	61,142	66,194	74,178
Changes in benefit terms	-	-	-	-	-	16,417
Difference between expected and actual results	1,313	(8,904)	1,259	9,164	5,846	(7,533)
Change of assumptions	-	29,836	-	-	-	7,844
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>	<u>(62,798)</u>
Net Change in Total Pension Liability	77,925	112,542	99,561	56,260	95,171	127,423
Total Pension Liability - Beginning	<u>622,798</u>	<u>700,723</u>	<u>813,265</u>	<u>912,826</u>	<u>969,086</u>	<u>1,064,257</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>	<u>\$ 1,191,680</u>
Plan Fiduciary Net Position						
Contributions - Employer	\$ 40,817	\$ 46,596	\$ 43,862	\$ 45,594	\$ 50,777	\$ 54,003
Contributions - Employee	39,097	45,063	46,483	49,755	54,615	57,474
Net Investment Income	20,573	662	35,184	86,090	(21,495)	115,406
Benefit payments, including refunds of employee contributions	(11,468)	(20,526)	(23,460)	(84,698)	(55,187)	(62,798)
Administrative Expense	(215)	(403)	(397)	(446)	(415)	(651)
Other	<u>(18)</u>	<u>(21)</u>	<u>(21)</u>	<u>(24)</u>	<u>(22)</u>	<u>(20)</u>
Net Change in Plan Fiduciary Net Position	88,786	71,371	101,651	96,271	28,273	163,414
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>	<u>745,719</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>	<u>\$ 909,133</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>	<u>\$ 282,547</u>
Plan Fiduciary Net Position as a Percentage of Total Pension Liability	63.96%	63.88%	68.05%	74.03%	70.07%	76.29%
Covered Employee Payroll	\$ 781,938	\$ 901,263	\$ 929,668	\$ 995,092	\$ 1,092,305	\$ 1,149,484
Net Pension Liability as a Percentage of Covered Employee Payroll	32.30%	32.59%	31.37%	25.29%	29.16%	24.58%

**CITY OF CHANDLER, TEXAS
REQUIRED SUPPLEMENTARY INFORMATION
SCHEDULE OF PENSION CONTRIBUTIONS
FISCAL YEAR ENDED SEPTEMBER 30, 2020**

	<u>2014</u>	<u>2015</u>	<u>2016</u>	<u>2017</u>	<u>2018</u>	<u>2019</u>	<u>2020</u>
Actuarially Determined Contribution	\$ 38,587	\$ 45,953	\$ 45,726	\$ 44,690	\$ 47,974	\$ 53,242	\$ 68,296
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>	<u>68,296</u>
Contribution deficiency (excess)	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Covered employee payroll	\$ 741,286	\$ 886,693	\$ 946,240	\$ 969,053	\$ 1,035,406	\$ 1,136,038	\$ 1,186,442
Contributions as a percentage of covered employee payroll	5.21%	5.18%	4.83%	4.61%	4.63%	4.69%	5.76%

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; 12% soft corridor
Inflation	2.50%
Salary Increases	3.50% to 11.50% 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 2019 valuation pursuant to an experience study of the period 2014-2018
Mortality	Post-retirement: 2019 Municipal Retirees of Texas Mortality Tables. The rates are projected on a fully generational basis with scale UMP. Pre-retirement: PUB(10) mortality tables, with the Public Safety table used for males and the General Employee table used for females. The rates are projected on a fully generational basis with scale UMP.

Other Information: Increased municipal matching ration from 1 - 1 to 1.5 - 1.

CITY OF CHANDLER, TEXAS
REQUIRED SUPPLEMENTARY INFORMATION
SCHEDULE OF CHANGES IN TOTAL OPEB LIABILITY AND RELATED RATIOS
FISCAL YEAR ENDED SEPTEMBER 30, 2020

