

CITY OF CHANDLER
COMPREHENSIVE ANNUAL
FINANCIAL REPORT
FISCAL YEAR ENDED JUNE 30, 2018

Healthy and Fiscally Fit



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**CITY OF CHANDLER, ARIZONA
COMPREHENSIVE ANNUAL FINANCIAL REPORT
FOR THE YEAR ENDED JUNE 30, 2018**

Jay Tibshraeny, Mayor

Rene' Lopez, Vice-Mayor

Kevin Hartke, Councilmember

Sam Huang, Councilmember

Mark Stewart, Councilmember

Jeremy McClymonds, Councilmember

Terry Roe, Councilmember

Executive Staff

Marsha Reed, City Manager

Joshua Wright, Assistant City Manager

Prepared by

Management Services Department

Dawn Lang, Management Services Director

Penny Malia, Accounting Manager



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CITY OF CHANDLER, ARIZONA
COMPREHENSIVE ANNUAL FINANCIAL REPORT
FOR THE YEAR ENDED JUNE 30, 2018

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INTRODUCTORY SECTION

Letter of Transmittal
Organizational Chart
Certificate of Achievement for Excellence in Financial Reporting



Chandler City Hall continues as the hub of strategic municipal planning and policy development. The vision and goals exercised by past and current elected leadership continue to put a progressive stamp on this community that is the envy of the Valley.





December 21, 2018

Honorable Mayor, Members of the City Council, City Manager and Citizens of the City of Chandler:

The comprehensive annual financial report of the City of Chandler, Arizona (the City), for the year ended June 30, 2018, is hereby submitted in accordance with City Charter and state statutes. Both the City Charter and state statutes require that the City issue annually a report on its financial position and activity, and that this report be audited by an independent certified public accountant. Responsibility for both the accuracy of the data, and the completeness and fairness of the presentation, including all disclosures, rests with the City's management. To the best of our knowledge and belief, the enclosed data is accurate in all material respects and is reported in a manner that presents fairly the financial position and results of operations of the various funds and component units of the City.

Accounting principles generally accepted in the United States of America (GAAP) require that management provide a narrative introduction, overview, and analysis to accompany the basic financial statements in the form of Management's Discussion and Analysis (MD&A). This letter of transmittal is designed to complement the MD&A and should be read in conjunction with it. The City of Chandler's MD&A can be found immediately following the report of the independent auditors.

The City is required to undergo an annual single audit in conformity with the provisions of the Single Audit Act of 1996 and U.S. Office of Management and Budget Uniform Guidance. Information related to this single audit, including a schedule of expenditures of federal awards, the independent auditors' reports on the internal control structure and compliance with applicable laws and regulations, and a schedule of findings and questioned costs are included in a separately issued report.

GOVERNMENTAL STRUCTURE, LOCAL ECONOMIC CONDITION AND OUTLOOK

The City, incorporated on February 17, 1920, is located in the southeastern portion of Maricopa County (the County), and encompasses approximately 65 square miles. The City has operated under a council-manager form of government since May 25, 1964, and is governed by the City Council, consisting of a mayor and a six member council. Councilmembers are elected at-large on a staggered basis; the mayor and councilmembers are elected for four-year terms and are limited to two consecutive terms in office. The City Council is vested with policy and legislative authority, and is responsible for passing ordinances, adopting the annual budget, appointing committees, commissions and board members, and appointing the positions of City Manager, City Attorney, City Clerk and City Magistrate. The City Manager is responsible for carrying out the policies and ordinances of the City Council, as well as overseeing the day-to-day operations of the City.

Chandler is the fourth largest city in Arizona and is one of several major cities comprising the greater Phoenix metropolitan area, which is the economic, political and population center of the state of Arizona. The City's population has experienced remarkable growth over the past 25 years, increasing by more than 153 percent, from an estimated 100,416 in 1992 to 254,239 in 2017. The City's economic growth prior to the current decade was in large part attributable to its manufacturing sector, which is led by high-tech industrial companies such as Intel, Northrop Grumman, Microchip Technology, and NXP Semiconductors. These four companies combine to employ over 15,000 people in the City. A rapidly growing industry within the City in recent years has been financial services with companies such as Wells Fargo, Bank of America, PayPal, Toyota Financial Services, GM Financial Services, Liberty Mutual, and Mr. Cooper, employing over 14,000 people.



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Location
Third Floor
175 S. Arizona Avenue
Chandler, Arizona 85225

The City boasts a strong labor market serving the high technology field's demand for skilled workers. Chandler's median age is 35.3 years and the median household income is \$79,112. In addition, more than 75 percent of the adult population has a college degree or some college education. Nearly 25 percent of jobs in Chandler are in high technology fields while the national average is about 10 percent, according to data from the Maricopa Association of Governments and Bureau of Labor Statistics.

The City's unemployment rate averaged 3.8 percent for calendar year 2017 compared with 4.2 percent for Maricopa County and 4.9% for the State of Arizona.

The City's sales tax revenues, which comprise over 50 percent of its general fund, increased by 6.2 percent for 2017-18 from the prior year actuals. The City continues to strengthen its financial position and has benefitted from one-time revenues created by new developments. With only slow and steady operating revenue growth anticipated, managing costs of services and maintaining existing infrastructure continues to be critical. Consistently applying sound financial practices and achieving notable economic development successes have helped the City continue its strong financial position while maintaining its AAA General Obligation Bond credit rating from all three ratings agencies.

2017-2018 Accomplishments

Under the guidance and leadership of the Mayor and Council, along with the expertise and dedication of City management and staff, a number of accomplishments were achieved this last fiscal year. Listed below are just a *few* of those accomplishments.

- Maintained AAA General Obligation Bond credit ratings with stable outlook from all three rating agencies;
- Conducted the seventh online budget meeting, "Budget Connect" enhancing citizen involvement in the budget process;
- Completed successful GO Bond (\$59 Million) and Excise Tax Revenue Obligation (\$36 Million) sales to fund City infrastructure projects;
- Wrote Chandler Insider articles distributed to 35,000 households monthly and published the Chandler News and Events pages monthly in two local newspapers that are distributed to 65,000 households. Both are part of the City's efforts to provide residents with information about City news, programs, and events;
- Maintained Chandler's regional influence in monitoring state and federal legislation affecting City operations;
- Supported office/industrial projects that will deliver more than one million square feet, including: The Offices at Chandler Viridian, Chandler Freeway Crossings (Building 6), Park Place (Buildings 15 and 16), The Stearman, One Chandler Corporate Center, Chandler Corporate Industrial Center, and Westech Business Center;
- Promoted local export growth by participating in the Export-Import Bank's Regional Export Promotion Program, which included an Expanding Global Opportunities Webinar;
- Achieved growth of the Innovations client base from 23 to 34 companies over the past year with clients receiving an array of programming and services via the City's incubator management agreement with NACET;
- Supported the construction, LGE Design Build in developing 77,000 square feet of mixed-use project, including a 350-space parking garage and Arizona's first Flix Brewhouse Cinema;
- Completed the Dakota Street/Commonwealth Canal Project, increasing multi-model opportunities throughout Downtown Chandler;
- Implemented a complete CISCO communication technology infrastructure which generates new opportunities for collaborative communication and services such as voicemail, upgraded call centers, videoconferencing, and Webex teleconference services;
- Awarded the Gold Level Healthy Worksite designation from Maricopa County's public health initiative for the second consecutive year;

- Developed ASPIRE Read to Succeed tutoring program to improve the academic achievement of at risk readers ages 6-8, by developing and strengthening 15 public housing residents' oral language and early literacy skills;
- Vision Gallery recognized as one of the 10 Best Art Galleries in Metro Phoenix by the Phoenix New Times;
- Installed spectator shades at Pima Park, completed renovations at Desert Breeze and Arrowhead Meadows Parks tennis courts, San Marcos and Maggio Ranch Parks basketball courts, Gazelle Meadows Park playground, Snedigar Sportsplex lighting, and Apache Park sidewalks, landscaping, playground, ramada, lighting, and sand volleyball courts;
- Chandler Center for the Arts named 2017's Best Live Performance venue by readers of the East Valley Tribune;
- Chandler Museum awarded the Museum Association of Arizona's Institution Award of Excellence for their exhibits and programming about Japanese Internment during World War II;
- Construction completed for the shared San Tan Vista Water Treatment Plant expansion with Town of Gilbert;
- Treated and reclaimed 10.3 billion gallons of wastewater at the Airport, Lone Butte, and Ocotillo Water Reclamation Facilities, 8.9 billion gallons of which were reused for irrigation;
- Construction completed for the Ocotillo Water Reclamation Facility expansion which increases the capacity from 10 to 15 Million Gallons per Day (MGD);
- Completed American Disabilities Act upgrades to 630 sidewalk locations and 615 ramps;
- Created a mental health training curriculum specifically designed to improve firefighter's responses to mental health crises, through a grant received from Vitalyst, and in partnership with ASU. This training is the first of its kind in the State of Arizona and will improve the care of the mental health population in our community;
- Implemented new cardiac monitoring technology in all frontline and reserve Fire units. These new monitors provide improved data collection, analysis, and transmission to local hospitals which helps to improve patient outcomes; and
- Crime in Chandler continues to be near historic lows, decreasing by 3.8 percent as compared to the previous year. The crime rate remains below 26 Part I crimes per 1,000 population, the third lowest rate experienced in over 30 years.

Strategic Goals

The City of Chandler's continued goal is to provide the highest quality services to the community in the most cost-effective manner. The Council's strategy to achieve these results is through goals to improve Chandler in a coordinated manner and to make fiscally responsible decisions that will continue to strengthen the City. The City Council's strategic goals are:

- **Being the Most Connected City**

Connect our community using enhanced communication technologies to share information by increasing electronic availability of City information. Increase community connectivity through enhancing multimodal transportation.

- **Being a Leader in Transparency**

Provide timely and accurate data and reports to maintain accountability and provide support for effective decision making. Promote opportunities that encourage city engagement and input.

- **Maintaining Fiscal Sustainability**

Maximize the City's diverse portfolio of revenue sources. Continue adherence to and improve upon fiscal policies. Maintain strong bond ratings with all three rating agencies for all types of debt. Manage expenditure growth through periodic review of programs and services.

- **Attracting a Range of Private Sector Businesses**

Position Chandler to be recognized by corporate real estate executives, site selectors, regional partners, and the development industry as a premiere location for new investment. Coordinate and facilitate the revitalization of Downtown Chandler.

- **Fostering a Contemporary Culture to Capitalize on Diversity in the Community**

Promote Chandler as an inclusive community that values its rich diversity, history, and culture. Support diversity through City employment practices. Invest in employees, support systems, and innovation strategies that ensure Chandler remains a leader in the delivery of high quality services.

- **Being Safe and Beautiful**

Promote a multifaceted approach to address the needs of neighborhoods from the physical, safety, and community perspectives. Construct and maintain sustainable public infrastructure. Ensure Chandler remains a safe community by employing best practices.

FINANCIAL INFORMATION

Internal Control Structure

Management of the City is responsible for establishing and maintaining an internal control structure designed to ensure that the assets of the City are protected from loss, theft or misuse and to ensure that adequate accounting data are compiled to allow for the preparation of financial statements in conformity with GAAP. The internal control structure is designed to provide reasonable, but not absolute, assurance that these objectives are met. The concept of reasonable assurance recognizes that: (1) the cost of a control should not exceed the benefits likely to be derived; and (2) the valuation of costs and benefits requires estimates and judgments by management.

As a recipient of federal, state and county financial assistance, the City is also responsible for ensuring that an adequate internal control structure is in place to ensure and document compliance with applicable laws and regulations related to these programs. This internal control structure is subject to periodic evaluation by management and various other City staff, as needed.

Single Audit

As a part of the City's single audit, described earlier, tests were made of the City's internal control structure and of its compliance with applicable laws and regulations, including those related to federal financial assistance programs.

Budgetary Controls

The City maintains budgetary controls as an integral part of its overall system of internal controls. The objective of these budgetary controls is to ensure compliance with legal provisions embodied in the annual appropriated budget approved by the City Council. Activities of the general fund, special revenue funds, capital projects funds, enterprise funds, internal service funds, and fiduciary funds are included in the annual appropriated budget. The level of budgetary control (i.e., the level at which expenditures cannot legally exceed the appropriated amount) is the total budget, as adopted (FY 2017-18, \$934,545,997). The City additionally exercises management control and oversight of the budget at the department level within each fund and maintains an encumbrance accounting system as another method of maintaining budgetary control. Encumbered amounts do not lapse at fiscal year-end and appropriation equal to the amount of year-end encumbrances are added to the current year budget in each cost center. Expenditures against those encumbrances are charged to the current year appropriation.

As demonstrated by the statements and schedules included in the financial section of this report, the City continues to meet its responsibility for sound financial management.

OTHER INFORMATION

Independent Audit

City Charter and state statute require an annual audit by a firm of independent certified public accountants and the firm of Heinfeld, Meech & Co., has been selected by the City to uphold this requirement. In addition to meeting the requirements set forth in City Charter and state statutes, the audit was also designed to meet the requirements of the federal Single Audit Act of 1996 and the related U.S. Office of Management and Budget's

Uniform Guidance. Auditing standards generally accepted in the United States of America and the standards set forth in the General Accountability Office's *Government Auditing Standards* were used by the auditors in conducting the engagement. The Auditor's report on the basic financial statements is included in the financial section of this report. The auditor's reports on internal controls and compliance with applicable laws and regulations can be found in a separately issued single audit report.

Financial Awards

The Government Finance Officers Association of the United States and Canada (GFOA) awarded a Certificate of Achievement for Excellence in Financial Reporting to the City of Chandler, Arizona for its comprehensive annual financial report for the year ended June 30, 2017, marking the thirty sixth consecutive year the City has received the GFOA Certificate of Achievement. The Certificate of Achievement is a prestigious national award-recognizing conformance with the highest standards for preparation of a municipal government financial report.

In order to be awarded a Certificate of Achievement, a governmental unit must publish an easily readable and efficiently organized comprehensive annual financial report, whose contents conform to program standards. Such reports must satisfy both GAAP and applicable legal requirements.

Additionally, the City of Chandler was also awarded the Distinguished Budget Presentation Award for the year ended June 30, 2018 from the GFOA, marking the thirtieth consecutive year of receiving this award. The award reflects the commitment of staff to meeting the highest principles of governmental budgeting.

In order to be awarded a Distinguished Budget Presentation Award, the City had to satisfy nationally recognized guidelines for effective budget presentation. The guidelines are designed to assess how well an entity's budget serves as a policy document, financial plan, operational guide and communications device. The City's budget presentation receives an outstanding rating in many of the areas rated.

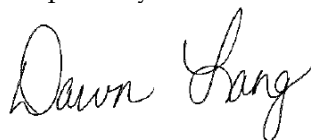
The Certificate of Achievement and Distinguished Budget Presentation Awards are valid for a period of one year only.

We believe our current Certificate of Achievement report continues to conform to the Certificate of Achievement program requirements, and we are submitting it to the GFOA.

Acknowledgments

I wish to express my sincere thanks to the entire staff of the Accounting Division; without whose assistance this report could not have been prepared. Special acknowledgment is made for the work of Penny Malia, Accounting Manager; Tracy Schmidt, Accounting Supervisor; Sherry McGlade, Accounting Supervisor; Robert Steele, Senior Accountant; Debbie Motta, Senior Accountant; Joanne Chang, Senior Accountant; and Lucy Vazquez, Management Assistant. Special thanks also goes to Julie Buelt, Senior Financial Analyst for assistance in reviewing the final document. Finally, I wish to thank the Mayor and Council, City Manager, Assistant City Managers, Directors and City Staff for their continued support in promoting sound financial policies and internal controls.

Respectfully submitted,

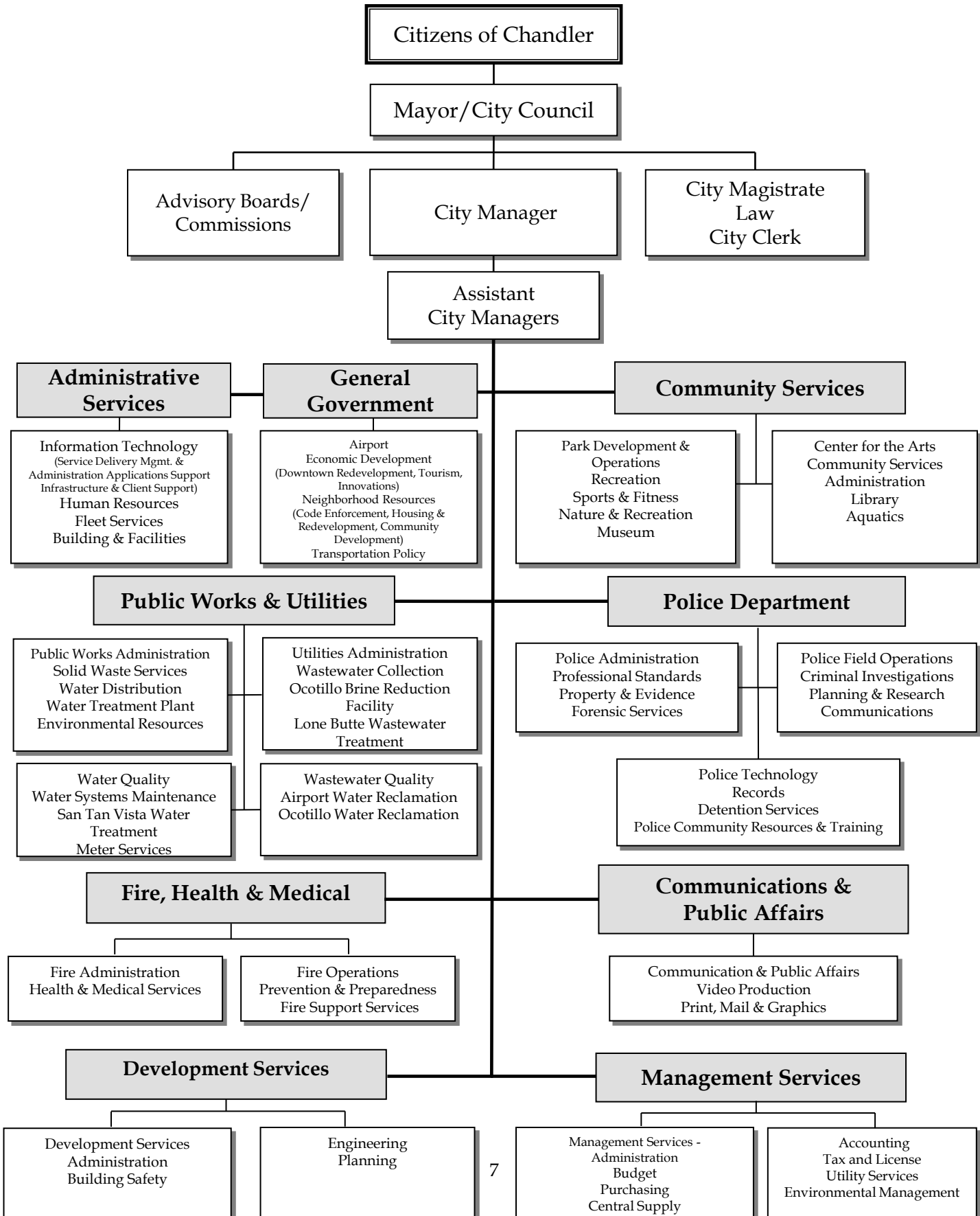
A handwritten signature in black ink, reading "Dawn Lang". The signature is written in a cursive, flowing style.

Dawn Lang
Management Services Director



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City of Chandler, Arizona
Organizational Chart





Government Finance Officers Association

**Certificate of
Achievement
for Excellence
in Financial
Reporting**

Presented to

**City of Chandler
Arizona**

For its Comprehensive Annual
Financial Report
for the Fiscal Year Ended

June 30, 2017

Christopher P. Morrell

Executive Director/CEO

FINANCIAL SECTION

Independent Auditor's Report
Management's Discussion and Analysis (MD&A)
Basic Financial Statements
Required Supplementary Information
Other Financial Statements
Other Supplemental Information



A steady diet of rock-solid financial policies has led to a financially stable Chandler. Years of conservative fiscal policy have earned Chandler AAA Bond ratings from all three national rating agencies.



INDEPENDENT AUDITOR'S REPORT

Honorable Mayor and Members of the City Council
City of Chandler, Arizona

Report on the Financial Statements

We have audited the accompanying financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate discretely presented component units and remaining fund information of the City of Chandler, Arizona (the "City"), as of and for the year ended June 30, 2018, and the related notes to the financial statements, which collectively comprise the City's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

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

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

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

Opinions

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, each major fund, and the aggregate discretely presented component units and remaining fund information of the City of Chandler, Arizona, as of June 30, 2018, and the respective changes in financial position and, where applicable, cash flows thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Change in Accounting Principle

As described in Note 1, the City implemented the provisions of the Governmental Accounting Standards Board (GASB) Statement No. 75, *Accounting and Financial Reporting for Postemployment Benefits Other Than Pensions*, for the year ended June 30, 2018, which represents a change in accounting principle. Our opinion is not modified with respect to this matter.

Other Matters***Required Supplementary Information***

Accounting principles generally accepted in the United States of America require that the Management's Discussion and Analysis, budgetary comparison information, net pension liability information, and other postemployment benefit plan information, presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Other Information

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the City's basic financial statements. The Introductory Section, the Other Financial Statements, Other Supplemental Information: All HUD Programs, and the Statistical Section are presented for additional analysis and are not a required part of the financial statements.

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

The Introductory Section and the Statistical Section have not been subjected to the auditing procedures applied in the audit of the basic financial statements and, accordingly, we express no opinion on them.

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated December 21, 2018, on our consideration of City of Chandler, Arizona's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is solely to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the effectiveness of 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 City of Chandler, Arizona's internal control over financial reporting and compliance.



Heinfeld, Meech & Co., P.C.
Phoenix, Arizona
December 21, 2018

MANAGEMENT'S DISCUSSION AND ANALYSIS (MD&A)
(Required Supplementary Information)



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CITY OF CHANDLER, ARIZONA

Management's Discussion and Analysis (MD&A)

Year Ended June 30, 2018

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 June 30, 2018. We encourage readers to consider the information presented here in conjunction with additional information that we have furnished in our letter of transmittal beginning on page one and the accompanying notes to the financial statements.

FINANCIAL HIGHLIGHTS

The financial statements, which follow the Management's Discussion and Analysis, provide these significant, key financial highlights for fiscal year 2018 as follows:

- The assets of the City exceeded its liabilities at the close of the most recent fiscal year by \$1.38 billion (net position) which represents an increase of \$37.5 million from the prior year primarily due to increased levels of investable funds, coupled with a decrease in current payables. Of this amount, \$178.2 million (unrestricted net position) may be used to meet the City's obligations to citizens and creditors. However, \$83.2 million is invested in a joint venture with the Town of Gilbert, which increased \$27.2 million from the prior year, and is not available for obligations.
- At June 30, 2018, the City's governmental funds reported combined ending fund balances of \$348.4 million, an increase of \$47.5 million in comparison with the prior year primarily due to increased levels of investable funds, including unspent General Obligation bond proceeds. Approximately 51.4 percent of the total amount, \$179 million, is available for spending at the City's discretion (assigned or unassigned).
- At June 30, 2018, total fund balance for the General Fund was \$184.3 million which represents an decrease of \$7.2 million from the prior year; this is primarily due to increased cash funding of capital projects, as well as higher Public Safety Personnel Retirement System (PSPRS) employer contributions, and a supplemental payment to accelerate pay down of the City's unfunded liability.
- General revenues from governmental activities accounted for \$246.8 million, or 73.5 percent of all revenues from governmental activities as opposed to 72.8 percent in the prior year. Program specific revenues in the form of charges for services and grants and contributions accounted for \$88.8 million or 26.5 percent of total governmental activity revenues, as opposed to 27.2 percent in the prior year. The City had \$157.5 million of program revenues (\$158.2 million in the prior year) and \$20 million in general revenues and transfers (\$3.9 million in the prior year) related to business-type activities.
- At June 30, 2018, the City's proprietary funds reported combined total net position of \$745 million after the restatement of beginning fund balance as compared to \$649.2 million in the prior year; an increase for the current year of \$30.8 million. This increase is primarily due to the increased investment in a joint venture with the Town of Gilbert as noted above. This results in a total unrestricted net position of \$243.7 million, of which \$147.9 million of the unrestricted net position is in the Water Fund.

OVERVIEW OF FINANCIAL STATEMENTS

This discussion and analysis is intended to serve as an introduction to the City's basic financial statements. 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 contains other supplementary information in addition to the basic financial statements themselves.

Government-wide financial statements. The government-wide financial statements are designed to provide readers with a broad overview of the City'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. Net position is categorized as capital assets less related debt, restricted by an outside third party, and unrestricted. 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.

CITY OF CHANDLER, ARIZONA

Management's Discussion and Analysis (MD&A)

Year Ended June 30, 2018

The **statement of activities** presents information showing how the City's net position changed during the most recent 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, revenues and expenses are reported in this statement for some items that will only result in cash flows in future fiscal periods (e.g., uncollected taxes and earned but unused compensated absences).

In the government-wide financial statements the City's activities are presented in the following categories:

- **Governmental activities** – Most of the City's basic services are included here, such as general government, public safety, transportation and development, and community services. Sales taxes, state shared revenues, and charges for services finance most of these activities.
- **Business-type activities** – The services provided by the City included here are water, wastewater, solid waste, airport services, and housing services. The services are financed through user fees and charges.
- **Component units** – The discretely presented component units are the Chandler Industrial Development Authority and the Chandler Cultural Foundation.

Fund financial statements. A fund is a grouping of related accounts that is used to maintain control over resources that have been segregated for specific activities or objectives. The City uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements. All of the funds of the City can be divided into three categories: governmental funds, proprietary funds, and fiduciary funds.

Governmental funds. Governmental 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 fund financial statements focus on near-term inflows 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 decision. 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 22 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, Streets Capital Projects Fund, and General Obligation Bonds Debt Service Fund, which are considered to be major funds. Data from the other 19 governmental funds are combined into a single, aggregated presentation. Individual fund data for each of these non-major governmental funds is provided in the form of combining statements and schedules in the financial section of this report.

The City adopts an annual appropriated budget for the General, Special Revenue, General Obligation and Highway User Revenue Debt Service, Capital Projects and Proprietary Funds. Budgetary comparison statements have been provided in the basic financial statements for the General, Streets Capital Projects, and General Obligation Bonds Debt Service Funds to demonstrate compliance with the budget. Budgetary comparison schedules for other Non-major Special Revenue and Non-major Capital Projects Funds are also included in the financial section.

Proprietary funds. The City maintains two different types of proprietary funds. Enterprise funds are used to report the same functions presented as business-type activities in the government-wide financial statements. The City uses enterprise funds to account for its water, wastewater, solid waste, airport, and housing services. Internal service funds are an accounting device used to accumulate and allocate costs internally among the City's various functions. The City uses an internal service fund to account for its self-insurance funds. Because self-insurance funds are funded predominantly by governmental functions rather than business-type functions, it has been included within

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governmental activities in the government-wide financial statements. 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 wastewater funds, which are considered to be major funds of the City. Data from the other three enterprise funds are combined into a single, aggregated presentation. Individual fund data for each of the non-major enterprise funds are provided in the form of combining statements and schedules in the financial section of this report.

Fiduciary funds. Fiduciary funds are used to account for resources held for the benefit of parties outside the government. Fiduciary funds are not reflected in the government-wide financial statement because the resources of those funds are not available to support the City's own programs. The accounting used for fiduciary funds is much like that used for proprietary funds.

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. The notes to the financial statements can be found immediately following the basic financial statements in this report.

Other information. In addition to the basic financial statements and accompanying notes, this report also presents certain required supplementary information concerning the City's budget process. The City adopts an annual budget for all governmental and enterprise funds. A budgetary comparison schedule has been provided for the General Fund as required supplementary information.

GOVERNMENT-WIDE FINANCIAL ANALYSIS

Net position may serve over time as a useful indicator of a government's financial position. In the case of the City, assets exceeded liabilities by \$1.38 billion as of June 30, 2018. This reflects continued strong operations in governmental activities and increased investments in capital infrastructure within general government and business-type activities.

A significant portion of the City's net position (72.5 percent) reflects its investment in capital assets (e.g., land and improvements, buildings and improvements, improvements other than buildings, vehicles, machinery and equipment, and construction in progress), less any related debt used to acquire those assets that is still outstanding. The City uses these capital assets to provide services to its 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.

An additional portion of the City's net position (14.6 percent) represents resources that are subject to external restrictions on how they may be used. The remaining balance of unrestricted net position (12.9 percent) includes \$83.2 million which is invested in a joint venture with the Town of Gilbert that may not be used to meet the City's obligations to citizens and creditors.

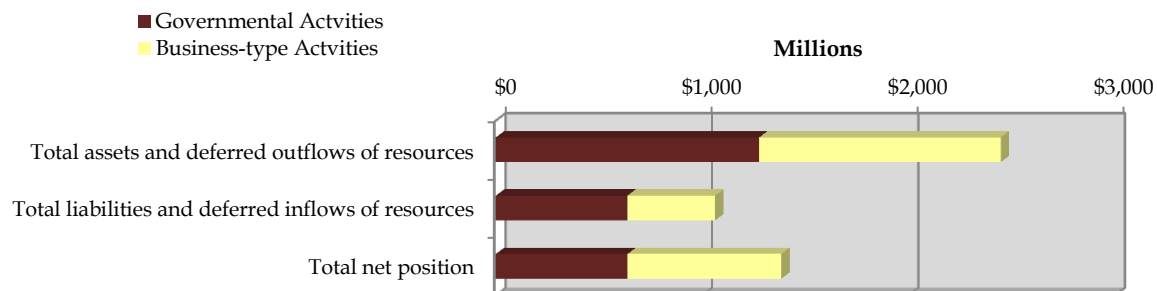
At the end of the current fiscal year, the City is able to report positive balances in all three categories of net position: net investment in capital assets, restricted, and unrestricted. The same situation held true for the prior fiscal year.

There was a increase of \$67.3 million in unrestricted net position reported in connection with the City's business-type activities after the restatement of beginning fund balance. This was primarily due to increased levels of investable funds, decreased current payables, and increased investment in a joint venture with the Town of Gilbert.

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The following table presents a condensed statement of the City's net position for the fiscal years ended June 30, 2018 and 2017.

	Governmental Activities		Business-type Activities		Total (Primary Govt.)	
	2018	2017	2018	2017	2018	2017
Current assets	\$ 437,760,103	\$ 397,483,220	\$ 251,081,488	\$ 221,374,007	\$ 688,841,591	\$ 618,857,227
Capital assets, net	759,716,771	769,329,066	823,833,124	773,795,588	1,583,549,895	1,543,124,654
Long-term assets	-	-	83,588,005	56,423,709	83,588,005	56,423,709
Total assets	1,197,476,874	1,166,812,286	1,158,502,617	1,051,593,304	2,355,979,491	2,218,405,590
Total deferred outflows of resources	79,111,905	82,682,225	11,760,882	14,050,297	90,872,787	96,732,522
Total assets and deferred outflows of resources	1,276,588,779	1,249,494,511	1,170,263,499	1,065,643,601	2,446,852,278	2,315,138,112
Current liabilities	52,421,194	62,635,541	39,588,117	50,830,671	92,009,311	113,466,212
Long-term liabilities	558,550,679	500,342,926	382,619,746	362,807,105	941,170,425	863,150,031
Total liabilities	610,971,873	562,978,467	422,207,863	413,637,776	1,033,179,736	976,616,243
Total deferred inflows of resources	26,595,350	13,655,109	3,073,619	2,813,550	29,668,969	16,468,659
Total liabilities and deferred inflows of resources	637,567,223	576,633,576	425,281,482	416,451,326	1,062,848,705	993,084,902
Net position:						
Net investment in capital assets	536,086,249	587,213,640	467,799,036	439,823,546	1,003,885,285	1,027,037,186
Restricted	168,510,855	122,006,140	33,447,434	32,977,926	201,958,289	154,984,066
Unrestricted	(65,575,548)	(36,358,845)	243,735,547	176,390,803	178,159,999	140,031,958
Total net position	\$ 639,021,556	\$ 672,860,935	\$ 744,982,017	\$ 649,192,275	\$ 1,384,003,573	\$ 1,322,053,210



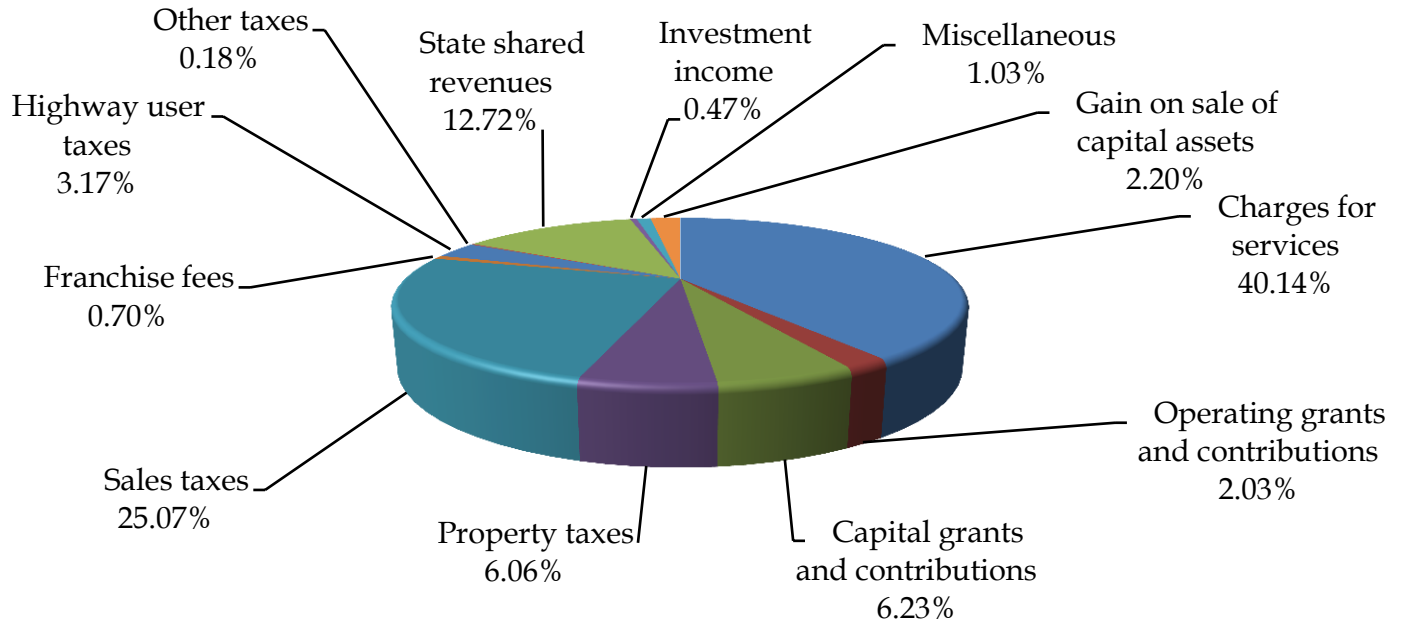
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Changes in net position. The City's total revenues for the fiscal year ended June 30, 2018 were \$508.9 million. The total cost of all programs and services was \$471.4 million, which results in an increase in net position of \$37.5 million. The following table presents a summary of the changes in net position for the fiscal years ended June 30, 2018 and 2017.

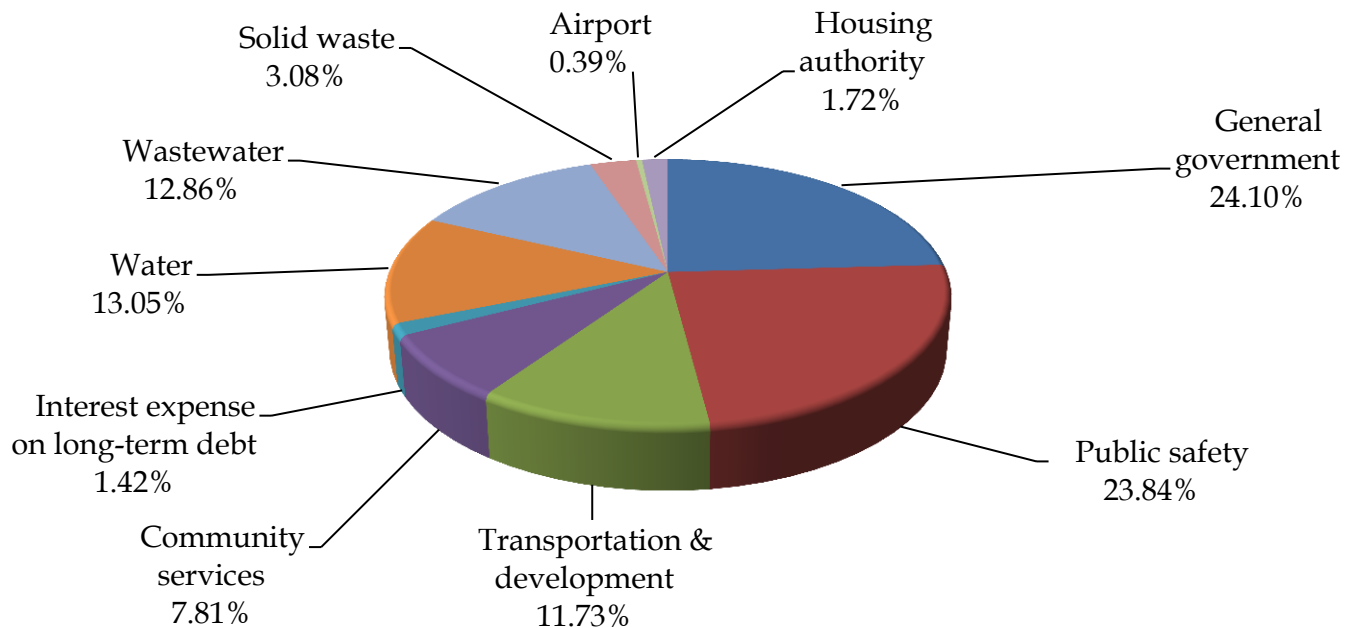
	Governmental Activities		Business-type Activities		Total (Primary Govt.)	
	2018	2017	2018	2017	2018	2017
Revenues:						
Program revenues						
Charges for services	\$ 75,516,684	\$ 75,026,755	\$ 128,755,491	\$ 124,368,310	\$ 204,272,175	\$ 199,395,065
Operating grants and contributions	3,988,629	4,481,750	6,350,858	6,198,797	10,339,487	10,680,547
Capital grants and contributions	9,340,818	9,702,683	22,360,158	27,645,932	31,700,976	37,348,615
General revenues						
Property taxes	30,816,495	29,837,763	-	-	30,816,495	29,837,763
Sales taxes	127,584,410	120,189,651	13,769	10,682	127,598,179	120,200,333
Franchise fees	3,571,744	3,285,267	-	-	3,571,744	3,285,267
Highway user taxes	16,135,949	16,683,743	-	-	16,135,949	16,683,743
Other taxes	940,203	664,616	-	-	940,203	664,616
State shared revenues	64,723,211	65,924,228	-	-	64,723,211	65,924,228
Investment income	1,531,766	1,063,997	854,848	938,491	2,386,614	2,002,488
Miscellaneous	1,502,418	1,014,665	3,743,026	2,798,023	5,245,444	3,812,688
Gain (loss) on sale of capital assets	-	-	11,180,186	-	11,180,186	-
Total revenues	335,652,327	327,875,118	173,258,336	161,960,235	508,910,663	489,835,353
Expenses:						
General government	113,587,478	104,998,802	-	-	113,587,478	104,998,802
Public safety	112,371,723	149,366,614	-	-	112,371,723	149,366,614
Transportation and development	55,287,494	56,752,197	-	-	55,287,494	56,752,197
Community services	36,824,102	32,599,549	-	-	36,824,102	32,599,549
Interest and fiscal charges	6,716,119	6,623,830	-	-	6,716,119	6,623,830
Water	-	-	61,513,990	63,236,746	61,513,990	63,236,746
Wastewater	-	-	60,605,779	58,112,931	60,605,779	58,112,931
Solid waste	-	-	14,531,558	14,380,178	14,531,558	14,380,178
Airport	-	-	1,841,718	1,893,830	1,841,718	1,893,830
Housing authority	-	-	8,109,635	7,728,876	8,109,635	7,728,876
Total expenses	324,786,916	350,340,992	146,602,680	145,352,561	471,389,596	495,693,553
Increase (decrease) before transfers	10,865,411	(22,465,874)	26,655,656	16,607,674	37,521,067	(5,858,200)
Transfers in (out)	(4,175,579)	(159,815)	4,175,579	159,815	-	-
Increase (decrease) in net position	6,689,832	(22,625,689)	30,831,235	16,767,489	37,521,067	(5,858,200)
Beginning net position, restated	632,331,724	695,486,624	714,150,782	632,424,786	1,346,482,506	1,327,911,410
Ending net position	\$ 639,021,556	\$ 672,860,935	\$ 744,982,017	\$ 649,192,275	\$ 1,384,003,573	\$ 1,322,053,210

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Revenue Sources - Fiscal Year 2018



Functional Expenses - Fiscal Year 2018



As evidenced in the previous graph, the largest financing source for the City is charges for services at 40.14 percent, associated with the user fees and charges for services. Sales taxes and state shared revenues also comprise a significant portion of the City's revenues at 25.07 percent and 12.72 percent, respectively, of the total revenues with capital grants and contributions accounting for an additional 6.23 percent of the City's total revenues.

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The City as a whole uses the largest amount of resources for general government functions at 24.10 percent of the total functional expenses of the City. The next largest users of resources are public safety and water at 23.84 percent and 13.05 percent, respectively, with wastewater accounting for 12.86 percent of the City's total expenses.

