

CITY OF CHANDLER, TEXAS

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

FISCAL YEAR ENDED SEPTEMBER 30, 2022

**CITY OF CHANDLER, TEXAS
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SEPTEMBER 30, 2022**

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INDEPENDENT AUDITOR'S REPORT

To the City Council
City of Chandler, Texas

Report on the Audit of the Financial Statements

Opinions

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, 2022, and the statement of revenues, expenditures, and changes in fund balance – budget and actual for the General Fund, 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.

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, 2022, 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.

Basis for Opinions

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. Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Financial Statements section of our report. We are required to be independent of the City of Chandler, Texas and to meet our other ethical responsibilities, in accordance with the relevant ethical requirements relating to our audit. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinions.

Emphasis of Matters – Correction of Misstatement and Change in Accounting Principle

As discussed in Note L to the financial statements, the 2021 financial statements have been restated to correct a misstatement. Our opinions are not modified with respect to this matter.

As discussed in Note L to the financial statements, in the year ended September 30, 2022, the City adopted new accounting guidance, Governmental Accounting Standards Board Statement No. 87, *Leases*. Our opinions are not modified with respect to these matters.

Responsibility of Management 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.

In preparing the financial statements, management is required to evaluate whether there are conditions or events, considered in the aggregate, that raise substantial doubt about the City of Chandler, Texas's ability to continue as a going concern for twelve months beyond the financial statement date, including any currently known information that may raise substantial doubt shortly thereafter.

Auditor's Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinions. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with generally accepted auditing standards and *Government Auditing Standards* will always detect a material misstatement when it exists. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Misstatements are considered material if there is a substantial likelihood that, individually or in the aggregate, they would influence the judgment made by a reasonable user based on the financial statements.

In performing an audit in accordance with generally accepted auditing standards and *Government Auditing Standards*, we:

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements.
- Obtain an understanding of internal control relevant to the audit 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 City of Chandler, Texas's internal control. Accordingly, no such opinion is expressed.
- Evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the financial statements.
- Conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about the City of Chandler, Texas's ability to continue as a going concern for a reasonable period of time.

We are required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit, significant audit findings, and certain internal control-related matters that we identified during the audit.

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 4-9, 44-45, and 46 be presented to supplement the basic financial statements. Such information is the responsibility of management and, 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.

Supplementary Information

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the City of Chandler, Texas's basic financial statements. The accompanying combining nonmajor financial statements are presented for purposes of additional analysis and are not a required part of the basic financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the basic financial statements. The 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 April 3, 2024, 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
April 3, 2024

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, 2022.

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 \$10,171,190 (net position). Of this amount \$1,238,266 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 \$1,694,129. Of this amount, \$476,317 (28.12%) is available for spending at the government's discretion.
- The total net position of \$10,171,190 is made up of \$6,415,475 in capital assets net of related debt and \$3,755,715 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, and parks and recreation. The business-type activities include water and sewer.

The *fund financial statements* are presented using fund designations. A fund is a group of related accounts that is used to maintain control over resources that have been segregated for specific activities or objectives. The City, like other local governments, used fund accounting to ensure and demonstrate compliance with finance-related legal requirements. All of the funds of the City can be divided into two categories: governmental funds and proprietary funds.

Governmental funds. These funds are used to account for essentially the same functions reported as *governmental activities* in the government-wide financial statements. However, unlike the government-wide financial statements, governmental funds financial statements focus on near-term inflows and

outflows of spendable resources, as well as on balances of spendable resources available at the end of the fiscal year. Such information may be useful in evaluating the City's near-term financing requirements.

Because the focus of governmental funds is narrower than that of the government-wide financial statements, it is useful to compare the information presented for governmental funds with similar information presented for governmental activities in the government-wide financial statements. By doing so, readers may better understand the long-term impact of the City's near-term financing decisions. Both the governmental fund balance sheet and the governmental fund statement of revenues, expenditures, and changes in fund balances provide a reconciliation to facilitate this comparison between governmental funds and governmental activities.

The City maintains eleven individual governmental funds. Information is presented separately in the governmental fund balance sheet and in the governmental fund statement of revenues, expenditures, and changes in fund balances for the general fund, and economic development 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, 2022, the City's assets and deferred outflows of resources exceeded liabilities and deferred inflows of resources by \$10,171,190.

By far the largest portion of the City's net position, \$6,415,475, reflects its investment in capital assets (e.g., land, buildings, equipment, and infrastructure); less any related debt used to acquire these assets that is still outstanding. The City uses these capital assets to provide services to citizens; consequently, these assets are not available for future spending. Although the City's investment in its capital assets is reported net of related debt, it should be noted that the resources needed to repay this debt must be provided from other sources since the capital assets themselves cannot be used to liquidate these liabilities. This amount increased by \$1,483,038 from the prior year primarily from the purchase of assets and construction in progress. The amount of unrestricted net position \$1,238,266 increased by \$122,518 from the prior year primarily due to an increase in property tax, sales tax, and hotel / motel tax collections and an increase in water and sewer rates.

City of Chandler's Net Position

	Governmental Activities		Business-type Activities		Total	
	2022	2021	2022	2021	2022	2021
Current and other assets	\$ 3,073,364	\$ 2,655,612	\$ 2,313,345	\$ 2,925,530	\$ 5,386,709	\$ 5,581,142
Capital assets	6,749,889	6,406,714	7,741,566	7,178,988	14,491,455	13,585,702
Total assets	9,823,253	9,062,326	10,054,911	10,104,518	19,878,164	19,166,844
Deferred outflows	108,994	99,768	25,740	23,516	134,734	123,284
Current and other liabilities	566,274	681,231	248,329	488,172	814,603	1,169,403
Long-term liabilities	3,692,244	4,012,758	4,666,858	4,882,310	8,359,102	8,895,068
Total liabilities	4,258,518	4,693,989	4,915,187	5,370,482	9,173,705	10,064,471
Deferred inflows	643,448	53,141	24,555	12,051	668,003	65,192
Net invested in capital assets	3,300,421	2,771,972	3,115,054	2,160,465	6,415,475	4,932,437
Restricted	1,217,812	1,109,782	1,299,637	2,002,498	2,517,449	3,112,280
Unrestricted	512,048	533,210	726,218	582,538	1,238,266	1,115,748
Total net position	\$ 5,030,281	\$ 4,414,964	\$ 5,140,909	\$ 4,745,501	\$ 10,171,190	\$ 9,160,465

Governmental activities net position increased by \$542,614 during the year which was primarily attributable to increases in property, sales, and hotel / motel tax. The business-type activities resulted in a \$468,412 increase due to increased charges for services.

City of Chandler's Changes in Net Position

	Governmental Activities		Business-type Activities		Total	
	2022	2021	2022	2021	2022	2021
Revenues						
Charges for services	\$ 411,992	\$ 338,078	\$ 2,004,966	\$ 1,742,493	\$ 2,416,958	\$ 2,080,571
Operating grants and contributions	536,015	245,417	-	-	536,015	245,417
Capital grants and contributions	-	-	16,000	1,450	16,000	1,450
General Revenue						
Property taxes	1,427,028	1,245,933	-	-	1,427,028	1,245,933
Franchise taxes	149,803	141,767	-	-	149,803	141,767
Hotel / Motel tax	75,321	10,074	-	-	75,321	10,074
Sales and use taxes	1,112,726	1,042,706	-	-	1,112,726	1,042,706
Miscellaneous other income	-	5,473	-	-	-	5,473
Interest income	12,559	2,643	1,384	1,676	13,943	4,319
Total revenue	3,725,444	3,032,091	2,022,350	1,745,619	5,747,794	4,777,710
Expenses						
General government	954,146	1,101,700	-	-	954,146	1,101,700
Public safety	911,379	719,391	-	-	911,379	719,391
Public works	888,634	782,219	-	-	888,634	782,219
Parks and recreation	315,655	296,830	-	-	315,655	296,830
Interest	113,016	109,599	110,532	107,557	223,548	217,156
Bond issue cost	-	-	-	87,588	-	87,588
Water and sewer operations	-	-	1,443,406	1,332,634	1,443,406	1,332,634
Total expenses	\$ 3,182,830	\$ 3,009,739	\$ 1,553,938	\$ 1,527,779	\$ 4,736,768	\$ 4,537,518

	Governmental Activities		Business-type Activities		Total	
	2022	2021	2022	2021	2022	2021
Change in net position	542,614	22,352	468,412	217,840	1,011,026	240,192
Net position, beginning of the year	4,414,964	4,392,612	4,745,501	4,527,661	9,160,465	8,920,273
Prior period adjustment	72,703	-	(73,004)	-	(301)	-
Net position, beginning, as restated	4,487,667	4,392,612	4,672,497	4,527,661	9,160,164	8,920,273
Net position, end of the year	\$ 5,030,281	\$ 4,414,964	\$ 5,140,909	\$ 4,745,501	\$ 10,171,190	\$ 9,160,465

Current Year Reporting Change

In the current year, the City implemented Government Accounting Standards Board Statement No. 87, *Leases*, (GASBS 87), which requires the reporting of lease liabilities that were previously not reported, and for lessors and lessees to report leases under a single model. The City adopted this guidance as of October 1, 2021. For lessee leases, right-of-use assets and liabilities were recognized on the commencement date of the lease based on the present value of lease payments over the lease term. At inception of the year of adoption, the City recognized right-of-use leased assets of \$15,617, net of accumulated amortization, and a corresponding lease liability of \$15,918. The cumulative effect adjustment recorded to net position for governmental activities upon adoption was \$301. Since long-term assets are not financial resources and long-term liabilities are not due and payable in the current period, there was no effect on fund balance for the general fund, which is the fund used to pay the lease. See Note L in the financial statements for more information.

