

**CITY OF CHANDLER, TEXAS**

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

**FISCAL YEAR ENDED SEPTEMBER 30, 2021**

**CITY OF CHANDLER, TEXAS  
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SEPTEMBER 30, 2021**

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## **INDEPENDENT AUDITOR'S REPORT**

To the City Council  
City of Chandler, Texas

### **Report on the Financial Statements**

We have audited the accompanying financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the City of Chandler, Texas, as of and for the year ended September 30, 2021, and the related notes to the financial statements, which collectively comprise the City of Chandler, Texas' 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, 2021, 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' basic financial statements. The combining nonmajor fund financial statements are presented for purposes of additional analysis and are not a required part of the basic financial statements.

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

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

In accordance with *Government Auditing Standards*, we have also issued our report dated August 22, 2023, on our consideration of the City of Chandler, Texas' 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' 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' internal control over financial reporting and compliance.

*Frank Campos & Associates PLLC*

Frank Campos & Associates, PLLC  
Palestine, Texas  
August 22, 2023

## 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, 2021.

### 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 \$9,160,465 (net position). Of this amount \$1,115,748 may be used to meet the City's ongoing obligations to citizens and creditors.
- As of the end of the current fiscal year, the City's governmental funds reported combined ending fund balance of \$1,724,083. Of this amount, \$812,912 (47.15%) is available for spending at the government's discretion.
- The total net position of \$9,160,465 is made up of \$4,932,437 in capital assets net of related debt and \$4,228,028 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 twelve 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, 2021, the City's assets and deferred outflows of resources exceeded liabilities and deferred inflows of resources by \$9,160,465.

By far the largest portion of the City's net position, \$4,932,437, reflects its investment in capital assets (e.g., land, buildings, equipment, and infrastructure); less any related debt used to acquire these assets that is still outstanding. The City uses these capital assets to provide services to citizens; consequently, these assets are not available for future spending. Although the City's investment in its capital assets is reported net of related debt, it should be noted that the resources needed to repay this debt must be provided from other sources since the capital assets themselves cannot be used to liquidate these liabilities. This amount decreased by \$835,061 from the prior year primarily from depreciation of assets. The amount of unrestricted net position \$1,115,748 decreased by \$58,553 from the prior year primarily due to an increase in restricted cash due to unspent grant funds.

### City of Chandler's Net Position

	Governmental Activities		Business-type Activities		Total	
	2021	2020	2021	2020	2021	2020
Current and other assets	\$ 2,655,612	\$ 2,950,765	\$ 2,925,530	\$ 1,446,312	\$ 5,581,142	\$ 4,397,077
Capital assets	6,406,714	6,264,704	7,178,988	6,615,393	13,585,702	12,880,097
<b>Total assets</b>	<b>9,062,326</b>	<b>9,215,469</b>	<b>10,104,518</b>	<b>8,061,705</b>	<b>19,166,844</b>	<b>17,277,174</b>
<b>Deferred outflows</b>	<b>99,768</b>	<b>103,615</b>	<b>23,516</b>	<b>24,957</b>	<b>123,284</b>	<b>128,572</b>
Current and other liabilities	681,231	600,398	488,172	257,520	1,169,403	857,918
Long-term liabilities	4,012,758	4,261,954	4,882,310	3,286,037	8,895,068	7,547,991
<b>Total liabilities</b>	<b>4,693,989</b>	<b>4,862,352</b>	<b>5,370,482</b>	<b>3,543,557</b>	<b>10,064,471</b>	<b>8,405,909</b>
<b>Deferred inflows</b>	<b>53,141</b>	<b>64,120</b>	<b>12,051</b>	<b>15,444</b>	<b>65,192</b>	<b>79,564</b>
Net invested in capital assets	2,771,972	2,353,350	2,160,465	3,414,148	4,932,437	5,767,498
Restricted	1,109,782	1,532,479	2,002,498	445,995	3,112,280	1,978,474
Unrestricted	533,210	506,783	582,538	667,518	1,115,748	1,174,301
<b>Total net position</b>	<b>\$ 4,414,964</b>	<b>\$ 4,392,612</b>	<b>\$ 4,745,501</b>	<b>\$ 4,527,661</b>	<b>\$ 9,160,465</b>	<b>\$ 8,920,273</b>

Governmental activities net position increased by \$22,352 during the year which was primarily attributable to increases in property and sales tax. The business-type activities resulted in a \$217,840 increase due to increased charges for services and lower than expected operating cost.

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

	Governmental Activities		Business-type Activities		Total	
	2021	2020	2021	2020	2021	2020
<b>Revenues</b>						
Charges for services	\$ 338,078	\$ 308,459	\$ 1,742,493	\$ 1,641,360	\$ 2,080,571	\$ 1,949,819
Operating grants and contributions	245,417	175,690	-	-	245,417	175,690
Capital grants and contributions	-	-	1,450	248,800	1,450	248,800
General Revenue						
Property taxes	1,245,933	1,163,468	-	-	1,245,933	1,163,468
Franchise taxes	141,767	139,696	-	-	141,767	139,696
Hotel / Motel tax	10,074	-	-	-	10,074	-
Sales and use taxes	1,042,706	900,310	-	-	1,042,706	900,310
Miscellaneous other income	5,473	15,586	-	-	5,473	15,586
Interest income	2,643	4,427	1,676	5,726	4,319	10,153
<b>Total revenue</b>	<b>3,032,091</b>	<b>2,707,636</b>	<b>1,745,619</b>	<b>1,895,886</b>	<b>4,777,710</b>	<b>4,603,522</b>
<b>Expenses</b>						
General government	1,101,700	931,370	-	-	1,101,700	931,370
Public safety	719,391	824,038	-	-	719,391	824,038
Public works	782,219	674,533	-	-	782,219	674,533
Community center	2,542	3,253	-	-	2,542	3,253
Parks and recreation	224,032	220,283	-	-	224,032	220,283
City library	70,256	65,043	-	-	70,256	65,043
Interest	109,599	128,948	107,557	106,327	217,156	235,275
Bond issue cost	-	-	87,588	-	87,588	-
Water and sewer operations	-	-	1,332,634	1,048,745	1,332,634	1,048,745
<b>Total expenses</b>	<b>\$ 3,009,739</b>	<b>\$ 2,847,468</b>	<b>\$ 1,527,779</b>	<b>\$ 1,155,072</b>	<b>\$ 4,537,518</b>	<b>\$ 4,002,540</b>

	Governmental Activities		Business-type Activities		Total	
	2021	2020	2021	2020	2021	2020
Change in net position	22,352	(139,832)	217,840	740,814	240,192	600,982
Net position, beginning of the year	4,392,612	4,532,444	4,527,661	3,786,847	8,920,273	8,319,291
Net position, end of the year	\$ 4,414,964	\$ 4,392,612	\$ 4,745,501	\$ 4,527,661	\$ 9,160,465	\$ 8,920,273

### Financial Analysis of the Government's Funds

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

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

At the end of the current fiscal year, the City's governmental funds reported an ending fund balance of \$1,724,083 of which \$812,912 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, tourism, 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 \$582,538. The total net position increased by \$217,840 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 \$193,950, due to higher collections of sales tax, as well as grants received. Actual expenditures were less than budgeted amounts by \$128,360, 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, 2021, amounts to \$13,585,702 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 \$705,605.

During the year, the City made additions to the water and sewer system, made various additions to machinery and equipment, and infrastructure. The City also had one project under construction.