Governmental activities. The increase in governmental net position totaled \$6.7 million for the year ended June 30, 2018 compared with an decrease of \$22.6 million in the prior year. A slight increase is reflected only after the restatement of the beginning net position at July 1, 2017 by -\$40.6 million as a result of the implementation of GASB Statement No. 75 and capital asset adjustments.

Business-type activities. The increase in business-type net position totaled \$30.8 million for the year ended June 30, 2018 compared with an increase of \$16.8 million in the prior year. This increase is primarily due to the increased investment in a joint venture with the Town of Gilbert, as well as additional capital contributions.

FINANCIAL ANALYSIS OF THE CITY'S FUNDS

As noted earlier, the City 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. Fund balances are reported on a hierarchy of five classifications based on spending constraints in order to provide better consistency and clarification. These classifications include Nonspendable, Restricted, Committed, Assigned, and Unassigned. The spendable balances are the Restricted, Committed, Assigned, and Unassigned fund balances. Additional information on Fund Balances and their classifications can be found in Note 9 of the financial statements.

The financial performance of the City as a whole is reflected in its governmental funds. As the City completed the year, its governmental funds reported a combined fund balance of \$348.4 million, an increase of \$47.5 million in comparison with the prior year. Approximately \$179 million (51.4 percent) of this amount is combined assigned and unassigned balances, all which may be spent at the City's discretion. The total compared to the prior years' assigned and unassigned balances of \$177.8 million represents an increase of \$1.2 million.

The remainder of the fund balance comprising of nonspendable and restricted balances amounts to \$169.4 million (48.6 percent of the total fund balance). The nonspendable balance consists of inventories and prepaid amounts. The restricted balance is constrained for specific purposes imposed by external parties or enabling legislation. The total compared to the prior years' nonspendable and restricted balances of \$123.1 million represents a increase of \$46.3 million. This increase is due to unspent bond proceeds from the 2017 bond sale.

The general fund is the chief operating fund of the City. At the end of the current fiscal year, assigned and unassigned fund balance of the general fund was \$181.5 million, while total fund balance reached \$184.3 million. As a measure of the general fund's liquidity, it may be useful to compare both assigned and unassigned fund balance and total fund balance to total fund expenditures. Assigned and unassigned fund balance represents 0.87 coverage of total annual general fund expenditures. The amount of fund balance is well above the City's contingency reserve financial policy, allowing the funding of other reserves (i.e., economic development and capital projects, compensated absences). The City's general fund balance decreased by \$7.2 million during the current fiscal year primarily due to increased cash funding of capital projects as well as higher Public Safety Personnel Retirement System (PSPRS) employer contributions, and a supplemental payment to accelerate pay down of the City's unfunded liability.

The streets capital projects fund accounts for the acquisition, construction and improvements of the City's streets' projects. At the end of the current fiscal year total fund balance was \$75.3 million. The fund balance of the City's street fund increased by \$31.7 million during the current fiscal year due to unspent bond proceeds from the 2017 bond sale.

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The general obligation bonds debt service fund accounts for the accumulation of resources for and payments of general obligation bonded debt. The fund balance restricted for general obligation debt service payments decreased by \$1.5 million during the current fiscal year. The decrease is due to the total debt service expenditures exceeding property tax revenues for the year ended June 30, 2018.

Proprietary funds. The City's proprietary funds, which include enterprise and internal service funds, provide the same type of information found in the government-wide financial statements, but in more detail. Net position for the enterprise funds and the internal service funds at the end of the fiscal year amounted to \$745 million and \$36.4 million, respectively, compared to \$649.2 million and \$40.1 million in the prior fiscal year. The enterprise funds increase is primarily due to the increased investment in a joint venture with the Town of Gilbert, as well as other capital contributions.

The enterprise funds net position after net investment in capital assets is 32.7 percent unrestricted compared to 27.2 percent in the prior fiscal year. Unrestricted net position of the water fund at the end of the year amounted to \$147.9 million, and those for the wastewater fund amounted to \$81.5 million, compared to \$114.1 million and \$49.2 million in the prior fiscal year.

BUDGETARY HIGHLIGHTS

For the 2017-18 budget year, the City of Chandler continued to engage in fiscally responsible budgeting practices although potential State legislative actions continue to keep Chandler cautious. With steady economic growth in the City and the region, the City Council adopted a balanced budget for 2017-18 that included slightly higher planned operating expenditures based upon anticipated increases to the ongoing revenue streams from sustainable economic development. Overall planned capital expenditures decreased slightly as the projects being completed outweighed new adds in 2017-18. One-time revenues generated were applied to select capital projects and planned Public Safety Personnel Retirement System (PSPRS) liability pay down. Most local revenue sources were forecasted to improve, and expectations were met during the year. The City's major sources of General Fund revenues include Local Sales Tax, State Shared Sales Tax, and Urban Revenue Sharing (State Shared Income Tax). Continued increases in the largest General Fund revenue categories allowed the City Council to increase the General Fund budget by 5.4 percent from the previous year, and the total City budget decreased by 3.8 percent from 2016-17.

As has been the City's practice, the budget and revenue forecast distinguished between ongoing and one-time revenues and ensured related spending was also aligned. The City's 2017-18 budget included various salary adjustments based on agreements between bargaining units and the City. Other ongoing costs, such as maintenance, utilities, and supplies were managed closely to ensure they could be covered with ongoing revenues. The City continued to emphasize its strong financial policies, and higher revenues, which allowed the City Council to maintain the General Fund contingency reserve at 15 percent of anticipated annual General Fund operating revenue. And finally, the City Council continued the designated Budget Stabilization Reserve in the amount of \$15 million to provide the opportunity to utilize the reserve to balance the General Fund budget in the future for no more than three consecutive years, should state legislation, operational changes in tax collections, or unexpected decreases in property values cause revenues to suddenly decrease.

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CAPITAL ASSETS AND DEBT ADMINISTRATION

Capital assets. As of June 30, 2018, the City had invested \$1 billion in capital assets net of related debt, including buildings, facilities, vehicles, computers, equipment, and infrastructure assets. Total depreciation expense for the year was \$93.9 million.

The City performed a complete reconciliation of fixed assets resulting in various additions, deletions, and restatements of depreciation for both Governmental and Business-Type Activities. Further details on the changes made can be found in Notes 4 and 19 of the financial statements. During fiscal year 2017-18, there were \$27.2 million of costs associated with construction of additional capacity at the joint venture water treatment plant with the Town of Gilbert. An additional \$18.5 million was added to construction in progress for an expansion to the Oasis Water Treatment Plant, and \$4.9 million purchased as part of a water rights agreement in the business-type activities. There were several governmental activities improvement projects including the completion of an expansion to the fire training facility at a cost of \$2.9 million, several street improvement and expansions at a cost of \$8.8 million and two street sweepers at a cost of \$438 thousand. There were also other various infrastructure and system improvement projects for parks, streets, and water and wastewater infrastructure.

The following table presents capital asset balances net of accumulated depreciation for the fiscal years, ended June 30, 2017 and 2018:

Additional information on the City's capital assets can be found in Note 4 of the financial statements.

	Governmental Activities		Business-type Activities		Total (Primary Govt.)	
	2018	2017	2018	2017	2018	2017
Land	\$ 92,168,183	\$ 85,355,474	\$ 46,148,898	\$ 48,980,747	\$ 138,317,081	\$ 134,336,221
Land improvements	-	-	274,129	322,617	274,129	322,617
Infrastructure	334,699,138	358,597,078	-	-	334,699,138	358,597,078
System improvements	-	-	571,922,432	530,512,486	571,922,432	530,512,486
Buildings and improvements	207,129,915	228,725,744	9,120,230	9,556,733	216,250,145	238,282,477
Vehicles, machinery and equipment	27,834,486	29,865,082	4,183,679	3,954,048	32,018,165	33,819,130
Construction in progress	97,885,049	66,785,688	192,183,756	180,468,957	290,068,805	247,254,645
Total	\$ 759,716,771	\$ 769,329,066	\$ 823,833,124	\$ 773,795,588	\$ 1,583,549,895	\$ 1,543,124,654

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Long-term Debt. At the end of the current fiscal year, the City of Chandler had total bonded debt outstanding of \$574.7 million in long-term debt outstanding with \$39.9 million due within one year. The following table presents a summary of the City's outstanding long-term obligations for the fiscal years ended June 30, 2018 and 2017.

	Governmental Activities		Business-type Activities		Total (Primary Govt.)	
	2018	Restated 2017 ⁽¹⁾	2018	Restated 2017 ⁽¹⁾	2018	Restated 2017 ⁽¹⁾
General obligation bonds	\$ 223,288,000	\$ 186,873,000	\$ 105,707,000	\$ 115,722,000	\$328,995,000	\$ 302,595,000
Revenue bonds	4,270,000	6,685,000	7,845,000	9,595,000	12,115,000	16,280,000
Excise tax revenue obligations	-	-	230,635,000	198,520,000	230,635,000	198,520,000
Special assessment bonds	2,940,000	3,460,000	-	-	2,940,000	3,460,000
Issuance premiums	21,465,917	20,178,545	28,713,614	27,963,751	50,179,531	48,142,296
Total bonds & obligations payable	\$ 251,963,917	\$ 217,196,545	\$ 372,900,614	\$ 351,800,751	\$624,864,531	\$ 568,997,296
Arbitrage payable	27,508	22,508	47,492	47,492	75,000	70,000
Claims payable	6,421,289	6,007,859	-	-	6,421,289	6,007,859
Landfill closure/post closure	-	-	4,340,000	4,340,000	4,340,000	4,340,000
Compensated absences	10,659,857	10,488,949	1,132,763	1,125,501	11,792,620	11,614,450
Net Pension Liability	269,634,781	275,260,325	20,842,622	21,955,620	290,477,403	297,215,945
Post employment benefits ⁽¹⁾	48,379,857	58,620,945	5,693,993	6,883,962	54,073,850	65,504,907
Total long term liabilities	\$ 587,087,209	\$ 567,597,131	\$ 404,957,484	\$ 386,153,326	\$992,044,693	\$ 953,750,457

⁽¹⁾ The City restated the beginning balances of Governmental and Business-Type Post Employment Benefits due to the implementation of GASB statement No. 75, *Accounting and Financial Reporting for Postemployment Benefits Other Than Pension*. This resulted in an increase to beginning balances of \$34,251,189 and \$4,784,049 respectively.

The City of Chandler's total long term liabilities increased by \$38.3 million during the current fiscal year, due mainly the issuance of new bonds in the amount of \$95 million. This increase was offset by a decrease in pension liability of \$6.7 million, a decrease in post employment benefits of \$11.4 million and principal repayments in the amount of \$41.1 million.

State statutes currently limit the amount of general obligation debt a city may issue to 20 percent of its total assessed valuation for water, sewer, artificial lighting, open space, parks, public safety and emergency services, streets, transportation, and recreational facilities. The current debt limitation for the City is \$697.9 million. The City has \$324.2 million of outstanding general obligation debt for these purposes.

State statutes also currently limit the amount of general obligation debt a city may issue to 6 percent of its total assessed valuation for all other purposes. The current debt limitation for the City is \$209.4 million. The City has \$15 million of outstanding general obligation debt for this purpose.

As of year-end, the City's current bond ratings on general obligation bonds were Aaa from Moody's Investor Services, AAA from Standard & Poor's, and AAA from Fitch Ratings. Ratings for the street and highway users were Aa3 from Moody's, AA from Standard & Poor's, and AA from Fitch. Water and wastewater revenue bonds were rated Aa1 from Moody's Investor Services, AA from Standard & Poor's, and AA+ from Fitch. Excise tax revenue obligation bonds were rated Aa1 from Moody's Investor Services, AAA from Standard & Poor's, and AAA from Fitch.

Additional information on the City's long-term debt can be found in Note 5 of the financial statements.

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ECONOMIC FACTORS AND NEXT YEAR'S BUDGET

Adopting a balanced budget for the next fiscal year (2018-19) required the combined efforts of citizens, the City Council, Executive Leadership team, and staff members throughout the organization. The City's overall budget reflects continued slow but steady economic growth for both the City and State. Although general economic conditions are strong, the City is operating in a more constrained financial environment than in pre-recession years, continuing to look for efficiencies to manage expenditure growth. The budget decreased from \$934.5 million in 2017-18 to \$875.7 million (-6.3 percent) in 2018-19, due to slightly higher expenditures for operating, offset by lower expenditures for capital projects. The City continues a healthy capital improvement program to ensure existing infrastructure is well maintained and new facilities are planned when growth or need dictates. With a 4.05 percent increase in Limited Property Values (including new growth), the City Council chose to reduce the primary property tax rate from \$0.27 to \$0.2686, and keep the secondary property tax rate at \$0.87 per \$100 of assessed valuation. The rate reduction will help minimize the impact of higher values on property owner's tax payment.

As of January 1, 2017, the Arizona Department of Revenue (ADOR) began administering Transaction Privilege Tax (TPT) "Sales Tax" collections and licensing for Chandler based on State law. The City Council reduced the designated Budget Stabilization Reserve to the amount of \$10 million in reflection of the successful transition of TPT Administration from the City to ADOR. This reserve provides the opportunity to utilize the reserve to balance the General Fund budget in the future for no more than three consecutive years, should state legislation, operational changes in tax collections, or unexpected decreases in property values cause revenues to suddenly decrease.

Bonds were sold in 2017-18 for capital improvements, although the 2018-19 Budget does not include an anticipated bond sale, and refunding opportunities for outstanding bonds are evaluated continuously. Additionally, the City Council maintained the General Fund operating contingency at 15 percent of General Fund operating revenues to provide a further buffer for emergencies or to support new opportunities, such as unanticipated grants or development agreements. The 2018-19 Budget also includes supplemental payments to the Public Safety Personnel Retirement System (PSPRS) to accelerate pay down of the City's unfunded liability.

CONTACTING THE CITY'S FINANCE OFFICE

This financial report is designed to provide our citizens, taxpayers, customers, and investors and creditors with a general overview of the City's finances and to demonstrate the City's accountability for the money it receives. If you have questions about this report or need additional information, contact the Management Services Department, City of Chandler, P.O. Box 4008, MS 609, Chandler, AZ 85244-4008 or by calling 480-782-2333.



Chandler + Arizona
Where Values Make The Difference

BASIC FINANCIAL STATEMENTS

City of Chandler
Statement of Net Position
June 30, 2018

				Component Units	
	Governmental	Business-Type		Chandler Industrial	Chandler
	Activities	Activities	Total	Development	Cultural
				Authority	Foundation
ASSETS					
Current assets:					
Equity in pooled cash and investments	\$ 420,219,594	\$ 227,343,200	\$ 647,562,794	\$ -	\$ -
Cash and investments	-	-	-	890,208	2,044,638
Accounts receivable	998,793	22,045,723	23,044,516	-	1,939
Privilege license tax receivable	3,731,417	-	3,731,417	-	-
Property taxes receivable	366,409	-	366,409	-	-
Internal balances	11,877	(11,877)	-	-	-
Due from other governments	4,289,826	96,433	4,386,259	-	-
Inventories	813,143	120,307	933,450	-	-
Prepaid items	-	-	-	-	28,731
Accrued interest receivable	1,367,353	715,330	2,082,683	-	7,249
Special assessments receivable	2,681,379	-	2,681,379	-	-
Notes receivable - current	448,503	-	448,503	-	-
Other receivables	2,831,809	772,372	3,604,181	-	-
Total current assets	437,760,103	251,081,488	688,841,591	890,208	2,082,557
Long-term assets:					
Cash and investments - restricted	-	-	-	-	1,412,498
Notes receivable - long term	-	336,450	336,450	-	-
Investment in joint venture	-	83,194,468	83,194,468	-	-
Other assets	-	57,087	57,087	-	6,000
Capital assets:					
Non-depreciable	190,053,232	238,332,654	428,385,886	-	-
Depreciable, net	569,663,539	585,500,470	1,155,164,009	-	34,967
Total capital assets	759,716,771	823,833,124	1,583,549,895	-	34,967
Total long-term assets	759,716,771	907,421,129	1,667,137,900	-	1,453,465
Total assets	1,197,476,874	1,158,502,617	2,355,979,491	890,208	3,536,022
DEFERRED OUTFLOWS OF RESOURCES					
Deferred outflows of OPEB and pension plan items	68,302,510	3,298,579	71,601,089		
Deferred amounts on refundings	10,809,395	8,462,303	19,271,698	-	-
Total deferred outflows of resources	79,111,905	11,760,882	90,872,787	-	-

LIABILITIES

Current liabilities:

Accounts payable	8,681,958	5,054,729	13,736,687	-	164,555
Accrued payroll	3,388,962	400,972	3,789,934	-	-
Trust liabilities and deposits	6,730,870	4,100,988	10,831,858	-	-
Accrued interest	4,507,643	7,049,435	11,557,078	-	-
Unearned revenue	575,231	-	575,231	-	321,286
Customer advances	-	644,255	644,255	-	-
Arbitrage liability	7,989	17,011	25,000	-	-
Compensated absences payable	131,618	13,985	145,603	-	-
Bonds payable	22,613,018	22,212,296	44,825,314	-	-
Landfill closure and postclosure liability	-	94,446	94,446	-	-
Claims and judgements payable	5,783,905	-	5,783,905	-	-
Total current liabilities	52,421,194	39,588,117	92,009,311	-	485,841

Long-term liabilities:

Arbitrage liability	19,519	30,481	50,000	-	-
Compensated absences payable	10,528,239	1,118,778	11,647,017	-	-
Bonds payable	229,350,899	350,688,318	580,039,217	-	-
Net pension liability	269,634,781	20,842,622	290,477,403	-	-
OPEB liability	48,379,857	5,693,993	54,073,850	-	-
Landfill closure and postclosure liability	-	4,245,554	4,245,554	-	-
Claims and judgements payable	637,384	-	637,384	-	-
Total long-term liabilities	558,550,679	382,619,746	941,170,425	-	-
Total liabilities	610,971,873	422,207,863	1,033,179,736	-	485,841

DEFERRED INFLOWS OF RESOURCES

Deferred inflows of OPEB and pension plan items	26,595,350	3,073,619	29,668,969	-	-
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NET POSITION

Net investment in capital assets	536,086,249	467,799,036	1,003,885,285	-	34,967
Restricted for:					
Transportation and development	106,875,199	-	106,875,199	-	-
Capital improvements	17,101,780	-	17,101,780	-	-
Community services	34,072,952	-	34,072,952	-	-
Community development	560,200	-	560,200	-	-
Debt service	7,960,199	33,297,815	41,258,014	-	-
Legal restrictions	1,940,525	-	1,940,525	-	1,412,498
Family self sufficiency escrow accounts	-	149,619	149,619	-	-
Total restricted	168,510,855	33,447,434	201,958,289	-	1,412,498
Unrestricted	(65,575,548)	243,735,547	178,159,999	890,208	1,602,716
Total net position	\$ 639,021,556	\$ 744,982,017	\$ 1,384,003,573	\$ 890,208	\$ 3,050,181

See accompanying Notes to Basic Financial Statements.

City of Chandler
Statement of Activities
For the year ended June 30, 2018

Functions/Programs	Expenses	Program Revenues			
		Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	Total
Primary government:					
Governmental activities:					
General government	\$ 113,587,478	\$ 43,089,930	\$ 2,043,934	\$ 1,314,665	\$ 46,448,529
Public safety	112,371,723	6,100,584	829,608	-	6,930,192
Transportation and development	55,287,494	17,145,894	713,172	8,026,153	25,885,219
Community services	36,824,102	9,180,276	401,915	-	9,582,191
Interest on long-term debt	6,716,119	-	-	-	-
Total governmental activities	324,786,916	75,516,684	3,988,629	9,340,818	88,846,131
Business-type activities:					
Water	61,513,990	54,031,592	-	9,695,943	63,727,535
Wastewater	60,605,779	56,367,650	-	11,014,553	67,382,203
Solid waste	14,531,558	16,307,409	-	-	16,307,409
Airport	1,841,718	963,827	-	1,530,430	2,494,257
Chandler housing authority	8,109,635	1,085,013	6,350,858	119,232	7,555,103
Total business-type activities	146,602,680	128,755,491	6,350,858	22,360,158	157,466,507
Total primary government	\$ 471,389,596	\$ 204,272,175	\$ 10,339,487	\$ 31,700,976	\$ 246,312,638
Component units					
Chandler Industrial Development Authority	\$ 10	\$ 62,039	\$ -	\$ -	\$ 62,039
Chandler Cultural Foundation	2,025,928	2,070,027	408,208	-	2,478,235
Total component units	\$ 2,025,938	\$ 2,132,066	\$ 408,208	\$ -	\$ 2,540,274

General revenues and transfers:

Taxes:

Property taxes, levied for general purposes

Sales taxes

Highway user taxes

Other taxes

Total taxes

Franchise fees

State shared revenues (unrestricted)

Investment income

Miscellaneous

Gain (loss) on sale of capital assets

Transfers

Total general revenues and transfers

Change in net position

Net position - beginning of year restated

Net position - end of year

See accompanying Notes to Basic Financial Statements.

Net (Expense) Revenue and Changes in Net Position				
Primary Government			Component Units	
Governmental Activities	Business-Type Activities	Total	Chandler Industrial Development Authority	Chandler Cultural Foundation
\$ (67,138,949)	\$ -	\$ (67,138,949)	\$ -	\$ -
(105,441,531)	-	(105,441,531)	-	-
(29,402,275)	-	(29,402,275)	-	-
(27,241,911)	-	(27,241,911)	-	-
(6,716,119)	-	(6,716,119)	-	-
(235,940,785)	-	(235,940,785)	-	-
-	2,213,545	2,213,545	-	-
-	6,776,424	6,776,424	-	-
-	1,775,851	1,775,851	-	-
-	652,539	652,539	-	-
-	(554,532)	(554,532)	-	-
-	10,863,827	10,863,827	-	-
(235,940,785)	10,863,827	(225,076,958)	-	-
-	-	-	62,029	-
-	-	-	-	452,307
-	-	-	62,029	452,307
30,816,495	-	30,816,495	-	-
127,584,410	13,769	127,598,179	-	-
16,135,949	-	16,135,949	-	-
940,203	-	940,203	-	-
175,477,057	13,769	175,490,826	-	-
3,571,744	-	3,571,744	-	-
64,723,211	-	64,723,211	-	-
1,531,766	854,848	2,386,614	5,304	29,170
1,502,418	3,743,026	5,245,444	-	-
-	11,180,186	11,180,186	-	-
(4,175,579)	4,175,579	-	-	-
242,630,617	19,967,408	262,598,025	5,304	29,170
6,689,832	30,831,235	37,521,067	67,333	481,477
632,331,724	714,150,782	1,346,482,506	822,875	2,568,704
\$ 639,021,556	\$ 744,982,017	\$ 1,384,003,573	\$ 890,208	\$ 3,050,181

City of Chandler
Balance Sheet
Governmental Funds
June 30, 2018

	Major Funds			Other	
	General	Streets Capital Projects	General Obligation Bonds Debt Service	Governmental Funds	Total
ASSETS					
Equity in pooled cash and investments	\$ 181,657,926	\$ 78,241,250	\$ 29,222,468	\$ 88,274,483	\$ 377,396,127
Accounts receivable	920,070	-	-	3,172	923,242
Privilege license tax receivable	3,731,417	-	-	-	3,731,417
Property taxes receivable	93,254	-	273,155	-	366,409
Advances to other funds	7,123,657	-	-	9,562,152	16,685,809
Due from other funds	243,879	-	-	-	243,879
Due from other governments	1,291,503	-	-	2,998,323	4,289,826
Inventories	813,143	-	-	-	813,143
Accrued interest receivable	691,737	203,861	51,370	278,617	1,225,585
Special assessments receivable	-	-	-	2,681,379	2,681,379
Notes receivable	-	-	-	448,503	448,503
Other receivables	2,831,809	-	-	-	2,831,809
Total assets	\$ 199,398,395	\$ 78,445,111	\$ 29,546,993	\$ 104,246,629	\$ 411,637,128
LIABILITIES, DEFERRED INFLOWS OF RESOURCES AND FUND BALANCES					
Liabilities:					
Accounts payable	\$ 4,772,311	\$ 785,691	\$ -	\$ 3,008,874	\$ 8,566,876
Accrued payroll	3,217,436	1,670	-	136,136	3,355,242
Trust liabilities and deposits	6,438,907	-	-	291,963	6,730,870
Accrued interest	-	-	4,366,849	140,794	4,507,643
Due to other funds	-	-	-	232,002	232,002
Advances from other funds	-	2,314,300	-	14,371,509	16,685,809
Unearned revenue	563,910	-	-	2,000	565,910
Arbitrage liability	-	-	2,989	5,000	7,989
Bonds payable	-	-	17,524,000	2,220,000	19,744,000
Total liabilities	14,992,564	3,101,661	21,893,838	20,408,278	60,396,341
Deferred inflows of resources:					
Unavailable revenues - special assessments	-	-	-	2,618,880	2,618,880
Unavailable revenues - property taxes	69,911	-	201,166	-	271,077
Total deferred inflows of resources	69,911	-	201,166	2,618,880	2,889,957
Fund balances:					
Nonspendable	813,143	-	-	-	813,143
Restricted	1,980,807	75,343,450	7,451,989	83,774,891	168,551,137
Committed	-	-	-	-	-
Assigned	116,359,633	-	-	-	116,359,633
Unassigned	65,182,337	-	-	(2,555,420)	62,626,917
Total fund balances	184,335,920	75,343,450	7,451,989	81,219,471	348,350,830
Total liabilities, deferred inflows and fund balances	\$ 199,398,395	\$ 78,445,111	\$ 29,546,993	\$ 104,246,629	\$ 411,637,128

See accompanying Notes to Basic Financial Statements.

City of Chandler
Reconciliation of the Governmental Funds Balance Sheet
to the Government-Wide Statement of Net Position
June 30, 2018

Total Fund Balances - Total Governmental Funds	\$ 348,350,830
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Amounts reported for governmental activities in the Statement of Net Position were reported differently because:

Capital assets used in governmental activities are not current financial resources. Therefore, they were not reported in the Governmental Funds Balance Sheet.

Non-depreciable	190,053,232
Depreciable buildings, property, equipment and infrastructure, net	569,663,539
Total capital assets	759,716,771

Certain revenues are not available to pay for current period expenditures and, therefore, are unavailable in the funds.	2,889,960
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Deferred charges on refundings are not financial resources and, therefore, are not reported in the funds.	10,809,395
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Deferred outflows related to pensions are not financial resources and, therefore, are not reported in the funds.	68,302,510
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Deferred inflows related to pensions represent a future acquisition of net position that is not reported in the funds.	(26,595,350)
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The internal service fund is used by management to charge the costs of certain activities to individual funds. The assets and liabilities of the internal service fund are included in governmental activities in the Government-Wide Statement of Net Position.	36,393,090
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Long-term liabilities are not due and payable in the current period. Therefore, they were not reported in the Governmental Funds Balance Sheet. Except for the internal service funds amounts of \$6,489,570 which are included above, the long-term liabilities were adjusted as follows:

Bonds payable	(232,219,917)
Net pension liability	(269,634,781)
OPEB liability	(48,379,857)
Arbitrage liability	(19,519)
Compensated absences	(10,591,576)
Total long-term liabilities	(560,845,650)

Net Position of Governmental Activities	\$ 639,021,556
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See accompanying Notes to Basic Financial Statements.

City of Chandler
Statement of Revenues, Expenditures, and Changes in Fund Balances
Governmental Funds
For the year ended June 30, 2018

	Major Funds			Other Governmental Funds	Total
	General	Streets Capital Projects	General Obligation Bonds Debt Service		
REVENUES:					
Property taxes	\$ 7,297,956	\$ -	\$ 23,521,856	\$ -	\$ 30,819,812
Sales taxes	127,584,410	-	-	-	127,584,410
Highway user taxes	-	-	-	16,135,949	16,135,949
Regional transportation taxes	-	940,203	-	-	940,203
Franchise fees	3,571,744	-	-	-	3,571,744
State shared	64,723,211	-	-	-	64,723,211
Grants and entitlements	189,330	-	-	11,922,527	12,111,857
System development fees	-	7,156,530	-	6,826,144	13,982,674
Special assessments	-	-	-	611,499	611,499
Licenses and permits	6,394,322	-	-	-	6,394,322
Charges for services	21,479,356	-	-	348,019	21,827,375
Fines and forfeitures	4,229,102	-	-	636,681	4,865,783
Rentals	127,575	-	-	-	127,575
Contributions	200,000	-	-	-	200,000
Interest revenue	516,767	317,407	98,527	466,028	1,398,729
Miscellaneous	266,022	406,912	-	301,173	974,107
Total revenues	236,579,795	8,821,052	23,620,383	37,248,020	306,269,250
EXPENDITURES:					
Current:					
General government	52,213,551	4,746	-	3,488,411	55,706,708
Public safety	107,266,684	-	-	2,469,593	109,736,277
Transportation and development	18,186,439	740,906	-	8,823,020	27,750,365
Community services	26,458,865	-	-	629,775	27,088,640
Capital outlay	4,781,362	8,058,227	-	58,428,668	71,268,257
Debt service:					
Principal	-	-	17,524,000	2,740,000	20,264,000
Bond issuance costs	-	128,832	-	123,779	252,611
Interest and fiscal charges	-	-	7,626,093	291,988	7,918,081
Total expenditures	208,906,901	8,932,711	25,150,093	76,995,234	319,984,939
Excess (deficiency) of revenues over (under) expenditures	27,672,894	(111,659)	(1,529,710)	(39,747,214)	(13,715,689)
OTHER FINANCING SOURCES (USES):					
Proceeds from disposal of capital assets	505	-	-	213,324	213,829
Bond premium	-	1,840,776	-	1,768,589	3,609,365
Face amount of bonds issued	-	29,957,400	-	28,782,600	58,740,000
Transfers in	4,793,294	-	-	41,239,057	46,032,351
Transfers out	(39,674,538)	-	-	(7,695,482)	(47,370,020)
Total other financing sources (uses)	(34,880,739)	31,798,176	-	64,308,088	61,225,525
NET CHANGE IN FUND BALANCE	(7,207,845)	31,686,517	(1,529,710)	24,560,874	47,509,836
FUND BALANCES:					
Beginning of year	191,543,765	43,656,933	8,981,699	56,658,597	300,840,994
End of year	<u>\$ 184,335,920</u>	<u>\$ 75,343,450</u>	<u>\$ 7,451,989</u>	<u>\$ 81,219,471</u>	<u>\$ 348,350,830</u>

See accompanying Notes to Basic Financial Statements.

City of Chandler

Reconciliation of the Governmental Funds Statement of Revenues, Expenditures, and Changes in Fund Balances to the Government-Wide Statement of Activities For the year ended June 30, 2018

Net Change in Fund Balances - Total Governmental Funds	\$ 47,509,836
Governmental activities in the Statement of Activities were reported differently because:	
Governmental funds report capital outlay as expenditures. However, in the Government Wide Statement of Activities and Changes in Net Position, the cost of those assets is allocated over their estimated useful lives as depreciation expense. This is the amount of capital assets recorded and transferred in the current period.	48,339,718
Depreciation expense on capital assets is reported in the Government-Wide Statement of Activities and Changes in Net Position, but they do not require the use of current financial resources. Therefore, depreciation expense is not reported as an expenditure in governmental funds.	(52,374,815)
Some items reported in the governmental funds are sources and uses of current financial resources and therefore are not reported as revenues or expenses in Statement of Activities. These items include:	
Principal payments on debt	20,264,000
Face amount of bonds issued	(58,740,000)
Bond premium	(3,609,365)
Pension related items	585,724
Other postemployment benefits obligation	(109,624)
	(41,609,265)
Accrued interest payable related to long-term debt is recognized as an expense in the Statement of Activities, however is not recognized in the governmental funds because it is not payable from current financial resources.	1,201,962
Arbitrage liability 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.	(5,000)
Certain revenues in the statement of activities do not provide current financial resources and therefore are not reported as revenues in the governmental funds	(706,087)
Claims and Payments are recorded when due and therefore, are not reported as expenditures in governmental funds	7,395,983
Compensated absence 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.	(177,390)
Certain revenues in the governmental funds that provide current financial resources are not included in the Statement of Activities because they were recognized in a prior period. However, other revenues that are unavailable in the governmental funds because they do not provide current financial resources due to unavailability are recognized in the Statement of Activities.	(498,592)
Capital assets contributed by developers to the City are not recorded in the governmental funds as they do not provide current financial resources but are recognized in the Statement of Activities as program revenues.	1,406,917
The internal service fund is used by management to charge the costs of certain activities, such as insurance, to individual funds. The change in financial position of the internal service fund is reported with governmental activities.	(3,793,435)
Change in Net Position of Governmental Activities	\$ 6,689,832

See accompanying Notes to Basic Financial Statements.

City of Chandler
Statement of Net Position
Proprietary Funds
June 30, 2018

	Major Funds		Other Proprietary Funds	Total	Governmental Activities: Internal Service Fund
	Water	Wastewater			
ASSETS					
Current assets:					
Equity in pooled cash and investments	\$ 91,668,696	\$ 112,427,557	\$ 23,246,947	\$ 227,343,200	\$ 42,823,464
Accounts receivable	10,087,713	9,321,247	2,636,763	22,045,723	75,551
Advances to other funds	3,900,000	-	-	3,900,000	-
Due from other governments	-	-	96,433	96,433	-
Inventories	94,870	-	25,437	120,307	-
Accrued interest receivable	271,475	361,077	82,778	715,330	141,768
Other receivables	-	771,286	1,086	772,372	-
Total current assets	106,022,754	122,881,167	26,089,444	254,993,365	43,040,783
Long-term assets:					
Notes receivable	-	-	336,450	336,450	-
Investment in joint venture	83,194,468	-	-	83,194,468	-
Other assets	33,339	23,748	-	57,087	-
Capital assets:					
Non-depreciable	40,356,937	170,248,250	27,727,467	238,332,654	-
Depreciable, net	208,615,990	349,761,467	27,123,013	585,500,470	-
Total capital assets	248,972,927	520,009,717	54,850,480	823,833,124	-
Total long-term assets	332,200,734	520,033,465	55,186,930	907,421,129	-
Total assets	438,223,488	642,914,632	81,276,374	1,162,414,494	43,040,783
DEFERRED OUTFLOWS OF RESOURCES					
Deferred outflows of OPEB and pension plan items	1,617,786	877,489	803,304	3,298,579	-
Deferred amounts on refundings	4,455,615	4,006,688	-	8,462,303	-
Total deferred outflow of resources	6,073,401	4,884,177	803,304	11,760,882	-

LIABILITIES

Current liabilities:

Accounts payable	1,574,774	2,542,683	937,272	5,054,729	115,082
Accrued payroll	180,089	148,794	72,089	400,972	33,720
Trust liabilities and deposits	3,188,530	340,842	571,616	4,100,988	-
Accrued interest	2,689,722	4,359,307	406	7,049,435	-
Due to other funds	-	-	11,877	11,877	-
Unearned revenue	-	-	-	-	9,321
Customer advances	235,290	207,782	201,183	644,255	-
Arbitrage liability	6,645	10,366	-	17,011	-
Compensated absences payable	6,922	4,622	2,441	13,985	843
Bonds payable	10,645,812	11,540,288	26,196	22,212,296	-
Landfill closure and postclosure liability	-	-	94,446	94,446	-
Claims and judgements payable	-	-	-	-	5,783,905
Total current liabilities	18,527,784	19,154,684	1,917,526	39,599,994	5,942,871

Long-term liabilities:

Arbitrage liability	9,713	20,768	-	30,481	-
Compensated absences payable	553,807	369,780	195,191	1,118,778	67,438
Advances from other funds	-	3,900,000	-	3,900,000	-
Bonds payable	133,623,038	217,063,517	1,763	350,688,318	-
Net pension liability	10,412,276	5,744,087	4,686,259	20,842,622	-
OPEB liability	2,622,327	2,015,518	1,056,148	5,693,993	-
Landfill closure and postclosure liability	-	-	4,245,554	4,245,554	-
Claims and judgements payable	-	-	-	-	637,384
Total long-term liabilities	147,221,161	229,113,670	10,184,915	386,519,746	704,822
Total liabilities	165,748,945	248,268,354	12,102,441	426,119,740	6,647,693

DEFERRED INFLOWS OF RESOURCES

Deferred inflows of OPEB and pension plan items	1,494,883	875,961	702,775	3,073,619	-
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NET POSITION

Net investment in capital assets	114,441,111	298,507,445	54,850,480	467,799,036	-
Restricted for:					
Debt service	14,677,630	18,620,185	-	33,297,815	-
Housing assistance	-	-	149,619	149,619	-
Unrestricted	147,934,320	81,526,864	14,274,363	243,735,547	36,393,090
Total net position	\$ 277,053,061	\$ 398,654,494	\$ 69,274,462	\$ 744,982,017	\$ 36,393,090

See accompanying Notes to Basic Financial Statements.

City of Chandler

Statement of Revenues, Expenses, and Changes in Net Position

Proprietary Funds

For the year ended June 30, 2018

	Major Funds		Other Proprietary Funds	Total	Governmental Activities: Internal Service Fund
	Water	Wastewater			
OPERATING REVENUES:					
Service fees	\$ 54,031,592	\$ 56,367,650	\$ 17,271,561	\$ 127,670,803	\$ 49,209
Grants and entitlements	-	-	6,350,858	6,350,858	-
Rentals	-	-	1,084,688	1,084,688	-
Sales taxes	-	-	13,769	13,769	-
Self insurance premiums	-	-	-	-	27,764,192
Miscellaneous	102,481	851,483	130,778	1,084,742	521,877
Total operating revenues	54,134,073	57,219,133	24,851,654	136,204,860	28,335,278
OPERATING EXPENSES:					
General and administrative	3,314,536	2,905,447	1,077,826	7,297,809	-
Personal services	9,170,095	7,173,003	3,931,437	20,274,535	1,990,667
Contractual services	7,142,502	4,631,516	11,372,780	23,146,798	2,367,694
Commodities	16,206,228	14,257,235	1,533,594	31,997,057	2,006,480
Claims expense	-	-	-	-	26,833,968
Housing assistance payments	-	-	4,518,146	4,518,146	-
Depreciation and amortization expense	16,703,289	22,778,069	2,047,315	41,528,673	-
Total operating expenses	52,536,650	51,745,270	24,481,098	128,763,018	33,198,809
OPERATING INCOME (LOSS)	1,597,423	5,473,863	370,556	7,441,842	(4,863,531)
NONOPERATING REVENUES (EXPENSES):					
Interest revenue	504,880	275,370	74,598	854,848	138,035
Interest and fiscal charges	(5,538,960)	(8,706,657)	(813)	(14,246,430)	-
Accretion of bond premium	1,198,616	1,459,472	196	2,658,284	-
Amortization of deferred bond items	(3,334)	(2,375)	-	(5,709)	-
Bond issuance costs	(109,690)	(151,477)	-	(261,167)	-
Gain (loss) on disposal of capital assets	(32,000)	11,180,186	(1,000)	11,147,186	-
Equity interest in joint venture	(3,293,356)	-	-	(3,293,356)	-
Total nonoperating revenues (expenses)	(7,273,844)	4,054,519	72,981	(3,146,344)	138,035
INCOME (LOSS) BEFORE CAPITAL CONTRIBUTIONS AND TRANSFERS	(5,676,421)	9,528,382	443,537	4,295,498	(4,725,496)
CAPITAL CONTRIBUTIONS AND TRANSFERS:					
Capital contributions	9,695,943	14,784,524	1,649,662	26,130,129	-
Transfers in	-	-	1,024,011	1,024,011	950,000
Transfers out	(308,044)	(197,409)	(112,950)	(618,403)	(17,939)
Total capital contributions and transfers	9,387,899	14,587,115	2,560,723	26,535,737	932,061
Change in Net Position	3,711,478	24,115,497	3,004,260	30,831,235	(3,793,435)
NET POSITION:					
Beginning of year, restated	273,341,583	374,538,997	66,270,202	714,150,782	40,186,525
End of year	<u>\$ 277,053,061</u>	<u>\$ 398,654,494</u>	<u>\$ 69,274,462</u>	<u>\$ 744,982,017</u>	<u>\$ 36,393,090</u>

See accompanying Notes to Basic Financial Statements.