	<u>2017</u>	<u>2018</u>	<u>2019</u>
Total OPEB liability			
Service Cost	\$ 4,378	\$ 5,352	\$ 4,483
Interest (on the Total Pension Liability)	1,702	1,845	2,161
Changes in benefit terms	-	-	-
Difference between expected and actual results	-	228	1,072
Change of assumptions	4,342	(4,210)	14,770
Benefit payments	<u>(199)</u>	<u>(218)</u>	<u>(345)</u>
Net Change in Total OPEB Liability	10,223	2,997	22,141
Total OPEB Liability - Beginning	<u>42,947</u>	<u>53,170</u>	<u>56,167</u>
Total OPEB Liability - Ending	<u><u>\$ 53,170</u></u>	<u><u>\$ 56,167</u></u>	<u><u>\$ 78,308</u></u>
Covered Employee Payroll	\$ 995,092	\$1,092,305	\$ 1,149,484
Total OPEB Liability as a Percentage of Covered Employee Payroll	5.34%	5.14%	6.81%

ADDITIONAL SUPPLEMENTAL INFORMATION

**CITY OF CHANDLER, TEXAS
COMBINING BALANCE SHEET
NONMAJOR GOVERNMENTAL FUNDS
SEPTEMBER 30, 2020**

	<u>DONATION FUND</u>	<u>COURT SECURITY FUND</u>	<u>COURT TECHNOLOGY FUND</u>	<u>DEBT SERVICE FUND</u>	<u>POLICE FORFEITURE FUND</u>	<u>ECONOMIC DEVELOPMENT FUND</u>	<u>TIF FUND</u>	<u>LOCAL TRUANCY FUND</u>	<u>MUNICIPAL JURY FUND</u>	<u>TOTAL NONMAJOR GOVERNMENTAL FUNDS</u>
ASSETS										
Restricted cash and cash equivalents	\$ 5,576	\$ 42,507	\$ 2,928	\$ 20,364	\$ 1,864	\$ 283,070	\$ 347,601	\$ 572	\$ 11	\$ 704,493
Property tax receivable	-	-	-	-	-	41,324	-	-	-	41,324
Due from other funds	-	-	-	-	-	31,024	-	-	-	31,024
Total Assets	<u>\$ 5,576</u>	<u>\$ 42,507</u>	<u>\$ 2,928</u>	<u>\$ 20,364</u>	<u>\$ 1,864</u>	<u>\$ 355,418</u>	<u>\$ 347,601</u>	<u>\$ 572</u>	<u>\$ 11</u>	<u>\$ 776,841</u>
LIABILITIES AND FUND BALANCES										
LIABILITIES:										
Accounts payable	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 2,971	\$ -	\$ -	\$ -	\$ 2,971
Total Liabilities	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>2,971</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>2,971</u>
FUND BALANCES:										
Restricted:										
Capital improvements	-	-	-	-	-	-	347,601	-	-	347,601
City Programs	5,576	-	-	-	-	-	-	-	-	5,576
Economic Development	-	-	-	-	-	352,447	-	-	-	352,447
Court	-	42,507	2,928	-	-	-	-	572	11	46,018
Debt Service	-	-	-	20,364	-	-	-	-	-	20,364
Law Enforcement Purposes	-	-	-	-	1,864	-	-	-	-	1,864
Total Fund Balances	<u>5,576</u>	<u>42,507</u>	<u>2,928</u>	<u>20,364</u>	<u>1,864</u>	<u>352,447</u>	<u>347,601</u>	<u>572</u>	<u>11</u>	<u>773,870</u>
Total Liabilities and Fund Balances	<u>\$ 5,576</u>	<u>\$ 42,507</u>	<u>\$ 2,928</u>	<u>\$ 20,364</u>	<u>\$ 1,864</u>	<u>\$ 355,418</u>	<u>\$ 347,601</u>	<u>\$ 572</u>	<u>\$ 11</u>	<u>\$ 776,841</u>

CITY OF CHANDLER, TEXAS
COMBINING STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES
NONMAJOR GOVERNMENTAL FUNDS
FISCAL YEAR ENDED SEPTEMBER 30, 2020