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 \$1,694,129 of which \$476,317 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 \$726,218. The total net position increased by \$468,412 for the year.

General Fund Budgetary Highlights

Over the year, the City of Chandler made no revisions to its original budget. At the end of the year, revenues were lower than the budgeted amount by \$350,489, due to grant funds budgeted in the current year received at the end of the prior year, after the budget was complete. Property taxes were also lower than anticipated by \$174,153. Actual expenditures were less than budgeted amounts by \$297,827, 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, 2022, amounts to \$14,491,455 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 \$905,753.

During the year, the City purchased land; made improvements to Winchester park, water and sewer system, and streets; and purchased two police vehicles and a tractor.

City of Chandler's Capital Assets

	Governmental Activities		Business-type Activities		Total	
	2022	2021	2022	2021	2022	2021
Land	\$ 1,087,998	\$ 595,874	\$ 139,933	\$ 139,933	\$ 1,227,931	\$ 735,807
Construction in Progress	62,625	-	1,221,472	629,764	1,284,097	629,764
Buildings and improvements	1,289,224	1,285,311	-	-	1,289,224	1,285,311
Infrastructure	3,876,398	4,032,804	-	-	3,876,398	4,032,804
Right-to-use leased equipment	10,263	-	-	-	10,263	-
Machinery and equipment	423,381	492,725	68,137	25,004	491,518	517,729
Water and sewer system	-	-	6,312,024	6,384,287	6,312,024	6,384,287
Combined total	\$ 6,749,889	\$ 6,406,714	\$ 7,741,566	\$ 7,178,988	\$ 14,491,455	\$ 13,585,702

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 \$8,359,102. Of this amount, \$6,875,000 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 Double A rating from 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	
	2022	2021	2022	2021	2022	2021
Compensated absences	\$ 80,963	\$ 81,768	\$ 26,580	\$ 22,711	\$ 107,543	\$ 104,479
Net pension liability	153,563	220,735	36,986	53,164	190,549	273,899
Total OPEB liability	85,571	75,513	20,611	18,187	106,182	93,700
Lease Payable	10,557	-	-	-	10,557	-
Bonds payable	2,650,000	2,770,000	4,225,000	4,485,000	6,875,000	7,255,000
Premium on Bond Issue	156,209	172,894	196,167	214,658	352,376	387,552
Notes payable	555,381	691,848	161,514	88,590	716,895	780,438
Combined total	\$ 3,692,244	\$ 4,012,758	\$ 4,666,858	\$ 4,882,310	\$ 8,359,102	\$ 8,895,068

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 2023 fiscal year.

Request for Information

This financial report is designed to provide a general overview of the City of Chandler's finances for all of those with an interest in the government's finances. Questions concerning any of the information provided in this report or requests for additional financial information should be addressed to: City of Chandler, Attn: Director of Finance, P. O. Box 425, Chandler, TX 75758 or call 903-849-6853 or email wjohnston@chandler.tx.com.

BASIC FINANCIAL STATEMENTS

CITY OF CHANDLER, TEXAS
STATEMENT OF NET POSITION
SEPTEMBER 30, 2022

Exhibit 1

	PRIMARY GOVERNMENT		
	GOVERNMENTAL	BUSINESS- TYPE	
	ACTIVITIES	ACTIVITIES	TOTAL
ASSETS			
Current Assets			
Cash and cash equivalents	\$ 466,633	\$ 722,662	\$ 1,189,295
Receivables (net of allowance for doubtful accounts)	796,877	230,493	1,027,370
Internal balances	73,004	(73,004)	-
Inventory	-	33,550	33,550
Accrued interest receivable	17,613	-	17,613
Total current assets	1,354,127	913,701	2,267,828
Noncurrent Assets			
Restricted Assets:			
Cash and cash equivalents			
Debt service	216,975	519,039	736,014
Cash for construction	745,194	780,598	1,525,792
Customer deposits	-	54,494	54,494
Grants	99,119	-	99,119
Other programs	137,172	-	137,172
Escrow account	-	45,513	45,513
Lease receivable	520,777	-	520,777
Capital Assets:			
Nondepreciable	1,150,623	1,361,405	2,512,028
Depreciable, net of accumulated depreciation	5,599,266	6,380,161	11,979,427
Total noncurrent assets	8,469,126	9,141,210	17,610,336
Total Assets	9,823,253	10,054,911	19,878,164
DEFERRED OUTFLOWS OF RESOURCES			
Deferred outflows related to TMRS SDBF OPEB	17,935	4,049	21,984
Deferred outflows related to TMRS pension	91,059	21,691	112,750
Total Deferred Outflows of Resources	108,994	25,740	134,734
LIABILITIES			
Current liabilities			
Accounts payable	362,340	130,617	492,957
Accrued wages payable	53,232	12,068	65,300
Deposits	-	54,494	54,494
Accrued interest payable	51,583	44,254	95,837
Unearned revenue - grants	99,119	-	99,119
Due to other governments	-	6,896	6,896
Long-term liabilities - due within one year			
Compensated absences	80,963	26,580	107,543
Lease payable	5,461	-	5,461
Notes payable	141,774	59,432	201,206
Bonds payable	136,043	411,185	547,228
Total current liabilities	930,515	745,526	1,676,041
Noncurrent liabilities			
Long-term liabilities - due in more than one year			
Net pension liability	153,563	36,986	190,549
Total OPEB liability	85,571	20,611	106,182
Lease payable	5,096	-	5,096
Notes payable	413,607	102,082	515,689
Bonds payable	2,670,166	4,009,982	6,680,148
Total noncurrent liabilities	3,328,003	4,169,661	7,497,664
Total liabilities	4,258,518	4,915,187	9,173,705
DEFERRED INFLOWS OF RESOURCES			
Deferred inflows related to TMRS SDBF OPEB	4,446	323	4,769
Deferred inflows related to TMRS pension	100,612	24,232	124,844
Deferred inflows related to leases	538,390	-	538,390
Total Deferred Inflows of Resources	643,448	24,555	668,003
NET POSITION			
Net investment in capital assets	3,300,421	3,115,054	6,415,475
Restricted for:			
Debt service	216,975	519,039	736,014
City Programs	7,311	-	7,311
Tourism	85,395	-	85,395
Court	63,158	-	63,158
Economic development	249,519	-	249,519
Capital projects	595,454	780,598	1,376,052
Unrestricted	512,048	726,218	1,238,266
Total Net Position	\$ 5,030,281	\$ 5,140,909	\$ 10,171,190

**CITY OF CHANDLER, TEXAS
STATEMENT OF ACTIVITIES
FISCAL YEAR ENDED SEPTEMBER 30, 2022**

PROGRAM ACTIVITIES	EXPENSES	PROGRAM REVENUES			NET (EXPENSE) REVENUE AND CHANGES IN NET POSITION		
		CHARGES FOR SERVICES	OPERATING GRANTS AND CONTRIBUTIONS	CAPITAL GRANTS AND CONTRIBUTIONS	PRIMARY GOVERNMENT		
					GOVERNMENTAL ACTIVITIES	BUSINESS- TYPE ACTIVITIES	TOTAL
PRIMARY GOVERNMENT:							
Governmental activities:							
General government	\$ 954,146	\$ 145,933	\$ -	\$ -	\$ (808,213)	\$ -	\$ (808,213)
Public safety	911,379	148,475	500,422	-	(262,482)	-	(262,482)
Public works	888,634	-	-	-	(888,634)	-	(888,634)
Parks and recreation	315,655	117,584	35,593	-	(162,478)	-	(162,478)
Interest and fees	113,016	-	-	-	(113,016)	-	(113,016)
Total governmental activities	3,182,830	411,992	536,015	-	(2,234,823)	-	(2,234,823)
Business-type activities:							
Water and sewer	1,443,406	2,004,966	-	16,000	-	577,560	577,560
Interest	110,532	-	-	-	-	(110,532)	(110,532)
Total business-type activities	1,553,938	2,004,966	-	16,000	-	467,028	467,028
Total primary government	\$ 4,736,768	\$ 2,416,958	\$ 536,015	\$ 16,000	(2,234,823)	467,028	(1,767,795)
General revenues:							
Property taxes					1,427,028	-	1,427,028
Franchise taxes					149,803	-	149,803
Hotel / Motel tax					75,321	-	75,321
Sales and use taxes					1,112,726	-	1,112,726
Interest income					12,559	1,384	13,943
Total general revenues and transfers					2,777,437	1,384	2,778,821
Change in Net Position					542,614	468,412	1,011,026
Net Position - beginning of year					4,414,964	4,745,501	9,160,465
Prior period adjustment (Note L)					72,703	(73,004)	(301)
Net Position - beginning of year, as restated					4,487,667	4,672,497	9,160,164
Net Postition - end of year					\$ 5,030,281	\$ 5,140,909	\$ 10,171,190