### City of Chandler's Capital Assets

	Governmental Activities		Business-type Activities		Total	
	2021	2020	2021	2020	2021	2020
Land	\$ 595,874	\$ 595,874	\$ 139,933	\$ 124,933	\$ 735,807	\$ 720,807
Construction in Progress	-	1,317,378	629,764	1,285,735	629,764	2,603,113
Buildings						
and improvements	1,285,311	1,395,694	-	-	1,285,311	1,395,694
Infrastructure	4,032,804	2,651,710	-	-	4,032,804	2,651,710
Machinery and equipment	492,725	304,048	25,003	34,833	517,728	338,881
Water and sewer system	-	-	6,384,288	5,169,892	6,384,288	5,169,892
<b>Combined total</b>	<b>\$ 6,406,714</b>	<b>\$ 6,264,704</b>	<b>\$ 7,178,988</b>	<b>\$ 6,615,393</b>	<b>\$ 13,585,702</b>	<b>\$ 12,880,097</b>

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

*Long-term debt.* At the end of the current year, the City had total debt outstanding of \$8,895,068. Of this amount, \$7,255,000 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	
	2021	2020	2021	2020	2021	2020
Compensated						
absences	\$ 81,768	\$ 59,788	\$ 22,711	\$ 14,750	\$ 104,479	\$ 74,538
Net pension liability	220,735	227,704	53,164	54,842	273,899	282,546
Total OPEB liability	75,513	63,108	18,187	15,200	93,700	78,308
Bonds payable	2,770,000	2,875,000	4,485,000	3,070,000	7,255,000	5,945,000
Premium on Bond Issue	172,894	195,958	214,658	-	387,552	195,958
Notes payable	691,848	840,396	88,590	131,245	780,438	971,641
<b>Combined total</b>	<b>\$ 4,012,758</b>	<b>\$ 4,261,954</b>	<b>\$ 4,882,310</b>	<b>\$ 3,286,037</b>	<b>\$ 8,895,068</b>	<b>\$ 7,547,991</b>

### Economic Factors and Next Year's Budgets and Rates

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

The City strives to keep expenditures to a minimum. With controlled spending and use of reserves, the City should be able to absorb any unexpected inflationary price 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 2022 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](mailto:wjohnston@chandlertx.com).

## **BASIC FINANCIAL STATEMENTS**

**CITY OF CHANDLER, TEXAS**  
**STATEMENT OF NET POSITION**  
**SEPTEMBER 30, 2021**

	PRIMARY GOVERNMENT		
	GOVERNMENTAL ACTIVITIES	BUSINESS-TYPE ACTIVITIES	TOTAL
<b>ASSETS</b>			
Cash and cash equivalents	\$ 591,965	\$ 742,510	\$ 1,334,475
Restricted cash:			
Temporarily restricted:			
Debt service	222,225	399,918	622,143
Cash for construction	741,742	1,602,580	2,344,322
Customer deposits	-	50,994	50,994
Grants	204,004	-	204,004
Other programs	69,126	-	69,126
Receivables (net of allowance for doubtful accounts)	676,146	202,984	879,130
Internal balances	150,404	(150,404)	-
Inventory	-	31,555	31,555
Capital Assets (net of accumulated depreciation):			
Land	595,874	139,933	735,807
Construction in progress	-	629,764	629,764
Buildings and improvements	1,285,311	-	1,285,311
Water and sewer system	-	6,384,287	6,384,287
Machinery and equipment	492,725	25,004	517,729
Infrastructure	4,032,804	-	4,032,804
Other Assets:			
Escrow account	-	45,393	45,393
Total Assets	9,062,326	10,104,518	19,166,844
<b>DEFERRED OUTFLOWS OF RESOURCES</b>			
Deferred outflows related to TMRS SDBF OPEB	18,799	4,256	23,055
Deferred outflows related to TMRS pension	80,969	19,260	100,229
Total Deferred Outflows of Resources	99,768	23,516	123,284
<b>LIABILITIES</b>			
Accounts payable	325,396	348,980	674,376
Accrued wages payable	100,654	25,432	126,086
Sales tax payable	-	5,497	5,497
Deposits	-	50,994	50,994
Accrued interest payable	51,177	57,269	108,446
Unearned revenue - grants	204,004	-	204,004
Non-current liabilities:			
Due within one year	355,090	344,941	700,031
Due in more than one year	3,657,668	4,537,369	8,195,037
Total Liabilities	4,693,989	5,370,482	10,064,471
<b>DEFERRED INFLOWS OF RESOURCES</b>			
Deferred inflows related to TMRS SDBF OPEB	5,692	623	6,315
Deferred inflows related to TMRS pension	47,449	11,428	58,877
Total Deferred Inflows of Resources	53,141	12,051	65,192
<b>NET POSITION</b>			
Net investment in capital assets	2,771,972	2,160,465	4,932,437
Restricted for:			
Debt service	222,225	399,918	622,143
City Programs	5,307	-	5,307
Tourism	10,074	-	10,074
Court	53,495	-	53,495
Economic development	406,934	-	406,934
Future construction	411,747	1,602,580	2,014,327
Unrestricted	533,210	582,538	1,115,748
Total Net Position	\$ 4,414,964	\$ 4,745,501	\$ 9,160,465

**CITY OF CHANDLER, TEXAS  
STATEMENT OF ACTIVITIES  
FISCAL YEAR ENDED SEPTEMBER 30, 2021**

PROGRAM ACTIVITIES	EXPENSES	PROGRAM REVENUES			NET (EXPENSE) REVENUE AND CHANGES IN NET POSITION		
		CHARGES FOR SERVICES	OPERATING GRANTS AND CONTRIBUTIONS	CAPITAL GRANTS AND CONTRIBUTIONS	PRIMARY GOVERNMENT		
					GOVERNMENTAL ACTIVITIES	BUSINESS- TYPE ACTIVITIES	TOTAL
<b>PRIMARY GOVERNMENT:</b>							
Governmental activities:							
General government	\$ 1,101,700	\$ 84,149	\$ 7,078	\$ -	\$ (1,010,473)	\$ -	\$ (1,010,473)
Public safety	719,391	137,026	213,339	-	(369,026)	-	(369,026)
Public works	782,219	-	-	-	(782,219)	-	(782,219)
Community center	2,542	-	-	-	(2,542)	-	(2,542)
Parks and recreation	224,032	116,903	-	-	(107,129)	-	(107,129)
City library and museum	70,256	-	25,000	-	(45,256)	-	(45,256)
Interest and fees	109,599	-	-	-	(109,599)	-	(109,599)
Total governmental activities	3,009,739	338,078	245,417	-	(2,426,244)	-	(2,426,244)
Business-type activities:							
Water and sewer	1,332,634	1,742,493	-	1,450	-	411,309	411,309
Interest	107,557	-	-	-	-	(107,557)	(107,557)
Bond issue cost	87,588	-	-	-	-	(87,588)	(87,588)
Total business-type activities	1,527,779	1,742,493	-	1,450	-	216,164	216,164
Total primary government	\$ 4,537,518	\$ 2,080,571	\$ 245,417	\$ 1,450	(2,426,244)	216,164	(2,210,080)
General revenues:							
Property taxes					1,245,933	-	1,245,933
Franchise taxes					141,767	-	141,767
Hotel / Motel tax					10,074	-	10,074
Sales and use taxes					1,042,706	-	1,042,706
Interest income					2,643	1,676	4,319
Miscellaneous other revenue					5,473	-	5,473
Total general revenues and transfers					2,448,596	1,676	2,450,272
Change in Net Position					22,352	217,840	240,192
Net Position - beginning of year					4,392,612	4,527,661	8,920,273
Net Postition - end of year					\$ 4,414,964	\$ 4,745,501	\$ 9,160,465