Chandler + Arizona
Where Values Make The Difference

City of Chandler
Statement of Cash Flows
Proprietary Funds
For the year ended June 30, 2018

	Major Funds		Other Proprietary Funds	Total	Governmental Activities: Internal Service Fund
	Water	Wastewater			
CASH FLOWS FROM OPERATING ACTIVITIES:					
Cash received from customers	\$ 53,842,339	\$ 55,165,944	\$ 17,947,031	\$ 126,955,314	\$ 28,386,578
Cash received from grantors	-	-	5,935,737	5,935,737	-
Cash payments to suppliers	(36,787,929)	(27,293,488)	(17,640,483)	(81,721,900)	(30,739,749)
Cash payments to employees for services	(9,494,204)	(7,351,991)	(3,980,483)	(20,826,678)	(1,989,215)
Net cash provided (used) by operating activities	7,560,206	20,520,465	2,261,802	30,342,473	(4,342,386)
CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES:					
Transfers in	-	-	1,024,011	1,024,011	950,000
Transfers out	(308,044)	(197,409)	(112,950)	(618,403)	(17,939)
Net cash provided (used) by noncapital financing activities	(308,044)	(197,409)	911,061	405,608	932,061
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES:					
Acquisition and construction of capital assets	(20,972,507)	(16,246,944)	(1,231,595)	(38,451,046)	-
Proceeds from sale/refunding of bonds	16,779,831	22,750,150	-	39,529,981	-
Principal paid on bond maturities	(9,007,194)	(6,087,747)	(25,000)	(15,119,941)	-
Interest paid on bonds	(5,403,810)	(8,370,934)	(1,188)	(13,775,932)	-
Cash received from capital contributions	9,083,655	14,238,459	119,232	23,441,346	-
Net cash provided (used) by capital and related financing activities	(9,520,025)	6,282,984	(1,138,551)	(4,375,592)	-
CASH FLOWS FROM INVESTING ACTIVITIES:					
Investment income	480,972	117,940	58,792	657,704	105,685
Net cash provided (used) by investing activities	480,972	117,940	58,792	657,704	105,685
Net increase (decrease) in cash and cash equivalents	(1,786,891)	26,723,980	2,093,104	27,030,193	(3,304,640)
CASH AND CASH EQUIVALENTS:					
Beginning of year	93,455,587	85,703,577	21,153,843	200,313,007	46,128,104
End of year	\$ 91,668,696	\$ 112,427,557	\$ 23,246,947	\$ 227,343,200	\$ 42,823,464

RECONCILIATION OF OPERATING INCOME (LOSS) TO NET**CASH PROVIDED (USED) BY OPERATING ACTIVITIES:**

Operating income (loss)	\$ 1,597,423	\$ 5,473,863	\$ 370,556	\$ 7,441,842	\$ (4,863,531)
Adjustments to reconcile operating income (loss) to net cash provided (used) by operating activities:					
Depreciation	16,703,289	22,778,069	2,047,315	41,528,673	-
Changes in assets, liabilities and deferred items:					
(Increase) decrease in receivables	(724,180)	(1,634,078)	(408,265)	(2,766,523)	45,964
(Increase) decrease in inventories	14,199	-	(10,142)	4,057	-
(Increase) decrease in other assets	3,334	2,375	382,177	387,886	-
Increase (decrease) in payables	(10,138,862)	(5,499,290)	6,362	(15,631,790)	54,963
Increase (decrease) in accrued payroll and compensated absences	(5,251)	69,147	(705)	63,191	1,452
Increase (decrease) in deposits	411,757	(477,661)	93,870	27,966	-
Increase (decrease) in claims payable	-	-	-	-	413,430
Increase (decrease) in unearned revenue	-	-	-	-	5,336
Increase (decrease) in customer advances	17,355	56,175	(54,250)	19,280	-
Increase (decrease) in net pension items	(1,844,515)	(1,562,651)	(919,023)	(4,326,189)	89,436
Increase (decrease) in OPEB liability	1,525,657	1,314,516	753,907	3,594,080	(89,436)
Total adjustments	5,962,783	15,046,602	1,891,246	22,900,631	521,145
Net cash provided (used) by operating activities	\$ 7,560,206	\$ 20,520,465	\$ 2,261,802	\$ 30,342,473	\$ (4,342,386)

NONCASH INVESTING, CAPITAL, AND FINANCING ACTIVITIES:

Contributions of capital assets from developers	\$ 612,288	\$ 546,065	\$ -	\$ 1,158,353	\$ -
Contributions of capital assets from city government	-	-	1,530,430	1,530,430	-
Gain (loss) on disposal of assets	(32,000)	11,180,186	(1,000)	11,147,186	-
Accretion of bond premiums	1,198,616	1,459,472	196	2,658,284	-
Amortization of deferred bond charges	3,334	2,375	-	5,709	-

See accompanying Notes to Basic Financial Statements.

City of Chandler
Statement of Fiduciary Net Position
Fiduciary Funds
June 30, 2018

	<u>Agency Funds</u>
ASSETS	
Equity in pooled cash and investments	<u>\$ 6,000</u>
Total assets	<u>\$ 6,000</u>
LIABILITIES	
Due to others	<u>6,000</u>
Total liabilities	<u>\$ 6,000</u>
Total net position	<u><u>\$ -</u></u>

See accompanying Notes to Basic Financial Statements.

CITY OF CHANDLER, ARIZONA

Notes to the Financial Statements

June 30, 2018

The City of Chandler (City) was incorporated on February 17, 1920. On May 25, 1964, voters ratified a City charter providing for a Council-Manager form of government. The government of the City is operated by authority of its charter, as limited by the state legislature. A seven-member council, including a separately elected mayor, governs the City.

The following notes to the financial statements are an integral part of the City's financial statements.

NOTE 1 - Summary of Significant Accounting Policies

The accounting policies and procedures of the City conform to accounting principles generally accepted in the United States of America (GAAP) as applied to governmental entities. The Governmental Accounting Standards Board (GASB) is the accepted standard-setting body for establishing governmental accounting and financial reporting principles.

The more significant of the City's accounting policies are described below.

A. Reporting Entity

As required by GAAP, these financial statements present the City and its component units, i.e., entities for which the City is considered to be financially accountable and/or exercise significant influence over operations. Blended component units, although legally separate entities, are in substance part of the City's operations, and therefore data from these units are combined with data of the City. The City's discretely presented component units, on the other hand, are reported in a separate column in the basic financial statements, to emphasize that they are legally separate from the City. The component units discussed below are included in the City's reporting entity because of the significance of their operational and/or financial relationships with the City. Each component unit has a June 30 year-end.

1. Blended Component Unit

The City of Chandler Municipal Property Corporation (Corporation) is a nonprofit corporation which exists solely for the purpose of constructing or otherwise acquiring or equipping buildings, structures, or improvements on land owned by the City for the benefit, common good, and general welfare of the City and its citizens. The Chandler City Council appoints the five members of the Board, who are responsible for approving the Corporation's bond sales. Additionally, all bond sales must be submitted to and approved by the City Council. All financial activities are reported within the enterprise funds of the City. Unaudited financial statements for the Corporation are available from the City of Chandler, Management Services Department, P.O. Box 4008, MS 702, Chandler, AZ 85244-4008.

2. Discretely Presented Component Units

The component unit column in the basic financial statements includes the financial data of the Chandler Industrial Development Authority (Authority). The Authority is responsible for the issuance of tax-exempt bonds for qualified projects approved by the Authority and the City Council. The Authority has a seven-member board of directors appointed by the City Council. The City is able to impose its will on the Authority inasmuch as the City Council must vote to ratify the actions of the Authority with regard to the issuance of bonds. The accounting records of the Authority are maintained by the City and are available from the City of Chandler, Management Services Department, P.O. Box 4008, MS 702, Chandler, AZ 85244-4008.

The Chandler Cultural Foundation (Foundation) oversees the operations of the Chandler Center for the Arts for the selection and scheduling of performances, other facility use, and general policy setting activities. The City is able to significantly influence its operations. Specifically, the Foundation's budget is annually reviewed and approved by the City Council and the Foundation's nine-member Board is appointed by the City Council. Financial statements for the Foundation are available from the City of Chandler, Management Services Department, P.O. Box 4008, MS 702, Chandler, AZ 85244-4008.

CITY OF CHANDLER, ARIZONA

Notes to the Financial Statements

June 30, 2018

NOTE 1 - Summary of Significant Accounting Policies, continued

B. Government-Wide and Fund Financial Statements

The government-wide financial statements (i.e., the Statement of Net Position and the Statement of Activities) present financial information about the City as a whole. The reported information includes all of the nonfiduciary activities of the City and its component units. For the most part, the effect of interfund activity has been removed from these statements. These statements are to distinguish between the governmental and business-type activities of the City. Governmental activities normally are supported by taxes and intergovernmental revenues, and 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 or segment. 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 or segment and 2) grants and contributions that are restricted to meeting the operational or capital requirements of a particular function or segment. Taxes, state shared revenues, investment income, and other items not included among program revenues are reported instead as general revenues.

Separate financial statements are provided for governmental funds, proprietary funds and fiduciary funds, even though the latter are excluded from the government-wide financial statements. Major individual governmental funds and major individual enterprise funds are reported as separate columns in the fund financial statements.

C. Measurement Focus, Basis of Accounting, and Basis of Presentation

Government-wide Financial Statements - The government-wide financial statements are reported using the economic resources measurement focus and the accrual basis of accounting, as are the proprietary fund and fiduciary fund financial statements. Agency fund financial statements have no measurement focus. 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 grantor or provider have been met. As a general rule, the effect of interfund activity has been eliminated from the government-wide financial statements; the exception is any interfund activity between governmental and business-type activities, such as transfers. Interfund services provided and used are not eliminated.

Fund Financial Statements - 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 City 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 resources are provided during the current year for payment of long-term debt principal and interest due early in the following year (not to exceed one month) and, therefore, the expenditures and related liabilities have been recognized. Compensated absences and claims and judgments are recorded only when payment is due.

Property taxes, sales taxes, franchise fees, licenses and permits, charges for services, special assessments, and investment income 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. Grants and similar awards are recognized as revenue as soon as all eligibility requirements imposed by the grantor or provider have been met. Miscellaneous revenues are not susceptible to accrual because generally they are not measurable until received in cash.

CITY OF CHANDLER, ARIZONA

Notes to the Financial Statements

June 30, 2018

NOTE 1 - Summary of Significant Accounting Policies, continued

Delinquent property taxes have been recorded as deferred inflows of resources. Grants and similar awards received before the eligibility requirements are met are recorded as unearned revenue. Cash receipts received in advance of being billed have also been reported as unearned revenue on the governmental fund financial statements.

The City reports the following major governmental funds:

General Fund - This fund accounts for all financial resources of the City, except those required to be accounted for in other funds.

Streets Fund - This fund is used to account for the acquisition, construction, and improvements of City streets projects.

General Obligation Bonds Fund - This fund accumulates monies for the payment of principal and interest requirements of the City's tax supported General Obligation Bonds. Revenues for repayment are generated from secondary property taxes.

The City reports the following major proprietary funds:

Water Fund - This fund is used to account for the provision of water services to the residents of the City and certain county residents within the City's municipal boundaries. All activities necessary to provide such service are accounted for in this fund.

Wastewater Fund - This fund is used to account for the provision of wastewater services to the residents of the City and certain county residents within the City's municipal boundaries. All activities necessary to provide such service are accounted for in this fund.

Additionally, the City reports the following fund types:

Internal Service Fund - Internal Service Funds are established to account for financing of goods and services provided by one department or agency to other departments or agencies of the City on a cost reimbursement basis. The Internal Service Fund consists of Self Insurance Funds that administer the City's self-insured property, liability, health, dental, short term disability, and workers' compensation insurance programs.

Fiduciary Fund - Agency fund which accounts for resources held by the City in a custodial capacity for peddler bonds.

CITY OF CHANDLER, ARIZONA

Notes to the Financial Statements

June 30, 2018

NOTE 1 - Summary of Significant Accounting Policies, continued

Proprietary funds distinguish operating revenues and expenses from nonoperating items. Operating revenues and expenses generally result from providing services and producing and delivering goods in connection with a proprietary fund's principal ongoing operations. The principal operating revenues of the City's internal service fund are interfund transfers from the general fund for property and liability insurance and charges to user departments for premiums related to health, dental, workers' compensation, and short term disability self-insurance. The principal operating revenues of the City's enterprise funds are user fees and charges to customers for water, wastewater, solid waste, and airport services. Operating expenses for these funds include the cost of sales and services, administrative expenses, depreciation, claims, and premiums. All revenues and expenses not meeting this definition are reported as nonoperating revenues and expenses.

When both restricted and unrestricted resources are available for use, it is the City's policy to use restricted resources first where allowable, and then unrestricted resources as they are needed.

The focus of governmental fund financial statements is on major funds rather than reporting funds by type. Each major fund is presented in a separate column. Non-major funds are aggregated and presented in a single column. Internal service funds are combined and the totals are presented in a single column on the face of the proprietary fund statements. Fiduciary funds are reported by fund type.

D. Budgeting and Budgetary Control

The City Council formally adopts an annual operating budget for the General, Special Revenue, Capital Projects, Enterprise, Internal Service, and Debt Service funds.

The level of control at which expenditures may not exceed budget is by department. Upon written request by the City Manager, the City Council has the authority to transfer part or all of any unencumbered appropriation balance from one department to another per City Charter requirement. The City Manager and department heads have the authority to transfer appropriations between divisions and expenditure categories within departments. Appropriations totaling \$5,009,486 were transferred from the contingency reserves within the General, Enterprise, Internal Service, and Capital Projects funds.

All appropriations expire at the end of the fiscal year except for encumbered and capital improvements carryforward appropriations. Encumbrance accounting, under which purchase orders, contracts and other commitments for the future expenditure of funds are recorded in order to reserve that portion of the related fund balance, is employed in the governmental and proprietary fund types. Encumbrances outstanding at year-end are reported as part of unassigned fund balance and capital improvement carryforward at year-end are reported as part of assigned fund balance. Significant encumbrances for the general fund are \$5,708,780, for the streets capital projects fund are \$7,842,738, for water enterprise fund are \$22,724,010, for wastewater enterprise fund are \$12,056,843, and for nonmajor governmental funds are \$23,515,422.

The budgets are adopted on a basis differing from generally accepted accounting principles in that for budgetary purposes: (1) current year encumbrances are treated as expenditures; (2) bond proceeds for proprietary funds are considered revenue; (3) capital outlays for enterprise funds are treated as expenditures; (4) debt service principal payments are treated as expenditures for enterprise funds; (5) accrued compensated absences are not recognized as expenditures; (6) depreciation and amortization are not recognized as expenditures; (7) estimated landfill closure and post closure costs are not recognized as expenditures until incurred; (8) sales tax collected by merchants but not yet required to be remitted at the end of the fiscal year is not recorded as revenue; and (9) investments are recorded at cost.

CITY OF CHANDLER, ARIZONA

Notes to the Financial Statements

June 30, 2018

NOTE 1 - Summary of Significant Accounting Policies, continued

On June 3, 1980, the voters of Arizona approved an expenditure limitation for all local governments. This limitation restricts the growth of expenditures to a percentage determined by population and inflation, with certain expenditures excluded from the limitation. Through a Home Rule option, any city can adopt its own alternative expenditure limitation if a majority of the qualified electors vote in favor of the issue at a regular election. On August 28, 2018, the City of Chandler voters approved to continue under Home Rule for the next four years.

E. Pooled Cash and Investments

City Charter, Ordinance, and Trust Agreements authorize the City to invest in obligations guaranteed by the full faith and credit of the United States of America, government sponsored enterprises, government bonds with minimum credit ratings of Aa or AA, commercial paper with a minimum short term rating of P1 or A1, negotiable certificates of deposit, corporate bonds carrying a minimum credit rating of A, repurchase agreements, and the Local Government Investment Pool. The City of Chandler Municipal Property Corporation is additionally authorized to invest in banker's acceptances, U.S. Corporate obligations rated Aa3 and AA, or better, full faith and credit general obligations or special revenue bonds of any state or political subdivision rated AAA and Aaa, Refcorp interest strips, and money market funds.

Nonparticipating interest-earning investment contracts are stated at cost. Money market investments and participating interest investment contracts with a remaining maturity of one year or less at time of purchase are stated at amortized cost. All other investments are stated at fair value.

Cash resources of the City are combined to form a pool of cash and investments. Excluded from this pool are the cash and investments of the Chandler Health Care Benefits Trust, Workers' Compensation and Employer Liability Trust, Chandler Industrial Development Authority, and the Chandler Cultural Foundation. Interest earned on the pooled cash and investments is distributed each month on the basis of average monthly equity in the pool.

F. 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).

The water, wastewater, and solid waste enterprise funds use the direct write-off method for bad debts and therefore do not have an allowance for uncollectibles. All other funds' trade receivables are shown net of an allowance for uncollectibles. Trade accounts receivable in excess of 90 days comprise the trade accounts receivable allowance for uncollectibles.

G. Inventories

Inventories are stated at average cost using the first-in/first-out (FIFO) method. Inventories are recorded as expenses/expenditures when consumed in the government-wide financial statements and governmental and proprietary fund financial statements, respectively.

H. Prepaid Items

Certain payments to vendors reflect costs applicable to future accounting periods and are recorded as prepaid items under the purchases method.

CITY OF CHANDLER, ARIZONA

Notes to the Financial Statements

June 30, 2018

NOTE 1 - Summary of Significant Accounting Policies, continued

I. Capital Assets

Capital assets, which include property, plant, equipment, and infrastructure assets (e.g., roads, bridges, sidewalks, and similar items), are reported in the applicable governmental or business-type activities columns in the government-wide financial statements. Capital assets are defined by the City as assets with an initial, individual cost of \$5,000 or more and an estimated useful life of more than one year. Such assets are recorded at historical cost or estimated historical cost if purchased or constructed. Donated capital assets are recorded at acquisition value at the date of donation. The City defines general government infrastructure capital assets included in capital improvement projects completed at year's end in excess of \$100,000.

The costs of normal maintenance and repairs that do not add to the value of the asset or materially extend assets' lives are not capitalized. Major outlays for capital assets and improvements are capitalized as projects are completed.

Estimated useful lives for capital assets were determined based on the City's historical experience and the various industry standards. Capital assets of the City are depreciated using the straight-line method over the following estimated useful lives:

<u>Assets</u>	<u>Years</u>
Buildings	20-40
Building improvements	20
Infrastructure	12-50
Machinery and equipment	5-15
System improvements	25
Vehicles	4-7

J. Compensated Absences

Vacation leave vests with the employee as it is earned dependent on accumulated time and the individual's vacation benefits associated with their rank within the City. All employees may carryforward only the amount of vacation benefits equal to the maximum allowable earned credits for the preceding calendar year. Upon termination or retirement, an employee will be compensated for accumulated vacation leave dependent on accumulated time and the individual's vacation benefits associated with their rank within the City. Payment will be based on the individual's rate of pay at termination or retirement. Upon death, the same benefits shall be paid to the employee's beneficiary. The amount, including related benefits, for accumulated vacation leave is reported on the government-wide and proprietary fund financial statements. A liability for these amounts is reported in governmental funds only if they have matured, for example, as a result of employee leave, resignations, or retirements. Generally, resources from the general fund are used to pay for compensated absences.

Sick leave benefits provided for ordinary sick pay are not vested with the employee. Upon retirement, an employee will be compensated for 50 percent of accumulated sick leave. Payment will be based on the monthly compensation paid to the employee at the time of retirement and paid into a Retirement Health Savings Plan. Upon death, the same benefits shall be paid to the employee's beneficiary.

K. Long-Term Obligations

In the government-wide financial statements and proprietary fund statements, long-term debt and other long-term obligations are reported as liabilities in the applicable governmental or business-type activities and proprietary fund statement of net position. Bond related items, such as premiums and discounts, are deferred and amortized over the life of the bonds using the straight-line method. Bond issuance costs are expensed in the current period.

CITY OF CHANDLER, ARIZONA

Notes to the Financial Statements

June 30, 2018

NOTE 1 - Summary of Significant Accounting Policies, continued

In the fund financial statements, governmental funds recognize bond premiums and discounts, as well as bond issuance costs, during the current period. The face amount of debt issued is reported as other financing sources. Premiums received on debt issuances are reported as other financing sources while discounts on debt issuances are reported as other financing uses. Issuance costs, whether or not withheld from the actual debt proceeds received, are reported as debt service expenditures.

The debt service funds are specifically established to account for and service the long-term obligations for the governmental funds and special assessment debt. Each enterprise fund individually accounts for and services the applicable bonds and lease purchase obligations which benefit these funds. Long-term obligations are recognized as a liability of a governmental fund when due, or when resources have been accumulated for payment early in the following year. For other long-term obligations, only the portion that is expected to be financed from expendable available financial resources is reported as a fund liability of a governmental fund.

L. Fund Equity

In the fund financial statements, governmental funds report fund balances as Nonspendable, Restricted, Committed, Assigned, and Unassigned. Nonspendable, Restricted, and Committed classifications represent “reserved” fund balances whereas Assigned and Unassigned classifications represent “unreserved” fund balances (see Note 9 for a more detailed explanation of fund balance classifications).

M. Capital Contributions - Enterprise Funds

Capital contributions, as shown in the enterprise funds, represent federal and state grants received, subdividers’ costs of installing water mains, water service connections installed at the customers’ expense, and transfers of equipment from governmental funds. Capital contributions are shown as an inflow of resources in both the government-wide and fund financial statements (see Note 8).

N. 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 pension plan’s fiduciary net position, and additions to/deductions from the plan’s fiduciary net position have been determined on the same basis as they are reported by the plan. For this purpose, benefit payments (including refunds of employee contributions) are recognized when due and payable in accordance with the benefit terms. Investments are reported at fair value.

O. Post-Employment Health Care and Life Insurance Benefits

In addition to providing pension benefits, the City allows for continuance of certain health care and life insurance benefits for retired employees. Substantially all of the City's employees may become eligible for those benefits if they are eligible to receive a retirement pension when leaving employment with the City. The cost of retiree health care and life insurance premiums is borne both by the retiree and the specific retirement plan under which they participated. There is no direct cost paid by the City.

P. Statements of Cash Flows

The City considers all highly liquid investments (including restricted assets) with an original maturity of three months or less to be cash equivalents. In the statements of cash flows, cash receipts and payments are classified according to whether they stem from operating, noncapital financing, capital and related financing, or investing activities.

CITY OF CHANDLER, ARIZONA

Notes to the Financial Statements

June 30, 2018

NOTE 1 - Summary of Significant Accounting Policies, concluded

Q. Interfund Activity

Flows of cash from one fund to another without a requirement for repayment are reported as interfund transfers. Interfund transfers between governmental funds are eliminated in the Statement of Activities. Interfund transfers in the fund statements are reported as other financing sources/uses in governmental funds and after nonoperating revenues/expenses in proprietary funds.

R. Use of Estimates

The preparation of the financial statements in conformity with GAAP requires management to make estimates and assumptions that affect the reported amount of assets and liabilities and disclosure of contingent 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.

S. Implementation of New Accounting Standards

During the year ended June 30, 2018, the City implemented the provisions of GASB Statement No. 75, *Accounting and Financial Reporting for Postemployment Benefits Other Than Pensions*. This Statement requires governments providing defined benefit postemployment benefits other than pensions to recognize the long-term obligation for those benefits as a liability, and to more comprehensively and comparably measure the annual costs of those benefits. This Statement also enhances accountability and transparency through revised note disclosures and new required supplementary information.

NOTE 2 - Cash and Investments

The City maintains a cash and investment pool that is available for use by all funds, except for the Chandler Industrial Development Authority, the Chandler Cultural Foundation, the Chandler Health Care Benefits Trust, and the Chandler Workers' Compensation Employer Liability Trust. Each fund's portion of this pool is displayed on the financial statements as Equity in Pooled Cash and Investments. Pooled cash and investments are stated at fair value with accrued interest shown separately. Restricted cash and investments are amounts held separately by trustees and amounts segregated due to their source and future intent. In addition, the Industrial Development Authority, the Chandler Cultural Foundation, the Chandler Health Care Benefits Trust, and the Chandler Workers' Compensation Employer Liability Trust separately hold investments.

Deposits

At year-end, cash on hand was \$47,190, the carrying amount of the City deposits was \$2,676,988, and the bank balance was \$3,616,418. Of the bank balance, \$250,000 was covered by federal depository insurance and \$3,366,418 was covered by collateral held in the pledging bank's trust department in the City's name. In addition, at June 30, 2018, the City had \$126,025,047 of restricted cash held by paying agent consisting of \$50,907,078 in July 1, 2018 debt service payments, \$36,747,315 in unspent bond proceeds from the 2015 & 2017 Excise Tax Revenue Obligation issuances, and \$38,370,654 for the 2017 General Obligation Bond issuance. The cash held by paying agent is in money market funds invested primarily in short-term U.S. Treasury securities.

Fair Value Measurements. The City categorizes its fair value measurements within the fair value hierarchy established by generally accepted accounting principles. The hierarchy is based on the valuation inputs used to measure the fair value of the asset.

- Level 1 inputs are quoted prices in active markets for identical assets
- Level 2 inputs are significant other observable inputs
- Level 3 inputs are significant unobservable inputs

CITY OF CHANDLER, ARIZONA
Notes to the Financial Statements
June 30, 2018

NOTE 2 – Cash and Investments, continued

At June 30, 2018, the City had the following investments and maturities:

Investment Type	Category	Investment Maturities (in Years)			Concentration of Credit Risk %	S&P/Moody/Fitch Credit Rating
		Fair Value	Less than 1 Year	1-5 Years		
U.S. Treasuries	Level 1	\$ 116,601,157	\$ 5,470,143	\$ 111,131,014	22.47 %	AA+/Aaa/AAA
U.S. Agencies:						
Fannie Mae	Level 2	44,227,722	6,421,463	37,806,259	8.52	AA+/Aaa/AAA
Federal Farm Credit Banks Funding Corp	Level 2	9,234,197	-	9,234,197	1.78	AA+/Aaa/AAA
Federal Home Loan Bank	Level 2	70,726,510	16,128,677	54,597,833	13.63	AA+/Aaa/AAA
Freddie Mac	Level 2	29,885,355	-	29,885,355	5.76	AA+/Aaa/AAA
Supra-National Agency:						
African Development Bank	Level 2	1,767,636	-	1,767,636	0.34	AAA/Aaa
Asian Development Bank	Level 2	2,271,402	-	2,271,402	0.44	AAA/Aaa
Inter-American Development Bank	Level 2	4,499,965	-	4,499,965	0.87	AAA/Aaa
International Finance Corp	Level 2	5,629,654	-	5,629,654	1.09	AAA/Aaa
Intl Bank of Reconstruction & Dev	Level 2	6,604,431	-	6,604,431	1.27	AAA/Aaa
Corporate Bonds:						
American Express Credit Corp	Level 2	3,303,625	-	3,303,625	0.64	A-/A2
Apple Inc Corp	Level 2	5,769,446	-	5,769,446	1.11	AA+/Aa1/NA
Automatic Data Processing Inc	Level 2	2,958,930	-	2,958,930	0.57	AA/Aa3/NA
Bank of America Corp	Level 2	2,414,248	-	2,414,248	0.47	A-/A3
Bank of New York Mellon Corp	Level 2	6,762,886	1,244,869	5,518,017	1.30	A/A1/AA-
Berkshire Hathaway Finance Corp	Level 2	4,023,523	994,793	3,028,730	0.78	AA/Aa2/A+
Branch Banking and Trust Co	Level 2	4,957,964	-	4,957,964	0.96	A/A1/A+
Caterpillar Financial Services Corp	Level 2	5,479,969	-	5,479,969	1.06	A/A3/A
Chevron Corp	Level 2	2,854,073	879,463	1,974,610	0.55	AA-/Aa2
Cisco Systems Inc Corp	Level 2	2,957,745	-	2,957,745	0.57	AA-/A1
Coca-Cola Co	Level 2	3,415,492	1,949,345	1,466,147	0.66	A+/Aa3/A
Daimler Finance North America LLC	Level 2	1,961,542	-	1,961,542	0.38	A/A2/A-
Fifth Third Bank (Ohio)	Level 2	2,544,785	-	2,544,785	0.49	A-/A3/A-
General Electric Co	Level 2	6,217,426	-	6,217,426	1.20	A/A2/A
Home Depot Inc Corp	Level 2	1,021,294	-	1,021,294	0.20	A/A2
Honeywell International Corp	Level 2	617,214	-	617,214	0.12	A/A2
IBM Corp	Level 2	2,273,096	357,608	1,915,488	0.44	A+/A1
Jackson National Life Global Funding	Level 2	2,996,487	-	2,996,487	0.58	AA-/A1/AA-
Johnson & Johnson Global	Level 2	90,739	-	90,739	0.02	AAA/Aaa
JP Morgan Chase Bank Na	Level 2	1,982,324	-	1,982,324	0.38	A+/Aa3/AA
JP Morgan Chase & Co	Level 2	3,994,955	1,887,981	2,106,974	0.77	A-/A3/AA-
Massmutual Global Funding II	Level 2	1,671,892	-	1,671,892	0.32	AA+/Aa2/AA+
Metropolitan Life Global Funding I	Level 2	3,938,012	-	3,938,012	0.76	AA-/Aa3/AA-
Microsoft Corp	Level 2	2,676,337	-	2,676,337	0.52	AAA/Aaa
New York Life Global Funding	Level 2	3,925,460	-	3,925,460	0.76	AA+/Aaa/AAA
Paccar Financial Corp	Level 2	2,076,022	1,976,888	99,134	0.40	A+/A1/NA
PNC Bank Na	Level 2	4,008,824	-	4,008,824	0.77	A/A2/A+
Toyota Motor Credit Corp	Level 2	7,730,169	-	7,730,169	1.49	AA-/Aa3/A

CITY OF CHANDLER, ARIZONA
Notes to the Financial Statements
June 30, 2018

NOTE 2 – Cash and Investments, continued

Investment Type	Category	Investment Maturities (in Years)			Concentration of Credit Risk %	S&P/Moody/Fitch Credit Rating
		Fair Value	Less than 1 Year	1-5 Years		
Unilever Capital Corp Bonds	Level 2	270,327	-	270,327	0.05	A+/A1
US Bank Na	Level 2	3,972,388	-	3,972,388	0.77	AA-/A1/AA-
USAA Capital Corp	Level 2	2,509,812	2,509,812	-	0.48	AA/Aa1/WR
Wal-Mart Store Inc Corp	Level 2	107,771	-	107,771	0.02	AA/Aa2
Wells Fargo & Co Corp	Level 2	3,081,159	-	3,081,159	0.59	A-/A2
Commercial Paper						
BNP PARIBAS NY Branch	Level 2	369,637	369,637	-	0.07	A-1/P-1
JP Morgan Securities LLC	Level 2	247,793	247,793	-	0.05	A-1/P-1
MUFG Bank LTD/NY	Level 2	369,631	369,631	-	0.07	A-1/P-1
Asset Backed						
ALLY ABS 2017-2 A3	Level 2	1,590,684	-	1,590,684	0.31	NR/Aaa
ALLYA 2017-5 A3	Level 2	1,719,023	-	1,719,023	0.33	AAA/Aaa
AMXCA 171 A	Level 2	5,463,232	-	5,463,232	1.05	NA/Aaa/AAA
BMWOT 16A A3	Level 2	2,926,906	-	2,926,906	0.56	NA/Aaa/AAA
CARMX 163 A3	Level 2	3,359,301	-	3,359,301	0.65	AAA/NA/AAA
HALST 18B A2	Level 2	2,000,147	-	2,000,147	0.39	AAA/Aaa/NA
HAROT 2017-4 A3	Level 2	1,233,040	-	1,233,040	0.24	NR/Aaa
HART 2018-A A3	Level 2	772,433	-	772,433	0.15	AAA/Aaa
HONDA ABS 2017-1 A3	Level 2	905,818	-	905,818	0.17	NR/Aaa
HONDA ABS 2017-2 A3	Level 2	1,970,588	-	1,970,588	0.38	AAA/Aaa
HYUNDAI ABS 2017-A A3	Level 2	848,894	-	848,894	0.16	AAA/NR
HYUNDAI ABS 2017-B A3	Level 2	1,646,089	-	1,646,089	0.32	AAA/Aaa
JDOT 16B A3	Level 2	1,108,419	-	1,108,419	0.21	NA/Aaa/AAA
JOHN DEERE ABS 2017-B	Level 2	571,573	-	571,573	0.11	NR/Aaa
MBALT 17A A3	Level 2	993,946	-	993,946	0.19	AAA/NA/AAA
NAROT 16C A3	Level 2	2,433,093	-	2,433,093	0.47	NA/Aaa/AAA
NAROT 2017-C A3	Level 2	744,675	-	744,675	0.14	NR/Aaa
TAOT 16C A3	Level 2	1,806,646	-	1,806,646	0.35	AAA/Aaa/NA
TAOT 2017-D A3	Level 2	1,372,816	-	1,372,816	0.26	AAA/Aaa
TAOT 2018-A A3	Level 2	1,148,273	-	1,148,273	0.22	AAA/Aaa
Money Market - Certificates of Deposit	Level 1	48,423,462	13,074,167	35,349,295	9.33	AAAm/NR
Money Market Fund	Level 1	38,775,848	38,775,848	-	7.47	AAAm/NR
Cash and cash equivalents	Level 1	3,636	3,636	-	0.00	AAA/Aaa/AAA
Total		\$518,819,568	\$92,661,754	\$426,157,814	100 %	

Investment Valuation Techniques. U.S. treasuries, agencies, money market, and equity securities classified in Level 1 of the fair value hierarchy are valued using prices quoted in active markets for identical securities. Governmental bonds, corporate bonds, other fixed income instruments, and international bonds classified in Level 2 of the fair value hierarchy are valued based on significant other observable inputs, which may include, but are not limited to, quoted prices for similar assets or liabilities in markets that are active, quoted prices for identical or similar assets or liabilities in markets that are not active, inputs other than quoted prices that are observable for the assets or liabilities (such as interest rates, yield curves, volatilities, prepayment speeds, loss severities, credit risks and default rates) or other market corroborated inputs.

Interest Rate Risk. In accordance with its investment policy, the City manages its exposure to declines in fair values by limiting the maturities of its investment portfolio to five years.

CITY OF CHANDLER, ARIZONA

Notes to the Financial Statements

June 30, 2018

NOTE 2 – Cash and Investments, concluded

Credit Risk. The City's investment policy allows for investments in obligations guaranteed by the full faith and credit of the United States of America, government sponsored enterprises, government bonds with minimum credit ratings of Aaa or AA+, commercial paper with a minimum short term rating of P1 or A1, negotiable certificates of deposit, corporate bonds carrying a minimum credit rating of A-, repurchase agreements, and the Local Government Investment Pool. The City's investment in U.S. Agencies, Corporate Bonds, and Money Market Funds were rated no lower than A- and AAAM by Standard & Poor's, respectively, as of June 30, 2018.

Concentration of Credit Risk. The City's investment policy does not allow for an investment in any one issuer that is in excess of five percent of the City's total investments. Securities issues by the United States of America or its agencies are exempt from this provision. More than 5 percent of the City's investments are in U.S. Agencies and U.S. Treasuries and Agencies money market funds. See percentages in table on preceding page.

NOTE 3 - Property Taxes

The City's property tax is levied and collected by the Maricopa County Treasurer. Property taxes are levied on or before the third Monday in August. As of fiscal year 2016, the levy is based upon the January 1 limited property tax value of property as determined by the Maricopa County Assessor. Under Arizona Revised Statutes (A.R.S.), two assessed valuations are used. One is for primary taxes (used to fund operating expenditures) and the other is for secondary taxes (used to meet general obligation debt service requirements). Taxes are due in two equal installments on October 1 and March 1 following the levy date and are delinquent on the first day of November and May, respectively. Delinquent amounts bear interest at the rate of 16 percent.

The City also levies various personal property taxes during the year, which are due the second Monday of the month following receipt of the tax notice, and become delinquent 30 days thereafter.

Pursuant to A.R.S. a lien against assessed real and personal property attaches on the first day of January preceding assessment and levy; however according to case law, an enforceable legal claim to the asset does not arise.

The State Constitution and State law specify a property tax levy limitation system. The system consists of two levies, a limited levy known as the primary property tax levy and an unlimited levy referred to as the secondary levy, which may only be used to retire bonded indebtedness. There is also a control on the assessed value of property for primary tax purposes. The base year for the tax system is fiscal year 1979-80. From this base year, two assessed values evolve. The primary assessed values are allowed to increase by no more than 5 percent a year. The dollar amount of the secondary property tax levy is "unlimited" and the actual limited property value of property is used in determining the tax rate.

The primary tax levy is limited to an increase of 2 percent over the previous year's maximum allowable primary levy, plus an increased dollar amount because of a net gain in property not taxed the previous year. Also, the primary property tax from all taxing jurisdictions for homeowners may not exceed 1 percent of the market value of their homes. If the combined primary property tax (for the City, County, School District, etc.) exceeds 1 percent of the market value of the homes, the school districts will reduce their rate until the homeowners' aggregate rate is equal to or less than the allowable 1 percent. The State will then subsidize the school districts for the reduced revenue. This 1 percent limitation applies to primary property taxes only and does not affect the secondary property tax levy.

In fiscal year 2017-18, current property tax collections were \$30,321,646 or 99 percent of the tax levy, and were recognized as revenue when received. At fiscal year end, the delinquent property tax expected to be collected within 60 days is recognized as revenue and recorded as a receivable. Property taxes levied in August 2018 are not available for fiscal year 2017-18; accordingly, such taxes will not be recognized as revenue until fiscal year 2018-19.

CITY OF CHANDLER, ARIZONA
Notes to the Financial Statements
June 30, 2018

NOTE 4 - Capital Assets

A summary of changes in capital assets for governmental activities is as follows:

<u>Governmental Activities</u>	<u>Restated Balance June 30, 2017 ⁽¹⁾</u>	<u>Additions and Transfers In</u>	<u>Deletions and Transfers Out</u>	<u>Balance June 30, 2018</u>
Capital assets, not being depreciated:				
Land	\$ 94,204,856	\$ 1,733,298	\$ (3,769,971)	92,168,183
Construction in progress	66,785,688	63,728,614	(32,629,253)	97,885,049
Total capital assets not being depreciated	160,990,544	65,461,912	(36,399,224)	190,053,232
Capital assets, being depreciated:				
Infrastructure	679,177,794	7,671,387	-	686,849,181
Building and improvements	386,825,138	4,029,485	-	390,854,623
Machinery and equipment	88,229,009	8,983,069	(2,877,788)	94,334,290
Total capital assets being depreciated	1,154,231,941	20,683,941	(2,877,788)	1,172,038,094
Less accumulated depreciation for:				
Infrastructure	(325,914,959)	(26,235,084)	-	(352,150,043)
Building and improvements	(165,986,397)	(17,738,311)	-	(183,724,708)
Machinery and equipment	(60,270,085)	(8,401,420)	2,171,701	(66,499,804)
Total accumulated depreciation	(552,171,441)	(52,374,815)	2,171,701	(602,374,555)
Total capital assets, being depreciated, net	602,060,500	(31,690,874)	(706,087)	569,663,539
Governmental activities capital assets, net	\$ 763,051,044	\$ 33,771,038	\$ (37,105,311)	\$ 759,716,771

Construction in progress in the governmental activities capital assets is comprised of the following:

	<u>Expended to June 30, 2018</u>	<u>Remaining Commitments</u>
Streets	\$ 61,479,418	\$ 18,110,647
Parks and recreation	5,380,015	1,679,519
Buildings and related improvements	31,025,616	10,512,139
Total	\$ 97,885,049	\$ 30,302,305

⁽¹⁾ In fiscal year 2017-18, the City performed a physical inventory of all rolling stock assets and a reconciliation of all city assets. This process resulted in determining that some assets were capitalized in prior periods in error, as well as some assets not being capitalized that should have been. The reconciliation and corrections resulted in a restatement of the beginning balances for governmental assets and depreciation in the amount of (\$6,278,022).

CITY OF CHANDLER, ARIZONA
Notes to the Financial Statements
June 30, 2018

NOTE 4 - Capital Assets, continued

A summary of changes in capital assets for business-type activities is as follows:

<u>Business-Type Activities</u>	<u>Restated Balance June 30, 2017 ⁽¹⁾</u>	<u>Additions and Transfers In</u>	<u>Deletions and Transfers Out</u>	<u>Balance June 30, 2018</u>
Capital assets, not being depreciated:				
Land	\$ 46,148,898	\$ 3,769,971	\$ (3,769,971)	\$ 46,148,898
Construction in progress	186,803,217	59,093,900	(53,713,361)	192,183,756
Total capital assets not being depreciated	<u>232,952,115</u>	<u>62,863,871</u>	<u>(57,483,332)</u>	<u>238,332,654</u>
Capital assets, being depreciated:				
System improvements	1,188,884,315	17,299,336	-	1,206,183,651
Building and improvements	24,749,178	268,057	-	25,017,235
Vehicles, machinery and equipment	18,633,532	1,021,912	(291,581)	19,363,863
Land improvements	<u>2,442,722</u>	<u>29,190</u>	<u>-</u>	<u>2,471,912</u>
Total capital assets being depreciated	<u>1,234,709,747</u>	<u>18,618,495</u>	<u>(291,581)</u>	<u>1,253,036,661</u>
Less accumulated depreciation for:				
System improvements	(594,503,265)	(39,758,108)	154	(634,261,219)
Buildings and improvements	(15,167,990)	(729,115)	100	(15,897,005)
Vehicles, machinery and equipment	(14,449,470)	(963,512)	232,798	(15,180,184)
Land improvements	<u>(2,119,845)</u>	<u>(77,938)</u>	<u>-</u>	<u>(2,197,783)</u>
Total accumulated depreciation	<u>(626,240,570)</u>	<u>(41,528,673)</u>	<u>233,052</u>	<u>(667,536,191)</u>
Total capital assets, being depreciated, net	<u>608,469,177</u>	<u>(22,910,178)</u>	<u>(58,529)</u>	<u>585,500,470</u>
Business-type activities capital assets, net	<u>\$ 841,421,292</u>	<u>\$ 39,953,693</u>	<u>\$ (57,541,861)</u>	<u>\$ 823,833,124</u>

⁽¹⁾ The City's reconciliation of assets also resulted in a restatement of the beginning balances for Business-type assets and depreciation in the amount of \$69,742,556. In addition, the reconciliation resulted in a reclassification of certain land assets in the amount of \$2,116,852 from water capital assets to investment in joint venture.

Construction in progress in the business-type activities capital assets is comprised of the following:

	<u>Expended to June 30, 2018</u>	<u>Remaining Commitments</u>
Sewer system improvements	\$ 156,638,727	\$ 9,907,400
Water system improvements	34,855,095	20,281,901
Solid waste system improvements	18,566	4,780
Airport improvements	<u>671,368</u>	<u>29,292</u>
Total	<u>\$ 192,183,756</u>	<u>\$ 30,223,373</u>

CITY OF CHANDLER, ARIZONA
Notes to the Financial Statements
June 30, 2018

NOTE 4 - Capital Assets, concluded

Depreciation expense was charged to functions/programs as follows:

Governmental activities:	
General government	\$ 7,744,951
Public safety	7,451,939
Community services	9,385,660
Transportation and development	<u>27,792,265</u>
Total depreciation expense - governmental activities	<u>\$ 52,374,815</u>
Business-type activities:	
Water	\$ 16,703,289
Wastewater	22,778,069
Solid waste	591,694
Airport	900,101
Chandler housing authority	<u>555,520</u>
Total depreciation expense - business-type activities	<u>\$ 41,528,673</u>

NOTE 5 - Long-Term Liabilities

A. General Obligation Bonds

The City issues general obligation bonds to provide funds for the acquisition and construction of major capital facilities. General obligation bonds have been issued for both governmental and business-type activities. Bonds issued for business-type activities are reported in the enterprise funds as they are to be repaid from enterprise revenues. In addition, general obligation bonds have been issued to refund other general obligation bonds. General obligation bonds are direct obligations and pledge the full faith and credit of the City. These bonds are generally issued as 10 to 15 year serial bonds, except for refunding issues, with varying amounts of principal maturing each year. The City has pledged future ad valorem tax revenues and net enterprise revenues to repay a total of \$328,995,000 in outstanding general obligation bonds and are payable through July 1, 2032. Proceeds of the bonds were used for governmental and business-type activities.