**CITY OF CHANDLER, TEXAS
BALANCE SHEET
GOVERNMENTAL FUNDS
SEPTEMBER 30, 2022**

	GENERAL	ECONOMIC DEVELOPMENT FUND	NON-MAJOR GOVERNMENTAL FUNDS	TOTAL GOVERNMENTAL FUNDS
ASSETS				
Cash and cash equivalents	\$ 466,633	\$ -	\$ -	\$ 466,633
Restricted cash and cash equivalents	258,848	256,220	683,392	1,198,460
Receivables:				
Sales tax receivable	148,767	49,589	-	198,356
Hotel / Motel tax	-	-	18,692	18,692
Accrued interest receivable	17,613	-	-	17,613
Leases Receivable	520,777	-	-	520,777
Property tax receivable (net of allowance for estimated uncollectibles)	15,447	-	46,537	61,984
Court receivable (net of allowance for estimated uncollectibles)	517,845	-	-	517,845
Due from other funds	-	-	118,368	118,368
Total Assets	<u>\$ 1,945,930</u>	<u>\$ 305,809</u>	<u>\$ 866,989</u>	<u>\$ 3,118,728</u>
LIABILITIES, DEFERRED INFLOWS OF RESOURCES AND FUND BALANCES				
LIABILITIES:				
Accounts payable	\$ 85,851	\$ 10,926	\$ 58,425	\$ 155,202
Accrued wages payable	53,232	-	-	53,232
Unearned revenue - grant	99,119	-	-	99,119
Due to other funds	-	45,364	-	45,364
Total Liabilities	<u>238,202</u>	<u>56,290</u>	<u>58,425</u>	<u>352,917</u>
DEFERRED INFLOWS OF RESOURCES:				
Unavailable revenue - court fines	517,845	-	-	517,845
Deferred inflows related to leases	538,390	-	-	538,390
Unavailable revenue - property taxes	15,447	-	-	15,447
Total Deferred Inflows of Resources	<u>1,071,682</u>	<u>-</u>	<u>-</u>	<u>1,071,682</u>
FUND BALANCES:				
Restricted:				
Capital Projects	-	-	595,454	595,454
City Programs	-	-	7,311	7,311
Tourism	-	-	85,395	85,395
Economic Development	-	249,519	-	249,519
Court	-	-	63,158	63,158
Debt Service	159,729	-	57,246	216,975
Unassigned	476,317	-	-	476,317
Total Fund Balances	<u>636,046</u>	<u>249,519</u>	<u>808,564</u>	<u>1,694,129</u>
Total Liabilities, Deferred Inflows of Resources and Fund Balances	<u>\$ 1,945,930</u>	<u>\$ 305,809</u>	<u>\$ 866,989</u>	<u>\$ 3,118,728</u>

**CITY OF CHANDLER, TEXAS
RECONCILIATION OF GOVERNMENTAL FUNDS
BALANCE SHEET TO THE STATEMENT OF NET POSITION
SEPTEMBER 30, 2022**

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

Total fund balances governmental funds (Exhibit 3)	\$ 1,694,129
Capital assets used in governmental activities are not current financial resources and, therefore, are not reported in the governmental funds balance sheet.	6,749,889
Deferred inflows represent an acquisition of net position that is applicable to a future reporting period.	428,234
Deferred outflows represent the consumption of net position that are applicable to a future reporting period.	108,994
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>(3,950,965)</u>
Net position of governmental activities (Exhibit 1)	<u><u>\$ 5,030,281</u></u>

CITY OF CHANDLER, TEXAS
STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES
GOVERNMENTAL FUNDS
FISCAL YEAR ENDED SEPTEMBER 30, 2022

	GENERAL	ECONOMIC DEVELOPMENT FUND	NON-MAJOR GOVERNMENTAL FUNDS	ELIMINATIONS	TOTAL GOVERNMENTAL FUNDS
REVENUES					
Property taxes	\$ 1,132,691	\$ -	\$ 290,785	\$ -	\$ 1,423,476
Sales tax	835,423	277,303	-	-	1,112,726
Hotel motel tax	-	-	75,321	-	75,321
Franchise tax	149,803	-	-	-	149,803
Fines	117,573	-	9,775	-	127,348
Licenses, permits, and fees	108,278	-	-	-	108,278
Library	25,000	-	-	-	25,000
Sports association and concession revenue	117,584	-	-	-	117,584
Interest	11,900	258	401	-	12,559
Rents	14,425	-	-	-	14,425
Donations	-	-	2,249	-	2,249
Other revenues	23,230	-	-	-	23,230
Grants	508,766	-	-	-	508,766
Total Revenues	<u>3,044,673</u>	<u>277,561</u>	<u>378,531</u>	<u>-</u>	<u>3,700,765</u>
EXPENDITURES					
Current:					
General government	744,767	110,692	-	-	855,459
Public safety	867,871	-	148	-	868,019
Public works	529,066	-	-	-	529,066
Parks and recreation	237,847	-	250	-	238,097
Capital outlay	548,886	314,648	58,425	-	921,959
Debt Service:					
Principal	196,828	-	65,000	-	261,828
Interest	81,370	-	47,925	-	129,295
Total Expenditures	<u>3,206,635</u>	<u>425,340</u>	<u>171,748</u>	<u>-</u>	<u>3,803,723</u>
Excess (Deficiency) of Revenues Over (Under) Expenditures	<u>(161,962)</u>	<u>(147,779)</u>	<u>206,783</u>	<u>-</u>	<u>(102,958)</u>
OTHER FINANCING SOURCES (USES):					
Transfers in	109,300	100,000	24,204	(233,504)	-
Transfers out	<u>(124,204)</u>	<u>-</u>	<u>(109,300)</u>	<u>233,504</u>	<u>-</u>
Total Other Financing Sources (Uses)	<u>(14,904)</u>	<u>100,000</u>	<u>(85,096)</u>	<u>-</u>	<u>-</u>
Net Change in Fund Balances	(176,866)	(47,779)	121,687	-	(102,958)
Fund Balance, beginning of year	812,912	406,934	504,237	-	1,724,083
Prior period adjustment (Note L)	-	(109,636)	182,640	-	73,004
Fund Balance, beginning of year as restated	<u>812,912</u>	<u>297,298</u>	<u>686,877</u>	<u>-</u>	<u>1,797,087</u>
Fund Balance, end of year	<u>\$ 636,046</u>	<u>\$ 249,519</u>	<u>\$ 808,564</u>	<u>\$ -</u>	<u>\$ 1,694,129</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, 2022

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

Net change in fund balances - total governmental funds (Exhibit 5)	\$ (102,958)
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.	327,558
Revenues in the statement of activities that do not provide current financial resources are not reported as revenues in the funds.	38,763
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.	278,107
Governmental funds report all payments to pension benefits as expenditures. However, in the government-wide statement of activities the pension expense is actuarially determined.	24,099
Governmental funds report all payments to OPEB benefits as expenditures. However, in the government-wide statement of activities the OPEB expense is actuarially determined.	(9,676)
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	(13,279)
Change in net position of governmental activities (Exhibit 2)	<hr/> \$ 542,614 <hr/>

CITY OF CHANDLER, TEXAS
STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN
FUND BALANCE - BUDGET AND ACTUAL
GENERAL FUND
FISCAL YEAR ENDED SEPTEMBER 30, 2022

	ORIGINAL BUDGET	FINAL BUDGET	ACTUAL	VARIANCE WITH FINAL BUDGET POSITIVE (NEGATIVE)
REVENUES				
Property taxes	\$ 1,306,844	\$ 1,306,844	\$ 1,132,691	\$ (174,153)
Sales tax	751,300	751,300	835,423	84,123
Franchise tax	142,000	142,000	149,803	7,803
Fines	120,000	120,000	117,573	(2,427)
Licenses, permits, and fees	50,350	50,350	108,278	57,928
Library	25,000	25,000	25,000	-
Sports Association revenue	112,000	112,000	65,774	(46,226)
Interest	1,000	1,000	11,900	10,900
Rent and lease	26,319	26,319	14,425	(11,894)
Grants	787,959	787,959	508,766	(279,193)
Miscellaneous	7,390	7,390	23,230	15,840
Concession revenue	65,000	65,000	51,810	(13,190)
Total Revenues	<u>3,395,162</u>	<u>3,395,162</u>	<u>3,044,673</u>	<u>(350,489)</u>
EXPENDITURES				
General government	795,655	795,655	993,591	(197,936)
Public safety	835,187	835,187	889,454	(54,267)
Public works	1,468,272	1,468,272	975,097	493,175
Community center	5,500	5,500	2,944	2,556
Municipal court	132,557	132,557	110,646	21,911
City library and museum	85,120	85,120	75,690	9,430
Parks and recreation	182,171	182,171	159,213	22,958
Total Expenditures	<u>3,504,462</u>	<u>3,504,462</u>	<u>3,206,635</u>	<u>297,827</u>
Revenues Over (Under) Expenditures	(109,300)	(109,300)	(161,962)	(52,662)
OTHER FINANCING SOURCES (USES)				
Transfers in	309,300	309,300	109,300	(200,000)
Transfers out	(200,000)	(200,000)	(124,204)	75,796
Total Other Financing Sources (Uses)	<u>109,300</u>	<u>109,300</u>	<u>(14,904)</u>	<u>(124,204)</u>
Net Change in Fund Balances	-	-	(176,866)	(176,866)
Fund Balance, beginning of year	<u>-</u>	<u>-</u>	<u>812,912</u>	<u>812,912</u>
Fund Balance, end of year	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 636,046</u>	<u>\$ 636,046</u>