**CITY OF CHANDLER, TEXAS  
BALANCE SHEET  
GOVERNMENTAL FUNDS  
SEPTEMBER 30, 2021**

	GENERAL	ECONOMIC DEVELOPMENT FUND	CAPITAL PROJECTS FUND	TIF FUND	NON-MAJOR GOVERNMENTAL FUNDS	ELIMINATIONS	TOTAL GOVERNMENTAL FUNDS
<b>ASSETS</b>							
Cash and cash equivalents	\$ 790,576	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 790,576
Restricted cash and cash equivalents	204,004	329,995	128,500	283,247	92,740	-	1,038,486
Receivables:							
Sales tax receivable	135,616	46,001	-	-	-	-	181,617
Other receivables	-	-	-	-	-	-	-
Grants receivable	-	-	-	-	-	-	-
Property tax receivable (net of allowance for estimated uncollectibles)	11,895	-	-	-	-	-	11,895
Court receivable (net of allowance for estimated uncollectibles)	482,634	-	-	-	-	-	482,634
Due from other funds	150,404	31,024	-	-	-	(31,024)	150,404
<b>Total Assets</b>	<u>\$ 1,775,129</u>	<u>\$ 407,020</u>	<u>\$ 128,500</u>	<u>\$ 283,247</u>	<u>\$ 92,740</u>	<u>\$ (31,024)</u>	<u>\$ 2,655,612</u>
<b>LIABILITIES, DEFERRED INFLOWS OF RESOURCES AND FUND BALANCES</b>							
<b>LIABILITIES:</b>							
Accounts payable	\$ 132,006	\$ 86	\$ -	\$ -	\$ 250	\$ -	\$ 132,342
Accrued wages payable	100,654	-	-	-	-	-	100,654
Unearned revenue - Grant	204,004	-	-	-	-	-	204,004
Due to other funds	31,024	-	-	-	-	(31,024)	-
<b>Total Liabilities</b>	<u>467,688</u>	<u>86</u>	<u>-</u>	<u>-</u>	<u>250</u>	<u>(31,024)</u>	<u>437,000</u>
<b>DEFERRED INFLOWS OF RESOURCES:</b>							
Unavailable revenue - court fines	482,634	-	-	-	-	-	482,634
Unavailable revenue - property taxes	11,895	-	-	-	-	-	11,895
<b>Total Deferred Inflows of Resources</b>	<u>494,529</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>494,529</u>
<b>FUND BALANCES:</b>							
Restricted:							
Capital Improvements	-	-	128,500	283,247	-	-	411,747
City Programs	-	-	-	-	5,307	-	5,307
Tourism	-	-	-	-	10,074	-	10,074
Economic Development	-	406,934	-	-	-	-	406,934
Court	-	-	-	-	53,495	-	53,495
Debt Service	-	-	-	-	23,614	-	23,614
Unassigned	812,912	-	-	-	-	-	812,912
<b>Total Fund Balances</b>	<u>812,912</u>	<u>406,934</u>	<u>128,500</u>	<u>283,247</u>	<u>92,490</u>	<u>-</u>	<u>1,724,083</u>
<b>Total Liabilities, Deferred Inflows of Resources and Fund Balances</b>	<u>\$ 1,775,129</u>	<u>\$ 407,020</u>	<u>\$ 128,500</u>	<u>\$ 283,247</u>	<u>\$ 92,740</u>	<u>\$ (31,024)</u>	<u>\$ 2,655,612</u>

**CITY OF CHANDLER, TEXAS  
RECONCILIATION OF GOVERNMENTAL FUNDS  
BALANCE SHEET TO THE STATEMENT OF NET POSITION  
SEPTEMBER 30, 2021**

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

Total fund balances governmental funds (Exhibit 3)	\$ 1,724,083
Capital assets used in governmental activities are not current financial resources and, therefore, are not reported in the governmental funds balance sheet.	6,406,714
Deferred inflows for unavailable revenue.	494,529
Deferred outflows represent the consumption of net position that are applicable to a future reporting period.	99,768
Liabilities associated with unavailable revenue are not payable until collected in future periods.	(193,054)
Deferred inflows represent an acquisition of net assets that is applicable to a future reporting period.	(53,141)
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.	(51,177)
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>(4,012,758)</u>
Net position of governmental activities (Exhibit 1)	<u><u>\$ 4,414,964</u></u>

**CITY OF CHANDLER, TEXAS**  
**STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES**  
**GOVERNMENTAL FUNDS**  
**FISCAL YEAR ENDED SEPTEMBER 30, 2021**

	GENERAL	ECONOMIC DEVELOPMENT FUND	CAPITAL PROJECTS FUND	TIF FUND	NON-MAJOR GOVERNMENTAL FUNDS	ELIMINATIONS	TOTAL GOVERNMENTAL FUNDS
<b>REVENUES</b>							
Property taxes	\$ 1,102,568	\$ -	\$ -	\$ 44,797	\$ 105,187	\$ -	\$ 1,252,552
Sales tax	782,375	260,331	-	-	-	-	1,042,706
Hotel motel tax	-	-	-	-	10,074	-	10,074
Franchise tax	141,767	-	-	-	-	-	141,767
Fines	123,118	-	-	-	9,022	-	132,140
Licenses and permits	52,729	-	-	-	-	-	52,729
Zoning and platting fees	432	-	-	-	-	-	432
Library	25,000	-	-	-	-	-	25,000
Sports association revenue	68,340	-	-	-	-	-	68,340
Concession revenue	48,563	-	-	-	-	-	48,563
Interest	1,191	426	542	349	135	-	2,643
Rents	12,230	-	-	-	-	-	12,230
Donations	-	-	-	-	7,078	-	7,078
Miscellaneous	7,689	-	-	-	-	-	7,689
Grants	213,339	-	-	-	-	-	213,339
Lease income	11,069	-	-	-	-	-	11,069
Total Revenues	<u>2,590,410</u>	<u>260,757</u>	<u>542</u>	<u>45,146</u>	<u>131,496</u>	<u>-</u>	<u>3,028,351</u>
<b>EXPENDITURES</b>							
Current:							
General government	696,893	306,270	-	-	-	-	1,003,163
Public safety	556,435	-	-	-	1,864	-	558,299
Public works	474,700	-	-	-	-	-	474,700
Community center	2,542	-	-	-	-	-	2,542
Municipal court	101,844	-	-	-	1,610	-	103,454
City library and museum	68,937	-	-	-	-	-	68,937
Parks and recreation	143,166	-	-	-	7,354	-	150,520
Capital outlay	220,735	-	439,515	-	-	-	660,250
Debt Service:							
Principal	193,548	-	-	60,000	-	-	253,548
Interest	92,018	-	-	49,500	-	-	141,518
Total Expenditures	<u>2,550,818</u>	<u>306,270</u>	<u>439,515</u>	<u>109,500</u>	<u>10,828</u>	<u>-</u>	<u>3,416,931</u>
Excess (Deficiency) of Revenues Over (Under) Expenditures	<u>39,592</u>	<u>(45,513)</u>	<u>(438,973)</u>	<u>(64,354)</u>	<u>120,668</u>	<u>-</u>	<u>(388,580)</u>
<b>OTHER FINANCING SOURCES (USES):</b>							
Insurance proceeds	5,473	-	-	-	-	-	5,473
Transfers in	102,000	100,000	-	-	-	(202,000)	-
Transfers out	<u>(100,000)</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>(102,000)</u>	<u>202,000</u>	<u>-</u>
Total Other Financing Sources (Uses)	<u>7,473</u>	<u>100,000</u>	<u>-</u>	<u>-</u>	<u>(102,000)</u>	<u>-</u>	<u>5,473</u>
Net Change in Fund Balances	47,065	54,487	(438,973)	(64,354)	18,668	-	(383,107)
Fund Balance, beginning of year	<u>765,847</u>	<u>352,447</u>	<u>567,473</u>	<u>347,601</u>	<u>73,822</u>	<u>-</u>	<u>2,107,190</u>
Fund Balance, end of year	<u>\$ 812,912</u>	<u>\$ 406,934</u>	<u>\$ 128,500</u>	<u>\$ 283,247</u>	<u>\$ 92,490</u>	<u>\$ -</u>	<u>\$ 1,724,083</u>



**CITY OF CHANDLER, TEXAS**  
**RECONCILIATION OF THE STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES**  
**OF GOVERNMENTAL FUNDS TO THE STATEMENT OF ACTIVITIES**  
**FISCAL YEAR ENDED SEPTEMBER 30, 2021**

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

Net change in fund balances - total governmental funds (Exhibit 5)	\$ (383,107)
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.	142,010
Revenues in the statement of activities that do not provide current financial resources are not reported as revenues in the funds.	1,523
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.	285,467
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	(23,541)
Change in net position of governmental activities (Exhibit 2)	<hr/> \$ 22,352 <hr/>

**CITY OF CHANDLER, TEXAS**  
**STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN**  
**FUND BALANCE - BUDGET AND ACTUAL**  
**GENERAL FUND**  
**FISCAL YEAR ENDED SEPTEMBER 30, 2021**