Governmental Activities General Obligation Bonds

Annual principal and interest payments on the government activities bonds are expected to require approximately 82 percent of total 2017-18 ad valorem taxes. The total principal and interest remaining to be paid on the governmental activities portion of the bonds is \$275,692,669. Principal and interest paid for the current year and total ad valorem property taxes were \$25,150,093 and \$30,819,812 respectively.

CITY OF CHANDLER, ARIZONA
Notes to the Financial Statements
June 30, 2018

NOTE 5 - Long-Term Liabilities, continued

General obligation bonds outstanding as reported in governmental and business-type activities at June 30, 2018 were as follows:

	<u>Outstanding June 30, 2018</u>
Governmental Activities General Obligation Bonds:	
\$252,000,000 Capital Improvement Bonds, Series 2009, due in an annual installment of \$4,254,000 on 7/1/18; interest at 3.125 percent.	4,254,000
\$9,925,000 Capital Improvement Bonds, Series 2011A, due in annual installments of \$2,500,000 to \$3,300,000 through 7/1/20; interest at 4 percent.	8,300,000
\$10,360,000 Refunding Bonds, Series 2011B, due in an annual installment of \$835,000 on 7/1/18; interest at 4 percent.	835,000
\$214,540,000 Refunding Bonds, Series 2014, due in annual installments of \$5,610,000 to \$16,210,000 through 7/1/28; interest at 1.5 percent to 5 percent.	125,659,000
\$39,050,000 Refunding Bonds, Series 2016, due in annual installments of \$4,980,000 to \$15,465,000 beginning 7/1/25 through 7/1/27; interest at 3 percent to 5 percent.	25,500,000
\$58,740,000 Capital Improvement Bonds, Series 2017, due in annual installments of \$3,075,000 to \$7,125,000 beginning 7/1/19 through 7/1/32; interest at 2.3 percent to 4 percent.	58,740,000
Total Governmental Activities General Obligation Bonds	<u>\$ 223,288,000</u>

Business-Type Activity General Obligation Bonds

Annual principal and interest payments on the business-type activities bonds are expected to require approximately 31 percent of total 2017-18 net water and wastewater system and airport revenues. The total principal and interest remaining to be paid on the business-type activities portion of the general obligation bonds is \$130,165,051. Principal and interest paid for the current year and total net water system, wastewater system, and airport revenues were \$13,945,663 and \$45,622,203 respectively.

	<u>Outstanding June 30, 2018</u>
Business-Type Activities General Obligation Bonds:	
\$252,000,000 Capital Improvement Bonds, Series 2009, due in an annual installment of \$7,626,000 on 7/1/18; interest at 3.125 percent	7,626,000
\$214,540,000 Refunding Bonds, Series 2014, due in annual installments of \$2,180,000 to \$11,036,000 through 7/1/28; interest at 1.5 percent to 5 percent.	84,531,000
\$39,050,000 Refunding Bonds, Series 2016, due in annual installments of \$2,395,000 to \$8,650,000 beginning 7/1/25 through 7/1/27; interest at 3 percent to 5 percent.	13,550,000
Total Business-Type Activities General Obligation Bonds	<u>\$ 105,707,000</u>

CITY OF CHANDLER, ARIZONA
Notes to the Financial Statements
June 30, 2018

NOTE 5 - Long-Term Liabilities, continued

B. Street and Highway Revenue Bonds

Street and highway revenue bonds are issued specifically for the purpose of constructing street and highway projects. These bonds are payable solely from the revenues derived by the City from highway user taxes, including motor vehicle fuel taxes and all other taxes, fees, and charges relating to registration, operation or use of vehicles on public highways or streets or to fuels or any other energy source used for the vehicles collected by the State and returned to the City.

The City has pledged future highway user revenues to repay a total of \$4,270,000 in outstanding street and highway user revenue bonds. Proceeds of the bonds were used for improvements and expansions to the City's streets and highways. The bonds are payable solely from state shared gasoline tax revenues and are payable through July 1, 2019. Annual principal and interest payments on the bonds are expected to require approximately 15 percent of total 2017-18 street and highway user revenues. The total principal and interest remaining to be paid on the bonds is \$4,431,194. Principal and interest paid for the current year and street and highway user revenue taxes were \$2,383,988 and \$16,135,949, respectively.

Street and highway revenue bonds outstanding as reported in governmental activities at June 30, 2018 were as follows:

	<u>Outstanding June 30, 2018</u>
Governmental Activities Revenue Bonds:	
\$10,450,000 Street & Highway User Refunding Bonds, Series 2010, due in annual installments of \$535,000 to \$560,000 through 7/1/19; interest at 3.25 percent to 3.5 percent.	1,095,000
\$8,660,000 Street & Highway User Refunding Bonds, Series 2014, due in annual installments of \$1,490,000 to \$1,685,000 through 7/1/19; interest at 4 percent.	3,175,000
Total Governmental Activities Revenue Bonds	<u><u>\$ 4,270,000</u></u>

CITY OF CHANDLER, ARIZONA
Notes to the Financial Statements
June 30, 2018

NOTE 5 - Long-Term Liabilities, continued

C. Water and Sewer Revenue Bonds

Water and sewer revenue bonds are issued as authorized by the voters to provide funds to acquire and construct certain improvements to the water and sewer systems of the City and to pay the costs incurred in connection with the issuance of the bonds. These bonds are secured by a pledge of revenues from these systems, and do not constitute a general obligation of the City backed by the general taxing authority.

The City has pledged future water and wastewater system revenues, net of operating expenses, to repay a total of \$7,845,000 in outstanding water and wastewater system revenue bonds. Proceeds of the bonds were used for improvements and expansions to the City’s water and wastewater systems. The bonds are payable solely from net water and wastewater system revenues and are payable through July 1, 2020. Annual principal and interest payments on the bonds are expected to require less than 7 percent of net 2017-18 water and wastewater system revenue.

The total principal and interest remaining to be paid on the bonds is \$8,282,900. Principal and interest paid for the current year and net water and wastewater system revenues were \$3,473,800 and \$45,598,680 respectively.

Water and sewer revenue bonds outstanding as reported in business-type activities at June 30, 2018 were as follows:

	Outstanding June 30, 2018
Business-Type Activities Revenue Bonds:	
\$15,400,000 Water & Sewer Refunding Bonds, Series 2014, due in annual installments of \$2,340,000 to \$3,160,000 through 7/1/20; interest at 4 percent.	7,845,000
Total Business-Type Activities Revenue Bonds	\$ 7,845,000

D. Excise Tax Revenue Obligations

Excise tax revenue obligations are issued to provide funds to acquire and construct certain improvements to the water and sewer systems of the City and to pay the costs incurred in connection with the issuance of the obligations. The City has collateralized the obligations by the pledge of all unrestricted excise taxes (transaction privilege tax, franchise fees, state-shared sales and income taxes, and fees for licenses and permits) including all fines and forfeitures, which the City presently or in the future imposes or receives from other entities and which are not earmarked by the contributor for a contrary or inconsistent purpose.

The City agrees that, so long as any of the obligations remain outstanding and their principal and interest are unpaid, it will not further encumber the excise taxes unless the excise taxes received by the City in the immediately preceding fiscal year are at least three times the highest combined debt service for the current or any succeeding fiscal year for all outstanding parity obligations, including the additional parity obligations proposed be secured by a pledge of the same excise taxes. The City does have the right to incur additional parity obligations payable from and secured by the excise taxes on parity with the obligations.

CITY OF CHANDLER, ARIZONA

Notes to the Financial Statements

June 30, 2018

NOTE 5 - Long-Term Liabilities, continued

Annual principal and interest payments on the obligations are being repaid from net water and wastewater system revenues and are expected to require less than 30 percent of net 2017-18 system revenues. The total principal and interest to be paid on the obligations is \$322,952,528. Principal and interest paid for the current year and net water and wastewater system revenues were \$15,519,859 and \$45,598,680 respectively. Total excise tax revenues collected during the fiscal year were \$195,551,184. Principal and interest paid in 2017-18 equal less than 8 percent of total excise tax revenues collected.

	<u>Outstanding June 30, 2018</u>
Business-Type Activities Excise Tax Revenue Obligations:	
\$34,040,000 Water & Sewer Excise Tax Revenue Obligations, Series 2009, due in annual installments of \$1,375,000 to \$1,420,000 through 7/1/19; interest at 3.25 percent to 4 percent.	\$ 2,795,000
\$15,000,000 Water & Sewer Excise Tax Revenue Obligations, Series 2011, due in annual installments of \$785,000 to \$905,000 through 7/1/22; interest at 3 percent to 4 percent.	4,200,000
\$104,500,000 Water & Sewer Excise Tax Revenue Obligations, Series 2013, due in annual installments of \$1,600,000 to \$12,000,000 through 7/1/33; interest at 4 percent to 5 percent.	101,750,000
\$66,660,000 Water & Sewer Excise Tax Revenue Obligations, Series 2015, due in annual installments of \$1,750,000 to \$5,620,000 through 7/1/35; interest at 3 percent to 5 percent.	66,160,000
\$19,510,000 Water & Sewer Excise Tax Revenue Refunding Obligations, Series 2016, due in annual installments of \$1,180,000 to \$3,050,000 beginning 7/1/20 through 7/1/28; interest at 4 percent to 5 percent.	19,510,000
\$36,220,000 Water & Sewer Excise Tax Revenue Obligations, Series 2017 due in annual installments of \$475,000 to \$4,045,000 through 7/1/37; interest at 3 percent to 5 percent.	36,220,000
Total Business-Type Activities Excise Tax Revenue Obligations	<u><u>\$ 230,635,000</u></u>

CITY OF CHANDLER, ARIZONA
Notes to the Financial Statements
June 30, 2018

NOTE 5 - Long-Term Liabilities, continued

E. Special Assessment Bonds with Governmental Commitment

As trustee for improvement districts, the City is responsible for collection of assessments levied against the owners of property within the improvement districts and for disbursement of these amounts for retirement of the respective bonds issued to finance the improvements. At June 30, 2018, the special assessments receivable, together with amounts paid in advance and interest to be received over the life of the assessment period, are adequate for the scheduled maturities of the bonds payable and related interest. Special assessment bonds are collateralized by properties within the districts. In the event of default by the property owner, the City may enforce an auction sale to satisfy the debt service requirements of the bonds. The City is contingently liable on special assessment bonds to the extent that proceeds from auction sales are insufficient to retire outstanding bonds.

Special assessment bonds payable with governmental commitment outstanding as reported in governmental activities at June 30, 2018 were as follows:

	Outstanding June 30, 2018
Governmental Activities Special Assessment Bonds:	
\$7,370,000 Spectrum Improvement District Bonds, due in annual installments of \$545,000 to \$635,000 through 1/1/23; interest at 4 percent.	\$ 2,940,000
Total Special Assessment Bonds with Governmental Commitment	\$ 2,940,000

CITY OF CHANDLER, ARIZONA
Notes to the Financial Statements
June 30, 2018

NOTE 5 - Long-Term Liabilities, continued

Changes in Long-Term Liabilities

	Restated Balance June 30, 2017 ⁽¹⁾	Additions	Reductions	Balance June 30, 2018	Due Within One Year
Governmental Activities:					
Compensated absences	\$ 10,488,949	\$ 1,460,764	\$ (1,289,856)	\$ 10,659,857	\$ 131,618
Bonds payable:					
General obligation bonds	186,873,000	58,740,000	(22,325,000)	223,288,000	17,524,000
Revenue bonds	6,685,000	-	(2,415,000)	4,270,000	2,220,000
Special assessment bonds	3,460,000	-	(520,000)	2,940,000	545,000
Issuance premiums	20,178,545	3,609,364	(2,321,992)	21,465,917	2,324,018
Total bonds payable	217,196,545	62,349,364	(27,581,992)	251,963,917	22,613,018
Arbitrage liability	22,508	10,000	(5,000)	27,508	7,989
Claims payable	6,007,859	27,139,484	(26,726,054)	6,421,289	5,783,905
Net pension liability	275,260,325	-	(5,625,544)	269,634,781	-
Post employment benefits ⁽¹⁾	58,620,945	-	(10,241,088)	48,379,857	-
Totals	\$ 567,597,131	\$ 90,959,612	\$ (71,469,534)	\$ 587,087,209	\$ 28,536,530
Business-Type Activities:					
Compensated absences	\$ 1,125,501	\$ 155,226	\$ (147,964)	\$ 1,132,763	\$ 13,985
Bonds & obligations payable:					
General obligation bonds	115,722,000	-	(10,015,000)	105,707,000	9,806,000
Revenue bonds	9,595,000	-	(1,750,000)	7,845,000	3,160,000
Excise tax revenue obligations	198,520,000	36,220,000	(4,105,000)	230,635,000	6,640,000
Issuance premiums	27,963,751	3,408,147	(2,658,284)	28,713,614	2,606,296
Total bonds & obligations payable	351,800,751	39,628,147	(18,528,284)	372,900,614	22,212,296
Arbitrage liability	47,492	10,000	(10,000)	47,492	17,011
Net pension liability	21,955,620	-	(1,112,998)	20,842,622	-
Post employment benefits ⁽¹⁾	6,883,962	-	(1,189,969)	5,693,993	-
Landfill closure/post closure	4,340,000	-	-	4,340,000	94,446
Totals	\$ 386,153,326	\$ 39,793,373	\$ (20,989,215)	\$ 404,957,484	\$ 22,337,738

⁽¹⁾ The City restated the beginning balances of Governmental and Business-Type Post Employment Benefits due to the implementation of GASB Statement No. 75, *Accounting and Financial Reporting for Postemployment Benefits Other Than Pension*. This resulted in an increase to beginning balances of \$34,251,189 for governmental activities and \$4,784,049 for business-type activities.

CITY OF CHANDLER, ARIZONA
Notes to the Financial Statements
June 30, 2018

NOTE 5 - Long-Term Liabilities, continued

Statutory Debt Limitation

In the absence of more restrictive bond authorization ballot limitations, the City is subject to state limitations on the amount of net bonded debt (exclusive of revenue bonds, excise tax revenue obligations, and improvement district bonds), it may have outstanding. The statutory debt limitation is 20 percent of the full cash property assessed valuation for purposes of water, wastewater, artificial light, acquisition and development of land for open space preserves, recreation facilities, public safety and emergency services, streets and transportation, and 6 percent of the full cash property assessed valuation for all other purposes (e.g., library, museum, center for the arts). At June 30, 2018, the 6 percent debt limitation was \$209,370,282, providing a debt margin of \$194,395,932 and the 20 percent debt limitation was \$697,900,943, providing a debt margin of \$373,734,315. The assessed valuation method used was changed in fiscal year 2015-16 from secondary assessed valuation to the full cash valuation based on advice of bond council.

Bond Covenants

Pursuant to certain bond indenture agreements, the City is obligated to various limitations and restrictions on annual debt service requirements, maintenance and flow of monies through various restricted accounts, minimum amounts to be maintained in various sinking funds, and minimum revenue bond coverages. The City is in compliance with all such significant limitations and restrictions in the opinion of City's management.

Debt Service Requirements to Maturity

The following is a summary of debt service requirements to maturity for all bonds payable as of June 30, 2018:

GOVERNMENTAL ACTIVITIES							
Years Ended June 30	General Obligation Principal	General Obligation Interest	Highway Users Revenue Principal	Highway Users Revenue Interest	Improvement Districts Principal	Improvement Districts Interest	Total
2019	17,524,000	8,408,979	2,220,000	121,594	545,000	117,600	28,937,173
2020	20,225,000	7,732,760	2,050,000	39,600	565,000	95,800	30,708,160
2021	20,775,000	7,032,510	-	-	585,000	73,200	28,465,710
2022	18,395,000	6,333,405	-	-	610,000	49,800	25,388,205
2023	17,760,000	5,627,850	-	-	635,000	25,400	24,048,250
2024-2028	94,335,000	15,648,675	-	-	-	-	109,983,675
2029-2032	34,274,000	1,620,490	-	-	-	-	35,894,490
Total	\$ 223,288,000	\$ 52,404,669	\$ 4,270,000	\$ 161,194	\$ 2,940,000	\$ 361,800	\$ 283,425,663

CITY OF CHANDLER, ARIZONA
Notes to the Financial Statements
June 30, 2018

NOTE 5 - Long-Term Liabilities, concluded

BUSINESS-TYPE ACTIVITIES							
Years Ended June 30	General Obligation Principal	General Obligation Interest	Revenue Principal	Revenue Interest	Excise Tax Principal	Excise Tax Interest	Total
2019	9,806,000	4,004,156	3,160,000	250,600	6,640,000	9,463,465	33,324,221
2020	9,640,000	3,724,050	2,345,000	140,500	8,010,000	9,096,425	32,955,975
2021	9,325,000	3,439,575	2,340,000	46,800	8,525,000	8,712,450	32,388,825
2022	9,525,000	3,120,630	-	-	9,360,000	8,294,225	30,299,855
2023	9,650,000	2,748,560	-	-	10,035,000	7,834,925	30,268,485
2024-2028	46,725,000	7,227,950	-	-	58,665,000	31,044,200	143,662,150
2029-2033	11,036,000	193,130	-	-	87,080,000	15,756,975	114,066,105
2034-2038	-	-	-	-	42,320,000	2,114,863	44,434,863
Total	<u>\$105,707,000</u>	<u>\$24,458,051</u>	<u>\$ 7,845,000</u>	<u>\$ 437,900</u>	<u>\$230,635,000</u>	<u>\$92,317,528</u>	<u>\$461,400,479</u>

Compensated Absences

The City's policy relating to compensated absences is described in Note 1. The long-term portion of this debt is expected to be paid in future years from future resources. Compensated absences for governmental activities have been liquidated primarily by the General Fund.

	Balance June 30, 2017	Incurred	Satisfied	Balance June 30, 2018	Due Within One Year
Governmental Activities					
Compensated Absences	<u>\$ 10,488,949</u>	<u>\$1,460,764</u>	<u>\$ (1,289,856)</u>	<u>\$ 10,659,857</u>	<u>\$ 131,618</u>
Business-Type Activities					
Compensated Absences	<u>\$ 1,125,501</u>	<u>\$ 155,226</u>	<u>\$ (147,964)</u>	<u>\$ 1,132,763</u>	<u>\$ 13,985</u>

CITY OF CHANDLER, ARIZONA
Notes to the Financial Statements
June 30, 2018

NOTE 6 - Defeased Debt

Prior Year Defeasance

In prior years, the City defeased certain general obligation bonds and certain excise tax revenue obligations by placing the proceeds of new bonds and obligations in an irrevocable trust to provide for all future debt service payments on the old bonds or obligations. Accordingly, the trust account assets and the liability for the defeased bonds and obligations are not included in the City's financial statements.

Bonds and obligations that have been advance refunded (defeased) as of June 30, 2018:

Refunded Debt Outstanding	Amount
General Obligation Bonds, Series 2009 (Final Redemption 7/1/18)	\$ 159,140,000
General Obligation Bonds, Series 2009 (Final Redemption 7/1/18)	26,500,000
Excise Tax Revenue Obligations, Series 2009 (Final Redemption 7/1/18)	15,825,000
Excise Tax Revenue Obligations, Series 2011 (Final Redemption 7/1/21)	6,450,000
Total Refunded Bonds and Obligations Outstanding	<u>\$ 207,915,000</u>

NOTE 7 - Landfill Closure and Postclosure Costs

State and federal laws and regulations require the City to place a final cover on its landfill site when it stops accepting waste and to perform certain maintenance and monitoring functions at the site for thirty years after closure. In addition to operating expenses related to landfill activities through its closure date (October 1, 2005), an expense provision and related liability has been recognized based on the future closure and postclosure care costs to be incurred near or after the date the landfill no longer accepts waste. The recognition of these landfill closure and postclosure care costs is based on the amount of the landfill used during the year. As of June 30, 2018, the City estimates total costs related to landfill closure and postclosure care is \$15,758,131 and has recognized that entire amount since the landfill no longer accepts waste. To date, \$11,418,131 has been paid. The remaining balance of \$4,340,000 consists of a current liability of \$94,446 and \$4,245,554 recorded as a long-term liability on the City's financial statements.

The estimated total current cost of the landfill closure and postclosure, \$15,758,131, is based on the amount that would be paid if all equipment, facilities, and services required to care, monitor, and maintain the landfill were acquired as of June 30, 2018. However, the actual cost of closure and postclosure care may be higher due to inflation, changes in technology, or changes in landfill laws and regulations. The City is required by state and federal regulations to comply with local government financial test requirements that assure the City can meet the costs of landfill closure, postclosure care and, if necessary, corrective action when needed. The City complied with all local government financial test requirements for the year ended June 30, 2017. It is anticipated that future inflation costs will be financed in part from earnings on investments. The remaining portion of anticipated future inflation costs and any additional costs that might arise from changes in postclosure requirements, e.g., due to changes in technology or more rigorous environmental regulations, may need to be covered by additional charges to future taxpayers.

CITY OF CHANDLER, ARIZONA

Notes to the Financial Statements

June 30, 2018

NOTE 8 - Capital Contributions

Capital contributions in the Water, Wastewater, Airport, and Housing Authority funds are the result of system development fees, developer contributions, and government contributions. Total capital contributions amounted to the following:

	System Development Fees	Developer Contributions	Government Contributions	Total
Water	\$ 9,083,655	\$ 612,288	\$ -	\$ 9,695,943
Wastewater	10,468,488	546,065	3,769,971	14,784,524
Airport	-	-	1,530,430	1,530,430
Housing Authority	-	-	119,232	119,232
Total	<u>\$ 19,552,143</u>	<u>\$ 1,158,353</u>	<u>\$ 5,419,633</u>	<u>\$ 26,130,129</u>

NOTE 9 - Fund Equity

In the fund financial statements, fund balances are reported in five classifications that comprise a hierarchy based on spending constraints placed on the purposes for which resources can be used for better consistency and clarification. The classifications of fund balance are explained below:

Nonspendable fund balance includes amounts that cannot be spent because either 1) it is not in a spendable form, such as inventory or prepaid items or 2) it is legally or contractually required to be maintained intact.

Restricted fund balance includes amounts constrained to specific purposes by their providers which are either imposed 1) by external parties (grantors, bondholders and higher levels of government), 2) by law through constitutional provisions or 3) by enabling legislation legally enforceable by external parties.

Committed fund balance includes amounts with self-imposed limitations to be used only for a specific purpose pursuant to constraints by formal action of the highest level of decision making authority, namely Mayor and Council. Mayor and Council approval is required to commit resources and amounts cannot be used for any other purpose unless Mayor and Council take the same formal action to remove or change the commitment.

Assigned fund balance includes amounts intended to be used for a specific purpose. For general fund, the assigned fund balance must be for a specific purpose and for all other governmental funds the assigned fund balance represents the residual balance of the fund. Fund balance assignments are approved through the Annual Budget Fund Policies section by Mayor and Council. Unlike committed fund balances, assigned fund balance amounts can be changed without formal action by the City Manager.

Unassigned fund balance includes amounts available for any purpose; these amounts are reported only in the general fund. In addition, other governmental funds that result in a negative fund balance are presented in this classification.

Generally, the City would first apply restricted resources, then committed, assigned and unassigned resources when an expense is incurred for purposes for which more than one classification of fund balance is available.

CITY OF CHANDLER, ARIZONA

Notes to the Financial Statements

June 30, 2018

NOTE 9 - Fund Equity, concluded

As of June 30, 2018 the constraints placed on fund balance for the major governmental funds and other non-major governmental funds are presented in the following table:

	General	Streets Capital Projects	G.O. Bonds Debt Service	Other Governmental	Total
Nonspendable:					
Inventories	\$ 813,143	\$ -	\$ -	\$ -	\$ 813,143
Total non-spendable	813,143	-	-	-	813,143
Restricted for:					
Court enhancement	1,551,735	-	-	-	1,551,735
Judicial enhancement	388,790	-	-	-	388,790
Weapons proceeds	24,824	-	-	-	24,824
Citing agency	15,458	-	-	-	15,458
Transportation and development		75,343,450	-	31,531,749	106,875,199
Debt service reserve	-	-	7,451,989	508,210	7,960,199
Community development	-	-	-	560,200	560,200
Community services	-	-	-	34,072,952	34,072,952
Other capital projects	-	-	-	17,101,780	17,101,780
Total restricted	1,980,807	75,343,450	7,451,989	83,774,891	168,551,137
Committed to:					
	-	-	-	-	-
Total committed	-	-	-	-	-
Assigned to:					
Domestic violence prevention	112,880	-	-	-	112,880
Self-insurance purposes	1,396,555	-	-	-	1,396,555
Traffic safety reserve	147,861	-	-	-	147,861
PSPRS Contribution	9,949,320	-	-	-	9,949,320
Capital improvement projects	94,520,517	-	-	-	94,520,517
Economic development projects	10,232,500	-	-	-	10,232,500
Total assigned	116,359,633	-	-	-	116,359,633
Unassigned	65,182,337	-	-	(2,555,420)	62,626,917
Total unassigned	65,182,337	-	-	(2,555,420)	62,626,917
Total fund balances	\$ 184,335,920	\$ 75,343,450	\$ 7,451,989	\$ 81,219,471	\$ 348,350,830

The City's General Fund Reserve Policy requires an amount equal to 15 percent of adopted General Fund operating revenues, excluding one-time transfers in, for fiscal year 2017-18. This amounts to \$34,858,994 and is included in unassigned above.

CITY OF CHANDLER, ARIZONA
Notes to the Financial Statements
June 30, 2018

NOTE 10 - Retirement and Pension Plans

The City of Chandler contributes to the pension plans described below. The City of Chandler also contributes to the Elected Officials Retirement Plan and Other Post Employment Benefit (OPEB) plans; however the plans are not described below because of its relative insignificance to the financial statements. The plans are component units of the State of Arizona.

At June 30, 2018, the City of Chandler reported the following aggregate amounts related to pensions and other postemployment benefits (OPEB) for all plans to which it contributes.

Pensions Plans					
		<u>Governmental Activities</u>		<u>Business-type Activities</u>	<u>Total</u>
Net pension liability	\$	269,634,781	\$	20,842,622	\$ 290,477,403
Pension deferred outflows of resources		64,650,887		2,847,187	67,498,074
Pension deferred inflows of resources		12,593,015		1,413,278	14,006,293
Pension expense		31,142,716		882,700	32,025,416

OPEB Plans					
		<u>Governmental Activities</u>		<u>Business-type Activities</u>	<u>Total</u>
Net OPEB liability	\$	48,379,857	\$	5,693,993	\$ 54,073,850
OPEB deferred outflows of resources		3,651,623		451,392	4,103,015
OPEB deferred inflows of resources		14,002,335		1,660,341	15,662,676
OPEB expense		3,741,844		470,372	4,212,216

The City of Chandler reported \$29,039,918 and \$1,570,926 of pension expenditures in its governmental and enterprise funds, respectively, related to all pension plans to which it contributed in the current fiscal year.

Arizona State Retirement System

A. Plan Description

The City of Chandler employees not covered by the other pension plans described after this section participate in the Arizona State Retirement System (ASRS). The ASRS administers a cost-sharing multiple-employer defined benefit pension plan, a cost-sharing multiple-employer defined benefit health insurance premium benefit (OPEB) plan, and a cost-sharing multiple-employer defined benefit long-term disability (OPEB) plan. For governmental activities OPEB and pension liabilities are generally liquidated by the general fund. The Arizona State Retirement System Board governs the ASRS according to the provisions of A.R.S. Title 38, Chapter 5, Articles 2 and 2.1. The ASRS issues a publicly available financial report that includes its financial statements and required supplementary information. The report is available on the ASRS website at www.azasrs.gov.

CITY OF CHANDLER, ARIZONA
Notes to the Financial Statements
June 30, 2018

NOTE 10 - Retirement and Pension Plans, continued

B. Benefits Provided

The ASRS provides retirement, health insurance premium supplement, long-term disability, and survivor benefits. State statute establishes benefit terms. Retirement benefits are calculated on the basis of age, average monthly compensation, and service credit as follows:

	Retirement Initial Membership Date:	
	Before July 1, 2011	On or After July 1, 2011
Years of service and age required to receive benefit	Sum of years and age equals 80 10 years age 62 5 years age 50* Any years age 65	30 years age 55 25 years age 60 10 years age 62 5 years age 50* Any years age 65
Final average salary is based on	Highest 36 months of last 120 months	Highest 60 months of last 120 months
Benefit percent per year of service	2.1% to 2.3%	2.1% to 2.3%
*With actuarially reduced benefits		

Retirement benefits for members who joined the ASRS prior to September 13, 2013, are subject to automatic cost-of-living adjustments based on excess investment earnings. Members with a membership date on or after September 13, 2013, are not eligible for cost-of-living adjustments. Survivor benefits are payable upon a members' death. For retired members, the survivor benefit is determined by the retirement benefit option chosen. For all other members, the beneficiary is entitled to the member's account balance that includes the member's contributions and employer's contributions, plus interest earned.

C. Contributions

In accordance with state statutes, annual actuarial valuations determine active member and employer contribution requirements. The combined active member and employer contribution rates are expected to finance the costs of benefits employees earn during the year, with an additional amount to finance any unfunded accrued liability. For the current fiscal year, active ASRS members were required by statute to contribute at the actuarially determined rate of 11.50 percent (11.34 percent for retirement and 0.16 percent for long-term disability) of the members' annual covered payroll, and the City of Chandler was required by statute to contribute at the actuarially determined rate of 11.50 percent (10.90 percent for retirement, 0.44 percent for health insurance premium benefit, and 0.16 percent for long-term disability) of the active members' annual covered payroll.

In addition, the City of Chandler was required by statute to contribute at the actuarially determined rate of 9.26 percent of annual covered payroll of retired members who worked in positions that would typically be filled by an employee who contributes to the ASRS.

The required contribution rate for the fiscal year ended June 30, 2018, was actuarially determined to yield contribution amounts sufficient to finance costs earned by employees during the year and to amortize the Plan's unfunded actuarially accrued liability over the period specified in the statutes. The City of Chandler's contributions for the year ended June 30, 2018, were \$8,268,029. The City of Chandler's pension contributions are paid by the same funds as the employee's salary, with the largest component coming from the General Fund.

CITY OF CHANDLER, ARIZONA
Notes to the Financial Statements
June 30, 2018

NOTE 10 - Retirement and Pension Plans, continued

D. Pension Liability

At June 30, 2018, the City of Chandler reported a liability of \$115,691,952 for its proportionate share of the net pension liability of the ASRS. The net pension liability was measured as of June 30, 2017. The total pension liability used to calculate the net pension liability was determined using update procedures to roll forward the total pension liability from an actuarial valuation as of June 30, 2016, to the measurement date of June 30, 2017. The City of Chandler's proportion of the net pension liability was based on a projection of the City of Chandler's long-term share of contributions to the pension plan relative to the projected contributions of all participating employers, actuarially determined. At June 30, 2017, the City of Chandler's proportion was 0.74 percent, which was a decrease of 0.01 percent from its proportion measured as of June 30, 2016.

E. Pension Expense and Deferred Outflows/Inflows of Resources

For the year ended June 30, 2018, the City of Chandler recognized pension expense for ASRS of \$4,629,965 and 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 experience	\$ 5,024,767	\$ 3,469,084
Changes of assumptions or other inputs	-	3,459,397
Net difference between projected and actual earnings on pension plan investments	830,589	-
Changes in proportion and differences between contributions and proportionate share of contributions	1,529,346	1,170,145
Contributions subsequent to the measurement date	8,268,029	-
Total	<u>\$ 15,652,731</u>	<u>\$ 8,098,626</u>

The deferred outflows of resources related to ASRS pensions resulting from contributions subsequent to the measurement date as reported in the table above will be recognized as a reduction of the net pension liability in the year ended June 30, 2018. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to ASRS pensions will be recognized in pension expense as follows:

Year Ending June 30:

2018	\$ (3,871,636)
2019	4,507,707
2020	1,311,265
2021	(2,611,260)
2022	-

CITY OF CHANDLER, ARIZONA
Notes to the Financial Statements
June 30, 2018

NOTE 10 - Retirement and Pension Plans, continued

F. Actuarial Assumptions

The significant actuarial assumptions used to measure the total ASRS pension liability are as follows:

Actuarial valuation date	June 30, 2016
Actuarial roll forward date	June 30, 2017
Actuarial cost method	Entry age normal
Discount rate	8.0%
Projected salary increases	3.0-6.75%
Inflation	3.0%
Permanent base increases	Included
Mortality rates	1994 GAM Scale BB

The actuarial assumptions used in the June 30, 2016 valuation were based on the results of an actuarial experience study for the five-year period ended June 30, 2012. The purpose of the experience study was to review actual experience in relation to the actuarial assumptions in effect. The ASRS Board adopted the experience study recommended changes which were applied to the June 30, 2013, actuarial valuation. The study did not include an analysis of the assumed investment rate of return.

The long-term expected rate of return on ASRS pension plan investments was determined to be 8.70 percent using a building-block method in which best-estimate 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 arithmetic real rates of return for each major asset class of the ASRS are summarized in the following table:

Asset Class	Target Allocation	Real Rate of Return
Equity	58%	6.73%
Fixed income	25%	3.70%
Commodities	2%	3.84%
Real estate	10%	4.25%
Multi-asset class	5%	3.41%
Total	100%	

G. Discount Rate

The discount rate used to measure the ASRS total pension liability was 8.0 percent, which is less than the long-term expected rate of return of 8.70 percent. The projection of cash flows used to determine the discount rate assumed that contributions from participating employers will be made based on the actuarially determined rates based on the ASRS Board's funding policy, which establishes the contractually required rate under Arizona statute. Based on those assumptions, the pension plan's fiduciary net position was projected to be available to make all projected future benefit payments of current plan members. 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.

NOTE 10 - Retirement and Pension Plans, continued

H. Sensitivity of the Proportionate Share of the Net Pension Liability to Changes in the Discount Rate

The following presents the City of Chandler’s proportionate share of the net pension liability calculated using the discount rate of 8.0 percent, as well as what the proportionate share of the net pension liability would be if it were calculated using a discount rate that is 1-percentage-point lower or 1-percentage-point higher than the current rate:

	1 % Decrease (7.0%)	Current Discount Rate (8.0%)	1 % Increase (9.0%)
City of Chandler's proportionate share of the net pension liability	\$ 148,492,630	\$ 115,691,952	\$ 88,284,176

I. Pension Plan Fiduciary Net Position

Detailed information about the pension plan’s fiduciary net position is available in the separately issued ASRS financial report. The report is available on the ASRS website at www.azasrs.gov.

Public Safety Personnel Retirement System

A. Plan Description

City of Chandler public safety employees who are regularly assigned hazardous duty participate in the Public Safety Personnel Retirement System (PSPRS). The PSPRS administers an agent multiple-employer defined benefit pension plan and an agent multiple-employer defined benefit health insurance premium benefit (OPEB) plan. A seven-member board known as the Board of Trustees and the participating local boards govern the PSPRS according to the provisions of A.R.S. Title 38, Chapter 5, Article 4.

The PSPRS issues a publicly available financial report that includes their financial statements and required supplementary information. The report is available on the PSPRS website at www.psprs.com.

B. Benefits Provided

The PSPRS provides retirement, health insurance premium supplement, disability, and survivor benefits. State statute establishes benefits terms. Certain retirement and disability benefits are calculated on the basis of age, average monthly compensation, and service credit as follows. See the publicly available PSPRS financial report for additional benefits information.

CITY OF CHANDLER, ARIZONA
Notes to the Financial Statements
June 30, 2018

NOTE 10 – Retirement and Pension Plans, continued

	Retirement Initial Membership Date:		
	<u>Before January 1, 2012</u>	<u>On or After January 1, 2012</u>	<u>On or After July 1, 2017</u>
Years of service and age required to receive benefit	20 years any age 15 years age 62	25 years and age 52.5	15 years and age 55
Final average salary is based on	Highest 36 months of last 20 years	Highest 60 months of last 20 years	Highest 60 months of last 15 years
Normal retirement	50% less 2.0% for each year of credited service less than 20 years or plus 2.0% to 2.5% for each year of credited service over 20 years, not to exceed 80%	2.5% per year of credited service, not to exceed 80%	1.5% to 2.5% per year of service, not to exceed 80%
Accidental disability retirement	50% or normal retirement, whichever is greater		
Survivor benefit:			
Retired members	80% of retired member's pension benefit		
Active members	80% to 100% of accidental disability retirement benefit or 100% of average monthly compensation if death was the result of injuries received on the job		

Retirement and survivor benefits are subject to automatic cost-of-living adjustments based on excess investment earning. The PSPRS also provides temporary disability benefits of 50 percent of the member's compensation for up to 12 months.

C. Employees Covered by Benefit Terms

At June 30, 2018, the following employees were covered by the agent pension plan's benefit terms:

	<u>PSPRS - Police</u>	<u>PSPRS - Fire</u>
Inactive employees or beneficiaries currently receiving benefits	142	60
Inactive employees entitled to but not yet receiving benefits	23	20
Active employees	307	184
Total	<u>472</u>	<u>264</u>

CITY OF CHANDLER, ARIZONA
Notes to the Financial Statements
June 30, 2018

NOTE 10 – Retirement and Pension Plans, continued

D. Contributions

State statutes establish the pension contribution requirements for active PSPRS employees. In accordance with state statutes, annual actuarial valuations determine employer contribution requirements for PSPRS pension and health insurance premium benefits. The combined active member and employer contribution rates are expected to finance the costs of benefits employees earn during the year, with an additional amount to finance any unfunded accrued liability. Contributions rates for the year ended June 30, 2018, are indicated below. Rates are a percentage of active members' annual covered payroll.

	<u>PSPRS - Police</u>	<u>PSPRS - Fire</u>
Active members - pension		
Tier 1	7.65%	7.65%
Tier 2	11.65%	11.65%
Tier 3	9.91%	10.55%
Employer rates - pension		
Tier 1	41.61%	36.68%
Tier 2	41.61%	36.68%
Tier 3	9.91%	10.55%

In addition, the City of Chandler was required by statute to contribute at the actuarially determined rate of 26.75 percent for police and 21.67 percent for fire for the PSPRS of annual covered payroll of retired members who worked in positions that would typically be filled by an employee who contributes to the PSPRS.

For the agent plans, the contributions to the pension plan for the year ended were:

	<u>PSPRS - Police</u>	<u>PSPRS - Fire</u>
Pension:		
Contributions made	\$ 14,300,501	\$ 8,042,313

E. Pension Liability

At June 30, 2018, the City of Chandler reported \$114,883,054 in net pension liability for police and \$59,902,397 in net pension liability for fire. The net pension liabilities were measured as of June 30, 2017, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of that date. The total pension liability as of June 30, 2017, reflects changes of benefit terms and actuarial assumptions for a court ruling for funding permanent benefit increases and a decrease in the wage growth assumption.

CITY OF CHANDLER, ARIZONA
Notes to the Financial Statements
June 30, 2018

NOTE 10 – Retirement and Pension Plans, continued

F. Actuarial Assumptions

The significant actuarial assumptions used to measure the total pension liability are as follows:

Actuarial valuation date	June 30, 2017
Actuarial cost method	Entry age normal
Asset valuation	7-Year smoothed market, 80% / 120% market
Discount rate	7.40%
Projected salary increases	3.5 - 7.5%
Inflation	2.50%
Permanent benefit increase	Included
Mortality rates	RP-2014 table, with 75% of MP-2016 fully generational projection scales.

The long-term expected rate of return on PSPRS pension plan investments was determined to be 7.40 percent using a building-block method in which best-estimate ranges of expected future real rates of return (expected returns, net of pension plan investment expenses and inflation) are developed for each major asset class. The target allocation and best estimates of arithmetic 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
Short-term investments	2%	0.25%
Risk parity	4%	5.00%
Absolute return	2%	3.75%
Fixed income	5%	1.25%
Real assets	9%	4.52%
GTAA	10%	3.96%
Real estate	10%	3.75%
Private equity	12%	6.75%
Credit opportunities	16%	5.83%
Non-U.S. equity	14%	8.7%
U.S. equity	16%	7.6%
Total	100%	

G. Pension Discount Rates

The discount rate of 7.40% was used to measure the total pension liability.

The projection of cash flows used to determine the PSPRS discount rates assumed that plan member contributions will be made at the current contribution rate and that employer contributions will be made at rates equal to the difference between the actuarially determined contribution rates and the member rate. Based on those assumptions, the pension plan's fiduciary net position was projected to be available to make all projected future benefit payments of current plan members. Therefore, the long-term expected rate of return on pension plan investments was applied to all periods of projected benefit payments for these plans to determine the total pension liability.