CITY OF CHANDLER, TEXAS
STATEMENT OF NET POSITION
PROPRIETARY FUNDS
SEPTEMBER 30, 2022

	<u>ENTERPRISE FUND</u> <u>WATER AND SEWER</u> <u>FUND</u>
ASSETS	
Current Assets:	
Cash and cash equivalents	\$ 722,662
Accounts receivable (net of allowance for estimated uncollectibles)	230,493
Inventory	33,550
Total current assets	<u>986,705</u>
Noncurrent Assets:	
Restricted Assets:	
Cash and cash equivalents:	
Debt service	519,039
Cash for construction	780,598
Customer deposits	54,494
Escrow account	45,513
Capital Assets:	
Nondepreciable	1,361,405
Depreciable, net of accumulated depreciation	6,380,161
Total capital assets net of accumulated depreciation	<u>7,741,566</u>
Total noncurrent assets	<u>9,141,210</u>
Total Assets	<u>10,127,915</u>
DEFERRED OUTFLOWS OF RESOURCES	
Deferred outflows related to TMRS SDBF OPEB	4,049
Deferred outflows related to TMRS pension	21,691
Total deferred outflows of resources	<u>25,740</u>
LIABILITIES	
Current Liabilities:	
Accounts payable	130,617
Accrued wages payable	12,068
Due to other governments	6,896
Customer deposits	54,494
Accrued interest payable	44,254
Due to other funds	73,004
Long-term liabilities - due within one year:	
Compensated absences	26,580
Notes payable	59,432
Bonds payable	411,185
Total current liabilities	<u>818,530</u>
Noncurrent Liabilities:	
Long-term liabilities - due in more than one year:	
Net pension liability	36,986
Total TMRS OPEB liability	20,611
Notes payable	102,082
Bonds payable	4,009,982
Total noncurrent liabilities	<u>4,169,661</u>
Total liabilities	<u>4,988,191</u>
DEFERRED INFLOWS OF RESOURCES	
Deferred inflows related to TMRS SDBF OPEB	323
Deferred inflows related to TMRS pension	24,232
Total Deferred Inflows of Resources	<u>24,555</u>
NET POSITION	
Net investment in capital assets	3,115,054
Restricted for debt service	519,039
Restricted for capital projects	780,598
Unrestricted	726,218
Total Net Position	<u>\$ 5,140,909</u>

CITY OF CHANDLER, TEXAS
STATEMENT OF REVENUES, EXPENSES AND CHANGES IN NET POSITION
PROPRIETARY FUNDS
FISCAL YEAR ENDED SEPTEMBER 30, 2022

	ENTERPRISE FUND WATER AND SEWER FUND
OPERATING REVENUES	
Water sales and sewer service	\$ 1,548,508
Sanitation service	456,458
Total Operating Revenues	<u>2,004,966</u>
OPERATING EXPENSES	
Water, sewer, and sanitation operations	1,231,441
Depreciation	211,965
Total Operating Expenses	<u>1,443,406</u>
Operating Income (Loss)	<u>561,560</u>
NON-OPERATING REVENUES (EXPENSES)	
Interest expense	(110,532)
Interest income	1,384
Total Non-Operating Revenues (Expenses)	<u>(109,148)</u>
Income before capital contributions	452,412
Capital Contributions	
Grants	<u>16,000</u>
Change in Net Position	468,412
Net Position, beginning of year	4,745,501
Prior period adjustment (Note L)	(73,004)
Net Position, beginning of year as restated	<u>4,672,497</u>
Net Position, end of year	<u><u>\$ 5,140,909</u></u>

CITY OF CHANDLER, TEXAS
STATEMENT OF CASH FLOWS
PROPRIETARY FUNDS
FISCAL YEAR ENDED SEPTEMBER 30, 2022

	<u>ENTERPRISE FUND</u> <u>WATER AND SEWER</u> <u>FUND</u>
CASH FLOWS FROM OPERATING ACTIVITIES:	
Cash received from customers and users	\$ 1,982,356
Cash paid to suppliers for goods and services	(831,866)
Cash paid to employees for services	(446,458)
Internal Activity - payments to other funds	(150,404)
Net cash provided by operating activities	<u>553,628</u>
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES:	
Proceeds from issuance of debt	116,663
Capital grant revenue	16,000
Capital asset purchases	(960,987)
Interest paid	(123,547)
Principal paid on bonds, and notes payable	(322,230)
Net cash used in capital and related financing activities	<u>(1,274,101)</u>
CASH FLOWS FROM INVESTING ACTIVITIES:	
Interest earned on investments	1,264
Net cash provided by investing activities	<u>1,264</u>
Net decrease in cash	(719,209)
Cash, beginning of period	2,796,002
Cash, end of period	<u>\$ 2,076,793</u>
Reconciliation of Cash on Exhibit 8:	
Cash and cash equivalents	\$ 722,662
Restricted cash and cash equivalents	1,354,131
Total Cash	<u>\$ 2,076,793</u>
Reconciliation of Operating Income To Net Cash Provided by Operating Activities:	
Operating income	\$ 561,560
Adjustments to reconcile operating income to net cash provided by (used in) operating activities:	
Depreciation expense	211,965
Increase in accounts receivable	(27,509)
Increase in inventory	(1,995)
Decrease in due to other funds	(150,404)
Increase in deferred outflows of resources	(2,224)
Decrease in accounts payable	(31,919)
Decrease in accrued wages payable	(13,364)
Increase in customer deposits	3,500
Increase in due to other governments	1,399
Increase in compensated absences	3,869
Increase in deferred inflows of resources	12,504
Increase in total TMRS OPEB liability	2,424
Decrease in net pension liability	(16,178)
Total adjustments	<u>(7,932)</u>
NET CASH PROVIDED BY OPERATING ACTIVITIES	<u>\$ 553,628</u>

CITY OF CHANDLER, TEXAS
NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2022

NOTE 1 — SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

A. General Statement

The City of Chandler, Texas (the "City") was incorporated on January 9, 1913, under the provisions of the State of Texas. The City operates under a council form of government and provides the following services as authorized by state law: public safety (police), streets, health and social services, culture, recreation, public improvements, planning, general administrative services, and utilities operations.

The accounting policies of the City of Chandler, Texas conform to generally accepted accounting principles as applicable to governmental units. The following is a summary of the more significant policies:

B. The Reporting Entity

These financial statements present all of the funds of the City.

The financial statements of the City of Chandler, Texas include all funds and other organizations for which the City is financially accountable. Financial accountability is determined on the basis of appointment of a voting majority of the respective governing board, imposition of will, financial benefit or burden and financial accountability as a result of fiscal dependency. In determining the financial reporting entity, the City complies with the provisions of Government Accounting Standards Board Statement No. 14, "The Financial Reporting Entity", as amended, and includes all component units of which the City appointed a voting majority of the units' board and the City is either able to impose its will on the unit or a financial benefit or burden relationship exists.

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

C. Government-wide and Fund Financial Statements

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

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

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

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

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

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

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

The government reports the following major governmental funds:

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

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

The government reports the following major proprietary fund:

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

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

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

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

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

E. Assets, Liabilities, Deferred Outflows / Inflows, and Net Position or Fund Balance

1. Cash and cash equivalents – The City considers all cash in demand deposit accounts and petty cash accounts to be cash and cash equivalents, as well as certificates of deposit with original maturities of 90 days or less.
2. Receivables and Payables - Activity between funds that are representative of lending/borrowing arrangements outstanding at the end of the fiscal year are referred to as either “due to/from other funds” (i.e., the current portion of interfund loans) or “advances to/from other funds:” (i.e., the non-current portion of interfund loans). All other outstanding balances between funds are reported as “due to/from other funds.” Any residual balances outstanding between the governmental activities and business-type activities are reported in the government-wide financial statements as “internal balances”.

Advances between funds are offset by a fund balance reserve account in applicable governmental funds to indicate that they are not available for appropriation and are not expendable available financial resources.

All receivables are shown net of an allowance for 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 if purchased or constructed. Donated capital assets are recorded at acquisition 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).

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 five years of service earn ten days of vacation, regular full-time employees with five to fifteen years of service earn fifteen days of vacation, and regular full-time employees with fifteen 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 net 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, 2021. The deferred outflow shows the contributions to the TMRS retirement plan that occurred between December 31, 2021 and September 30, 2022. 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 contributions to the TMRS SDBF plan that occurred between December 31, 2021 and September 30, 2022, 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 which represent an acquisition of net position that applies to a future period(s) and so will not be recognized. The City has four 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 and the difference in expected and actual economic experience. This amount will be amortized in future periods. Finally the fourth item, deferred inflows related to leases, is reported on both the governmental funds balance sheet and on the government-wide statement of net position. This deferred inflow is equal to the lease receivable plus any payments received at or before the commencement of the lease term that relate to future periods. It is recognized in revenue in a systematic and rational manner over the term of the lease.

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 – 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, 2022 was \$2,517,449. Of this amount \$1,781,435 was restricted by enabling legislation, and \$736,014 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.

16. Leases – The City of Chandler is a lessee for a noncancellable lease of equipment. The City recognizes a lease liability and an intangible right-to-use lease asset in the government-wide financial statements. The City recognizes lease liabilities with an initial individual value of \$5,000 or more.

At the commencement of a lease, the City initially measures the lease liability at the present value of payments expected to be made during the lease term. Subsequently, the lease liability is reduced by the principal portion of lease payments made. The lease asset is initially measured as the initial amount of the lease liability, adjusted for the lease payments made at or before the lease commencement date, plus certain initial direct costs. Subsequently, the lease asset is amortized on a straight-line basis over its useful life.

Key estimates and judgements related to leases include how the City determines (1) the discount rate it uses to discount the expected lease payments to present value, (2) lease term, and (3) lease payments. The City uses its estimated incremental borrowing rate as the discount rate for leases when the interest rate charged by the lessor is not provided. The lease term includes the noncancellable period of the lease. Lease payments included in the measurement of the lease liability are composed of fixed payments and purchase option price that the City is reasonably certain to exercise.

The City monitors changes in circumstances that would require a remeasurement of its lease and will remeasure the lease asset and liability if certain changes occur that are expected to significantly affect the amount of the lease liability.

Lease assets are reported with other capital assets and lease liabilities are reported with long-term debt on the statement of net position.

The City of Chandler is a lessor for a noncancellable lease of land. The City recognizes a lease receivable and a deferred inflow of resources in the government-wide and governmental fund financial statements.