	ORIGINAL BUDGET	FINAL BUDGET	ACTUAL	VARIANCE WITH FINAL BUDGET POSITIVE (NEGATIVE)
<b>REVENUES</b>				
Property taxes	\$ 1,178,984	\$ 1,178,984	\$ 1,102,568	\$ (76,416)
Sales tax	644,300	644,300	782,375	138,075
Sanitation fees	439,910	-	-	-
Franchise tax	142,000	142,000	141,767	(233)
Fines	134,193	134,193	123,118	(11,075)
Licenses, permits, and fees	51,430	51,430	58,658	7,228
Library	25,000	25,000	25,000	-
Sports Association revenue	119,785	119,785	68,340	(51,445)
Interest	750	750	1,191	441
Rent and lease	28,518	28,518	23,299	(5,219)
Grants	-	-	213,339	213,339
Miscellaneous	6,500	6,500	2,192	(4,308)
Concession revenue	65,000	65,000	48,563	(16,437)
Total Revenues	2,836,370	2,396,460	2,590,410	193,950
<b>EXPENDITURES</b>				
General government	1,015,324	745,325	830,227	(84,902)
Public safety	644,456	644,456	641,494	2,962
Public works	879,175	879,175	762,608	116,567
Community center	6,600	6,600	2,542	4,058
Municipal court	148,670	148,670	101,844	46,826
City library and museum	77,793	77,793	68,937	8,856
Parks and recreation	177,159	177,159	143,166	33,993
Total Expenditures	2,949,177	2,679,178	2,550,818	128,360
Revenues Over (Under) Expenditures	(112,807)	(282,718)	39,592	322,310
<b>OTHER FINANCING SOURCES (USES)</b>				
Transfers in	112,807	112,807	102,000	(10,807)
Transfers out	-	-	(100,000)	(100,000)
Insurance proceeds	-	-	5,473	5,473
Total Other Financing Sources (Uses)	112,807	112,807	7,473	(105,334)
Net Change in Fund Balances	-	(169,911)	47,065	216,976
Fund Balance, beginning of year			765,847	
Fund Balance, end of year			\$ 812,912	

**CITY OF CHANDLER, TEXAS**  
**STATEMENT OF NET POSITION**  
**PROPRIETARY FUNDS**  
**SEPTEMBER 30, 2021**

	<u>ENTERPRISE FUND</u> <u>WATER AND SEWER</u> <u>FUND</u>
<b>ASSETS</b>	
Cash and cash equivalents	\$ 742,510
Restricted cash:	
Temporarily restricted:	
Debt service	399,918
Cash for construction	1,602,580
Customer deposits	50,994
Accounts receivable (net of allowance for estimated uncollectibles)	202,984
Inventory	31,555
Total Current Assets	<u>3,030,541</u>
Capital Assets:	
Land	139,933
Water and sewer system	9,693,200
Machinery and equipment	215,411
Construction in progress	629,764
Less: Accumulated depreciation	<u>(3,499,320)</u>
Total Capital Assets Net of Accumulated Depreciation	<u>7,178,988</u>
Other Assets:	
Escrow account	45,393
Total Other Asset	<u>45,393</u>
Total Assets	<u>10,254,922</u>
<b>DEFERRED OUTFLOWS OF RESOURCES</b>	
Deferred outflows related to TMRS SDBF OPEB	4,256
Deferred outflows related to TMRS pension	19,260
Total Deferred Outflows of Resources	<u>23,516</u>
<b>LIABILITIES</b>	
Current Liabilities:	
Accounts payable	348,980
Accrued wages payable	25,432
Sales tax payable	5,497
Deposits	50,994
Accrued interest payable	57,269
Due to other funds	150,404
Noncurrent liabilities - current portion	344,941
Total Current Liabilities	<u>983,517</u>
Noncurrent Liabilities:	
Net pension liability	53,164
Total TMRS OPEB liability	18,187
Notes and bonds payable	4,466,018
Total Liabilities	<u>5,520,886</u>
<b>DEFERRED INFLOWS OF RESOURCES</b>	
Deferred inflows related to TMRS SDBF OPEB	623
Deferred inflows related to TMRS pension	11,428
Total Deferred Inflows of Resources	<u>12,051</u>
<b>NET POSITION</b>	
Net investment in capital assets	2,160,465
Restricted for debt service	399,918
Restricted for capital projects	1,602,580
Unrestricted	582,538
Total Net Position	<u>\$ 4,745,501</u>

**CITY OF CHANDLER, TEXAS**  
**STATEMENT OF REVENUES, EXPENSES AND CHANGES IN NET POSITION**  
**PROPRIETARY FUNDS**  
**FISCAL YEAR ENDED SEPTEMBER 30, 2021**

	<u>ENTERPRISE FUND</u> <u>WATER AND SEWER</u> <u>FUND</u>
<b>OPERATING REVENUES</b>	
Water sales and sewer service	\$ 1,328,175
Charges for sanitation services	<u>414,318</u>
Total Operating Revenues	<u>1,742,493</u>
<b>OPERATING EXPENSES</b>	
Water and sewer operations	1,123,966
Depreciation	<u>208,668</u>
Total Operating Expenses	<u>1,332,634</u>
Operating Income (Loss)	<u>409,859</u>
<b>NON-OPERATING REVENUES (EXPENSES)</b>	
Interest expense	(107,557)
Bond issue cost	(87,588)
Interest income	<u>1,676</u>
Total Non-Operating Revenues (Expenses)	<u>(193,469)</u>
Income before capital contributions and transfers	216,390
Capital Contributions	
Grants	<u>1,450</u>
Change in Net Position	217,840
Net Position, beginning of year	<u>4,527,661</u>
Net Position, end of year	<u><u>\$ 4,745,501</u></u>

**CITY OF CHANDLER, TEXAS**  
**STATEMENT OF CASH FLOWS**  
**PROPRIETARY FUNDS**  
**FISCAL YEAR ENDED SEPTEMBER 30, 2021**

	ENTERPRISE FUND WATER AND SEWER FUND
CASH FLOWS FROM OPERATING ACTIVITIES:	
Cash received from customers and users	\$ 1,775,158
Cash paid to suppliers for goods and services	(790,138)
Cash paid to employees for services	(342,486)
	<u>642,534</u>
Net cash provided by operating activities	<u>642,534</u>
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES:	
Proceeds from issuance of debt	2,089,658
Bond issue cost	(87,588)
Capital grant revenue	1,450
Capital asset purchases	(541,988)
Interest paid	(98,144)
Principal paid on bonds and notes	(502,655)
	<u>860,733</u>
Net cash provided by capital and related financing activities	<u>860,733</u>
CASH FLOWS FROM INVESTING ACTIVITIES:	
Interest earned on investments	1,673
	<u>1,673</u>
Net cash provided by investing activities	<u>1,673</u>
Net increase in cash	1,504,940
Cash, beginning of period	1,291,062
Cash, end of period	<u>\$ 2,796,002</u>
Reconciliation of Cash on Exhibit 8:	
Cash and cash equivalents	\$ 742,510
Cash - restricted assets	2,053,492
	<u>\$ 2,796,002</u>
Total Cash	<u>\$ 2,796,002</u>
<b>Reconciliation of Operating Income To Net Cash Provided by Operating Activities:</b>	
Operating income	\$ 409,859
Adjustments to reconcile operating income to net cash provided by (used in) operating activities:	
Depreciation expense	208,668
Decrease in accounts receivable	8,799
Decrease in inventory	16,926
Increase in sales tax payable	5,497
Decrease in deferred outflows of resources	1,441
Decrease in accounts payable	(43,096)
Increase in accrued wages payable	10,194
Increase in deposits	18,369
Increase in compensated absences	7,961
Decrease in deferred inflows of resources	(3,393)
Increase in total TMRS OPEB liability	2,987
Decrease in net pension liability	(1,678)
	<u>232,675</u>
Total adjustments	<u>232,675</u>
NET CASH PROVIDED BY OPERATING ACTIVITIES	<u>\$ 642,534</u>

**CITY OF CHANDLER, TEXAS**  
**NOTES TO FINANCIAL STATEMENTS**  
**SEPTEMBER 30, 2021**

**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 Governmental Accounting Standards Board Statement No. 14, "The Financial Reporting Entity", and includes all component units of which the City appointed a voting majority of the units' board and the City is either able to impose its will on the unit or a financial benefit or burden relationship exists.

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

**C. Government-wide and Fund Financial Statements**

The government-wide financial statements (i.e., the statement of net position and the statement of activities) report information on all of the non-fiduciary activities of the primary government. Governmental activities, which normally are supported by the taxes and intergovernmental revenues, are reported separately from business-type activities, which rely to a significant extent on fees and charges for support.

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

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

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

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

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

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

The government reports the following major governmental funds:

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

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

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

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

The government reports the following major proprietary fund:

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

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

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

Proprietary funds distinguish operating revenues and expenses from non-operating items. Operating revenues and expenses generally result from providing services and producing and delivering 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 uncollectibles.