	DONATION FUND	COURT SECURITY FUND	COURT TECHNOLOGY FUND	DEBT SERVICE FUND	POLICE FORFEITURE FUND	ECONOMIC DEVELOPMENT FUND	TIF FUND	LOCAL TRUANCY FUND	MUNICIPAL JURY FUND	TOTAL NONMAJOR GOVERNMENTAL FUNDS
REVENUES										
Fines	\$ -	\$ 2,590	\$ 2,847	\$ -	\$ -	\$ -	\$ -	\$ 572	\$ 11	\$ 6,020
Property Taxes	-	-	-	77,905	-	-	44,385	-	-	122,290
Sales Tax	-	-	-	-	-	224,873	-	-	-	224,873
Donations	4,200	-	-	-	-	-	-	-	-	4,200
Interest	9	69	11	31	-	439	552	-	-	1,111
Total Revenues	4,209	2,659	2,858	77,936	-	225,312	44,937	572	11	358,494
EXPENDITURES										
Current:										
General government	-	-	-	-	-	176,336	10,500	-	-	186,836
Public Safety	-	-	-	-	2,426	-	-	-	-	2,426
Municipal Court	-	-	10,275	-	-	-	-	-	-	10,275
Parks & Recreation	3,700	-	-	-	-	-	-	-	-	3,700
Debt Service:										
Principal	-	-	-	-	-	-	60,000	-	-	60,000
Interest	-	-	-	-	-	-	51,150	-	-	51,150
Total Expenditures	3,700	-	10,275	-	2,426	176,336	121,650	-	-	314,387
Excess (deficiency) of revenues over (under) expenditures	509	2,659	(7,417)	77,936	(2,426)	48,976	(76,713)	572	11	44,107
OTHER FINANCING SOURCES (USES)										
Transfers out	-	-	-	(63,733)	-	-	-	-	-	(63,733)
Total Other Financing Sources (Uses)	-	-	-	(63,733)	-	-	-	-	-	(63,733)
Net Change in Fund Balances	509	2,659	(7,417)	14,203	(2,426)	48,976	(76,713)	572	11	(19,626)
Fund Balance, beginning of year	5,067	39,848	10,345	6,161	4,290	303,471	424,314	-	-	793,496
Fund Balance, end of year	<u>\$ 5,576</u>	<u>\$ 42,507</u>	<u>\$ 2,928</u>	<u>\$ 20,364</u>	<u>\$ 1,864</u>	<u>\$ 352,447</u>	<u>\$ 347,601</u>	<u>\$ 572</u>	<u>\$ 11</u>	<u>\$ 773,870</u>

CITY OF CHANDLER, TEXAS
DETAILED SCHEDULE OF REVENUES - BUDGET AND ACTUAL
CAPITAL PROJECTS FUND
FISCAL YEAR ENDED SEPTEMBER 30, 2020

	ORIGINAL BUDGET	FINAL BUDGET	ACTUAL	VARIANCE WITH FINAL BUDGET POSITIVE (NEGATIVE)
REVENUES				
Bond Proceeds	\$ 1,560,000	\$ -	\$ -	\$ -
Interest income	<u>-</u>	<u>-</u>	<u>1,553</u>	<u>1,553</u>
Total Revenues - Budget Basis	<u>\$ 1,560,000</u>	<u>\$ -</u>	<u>\$ 1,553</u>	<u>\$ 1,553</u>

CITY OF CHANDLER, TEXAS

DETAILED SCHEDULE OF EXPENDITURES - BUDGET AND ACTUAL

CAPITAL PROJECTS FUND

FISCAL YEAR ENDED SEPTEMBER 30, 2020

	ORIGINAL BUDGET	FINAL BUDGET	ACTUAL	VARIANCE WITH FINAL BUDGET POSITIVE (NEGATIVE)
EXPENDITURES				
Capital Projects Street Improvement	\$ 1,460,000	\$ 1,460,000	\$ 508,767	\$ 951,233
Transfer Out	<u>100,000</u>	<u>100,000</u>	<u>-</u>	<u>100,000</u>
Total Expenses - Budget Basis	<u>\$ 1,560,000</u>	<u>\$ 1,560,000</u>	<u>\$ 508,767</u>	<u>\$ 1,051,233</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, 2020, 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 25, 2022.

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) as a basis for designing 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. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the City of Chandler, Texas'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*.