At the commencement of a lease, the City initially measures the lease receivable at the present value of payments expected to be received during the lease term. Subsequently, the lease receivable is reduced by the principal portion of lease payments received. The deferred inflow of resources is initially measured as the initial amount of the lease receivable, adjusted for lease payments received at or before the lease commencement date. Subsequently, the deferred inflow of resources is recognized as revenue over the life of the lease term.

Key estimates and judgments include how the City determines (1) the discount rate it uses to discount the expected lease receipts to present value, (2) lease term, and (3) lease receipts. The City uses its estimated incremental borrowing rate as the discount rate for leases. The lease term includes the noncancellable period of the lease. Lease receipts included in the measurement of the lease receivable is composed of fixed payments from the lessee.

The City monitors changes in circumstances that would require a remeasurement of its lease, and will remeasure the lease receivable and deferred inflows of resources if certain changes occur that are expected to significantly affect the amount of the lease receivable.

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 \$6,749,889 difference are as follows:

Capital assets, October 1, 2021 net of accumulated depreciation	\$ 6,422,331
Capital asset additions, net of retirements	921,959
Depreciation of capital assets, net of retirements, current year	<u>(594,401)</u>
	<u>\$ 6,749,889</u>

- B.** Explanation of certain differences between the governmental fund statement of revenue, expenditures, and changes in fund balance and the government-wide statement of activities - One element of that reconciliation explains that “Governmental funds report capital outlays as expenditures. However, in the statement of activities, the cost of those assets is allocated to their estimated useful lives and reported as depreciation expense.” The detail of this \$327,558 difference are as follows:

Capital outlay, asset additions, net of retirements	\$ 921,959
Depreciation expense, net of retirements	<u>(594,401)</u>
	<u>\$ 327,558</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, 2022, the City had the following deposits and investments:

Statement of net position:	
Primary Government	
Cash and cash equivalents	\$ 1,189,295
Restricted cash and cash equivalents	<u>2,552,591</u>
Total Cash and cash equivalents	<u>\$ 3,741,886</u>
Cash on hand	\$ 698
Savings and checking accounts	<u>3,741,188</u>
Total Cash and Investments	<u>\$ 3,741,886</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, 2022, the carrying value of the City's bank deposits was \$3,741,886 while the bank balance was \$3,865,510. 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	TIF Fund	Hotel / Motel Fund	Water & Sewer Fund	Total
Receivables:						
Ad Valorem taxes	\$ 43,046	\$ -	\$ 46,537	\$ -	\$ -	\$ 89,583
Hotel / Motel tax	-	-	-	18,692	-	18,692
Sales tax	148,767	49,589	-	-	-	198,356
Court	1,726,151	-	-	-	-	1,726,151
Accounts (services)	-	-	-	-	257,484	257,484
Gross Receivables	1,917,964	49,589	46,537	18,692	257,484	2,290,266
Less: Allowance for Uncollectibles	(1,235,905)	-	-	-	(26,991)	(1,262,896)
Net Receivables	<u>\$ 682,059</u>	<u>\$ 49,589</u>	<u>\$ 46,537</u>	<u>\$ 18,692</u>	<u>\$ 230,493</u>	<u>\$ 1,027,370</u>

C. Capital Assets

Capital asset activity for the year ended September 30, 2022 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	\$ -	\$ 62,625	\$ -	\$ 62,625
Land	595,874	492,124	-	1,087,998
Total Capital Assets, Not Being Depreciated	595,874	554,749	-	1,150,623
Capital Assets, Being Depreciated:				
Buildings and Improvements	2,989,702	116,131	-	3,105,833
Infrastructure	6,468,084	147,179	-	6,615,263
Right-to-use leased equipment	26,772	-	-	26,772
Machinery and Equipment	1,799,439	103,900	-	1,903,339
Total Capital Assets, Being Depreciated	11,283,997	367,210	-	11,651,207

<u>PRIMARY GOVERNMENT</u>	<u>BEGINNING BALANCE</u>	<u>INCREASES</u>	<u>DECREASES</u>	<u>ENDING BALANCE</u>
Less Accumulated Depreciation For:				
Buildings and Improvements	(1,704,391)	(112,218)	-	(1,816,609)
Infrastructure	(2,435,280)	(303,585)	-	(2,738,865)
Right-to-use leased equipment	(11,155)	(5,354)	-	(16,509)
Machinery and Equipment	(1,306,714)	(173,244)	-	(1,479,958)
Total Accumulated Depreciation	(5,457,540)	(594,401)	-	(6,051,941)
Net Total Assets Being Depreciated	5,826,457	(227,191)	-	5,599,266
Governmental Activities Capital Assets, Net	<u>\$ 6,422,331</u>	<u>\$ 327,558</u>	<u>\$ -</u>	<u>\$ 6,749,889</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	\$ 629,764	\$ 591,708	\$ -	\$ 1,221,472
Land	139,933	-	-	139,933
Total Capital Assets, Not Being Depreciated	769,697	591,708	-	1,361,405
Capital Assets, Being Depreciated:				
Water and Sewer System	9,693,200	130,371	-	9,823,571
Machinery and Equipment	215,411	52,464	-	267,875
Total Capital Assets, Being Depreciated	9,908,611	182,835	-	10,091,446
Less Accumulated Depreciation For:				
Water and Sewer System	(3,308,913)	(202,634)	-	(3,511,547)
Machinery and Equipment	(190,407)	(9,331)	-	(199,738)
Total Accumulated Depreciation	(3,499,320)	(211,965)	-	(3,711,285)
Net Total Assets Being Depreciated	6,409,291	(29,130)	-	6,380,161
Business-Type Activities Capital Assets, Net	<u>\$ 7,178,988</u>	<u>\$ 562,578</u>	<u>\$ -</u>	<u>\$ 7,741,566</u>

The City has the following construction projects in progress at September 30, 2022:

<u>Project</u>	<u>Spent-to- Date</u>	<u>Estimated Remaining</u>
<u>Governmental Activities:</u>		
Old Baptist Church Asbestos Abatement	\$ 5,460	\$ 44,540
McCain Park Bathrooms	4,200	41,800
Public Works and Library Project	52,965	2,947,035
	<u>\$ 62,625</u>	<u>\$ 3,033,375</u>
<u>Business-Type Activities</u>		
Water System Improvements 2021 Bond	\$ 1,221,472	\$ 778,528
	<u>\$ 1,221,472</u>	<u>\$ 778,528</u>

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

Governmental Activities:	
General Government	\$ 100,242
Public Safety	53,031
Parks & Recreation	78,977
Public Works	<u>362,151</u>
Total depreciation expense, governmental activities	<u>\$ 594,401</u>
Business-Type Activities:	
Water and Sewer Operations	<u>\$ 211,965</u>

D. Interfund receivables, payables, and transfers

The composition of interfund transfer as of September 30, 2022 is as follows:

Due to / from other funds:

<u>Due to / from:</u>	<u>Payable Fund</u>	<u>Amount</u>
<u>Receivable Fund</u>		
TIF	Water and Sewer	73,004
TIF	Economic Development	45,364

Payable from the water and sewer fund to the TIF fund is related to the prior period adjustment to correct TIF fund cash after consolidation described in Note L. Payable from the economic development fund to the TIF fund is related to the recalculation of contributions from the economic development fund to the TIF fund to cover debt service payments after the correction described in Note L.

Transfers:

<u>Transfer In</u>	<u>Transfers Out</u>	<u>Amount</u>
General	Debt Service	109,300
Economic Development	General	100,000
TIF	General	24,204

Transfers from the debt service fund to the general fund was made to make debt service payments on the general obligation bonds. Transfers from the general fund to the economic development fund was made to repay the economic development's performance agreement payment to a new local business as agreed upon. Transfer from the general fund to the TIF fund was made to pay the City's portion of property taxes in the TIF fund.

E. Leases

Lease receivable

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

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

During the year ended September 30, 2022, the City recognized \$13,148 in interest revenue related to the lease. The City's receivable for lease payments was \$520,777, plus \$17,613 in related accrued interest receivable, and the City has a deferred inflow of resources associated with this lease that will be recognized over the lease term, in the amount of \$538,390.

The future principal and interest lease payments to be received as of September 30, 2022 were as follows:

<u>Year Ended</u> <u>September 30</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2023	\$ -	\$ 11,743	\$ 11,743
2024	-	12,095	12,095
2025	-	12,458	12,458
2026	-	12,832	12,832
2027	-	13,217	13,217
2028-2032	-	72,275	72,275
2033-2037	3,416	80,370	83,786
2038-2042	35,304	61,827	97,131
2043-2047	56,070	56,532	112,602
2048-2052	82,092	48,445	130,537
2053-2057	114,457	36,871	151,328
2058-2062	154,458	20,972	175,430
2063-2064	74,980	2,781	77,761
Total	<u>\$ 520,777</u>	<u>\$ 442,418</u>	<u>\$ 963,195</u>

Lease payable

The City has a lease payable for office equipment that went in to effect August, 27, 2019. Under the lease, the City would pay \$467.62 per month for 60 months. The City has a lease liability of \$10,557, and has a right-to use asset of \$26,722 with accumulated amortization of \$16,509. The equipment has a five year useful life, and the city does not plan on purchasing the equipment at the end of the lease.