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, 2020. The deferred outflow shows the difference in contributions to the TMRS retirement plan that occurred between December 31, 2020 and September 30, 2021. 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, 2020 and September 30, 2021, 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. 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, 2021 was \$3,112,280. Of this amount \$2,490,137 was restricted by enabling legislation, and \$622,143 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 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 \$6,406,714 difference are as follows:

Capital assets, October 1, 2020 net of accumulated depreciation	\$ 6,264,704
Capital asset additions, net of retirements	660,250
Depreciation of capital assets, net of retirements, current year	<u>(518,240)</u>
	<u><u>\$ 6,406,714</u></u>

- B.** Explanation of certain differences between the governmental fund statement of revenue, expenditures, and changes in fund balance and the government-wide statement of activities - One element of that reconciliation explains that “Governmental funds report capital outlays as expenditures. However, in the statement of activities, the cost of those assets is allocated to their estimated useful lives and reported as depreciation expense.” The details of this \$142,010 difference are as follows:

Capital outlay, asset additions, net of retirements	\$ 660,250
Depreciation expense, net of retirements	<u>(518,240)</u>
	<u><u>\$ 142,010</u></u>

#### NOTE 3 — STEWARDSHIP, COMPLIANCE AND ACCOUNTABILITY

##### **A. Budgetary Information**

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

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

NOTE 4 — DETAILED NOTES ON ALL FUNDS

**A. Deposits and Investments**

As of September 30, 2021, the City had the following deposits and investments:

Statement of net position:	
Primary Government	
Cash and cash equivalents	\$ 1,334,475
Restricted cash and cash equivalents	<u>3,290,589</u>
Total Cash and cash equivalents	<u>\$ 4,625,064</u>
Cash on hand	\$ 698
Savings and checking accounts	<u>4,624,366</u>
Total Cash and Investments	<u>\$ 4,625,064</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, 2021, the carrying value of the City’s bank deposits was \$4,625,064 while the bank balance was \$4,791,745. As of September 30, 2021, 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:				
Property taxes	\$ 36,979	\$ -	\$ -	\$ 36,979
Sales taxes	135,616	46,001	-	181,617
Court fines	1,608,779	-	-	1,608,779
Accounts (services)	-	-	229,975	229,975
Gross Receivables	1,781,374	46,001	229,975	2,057,350
Less: Allowance for Uncollectibles	<u>(1,151,229)</u>	<u>-</u>	<u>(26,991)</u>	<u>(1,178,220)</u>
Net Receivables	<u>\$ 630,145</u>	<u>\$ 46,001</u>	<u>\$ 202,984</u>	<u>\$ 879,130</u>

## C. Capital Assets

Capital asset activity for the year ended September 30, 2021 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	\$ 1,317,378	\$ 492,546	\$ (1,809,924)	\$ -
Land	595,874	-	-	595,874
Total Capital Assets, Not Being Depreciated	1,913,252	492,546	(1,809,924)	595,874
Capital Assets, Being Depreciated:				
Buildings and Improvements	2,989,702	-	-	2,989,702
Infrastructure	4,839,597	1,628,487	-	6,468,084
Machinery and Equipment	1,450,298	349,141	-	1,799,439
Total Capital Assets, Being Depreciated	9,279,597	1,977,628	-	11,257,225
Less Accumulated Depreciation For:				
Buildings and Improvements	(1,594,008)	(110,383)	-	(1,704,391)
Infrastructure	(2,187,887)	(247,393)	-	(2,435,280)
Machinery and Equipment	(1,146,250)	(160,464)	-	(1,306,714)
Total Accumulated Depreciation	(4,928,145)	(518,240)	-	(5,446,385)
Net Total Assets Being Depreciated	4,351,452	1,459,388	-	5,810,840
Governmental Activities Capital Assets, Net	<u>\$ 6,264,704</u>	<u>\$ 1,951,934</u>	<u>\$ (1,809,924)</u>	<u>\$ 6,406,714</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	\$ 1,285,735	\$ 662,459	\$ (1,318,430)	\$ 629,764
Land	124,933	15,000	-	139,933
Total Capital Assets, Not Being Depreciated	1,410,668	677,459	(1,318,430)	769,697
Capital Assets, Being Depreciated:				
Water and Sewer System	8,279,966	1,413,234	-	9,693,200
Machinery and Equipment	215,411	-	-	215,411
Total Capital Assets, Being Depreciated	8,495,377	1,413,234	-	9,908,611
Less Accumulated Depreciation For:				
Water and Sewer System	(3,110,074)	(198,839)	-	(3,308,913)
Machinery and Equipment	(180,578)	(9,829)	-	(190,407)
Total Accumulated Depreciation	(3,290,652)	(208,668)	-	(3,499,320)
Net Total Assets Being Depreciated	5,204,725	1,204,566	-	6,409,291
Business-Type Activities Capital Assets, Net	<u>\$ 6,615,393</u>	<u>\$ 1,882,025</u>	<u>\$ (1,318,430)</u>	<u>\$ 7,178,988</u>

The City has the following construction projects in progress at September 30, 2021:

<u>Project</u>	<u>Spent-to- Date</u>	<u>Estimated Remaining</u>
<u>Business-Type Activities</u>		
Water System Improvements 2021 Bond	\$ 629,764	\$ 1,370,236
	<u>\$ 629,764</u>	<u>\$ 1,370,236</u>

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

Governmental Activities:

General Government	\$ 89,275
Public Safety	45,537
Parks & Recreation	77,142
Public Works	<u>306,286</u>

Total depreciation expense, governmental activities \$ 518,240

Business-Type Activities:

Water and Sewer Operations	<u>\$ 208,668</u>
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**D. Interfund receivables, payables, and transfers**

The composition of interfund balances as of September 30, 2021 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.

Transfers:

<u>Receivable Fund</u>	<u>Payable Fund</u>	<u>Amount</u>
General Fund	Debt Service Fund	102,000
Economic Development Fund	General Fund	100,000

Transfers from the debt service fund to the general fund were to fund debt service payments. Transfers from the general fund to the economic development fund were to repay the EDC under agreement for prior transactions.

**E. Leases**

Operating Leases

Effective March 15, 2005, the City entered into a 10-year agreement to lease land to Alltel Communications, formerly Sprint Cellular, for a communications tower site. Effective August 14, 2007, the lease agreement was amended. The lease term was extended with Alltel Communications having the option to extend the agreement for

each of four additional five year terms. Commencing on March 15, 2008, the rent increased to \$9,000 per year. On March 15, 2015 and on each March 15<sup>th</sup> thereafter, rent shall increase by an amount equal to 3% of the rent payable for the year immediately preceding such increase.

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

During the year ended September 30, 2021, the City received \$11,069 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>
2022	11,400
2023	11,742
2024	12,094
2025	12,457
2026	12,831
2027-2031	70,163
2032-2036	85,296
2037-2041	105,276
2042-2046	122,044
2047-2051	141,482
2052-2056	164,017
2057-2061	190,140
2062-2065	173,696
	<u>\$ 1,112,638</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.

The City pledged future revenues of the water and sewer system, net of specified operating expenses, to repay \$885,000 in water and sewer system revenue bonds issued October 2014. Proceeds from the bonds provided financing for improvements and expansion of the water and sewer system. The bonds are payable solely from water and sewer system net revenues and are payable through October 2023. Annual principal and interest payments on the bonds are expected to require less than 20% of net revenues. The total principal and interest remaining to be paid on the bonds is \$217,561. Principal and interest paid for the current year and total water and sewer system net revenues were \$217,574 and \$522,908 respectively.

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%	1,325,000	10/15/2036
Series - 2019	General Obligation Bonds	3.00% - 6.00%	<u>1,445,000</u>	8/15/2039

Total Outstanding General Obligation Bonds and Certificates of Obligation \$ 2,770,000

Business-Type Activities:

<u>Issue</u>	<u>Purpose</u>	<u>Interest Rates</u>	<u>Amount</u>	<u>Maturity Date</u>
Series - 2006	Refunding Issue	4.19%	\$ 230,000	4/15/2026
Series - 2006	Certificate of Obligation	4.19%	690,000	4/15/2026
Series - 2014	Refunding Issue	2.93%	780,000	10/15/2030
Series - 2014	Revenue Bond	2.40%	210,000	10/15/2023
Series - 2018	Certificate of Obligation	0.31% - 2.24%	700,000	10/15/2042
Series - 2021	Certificate of Obligation	3.00%	<u>1,875,000</u>	8/15/2041

Total Outstanding General Obligation Bonds and Certificates of Obligation \$ 4,485,000

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, 2021, the City was in compliance with all of its bond ordinances.