CITY OF CHANDLER, ARIZONA
Notes to the Financial Statements
June 30, 2018

NOTE 10 – Retirement and Pension Plans, continued

	Total Pension Liability	Increase/(Decrease) Plan Fiduciary Net Position	Net Pension Liability
PSPRS - Police			
Balances at June 30, 2017	\$ 228,609,248	\$ 111,482,791	\$ 117,126,457
Changes for the year:			
Service cost	6,092,332	-	6,092,332
Interest on the total pension liability	17,064,596	-	17,064,596
Changes of benefit terms	1,501,042	-	1,501,042
Differences between expected and actual experience in the measurement of the pension liability	(6,211,672)	-	(6,211,672)
Changes of assumptions or other inputs	6,528,203	-	6,528,203
Contributions – employer	-	10,247,877	(10,247,877)
Contributions – employee	-	3,244,412	(3,244,412)
Net investment income	-	14,017,325	(14,017,325)
Benefit payments, including refunds of employee contributions	(8,254,947)	(8,254,947)	-
Administrative expense	-	(124,430)	124,430
Other changes	-	(167,280)	167,280
Net changes	\$ 16,719,554	\$ 18,962,957	\$ (2,243,403)
Balances at June 30, 2018	\$ 245,328,802	\$ 130,445,748	\$ 114,883,054

CITY OF CHANDLER, ARIZONA
Notes to the Financial Statements
June 30, 2018

NOTE 10 – Retirement and Pension Plans, continued

	Increase/(Decrease)		
	Total Pension Liability	Plan Fiduciary Net Position	Net Pension Liability
PSPRS - Fire			
Balances at June 30, 2017	\$ 133,705,174	\$ 75,165,521	\$ 58,539,653
Changes for the year:			
Service cost	3,863,571	-	3,863,571
Interest on the total pension liability	9,983,423	-	9,983,423
Changes of benefit terms	753,382	-	753,382
Differences between expected and actual experience in the measurement of the pension liability	941,823	-	941,823
Changes of assumptions or other inputs	2,845,297	-	2,845,297
Contributions – employer	-	5,514,825	(5,514,825)
Contributions – employee	-	2,312,753	(2,312,753)
Net investment income	-	9,228,731	(9,228,731)
Benefit payments, including refunds of employee contributions	(5,049,317)	(5,049,317)	-
Administrative expense	-	(82,059)	82,059
Other changes	-	50,502	(50,502)
Net changes	\$ 13,338,179	\$ 11,975,435	\$ 1,362,744
Balances at June 30, 2018	\$ 147,043,353	\$ 87,140,956	\$ 59,902,397

H. Sensitivity of the Net Pension Liability to Changes in the Discount Rate

The following presents the City of Chandler’s net pension liability calculated using the discount rates noted above, as well as what the net pension liability would be if it were calculated using a discount rate that is 1-percentage-point lower or 1-percentage-point higher than the current rate:

	1% Decrease	Current Discount Rate	1% Increase
PSPRS - Police:			
Rate	6.40%	7.40%	8.40%
Net pension liability	\$ 151,179,538	\$ 114,883,054	\$ 85,555,930
PSPRS - Fire:			
Rate	6.40%	7.40%	8.40%
Net pension liability	\$ 81,299,601	\$ 59,902,397	\$ 42,495,551

I. Pension Expense

Detailed information about the pension plan’s fiduciary net position is available in the separately issued PSPRS financial report. The report is available on the PSPRS website at www.psprs.com.

CITY OF CHANDLER, ARIZONA
Notes to the Financial Statements
June 30, 2018

NOTE 10 – Retirement and Pension Plans, continued

J. Pension Expense

For the year ended June 30, 2018, the City of Chandler recognized the following as pension expense:

	<u>Pension Expense</u>
PSPRS - Police	\$ 18,617,055
PSPRS - Fire	8,762,571

K. Pension Deferred Outflows/Inflows of Resources

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

	<u>Deferred Outflows of Resources</u>	<u>Deferred Inflows of Resources</u>
PSPRS - Police		
Differences between expected and actual experience	\$ 2,957,706	\$ 5,103,217
Changes of assumptions or other inputs	14,502,263	-
Net difference between projected and actual earnings on pension plan investments	1,199,235	-
Changes in proportion and differences between contributions and proportionate share of contributions	-	-
Contributions subsequent to the measurement date	14,300,501	-
Total	<u>\$ 32,959,705</u>	<u>\$ 5,103,217</u>
	<u>Deferred Outflows of Resources</u>	<u>Deferred Inflows of Resources</u>
PSPRS - Fire		
Differences between expected and actual experience	\$ 879,797	\$ 804,450
Changes of assumptions or other inputs	9,021,527	-
Net difference between projected and actual earnings on pension plan investments	942,001	-
Changes in proportion and differences between contributions and proportionate share of contributions	-	-
Contributions subsequent to the measurement date	8,042,313	-
Total	<u>\$ 18,885,638</u>	<u>\$ 804,450</u>

CITY OF CHANDLER, ARIZONA
Notes to the Financial Statements
June 30, 2018

NOTE 10 – Retirement and Pension Plans, concluded

The amounts reported as deferred outflows of resources related to pension resulting from contributions subsequent to the measurement date will be recognized as a reduction of the net pension liability in the year ended June 30, 2018. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pensions will be recognized in pension expense as follows:

Year Ending June 30:		
	<u>PSPRS - Police</u>	<u>PSPRS - Fire</u>
2019	\$ 5,458,458	\$ 2,183,807
2020	5,391,214	2,861,255
2021	2,752,355	2,270,495
2022	(80,151)	730,659
2023	34,111	1,164,751
Thereafter	-	827,908

NOTE 11 – Post-Employment Benefits Other Than Pensions - Single Employer Plan

The cost of postemployment healthcare benefits, from an accrual accounting perspective, should be associated with the periods in which the future costs are earned rather than in the future years when they will be paid (similar to the cost of pension benefits). GASB Statement No. 75, Accounting and Financial Reporting for Postemployment Benefits Other Than Pensions requires the City to recognize the entire OPEB liability and a comprehensive measure of OPEB expense. The comprehensive measure of OPEB expense includes immediate recognition in OPEB expense of the effects of changes of benefit terms, as well as the incorporation of the amortization of deferred inflows of resources and deferred outflows of resources related to OPEB over a defined, closed period.

A. Plan Description

The City provides post-employment health care (OPEB) for retired employees through a single employer defined benefit health plan. The plan provides health benefits for eligible retirees, their spouses and dependents through the City's group health insurance plans, which covers active and retired members. The benefits, benefit levels, and contribution rates are determined annually by the City's Human Resources Department and approved by the City Council. The plan is not accounted for as a trust fund, as an irrevocable trust has not been established to account for the plan and no assets are accumulated. The plan does not issue a separate financial report. Generally, resources from the general fund are used to pay for post-employment benefits.

The City also provides a Retirement Health Savings Plan (RHSP) for active employees that may be used upon separation from City employment. The City funds \$15 per pay period during the term of employment. The plan provides health expense reimbursements eligible under Internal Revenue Code Section 213, other than direct long-term care expenses. The plan is not accounted for as a trust fund, as an irrevocable trust has not been established to account for the plan. The plan does not issue a separate financial report.

CITY OF CHANDLER, ARIZONA

Notes to the Financial Statements

June 30, 2018

NOTE 11 – Post-Employment Benefits Other Than Pensions, continued

B. Benefits Provided

The City provides post-employment health care benefits to its retirees. To be eligible for benefits, an employee must qualify for retirement under one of the state retirement plans for public employees and be covered under the City's health plan during their active status.

Upon retirement, the City deposits a one-time payment of \$800 per year of City service in the retiree's RHSP account. The retiree must have a minimum of five years of City service to receive this contribution.

C. Contributions

The plan premium rates are determined annually by the City's Human Resources Department in collaboration with an outside consulting firm, reviewed, and recommended by a five member Health Care Benefits Trust Board, and approved by the City Council. The retiree's contribution is 100 percent of the actuarially determined blended premium rate. The City makes no contribution to the retirees' premiums other than allowing them to participate through the City's pooled benefits. By providing retirees with access to the City's healthcare plans based on the same rates it charges to active employees, the City is in effect providing a subsidy to retirees. This implied subsidy exists because, on average, retiree healthcare costs are higher than active employee healthcare costs. The City contributes 0% of these premiums for employees. By not contributing anything toward this plan in advance, the City employs a pay-as-you-go method through paying the higher rate for active employees each year. A separate financial report is not issued for the plan.

D. Employees covered by benefit terms.

The following employees were covered as of the effective date of the OPEB valuation:

Inactive employees or beneficiaries	
currently receiving benefits	437
Inactive , employees entitled to but	
not yet receiving benefit	-
Active members	1,595
Total	<u>2,032</u>

E. Total OPEB Liability

The City's total OPEB liability of \$52,838,811 was measured as of June 30, 2017 and was determined by an actuarial valuation as of that date.

CITY OF CHANDLER, ARIZONA
Notes to the Financial Statements
June 30, 2018

NOTE 11 – Post-Employment Benefits Other Than Pensions, continued

F. Actuarial Assumptions and Other Inputs

Projections of benefits for financial reporting purposes are based on the substantive plan (the plan as understood by the employer and the plan members) and include the types of benefits provided at the time of each valuation and the historical pattern of sharing of benefit cost between the employer and plan members to that point. The total OPEB liability in the June 30, 2017 actuarial valuation was determined using the following actuarial assumptions and other inputs, applied to all periods included in the measurement, unless otherwise specified:

Measurement date	June 30, 2017
Actuarial valuation date	June 30, 2017
Discount Rate	3.58%
Inflation rate	2.70%
Projected salary increases	Vary depending on retirement plan and years of service from 2.7%-7.5%
Health care cost trend rate:	
Medical and Prescription Drug	7% graded down to an ultimate rate of 4.5% over 10 years
Retiree contribution increase	Consistent with medical/drug trends. 100% share of benefit related costs

The discount rate is based on the index rate for a 20 year tax exempt general obligation municipal bond with an average rating of AA/Aa or higher.

Mortality rates were based on the 2017 State Retirees of Arizona Mortality Table for current retirees and the RP-2014 Disabled Mortality Table for disabled retirees.

G. Changes in the Total OPEB Liability

Total OPEB Liability- Beginning of year	\$ 66,519,700
Changes for the year	
Service Cost	3,962,284
Interest	1,967,447
Changes of benefit terms	-
Differences between expected and actual experience	(8,539,064)
Changes in assumptions or other inputs	(8,174,073)
Benefit Payments	(2,897,483)
Net Changes	(13,680,889)
Total OPEB Liability- End of year	<u>\$ 52,838,811</u>

Changes in assumptions reflect the following:

1. The discount rate increased from 2.85% to 3.58% based on the changes in the 20 year municipal bond rate from June 30, 2016 to June 30, 2017.
2. Future health trend rates were updated.
3. Decrement rates and salary scale were updated based on recent actuarial experience studies

CITY OF CHANDLER, ARIZONA

Notes to the Financial Statements

June 30, 2018

NOTE 11 – Post-Employment Benefits Other Than Pensions, continued

H. Sensitivity of the total OPEB liability to changes in the discount rate

The following presents the total OPEB liability of the City, 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 or 1-percentage-point higher than the current rate:

	1% Decrease	Current Discount Rate	1% Increase
	(4.58%)	(3.58%)	(2.58%)
Total OPEB liability	\$ 47,155,575	\$ 52,838,811	\$ 59,841,917

I. Sensitivity of the total OPEB liability to changes in the healthcare cost trend rates

The following presents the total OPEB liability of the City, as well as what the City's total OPEB liability would be if it were calculated using healthcare cost trend rates that are 1-percentage-point lower or 1-percentage-point higher than the current rate:

	1% Decrease	Current Healthcare Cost Trend Rates	1% Increase
	(6%)	(7%)	(8%)
Total OPEB liability	\$ 57,110,858	\$ 52,838,811	\$ 49,214,595

J. OPEB Expense and Deferred Outflows of Resources and Deferred Inflows of Resources Related to OPEB

For the year ended June 30, 2018, the City recognized OPEB expense of \$3,671,199. At June 30, 2018, the City reported deferred outflows of resources and deferred inflows of resources related to OPEB from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual experience	\$ -	\$ 7,385,136
Changes of assumptions or other inputs	-	7,069,469
Contributions subsequent to measurement date	3,373,580	-
Total	\$ 3,373,580	\$ 14,454,605

CITY OF CHANDLER, ARIZONA

Notes to the Financial Statements

June 30, 2018

NOTE 11 - Post-Employment Benefits Other Than Pensions, concluded

The deferred outflows of resources resulting from contributions subsequent to the measurement date as reported in the table above will be recognized as an adjustment of the net OPEB liability in the year ended June 30, 2019. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to OPEB will be recognized in OPEB expense as follows:

Year Ending June 30:

2019	\$	(2,258,532)
2020		(2,258,532)
2021		(2,258,532)
2022		(2,258,532)
2023		(2,258,532)
Thereafter		(3,161,945)

NOTE 12 - Commitments and Contingencies

The City is subject to a number of lawsuits, investigations, and other claims (some of which involve alleged damages in substantial amounts) that are incidental to the ordinary course of its operations, including those related to property damage and personal injury matters as well as alleged civil rights violations. All cases are being vigorously defended by the City of Chandler both as to liability as well as the amount of damages claimed. Although the City Attorney cannot reasonably estimate the actual results upon disposition of the outstanding cases, some could be significant to the City's operations, which is why the City not only self-insures with a \$1,750,000 liability retention, but carries an additional \$50,000,000 in liability insurance policies which are in excess of its self-insured retention. While the ultimate resolution of such lawsuits, investigations, and claims cannot be determined at this time, in the opinion of City management, (based on the advice of the City Attorney), the resolution of these matters will not have a material adverse effect on the City's financial position.

NOTE 13 - Risk Management

The City is exposed to various risks of loss related to litigation, claims and torts; theft of, damage to, and destruction of assets; errors and omissions; employee health claims; and natural disasters (for which the City carries commercial insurance). The City established a Self-Insurance Fund (an Internal Service Fund) to account for and finance its uninsured risks of loss. This fund is broken down into the following areas: workers' compensation insurance, property and liability insurance, health insurance, dental insurance, and short-term disability insurance.

Premiums are paid into the Internal Service Fund by all other funds for workers' compensation insurance and by the General Fund for property and liability insurance. The premiums are available to pay claims, fund claim reserves and pay administrative costs of the program. As with any risk retention program, the City is contingently liable with respect to claims beyond those actuarially projected. Interfund premiums are used to reduce the amount of claim expenditures reported in the Internal Service Fund. In the opinion of City management, based on the advice of the City Attorney, the outcome of such litigation and claims will not have materially adverse effect on the City's financial position.

CITY OF CHANDLER, ARIZONA

Notes to the Financial Statements

June 30, 2018

NOTE 13 - Risk Management, concluded

In fiscal year 2017-18, the Self-Insurance Fund provided coverage for up to a maximum of \$50,000 for each property damage claim and \$1,750,000 per occurrence for general liability claims. Coverage is also provided for claims up to \$1,000,000 in Public Safety and up to \$600,000 in all other classifications of workers' compensation. The City purchases commercial insurance for claims in excess of coverage provided by the Self-Insurance Fund and for all other risks of loss. During fiscal year 2017-18, there were no significant reductions in the amounts of excess coverage purchased, nor has the City experienced any settlements in excess of insurance coverage over the past three fiscal years.

The City also has commercial stop loss insurance that provides specific (by individual member) coverage for health insurance claims incurred in excess of \$300,000 within the plan year, and aggregate (plan wide) coverage for health insurance claims incurred above 110 percent of total plan wide claims for the plan year. Liabilities include an amount for claims that have been incurred but not reported (IBNR). Claim liabilities are calculated considering the effects of inflation, recent claim settlement trends including frequency and amount of payouts and other economic and social factors.

The claims liability of \$6,421,289 reported as claims payable in the Self-Insurance Fund at June 30, 2018, is based on the requirements of Governmental Accounting Standards Board Statement No. 10, which requires that liabilities be reported when it is probable that a loss has occurred and the amount of the loss can be reasonably estimated. This includes known future payments made for insurance as well as estimated IBNR calculations.

Changes in the Fund's claims liability amount in fiscal years 2017 and 2018 were:

Years Ended June 30,	Risk of Loss	Beginning of Fiscal Year Balance	Current Year Claims and Changes in Estimates	Claim Payments	Balance at Fiscal Year End
2017	Workers' compensation	\$ 2,427,731	\$ 1,401,010	\$ (1,974,240)	\$ 1,854,501
	Property and liability	1,352,039	815,718	(547,374)	1,620,383
	Health	2,465,456	15,015,377	(15,079,880)	2,400,953
	Dental	187,072	1,750,402	(1,805,452)	132,022
		<u>\$ 6,432,298</u>	<u>\$ 18,982,507</u>	<u>\$ (19,406,946)</u>	<u>\$ 6,007,859</u>
2018	Workers' compensation	\$ 1,854,501	\$ 3,020,423	\$ (3,005,901)	\$ 1,869,023
	Property and liability	1,620,383	2,402,138	(2,335,107)	1,687,414
	Health	2,400,953	19,816,326	(19,503,516)	2,713,763
	Dental	132,022	1,900,597	(1,881,530)	151,089
		<u>\$ 6,007,859</u>	<u>\$ 27,139,484</u>	<u>\$ (26,726,054)</u>	<u>\$ 6,421,289</u>

CITY OF CHANDLER, ARIZONA
Notes to the Financial Statements
June 30, 2018

NOTE 14 - Interfund Transfers

The interfund transfers in and out at June 30, 2018 are as follows:

<u>Fund</u>	<u>Transfer Detail</u>	<u>Transfers In</u>	<u>Transfers Out</u>
General	Non-major governmental	\$ 4,793,294	\$ 37,874,238
	Non-major enterprise	-	850,300
	Internal service	-	950,000
	Total general fund	4,793,294	39,674,538
Non-major governmental	General	37,874,238	4,473,300
	Non-major governmental	2,728,477	3,048,471
	Enterprise-water	308,044	-
	Enterprise-wastewater	197,409	-
	Non-major enterprise	112,950	173,711
	Internal service	17,939	-
	Total non-major governmental funds	41,239,057	7,695,482
Water	Non-major governmental	-	308,044
	Total water fund	-	308,044
Wastewater	Non-major governmental	-	197,409
	Total wastewater fund	-	197,409
Non-major enterprise	General	850,300	-
	Non-major governmental	173,711	112,950
	Total non-major enterprise funds	1,024,011	112,950
Internal service	General	950,000	-
	Non-major governmental	-	17,939
	Total internal service fund	950,000	17,939
Total		\$ 48,006,362	\$ 48,006,362

Interfund transfers are made from various funds and cost centers to fund costs including property and liability insurance, technology replacement, vehicle replacement, debt service, streets capital projects, and general government capital projects.

CITY OF CHANDLER, ARIZONA
Notes to the Financial Statements
June 30, 2018

NOTE 15 – Interfund Receivables and Payables

A. Interfund Advances To/Advances From

Advances To Other Funds	Advances From Other Funds	Total
Governmental Funds:		
General	Capital projects-public safety buildings & improvements	\$ 7,123,657
Non-major Governmental	Capital projects-public safety buildings & improvements	\$ 4,658,425
	Capital projects-streets	2,314,300
	Capital projects-public buildings	<u>2,589,427</u>
		<u>9,562,152</u>
	Total Governmental Funds	<u>16,685,809</u>
Enterprise		
Water	Enterprise-wastewater	<u>3,900,000</u>
	Total	<u>\$ 20,585,809</u>

Interfund advances were made from governmental funds to capital projects funds to cover expenditures in impact fee funds until impact fees are received. \$2,235,650 of the public safety buildings and improvements capital projects fund advances, \$300,000 of the public buildings capital projects fund advance, and \$2,314,300 of the streets capital projects fund will be repaid within one year.

The interfund advance was made from the water enterprise fund to the wastewater system development fees fund of the wastewater enterprise to cover expenditures until system development fees are collected. None will be repaid within one year.

B. Interfund Due To/Due From

Due from other funds	Due to other funds	Total
General	Chandler Housing Authority	\$ 11,877
	Capital projects-public buildings	2,791
	Special revenue-community development	<u>229,211</u>
		<u>\$ 243,879</u>

Interfund due to/due from other funds was made as a short term loan until the Chandler housing authority enterprise fund, public buildings capital project fund and community development special revenue fund due from other government's balances are received.

CITY OF CHANDLER, ARIZONA

Notes to the Financial Statements

June 30, 2018

NOTE 16 - Joint Venture

The City and the Town of Gilbert entered into an Intergovernmental Agreement (Agreement) for the design, construction and operation of a Joint Water Treatment Plant. Under the Agreement, the real property, plant infrastructure and raw water pipelines will be jointly owned with each party entitled to 50 percent of the plant capacity, and each party paying 50 percent of the construction costs. The Town of Gilbert acts as the Lead Agent, overseeing construction activities and operating the plant. The City's investment in the joint venture is reflected as a separate line item in the proprietary funds financial statements. Separate financial statements for the joint venture are not prepared.

Total Investment as of June 30, 2018, was:

City of Chandler's Share	\$83,194,468
Town of Gilbert's Share	<u>97,902,288</u>
	<u>\$181,096,756</u>

NOTE 17 - Deficit in Fund Balances

The police confiscated property special revenue fund had a deficit fund balance of \$32,749. The deficit will be covered by future revenues. The public buildings capital projects fund had deficit fund balance of \$2,522,671. The funds were financed by advances of interfund loans and will be paid back by a future impact fee revenues.

NOTE 18 - Tax Abatements

The City has made commitments as part of our economic development programs to reimburse certain public improvement costs through transaction privilege taxes generated out of the respective development area. The total amount rebated in the fiscal year 2017-18 is \$2,103,215. Detailed information on such commitments is prohibited from disclosure under Arizona Revised Statute 42-2002, Disclosure of Confidential Information Prohibited, and City of Chandler Code, 62-510 Divulging of Information Prohibited.

In addition, the City enters into property tax abatement agreements under Arizona Revised Statutes 42-6201 through 42-6210, Government Property Lease Excise Tax (GPLET) to enhance the economic viability of the City. The recipients of the GPLET commit to conveying the property to the City upon the project completion and the City will lease it back to the recipient for an agreed upon amount. State law imposes an excise tax on buildings that are owned by the City, leased by a private party and occupied/used for commercial, residential rental or industrial purposes. The City is allowed to abate the full tax for a period of eight years for both existing and new projects within redevelopment area that are part of a single central business district. After the abatement period the projects pay an excise tax in which the City receives a 7% distribution.

For the fiscal year ended June 30, 2018, the City abated property taxes totaling \$132,297 under this program, including the following tax abatement agreements that each exceed \$100,000:

Property Tax GLPET to a residential rental development for constructing a multi-family residential complex. The GPLET amounted to \$104,401 of property tax abated.

CITY OF CHANDLER, ARIZONA

Notes to the Financial Statements

June 30, 2018

NOTE 19 – Prior Period Adjustments

The City restated the beginning net position for governmental activities to record the Net OPEB liability due to the implementation of GASB Statement No. 75, *Accounting and Financial Reporting for Postemployment Benefits Other Than Pensions*. This resulted in a decrease to beginning net position of (\$34,251,189). The City also adjusted beginning net position for governmental funds due to assets that were placed in service in prior years that should not have been, and the associated depreciation expense. Additionally, changes in accumulated depreciation resulted from reclasses of assets between asset categories and a correction to prior year calculated depreciation. The net effect of these changes in fixed assets and accumulated depreciation resulted in a decrease in beginning net position of (\$6,278,022).

The City restated the beginning net position for business-type activities to record the Net OPEB liability record the Net OPEB liability due to the implementation of GASB Statement No. 75, *Accounting and Financial Reporting for Postemployment Benefits Other Than Pensions*. This resulted in a decrease to beginning net position of (\$4,784,049). The City also restated beginning net position for business-type activities and the enterprise fund due to assets that were placed in service in prior years that should not have been, and the associated depreciation expense. Additionally, changes in accumulated depreciation resulted from reclasses of assets between asset categories and a correction to prior year calculated depreciation. The net effect of these changes in fixed assets and accumulated depreciation resulted in an increase in beginning net position of \$69,742,556.

	Proprietary Funds		
	Water	Wastewater	Other Proprietary funds
Net position/fund balance, June 30, 2017, as previously reported	\$ 241,703,097	\$ 340,202,095	\$ 67,287,083
Asset Adjustments and Related Depreciation	33,712,542	36,073,038	(43,024)
Net OPEB liability	<u>(2,074,056)</u>	<u>(1,736,136)</u>	<u>(973,857)</u>
Net position/fund balance, July 1, 2017, as restated	<u>\$ 273,341,583</u>	<u>\$ 374,538,997</u>	<u>\$ 66,270,202</u>

	Statement of Activities – Governmental Activities	Business-Type Activities
Net position/fund balance, June 30, 2017, as previously reported	\$ 672,860,935	\$ 649,192,275
Asset Adjustments and Related Depreciation	(6,278,022)	69,742,556
Net OPEB liability	(34,251,189)	(4,784,049)
Net position/fund balance, July 1, 2017, as restated	<u>\$ 632,331,724</u>	<u>\$ 714,150,782</u>

NOTE 20 – Subsequent Event

On December 1, 2018, the City called for the optional early redemption of \$1,420,000 of Excise Tax Revenue Obligation Bonds, Series 2009 plus accumulated interest of \$23,667. The early redemption was funded using available fund balance.

REQUIRED SUPPLEMENTARY INFORMATION

City of Chandler

Schedule of Revenues, Expenditures, and Changes in Fund Balances - Budget and Actual

General Fund

For the year ended June 30, 2018

	Budgeted Amounts		Non-GAAP	Over
	Original	Final	Actual	(Under)
			Amounts	Final Budget
REVENUES:				
Property taxes	\$ 7,323,000	\$ 7,323,000	\$ 7,297,956	\$ (25,044)
Sales taxes	120,370,000	120,370,000	127,584,410	7,214,410
Franchise fees	3,345,000	3,345,000	3,571,744	226,744
State shared	67,533,000	67,533,000	64,723,211	(2,809,789)
Grants and entitlements	321,250	321,250	189,330	(131,920)
Licenses and permits	5,344,300	5,344,300	6,394,322	1,050,022
Charges for services	19,590,009	19,590,009	21,479,356	1,889,347
Fines and forfeitures	3,398,700	3,398,700	4,223,164	824,464
Rentals	209,300	209,300	127,575	(81,725)
Contributions	300,000	300,000	200,000	(100,000)
Interest revenue	2,300,000	2,300,000	516,767	(1,783,233)
Miscellaneous	124,000	124,000	266,022	142,022
Total revenues	230,158,559	230,158,559	236,573,857	6,415,298
EXPENDITURES:				
General government				
Administrative services	19,847,955	20,897,531	20,417,575	479,956
City manager	7,955,069	9,189,371	8,404,036	785,335
City clerk	655,805	773,663	692,664	80,999
Communications and public affairs	2,639,891	3,099,076	2,704,411	394,665
Law	3,688,960	3,800,217	3,775,684	24,533
City magistrate	4,389,746	4,435,344	4,207,328	228,016
Management services	64,941,814	54,089,328	15,265,798	38,823,530
Mayor and council	907,090	920,194	906,840	13,354
Public safety				
Fire	36,344,971	37,855,813	37,619,986	235,827
Police	70,701,158	72,145,118	71,617,366	527,752
Transportation and development	19,771,124	21,899,608	20,779,831	1,119,777
Community services	27,311,261	28,236,232	27,519,711	716,521
Total expenditures	259,154,844	257,341,495	213,911,230	43,430,265
REVENUES OVER (UNDER) EXPENDITURES	(28,996,285)	(27,182,936)	22,662,627	49,845,563
OTHER FINANCING SOURCES (USES):				
Proceeds from disposal of capital assets	-	-	505	505
Transfers in	-	-	4,793,294	4,793,294
Transfers out	(70,556,023)	(70,556,023)	(39,674,538)	30,881,485
Total other financing sources (uses)	(70,556,023)	(70,556,023)	(34,880,739)	35,675,284
Net change in fund balance	(99,552,308)	(97,738,959)	(12,218,112)	85,520,847
Fund balance, July 1, 2017	191,543,765	191,543,765	191,543,765	-
Fund balance, June 30, 2018	\$ 91,991,457	\$ 93,804,806	\$ 179,325,653	\$ 85,520,847

See accompanying notes to this schedule.

City of Chandler
Schedule for the Proportionate Share of the Net Pension Liability
Arizona State Retirement System
For the year ended June 30, 2018

	<u>2018</u>	<u>2017</u>	<u>2016</u>	<u>2015</u>
City's proportion of the net pension liability (asset)	0.74%	0.75%	0.73%	0.71%
City's proportionate share of the net pension liability (asset)	\$ 115,691,952	\$ 121,549,835	\$ 113,885,153	\$ 105,661,552
City's covered payroll	\$ 72,284,193	\$ 70,362,938	\$ 67,230,465	\$ 64,263,236
City's proportionate share of the net pension liability (asset) as a percentage of its covered payroll	160.05%	172.75%	169.39%	164.42%
Plan fiduciary net position as a percentage of the total pension liability	69.92%	67.06%	68.35%	69.49%

Note: This schedule is intended to show information for ten years. Additional years' information will be displayed as it becomes available

City of Chandler
Schedule of Contributions
All Pension Plans
For the year ended June 30, 2018

	<u>2018</u>	<u>2017</u>	<u>2016</u>	<u>2015</u>
Arizona State Retirement System:				
Actuarially determined contribution	\$ 8,268,029	\$ 7,793,041	\$ 7,634,805	\$ 7,323,872
Contributions in relation to the actuarially determined contribution	<u>8,268,029</u>	<u>7,793,041</u>	<u>7,634,805</u>	<u>7,323,872</u>
Contribution deficiency (excess)	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
City's covered payroll	\$ 75,579,140	\$ 72,284,183	\$ 70,362,938	\$ 67,230,465
Contributions as a percentage of covered payroll	10.94%	10.78%	10.85%	10.89%
Public Safety Personnel Retirement System - Police:				
Actuarially determined contribution	\$ 10,950,501	\$ 8,470,411	\$ 8,561,143	\$ 6,083,333
Contributions in relation to the actuarially determined contribution ¹	<u>14,300,501</u>	<u>10,145,411</u>	<u>8,561,143</u>	<u>6,083,333</u>
Contribution deficiency (excess)	<u>\$ (3,350,000)</u>	<u>\$ (1,675,000)</u>	<u>\$ -</u>	<u>\$ -</u>
City's covered payroll	\$ 28,294,661	\$ 27,058,086	\$ 27,946,237	\$ 26,187,641
Contributions as a percentage of covered payroll	38.70%	31.30%	30.63%	23.23%
Public Safety Personnel Retirement System - Fire:				
Actuarially determined contribution	\$ 6,392,313	\$ 4,616,587	\$ 4,438,495	\$ 3,193,139
Contributions in relation to the actuarially determined contribution ¹	<u>8,042,313</u>	<u>5,441,587</u>	<u>4,438,495</u>	<u>3,193,139</u>
Contribution deficiency (excess)	<u>\$ (1,650,000)</u>	<u>\$ (825,000)</u>	<u>\$ -</u>	<u>\$ -</u>
City's covered payroll	\$ 18,200,175	\$ 17,275,940	\$ 16,874,362	\$ 15,671,133
Contributions as a percentage of covered payroll	35.12%	26.72%	26.30%	20.38%

Note: This schedule is intended to show information for ten years. Additional years' information will be displayed as it becomes available

¹ Additional contributions above the actuarially determined contributions were made during fiscal year 2016-17 and fiscal year 2017-18

City of Chandler

Schedule of Changes in the Net Pension Liability and Related Ratios

Public Safety Personnel Retirement System - Police

For the year ended June 30, 2018

	2018	2017	2016	2015
Total pension liability				
Service cost	\$ 6,092,332	\$ 5,337,103	\$ 4,583,770	\$ 4,602,603
Interest	17,064,596	14,964,498	13,839,509	11,841,118
Changes of benefit terms	1,501,042	17,456,919	-	1,741,535
Differences between expected and actual experience	(6,211,672)	858,761	4,879,849	567,380
Changes of assumptions	6,528,203	8,537,784	-	13,082,165
Benefit payments, including refunds	(8,254,947)	(13,015,625)	(5,681,836)	(7,054,499)
Net change in total pension liability	16,719,554	34,139,440	17,621,292	24,780,302
Total pension liability – beginning	228,609,248	194,469,808	176,848,516	152,068,214
Total pension liability – ending	\$ 245,328,802	\$ 228,609,248	\$ 194,469,808	\$ 176,848,516
Plan fiduciary net position				
Contributions – employer	\$ 10,247,877	\$ 8,728,082	\$ 6,155,142	\$ 5,465,059
Contributions – employee	3,244,412	3,633,359	3,308,265	2,675,724
Net investment income	14,017,325	677,501	3,873,466	12,329,319
Benefit payments, including refunds	(8,254,947)	(13,015,625)	(5,681,836)	(7,054,499)
Administrative expense	(124,430)	(97,889)	(94,891)	-
Other	(167,280)	238,667	(70,777)	(2,733,237)
Net change in plan fiduciary net position	18,962,957	164,095	7,489,369	10,682,366
Plan fiduciary net position – beginning	111,482,791	111,318,696	103,829,327	93,146,961
Plan fiduciary net position – ending	\$ 130,445,748	\$ 111,482,791	\$ 111,318,696	\$ 103,829,327
Net pension liability – ending	\$ 114,883,054	\$ 117,126,457	\$ 83,151,112	\$ 73,019,189
Plan fiduciary net position as a percentage of the total pension liability	53.17%	48.77%	57.24%	58.71%
Covered payroll	\$ 27,058,086	\$ 27,946,237	\$ 26,187,641	\$ 24,290,497
Net pension liability as a percentage of covered payroll	424.58%	419.11%	317.52%	300.61%

Note: This schedule is intended to show information for ten years. Additional years' information will be displayed as it becomes available

City of Chandler

Schedule of Changes in the Net Pension Liability and Related Ratios

Public Safety Personnel Retirement System - Fire

For the year ended June 30, 2018

	2018	2017	2016	2015
Total pension liability				
Service cost	\$ 3,863,571	\$ 3,174,665	\$ 2,915,603	\$ 2,949,507
Interest	9,983,423	8,707,808	8,264,915	7,191,487
Changes of benefit terms	753,382	10,272,193	-	930,663
Differences between expected and actual experience	941,823	96,063	(1,037,307)	(409,426)
Changes of assumptions	2,845,297	4,937,927	-	6,465,545
Benefit payments, including refunds	(5,049,317)	(5,647,270)	(3,614,319)	(3,258,846)
Net change in total pension liability	13,338,179	21,541,386	6,528,892	13,868,930
Total pension liability – beginning	133,705,174	112,163,788	105,634,896	91,765,966
Total pension liability – ending	\$ 147,043,353	\$ 133,705,174	\$ 112,163,788	\$ 105,634,896
Plan fiduciary net position				
Contributions – employer	\$ 5,514,825	\$ 4,672,177	\$ 3,222,291	\$ 3,152,694
Contributions – employee	2,312,753	2,140,037	1,837,291	1,775,319
Net investment income	9,228,731	440,223	2,568,880	8,217,832
Benefit payments, including refunds	(5,049,317)	(5,647,270)	(3,614,319)	(3,258,846)
Administrative expense	(82,059)	(63,746)	(63,063)	-
Other	50,502	38,948	(55,142)	(1,798,718)
Net change in plan fiduciary net position	75,165,521	1,580,369	3,895,938	8,088,281
Plan fiduciary net position – beginning	75,165,521	73,585,152	69,689,214	61,600,933
Plan fiduciary net position – ending	\$ 87,140,956	\$ 75,165,521	\$ 73,585,152	\$ 69,689,214
Net pension liability – ending	\$ 59,902,397	\$ 58,539,653	\$ 38,578,636	\$ 35,945,682
Plan fiduciary net position as a percentage of the total pension liability	59.26%	56.22%	65.61%	65.97%
Covered payroll	17,275,940	16,874,362	15,671,133	15,691,213
Net pension liability as a percentage of covered payroll	346.74%	346.91%	246.18%	229.08%

Note: This schedule is intended to show information for ten years. Additional years' information will be displayed as it becomes available

City of Chandler
Schedule of Changes in OPEB liabilities and Related Ratios
Single Employer Plan
For the year ended June 30, 2018

	2018
Measurement date	6/30/2017
Total OPEB Liability- Beginning of year	\$ 66,519,700
Changes for the year	
Service Cost	3,962,284
Interest	1,967,447
Changes of benefit terms	-
Differences between expected and actual experience	(8,539,064)
Changes in assumptions or other inputs	(8,174,073)
Benefit Payments	(2,897,483)
Net Changes	(13,680,889)
Total OPEB Liability- End of year	<u>\$ 52,838,811</u>
Total Covered Payroll	\$ 106,207,139
Total OPEB Liability as % of Covered Payroll	49.75%

The City implemented GASB Statement No. 75, *Accounting and Financial Reporting for Postemployment Benefits Other Than Pensions* for the fiscal year ended June 30, 2018.
Information for the prior years is not available.

Note: No assets are accumulated in a trust that meets the criteria in paragraph 4 of GASB Statement No. 75, *Accounting and Financial Reporting for Postemployment Benefits Other Than Pensions*

CITY OF CHANDLER, ARIZONA
Notes to Required Supplementary Information
June 30, 2018

NOTE 1 – Budgetary Basis of Accounting

The adopted budget of the City is prepared on a basis consistent with accounting principles generally accepted in the United States of America with the following exception: reserved encumbrances at year end are recognized as expenditures. Consequently, the following adjustment is necessary to present the change in fund balance for the general fund on a budgetary basis in order to provide a meaningful comparison.

	<u>Change in Fund Balances</u>
Statement of Revenues, Expenditures and Changes in Fund Balances - Governmental Funds	 \$ (7,207,845)
Reserved encumbrances at June 30, 2018 recognized as budgetary expenditures in fiscal year ended June 30, 2018	 <u>(5,010,267)</u>
Budgetary Comparison Schedule for the General Fund	 <u><u>\$ (12,218,112)</u></u>

NOTE 2 – Pension Plan Schedules

Actuarial Assumptions for Valuations Performed

The information presented in the required supplementary schedules was determined as part of the actuarial valuations at the dates indicated, which is the most recent actuarial valuation. The actuarial assumptions used are disclosed in the notes to the financial statements.

Factors that Affect Trends – Arizona State Retirement System (ASRS)

The actuarial assumptions used in the June 30, 2016 valuation were based on the results of an actuarial experience study for the five-year period ended June 30, 2012. The purpose of the experience study was to review actual experience in relation to the actuarial assumptions in effect. The ASRS Board adopted the experience study recommended changes which were applied to the June 30, 2013 actuarial valuation. The study did not include an analysis of the assumed investment rate of return.

Factors that Affect Trends – Public Safety Personnel Retirement System (PSPRS)

The actuarial assumptions used in the June 30, 2017 valuation for PSPRS were based on the results of an actuarial experience study for the 5-year period ended June 30, 2016. The total pension liability used to calculate the net pension liability for PSPRS was determined by an actuarial valuation as of that date. The total pension liability as of June 30, 2017 reflects changes of benefit terms and actuarial assumptions for funding assumed future permanent benefit increases.

CITY OF CHANDLER, ARIZONA
Notes to Required Supplementary Information
June 30, 2018

NOTE 3 – Other Post Retirement Employment Benefit (OPEB) Plan Schedules

The City of Chandler does not have assets invested or accumulated in a qualified OPEB trust and funds the plan on a pay- as- you-go basis.

Actuarial Assumptions for Valuations Performed

The information presented in the required supplementary schedules was determined as part of the actuarial valuations at the dates indicated, which is the most recent actuarial valuation. The actuarial assumptions used are disclosed in the notes to the financial statements.

Factors that Affect Trends

The actuarial assumptions used in the June 30, 2017 valuation were made for the purposes of fulfilling plan accounting requirements. Factors such as retiree group program experience, changes in assumptions and changes in retiree group benefits program provisions or applicable law may differ from future actuarial measurements.

OTHER FINANCIAL STATEMENTS

City of Chandler

Schedule of Revenues, Expenditures, and Changes in Fund Balances - Budget and Actual

Streets Capital Projects

For the year ended June 30, 2018

	Budgeted Amounts		Non-GAAP	Over
	Original	Final	Actual	(Under)
			Amounts	Final Budget
REVENUES:				
Interest revenue	\$ 954,000	\$ 954,000	\$ 317,407	\$ (636,593)
System development fees	4,972,700	4,972,700	7,156,530	2,183,830
Regional transportation tax	1,300,000	1,300,000	940,203	(359,797)
Miscellaneous	-	-	406,912	406,912
Total revenues	7,226,700	7,226,700	8,821,052	1,594,352
EXPENDITURES:				
General government	11,078,000	14,941,490	15,000	14,926,490
Transportation and development	19,328,384	2,128,979	886,652	1,242,327
Capital outlay	32,000,595	45,336,510	15,744,964	29,591,546
Bond issuance costs	-	-	128,832	(128,832)
Total expenditures	62,406,979	62,406,979	16,775,448	45,631,531
Excess (deficiency) of revenues over expenditures	(55,180,279)	(55,180,279)	(7,954,396)	47,225,883
Other financing sources (uses):				
Bond premium	-	-	1,840,776	1,840,776
Face amount of bonds issued	30,040,000	30,040,000	29,957,400	(82,600)
Transfers in	1,303,000	1,303,000	-	(1,303,000)
Transfers out	(1,803,000)	(1,803,000)	-	1,803,000
Total other financing sources (uses)	29,540,000	29,540,000	31,798,176	2,258,176
Net change in fund balance	(25,640,279)	(25,640,279)	23,843,780	49,484,059
Fund balance, July 1, 2017	43,656,933	43,656,933	43,656,933	-
Fund balance, June 30, 2018	\$ 18,016,654	\$ 18,016,654	\$ 67,500,713	\$ 49,484,059

City of Chandler

Schedule of Revenues, Expenditures, and Changes in Fund Balances - Budget and Actual

General Obligation Bonds Debt Service

For the year ended June 30, 2018

	Budgeted Amounts		Actual	Over (Under)
	Original	Final	Amounts	Final Budget
REVENUES:				
Property taxes	\$ 23,426,600	\$ 23,426,600	\$ 23,521,856	\$ 95,256
Interest revenue	390,000	390,000	98,527	(291,473)
Total revenues	<u>23,816,600</u>	<u>23,816,600</u>	<u>23,620,383</u>	<u>(196,217)</u>
EXPENDITURES:				
Principal	18,914,000	18,914,000	17,524,000	1,390,000
Interest and fiscal charges	6,518,488	6,518,488	7,626,093	(1,107,605)
Total expenditures	<u>25,432,488</u>	<u>25,432,488</u>	<u>25,150,093</u>	<u>282,395</u>
Net change in fund balance	(1,615,888)	(1,615,888)	(1,529,710)	86,178
Fund balance, July 1, 2017	<u>8,981,699</u>	<u>8,981,699</u>	<u>8,981,699</u>	<u>-</u>
Fund balance, June 30, 2018	<u>\$ 7,365,811</u>	<u>\$ 7,365,811</u>	<u>\$ 7,451,989</u>	<u>\$ 86,178</u>

City of Chandler

Non-Major Governmental Funds

NON-MAJOR SPECIAL REVENUE FUNDS

A Special Revenue Fund is used to finance particular activities and is created out of receipts of specific taxes or other earmarked revenues. Such funds are authorized by statutory or charter provisions to pay for certain activities with some special form of continuing revenues.