The future principal and interest lease payments as of September 30, 2022 were as follows:

<u>Year Ending</u> <u>September 30</u>	<u>Principal</u>	<u>Interest</u>
2023	\$ 5,461	\$ 150
2024	<u>5,096</u>	<u>48</u>
	<u>\$ 10,557</u>	<u>\$ 198</u>

F. Long-term debt

Bonds Payable

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

Bonds payable outstanding are as follows:

Governmental Activities:

<u>Issue</u>	<u>Purpose</u>	<u>Interest Rates</u>	<u>Amount</u>	<u>Maturity Date</u>
Series - 2017	Certificate of Obligation	2.00% - 4.00%	1,260,000	10/15/2036
Series - 2019	General Obligation Bonds	3.00% - 6.00%	<u>1,390,000</u>	8/15/2039

Total Outstanding Certificates of Obligation and General Obligation Bonds	<u>\$ 2,650,000</u>
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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%	\$ 190,000	4/15/2026
Series - 2006	Certificate of Obligation	4.19%	565,000	4/15/2026
Series - 2014	Refunding Issue	2.93%	710,000	10/15/2030
Series - 2014	Revenue Bond	2.40%	210,000	10/15/2023
Series - 2018	Certificate of Obligation	0.31% - 2.24%	675,000	10/15/2042
Series - 2021	Certificate of Obligation	3.00%	<u>1,875,000</u>	8/15/2041

Total Outstanding Revenue Bonds and Certificates of Obligation	<u>\$ 4,225,000</u>
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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 \$215,040. Principal and interest paid for the current year and total water and sewer system net revenues were \$2,389 and \$615,653 respectively.

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, 2022, the City was in compliance with all of its bond ordinances.

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

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

Governmental Activities:

Year Ending September 30	General Obligation Bonds from Direct Placements		Certificates of Obligation from Direct Placements	
	Principal	Interest	Principal	Interest
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	70,000	38,750	75,000	37,725
2028-2032	400,000	142,650	410,000	143,400
2033-2037	470,000	74,250	505,000	52,100
2038-2039	205,000	9,300	-	-
	<u>\$ 1,390,000</u>	<u>\$ 451,450</u>	<u>\$ 1,260,000</u>	<u>\$ 405,125</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
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	80,000	11,134	120,000	62,015	-	-
2028-2032	340,000	20,364	650,000	259,785	-	-
2033-2037	-	-	740,000	165,326	-	-
2038-2042	-	-	710,000	55,168	-	-
2043	-	-	40,000	448	-	-
	<u>\$ 900,000</u>	<u>\$ 118,476</u>	<u>\$ 3,115,000</u>	<u>\$ 871,751</u>	<u>\$ 210,000</u>	<u>\$ 5,040</u>

Revenue bond ordinances require that the following information concerning insurance coverage as of September 30, 2022 be disclosed.

ANNUAL PREMIUM	POLICY NO.	NATURE OF COVERAGE	AMOUNT OF COVERAGE	POLICY PERIOD
\$ 18,803	#H5490-01	Workers Compensation	Statutory Limits	10-1-21 to 10-1-2022
\$ 29,689	#NYA 803565	Liability General	\$2,000,000/occurrence	10-1-21 to 10-1-2022
		Auto and Law Enforcement	\$1,000,000/occurrence	10-1-21 to 10-1-2022
		Property:		
		Real & Personal	\$ 9,277,375	10-1-21 to 10-1-2022
		Mobile Equipment	\$ 1,008,764	10-1-21 to 10-1-2022
		Boiler & Machinery	\$100,000/accident	10-1-21 to 10-1-2022
\$ 4,848	#NYA 812114	Errors & Omissions	\$1,000,000	10-1-21 to 10-1-2022

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.	229,483
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 pledged ad valorem tax revenues and other revenues	65,642
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 pledged ad valorem tax revenues and other revenues	19,320
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 pledged ad valorem tax revenues and other revenues	186,603
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 pledged ad valorem tax revenues and other revenues	<u>54,333</u>
Total	\$ 555,381
Less: Current Portion	<u>(141,774)</u>
LONG-TERM PORTION	<u><u>\$ 413,607</u></u>

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

Year Ending September 30	Notes Payable from Direct Borrowings	
	Principal	Interest
2023	\$ 141,774	\$ 21,513
2024	127,049	16,078
2025	68,571	11,439
2026	71,242	8,768
2027	74,171	5,839
2028-2029	<u>72,574</u>	<u>4,692</u>
	<u><u>\$ 555,381</u></u>	<u><u>\$ 68,329</u></u>

Business-Type Notes Payable from Direct Borrowings

Southside 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 pledged ad valorem tax revenues and other revenues \$ 44,851

First Financial Bank; original loan amount of \$116,663;
bearing 4.425% interest; payable in equal annual installments of \$19,744,
due August 15 of each year beginning in 2023 and ending in 2029;
secured by pledged ad valorem tax revenues and other revenues \$ 116,663

Total \$ 161,514

Less: Current Portion (59,432)

LONG-TERM PORTION \$ 102,082

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

Year Ending September 30	Notes Payable from Direct Borrowings	
	Principal	Interest
2023	\$ 59,432	\$ 6,302
2024	15,226	4,518
2025	15,900	3,844
2026	16,604	3,140
2027	17,339	2,405
2028-2029	37,013	2,475
	<u>\$ 161,514</u>	<u>\$ 22,684</u>

Changes in long-term liabilities

Long term liability activity for the year ended September 30, 2022 was as follows:

	Beginning Balance 10/1/2021	Additions	Reductions	Ending Balance 9/30/2022	Due Within One Year
Governmental Activities:					
Long-term debt:					
General obligation bonds from direct placements	\$ 1,445,000	\$ -	\$ 55,000	\$ 1,390,000	\$ 55,000
Premium on issue of GOs	127,028	-	11,727	115,301	11,328
Certificates of obligation from direct placements	1,325,000	-	65,000	1,260,000	65,000
Premium on issue of COs	45,866	-	4,958	40,908	4,715
Notes Payable from direct borrowings	691,848	-	136,467	555,381	141,774
Other long-term liabilities:					
Compensated Absences	81,768	80,963	81,768	80,963	80,963
Net Pension Liability	220,735	193,602	260,774	153,563	-
Total OPEB Liability	75,513	11,062	1,004	85,571	-
Lease payable	15,918	-	5,361	10,557	5,461
Governmental Activity					
Long-Term Liabilities	<u>\$ 4,028,676</u>	<u>\$ 285,627</u>	<u>\$ 622,059</u>	<u>\$ 3,692,244</u>	<u>\$ 364,241</u>

	Beginning Balance <u>10/1/2021</u>	<u>Additions</u>	<u>Reductions</u>	Ending Balance <u>9/30/2022</u>	Due Within <u>One Year</u>
Business-Type Activities:					
Long-term debt:					
General obligation bonds from direct placements	\$ 1,010,000	\$ -	\$ 110,000	\$ 900,000	\$ 115,000
Certificates of obligation from direct placements	3,265,000	-	150,000	3,115,000	175,000
Premium on issue of COs	214,658	-	18,491	196,167	16,185
Revenue bonds from direct placements	210,000	-	-	210,000	105,000
Notes payable from direct borrowings	88,590	116,663	43,739	161,514	59,432
Other long-term liabilities:					
Compensated Absences	22,711	26,580	22,711	26,580	26,580
Net Pension Liability	53,164	46,628	62,806	36,986	-
Total OPEB Liability	<u>18,187</u>	<u>2,666</u>	<u>242</u>	<u>20,611</u>	<u>-</u>
Business-Type Activity Long-Term Liabilities	<u>\$ 4,882,310</u>	<u>\$ 192,537</u>	<u>\$ 407,989</u>	<u>\$ 4,666,858</u>	<u>\$ 497,197</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).

Note G – Group Concentrations of Credit Risk

The City provides water and sewer services as well as solid waste collection and disposal services to its residents. Residents use the City's water and sewer system and the solid waste collection services and are billed each month for usage in the prior month. The credit granted by the City for usage of these services is all with residents of the City. As of September 30, 2022, the City had \$230,493 in net receivables from its residents for the usage of these services.

Note H – Risk Management

The City is exposed to various risks of loss related to torts; theft of, damage to and destruction of assets; errors and omissions; and natural disasters for which the City carries commercial insurance and insurance with the Texas Municipal League (TML), a public entity risk pool for municipalities. The City pays premiums in monthly installments for this coverage. As of September 30, 2022, the City did not have any liability for unpaid claims or adjustments under policies carried with TML. During the year ended September 30, 2022, there was no reduction in insurance coverage from the prior year. There were no settlements in the prior three fiscal years which exceeded insurance coverage carried by the City.

Note I - Commitments

The City has a contract with the Chandler Volunteer Fire Department in which it makes an annual contribution of \$36,000 in exchange for fire protection for residents of the City. During the year ended September 30, 2022, 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 \$305,579 under this contract as of September 30, 2022.

Note J – Defined Benefit Pension Plan

Plan Description

The City of Chandler participates as one of 901 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 Texas Government Code, Title 8, Subtitle G (TMRS Act), 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.tmrs.com.

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

Benefits Provided

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

At retirement, the member's benefit is calculated based on the sum of the member's contributions with interest, and the city-financed monetary credits with interest, and their age at retirement and other actuarial factors. 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 member's deposits and interest.

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

	Plan Year 2021	Plan Year 2022
Employee deposit rate	5.0%	5.0%
Matching ratio (city to employee)	1.5 to 1	2 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, 2021 valuation and measurement date, the following employees were covered by the benefit terms:

	<u>12/31/2021</u>
Inactive employees or beneficiaries currently receiving benefits	10
Inactive employees entitled to but not yet receiving benefits	15
Active employees	<u>30</u>
	<u><u>55</u></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 6.13% and 7.73% in calendar years 2021 and 2022, respectively. The City's contributions to TMRS for the year ended September 30, 2022, were \$109,324, and were equal to the required contributions.