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

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

Governmental Activities:

<u>Year Ending</u> <u>September 30</u>	<u>General Obligation Bonds from</u> <u>Direct Placements</u>		<u>Certificates of Obligation from</u> <u>Direct Placements</u>	
	<u>Principal</u>	<u>Interest</u>	<u>Principal</u>	<u>Interest</u>
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	65,000	42,000	70,000	39,900
2027-2031	385,000	158,600	395,000	159,125
2032-2036	455,000	87,900	485,000	71,900
2037-2039	<u>305,000</u>	<u>18,450</u>	<u>110,000</u>	<u>2,200</u>
	<u>\$ 1,445,000</u>	<u>\$ 505,750</u>	<u>\$ 1,325,000</u>	<u>\$ 453,050</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
2022	\$ 110,000	\$ 31,466	\$ 150,000	\$ 105,932	\$ -	\$ 2,520
2023	115,000	27,738	175,000	92,520	105,000	3,780
2024	115,000	23,802	185,000	86,219	105,000	1,260
2025	120,000	19,865	245,000	79,424	-	-
2026	130,000	15,573	250,000	70,846	-	-
2027-2031	420,000	31,498	635,000	276,968	-	-
2032-2036	-	-	720,000	185,433	-	-
2037-2041	-	-	825,000	78,551	-	-
2042-2043	-	-	80,000	1,790	-	-
	<u>\$ 1,010,000</u>	<u>\$ 149,942</u>	<u>\$ 3,265,000</u>	<u>\$ 977,683</u>	<u>\$ 210,000</u>	<u>\$ 7,560</u>

Revenue bond ordinances require that the following information concerning insurance coverage as of September 30, 2021 be disclosed.

ANNUAL PREMIUM	POLICY NO.	NATURE OF COVERAGE	AMOUNT OF COVERAGE	POLICY PERIOD
\$ 33,104	#H5490-01	Workers Compensation	Statutory Limits	10-1-20 to 10-1-2021
\$ 26,605	#NYA 803565	Liability General	\$2,000,000/occurrence	10-1-20 to 10-1-2021
		Auto and Law		
		Enforcement	\$1,000,000/occurrence	10-1-20 to 10-1-2021
		Property:		
		Real & Personal	\$ 7,763,205	10-1-20 to 10-1-2021
		Mobile Equipment	\$ 496,399	10-1-20 to 10-1-2021
		Boiler & Machinery	\$100,000/accident	10-1-20 to 10-1-2021
\$ 3,824	#NYA 812114	Errors & Omissions	\$1,000,000	10-1-20 to 10-1-2021

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. 257,107

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. 96,595

The Independent Bankers Bank; original loan amount of \$55,283;  
bearing 4.25% interest; payable in equal annual installments of \$20,160  
due October 30 of each year beginning in 2020 and ending in 2022;  
secured by equipment. 37,872

The Independent Bankers Bank; original loan amount of \$250,825; bearing 3.57% interest; payable in equal annual installments of \$41,377, due October 30 of each year beginning in 2020 and ending in 2026; secured by equipment. 220,019

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. 80,255

Total \$ 691,848

Less: Current Portion (136,637)

LONG-TERM PORTION \$ 555,211

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

Year Ending September 30	Principal	Interest
2022	\$ 136,637	\$ 26,650
2023	141,776	21,511
2024	126,986	16,141
2025	68,571	11,439
2026	71,242	8,768
2027-2029	146,636	10,641
	<u>\$ 691,848</u>	<u>\$ 95,150</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. \$ 88,590

Total \$ 88,590

Less: Current Portion (43,739)

LONG-TERM PORTION \$ 44,851

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

<u>Year Ending</u> <u>September 30</u>	<u>Principal</u>	<u>Interest</u>
2022	\$ 43,739	\$ 2,251
2023	<u>44,851</u>	<u>1,139</u>
	<u>\$ 88,590</u>	<u>\$ 3,390</u>

#### Changes in long-term liabilities

Long term liability activity for the year ended September 30, 2021 was as follows:

	<u>Beginning</u> <u>Balance</u> <u>10/1/2020</u>	<u>Additions</u>	<u>Reductions</u>	<u>Ending</u> <u>Balance</u> <u>9/30/2021</u>	<u>Due Within</u> <u>One Year</u>
Governmental Activities:					
Long-term debt:					
General obligation bonds from direct placements	\$ 1,490,000	\$ -	\$ 45,000	\$ 1,445,000	\$ 55,000
Premium on issue of GOs	144,910	-	17,882	127,028	11,727
Certificates of obligation from direct placements	1,385,000	-	60,000	1,325,000	65,000
Premium on issue of COs	51,048	-	5,182	45,866	4,958
Notes Payable from direct borrowings	840,396	-	148,548	691,848	136,637
Other long-term liabilities:					
Compensated Absences	59,787	21,981	-	81,768	81,768
Net Pension Liability	227,704	-	6,969	220,735	-
Total OPEB Liability	<u>63,109</u>	<u>12,404</u>	<u>-</u>	<u>75,513</u>	<u>-</u>
Governmental Activities					
Long-Term Liabilities	<u>\$ 4,261,954</u>	<u>\$ 34,385</u>	<u>\$ 283,581</u>	<u>\$ 4,012,758</u>	<u>\$ 355,090</u>
Business-Type Activities:					
Long-term debt:					
General obligation bonds from direct placements	\$ 1,115,000	\$ -	\$ 105,000	\$ 1,010,000	\$ 110,000
Certificates of obligation from direct placements	1,540,000	1,875,000	150,000	3,265,000	150,000
Premium on issue of COs	-	214,658	-	214,658	18,491
Revenue bonds from direct placements	415,000	-	205,000	210,000	-
Notes payable from direct borrowings	131,245	-	42,655	88,590	43,739
Other long-term liabilities:					
Compensated Absences	14,750	7,961	-	22,711	22,711
Net Pension Liability	54,843	-	1,679	53,164	-
Total OPEB Liability	<u>15,199</u>	<u>2,988</u>	<u>-</u>	<u>18,187</u>	<u>-</u>
Business-Type Activities					
Long-Term Liabilities	<u>\$ 3,286,037</u>	<u>\$ 2,100,607</u>	<u>\$ 504,334</u>	<u>\$ 4,882,310</u>	<u>\$ 344,941</u>

The general fund has 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 other long-term liabilities (pension, OPEB, and compensated absences).

#### **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, 2021, the City had \$202,984 in net receivables from its residents for the usage of these services.

## **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, 2021, the City did not have any liability for unpaid claims or adjustments under policies carried with TML. During the year ended September 30, 2021, 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.

## **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, 2021, 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 \$310,503 under this contract as of September 30, 2021.

## **J. Defined Benefit Pension Plan**

### **Plan Description**

The City of Chandler participates as one of 895 plans in the defined benefit cash-balance plan administered by the Texas Municipal Retirement System (TMRS). TMRS is a statewide public retirement plan 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 employees of Texas participating cities. The TMRS Act places the general administration and management of TMRS with a six-member, Governor-appointed Board of Trustees; however, TMRS is not fiscally dependent on the State of Texas. TMRS issues a publicly available Annual Comprehensive Financial Report (Annual Report) that can be obtained at [www.tmr.com](http://www.tmr.com).

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

### **Benefits Provided**

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

At retirement, the member's benefit is calculated as if the sum of the member's contributions, with interest, and the city-financed monetary credits with interest. The retiring members may select one of seven monthly benefit payment options. Members may also choose to receive a portion of their benefit as a lump sum distribution in an amount equal to 12, 24, or 36 monthly payments, which cannot exceed 75% of the total member's contributions and interest.

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

	<u>Plan Year 2020</u>	<u>Plan Year 2021</u>
Employee deposit rate	5.0%	5.0%
Matching ratio (city to employee)	1.5 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, 2020 valuation and measurement date, the following employees were covered by the benefit terms:

	<u>12/31/2020</u>
Inactive employees or beneficiaries currently receiving benefits	9
Inactive employees entitled to but not yet receiving benefits	10
Active employees	<u>27</u>
	<u>46</u>

#### **Contributions**

Member contribution rates in TMRS are either 5%, 6%, or 7% of the member's total compensation, 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 city's contribution rate is based on the liabilities created from the benefit plan options selected by the city and any changes in benefits or actual experience over time.