Highway User

Used to account for the receipt and expenditure of the City's allocation of State highway user taxes. State law restricts the use of these monies to maintenance, construction and reconstruction of streets, and repayment of transportation-related debt.

Local Transportation Assistance

Used to account for the receipt and expenditure of the City's allocation of State lottery monies. State law restricts the use of these monies to street and highway projects in the public right-of-way and to mass transportation purposes.

Grants

Used to account for the receipt and expenditure of miscellaneous federal, state and local grants awarded to the City for various, specific operational purposes.

Community Development

Used to account for monies received from the U.S. Department of Housing and Urban Development and Maricopa County for affordable housing activities including housing rehabilitation and redevelopment activities.

Police Confiscated Property

Used to account for monies confiscated by the Police Department and monies received from the sale of confiscated property.

Parks and Recreation

Used to account for donations for park improvements and programs restricted pursuant to donor covenants.

Museum

Used to account for donations for museum improvements and programs restricted pursuant to donor covenants.

Library

Used to account for donations for library improvements and programs restricted pursuant to donor covenants.

NON-MAJOR DEBT SERVICE FUNDS

Highway User Revenue Bonds

Accumulates monies for the payment of principal and interest requirements of the City's Highway User Revenue Bonds. Revenues for repayment are generated from gas tax generated within the State of Arizona.

Special Assessment Bonds

Accumulates monies for the payment of principal and interest on Special Assessment Bonds that were issued to finance costs of improvements applicable to benefiting properties within certain improvement districts.

City of Chandler

Non-Major Governmental Funds, Continued

NON-MAJOR CAPITAL PROJECTS FUNDS

General Government

Used to account for the acquisition, construction, reconstruction, improvement, and renovation of general government projects.

Public Buildings

Used to account for bond proceeds used for the acquisition, construction, reconstruction, improvement, and renovation of City buildings.

Grants

Used to account for the receipt and expenditure of miscellaneous federal, state, and local grants awarded to the City for various, specific capital purposes.

Community Services

Used to account for the acquisition of land and equipment, development, construction, and improvement of community parks and projects.

Public Safety Buildings and Improvements

Used to account for public safety, e.g., Police and Fire Department, building construction, renovation, and improvements and equipment purchases.

Vehicle and Capital Equipment Replacement

Used to account for the purchase and/or replacement of general equipment-type assets, e.g., vehicles, furniture, and office equipment.

Special Assessments

Used to account for expenditures related to special assessment districts within the City.

Technology Replacement

Used to account for the purchase and/or replacement of technology assets.

Municipal Arts

Used to account for amounts earmarked for the acquisition of art for public spaces.

City of Chandler
Combining Balance Sheet
Non-Major Governmental Funds
June 30, 2018

	Special Revenue						
	Highway User	Local Transportation Assistance	Grants	Community Development	Police Confiscated Property	Parks and Recreation	Museum
ASSETS							
Equity in pooled cash and investments	\$ 14,237,352	\$ 3,875,035	\$ 1,656,543	\$ 20,679	\$ 80,276	\$ 233,560	\$ 33,285
Receivables (net of allowance for uncollectible):							
Accounts	-	-	3,172	-	-	-	-
Special assessments	-	-	-	-	-	-	-
Notes	-	-	-	448,503	-	-	-
Accrued interest	57,068	14,459	6,986	-	209	908	134
Advances to other funds	-	-	-	-	-	-	-
Due from other governments	1,469,617	-	210,689	505,275	209,806	-	-
Total assets	\$ 15,764,037	\$ 3,889,494	\$ 1,877,390	\$ 974,457	\$ 290,291	\$ 234,468	\$ 33,419
LIABILITIES, DEFERRED INFLOWS OF RESOURCES AND FUND BALANCES							
Liabilities:							
Accounts payable	\$ 75,466	\$ 15	\$ 42,564	\$ 175,155	\$ 31,077	\$ 8,493	\$ -
Accrued payroll	110,005	87	14,473	9,891	-	-	-
Trust liabilities and deposits	-	-	-	-	291,963	-	-
Accrued interest	-	-	-	-	-	-	-
Due to other funds	-	-	-	229,211	-	-	-
Advances from other funds	-	-	-	-	-	-	-
Unearned revenue	-	-	2,000	-	-	-	-
Arbitrage liability - current	-	-	-	-	-	-	-
Bonds payable - current	-	-	-	-	-	-	-
Total liabilities	185,471	102	59,037	414,257	323,040	8,493	-
Deferred inflows of resources:							
Unavailable revenues - special assessments	-	-	-	-	-	-	-
Total deferred inflows of resources	-	-	-	-	-	-	-
Fund Balances:							
Nonspendable	-	-	-	-	-	-	-
Restricted	15,578,566	3,889,392	1,818,353	560,200	-	225,975	33,419
Committed	-	-	-	-	-	-	-
Assigned	-	-	-	-	-	-	-
Unassigned	-	-	-	-	(32,749)	-	-
Total fund balances (deficits)	15,578,566	3,889,392	1,818,353	560,200	(32,749)	225,975	33,419
Total liabilities, deferred inflows and fund balances	\$ 15,764,037	\$ 3,889,494	\$ 1,877,390	\$ 974,457	\$ 290,291	\$ 234,468	\$ 33,419

(Continued)

City of Chandler
Combining Balance Sheet
Non-Major Governmental Funds
June 30, 2018

	Special Revenue	Debt Service		Capital Projects	
	Library	Highway User Revenue Bonds	Special Assessment Bonds	General Government	Public Buildings
ASSETS					
Equity in pooled cash and investments	\$ 30,398	\$ 2,533,847	\$ 285,664	\$ 656,503	\$ 68,794
Receivables (net of allowance for uncollectible):					
Accounts	-	-	-	-	-
Special assessments	-	-	2,681,379	-	-
Notes	-	-	-	-	-
Accrued interest	124	-	-	-	753
Advances to other funds	-	-	-	9,562,152	-
Due from other governments	-	-	-	-	-
Total assets	\$ 30,522	\$ 2,533,847	\$ 2,967,043	\$ 10,218,655	\$ 69,547
LIABILITIES, DEFERRED INFLOWS OF RESOURCES AND FUND BALANCES					
Liabilities:					
Accounts payable	\$ 1,910	\$ -	\$ 8,006	\$ 994,425	\$ -
Accrued payroll	-	-	-	-	-
Trust liabilities and deposits	-	-	-	-	-
Accrued interest	-	81,994	58,800	-	-
Due to other funds	-	-	-	-	2,791
Advances from other funds	-	-	-	-	2,589,427
Unearned revenue	-	-	-	-	-
Arbitrage liability - current	-	5,000	-	-	-
Bonds payable - current	-	2,220,000	-	-	-
Total liabilities	1,910	2,306,994	66,806	994,425	2,592,218
Deferred inflows of resources:					
Unavailable revenues - special assessments	-	-	2,618,880	-	-
Total deferred inflows of resources	-	-	2,618,880	-	-
Fund Balances:					
Nonspendable	-	-	-	-	-
Restricted	28,612	226,853	281,357	9,224,230	-
Committed	-	-	-	-	-
Assigned	-	-	-	-	-
Unassigned	-	-	-	-	(2,522,671)
Total fund balances (deficits)	28,612	226,853	281,357	9,224,230	(2,522,671)
Total liabilities, deferred inflows and fund balances	\$ 30,522	\$ 2,533,847	\$ 2,967,043	\$ 10,218,655	\$ 69,547

(Continued)

Capital Projects							
Grants	Community Services	Public Safety Buildings and Improvements	Vehicle and Capital Equipment Replacement	Special Assessments	Technology Replacement	Municipal Arts	Total Other Governmental Funds
\$ 281,905	\$ 34,162,540	\$ 12,559,457	\$ 11,877,276	\$ -	\$ 5,442,019	\$ 239,350	\$ 88,274,483
-	-	-	-	-	-	-	3,172
-	-	-	-	-	-	-	2,681,379
-	-	-	-	-	-	-	448,503
-	115,112	15,128	45,735	-	21,092	909	278,617
-	-	-	-	-	-	-	9,562,152
602,936	-	-	-	-	-	-	2,998,323
<u>\$ 884,841</u>	<u>\$ 34,277,652</u>	<u>\$ 12,574,585</u>	<u>\$ 11,923,011</u>	<u>\$ -</u>	<u>\$ 5,463,111</u>	<u>\$ 240,259</u>	<u>\$ 104,246,629</u>
\$ 627,671	\$ 731,994	\$ 27,756	\$ 284,193	\$ -	\$ 149	\$ -	\$ 3,008,874
417	971	292	-	-	-	-	136,136
-	-	-	-	-	-	-	291,963
-	-	-	-	-	-	-	140,794
-	-	-	-	-	-	-	232,002
-	-	11,782,082	-	-	-	-	14,371,509
-	-	-	-	-	-	-	2,000
-	-	-	-	-	-	-	5,000
-	-	-	-	-	-	-	2,220,000
628,088	732,965	11,810,130	284,193	-	149	-	20,408,278
-	-	-	-	-	-	-	2,618,880
-	-	-	-	-	-	-	2,618,880
-	-	-	-	-	-	-	-
256,753	33,544,687	764,455	11,638,818	-	5,462,962	240,259	83,774,891
-	-	-	-	-	-	-	-
-	-	-	-	-	-	-	-
-	-	-	-	-	-	-	(2,555,420)
256,753	33,544,687	764,455	11,638,818	-	5,462,962	240,259	81,219,471
<u>\$ 884,841</u>	<u>\$ 34,277,652</u>	<u>\$ 12,574,585</u>	<u>\$ 11,923,011</u>	<u>\$ -</u>	<u>\$ 5,463,111</u>	<u>\$ 240,259</u>	<u>\$ 104,246,629</u>
(Concluded)							

City of Chandler

Combining Statement of Revenues, Expenditures, and Changes in Fund Balances

Non-Major Governmental Funds

For the year ended June 30, 2018

	Special Revenue						
	Highway User	Local Transportation Assistance	Grants	Community Development	Police Confiscated Property	Parks and Recreation	Museum
REVENUES:							
Highway user taxes	\$ 16,135,949	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Grants and entitlements	-	713,172	1,627,976	1,548,544	-	80,109	3,128
System development fees	-	-	-	-	-	-	-
Special assessments	-	-	-	-	-	-	-
Charges for services	-	244,864	-	-	-	-	-
Fines and forfeitures	-	-	-	-	636,681	-	-
Interest revenue	57,551	10,302	8,200	-	-	970	186
Miscellaneous	29,885	-	-	-	-	-	9,823
Total revenues	16,223,385	968,338	1,636,176	1,548,544	636,681	81,079	13,137
EXPENDITURES:							
Current:							
General government	13,927	-	363,086	1,276,749	-	-	-
Public safety	-	-	708,669	-	200,497	-	-
Transportation and development	7,952,161	181,267	-	-	-	-	-
Community services	-	-	186,727	-	-	90,024	16,011
Capital outlay	4,106,984	834,052	243,875	-	377,848	2,381	-
Debt service:							
Principal	-	-	-	-	-	-	-
Bond issuance costs	-	-	-	-	-	-	-
Interest and fiscal charges	-	-	-	-	-	-	-
Total expenditures	12,073,072	1,015,319	1,502,357	1,276,749	578,345	92,405	16,011
EXCESS (DEFICIENCY) OF							
REVENUES OVER EXPENDITURES	4,150,313	(46,981)	133,819	271,795	58,336	(11,326)	(2,874)
OTHER FINANCING SOURCES (USES):							
Proceeds from disposal of capital assets	-	-	-	-	-	-	-
Bond Premium	-	-	-	-	-	-	-
Face amount of bonds issued	-	-	-	-	-	-	-
Transfers in	-	-	-	-	-	-	-
Transfers out	(2,553,476)	(4,001)	-	(173,711)	-	-	-
Total other financing sources (uses)	(2,553,476)	(4,001)	-	(173,711)	-	-	-
NET CHANGE IN FUND BALANCE	1,596,837	(50,982)	133,819	98,084	58,336	(11,326)	(2,874)
FUND BALANCES (DEFICITS):							
Beginning of year	13,981,729	3,940,374	1,684,534	462,116	(91,085)	237,301	36,293
End of year	\$ 15,578,566	\$ 3,889,392	\$ 1,818,353	\$ 560,200	\$ (32,749)	\$ 225,975	\$ 33,419

(Continued)

Special Revenue	Debt Service		Capital Projects			
Library	Highway User Revenue Bonds	Special Assessment Bonds	General Government	Public Buildings	Grants	Community Services
\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
15,700	-	-	-	-	7,933,898	-
-	-	-	-	286,127	-	4,641,657
-	-	611,499	-	-	-	-
-	-	-	-	-	-	-
-	-	-	-	-	-	-
180	-	3,079	15	674	-	123,924
-	-	-	-	-	-	59,740
15,880	-	614,578	15	286,801	7,933,898	4,825,321
-	-	-	1,206,462	1,582	230,941	14,808
-	-	-	573,250	-	-	-
-	-	-	645,560	-	44,032	-
13,927	-	-	124,721	-	-	171,529
-	-	-	20,776,390	-	7,654,078	5,486,796
-	2,220,000	520,000	-	-	-	-
-	-	-	-	-	-	36,123
-	163,988	128,000	-	-	-	-
13,927	2,383,988	648,000	23,326,383	1,582	7,929,051	5,709,256
1,953	(2,383,988)	(33,422)	(23,326,368)	285,219	4,847	(883,935)
-	-	-	-	-	-	-
-	-	-	-	-	-	516,139
-	-	-	-	-	-	8,399,820
-	2,383,988	-	32,716,946	-	-	-
-	-	(319,994)	(171,000)	-	-	-
-	2,383,988	(319,994)	32,545,946	-	-	8,915,959
1,953	-	(353,416)	9,219,578	285,219	4,847	8,032,024
26,659	226,853	634,773	4,652	(2,807,890)	251,906	25,512,663
\$ 28,612	\$ 226,853	\$ 281,357	\$ 9,224,230	\$ (2,522,671)	\$ 256,753	\$ 33,544,687

(Continued)

Combining Statement of Revenues, Expenditures, and Changes in Fund Balances
Non-Major Governmental Funds
For the year ended June 30, 2018

	Capital Projects					
	Public Safety Buildings and Improvements	Vehicle and Capital Equipment Replacement	Special Assessments	Technology Replacement	Municipal Arts	Total Other Governmental Funds
REVENUES:						
Highway user taxes	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 16,135,949
Grants and entitlements	-	-	-	-	-	11,922,527
System development fees	1,898,360	-	-	-	-	6,826,144
Special assessments	-	-	-	-	-	611,499
Charges for services	-	-	-	-	103,155	348,019
Fines and forfeitures	-	-	-	-	-	636,681
Interest income	124,161	61,031	56,935	18,555	265	466,028
Miscellaneous	59,740	141,985	-	-	-	301,173
Total revenues	2,082,261	203,016	56,935	18,555	103,420	37,248,020
EXPENDITURES:						
Current:						
General government	6,328	-	58,255	316,273	-	3,488,411
Public safety	987,177	-	-	-	-	2,469,593
Transportation and development	-	-	-	-	-	8,823,020
Community services	-	-	-	-	26,836	629,775
Capital outlay	13,420,467	4,095,067	-	1,410,730	20,000	58,428,668
Debt service:						
Principal	-	-	-	-	-	2,740,000
Bond issuance costs	87,656	-	-	-	-	123,779
Interest and fiscal charges	-	-	-	-	-	291,988
Total expenditures	14,501,628	4,095,067	58,255	1,727,003	46,836	76,995,234
EXCESS (DEFICIENCY) OF						
REVENUES OVER EXPENDITURES	(12,419,367)	(3,892,051)	(1,320)	(1,708,448)	56,584	(39,747,214)
OTHER FINANCING SOURCES (USES):						
Proceeds from disposal of capital assets	-	213,324	-	-	-	213,324
Bond premium	1,252,450	-	-	-	-	1,768,589
Face amount of bonds issued	20,382,780	-	-	-	-	28,782,600
Transfers in	-	3,054,380	-	3,083,743	-	41,239,057
Transfers out	-	-	(4,473,300)	-	-	(7,695,482)
Total other financing sources (uses)	21,635,230	3,267,704	(4,473,300)	3,083,743	-	64,308,088
NET CHANGE IN FUND BALANCE	9,215,863	(624,347)	(4,474,620)	1,375,295	56,584	24,560,874
FUND BALANCES (DEFICITS):						
Beginning of year	(8,451,408)	12,263,165	4,474,620	4,087,667	183,675	56,658,597
End of year	\$ 764,455	\$ 11,638,818	\$ -	\$ 5,462,962	\$ 240,259	\$ 81,219,471

(Concluded)

City of Chandler

Schedule of Revenues, Expenditures, and Changes in Fund Balances - Budget and Actual Highway User Special Revenue For the year ended June 30, 2018

	Budgeted Amounts		Non-GAAP	Over
	Original	Final	Actual	(Under)
			Amounts	Final Budget
REVENUES:				
Highway user taxes	\$ 16,000,000	\$ 16,000,000	\$ 16,135,949	\$ 135,949
Interest revenue	228,000	228,000	57,551	(170,449)
Miscellaneous	-	-	29,885	29,885
Total revenues	16,228,000	16,228,000	16,223,385	(4,615)
EXPENDITURES:				
General government	4,192,287	5,644,995	13,927	5,631,068
Transportation and development	11,060,197	8,834,270	8,459,275	374,995
Capital outlay	4,601,069	5,411,160	5,391,324	19,836
Total expenditures	19,853,553	19,890,425	13,864,526	6,025,899
Excess (deficiency) of revenues over expenditures	(3,625,553)	(3,662,425)	2,358,859	6,021,284
Other financing sources (uses):				
Transfers out	(2,553,476)	(2,553,476)	(2,553,476)	-
Total other financing sources (uses)	(2,553,476)	(2,553,476)	(2,553,476)	-
Net change in fund balance	(6,179,029)	(6,215,901)	(194,617)	6,021,284
Fund balance, July 1, 2017	13,981,729	13,981,729	13,981,729	-
Fund balance, June 30, 2018	\$ 7,802,700	\$ 7,765,828	\$ 13,787,112	\$ 6,021,284

City of Chandler

Schedule of Revenues, Expenditures, and Changes in Fund Balances - Budget and Actual Local Transportation Assistance Special Revenue For the year ended June 30, 2018

	Budgeted Amounts		Non-GAAP	Over
	Original	Final	Actual	(Under)
			Amounts	Final Budget
REVENUES:				
Grants and entitlements	\$ 700,000	\$ 700,000	\$ 713,172	\$ 13,172
Charges for services	161,760	161,760	244,864	83,104
Interest revenue	55,000	55,000	10,302	(44,698)
Total revenues	<u>916,760</u>	<u>916,760</u>	<u>968,338</u>	<u>51,578</u>
EXPENDITURES:				
General government	2,046,200	2,010,121	-	2,010,121
Transportation and development	1,824,615	939,921	189,610	750,311
Capital outlay	176,600	1,097,373	857,082	240,291
Total expenditures	<u>4,047,415</u>	<u>4,047,415</u>	<u>1,046,692</u>	<u>3,000,723</u>
Excess (deficiency) of revenues over expenditures	<u>(3,130,655)</u>	<u>(3,130,655)</u>	<u>(78,354)</u>	<u>3,052,301</u>
Other financing sources (uses):				
Transfers out	(4,001)	(4,001)	(4,001)	-
Total other financing sources (uses)	<u>(4,001)</u>	<u>(4,001)</u>	<u>(4,001)</u>	<u>-</u>
Net change in fund balance	<u>(3,134,656)</u>	<u>(3,134,656)</u>	<u>(82,355)</u>	<u>3,052,301</u>
Fund balance, July 1, 2017	<u>3,940,374</u>	<u>3,940,374</u>	<u>3,940,374</u>	<u>-</u>
Fund balance, June 30, 2018	<u>\$ 805,718</u>	<u>\$ 805,718</u>	<u>\$ 3,858,019</u>	<u>\$ 3,052,301</u>

City of Chandler

Schedule of Revenues, Expenditures, and Changes in Fund Balances - Budget and Actual Grants Special Revenue For the year ended June 30, 2018

	Budgeted Amounts		Non-GAAP	Over
	Original	Final	Actual	(Under)
			Amounts	Final Budget
REVENUES:				
Grants and entitlements	\$ 4,974,000	\$ 4,974,000	\$ 1,627,976	\$ (3,346,024)
Interest revenue	26,000	26,000	8,200	(17,800)
Total revenues	5,000,000	5,000,000	1,636,176	(3,363,824)
EXPENDITURES:				
General government	4,933,676	2,674,802	363,086	2,311,716
Public safety	66,324	1,770,770	709,689	1,061,081
Community services	-	333,150	190,198	142,952
Capital outlay	-	221,278	266,622	(45,344)
Total expenditures	5,000,000	5,000,000	1,529,595	3,470,405
Net change in fund balance	-	-	106,581	106,581
Fund balance, July 1, 2017	1,684,534	1,684,534	1,684,534	-
Fund balance, June 30, 2018	\$ 1,684,534	\$ 1,684,534	\$ 1,791,115	\$ 106,581

City of Chandler

Schedule of Revenues, Expenditures, and Changes in Fund Balances - Budget and Actual Community Development Special Revenue For the year ended June 30, 2018

	Budgeted Amounts		Non-GAAP	Over
	Original	Final	Actual	(Under)
			Amounts	Final Budget
REVENUES:				
Grants and entitlements	\$ 1,995,739	\$ 1,995,739	\$ 1,548,544	\$ (447,195)
Interest revenue	-	-	-	-
Total revenues	<u>1,995,739</u>	<u>1,995,739</u>	<u>1,548,544</u>	<u>(447,195)</u>
EXPENDITURES:				
General government	2,672,047	2,873,134	1,777,633	1,095,501
Capital outlay	200,000	-	78,468	(78,468)
Total expenditures	<u>2,872,047</u>	<u>2,873,134</u>	<u>1,856,101</u>	<u>1,017,033</u>
Excess (deficiency) of revenues over expenditures	<u>(876,308)</u>	<u>(877,395)</u>	<u>(307,557)</u>	<u>569,838</u>
Other financing sources (uses):				
Transfers out	-	-	(173,711)	(173,711)
Total other financing sources (uses)	<u>-</u>	<u>-</u>	<u>(173,711)</u>	<u>(173,711)</u>
Net change in fund balance	<u>(876,308)</u>	<u>(877,395)</u>	<u>(481,268)</u>	<u>396,127</u>
Fund balance, July 1, 2017	<u>462,116</u>	<u>462,116</u>	<u>462,116</u>	<u>-</u>
Fund balance (deficit), June 30, 2018	<u>\$ (414,192)</u>	<u>\$ (415,279)</u>	<u>\$ (19,152)</u>	<u>\$ 396,127</u>

City of Chandler

Schedule of Revenues, Expenditures, and Changes in Fund Balances - Budget and Actual

Police Confiscated Property Special Revenue

For the year ended June 30, 2018

	Budgeted Amounts		Non-GAAP Actual Amounts	Over (Under) Final Budget
	Original	Final		
REVENUES:				
Fines and forfeitures	\$ 1,165,000	\$ 1,165,000	\$ 636,681	\$ (528,319)
Total revenues	<u>1,165,000</u>	<u>1,165,000</u>	<u>636,681</u>	<u>(528,319)</u>
EXPENDITURES:				
General government	106,000	78,754	-	78,754
Public safety	1,914,002	913,701	338,605	575,096
Capital outlay	470,000	1,497,547	1,148,042	349,505
Total expenditures	<u>2,490,002</u>	<u>2,490,002</u>	<u>1,486,647</u>	<u>1,003,355</u>
Net change in fund balance	<u>(1,325,002)</u>	<u>(1,325,002)</u>	<u>(849,966)</u>	<u>475,036</u>
Fund balance (deficit), July 1, 2017	<u>(91,085)</u>	<u>(91,085)</u>	<u>(91,085)</u>	<u>-</u>
Fund balance (deficit), June 30, 2018	<u>\$ (1,416,087)</u>	<u>\$ (1,416,087)</u>	<u>\$ (941,051)</u>	<u>\$ 475,036</u>

City of Chandler

Schedule of Revenues, Expenditures, and Changes in Fund Balances - Budget and Actual

Parks and Recreation Special Revenue

For the year ended June 30, 2018

	Budgeted Amounts		Non-GAAP	Over
	Original	Final	Actual	(Under)
			Amounts	Final Budget
REVENUES:				
Grants and entitlements	\$ 102,000	\$ 102,000	\$ 79,889	\$ (22,111)
Interest revenue	4,000	4,000	967	(3,033)
Total revenues	106,000	106,000	80,856	(25,144)
EXPENDITURES:				
Community services	209,463	209,498	91,456	118,042
Capital outlay	-	-	2,381	(2,381)
Total expenditures	209,463	209,498	93,837	115,661
Net change in fund balance	(103,463)	(103,498)	(12,981)	90,517
Fund balance, July 1, 2017	237,301	237,301	237,301	-
Fund balance, June 30, 2018	\$ 133,838	\$ 133,803	\$ 224,320	\$ 90,517

City of Chandler

Schedule of Revenues, Expenditures, and Changes in Fund Balances - Budget and Actual

Museum Special Revenue

For the year ended June 30, 2018

	Budgeted Amounts		Non-GAAP	Over
	Original	Final	Actual	(Under)
			Amounts	Final Budget
REVENUES:				
Grants and entitlements	\$ 34,128	\$ 34,128	\$ 3,128	\$ (31,000)
Interest revenue	1,000	1,000	186	(814)
Miscellaneous	-	-	9,823	9,823
Total revenues	35,128	35,128	13,137	(21,991)
EXPENDITURES:				
Community services	35,329	35,337	16,011	19,326
Capital outlay	-	-	-	-
Total expenditures	35,329	35,337	16,011	19,326
Net change in fund balance	(201)	(209)	(2,874)	(2,665)
Fund balance, July 1, 2017	36,293	36,293	36,293	-
Fund balance, June 30, 2018	\$ 36,092	\$ 36,084	\$ 33,419	\$ (2,665)

City of Chandler

Schedule of Revenues, Expenditures, and Changes in Fund Balances - Budget and Actual

Library Special Revenue

For the year ended June 30, 2018

	Budgeted Amounts		Non-GAAP	Over
	Original	Final	Actual	(Under)
			Amounts	Final Budget
REVENUES:				
Grants and entitlements	\$ 80,000	\$ 80,000	\$ 15,700	\$ (64,300)
Interest revenue	1,000	1,000	180	(820)
Total revenues	81,000	81,000	15,880	(65,120)
EXPENDITURES:				
Community services	80,000	80,000	13,927	66,073
General government	1,000	1,000	-	1,000
Total expenditures	81,000	81,000	13,927	67,073
Net change in fund balance	-	-	1,953	1,953
Fund balance, July 1, 2017	26,659	26,659	26,659	-
Fund balance, June 30, 2018	\$ 26,659	\$ 26,659	\$ 28,612	\$ 1,953

City of Chandler

Schedule of Revenues, Expenditures, and Changes in Fund Balances - Budget and Actual

Highway User Revenue Bonds

For the year ended June 30, 2018

	Budgeted Amounts		Actual	Over (Under)
	Original	Final	Amounts	Final Budget
EXPENDITURES:				
Principal	2,220,000	2,220,000	2,220,000	-
Interest and fiscal charges	163,988	163,988	163,988	-
Total expenditures	2,383,988	2,383,988	2,383,988	-
Excess (deficiency) of revenues over expenditures	(2,383,988)	(2,383,988)	(2,383,988)	-
Other financing sources (uses):				
Transfers in	2,383,988	2,383,988	2,383,988	-
Total other financing sources (uses)	2,383,988	2,383,988	2,383,988	-
Net change in fund balance	-	-	-	-
Fund balance, July 1, 2017	226,853	226,853	226,853	-
Fund balance, June 30, 2018	\$ 226,853	\$ 226,853	\$ 226,853	\$ -

City of Chandler

Schedule of Revenues, Expenditures, and Changes in Fund Balances - Budget and Actual

Special Assessment Bonds

For the year ended June 30, 2018

	Budgeted Amounts		Actual	Over
	Original	Final	Amounts	(Under)
				Final Budget
REVENUES:				
Special assessments	\$ -	\$ -	611,499	\$ 611,499
Interest revenue	-	-	3,079	3,079
Total revenues	<u>-</u>	<u>-</u>	<u>614,578</u>	<u>614,578</u>
EXPENDITURES:				
Principal	-	-	520,000	(520,000)
Interest and fiscal charges	-	-	128,000	(128,000)
Total expenditures	<u>-</u>	<u>-</u>	<u>648,000</u>	<u>(648,000)</u>
Excess (deficiency) of revenues over expenditures	<u>-</u>	<u>-</u>	<u>(33,422)</u>	<u>(33,422)</u>
Net change in fund balance	-	-	(33,422)	(33,422)
Fund balance, July 1, 2017	<u>-</u>	<u>-</u>	<u>634,773</u>	<u>634,773</u>
Fund balance, June 30, 2018	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 601,351</u>	<u>\$ 601,351</u>

City of Chandler

Schedule of Revenues, Expenditures, and Changes in Fund Balances - Budget and Actual

General Government Capital Projects

For the year ended June 30, 2018

	Budgeted Amounts		Total Non-GAAP Actual Amounts	Over (Under) Final Budget
	Original	Final		
REVENUES:				
Miscellaneous	\$ 450,000	\$ 450,000	\$ -	\$ (450,000)
Total revenues	<u>450,000</u>	<u>450,000</u>	<u>-</u>	<u>(450,000)</u>
EXPENDITURES:				
General government	23,677,036	14,310,660	1,551,331	\$ 12,759,329
Public safety	2,777,914	398,894	594,829	(195,935)
Transportation and development	22,902,219	2,793,965	1,364,796	1,429,169
Community services	4,053,503	34,882	124,721	(89,839)
Capital outlay	18,438,983	54,635,592	29,329,401	25,306,191
Total expenditures	<u>71,849,655</u>	<u>72,173,993</u>	<u>32,965,078</u>	<u>39,208,915</u>
Excess (deficiency) of revenues over expenditures	<u>(71,399,655)</u>	<u>(71,723,993)</u>	<u>(32,965,078)</u>	<u>(39,658,915)</u>
Other financing sources (uses):				
Transfers in	71,570,655	71,570,655	32,716,946	(38,853,709)
Transfers out	(171,000)	(171,000)	(171,000)	-
Total other financing sources (uses)	<u>71,399,655</u>	<u>71,399,655</u>	<u>32,545,946</u>	<u>(38,853,709)</u>
Net change in fund balance	<u>-</u>	<u>(324,338)</u>	<u>(419,132)</u>	<u>(78,512,624)</u>
Fund balance, July 1, 2017	<u>4,652</u>	<u>4,652</u>	<u>4,652</u>	<u>-</u>
Fund balance (deficit), June 30, 2018	<u>\$ 4,652</u>	<u>\$ (319,686)</u>	<u>\$ (414,480)</u>	<u>\$ (78,512,624)</u>

City of Chandler

Schedule of Revenues, Expenditures, and Changes in Fund Balances - Budget and Actual Public Buildings Capital Projects For the year ended June 30, 2018

	Budgeted Amounts		Non-GAAP	Over
	Original	Final	Actual	(Under)
			Amounts	Final Budget
REVENUES:				
System development fees	\$ 271,500	\$ 271,500	\$ 286,127	\$ 14,627
Interest revenue	4,400	4,400	674	(3,726)
Total revenues	<u>275,900</u>	<u>275,900</u>	<u>286,801</u>	<u>10,901</u>
EXPENDITURES:				
General government	85,500	85,500	5,000	80,500
Total expenditures	<u>85,500</u>	<u>85,500</u>	<u>5,000</u>	<u>80,500</u>
Excess (deficiency) of revenues over expenditures	<u>190,400</u>	<u>190,400</u>	<u>281,801</u>	<u>91,401</u>
Other financing sources (uses):				
Transfers out	(200,000)	(200,000)	-	200,000
Total other financing sources (uses)	<u>(200,000)</u>	<u>(200,000)</u>	<u>-</u>	<u>200,000</u>
Net change in fund balance	<u>(9,600)</u>	<u>(9,600)</u>	<u>281,801</u>	<u>291,401</u>
Fund balance deficit), July 1, 2017	<u>(2,807,890)</u>	<u>(2,807,890)</u>	<u>(2,807,890)</u>	<u>-</u>
Fund balance (deficit), June 30, 2018	<u>\$ (2,817,490)</u>	<u>\$ (2,817,490)</u>	<u>\$ (2,526,089)</u>	<u>\$ 291,401</u>

City of Chandler

Schedule of Revenues, Expenditures, and Changes in Fund Balances - Budget and Actual Grants Capital Projects For the year ended June 30, 2018

	Budgeted Amounts		Non-GAAP	Over
	Original	Final	Actual	(Under)
			Amounts	Final Budget
REVENUES:				
Grants and entitlements	\$ 5,308,779	\$ 5,308,779	\$ 7,933,901	\$ 2,625,122
Total revenues	<u>5,308,779</u>	<u>5,308,779</u>	<u>7,933,901</u>	<u>2,625,122</u>
EXPENDITURES:				
General government	5,626,561	3,471,636	251,611	3,220,025
Transportation and development	10,343,471	374,587	44,032	330,555
Community services	1,333,034	55,832	-	55,832
Capital outlay	12,757,761	26,038,772	11,004,787	15,033,985
Total expenditures	<u>30,060,827</u>	<u>29,940,827</u>	<u>11,300,430</u>	<u>18,640,397</u>
Excess (deficiency) of revenues over expenditures	<u>(24,752,048)</u>	<u>(24,632,048)</u>	<u>(3,366,529)</u>	<u>(16,015,275)</u>
Other financing sources (uses):				
Transfers out	-	120,000	-	(120,000)
Total other financing sources (uses)	<u>-</u>	<u>120,000</u>	<u>-</u>	<u>(120,000)</u>
Net change in fund balance	<u>(24,752,048)</u>	<u>(24,512,048)</u>	<u>(3,366,529)</u>	<u>(16,135,275)</u>
Fund balance, July 1, 2017	<u>251,906</u>	<u>251,906</u>	<u>251,906</u>	<u>-</u>
Fund balance (deficit), June 30, 2018	<u>\$ (24,500,142)</u>	<u>\$ (24,260,142)</u>	<u>\$ (3,114,623)</u>	<u>\$ (16,135,275)</u>

City of Chandler

Schedule of Revenues, Expenditures, and Changes in Fund Balances - Budget and Actual Community Services Capital Projects For the year ended June 30, 2018

	Budgeted Amounts		Non-GAAP	Over
	Original	Final	Actual	(Under)
			Amounts	Final Budget
REVENUES:				
System development fees	\$ 6,331,500	\$ 6,331,500	\$ 4,641,657	\$ (1,689,843)
Interest revenue	446,700	446,700	123,924	(322,776)
Miscellaneous	-	-	59,740	59,740
Total revenues	<u>6,778,200</u>	<u>6,778,200</u>	<u>4,825,321</u>	<u>(1,952,879)</u>
EXPENDITURES:				
General government	10,932,237	11,598,698	46,800	11,551,898
Community services	3,141,682	249,250	183,078	66,172
Capital outlay	6,365,000	8,604,168	7,746,470	857,698
Bond issuance costs	-	-	36,123	(36,123)
Total expenditures	<u>20,438,919</u>	<u>20,452,116</u>	<u>8,012,471</u>	<u>12,439,645</u>
Excess (deficiency) of revenues over expenditures	<u>(13,660,719)</u>	<u>(13,673,916)</u>	<u>(3,187,150)</u>	<u>10,486,766</u>
Other financing sources (uses):				
Bond premium	-	-	(516,139)	(516,139)
Face amount of bonds issued	(9,275,000)	(9,275,000)	(8,399,820)	875,180
Total other financing sources (uses)	<u>(9,275,000)</u>	<u>(9,275,000)</u>	<u>(8,915,959)</u>	<u>359,041</u>
Net change in fund balance	<u>(22,935,719)</u>	<u>(22,948,916)</u>	<u>(12,103,109)</u>	<u>10,845,807</u>
Fund balance, July 1, 2017	<u>25,512,663</u>	<u>25,512,663</u>	<u>25,512,663</u>	<u>-</u>
Fund balance, June 30, 2018	<u>\$ 2,576,944</u>	<u>\$ 2,563,747</u>	<u>\$ 13,409,554</u>	<u>\$ 10,845,807</u>

City of Chandler

Schedule of Revenues, Expenditures, and Changes in Fund Balances - Budget and Actual Public Safety Buildings and Improvements Capital Projects For the year ended June 30, 2018

	Budgeted Amounts		Non-GAAP	Over
	Original	Final	Actual	(Under)
			Amounts	Final Budget
REVENUES:				
System development fees	\$ 1,768,300	\$ 1,768,300	\$ 1,898,360	\$ 130,060
Interest revenue	246,000	246,000	124,161	(121,839)
Total revenues	2,014,300	2,014,300	2,022,521	8,221
EXPENDITURES:				
General government	8,019,201	10,480,002	20,000	10,460,002
Public safety	15,018,860	2,003,788	1,171,392	832,396
Capital outlay	4,184,795	14,739,066	13,847,849	891,217
Bond issuance costs	-	-	87,656	(87,656)
Total expenditures	27,222,856	27,222,856	15,126,897	12,095,959
Excess (deficiency) of revenues over expenditures	(25,208,556)	(25,208,556)	(13,104,376)	12,104,180
Other financing sources (uses):				
Bond premium	-	-	1,252,450	1,252,450
Face amount of bonds issued	21,411,000	21,411,000	20,382,780	(1,028,220)
Transfers out	(500,000)	(500,000)	-	500,000
Total other financing sources (uses)	20,911,000	20,911,000	21,635,230	724,230
Net change in fund balance	(4,297,556)	(4,297,556)	8,530,854	12,828,410
Fund balance (deficit), July 1, 2017	(8,451,408)	(8,451,408)	(8,451,408)	-
Fund balance, June 30, 2018	\$ (12,748,964)	\$ (12,748,964)	\$ 79,446	\$ 12,828,410

City of Chandler

Schedule of Revenues, Expenditures, and Changes in Fund Balances - Budget and Actual Vehicle and Capital Equipment Replacement Capital Projects For the year ended June 30, 2018

	Budgeted Amounts		Non-GAAP	Over
	Original	Final	Actual	(Under)
			Amounts	Final Budget
REVENUES:				
Interest revenue	\$ 189,000	\$ 189,000	\$ 61,031	\$ (127,969)
Miscellaneous	-	-	141,985	141,985
Total revenues	<u>189,000</u>	<u>189,000</u>	<u>203,016</u>	<u>14,016</u>
EXPENDITURES:				
General government	3,708,500	2,313,396	-	2,313,396
Public safety	1,650,000	-	-	-
Capital outlay	6,353,950	9,399,054	8,139,514	1,259,540
Total expenditures	<u>11,712,450</u>	<u>11,712,450</u>	<u>8,139,514</u>	<u>3,572,936</u>
Excess (deficiency) of revenues over expenditures	<u>(11,523,450)</u>	<u>(11,523,450)</u>	<u>(7,936,498)</u>	<u>3,586,952</u>
Other financing sources (uses):				
Proceeds from disposal of capital assets	300,000	300,000	213,324	(86,676)
Transfers in	3,054,380	3,054,380	3,054,380	-
Total other financing sources (uses)	<u>3,354,380</u>	<u>3,354,380</u>	<u>3,267,704</u>	<u>(86,676)</u>
Net change in fund balance	<u>(8,169,070)</u>	<u>(8,169,070)</u>	<u>(4,668,794)</u>	<u>3,500,276</u>
Fund balance, July 1, 2017	<u>12,263,165</u>	<u>12,263,165</u>	<u>12,263,165</u>	<u>-</u>
Fund balance, June 30, 2018	<u>\$ 4,094,095</u>	<u>\$ 4,094,095</u>	<u>\$ 7,594,371</u>	<u>\$ 3,500,276</u>

City of Chandler

Schedule of Revenues, Expenditures, and Changes in Fund Balances - Budget and Actual

Special Assessments Capital Projects

For the year ended June 30, 2018

	Budgeted Amounts		Actual	Over
	Original	Final	Amounts	(Under)
				Final Budget
REVENUES:				
Interest revenue	\$ 67,000	\$ 67,000	\$ 56,935	\$ (10,065)
Total revenues	<u>67,000</u>	<u>67,000</u>	<u>56,935</u>	<u>(10,065)</u>
EXPENDITURES:				
General government	79,020	79,362	58,255	21,107
Total expenditures	<u>79,020</u>	<u>79,362</u>	<u>58,255</u>	<u>21,107</u>
Excess (deficiency) of revenues over expenditures	<u>(12,020)</u>	<u>(12,362)</u>	<u>(1,320)</u>	<u>11,042</u>
Other financing sources (uses):				
Transfers out	-	-	(4,473,300)	(4,473,300)
Total other financing sources (uses)	<u>-</u>	<u>-</u>	<u>(4,473,300)</u>	<u>(4,473,300)</u>
Net change in fund balance	<u>(12,020)</u>	<u>(12,362)</u>	<u>(4,474,620)</u>	<u>(4,462,258)</u>
Fund balance, July 1, 2017	<u>4,474,620</u>	<u>4,474,620</u>	<u>4,474,620</u>	<u>-</u>
Fund balance, June 30, 2018	<u>\$ 4,462,600</u>	<u>\$ 4,462,258</u>	<u>\$ -</u>	<u>\$ (4,462,258)</u>

City of Chandler

Schedule of Revenues, Expenditures, and Changes in Fund Balances - Budget and Actual Technology Replacement Capital Projects For the year ended June 30, 2018

	Budgeted Amounts		Non-GAAP	Over
	Original	Final	Actual	(Under)
			Amounts	Final Budget
REVENUES:				
Interest revenue	\$ 67,000	\$ 67,000	\$ 18,555	\$ (48,445)
Miscellaneous	-	-	-	-
Total revenues	<u>67,000</u>	<u>67,000</u>	<u>18,555</u>	<u>(48,445)</u>
EXPENDITURES:				
General government	1,193,692	1,157,950	316,273	841,677
Capital outlay	1,807,395	1,843,137	1,583,771	259,366
Total expenditures	<u>3,001,087</u>	<u>3,001,087</u>	<u>1,900,044</u>	<u>1,101,043</u>
Excess (deficiency) of revenues over expenditures	<u>(2,934,087)</u>	<u>(2,934,087)</u>	<u>(1,881,489)</u>	<u>1,052,598</u>
Other financing sources (uses):				
Transfers in	2,903,087	2,903,087	3,083,743	180,656
Total other financing sources (uses)	<u>2,903,087</u>	<u>2,903,087</u>	<u>3,083,743</u>	<u>180,656</u>
Net change in fund balance	<u>(31,000)</u>	<u>(31,000)</u>	<u>1,202,254</u>	<u>1,233,254</u>
Fund balance, July 1, 2017	<u>4,087,667</u>	<u>4,087,667</u>	<u>4,087,667</u>	<u>-</u>
Fund balance, June 30, 2018	<u>\$ 4,056,667</u>	<u>\$ 4,056,667</u>	<u>\$ 5,289,921</u>	<u>\$ 1,233,254</u>

City of Chandler

Schedule of Revenues, Expenditures, and Changes in Fund Balances - Budget and Actual Municipal Arts Capital Projects For the year ended June 30, 2018

	Budgeted Amounts		Actual	Over (Under)
	Original	Final	Amounts	Final Budget
REVENUES:				
Charges for services	\$ 50,000	\$ 50,000	\$ 103,155	\$ 53,155
Interest revenue	2,800	2,800	265	(2,535)
Total revenues	<u>52,800</u>	<u>52,800</u>	<u>103,420</u>	<u>50,620</u>
EXPENDITURES:				
General government	8,200	8,200	-	8,200
Community services	200,500	200,500	26,836	173,664
Capital outlay	-	-	40,000	(40,000)
Total expenditures	<u>208,700</u>	<u>208,700</u>	<u>66,836</u>	<u>141,864</u>
Net change in fund balance	(155,900)	(155,900)	36,584	192,484
Fund balance, July 1, 2017	<u>183,675</u>	<u>183,675</u>	<u>183,675</u>	<u>-</u>
Fund balance, June 30, 2018	<u>\$ 27,775</u>	<u>\$ 27,775</u>	<u>\$ 220,259</u>	<u>\$ 192,484</u>



Chandler + Arizona
Where Values Make The Difference

City of Chandler

Non-Major Proprietary Funds

Solid Waste

Used to account for the provision of solid waste (refuse) services to the residential customers of the City. All activities necessary to provide such service are accounted for in this fund.