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 25, 2022



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

To the City Council
City of Chandler, Texas

Report on Compliance for Each Major Federal Program

We have audited the City of Chandler, Texas's compliance with the types of compliance requirements described in the *OMB Compliance Supplement* that could have a direct and material effect on each of the City of Chandler, Texas's major federal programs for the year ended May 25, 2022. City of Chandler, Texas's major federal programs are identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs.

Management's Responsibility

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

Auditor's Responsibility

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

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

Opinion on Each Major Federal Program

In our opinion, the City of Chandler, Texas, complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on each of its major federal programs for the year ended May 27, 2022.

Report on Internal Control over Compliance

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

over compliance. Accordingly, we do not express an opinion on the effectiveness of the City of Chandler, Texas's internal control over compliance.

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

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

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

Frank Campos & Associates PLLC

Frank Campos & Associates, PLLC
Palestine, Texas
May 25, 2022

**CITY OF CHANDLER, TEXAS
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
FOR THE YEAR ENDED SEPTEMBER 30, 2020**

Federal Grantor/Pass Through Grantor/ Program Title or Cluster Title	Federal CFDA Number	Pass-through Entity Identifying Number	Passed through to Subrecipients	Total Federal Expenditures
U.S. Department of Housing and Urban Development				
Pass through from:				
Texas Department of Agriculture - Office of Rural Affairs				
Texas Community Development Block Grant	14.228	7218069	-	248,800
Total U.S. Department of Housing and Urban Development			-	248,800
U.S. Environmental Protection Agency				
Pass through from:				
Texas Commission on Environmental Quality and Texas Water Development Board				
Capitalization Grants for Drinking Water State Revolving Funds	66.468	L1000654	-	569,741
Total U.S. Environmental Protection Agency			-	569,741
U.S. Department of Treasury				
Pass through from:				
Texas Department of Public Safety - Texas Division of Emergency Management				
COVID-19 Coronavirus Relief Fund	21.019		-	171,490
Total U.S. Department of Treasury			-	171,490
TOTAL EXPENDITURES OF FEDERAL AWARDS			\$ -	\$ 990,031

CITY OF CHANDLER, TEXAS
NOTES TO SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
FOR THE YEAR ENDED SEPTEMBER 30, 2020

NOTE 1 - BASIS OF PRESENTATION

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

NOTE 2 - SUMMARY OF SIGNIFICANT POLICIES

Expenditures reported on the SEFA are reported on the accrual basis of accounting in accordance with accounting principles generally accepted in the United States of America. Such expenditures are recognized following the cost principles contained in the Uniform Guidance, wherein certain types of expenditures are not allowable or are limited as to reimbursement.

NOTE 3 - INDIRECT COST RATE

The Organization has elected not to use the 10% *de minimis* indirect cost rate as allowed under the Uniform Guidance.

**CITY OF CHANDLER, TEXAS
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
SEPTEMBER 30, 2020**

Section I - Summary of Auditor's Results

Financial Statements

Type of auditor's report issues: *Unmodified*

Internal control over financial reporting:

Material weakness(es) identified? _____ yes X no

Significant deficiencies identified that are not considered to be material weakness(es)? _____ yes X none reported

Noncompliance material to financial statements _____ yes X no

Federal Awards

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

Internal control over major programs:

Material weakness(es) identified? _____ yes X no

Significant deficiencies identified that are not considered to be material weakness(es)? _____ yes X none reported

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

Identification of major programs:

CFDA number(s) *Name of Federal Program or Cluster*

66.468 Capitalization Grants for Drinking Water State Revolving Funds

Dollar threshold used to distinguish between type A or \$750,000

Auditee qualified as low-risk auditee? No

Section II - Findings Required to be Reported by *Government Auditing Standards*

None.

Section III - Findings Required to be Reported by Uniform Guidance

None.

**CITY OF CHANDLER, TEXAS
SUMMARY SCHEDULE OF PRIOR YEAR FINDINGS
SEPTEMBER 30, 2020**

<u>Finding</u>	<u>Current Status</u>
2019-001 Municipal Court During the audit, we noted that one out of twelve court case files selected for testwork could not be located and provided due to inadequate internal control over municipal court recordkeeping.	Corrective action plan was implemented and similar instances were not noted in the current year audit.