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 6.14% and 6.13% in calendar years 2020 and 2021, respectively. The City's contributions to TMRS for the year ended September 30, 2021, were \$74,922, and were equal to the required contributions.

#### **Net Pension Liability**

The City's Net Pension Liability (NPL) was measured as of December 31, 2020, 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, 2020 actuarial valuation was determined using the following actuarial assumptions:

Inflation	2.50% per year
Overall payroll growth	2.75% per year, adjusted down for population declines, if any
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 disabled annuitants, the same mortality tables for healthy retirees are 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 member 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 12/31/2019	\$ 1,191,680	\$ 909,133	\$ 282,547
Changes for the year:			
Service cost	102,755	-	102,755
Interest	81,903	-	81,903
Changes benefit terms including substantively automatic status	-	-	-
Difference between expected and actual experience	9,850	-	9,850
Changes of assumptions	-	-	-
Contributions - employer	-	74,138	(74,138)
Contributions - employee	-	60,373	(60,373)
Net investment income	-	69,109	(69,109)
Benefit payments, including refunds of employee contributions	(59,367)	(59,367)	-
Administrative expense	-	(447)	447
Other changes	-	(17)	17
Net changes	135,141	143,789	(8,648)
Balance at 12/31/2020	\$ 1,326,821	\$ 1,052,922	\$ 273,899

## 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	\$ 425,506	\$ 273,899	\$ 145,154

## Pension Plan Fiduciary Net Position

Detailed information about the pension plan's Fiduciary Net Position is available in the Schedule of Changes in Fiduciary Net Position, by Participating City. That report may be obtained on the internet at [www.tnrs.com](http://www.tnrs.com).

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

For the year ended September 30, 2021, the City recognized pension expense of \$60,804.

At September 30, 2021, 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	\$ 12,939	\$ (4,809)
Changes in actuarial assumptions	5,008	-
Difference between projected and actual investment earnings	27,970	(54,068)
Contributions subsequent to the measurement date	54,312	-
Total	<u>\$ 100,229</u>	<u>\$ (58,877)</u>

\$54,312 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, 2022. 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
2021	\$ (4,424)
2022	3,112
2023	(11,787)
2024	139
2025	-
	<u>\$ (12,960)</u>

## 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, 2020 valuation and measurement date, the following employees were covered by the benefit terms:



	<u>12/31/2020</u>	<u>12/31/2019</u>
Inactive employees currently receiving benefits	9	9
Inactive employees entitled to but not yet receiving benefits	3	3
Active employees	<u>27</u>	<u>26</u>
	<u>39</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, 2021 were \$2,898, 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>
2021	0.24%	0.10%
2020	0.23%	0.03%
2019	0.25%	0.03%
2018	0.27%	0.02%
2017	0.24%	0.02%

### Total OPEB Liability

For the fiscal year ended September 30, 2021, the City recognized a total OPEB liability of \$93,700. The liability was measured as of December 31, 2020 and was determined by an actuarial valuation as of that date.

### Actuarial Assumptions

The total OPEB liability in the December 31, 2020 actuarial valuation was determined using the following assumptions:

Inflation	2.50% per year
Salary increases	3.50% to 11.50% per year, including inflation
Discount Rate*	2.00%
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 Statement 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, 2020.

Note: The actuarial assumptions used in the December 31, 2020 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, 2019	\$ 78,308
Changes for the year:	
Service cost	6,158
Interest on Total OPEB Liability	2,233
Change of benefit terms including TMRS plan participation	-
Difference between expected and actual experience	(4,961)
Changes of assumptions or other inputs	12,324
Benefit payments	(362)
Net changes	15,392
Total OPEB Liability - December 31, 2020	\$ 93,700

#### 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 2.00%, 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 (1.00%) or 1-percentage-point higher (3.00%) than the current discount rate:

	1% Decrease in Discount Rate (1.00%)	Current Discount Rate (2.00%)	1% Increase in Discount Rate (3.00%)
City's Total OPEB Liability	\$ 114,250	\$ 93,700	\$ 77,802

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

For the fiscal year ended September 30, 2021, the City recognized total OPEB expense of \$12,232. At September 30, 2021, 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	\$ 861	\$ (4,070)
Changes in actuarial assumptions	21,929	(2,245)
Contributions subsequent to the measurement date	265	-
Total	\$ 23,055	\$ (6,315)

Deferred outflows of resources related to OPEB resulting from contributions subsequent to the measurement date of \$265 will be recognized as a reduction of the total OPEB liability for the year ending September 30, 2022. Other amounts reported as deferred outflows of resources related to OPEB will be recognized in OPEB expense as follows:

	Year Ended December 31
2021	\$ 3,841
2022	3,841
2023	3,458
2024	3,524
2025	1,811
	<u>\$ 16,475</u>

#### **L. Subsequent Events**

In December 2022, the City issued Series 2022 Limited Tax Note in the amount of \$2,000,000, with an interest rate of 3.94% and a maturity date of August 15, 2029, to fund construction related to city hall, police, library and utility services buildings. The debt service for this issue will be paid from ad valorem taxes.

Subsequent events were evaluated through August 22, 2023, 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, 2021**

	<u>2014</u>	<u>2015</u>	<u>2016</u>	<u>2017</u>	<u>2018</u>	<u>2019</u>	<u>2020</u>
<b>Total pension liability</b>							
Service Cost	\$ 43,368	\$ 61,646	\$ 65,449	\$ 70,652	\$ 78,318	\$ 99,315	\$ 102,755
Interest (on the Total Pension Liability)	44,712	50,490	56,313	61,142	66,194	74,178	81,903
Changes in benefit terms including substantively automatic status	-	-	-	-	-	16,417	-
Difference between expected and actual experience	1,313	(8,904)	1,259	9,164	5,846	(7,533)	9,850
Change of assumptions	-	29,836	-	-	-	7,844	-
Benefit payments, including refunds of employee contributions	(11,468)	(20,526)	(23,460)	(84,698)	(55,187)	(62,798)	(59,367)
Net Change in Total Pension Liability	77,925	112,542	99,561	56,260	95,171	127,423	135,141
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>	<u>1,191,680</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>	<u>\$ 1,326,821</u>
<b>Plan Fiduciary Net Position</b>							
Contributions - Employer	\$ 40,817	\$ 46,596	\$ 43,862	\$ 45,594	\$ 50,777	\$ 54,003	\$ 74,138
Contributions - Employee	39,097	45,063	46,483	49,755	54,615	57,474	60,373
Net Investment Income	20,573	662	35,184	86,090	(21,495)	115,406	69,109
Benefit payments, including refunds of employee contributions	(11,468)	(20,526)	(23,460)	(84,698)	(55,187)	(62,798)	(59,367)
Administrative Expense	(215)	(403)	(397)	(446)	(415)	(651)	(447)
Other	(18)	(21)	(21)	(24)	(22)	(20)	(17)
Net Change in Plan Fiduciary Net Position	88,786	71,371	101,651	96,271	28,273	163,414	143,789
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>	<u>909,133</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>	<u>\$ 1,052,922</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>	<u>\$ 273,899</u>
Plan Fiduciary Net Position as a Percentage of Total Pension Liability	63.96%	63.88%	68.05%	74.03%	70.07%	76.29%	79.36%
Covered Employee Payroll	\$ 781,938	\$ 901,263	\$ 929,668	\$ 995,092	\$ 1,092,305	\$ 1,149,484	\$ 1,207,460
Net Pension Liability as a Percentage of Covered Employee Payroll	32.30%	32.59%	31.37%	25.29%	29.16%	24.58%	22.68%

**CITY OF CHANDLER, TEXAS  
REQUIRED SUPPLEMENTARY INFORMATION  
SCHEDULE OF PENSION CONTRIBUTIONS  
FISCAL YEAR ENDED SEPTEMBER 30, 2021**

	<u>2014</u>	<u>2015</u>	<u>2016</u>	<u>2017</u>	<u>2018</u>	<u>2019</u>	<u>2020</u>	<u>2021</u>
Actuarially Determined Contribution	\$ 38,587	\$ 45,953	\$ 45,726	\$ 44,690	\$ 47,974	\$ 53,242	\$ 68,296	\$ 74,922
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>	<u>74,922</u>
Contribution deficiency (excess)	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Covered employee payroll	\$ 741,286	\$ 886,693	\$ 946,240	\$ 969,053	\$ 1,035,406	\$ 1,136,038	\$ 1,186,442	\$ 1,221,671
Contributions as a percentage of covered employee payroll	5.21%	5.18%	4.83%	4.61%	4.63%	4.69%	5.76%	6.13%

**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	24 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:** There were no benefit changes during the year.