Net Pension Liability

The City's Net Pension Liability (NPL) was measured as of December 31, 2021, 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, 2021 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 disables 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 (APRs) is 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. 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	35.00%	7.55%
Core Fixed Income	6.00%	2.00%
Non-Core Fixed Income	20.00%	5.68%
Other Public and Private Markets	12.00%	7.22%
Real Estate	12.00%	6.85%
Hedge Funds	5.00%	5.35%
Private Equity	10.00%	10.00%
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 12/31/2020	\$ 1,326,821	\$ 1,052,922	\$ 273,899
Changes for the year:			
Service cost	124,356	-	124,356
Interest	92,349	-	92,349
Changes in benefit terms including substantively automatic status	22,890	-	22,890
Difference between expected and actual experience	(47,332)	-	(47,332)
Changes of assumptions	-	-	-
Contributions - employer	-	76,380	(76,380)
Contributions - employee	-	62,303	(62,303)
Net investment income	-	137,561	(137,561)
Benefit payments, including refunds of employee contributions	(87,513)	(87,513)	-
Administrative expense	-	(635)	635
Other changes	-	4	(4)
Net changes	104,750	188,100	(83,350)
Balance at 12/31/2021	\$ 1,431,571	\$ 1,241,022	\$ 190,549

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	\$ 350,058	\$ 190,549	\$ 54,617

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.

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

For the year ended September 30, 2022, the City recognized pension expense of \$79,329.

At September 30, 2022, the City reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual economic experience	\$ 8,009	\$ (40,979)
Changes in actuarial assumptions	3,590	-
Difference between projected and actual investment earnings	13,986	(83,865)
Contributions subsequent to the measurement date	87,165	-
Total	\$ 112,750	\$ (124,844)

\$87,165 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, 2023. 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
2022	\$ (19,986)
2023	(34,885)
2024	(22,959)
2025	(21,429)
2026	-
	\$ (99,259)

Note K – Other Post-Employment Benefits

Plan Description

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

Benefits Provided

The death benefit for active employees provides a lump-sum payment, approximately equal to the employee's annual salary (calculated based on the employee's actual earnings, for the 12-month period preceding the month of death). The death benefit for retirees is considered an other post-employment benefit (OPEB) and is a fixed amount of \$7,500. As the SDBF covers both active and retiree participants, with no segregation of assets, the SDBF is considered to be an unfunded OPEB plan (i.e. no assets are accumulated).

Employees Covered by Benefit Terms

At the December 31, 2021 valuation and measurement date, the following employees were covered by the benefit terms:

	<u>12/31/2021</u>
Inactive employees currently receiving benefits	10
Inactive employees entitled to but not yet receiving benefits	5
Active employees	<u>30</u>
	<u>45</u>

Contributions

The member city contributes to the SDBF at a contractually required rate as determined by an annual actuarial valuation. The rate is based on the mortality and service experience of all employees covered by the SDBF and the demographics specific to the workforce of the City. The City's contributions to SDBF for the year ended September 30, 2022 were \$3,574, 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>
2022	0.24%	0.10%
2021	0.24%	0.10%
2020	0.23%	0.03%
2019	0.25%	0.03%
2018	0.27%	0.02%

Total OPEB Liability

For the fiscal year ended September 30, 2022, the City recognized a total OPEB liability of \$106,182. The liability was measured as of December 31, 2021 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*	1.84%
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, 2021.

Note: The actuarial assumptions used in the December 31, 2021 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, 2020	\$ 93,700
Changes for the year:	
Service cost	7,601
Interest on Total OPEB Liability	1,938
Change of benefit terms	-
Difference between expected and actual experience	954
Changes of assumptions or other inputs	3,235
Benefit payments	(1,246)
Net changes	12,482
Total OPEB Liability - December 31, 2021	\$ 106,182

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 discount rate of 1.84%, 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 (0.84%) or 1-percentage-point higher (2.84%) than the current discount rate:

	1% Decrease in Discount Rate (0.84%)	Current Discount Rate (1.84%)	1% Increase in Discount Rate (2.84%)
City's Total OPEB Liability	\$ 129,253	\$ 106,182	\$ 88,315

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

For the fiscal year ended September 30, 2022, the City recognized total OPEB expense of \$14,116. At September 30, 2022, the City reported deferred outflows of resources and deferred inflows of resources related to OPEB from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual economic experience	\$ 1,445	\$ (3,179)
Changes in actuarial assumptions	19,411	(1,590)
Contributions subsequent to the measurement date	1,128	-
Total	\$ 21,984	\$ (4,769)

Deferred outflows of resources related to OPEB resulting from contributions subsequent to the measurement date of \$1,128 will be recognized as a reduction of the total OPEB liability for the year ending September 30, 2023. Other amounts reported as deferred outflows of resources related to OPEB will be recognized in OPEB expense as follows:

	Year Ended December 31
2022	\$ 4,577
2023	4,194
2024	4,260
2025	2,547
2026	509
Thereafter	-
	<u>\$ 16,087</u>

Note L – Prior Period Adjustments

Due to an error dating back to fiscal year 2017 when consolidating cash, a prior period adjustment was made to record an interfund payable from the economic development fund of \$109,636 and water and sewer fund of \$73,004 to the tax increment financing (TIF) fund.

	Governmental Activities			Business-type Activities	Total Primary Government
	Economic Development Fund	Tax Increment Financing Fund	Total	Water and Sewer Fund	
Due from other funds	\$ -	\$ 182,640	\$ 182,640	\$ -	\$ 182,640
Due to other funds	109,636	-	109,636	73,004	182,640
Net effect on fund balance/net position	<u>\$ (109,636)</u>	<u>\$ 182,640</u>	<u>\$ 73,004</u>	<u>\$ (73,004)</u>	<u>\$ -</u>

In the current year, the City implemented Government Accounting Standards Board Statement No. 87, *Leases*, (GASBS 87), which requires the reporting of lease liabilities that were previously not reported, and for lessors and lessees to report leases under a single model. The City adopted this guidance as of October 1, 2021. For lessee leases, right-of-use assets and liabilities were recognized on the commencement date of the lease based on the present value of lease payments over the lease term. At inception of the year of adoption, the City recognized right-of-use leased assets of \$15,617, net of accumulated amortization, and a corresponding lease liability of \$15,918. The cumulative effect adjustment recorded to net position for governmental activities upon adoption was \$301. Since long-term assets are not financial resources and long-term liabilities are not due and payable in the current period, there was no effect on fund balance for the general fund, which is the fund used to pay the lease.

	Governmental Activities
Right-of-use leased equipment	\$ 26,772
Less: accumulated amortization	(11,155)
Net right-of-use leased equipment	15,617
Lease payable	(15,918)
Net effect on net position	<u>\$ (301)</u>

Note M – Subsequent Events

Subsequent to year end, the City issued Series 2022 Limited Tax Note in the amount of \$2,000,000, 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 to year end, the City entered into a contract with Republic Services for solid waste collection and disposal services for the residents of the City. The contract began October 1, 2022 and is effective until September 30, 2027.

Subsequent to year end, the Economic Development Corporation took out a loan from Government Capital Corporation in the amount of \$316,656 for the purchase of land.

Subsequent events were evaluated through April 3, 2024, the date on which the financial statements were available to be issued.

REQUIRED SUPPLEMENTARY INFORMATION

CITY OF CHANDLER, TEXAS
SCHEDULE OF CHANGES IN NET PENSION LIABILITY AND RELATED RATIOS
FISCAL YEAR ENDED SEPTEMBER 30, 2022

	<u>2014</u>	<u>2015</u>	<u>2016</u>	<u>2017</u>	<u>2018</u>	<u>2019</u>	<u>2020</u>	<u>2021</u>
Total pension liability								
Service Cost	\$ 43,368	\$ 61,646	\$ 65,449	\$ 70,652	\$ 78,318	\$ 99,315	\$ 102,755	\$ 124,356
Interest (on the Total Pension Liability)	44,712	50,490	56,313	61,142	66,194	74,178	81,903	92,349
Changes in benefit terms including substantively automatic status	-	-	-	-	-	16,417	-	22,890
Difference between expected and actual results	1,313	(8,904)	1,259	9,164	5,846	(7,533)	9,850	(47,332)
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)	(87,513)
Net Change in Total Pension Liability	77,925	112,542	99,561	56,260	95,171	127,423	135,141	104,750
Total Pension Liability - Beginning	622,798	700,723	813,265	912,826	969,086	1,064,257	1,191,680	1,326,821
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>	<u>\$ 1,431,571</u>
Plan Fiduciary Net Position								
Contributions - Employer	\$ 40,817	\$ 46,596	\$ 43,862	\$ 45,594	\$ 50,777	\$ 54,003	\$ 74,138	\$ 76,380
Contributions - Employee	39,097	45,063	46,483	49,755	54,615	57,474	60,373	62,303
Net Investment Income	20,573	662	35,184	86,090	(21,495)	115,406	69,109	137,561
Benefit payments, including refunds of employee contributions	(11,468)	(20,526)	(23,460)	(84,698)	(55,187)	(62,798)	(59,367)	(87,513)
Administrative Expense	(215)	(403)	(397)	(446)	(415)	(651)	(447)	(635)
Other	(18)	(21)	(21)	(24)	(22)	(20)	(17)	4
Net Change in Plan Fiduciary Net Position	88,786	71,371	101,651	96,271	28,273	163,414	143,789	188,100
Plan Fiduciary Net Position - Beginning	359,367	448,153	519,524	621,175	717,446	745,719	909,133	1,052,922
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>	<u>\$ 1,241,022</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>	<u>\$ 190,549</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%	86.69%
Covered Employee Payroll	\$ 781,938	\$ 901,263	\$ 929,668	\$ 995,092	\$ 1,092,305	\$ 1,149,484	\$ 1,207,460	\$ 1,246,057
Net Pension Liability as a Percentage of Covered Employee Payroll	32.30%	32.59%	31.37%	25.29%	29.16%	24.58%	22.68%	15.29%

**CITY OF CHANDLER, TEXAS
SCHEDULE OF PENSION CONTRIBUTIONS
FISCAL YEAR ENDED SEPTEMBER 30, 2022**

	<u>2014</u>	<u>2015</u>	<u>2016</u>	<u>2017</u>	<u>2018</u>	<u>2019</u>	<u>2020</u>	<u>2021</u>	<u>2022</u>
Actuarially Determined Contribution	\$ 38,587	\$ 45,953	\$ 45,726	\$ 44,690	\$ 47,974	\$ 53,242	\$ 68,296	\$ 74,922	\$ 109,324
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>	<u>109,324</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	\$ 1,489,109
Contributions as a percentage of covered employee payroll	5.21%	5.18%	4.83%	4.61%	4.63%	4.69%	5.76%	6.13%	7.34%

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	23 years (longest amortization ladder)
Asset Valuation Method	10 Year smoothed market; 12% soft corridor
Inflation	2.50%
Salary Increases	3.50% to 11.50% including inflation
Investment Rate of Return	6.75%
Retirement Age	Experience-based table of rates that are specific to the City's plan of benefits. Last updated for the 2019 valuation pursuant to an experience study of the period 2014-2018
Mortality	Post-retirement: 2019 Municipal Retirees of Texas Mortality Tables. The rates are projected on a fully generational basis with scale UMP. Pre-retirement: PUB(10) mortality tables, with the Public Safety table used for males and the General Employee table used for females. The rates are projected on a fully generational basis with scale UMP.