Airport

Used to account for the provision of airport services at the City's municipal airport. All activities necessary to provide such service are accounted for in this fund, including but not limited to administration, operation, maintenance, financing, and related debt service, billing, and collection.

Chandler Housing Authority

Used to account for expenditures of the City's housing assistance programs which consist of housing owned and operated by the City and rent subsidy payments to private sector owners of dwelling units. Financing for this fund is derived from tenants and the United States Department of Housing and Urban Development.

City of Chandler
Combining Statement of Net Position
Non-Major Proprietary Funds
June 30, 2018

	Solid Waste	Airport	Chandler Housing Authority	Total Other Proprietary Funds
ASSETS				
Current assets:				
Equity in pooled cash and investments	\$ 17,237,087	\$ 83,589	\$ 5,926,271	\$ 23,246,947
Accounts receivable	2,627,860	1,062	7,841	2,636,763
Due from other governments	-	-	96,433	96,433
Inventories	-	25,437	-	25,437
Accrued interest receivable	63,975	-	18,803	82,778
Other receivables	33	-	1,053	1,086
Total current assets	19,928,955	110,088	6,050,401	26,089,444
Long-term assets:				
Notes receivable	-	-	336,450	336,450
Capital assets:				
Non-depreciable	6,426,130	19,549,800	1,751,537	27,727,467
Depreciable, net	8,171,947	11,441,912	7,509,154	27,123,013
Total capital assets	14,598,077	30,991,712	9,260,691	54,850,480
Total long-term assets	14,598,077	30,991,712	9,597,141	55,186,930
Total assets	34,527,032	31,101,800	15,647,542	81,276,374
DEFERRED OUTFLOWS OF RESOURCES				
Deferred outflows of OPEB and pension plan items	187,758	170,556	444,990	803,304

LIABILITIES

Current liabilities:

Accounts payable	899,563	17,407	20,302	937,272
Accrued payroll	29,275	10,303	32,511	72,089
Trust liabilities and deposits	-	42,536	529,080	571,616
Accrued interest	-	406	-	406
Due to other funds	-	-	11,877	11,877
Customer advances	157,177	31,746	12,260	201,183
Compensated absences payable	943	431	1,067	2,441
Bonds payable	-	26,196	-	26,196
Landfill closure and postclosure liability	94,446	-	-	94,446

Total current liabilities	1,181,404	129,025	607,097	1,917,526
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Long-term liabilities:

Compensated absences payable	75,403	34,461	85,327	195,191
Bonds payable	-	1,763	-	1,763
Net pension liability	1,156,920	1,156,920	2,372,419	4,686,259
OPEB liability	416,754	147,328	492,066	1,056,148
Landfill closure and postclosure liability	4,245,554	-	-	4,245,554

Total long-term liabilities	5,894,631	1,340,472	2,949,812	10,184,915
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Total liabilities	7,076,035	1,469,497	3,556,909	12,102,441
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DEFERRED INFLOWS OF RESOURCES

Deferred inflows of OPEB and pension plan items	200,398	126,694	375,683	702,775
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NET POSITION

Net investment in capital assets	14,598,077	30,991,712	9,260,691	54,850,480
Restricted	-	-	149,619	149,619
Unrestricted	12,840,280	(1,315,547)	2,749,630	14,274,363
Total net position	\$ 27,438,357	\$ 29,676,165	\$ 12,159,940	\$ 69,274,462

City of Chandler
Combining Statement of Revenues, Expenses, and Changes in Net Position
Non-Major Proprietary Funds
For the year ended June 30, 2018

	Solid Waste	Airport	Chandler Housing Authority	Total Other Proprietary Funds
OPERATING REVENUES:				
Service fees	\$ 16,307,409	\$ 963,827	\$ 325	\$ 17,271,561
Grants and entitlements	-	-	6,350,858	6,350,858
Rentals	-	-	1,084,688	1,084,688
Sales taxes	-	13,769	-	13,769
Miscellaneous	15,527	10,014	105,237	130,778
Total operating revenues	16,322,936	987,610	7,541,108	24,851,654
OPERATING EXPENSES:				
General and administrative	977,826	100,000	-	1,077,826
Personal services	1,697,384	517,120	1,716,933	3,931,437
Contractual services	10,499,062	42,403	831,315	11,372,780
Commodities	765,092	280,781	487,721	1,533,594
Housing assistance payments	-	-	4,518,146	4,518,146
Depreciation and amortization expense	591,694	900,101	555,520	2,047,315
Total operating expenses	14,531,058	1,840,405	8,109,635	24,481,098
OPERATING INCOME (LOSS)	1,791,878	(852,795)	(568,527)	370,556
NONOPERATING REVENUES (EXPENSES):				
Interest revenue	50,036	381	24,181	74,598
Interest and fiscal charges	-	(813)	-	(813)
Accretion of bond premium	-	196	-	196
Gain (loss) on disposal of capital assets	(500)	(500)	-	(1,000)
Total nonoperating revenues (expenses)	49,536	(736)	24,181	72,981
INCOME (LOSS) BEFORE CAPITAL CONTRIBUTIONS AND TRANSFERS	1,841,414	(853,531)	(544,346)	443,537
CAPITAL CONTRIBUTION AND TRANSFERS:				
Capital contributions	-	1,530,430	119,232	1,649,662
Transfers in	-	565,300	458,711	1,024,011
Transfers out	(97,077)	(15,873)	-	(112,950)
Total transfers	(97,077)	2,079,857	577,943	2,560,723
Change in Net Position	1,744,337	1,226,326	33,597	3,004,260
NET POSITION				
Beginning of year, restated	25,694,020	28,449,839	12,126,343	66,270,202
End of year	\$ 27,438,357	\$ 29,676,165	\$ 12,159,940	\$ 69,274,462



Chandler + Arizona
Where Values Make The Difference

City of Chandler
Combining Statement of Cash Flows
Non-Major Proprietary Funds
For the year ended June 30, 2018

	Solid Waste	Airport	Chandler Housing Authority	Total Other Proprietary Funds
CASH FLOWS FROM OPERATING ACTIVITIES:				
Cash received from customers	\$ 15,877,468	\$ 995,914	\$ 1,073,649	\$ 17,947,031
Cash received from grantors	-	-	5,935,737	5,935,737
Cash payments to suppliers	(12,232,218)	(418,336)	(4,989,929)	(17,640,483)
Cash payments to employees for services	(1,725,355)	(560,814)	(1,694,314)	(3,980,483)
Net cash provided (used) by operating activities	1,919,895	16,764	325,143	2,261,802
CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES:				
Transfers in	-	565,300	458,711	1,024,011
Transfers out	(97,077)	(15,873)	-	(112,950)
Net cash provided (used) by noncapital financing activities	(97,077)	549,427	458,711	911,061
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES:				
Acquisition and construction of capital assets	(260,509)	(606,641)	(364,445)	(1,231,595)
Proceeds from sales of capital assets	-	-	-	-
Principal paid on bond maturities	-	(25,000)	-	(25,000)
Interest paid on bonds	-	(1,188)	-	(1,188)
Capital contributions	-	-	119,232	119,232
Net cash provided (used) by capital and related financing activities	(260,509)	(632,829)	(245,213)	(1,138,551)
CASH FLOWS FROM INVESTING ACTIVITIES:				
Investment income	34,007	604	24,181	58,792
Net cash provided (used) by investing activities	34,007	604	24,181	58,792
Net increase (decrease) in cash and cash equivalents	1,596,316	(66,034)	562,822	2,093,104
CASH AND CASH EQUIVALENTS:				
Beginning of year	15,640,771	149,623	5,363,449	21,153,843
End of year	<u>\$ 17,237,087</u>	<u>\$ 83,589</u>	<u>\$ 5,926,271</u>	<u>\$ 23,246,947</u>

RECONCILIATION OF OPERATING INCOME (LOSS) TO NET**CASH PROVIDED (USED) BY OPERATING ACTIVITIES:**

Operating income (loss)	<u>\$ 1,791,878</u>	<u>\$ (852,795)</u>	<u>\$ (568,527)</u>	<u>\$ 370,556</u>
Adjustments to reconcile operating income (loss) to net cash provided (used) by operating activities:				
Depreciation and amortization	591,694	900,101	555,520	2,047,315
(Increase) decrease in receivables	(379,088)	13,713	(42,890)	(408,265)
(Increase) decrease in inventories	-	(10,142)	-	(10,142)
(Increase) decrease in other assets	-	-	382,177	382,177
Increase (decrease) in payables	9,762	14,990	(18,390)	6,362
Increase (decrease) in accrued payroll and compensated absences	6,750	(7,455)	-	(705)
Increase (decrease) in deposits	(15,527)	(2,156)	111,553	93,870
Increase (decrease) in customer advances	(50,853)	(3,253)	(144)	(54,250)
Increase (decrease) in net pension items	(229,443)	(103,358)	(586,222)	(919,023)
Increase (decrease) in OPEB liability	<u>194,722</u>	<u>67,119</u>	<u>492,066</u>	<u>753,907</u>
Total adjustments	<u>128,017</u>	<u>869,559</u>	<u>893,670</u>	<u>1,891,246</u>
Net cash provided (used) by operating activities	<u><u>\$ 1,919,895</u></u>	<u><u>\$ 16,764</u></u>	<u><u>\$ 325,143</u></u>	<u><u>\$ 2,261,802</u></u>

NONCASH INVESTING, CAPITAL, AND FINANCING ACTIVITIES:

Contributions of capital assets from city government	\$ -	\$ 1,530,430	\$ -	\$ 1,530,430
Gain (loss) on disposal of assets	(500)	(500)	-	(1,000)
Accretion of bond premiums	-	196	-	196

City of Chandler

Statement of Changes in Assets and Liabilities - Agency Fund

Fiduciary Funds

For the year ended June 30, 2018

	Balance July 1, 2017	Additions	Deletions	Balance June 30, 2018
<u>Miscellaneous Deposit Fund</u>				
Assets:				
Equity in pooled cash and investments	\$ 6,000	\$ -	\$ -	\$ 6,000
Total assets	<u>\$ 6,000</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 6,000</u>
Liabilities:				
Due to others	\$ 6,000	\$ -	\$ -	\$ 6,000
Total liabilities	<u>\$ 6,000</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 6,000</u>

City of Chandler
Financial Data Schedule
Housing and Redevelopment
For the year ended June 30, 2018

AS SUBMITTED ELECTRONICALLY TO:
U.S. DEPARTMENT OF HOUSING AND URBAN DEVELOPMENT
REAL ESTATE ASSESSMENT CENTER (REAC)

The Financial Data Schedule is a required electronic submission to the U.S. Department of Housing and Urban Development (HUD) by all Housing Authorities receiving HUD funding. Financial data on each of the grant programs is presented in a combining schedule. The Financial Data Schedule presented herein has been submitted electronically to HUD.

The activities of the City of Chandler Housing and Redevelopment Division are reported as an enterprise fund in the City's Comprehensive Annual Financial Report.

City of Chandler
Financial Data Sheet
Housing and Redevelopment
June 30, 2018

Combining Statement of Net Position - All HUD Programs

		Low Rent Public Housing		
		AMP 1	AMP 2	All AMPs
		14.850a	14.850a	14.850a
FDS Line #	Account description			
ASSETS				
111	Cash - unrestricted	\$ 1,773,765	\$ 1,651,883	\$ 3,425,648
113	Cash - restricted for FSS escrow accounts	109,276	43,891	153,167
114	Cash - security deposits	70,277	63,154	133,431
115	Cash - restricted for payment of current liabilities	5,489	4,045	9,534
122	Accounts receivable - HUD other projects	2,777	81,320	84,097
124	Accounts Receivable - other government	-	-	-
125	Accounts receivable - miscellaneous	-	1,053	1,053
126	Accounts receivable - tenants - dwelling rents	3,590	5,170	8,760
126.1	Allowance for doubtful accounts - dwelling rents	(871)	(2,104)	(2,975)
129	Accrued interest receivable	7,317	6,641	13,958
161	Land	2,492,447	1,590,642	4,083,089
162	Buildings	5,860,393	9,998,487	15,858,880
164	Furniture, equipment, machinery - admin	233,386	43,784	277,170
166	Accumulated depreciation	(6,406,950)	(6,178,920)	(12,585,870)
171	Notes and mortgages receivable - non-current	1,299	757	2,056
200	Deferred outflow of resources	129,305	76,891	206,196
	TOTAL ASSETS AND DEFERRED OUTFLOW OF RESOURCES	4,281,500	7,386,694	11,668,194
LIABILITIES				
312	Accounts payable	5,489	8,076	13,565
321	Accrued wage/payroll taxes payable	9,735	3,908	13,643
322	Accrued compensated absences - current	250	112	362
333	Accounts payable - other government	-	-	-
341	Tenant security deposits	70,277	63,154	133,431
342	Unearned revenue	6,867	2,963	9,830
353	Noncurrent liabilities - other	109,276	43,891	153,167
354	Accrued compensated absences - noncurrent	19,966	8,972	28,938
357	Accrued pension and OPEB liabilities	900,723	442,914	1,343,637
400	Deferred inflow of resources	117,169	56,385	173,554
	TOTAL LIABILITIES AND DEFERRED INFLOW OF RESOURCES	1,239,752	630,375	1,870,127
NET POSITION				
508.4	Net investment in capital assets	2,179,276	5,453,993	7,633,269
511.4	Restricted	-	-	-
512.4	Unrestricted	862,472	1,302,326	2,164,798
	TOTAL NET POSITION	3,041,748	6,756,319	9,798,067
	TOTAL LIABILITIES AND NET POSITION	\$ 4,281,500	\$ 7,386,694	\$ 11,668,194

Business Activities			ROSS Family Self Sufficiency	Housing Choice Vouchers 14.871	Total
Central Office 14.850a	Other Business	Total Business Activities			
\$ 190,899	\$ 1,423,510	\$ 1,614,409	\$ -	\$ 212,551	\$ 5,252,608
-	-	-	-	364,780	517,947
-	6,887	6,887	-	-	140,318
1,766	-	1,766	-	4,098	15,398
-	-	-	-	-	84,097
-	-	-	12,336	-	12,336
-	-	-	-	-	1,053
-	-	-	-	-	8,760
-	-	-	-	-	(2,975)
733	2,148	2,881	-	1,964	18,803
-	353,640	353,640	-	-	4,436,729
-	1,477,866	1,477,866	-	-	17,336,746
32,718	129,671	162,389	-	35,470	475,029
(25,718)	(340,755)	(366,473)	-	(35,470)	(12,987,813)
-	336,450	336,450	-	-	338,506
140,595	-	140,595	15,687	82,512	444,990
<u>340,993</u>	<u>3,389,417</u>	<u>3,730,410</u>	<u>28,023</u>	<u>665,905</u>	<u>16,092,532</u>
1,766	414	2,180	459	4,098	20,302
10,585	-	10,585	2,797	5,486	32,511
460	-	460	24	221	1,067
-	-	-	11,877	-	11,877
-	6,887	6,887	-	-	140,318
-	2,431	2,431	-	-	12,261
-	-	-	-	235,594	388,761
36,781	-	36,781	1,950	17,658	85,327
896,915	-	896,915	49,569	574,364	2,864,485
119,289	-	119,289	9,920	72,920	375,683
<u>1,065,796</u>	<u>9,732</u>	<u>1,075,528</u>	<u>76,596</u>	<u>910,341</u>	<u>3,932,592</u>
7,000	1,620,422	1,627,422	-	-	9,260,691
-	-	-	-	129,186	129,186
(731,803)	1,759,263	1,027,460	(48,573)	(373,622)	2,770,063
<u>(724,803)</u>	<u>3,379,685</u>	<u>2,654,882</u>	<u>(48,573)</u>	<u>(244,436)</u>	<u>12,159,940</u>
\$ 340,993	\$ 3,389,417	\$ 3,730,410	\$ 28,023	\$ 665,905	\$ 16,092,532

City of Chandler
Financial Data Sheet
Housing and Redevelopment
For the year ended June 30, 2018

Statement of Revenues, Expenses, and Changes in Fund Net Position - All HUD Programs

FDS Line #	Account description	Low Rent Public Housing			Business Activities			PIH Family Self-Sufficiency Program 14.896	Housing Choice Vouchers 14.871	Eliminations	Total
		AMP 1 14.850a	AMP 2 14.850a	All AMPs 14.850a	Central Office 14.850a	Other Business	Total Business Activities				
REVENUES											
70300	Net tenant rental revenue	\$ 402,419	\$ 489,633	\$ 892,052	\$ -	\$ 107,026	\$ 107,026	\$ -	\$ -	\$ -	\$ 999,078
70400	Tenant revenue - other	35,623	28,702	64,325	-	922	922	-	-	-	65,247
70600	HUD operating grants	730,413	394,371	1,124,784	-	-	-	123,429	4,687,438	-	5,935,651
70610	HUD capital grants	29,190	90,042	119,232	-	-	-	-	-	-	119,232
70710	Management fees earned	-	-	-	308,143	-	308,143	-	-	(308,143)	-
70720	Asset management fees earned	-	-	-	36,360	-	36,360	-	-	(36,360)	-
70730	Bookkeeping fees earned	-	-	-	70,403	-	70,403	-	-	(70,403)	-
71100	Investment income - unrestricted	10,100	7,595	17,695	1,468	2,483	3,951	-	2,535	-	24,181
71300	Proceeds from disposition of assets held for sale	-	-	-	-	27,125	27,125	-	-	-	27,125
71400	Fraud recovery	-	-	-	-	-	-	-	2,296	-	2,296
71500	Other revenue	-	-	-	-	300	300	-	18,896	-	19,196
	TOTAL REVENUES	1,207,745	1,010,343	2,218,088	416,374	137,856	554,230	123,429	4,711,165	(414,906)	7,192,006
EXPENSES											
91100	Administrative salaries	\$ 119,704	\$ 92,713	\$ 212,417	\$ 351,974	\$ -	\$ 351,974	\$ 92,343	\$ 199,087	\$ -	\$ 855,821
91200	Auditing fees	2,752	2,251	5,003	-	-	-	-	3,753	-	8,756
91300	Management fees	126,087	108,333	234,420	-	5,791	5,791	-	67,932	(308,143)	-
91310	Bookkeeping fees	14,595	12,540	27,135	-	810	810	-	42,458	(70,403)	-
91400	Advertising and Marketing	-	-	-	-	-	-	-	-	-	-
91500	Employee benefit contributions - administrative	50,244	44,083	94,327	118,730	-	118,730	30,518	97,333	-	340,908
91600	Office expenses	16,101	11,437	27,538	811	-	811	-	22,155	-	50,504
91800	Travel	-	361	361	3,639	-	3,639	-	1,375	-	5,375
91900	Other operating - administrative	136	1,836	1,972	3,698	6,281	9,979	-	55,714	-	67,665
92000	Asset management fees	19,560	16,800	36,360	-	-	-	-	-	(36,360)	-
92100	Tenant services - salaries	60,812	-	60,812	-	-	-	-	-	-	60,812
92300	Employee benefit contributions - tenant services	21,597	-	21,597	-	-	-	-	-	-	21,597
92400	Tenant services - other	250	200	450	-	762	762	-	-	-	1,212
93100	Water	34,743	2,436	37,179	-	-	-	-	-	-	37,179
93200	Electricity	47,785	6,960	54,745	-	187	187	-	-	-	54,932
93300	Gas	1,717	45	1,762	-	-	-	-	-	-	1,762
93800	Other utility expenditures	38,775	3,473	42,248	-	-	-	-	-	-	42,248
94100	Ordinary maintenance and operations - labor	199,681	52,078	251,759	-	-	-	-	-	-	251,759
94200	Ordinary maintenance and operations - materials	116,272	98,020	214,292	-	2,816	2,816	-	-	-	217,108
94300	Ordinary maintenance and operations - contract costs	120,624	215,023	335,647	-	19,510	19,510	-	-	-	355,157
94500	Ordinary maintenance and operations - ordinary maintenance	89,717	9,925	99,642	-	-	-	-	-	-	99,642
96100	Insurance	13,248	11,877	25,125	-	893	893	-	-	-	26,018
96200	Other general expenditures	8,908	1,600	10,508	-	-	-	-	11,718	-	22,226
96210	Compensated absences	20,216	9,084	29,300	37,241	-	37,241	1,974	17,879	-	86,394
96300	Payments in lieu of taxes	-	-	-	-	-	-	-	-	-	-
96400	Bad debt - tenant rents	7,224	6,763	13,987	-	-	-	-	-	-	13,987
	Total operating expenditures	1,130,748	707,838	1,838,586	516,093	37,050	553,143	124,835	519,404	(414,906)	2,621,062

	Other expenditures:										
97300	Housing assistance payments	-	-	-	-	-	-	-	4,440,537	-	4,440,537
97350	HAP portability-in	-	-	-	-	-	-	-	-	-	-
97400	Depreciation	194,874	317,446	512,320	-	43,201	43,201	-	-	-	555,521
	TOTAL EXPENDITURES	<u>1,325,622</u>	<u>1,025,284</u>	<u>2,350,906</u>	<u>516,093</u>	<u>80,251</u>	<u>596,344</u>	<u>124,835</u>	<u>4,959,941</u>	<u>(414,906)</u>	<u>7,617,120</u>
EXCESS (DEFICIENCY) OF REVENUES OVER EXPENSES											
BEFORE OTHER FINANCING SOURCES (USES)											
		<u>(117,877)</u>	<u>(14,941)</u>	<u>(132,818)</u>	<u>(99,719)</u>	<u>57,605</u>	<u>(42,114)</u>	<u>(1,406)</u>	<u>(248,776)</u>	<u>-</u>	<u>(425,114)</u>
OTHER FINANCING SOURCES (USES)											
10030	Operating transfers in from primary government	136,641	37,070	173,711	135,000	-	135,000	-	150,000	-	458,711
11040	Prior period adjustments and equity transfers	(179,909)	(71,379)	(251,288)	(193,257)	-	(193,257)	(50,603)	(98,810)	-	(593,958)
	TOTAL OTHER FINANCING SOURCES (USES)	<u>(43,268)</u>	<u>(34,309)</u>	<u>(77,577)</u>	<u>(58,257)</u>	<u>-</u>	<u>(58,257)</u>	<u>(50,603)</u>	<u>51,190</u>	<u>-</u>	<u>(135,247)</u>
CHANGE IN NET POSITION											
		(161,145)	(49,250)	(210,395)	(157,976)	57,605	(100,371)	(52,009)	(197,586)	-	(560,361)
TOTAL NET POSITION, BEGINNING OF YEAR											
		<u>3,202,893</u>	<u>6,805,569</u>	<u>10,008,462</u>	<u>(566,827)</u>	<u>3,322,080</u>	<u>2,755,253</u>	<u>3,436</u>	<u>(46,850)</u>	<u>-</u>	<u>12,720,301</u>
NET POSITION, END OF YEAR											
		<u>\$ 3,041,748</u>	<u>\$ 6,756,319</u>	<u>\$ 9,798,067</u>	<u>\$ (724,803)</u>	<u>\$ 3,379,685</u>	<u>\$ 2,654,882</u>	<u>\$ (48,573)</u>	<u>\$ (244,436)</u>	<u>\$ -</u>	<u>\$12,159,940</u>
OTHER MEMORANDUM AMOUNTS											
11170	Administrative fee equity	-	-	-	-	-	-	-	-	-	-
11180	Housing assistance payment equity	-	-	-	-	-	-	-	149,619	-	149,619
11190	Unit months available	1,956	1,680	3,636	-	132	132	-	5,832	-	9,600
11210	Number of unit months leased	1,946	1,672	3,618	-	129	129	-	5,661	-	9,408
11270	Excess cash	1,675,497	1,673,962	3,349,459	-	-	-	-	-	-	3,349,459
11620	Building purchases	165,831	127,112	292,943	-	-	-	-	-	-	292,943



Chandler + Arizona
Where Values Make The Difference

STATISTICAL SECTION

Financial Trends
Revenue Capacity
Debt Capacity
Demographic and Economic Information
Operating Information



Plenty of road work and heavy lifting keeps Chandler on the move. It's no easy task, but one that we take very seriously. Through the meticulous efforts of Transportation and Development, Chandler continues to be a well-maintained and structurally sound community.



CITY OF CHANDLER, ARIZONA
Statistical Section

This part of the City of Chandler’s comprehensive annual financial report presents detailed information as a context for understanding what the information in the financial statements, note disclosures, and required supplementary information says about the City’s overall financial health.

<u>Contents</u>	<u>Page</u>
Financial Trends	142
Schedules 1-6 contain information to help the reader understand how the City’s financial performance and well-being have changed over time.	
Revenue Capacity	159
Schedules 7-9 contain information to help the reader assess the factors affecting the City’s ability to generate its sales and use tax.	
Debt Capacity	162
Schedules 10-13 present information to help the reader assess the affordability of the City’s current levels of outstanding debt and the City’s ability to issue additional debt in the future.	
Demographic and Economic Information	168
Schedules 14-15 offer demographic and economic indicators to help the reader understand the environment within which the City’s financial activities take place and to help make comparisons over time and with other governments.	
Operating Information	170
Schedules 16-18 contain information about the City’s operations and resources to help the reader understand how the City’s financial information relates to the services the City provides and the activities it performs.	

Sources: Unless otherwise noted, the information in these schedules is derived from the comprehensive annual financial reports for the relevant year.

CITY OF CHANDLER, ARIZONA
NET POSITION BY COMPONENT
LAST TEN FISCAL YEARS
(accrual basis of accounting)

	Fiscal Year			
	2009	2010	2011	2012
Governmental activities				
Net investment in capital assets	\$ 433,851,899	\$ 537,576,346	\$ 534,292,488	\$ 545,926,100
Restricted	117,712,539	94,440,806	41,906,129	44,047,942
Unrestricted	271,690,158	198,059,181	260,307,288	259,783,598
Total governmental activities net position	<u>823,254,596</u>	<u>830,076,333</u>	<u>836,505,905</u>	<u>849,757,640</u>
Business-type activities				
Net investment in capital assets	387,401,986	298,938,820	281,936,017	280,440,445
Restricted	-	-	-	-
Unrestricted	98,413,928	163,103,784	168,164,942	179,339,498
Total business-type activities net position	<u>485,815,914</u>	<u>462,042,604</u>	<u>450,100,959</u>	<u>459,779,943</u>
Primary government				
Net investment in capital assets	821,253,885	836,515,166	816,228,505	826,366,545
Restricted	117,712,539	94,440,806	41,906,129	44,047,942
Unrestricted	370,104,086	361,162,965	428,472,230	439,123,096
Total primary government net position	<u>\$ 1,309,070,510</u>	<u>\$ 1,292,118,937</u>	<u>\$ 1,286,606,864</u>	<u>\$ 1,309,537,583</u>

Fiscal Year					
2013	2014	2015	2016	2017	2018
\$ 558,279,485	\$ 563,033,503	\$ 567,041,560	\$ 579,591,241	\$ 587,213,640	\$ 536,086,249
112,307,412	105,723,768	108,965,994	121,767,847	122,006,140	168,510,855
179,518,042	183,088,676	7,709,550	(5,872,464)	(36,358,845)	(65,575,548)
850,104,939	851,845,947	683,717,104	695,486,624	672,860,935	639,021,556
355,015,004	388,837,444	380,427,606	342,252,306	439,823,546	467,799,036
-	-	119,075	31,365,801	32,977,926	33,447,434
176,961,822	206,284,498	217,824,645	258,806,679	176,390,803	243,735,547
531,976,826	595,121,942	598,371,326	632,424,786	649,192,275	744,982,017
913,294,489	951,870,947	947,469,166	921,843,547	1,027,037,186	1,003,885,285
112,307,412	105,723,768	109,085,069	153,133,648	155,184,734	201,958,289
356,479,864	389,373,174	225,534,195	252,934,215	139,831,290	178,159,999
\$ 1,382,081,765	\$ 1,446,967,889	\$ 1,282,088,430	\$ 1,327,911,410	\$ 1,322,053,210	\$ 1,384,003,573

CITY OF CHANDLER, ARIZONA
CHANGES IN NET POSITION
LAST TEN FISCAL YEARS
(accrual basis of accounting)

	Fiscal Year			
	2009	2010	2011	2012
Expenses				
Governmental activities:				
General government	\$ 52,293,004	\$ 48,920,813	\$ 67,808,567	\$ 88,876,901
Public safety	87,609,165	92,421,801	90,738,477	89,141,559
Community development	10,429,826	11,715,276	- (1)	-
Public works	47,180,197	56,155,939	- (1)	-
Transportation and development	-	-	50,909,361 (1)	52,111,019
Community services	34,278,998	35,299,676	28,919,560	28,966,271
Interest and fiscal charges	12,938,524	13,541,708	12,767,934	12,425,819
Total governmental activities expenses	<u>244,729,714</u>	<u>258,055,213</u>	<u>251,143,899</u>	<u>271,521,569</u>
Business-type activities:				
Water	53,201,379	62,556,496	57,452,876	56,277,327
Wastewater	36,079,767	38,227,999	37,896,180	38,804,360
Solid waste	12,076,998	14,605,448	13,443,102	13,756,352
Airport	2,269,691	1,797,991	2,107,354	1,941,752
Chandler housing authority	7,239,185	7,654,449	7,580,783	7,642,503
Total business-type activities expenses	<u>110,867,020</u>	<u>124,842,383</u>	<u>118,480,295</u>	<u>118,422,294</u>
Total primary government expenses	<u>\$ 355,596,734</u>	<u>\$ 382,897,596</u>	<u>\$ 369,624,194</u>	<u>\$ 389,943,863</u>

(1) In FY 2011 the City changed its functional categories to eliminate "Community development" and "Public works" and add "Transportation and development."

Fiscal Year					
2013	2014	2015	2016	2017	2018
\$ 90,143,339	\$ 99,231,501	\$ 104,456,315	\$ 112,514,903	\$ 104,998,802	\$ 113,587,478
95,974,126	94,738,371	102,050,425	111,568,323	149,366,614	112,371,723
-	-	-	-	-	-
-	-	-	-	-	-
55,846,316	52,183,052	51,714,085	55,012,081	56,752,197	55,287,494
30,979,208	32,331,286	31,784,321	31,441,019	32,599,549	36,824,102
11,777,701	10,044,363	6,986,490	7,884,146	6,623,830	6,716,119
284,720,690	288,528,573	296,991,636	318,420,472	350,340,992	324,786,916
55,440,712	55,877,774	55,470,724	54,075,742	63,236,746	61,513,990
40,401,849	41,969,764	50,823,497	51,034,921	58,112,931	60,605,779
13,974,858	14,131,202	14,087,780	13,925,017	14,380,178	14,531,558
1,960,788	1,980,706	1,860,057	2,011,880	1,893,830	1,841,718
7,473,891	7,616,301	7,433,284	7,267,806	7,728,876	8,109,635
119,252,098	121,575,747	129,675,342	128,315,366	145,352,561	146,602,680
\$ 403,972,788	\$ 410,104,320	\$ 426,666,978	\$ 446,735,838	\$ 495,693,553	\$ 471,389,596

CITY OF CHANDLER, ARIZONA
CHANGES IN NET POSITION
LAST TEN FISCAL YEARS
(accrual basis of accounting)

	Fiscal Year			
	2009	2010	2011	2012
Program Revenues				
Governmental activities:				
Charges for services:				
General government	\$ 14,349,483	\$ 16,621,003	\$ 22,548,679	\$ 31,381,062
Public safety	4,802,272	7,110,304	5,658,628	5,794,329
Community development	3,581,458	3,336,188	- (1)	-
Public works	5,226,726	6,025,846	- (1)	-
Transportation and development	-	-	11,884,554 (1)	27,905,311
Community services	5,235,864	4,515,980	4,079,359	4,136,285
Operating grants and contributions	2,337,910	5,510,710	5,890,147	6,162,320
Capital grants and contributions	23,902,360	8,159,960	16,041,213	11,016,136
Total governmental activities program revenues	<u>59,436,073</u>	<u>51,279,991</u>	<u>66,102,580</u>	<u>86,395,443</u>
Business-type activities:				
Charges for services:				
Water	39,707,910	42,276,145	43,708,974	49,565,071
Wastewater	25,922,530	28,406,808	31,610,009	35,907,085
Solid waste	12,762,120	12,891,628	13,277,403	13,890,957
Airport	741,556	815,751	995,307	996,605
Community services - housing authority	595,420	521,404	457,781	466,556
Operating grants and contributions	6,225,928	6,367,024	6,297,200	6,341,087
Capital grants and contributions	9,110,319	8,484,239	8,659,772	19,118,567
Total business-type activities program revenues	<u>95,065,783</u>	<u>99,762,999</u>	<u>105,006,446</u>	<u>126,285,928</u>
Total primary government program revenues	<u>\$ 154,501,856</u>	<u>\$ 151,042,990</u>	<u>\$ 171,109,026</u>	<u>\$ 212,681,371</u>
Net (expense)/revenue				
Governmental activities	(185,293,641)	(206,775,222)	(185,041,319)	(185,126,126)
Business-type activities	(15,801,237)	(25,079,384)	(13,473,849)	7,863,634
Total primary government net (expense)	<u>\$ (201,094,878)</u>	<u>\$ (231,854,606)</u>	<u>\$ (198,515,168)</u>	<u>\$ (177,262,492)</u>

(1) In FY 2011 the City changed its functional categories to eliminate "Community development" and "Public works" and add "Transportation and development."

Fiscal Year

2013	2014	2015	2016	2017	2018
\$ 35,898,378	\$ 38,832,217	\$ 39,207,061	\$ 42,021,638	\$ 41,400,079	\$ 43,089,930
7,375,050	5,861,044	6,469,215	7,471,344	6,561,052	6,100,584
-	-	-	-	-	-
-	-	-	-	-	-
10,150,102	16,145,692	14,438,138	16,538,175	16,333,273	17,145,894
8,240,732	7,744,507	7,551,166	10,792,114	10,732,351	9,180,276
3,999,536	4,744,636	3,514,714	5,188,787	4,481,750	3,988,629
9,116,635	10,170,236	13,133,637	16,725,462	9,702,683	9,340,818
74,780,433	83,498,332	84,313,931	98,737,520	89,211,188	88,846,131
48,258,282	49,588,376	48,045,103	50,483,097	53,251,020	54,031,592
37,690,400	40,509,289	45,666,777	51,321,346	53,563,934	56,367,650
13,836,363	14,034,894	14,140,246	14,940,591	15,648,992	16,307,409
976,102	961,067	1,010,288	946,419	950,294	963,827
637,329	806,540	877,380	946,408	954,070	1,085,013
5,785,335	5,457,991	5,862,477	5,784,021	6,198,797	6,350,858
81,572,568	72,176,582	35,357,741	32,690,364	27,645,932	22,360,158
188,756,379	183,534,739	150,960,012	157,112,246	158,213,039	157,466,507
\$ 263,536,812	\$ 267,033,071	\$ 235,273,943	\$ 255,849,766	\$ 247,424,227	\$ 246,312,638
(209,940,257)	(205,030,041)	(212,677,705)	(219,682,952)	(261,129,804)	(235,940,785)
69,504,281	61,958,992	21,284,670	28,796,880	12,860,478	10,863,827
\$ (140,435,976)	\$ (143,071,049)	\$ (191,393,035)	\$ (190,886,072)	\$ (248,269,326)	\$ (225,076,958)

CITY OF CHANDLER, ARIZONA
CHANGES IN NET POSITION
LAST TEN FISCAL YEARS
(accrual basis of accounting)

	Fiscal Year			
	2009	2010	2011	2012
Governmental Revenues and				
Other Changes in Net Position				
Governmental activities:				
Property taxes	\$ 38,957,986	\$ 40,617,269	\$ 36,158,574	\$ 31,877,716
Sales taxes	85,897,334	83,019,726	86,523,295	97,485,387
Highway user taxes	13,849,284	13,116,481	13,287,878	11,823,280
Other taxes	7,921,275	13,965,973	88,561	5,979,715
Franchise fees	3,264,093	3,174,390	2,819,521	2,988,456
State shared revenues	61,211,289	54,492,427	47,732,614	45,958,627
Investment income	10,045,274	3,487,145	1,841,244	1,221,923
Miscellaneous	995,606	850,191	3,071,588	1,116,832
Transfers in (out)	(1,542,346)	873,357	(244,702)	(74,075)
Total governmental activities	<u>220,599,795</u>	<u>213,596,959</u>	<u>191,278,573</u>	<u>198,377,861</u>
Business-type activities:				
Sales tax	-	-	-	-
Investment income	2,536,237	756,641	533,313	389,446
Miscellaneous	788,478	1,422,790	946,507	1,351,829
Transfers in (out)	1,542,346	(873,357)	244,702	74,075
Total business-type activities:	<u>4,867,061</u>	<u>1,306,074</u>	<u>1,724,522</u>	<u>1,815,350</u>
Total primary government	<u>\$ 225,466,856</u>	<u>\$ 214,903,033</u>	<u>\$ 193,003,095</u>	<u>\$ 200,193,211</u>
Change in Net Position				
Governmental activities	35,306,154	6,821,737	6,237,254	13,251,735
Business-type activities	(10,934,176)	(23,773,310)	(11,749,327)	9,678,984
Total primary government	<u>\$ 24,371,978</u>	<u>\$ (16,951,573)</u>	<u>\$ (5,512,073)</u>	<u>\$ 22,930,719</u>

Fiscal Year					
2013	2014	2015	2016	2017	2018
\$ 29,656,415	\$ 28,348,952	\$ 28,708,033	\$ 29,214,103	\$ 29,837,763	\$ 30,816,495
102,200,517	103,880,801	108,657,130	112,250,883	120,189,651	127,584,410
12,929,504	13,352,622	14,633,470	15,303,635	16,683,743	16,135,949
6,295,212	3,243,937	10,106,891	6,100,475	664,616	940,203
2,936,533	3,145,449	3,300,129	3,344,817	3,285,267	3,571,744
51,347,206	55,423,759	59,236,588	60,712,442	65,924,228	64,723,211
2,843,417	1,869,128	1,763,585	3,834,840	1,063,997	1,531,766
2,181,627	819,766	1,197,215	1,124,559	1,014,665	1,502,418
(102,875)	(132,082)	(123,350)	(433,282)	(159,815)	(4,175,579)
210,287,556	209,952,332	227,479,691	231,452,472	238,504,115	242,630,617
-	70,065	10,865	10,391	10,682	13,769
1,180,290	788,025	819,556	2,180,447	938,491	854,848
1,409,437	1,683,332	2,475,760	2,632,460	2,798,023	14,923,212
102,875	132,082	123,350	433,282	159,815	4,175,579
2,692,602	2,673,504	3,429,531	5,256,580	3,907,011	19,967,408
\$ 212,980,158	\$ 212,625,836	\$ 230,909,222	\$ 236,709,052	\$ 242,411,126	\$ 262,598,025
347,299	4,922,291	14,801,986	11,769,520	(22,625,689)	6,689,832
72,196,883	64,632,496	24,714,201	34,053,460	16,767,489	30,831,235
\$ 72,544,182	\$ 69,554,787	\$ 39,516,187	\$ 45,822,980	\$ (5,858,200)	\$ 37,521,067

CITY OF CHANDLER, ARIZONA
FUND BALANCES OF GOVERNMENTAL FUNDS
LAST TEN FISCAL YEARS
(modified accrual basis of accounting)

	Fiscal Year			
	2009	2010	2011	2012
General fund				
Reserved	\$ 30,482,311	\$ 62,149,646	\$ - (1)	\$ -
Unreserved	194,457,561	137,041,044	- (1)	-
Nonspendable	-	-	893,067 (1)	947,804
Restricted	-	-	844,754 (1)	939,867
Assigned	-	-	61,733,537 (1)	102,635,587
Unassigned	-	-	98,872,954 (1)	69,223,074
Total general fund	<u>\$ 224,939,872</u>	<u>\$ 199,190,690</u>	<u>\$ 162,344,312</u>	<u>\$ 173,746,332</u>
All other governmental funds				
Reserved	\$ 97,267,450	\$ 61,355,662	\$ - (1)	\$ -
Unreserved, reported in:				
Special revenue funds	18,786,740	18,103,651	- (1)	-
Capital projects funds	7,868,412	7,379,375	- (1)	-
Nonspendable	-	-	- (1)	-
Restricted	-	-	105,756,072 (1)	111,378,788
Unassigned	-	-	(12,315,197) (1)	(12,798,348)
Total all other governmental funds	<u>\$ 123,922,602</u>	<u>\$ 86,838,688</u>	<u>\$ 93,440,875</u>	<u>\$ 98,580,440</u>

(1) In FY 2011 the City implemented GASB Statement No. 54, thus changing how fund balance is categorized.