**CITY OF CHANDLER, TEXAS**  
**REQUIRED SUPPLEMENTARY INFORMATION**  
**SCHEDULE OF CHANGES IN TOTAL OPEB LIABILITY AND RELATED RATIOS**  
**FISCAL YEAR ENDED SEPTEMBER 30, 2021**

	<u>2017</u>	<u>2018</u>	<u>2019</u>	<u>2020</u>
<b>Total OPEB liability</b>				
Service Cost	\$ 4,378	\$ 5,352	\$ 4,483	\$ 6,158
Interest (on the Total Pension Liability)	1,702	1,845	2,161	2,233
Changes in benefit terms including TMRS plan participation	-	-	-	-
Difference between expected and actual experience	-	228	1,072	(4,961)
Change of assumptions or other inputs	4,342	(4,210)	14,770	12,324
Benefit payments	<u>(199)</u>	<u>(218)</u>	<u>(345)</u>	<u>(362)</u>
Net Change in Total OPEB Liability	10,223	2,997	22,141	15,392
Total OPEB Liability - Beginning	<u>42,947</u>	<u>53,170</u>	<u>56,167</u>	<u>78,308</u>
Total OPEB Liability - Ending	<u>\$ 53,170</u>	<u>\$ 56,167</u>	<u>\$ 78,308</u>	<u>\$ 93,700</u>
Covered Employee Payroll	\$ 995,092	\$1,092,305	\$ 1,149,484	\$ 1,207,460
Total OPEB Liability as a Percentage of Covered Employee Payroll	5.34%	5.14%	6.81%	7.76%

## **ADDITIONAL SUPPLEMENTAL INFORMATION**



**CITY OF CHANDLER, TEXAS  
COMBINING BALANCE SHEET  
NONMAJOR GOVERNMENTAL FUNDS  
SEPTEMBER 30, 2021**

	DONATION FUND	COURT SECURITY FUND	COURT TECHNOLOGY FUND	DEBT SERVICE FUND	POLICE FORFEITURE FUND	LOCAL TRUANCY FUND	MUNICIPAL JURY FUND	HOTEL MOTEL FUND	TOTAL NONMAJOR GOVERNMENTAL FUNDS
<b>ASSETS</b>									
Restricted cash and cash equivalents	\$ 5,307	\$ 45,833	\$ 4,591	\$ 23,614	\$ -	\$ 3,256	\$ 65	\$ 10,074	\$ 92,740
Total Assets	<u>\$ 5,307</u>	<u>\$ 45,833</u>	<u>\$ 4,591</u>	<u>\$ 23,614</u>	<u>\$ -</u>	<u>\$ 3,256</u>	<u>\$ 65</u>	<u>\$ 10,074</u>	<u>\$ 92,740</u>
<b>LIABILITIES AND FUND BALANCES</b>									
<b>LIABILITIES:</b>									
Accounts payable	\$ -	\$ -	\$ 250	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 250
Total Liabilities	<u>-</u>	<u>-</u>	<u>250</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>250</u>
<b>FUND BALANCES:</b>									
Restricted:									
City Programs	5,307	-	-	-	-	-	-	-	5,307
Tourism	-	-	-	-	-	-	-	10,074	10,074
Court	-	45,833	4,341	-	-	3,256	65	-	53,495
Debt Service	-	-	-	23,614	-	-	-	-	23,614
Total Fund Balances	<u>5,307</u>	<u>45,833</u>	<u>4,341</u>	<u>23,614</u>	<u>-</u>	<u>3,256</u>	<u>65</u>	<u>10,074</u>	<u>92,490</u>
Total Liabilities and Fund Balances	<u>\$ 5,307</u>	<u>\$ 45,833</u>	<u>\$ 4,591</u>	<u>\$ 23,614</u>	<u>\$ -</u>	<u>\$ 3,256</u>	<u>\$ 65</u>	<u>\$ 10,074</u>	<u>\$ 92,740</u>

**CITY OF CHANDLER, TEXAS**  
**COMBINING STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES**  
**NONMAJOR GOVERNMENTAL FUNDS**  
**FISCAL YEAR ENDED SEPTEMBER 30, 2021**

	DONATION FUND	COURT SECURITY FUND	COURT TECHNOLOGY FUND	DEBT SERVICE FUND	POLICE FORFEITURE FUND	LOCAL TRUANCY FUND	MUNICIPAL JURY FUND	HOTEL MOTEL FUND	TOTAL NONMAJOR GOVERNMENTAL FUNDS
<b>REVENUES</b>									
Fines	\$ -	\$ 3,268	\$ 3,018	\$ -	\$ -	\$ 2,682	\$ 54	\$ -	\$ 9,022
Property Taxes	-	-	-	105,187	-	-	-	-	105,187
Hotel Motel Tax	-	-	-	-	-	-	-	10,074	10,074
Donations	7,078	-	-	-	-	-	-	-	7,078
Interest	7	58	5	63	-	2	-	-	135
Total Revenues	7,085	3,326	3,023	105,250	-	2,684	54	10,074	131,496
<b>EXPENDITURES</b>									
Current:									
Public Safety	-	-	-	-	1,864	-	-	-	1,864
Municipal Court	-	-	1,610	-	-	-	-	-	1,610
Parks & Recreation	7,354	-	-	-	-	-	-	-	7,354
Total Expenditures	7,354	-	1,610	-	1,864	-	-	-	10,828
Excess (deficiency) of revenues over (under) expenditures	(269)	3,326	1,413	105,250	(1,864)	2,684	54	10,074	120,668
<b>OTHER FINANCING SOURCES (USES)</b>									
Transfers out	-	-	-	(102,000)	-	-	-	-	(102,000)
Total Other Financing Sources (Uses)	-	-	-	(102,000)	-	-	-	-	(102,000)
Net Change in Fund Balances	(269)	3,326	1,413	3,250	(1,864)	2,684	54	10,074	18,668
Fund Balance, beginning of year	5,576	42,507	2,928	20,364	1,864	572	11	-	73,822
Fund Balance, end of year	\$ 5,307	\$ 45,833	\$ 4,341	\$ 23,614	\$ -	\$ 3,256	\$ 65	\$ 10,074	\$ 92,490

## **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, 2021, and the related notes to the financial statements, which collectively comprise the City of Chandler, Texas' basic financial statements, and have issued our report thereon dated August 22, 2023.

**Internal Control over Financial Reporting**

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

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

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses. We did identify a deficiency in internal control, described in the accompanying schedule of findings as item 2021-001 that we consider to be a significant deficiency.

**Compliance and Other Matters**

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

**City of Chandler, Texas' Response to Findings**

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

### **Purpose of this Report**

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

*Frank Campos & Associates PLLC*

Frank Campos & Associates, PLLC  
Palestine, Texas  
August 22, 2023

**CITY OF CHANDLER, TEXAS  
SCHEDULE OF FINDINGS  
SEPTEMBER 30, 2021**

**SIGNIFICANT DEFICIENCIES**

**2021-001 Credit Card Purchases**

*Criteria*

A good system of internal control over credit card usage includes a written credit card policy that establishes guidelines on which employees can be cardholders and their credit limits, requires regular review of credit card statements by someone knowledgeable of the nuances of the City, and requires all credit card purchases to be substantiated with original receipts. Original receipts should be provided by the credit card user to the statement reviewer for each credit card purchase and should include such standard elements as the date and time of purchase, the specific item(s) or service(s) purchased, and related details. If the receipt is not clear as to the item purchased, or if the purpose of the purchased item is not clear, additional information should be provided.

*Conditions*

During the audit, we noted three credit card transactions totaling \$24,564.14 all from the month of April 2021, in which original receipts for the credit card charges could not be provided.

*Cause*

The credit card user did not turn in the original receipts for review.

*Effect or Potential Effect*

The potential effect, if not corrected, includes the risk of error or fraud going undetected.

*Recommendation*

We recommend the City implement a written credit card policy that requires all credit card purchases to be substantiated with original receipts. In addition, we recommend the policy include clear consequences for not following the policy. No one should be able to bypass the policy as it can create an atmosphere in which others may do the same.

*Management's Response*

The City agrees with the recommendation of the auditor.