Other Information: Increased city matching from 1.5-1 to 2-1.

CITY OF CHANDLER, TEXAS
SCHEDULE OF CHANGES IN TOTAL OPEB LIABILITY AND RELATED RATIOS
FISCAL YEAR ENDED SEPTEMBER 30, 2022

	<u>2017</u>	<u>2018</u>	<u>2019</u>	<u>2020</u>	<u>2021</u>
Total OPEB liability					
Service Cost	\$ 4,378	\$ 5,352	\$ 4,483	\$ 6,158	\$ 7,601
Interest (on the Total Pension Liability)	1,702	1,845	2,161	2,233	1,938
Changes in benefit terms	-	-	-	-	-
Difference between expected and actual results	-	228	1,072	(4,961)	954
Change of assumptions	4,342	(4,210)	14,770	12,324	3,235
Benefit payments	<u>(199)</u>	<u>(218)</u>	<u>(345)</u>	<u>(362)</u>	<u>(1,246)</u>
Net Change in Total OPEB Liability	10,223	2,997	22,141	15,392	12,482
Total OPEB Liability - Beginning	<u>42,947</u>	<u>53,170</u>	<u>56,167</u>	<u>78,308</u>	<u>93,700</u>
Total OPEB Liability - Ending	<u>\$ 53,170</u>	<u>\$ 56,167</u>	<u>\$ 78,308</u>	<u>\$ 93,700</u>	<u>\$ 106,182</u>
Covered Employee Payroll	\$ 995,092	\$1,092,305	\$ 1,149,484	\$ 1,207,460	\$ 1,246,057
Total OPEB Liability as a Percentage of Covered Employee Payroll	5.34%	5.14%	6.81%	7.76%	8.52%

ADDITIONAL SUPPLEMENTAL INFORMATION

**CITY OF CHANDLER, TEXAS
COMBINING BALANCE SHEET
NONMAJOR GOVERNMENTAL FUNDS
SEPTEMBER 30, 2022**

	CAPITAL PROJECTS FUND	DONATION FUND	COURT SECURITY FUND	COURT TECHNOLOGY FUND	DEBT SERVICE FUND	TIF FUND	LOCAL TRUANCY FUND	MUNICIPAL JURY FUND	HOTEL MOTEL FUND	TOTAL NONMAJOR GOVERNMENTAL FUNDS
ASSETS										
Restricted cash and cash equivalents	\$ 128,613	\$ 7,311	\$ 49,340	\$ 7,211	\$ 57,246	\$ 360,361	\$ 6,478	\$ 129	\$ 66,703	\$ 683,392
Hotel / Motel tax	-	-	-	-	-	-	-	-	18,692	18,692
Property taxes receivable (net of allowance for estimated uncollectable accounts)	-	-	-	-	-	46,537	-	-	-	46,537
Due from other funds	-	-	-	-	-	118,368	-	-	-	118,368
Total Assets	<u>\$ 128,613</u>	<u>\$ 7,311</u>	<u>\$ 49,340</u>	<u>\$ 7,211</u>	<u>\$ 57,246</u>	<u>\$ 525,266</u>	<u>\$ 6,478</u>	<u>\$ 129</u>	<u>\$ 85,395</u>	<u>\$ 866,989</u>
LIABILITIES AND FUND BALANCES										
LIABILITIES:										
Accounts payable	\$ 58,425	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 58,425
Total Liabilities	<u>58,425</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>58,425</u>
FUND BALANCES:										
Restricted:										
Capital improvements	70,188	-	-	-	-	525,266	-	-	-	595,454
City Programs	-	7,311	-	-	-	-	-	-	-	7,311
Tourism	-	-	-	-	-	-	-	-	85,395	85,395
Court	-	-	49,340	7,211	-	-	6,478	129	-	63,158
Debt Service	-	-	-	-	57,246	-	-	-	-	57,246
Total Fund Balances	<u>70,188</u>	<u>7,311</u>	<u>49,340</u>	<u>7,211</u>	<u>57,246</u>	<u>525,266</u>	<u>6,478</u>	<u>129</u>	<u>85,395</u>	<u>808,564</u>
Total Liabilities and Fund Balances	<u>\$ 128,613</u>	<u>\$ 7,311</u>	<u>\$ 49,340</u>	<u>\$ 7,211</u>	<u>\$ 57,246</u>	<u>\$ 525,266</u>	<u>\$ 6,478</u>	<u>\$ 129</u>	<u>\$ 85,395</u>	<u>\$ 866,989</u>

CITY OF CHANDLER, TEXAS
COMBINING STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES
NONMAJOR GOVERNMENTAL FUNDS
FISCAL YEAR ENDED SEPTEMBER 30, 2022

	CAPITAL PROJECTS FUND	DONATION FUND	COURT SECURITY FUND	COURT TECHNOLOGY FUND	DEBT SERVICE FUND	TIF FUND	LOCAL TRUANCY FUND	MUNICIPAL JURY FUND	HOTEL MOTEL FUND	TOTAL NONMAJOR GOVERNMENTAL FUNDS
REVENUES										
Fines	\$ -	\$ -	\$ 3,478	\$ 3,014	\$ -	\$ -	\$ 3,219	\$ 64	\$ -	\$ 9,775
Property Taxes	-	-	-	-	142,818	147,967	-	-	-	290,785
Hotel / Motel Tax	-	-	-	-	-	-	-	-	75,321	75,321
Donations	-	2,249	-	-	-	-	-	-	-	2,249
Interest	113	5	29	4	114	133	3	-	-	401
Total Revenues	113	2,254	3,507	3,018	142,932	148,100	3,222	64	75,321	378,531
EXPENDITURES										
Current:										
Municipal Court	-	-	-	148	-	-	-	-	-	148
Parks & Recreation	-	250	-	-	-	-	-	-	-	250
Capital Outlay	58,425	-	-	-	-	-	-	-	-	58,425
Debt Service:										
Principal	-	-	-	-	-	65,000	-	-	-	65,000
Interest	-	-	-	-	-	47,925	-	-	-	47,925
Total Expenditures	58,425	250	-	148	-	112,925	-	-	-	171,748
Excess (deficiency) of revenues over (under) expenditures	(58,312)	2,004	3,507	2,870	142,932	35,175	3,222	64	75,321	206,783
OTHER FINANCING SOURCES (USES)										
Transfers in	-	-	-	-	-	24,204	-	-	-	24,204
Transfers out	-	-	-	-	(109,300)	-	-	-	-	(109,300)
Total Other Financing Sources (Uses)	-	-	-	-	(109,300)	24,204	-	-	-	(85,096)
Net Change in Fund Balances	(58,312)	2,004	3,507	2,870	33,632	59,379	3,222	64	75,321	121,687
Fund Balance, beginning of year	128,500	5,307	45,833	4,341	23,614	283,247	3,256	65	10,074	504,237
Prior period adjustment (Note L)	-	-	-	-	-	182,640	-	-	-	182,640
Fund Balance, beginning of year as restated	128,500	5,307	45,833	4,341	23,614	465,887	3,256	65	10,074	686,877
Fund Balance, end of year	\$ 70,188	\$ 7,311	\$ 49,340	\$ 7,211	\$ 57,246	\$ 525,266	\$ 6,478	\$ 129	\$ 85,395	\$ 808,564

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, 2022, and the statement of revenues, expenditures, and changes in fund balance – budget and actual for the General fund, 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 April 3, 2024.

Report on 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 and therefore, material weaknesses or significant deficiencies may exist that were not identified. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses. We identified a deficiency in internal control, described in the accompanying schedule of findings as item 2022-001 that we consider to be a significant deficiency.

Report on 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 Finding

Government Auditing Standards requires the auditor to perform limited procedures on the City of Chandler, Texas' response to the findings identified in our audit and described in the accompanying schedule of findings. City of Chandler, Texas' response was not subjected to the other auditing procedures applied in the audit of the financial statements and, accordingly, we express no opinion on the response.

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

April 3, 2024

**CITY OF CHANDLER, TEXAS
SCHEDULE OF FINDINGS
SEPTEMBER 30, 2022**

SIGNIFICANT DEFICIENCIES

2022-001 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, original receipts for credit card charges could not be provided for 9 out of 106 credit card transactions reviewed.

Cause

Credit card users did not consistently 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.