Fiscal Year					
2013	2014	2015	2016	2017	2018
\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
-	-	-	-	-	-
938,549	892,533	941,359	907,594	979,446	813,143
939,867	1,166,105	1,792,180	1,566,618	1,451,061	1,980,807
101,115,766	95,185,696	102,222,466	109,958,162	101,620,277	116,359,633
66,077,714	82,453,462	80,152,269	68,567,835	87,492,981	65,182,337
<u>\$ 169,071,896</u>	<u>\$ 179,697,796</u>	<u>\$ 185,108,274</u>	<u>\$ 181,000,209</u>	<u>\$ 191,543,765</u>	<u>\$ 184,335,920</u>
\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
-	-	-	-	-	-
-	-	-	-	-	-
-	-	-	-	7,422	-
111,367,545	104,557,663	107,173,814	120,201,229	120,640,190	166,570,330
<u>(13,646,428)</u>	<u>(11,034,021)</u>	<u>(15,322,260)</u>	<u>(11,877,159)</u>	<u>(11,350,383)</u>	<u>(2,555,420)</u>
<u>\$ 97,721,117</u>	<u>\$ 93,523,642</u>	<u>\$ 91,851,554</u>	<u>\$ 108,324,070</u>	<u>\$ 109,297,229</u>	<u>\$ 164,014,910</u>

CITY OF CHANDLER, ARIZONA
GOVERNMENTAL FUNDS REVENUES
LAST TEN FISCAL YEARS
(modified accrual basis of accounting)

	Fiscal Year			
	2009	2010	2011	2012
Property taxes	\$ 38,677,156	\$ 40,259,579	\$ 36,301,709	\$ 32,329,560
Sales taxes	85,897,334	83,019,726	86,523,295	97,485,387
Highway user taxes	13,849,284	13,116,481	13,287,878	11,823,280
Other taxes	7,921,275	13,965,973	88,561	5,979,715
Franchise fees	3,264,093	3,174,390	2,819,521	2,988,456
State shared revenues	61,211,289	54,492,427	47,732,614	45,958,627
Grants and entitlements	18,168,904	10,377,502	14,759,620	13,826,606
System development fees	4,475,029	4,768,306	6,739,920	11,724,823
Special assessments	863,747	663,209	673,064	678,027
License and permits	2,667,720	2,758,392	3,208,944	6,955,605
Charges for current services	19,492,740	19,420,434	18,002,168	19,938,566
Fines and forfeitures	4,912,159	5,336,294	4,697,317	4,700,430
Rentals	138,667	101,322	387,952	455,842
Contributions	50,000	50,000	100,000	100,000
Investment income	8,825,695	3,171,308	1,635,258	1,034,895
Miscellaneous	1,661,772	1,913,571	4,593,104	1,392,691
Total revenues	\$ 272,076,864	\$ 256,588,914	\$ 241,550,925	\$ 257,372,510

Fiscal Year					
2013	2014	2015	2016	2017	2018
\$ 29,841,739	\$ 28,442,823	\$ 28,899,684	\$ 29,237,607	\$ 29,692,846	\$ 30,819,812
102,200,517	103,880,801	108,657,130	112,250,883	120,189,651	127,584,410
12,929,504	13,352,622	14,633,470	6,100,475	16,683,743	16,135,949
6,295,212	3,243,937	10,106,891	3,344,817	664,616	940,203
2,936,533	3,145,449	3,300,129	15,303,635	3,285,267	3,571,744
51,347,206	55,423,759	59,236,588	60,712,442	65,924,228	64,723,211
9,480,090	10,187,895	10,638,831	16,159,064	12,677,860	12,111,857
7,781,083	11,846,275	10,585,623	16,217,004	14,683,327	13,982,674
676,127	678,843	573,438	606,757	607,191	611,499
4,887,466	5,479,384	5,146,556	6,634,161	7,075,996	6,394,322
19,786,513	20,269,976	20,110,036	19,705,786	20,869,517	21,827,375
5,825,098	4,622,215	4,601,501	4,828,174	3,908,387	4,865,783
570,638	732,807	751,163	974,192	678,387	127,575
100,000	100,000	150,000	200,000	200,000	200,000
2,529,078	1,623,973	1,562,241	3,409,065	921,195	1,398,729
1,384,123	650,117	572,252	897,102	494,984	974,107
<u>\$ 258,570,927</u>	<u>\$ 263,680,876</u>	<u>\$ 279,525,533</u>	<u>\$ 296,581,164</u>	<u>\$ 298,557,195</u>	<u>\$ 306,269,250</u>

CITY OF CHANDLER, ARIZONA
GOVERNMENTAL FUNDS EXPENDITURES AND DEBT SERVICE RATIO
LAST TEN FISCAL YEARS
(modified accrual basis of accounting)

	Fiscal Year			
	2009	2010	2011	2012
General government	\$ 40,503,113	\$ 44,663,091	\$ 43,636,784	\$ 48,894,811
Public safety	84,493,816	85,390,303	84,007,752	82,820,106
Community development	10,509,467	11,614,214	- (1)	-
Public works	19,283,643	17,664,633	- (1)	-
Transportation and development	-	-	22,126,233 (1)	25,532,739
Community services	29,916,002	30,078,856	22,836,317	23,255,568
Capital improvements	124,680,957	106,366,737	67,299,941	29,787,069
Debt service:				
Principal retirement	15,275,000	17,260,000	15,090,000	15,970,000
Interest and fiscal charges	13,059,295	13,646,479	12,901,616	12,550,323
Bond issuance costs	961,100	183,969	278,512	-
Total expenditures	<u>\$ 338,682,393</u>	<u>\$ 326,868,282</u>	<u>\$ 268,177,155</u>	<u>\$ 238,810,616</u>
Debt service as a percentage of noncapital expenditures	12.5%	13.3%	13.3%	13.5%

(1) In FY 2011 the City changed its functional categories to eliminate "Community development" and "Public works" and add "Transportation and development."

(2) In FY 2017 the City called the remaining payments for the 2007 GO Refunding issuance totaling \$8,110,000

Fiscal Year					
2013	2014	2015	2016	2017	2018
\$ 44,512,533	\$ 46,807,747	\$ 46,895,106	\$ 52,138,384	\$ 50,892,490	\$ 55,706,708
89,587,613	90,068,218	93,773,306	104,605,663	103,167,906	109,736,277
-	-	-	-	-	-
-	-	-	-	-	-
24,807,578	23,418,175	24,769,553	25,471,154	28,294,221	27,750,365
23,554,854	23,771,925	24,569,283	24,988,844	26,605,279	27,088,640
41,793,319	45,657,265	56,539,116	50,009,243	44,712,255	71,268,257
26,870,000	15,955,000	21,490,000	17,465,000	25,240,000 (2)	20,264,000
11,908,025	10,682,206	7,737,974	8,635,631	7,689,305	7,918,081
-	145,970	722,293	-	249,838	252,611
<u>\$ 263,033,922</u>	<u>\$ 256,506,506</u>	<u>\$ 276,496,631</u>	<u>\$ 283,313,919</u>	<u>\$ 286,851,294</u>	<u>\$ 319,984,939</u>
16.4%	11.6%	11.7%	10.2%	12.9%	10.4%

CITY OF CHANDLER, ARIZONA
OTHER FINANCING SOURCES AND USES AND NET CHANGES IN FUND BALANCE,
GOVERNMENTAL FUNDS
LAST TEN FISCAL YEARS
(modified accrual basis of accounting)

	Fiscal Year			
	2009	2010	2011	2012
Other Financing Sources (Uses)				
Bond premium	\$ 2,348,878	\$ 290,569	\$ 1,047,424	\$ -
Face amount of bonds issued	120,513,000	10,450,000	20,285,000	-
Proceeds from sale of capital assets	219,793	97,609	108,929	89,007
Payment to escrow agent	-	(10,556,600)	(10,816,839)	-
Transfers in	40,593,319	46,309,016	41,605,646	20,576,188
Transfers out	(44,937,903)	(39,144,322)	(56,040,439)	(22,685,504)
	<u>118,737,087</u>	<u>7,446,272</u>	<u>(3,810,279)</u>	<u>(2,020,309)</u>
Total other financing sources and (uses)				
	<u>\$ 52,131,648</u>	<u>\$ (62,833,096)</u>	<u>\$ (30,436,509)</u>	<u>\$ 16,541,585</u>
Net change in fund balances				

Fiscal Year

2013	2014	2015	2016	2017	2018
\$ -	\$ 562,052	\$ 17,045,635	\$ -	\$ 6,339,230	\$ 3,609,365
-	8,660,000	128,254,000	-	25,500,000	58,740,000
76,381	161,126	103,964	463,709	652,882	213,829
-	(9,061,800)	(143,635,520)	-	(31,589,392)	-
32,849,979	24,586,418	28,717,990	27,885,557	28,116,369	46,032,351
<u>(33,997,394)</u>	<u>(25,653,741)</u>	<u>(29,776,581)</u>	<u>(29,252,060)</u>	<u>(29,208,275)</u>	<u>(47,370,020)</u>
<u>(1,071,034)</u>	<u>(745,945)</u>	<u>709,488</u>	<u>(902,794)</u>	<u>(189,186)</u>	<u>61,225,525</u>
<u>\$ (5,533,759)</u>	<u>\$ 6,428,425</u>	<u>\$ 3,738,390</u>	<u>\$ 12,364,451</u>	<u>\$ 11,516,715</u>	<u>\$ 47,509,836</u>



Chandler + Arizona
Where Values Make The Difference

CITY OF CHANDLER, ARIZONA
TAXABLE REVENUE BY CATEGORY
LAST TEN FISCAL YEARS

Schedule 7

	Fiscal Year				Fiscal Year					
	2009	2010	2011	2012	2013	2014	2015	2016	2017	2018
Amusements	\$ 623,159	\$ 602,027	\$ 673,666	\$ 714,641	\$ 717,442	\$ 728,110	\$ 895,730	\$ 1,019,939	\$ 1,019,938	\$ 1,083,161
Contracting	9,352,480	6,573,348	6,380,957	10,869,566	10,408,518	9,780,645	8,870,092	8,855,057	11,496,791	12,388,978
General Retail	36,851,140	36,560,075	38,741,270	42,844,871	45,331,307	47,454,682	49,740,000	51,191,162	53,137,169	56,605,561
Hotel/Motel	1,672,893	1,611,912	1,973,790	2,255,786	2,288,989	2,472,754	2,892,470	2,957,685	3,424,279	3,712,085
Miscellaneous Related Revenue ¹	2,774,033	2,911,821	2,551,354	2,334,179	2,937,426	2,660,201	2,815,040	2,745,130	2,527,981	2,328,030
Publishing	389,046	382,080	351,250	352,550	334,981	258,547	260,712	248,433	186,862	182,820
Rentals - Personal Property	2,474,464	2,389,241	2,462,219	2,606,371	2,884,618	2,949,421	3,261,716	3,125,459	3,611,180	3,676,196
Rentals - Real Property	8,520,878	8,921,788	9,479,850	10,025,726	10,817,611	11,058,203	11,967,509	13,217,561	13,647,156	15,134,275
Restaurant/Bar	7,267,718	7,436,900	7,971,183	8,670,199	9,069,109	9,542,714	10,188,718	10,752,479	11,341,714	11,872,941
Telecommunications	4,057,982	3,974,448	3,524,076	3,628,007	3,731,350	3,533,636	3,435,949	3,234,369	2,796,065	2,395,673
Use Tax	930,636	869,092	1,000,342	1,054,968	1,315,599	1,090,428	1,145,534	1,127,257	3,619,340	4,394,129
Utilities	10,982,905	10,786,994	11,413,338	12,128,475	12,363,565	12,421,526	13,194,526	13,786,741	13,391,857	13,824,331
Total Sales and Use Taxes	<u>\$ 85,897,334</u>	<u>\$ 83,019,726</u>	<u>\$ 86,523,295</u>	<u>\$ 97,485,337</u>	<u>\$ 102,200,515</u>	<u>\$ 103,950,867</u>	<u>\$ 108,667,995</u>	<u>\$ 112,261,274</u>	<u>\$ 120,200,333</u>	<u>\$ 127,598,179</u>
City Direct Sales Tax Rate ²	1.75%	1.75%	1.77%	1.76%	1.75%	1.75%	1.76%	1.76%	1.75%	1.74%

Source: Tax & License Division

¹Includes license application fees, annual license fees, audit assessments, penalties, and interest.

²The direct tax rate was calculated using a weighted average of the actual revenues collected for each category.
Tax rates vary by category, currently ranging from 1.5% to 4.4%.

CITY OF CHANDLER, ARIZONA
DIRECT AND OVERLAPPING SALES AND USE TAX RATES
LAST TEN FISCAL YEARS

Schedule 8

Fiscal Year	City Direct Tax Rate ¹	Overlapping Rates		
		Maricopa County Tax Rate ²	State of Arizona Tax Rate ³	Tourism & Sports Authority Tax Rate ⁴
2009	1.75%	0.67%	5.10%	0.02%
2010	1.75%	0.67%	5.86%	0.02%
2011	1.77%	0.67%	5.85%	0.02%
2012	1.76%	0.67%	5.90%	0.02%
2013	1.75%	0.67%	5.80%	0.02%
2014	1.75%	0.67%	4.99%	0.02%
2015	1.76%	0.67%	4.96%	0.03%
2016	1.76%	0.67%	4.92%	0.03%
2017	1.75%	0.66%	4.95%	0.03%
2018	1.74%	0.65%	4.92%	0.03%

Source: Tax & License Division

¹ The City's direct tax rate was calculated using a weighted average of the actual revenues collected for each category. Tax rates vary by category, currently ranging from 1.5% to 4.4%. City tax rates were last increased effective 5/01/1994.

² The overlapping County tax rate was calculated using a weighted average of the actual revenues the City collected for each category. Tax rates vary by category, currently ranging from 0.5% to 0.77%. No rate changes in the past ten fiscal years.

³ The overlapping State tax rate was calculated using a weighted average of the actual revenues the City collected for each category. Tax rates vary by category, currently ranging from 5.5% to 5.6%. State tax rate increases during the past ten fiscal years: 1.0% effective 6/01/2010 through 5/31/2013.

⁴ The Tourism & Sports Authority (TSA) was authorized by Maricopa County voters on November 7, 2000. An additional tax rate of 1.0% is to be levied from March 1, 2001 through February 28, 2031. The only category the overlapping tax rate applies to is the Hotel/Motel category. The overlapping tax rate is calculated using a weighted average of the actual revenues the City collected for this category.

CITY OF CHANDLER, ARIZONA
PRINCIPAL SALES AND USE TAXPAYERS
CURRENT YEAR AND TEN YEARS AGO

Schedule 9

Taxpayer	Business Type	Fiscal Year 2018			Fiscal Year 2009		
		Sales and Use Tax Payments	Rank	Percentage of Total Sales and Use Tax Payments	Sales and Use Tax Payments	Rank	Percentage of Total Sales and Use Tax Payments
Taxpayer A	Utility	\$ 10,595,588	1	8.30%	\$ 8,081,196	1	9.41%
Taxpayer B	Department Store	4,082,949	2	3.20%	2,486,012	2	2.89%
Taxpayer C	Grocery Store	3,049,857	3	2.39%	2,264,854	3	2.64%
Taxpayer D	Department Store	2,264,065	4	1.77%	1,481,953	4	1.73%
Taxpayer E	Home Improvement	1,864,171	5	1.46%	1,343,092	5	1.56%
Taxpayer F	Vehicle Dealer	1,630,755	6	1.28%	-	-	-
Taxpayer G	Utility	1,435,204	7	1.12%	1,199,128	9	1.40%
Taxpayer H	Vehicle Dealer	1,395,578	8	1.09%	-	-	-
Taxpayer I	Construction Contracting	1,289,254	9	1.01%	-	-	-
Taxpayer J	Department Store	1,264,804	10	0.99%	1,228,121	8	1.43%
Taxpayer K	Grocery Store	-	-	-	1,342,988	6	1.56%
Taxpayer L	Telecommunications	-	-	-	1,251,954	7	1.46%
Taxpayer M	Department Store	-	-	-	1,101,592	10	1.28%
		<u>\$ 28,872,225</u>		<u>22.63%</u>	<u>\$ 21,780,888</u>		<u>25.36%</u>

Source: Tax & License Division

Notes: The identities of the ten largest revenue payers are prohibited from disclosure per State statute. Alternatively, the business type of the top ten taxpayers for each period has been disclosed along with the appropriate data.

CITY OF CHANDLER, ARIZONA
RATIOS OF OUTSTANDING DEBT
LAST TEN FISCAL YEARS

Schedule 10

Governmental Activities								
Fiscal Year	General Obligation Bonds	Revenue Bonds	Special Assessment Bonds	General Obligation Bonds Issuance Premiums	Revenue Bonds Issuance Premiums	Special Assessment Bonds Issuance Premiums		
2009	294,588,000	34,690,000	7,820,000	-	-	-		
2010	282,888,000	31,800,000	7,315,000	-	-	-		
2011	279,968,000	28,620,000	6,190,000	-	-	-		
2012	268,148,000	25,745,000	5,780,000	-	-	-		
2013	256,288,000	22,045,000	5,350,000	-	-	-		
2014	233,678,000	18,000,000	4,905,000	3,539,600	707,337	99,258		
2015	222,143,000	14,025,000	4,440,000	17,244,108	565,869	88,230		
2016	205,088,000	10,055,000	3,960,000	15,663,687	424,402	77,201		
2017	186,873,000	6,685,000	3,460,000	19,829,438	282,935	66,172		
2018	223,288,000	4,270,000	2,940,000	21,269,309	141,468	55,140		
Business-type Activities								
Fiscal Year	General Obligation Bonds	Revenue Bonds	Excise Tax Revenue Obligations	General Obligation Bonds Issuance Premiums	Revenue Bonds Issuance Premiums	Excise Tax Revenue Obligations Issuance Premiums		
2009	188,612,000	76,415,000	34,040,000	-	-	-		
2010	185,032,000	67,580,000	34,040,000	-	-	-		
2011	179,747,000	60,280,000	48,540,000	-	-	-		
2012	170,987,000	52,670,000	47,440,000	-	-	-		
2013	161,567,000	44,740,000	45,695,000	-	-	-		
2014	150,972,000	36,095,000	148,380,000	2,220,807	1,705,732	8,502,636		
2015	140,072,000	31,610,000	142,200,000	11,567,086	1,324,131	8,040,688		
2016	127,782,000	24,850,000	204,090,000	10,630,056	832,855	11,447,974		
2017	115,722,000	9,595,000	198,520,000	12,263,924	624,642	15,075,185		
2018	105,707,000	7,845,000	230,635,000	11,025,887	416,428	17,271,299		
Fiscal Year	General Bonded Debt	Less Amount Available in Debt Service Fund	Net General Bonded Debt Outstanding	Estimated Actual Taxable Value of Property	Percentage of Estimated Actual Taxable Value of Property	Total Primary Government ¹	Percentage of Personal Income ²	Per Capita ²
2009	483,200,000	-	483,200,000	30,523,597,506	1.58%	636,165,000	9.20%	2,704
2010	467,920,000	-	467,920,000	31,011,422,761	1.51%	608,655,000	9.35%	2,578
2011	459,715,000	18,321,538	441,393,462	22,396,334,191	1.97%	603,345,000	9.22%	2,535
2012	439,135,000	19,258,684	419,876,316	21,102,582,630	1.99%	570,770,000	7.84%	2,383
2013	417,855,000	16,419,386	401,435,614	21,502,506,694	1.87%	535,685,000	6.71%	2,213
2014	384,650,000	16,186,172	368,463,828	23,588,561,444	1.56%	608,805,370	7.76%	2,521
2015	362,215,000	14,910,017	347,304,983	29,230,173,658	1.19%	593,320,112	7.15%	2,397
2016	332,870,000	15,281,782	317,588,218	31,514,093,091	1.01%	614,901,176	7.35%	2,465
2017	302,595,000	8,981,699	293,613,301	32,319,847,780	0.91%	568,997,296	6.20%	2,128
2018	328,995,000	7,451,989	321,543,011	33,265,569,654	0.97%	624,864,531	6.24%	2,267

Notes: Details regarding the City's outstanding debt can be found in the Notes to the Financial Statements.

¹ Includes general bonded debt, other governmental activities debt and business-type activities debt.

² Population and personal income data can be found in Schedule 14.

CITY OF CHANDLER, ARIZONA
DIRECT AND OVERLAPPING GOVERNMENTAL ACTIVITIES DEBT
AS OF JUNE 30, 2018

Schedule 11

Governmental Unit	Debt Outstanding	Estimated Percentage Applicable	Estimated Share of Overlapping Debt
Debt repaid with property taxes			
State of Arizona	None	4.52%	None
Maricopa County	None	7.02	None
Maricopa County Community College District	\$ 445,570,000	7.02	\$ 31,276,828
Maricopa County Special Healthcare District	112,000,000	7.02	7,865,067
Chandler Unified School District No. 80	184,610,000	75.67	139,701,771
Kyrene Elementary School District No. 28	185,475,000	28.39	52,658,207
Mesa Unified School District No. 4	245,000,000	4.50	11,017,650
Gilbert Unified School District No. 41	100,040,000	2.70	2,702,080
East Valley Institute of Technology	None	12.66	None
Subtotal, overlapping debt			245,221,603
City direct debt	328,995,000	100.00	328,995,000
Total direct and overlapping debt			<u>\$ 574,216,603</u>

Source: Piper Jaffray & Co.

Note: The applicable percentage of overlap for each type of debt was computed on the net limited property assessed valuation as calculated for fiscal year 2017-18 for the overlapping jurisdiction to the amount of such valuation which lies within the City of Chandler.

CITY OF CHANDLER, ARIZONA
LEGAL DEBT MARGIN INFORMATION
LAST TEN FISCAL YEARS

	2009	2010	2011	2012
<u>6% General Obligation Bond Limitation</u>				
Debt limit	\$ 210,484,297	\$ 210,484,297	\$ 148,117,597	\$ 135,310,758
Total net debt applicable to limit	10,934,000	9,494,000	13,361,000	11,840,000
Legal debt margin	<u>\$ 199,550,297</u>	<u>\$ 200,990,297</u>	<u>\$ 134,756,597</u>	<u>\$ 123,470,758</u>
Total net debt applicable to the limit as a percentage of the debt limit	5%	5%	9%	9%
<u>20% General Obligation Bond Limitation</u>				
Debt limit	\$ 701,614,322	\$ 701,614,322	\$ 493,725,323	\$ 451,035,860
Total net debt applicable to limit	472,266,000	458,426,000	446,354,000	427,295,000
Legal debt margin	<u>\$ 229,348,322</u>	<u>\$ 243,188,322</u>	<u>\$ 47,371,323</u>	<u>\$ 23,740,860</u>
Total net debt applicable to the limit as a percentage of the debt limit	67%	65%	90%	95%

Source: Piper Jaffray, Inc.

Notes: Under Arizona law, cities may issue general obligation bonds for purposes of water, wastewater, artificial light, open space preserves, public safety and emergency services, streets, transportation, playgrounds and recreational facilities up to an amount not to exceed 20 percent of parks, secondary assessed valuation. Cities may issue general obligation bonds for any other purpose up to an amount not to exceed 6 percent of secondary assessed valuation. Prior to Fiscal Year 2016, the Assessed Valuation was based on the Net Assessed Secondary Value. Due to a change in the legislation (Proposition 117), in Fiscal Year 2016, the City is required to use the Limited Property Value.

Schedule 12

Legal Debt Margin Calculation for Fiscal Year 2018

Full Cash Assessed Valuation as of June 30, 2018	\$ 3,489,504,715
Debt limit (6% of assessed value)	209,370,282
Debt applicable to limit:	
6% general obligation bonds	14,974,350
Legal 6% debt margin	<u>\$ 194,395,932</u>
Debt limit (20% of assessed value)	\$ 697,900,943
Debt applicable to limit:	
20% general obligation bonds	324,166,628
Legal 20% debt margin	<u>\$ 373,734,315</u>

Fiscal Year

2013	2014	2015	2016	2017	2018
\$ 130,522,600	\$ 142,895,404	\$ 142,827,478	\$ 190,024,847	\$ 198,432,895	\$ 209,370,282
10,869,000	10,198,000	9,848,400	9,427,250	8,952,650	14,974,350
<u>\$ 119,653,600</u>	<u>\$ 132,697,404</u>	<u>\$ 132,979,078</u>	<u>\$ 180,597,597</u>	<u>\$ 189,480,245</u>	<u>\$ 194,395,932</u>
8%	7%	7%	5%	5%	7%
\$ 435,075,335	\$ 476,318,016	\$ 476,091,596	\$ 633,416,159	\$ 661,442,986	\$ 697,900,943
406,986,000	374,452,000	352,366,600	323,442,750	300,592,650	324,166,628
<u>\$ 28,089,335</u>	<u>\$ 101,866,016</u>	<u>\$ 123,724,996</u>	<u>\$ 309,973,409</u>	<u>\$ 360,850,336</u>	<u>\$ 373,734,315</u>
94%	79%	74%	51%	45%	46%

CITY OF CHANDLER, ARIZONA
PLEDGED-REVENUE COVERAGE
LAST TEN FISCAL YEARS

Schedule 13a

Street & Highway Revenue Bonds						
Fiscal Year	Highway User Taxes	Less: Operating Expenses	Net Available Revenue	Debt Service		Coverage
				Principal	Interest	
2009	13,849,284	10,599,041	3,250,243	3,050,000	1,572,829	0.70
2010	13,116,481	9,018,598	4,097,883	3,180,000	1,198,194	0.94
2011	13,287,878	9,336,554	3,951,324	2,875,000	1,176,009	0.98
2012	11,823,280	7,895,663	3,927,617	3,700,000	936,975	0.85
2013	12,929,504	10,893,216	2,036,288	3,830,000	833,475	0.44
2014	13,352,622	10,547,032	2,805,590	3,975,000	515,175	0.62
2015	14,633,470	8,257,078	6,376,392	3,970,000	462,047	1.44
2016	15,303,635	11,951,019	3,352,616	3,370,000	375,650	0.90
2017	16,683,743	10,887,942	5,795,801	2,415,000	256,438	2.17
2018	16,135,949	12,073,072	4,062,877	2,220,000	163,988	1.70

Water Revenue Bonds						
Fiscal Year	Utility Service Charges	Less: Operating Expenses	Net Available Revenue	Debt Service		Coverage
				Principal	Interest	
2009	39,707,910	31,084,108	8,623,802	4,854,151	2,419,526	1.19
2010	42,276,145	31,137,157	11,138,988	5,471,256	2,205,623	1.45
2011	43,708,974	26,834,274	16,874,700	6,007,332	1,875,330	2.14
2012	49,556,831	26,351,735	23,205,096	6,498,090	1,641,612	2.85
2013	48,258,282	26,890,219	21,368,063	6,062,435	1,375,854	2.87
2014	49,588,376	27,840,478	21,747,898	3,300,000	869,064	5.22
2015	48,045,103	27,645,076	20,400,027	3,205,000	730,854	5.18
2016	50,483,097	26,907,780	23,575,317	8,408,500	566,680	2.63
2017	53,251,020	34,188,323	19,062,697	1,750,000	307,160	9.27
2018	54,031,592	35,833,361	18,198,231	2,212,000	219,660	7.48

Excise Tax Revenue Obligations						
Fiscal Year	Excise Tax Collections	Less: Operating Expenses	Net Available Revenue	Debt Service		Coverage
				Principal	Interest	
2009	148,768,677	-	148,768,677	-	462,667	321.55
2010	141,025,083	-	141,025,083	500,000	1,133,063	86.36
2011	136,164,353	-	136,164,353	1,100,000	1,118,063	61.39
2012	148,885,867	-	148,885,867	1,745,000	1,703,358	43.18
2013	156,621,139	-	156,621,139	1,815,000	1,584,863	46.07
2014	162,664,325	-	162,664,325	6,180,000	4,483,662	15.25
2015	170,432,597	-	170,432,597	4,770,000	6,044,175	15.76
2016	175,820,443	-	175,820,443	2,805,000	7,193,019	17.59
2017	188,911,070	-	188,911,070	4,105,000	8,097,704	15.48
2018	195,551,184	-	195,551,184	6,640,000	8,879,859	12.60

Notes: Details regarding the City's outstanding debt can be found in the Notes to the Financial Statements.

Operating expenses do not include interest, depreciation or amortization expenses.

See Note 5 for breakdown of revenue pledged for Excise Tax Revenue Obligations; first pledged February 4, 2009.

CITY OF CHANDLER, ARIZONA
PLEDGED-REVENUE COVERAGE
LAST TEN FISCAL YEARS

Schedule 13b

Wastewater Revenue Bonds						
Fiscal Year	Utility Service Charges	Less: Operating Expenses	Net Available Revenue	Debt Service		Coverage
				Principal	Interest	
2009	25,922,530	17,663,644	8,258,886	3,915,849	1,341,752	1.57
2010	28,406,808	15,821,939	12,584,869	3,678,744	1,104,530	2.63
2011	31,610,009	15,759,431	15,850,578	1,602,668	947,148	6.22
2012	35,907,085	16,752,467	19,154,618	1,431,910	874,363	8.31
2013	37,690,400	18,879,022	18,811,378	2,197,565	809,286	6.26
2014	40,509,289	18,780,034	21,729,255	1,185,000	585,029	12.28
2015	45,666,777	22,907,111	22,759,666	3,555,000	548,545	5.55
2016	51,321,346	23,054,518	28,266,828	6,846,500	368,470	3.92
2017	53,563,934	23,470,067	30,093,867	-	94,140	319.67
2018	56,367,650	28,967,201	27,400,449	948,000	94,140	26.29

Note: Details regarding the City's outstanding debt can be found in the Notes to the Financial Statements.
Operating expenses do not include interest, depreciation or amortization expenses.

CITY OF CHANDLER, ARIZONA
DEMOGRAPHIC AND ECONOMIC STATISTICS
LAST TEN FISCAL YEARS

Schedule 14

Fiscal Year	Population (1)	Total Personal Income (2)	Median Age (2)	Unemployment Rate (3)	Per Capita Personal Income (2)
2009	235,298	6,916,584,710	32.8	6.2%	29,395
2010	236,123	(4) 6,507,077,634	32.5	6.9%	27,558
2011	237,979	6,541,804,731	31.7	6.6%	27,489
2012	239,538	7,279,080,744	32.4	6.1%	30,388
2013	242,115	7,983,015,780	34.9	6.0%	32,972
2014	241,460	7,846,725,620	35.0	5.5%	32,497
2015	247,552	8,297,943,040	34.9	4.7%	33,520
2016	249,497	8,363,139,440	34.9	4.5%	33,520
2017	267,322	9,180,639,446	35.2	3.9%	34,343
2018	275,654	10,006,515,854	35.3	3.6%	36,301

Sources:

- 1 City's Planning Division based on July 1st
- 2 City's Economic Development Division
- 3 Arizona Office of Employment and Population Statistics
- 4 Official U.S. Census

Notes: Total personal income is composed of earned income, dividends, interest and rents, and government transfer payments.

Per capita personal income is calculated by dividing total personal income by population; amounts may not be exact due to rounding.

CITY OF CHANDLER, ARIZONA
PRINCIPAL EMPLOYERS
CURRENT YEAR AND TEN YEARS AGO

Schedule 15

2018			
Employer	Employees	Rank	Percentage of Total City Employment
Intel Corporation	11,000	1	7.89%
Chandler Unified School District	4,900	2	3.51%
Wells Fargo	4,500	3	3.23%
Bank of America	3,800	4	2.72%
Chandler Regional Medical Center	2,100	5	1.51%
Paypal	1,750	6	1.25%
NXP (Formerly Freescale Semiconductor)	1,700	7	1.22%
Northrop Grumman	1,650	8	1.18%
Microchip Technology	1,625	9	1.17%
City of Chandler	1,621	10	1.16%
Total	34,646		24.84%

2009			
Employer	Employees	Rank	Percentage of Total City Employment
Intel Corporation	10,000	1	8.34%
Bank of America	3,500	2	2.92%
Chandler Unified School District	3,000	3	2.50%
Wells Fargo Ocotillo Corporate Campus	2,243	4	1.87%
City of Chandler	1,652	5	1.38%
Chandler Regional Hospital	1,600	6	1.34%
Microchip Technology	1,538	7	1.28%
Verizon Wireless	1,500	8	1.25%
Freescale Semiconductor	1,450	9	1.21%
Orbital Sciences	1,425	10	1.19%
Total	27,908		23.28%

Source: City's Economic Development Division and Arizona Office of Employment and Population Statistics.

CITY OF CHANDLER, ARIZONA
EMPLOYEES BY FUNCTION
LAST TEN FISCAL YEARS

	Fiscal Year			
	2009	2010 (1)	2011 (2)	2012
Full Time Equivalent Personnel				
Mayor and council	5	5	5	6
City clerk	6	6	5	4
City manager	103	96	122	124
Communications/public affairs	18	15	12	14
City magistrate	43	41	40	38
Law	28	27	27	30
Management services	105	95	85	72
Total General Government	308	285	296	288
Total Planning and Development	103	80	-	-
Total Transportation and Development	-	-	172	170
Total Community Services	207	226	229	231
Public works administration	3	3	-	-
Streets	57	50	-	-
Airport	6	6	-	-
Engineering, development and Real estate	80	74	-	-
Total Public Works	146	133	-	-
Police	483	478	467	467
Fire	223	219	218	238
Total Public Safety	706	697	685	705
Municipal utilities administration	5	6	5	5
Water	86	80	88	89
Wastewater	41	42	42	42
Solid waste	18	20	20	19
Total Municipal Utilities	150	148	155	155
Total Primary Government	1,620	1,569 (1)	1,537 (2)	1,549

Source: City's Human Resources Division

(1) The significant change in 2009 and 2010 are a result of the City offering a retirement incentives, voluntary separation packages, and movement between departments to retain employees in the midst of the recession.

(2) The significant change in 2010 and 2011 are the result of Public Works Department and Planning and Development Department consolidated into one Transportation and Development Department.

(3) The significant change in 2015 and 2016 are a result of Library, Museum and Center for the Arts moving from Community Services to City Manager Department.

(4) The significant change in 2016 and 2017 are a result of Library, Museum and Center for the Arts moving from City Manager Department to Community Services.

Notes: The calculation of full time equivalent personnel includes full time and part time regular employees as of the last pay period of the fiscal year.

Fical Year					
2013	2014	2015	2016 ⁽³⁾	2017 ⁽⁴⁾	2018
4	4	4	4	11	4
5	6	6	6	7	6
178	174	176	240	206	199
19	13	13	15	15	15
39	35	37	39	38	40
29	29	31	31	31	30
72	66	69	67	64	67
346	327	336	402	372	361
-	-	-	-	-	-
163	159	165	150	152	160
192	199	198	156	199	202
-	-	-	-	-	-
-	-	-	-	-	-
-	-	-	-	-	-
-	-	-	-	-	-
-	-	-	-	-	-
468	467	483	490	491	501
234	224	237	240	222	233
702	691	720	730	713	734
4	5	5	8	7	7
85	87	87	87	89	90
46	46	62	65	69	74
18	16	20	21	20	18
153	154	174	181	185	189
1,556	1,530	1,593	1,619 ⁽³⁾	1,621 ⁽⁴⁾	1,646

CITY OF CHANDLER, ARIZONA
OPERATING INDICATORS BY FUNCTION / PROGRAM
LAST TEN FISCAL YEARS

Function/Program	Fiscal Year			
	2009	2010	2011	2012
General Government				
Privilege tax licenses	23,460	22,715	23,821	25,726
Meeting notices posted	479	481	506	599
City council actions and agenda items prepared	1,055	977	848	908
Grant awards received	66	40	43	26
Inventory turnover ratio	2.50	2.10	2.22	2.07
Transportation & Development				
Building permits issued	3,800	3,883	2,330	5,462
Community Services				
Library circulation	2,506,602	2,592,243	2,494,009	2,489,741
Center for the Arts events & exhibits	977	335 (1)	1,050	1,000
Public Safety				
Crime rate (per 1,000 population)	35.2	31.8	34.4	33.2
Total calls for police services (estimated)	157,039	146,508	141,279	137,170
Total calls for fire services	18,474	16,904	17,892	17,950
Fire inspections	3,891	3,208	4,424	5,188
Fire investigations	49	43	46	34
Municipal Utilities				
Water connections	77,596	76,894	77,408	77,626
Operating wells	29	31	30	28
Daily pumping capacity - wells (gallons)	66,020,000	70,700,000	64,460,000	61,920,000
Daily pumping capacity - plants (gallons)	60,000,000	72,000,000 (2)	72,000,000	72,000,000
Sewer connections	71,880	73,042	73,118	73,712
Sanitary sewer (miles)	857	862	866	868
Solid waste customers served	67,902	68,362	69,480	70,179
Solid waste refuse collected (tons)	89,408	85,160	88,466	85,257
Solid waste refuse recycled (tons)	24,596	22,245	20,832	21,096

Source: City of Chandler Departments

(1) The 2010 decrease in Center for the Arts events & exhibits is the result of renovations within the Center for the Arts

(2) The 2010 increase in Daily pumping capacity-plants (gallons) is the result of the completion of the San Tan Vista Surface Water Treatment Plant (joint plan with the Town of Gilbert) and the Pecos Surface Water Treatment Plant

Fiscal Year					
2013	2014	2015	2016	2017	2018
27,387	27,467	28,224	29,582	28,321	28,046
584	564	544	565	535	681
834	780	867	844	860	838
43	53	51	46	43	27
1.89	2.10	1.57	1.74	1.81	1.79
3,785	5,490	5,170	5,142	4,635	3,944
2,395,192	2,332,758	2,163,076	2,101,421	2,059,429	2,041,574
1,003	938	939	985	1,048	1,177
28.0	26.7	23.2	25.9	26.4	24.5
137,485	145,400	139,177	145,466	156,186	159,301
18,474	18,865	22,785	23,966	25,072	25,185
5,029	5,442	4,692	5,814	4,635	5,135
22	16	27	30	27	41
79,278	79,766	80,401	83,089	84,670	84,338
26	27	28	28	31	32
64,790,000	64,710,000	64,400,000	66,300,000	74,400,000	74,100,000
72,000,000	72,000,000	72,000,000	72,000,000	72,000,000	84,000,000
74,606	75,564	76,492	78,144	78,972	79,841
869	890	911	917	928	933
70,667	71,269	71,860	73,162	73,288	75,018
86,557	83,950	84,209	81,653	80,069	83,004
20,680	21,046	22,442	22,102	22,305	22,101

CITY OF CHANDLER, ARIZONA
CAPITAL ASSET STATISTICS BY FUNCTION / PROGRAM
LAST TEN FISCAL YEARS

Function/Program	Fiscal Year			
	2009	2010	2011	2012
Community Services				
Developed parks	59	61	61	61
Developed acres	1,133	1,198	1,192	1,196
Undeveloped acres	407	336	342	338
Swimming pools	6	6	6	6
Lighted Fields	34	34	34	34
Library bookstock	472,266	446,675	429,604	555,924
Transportation and Development				
Total miles streets (center line)	832	829	829	829
Street lights	26,500	26,600	26,600	26,600
Signalized intersections	205	208	208	212
Public Safety				
Police stations	3	3	3	3
Fire stations	10	10	10	10
General Government				
Based aircraft	449	449	437	399
Municipal Utilities				
Water mains (miles)	1,189	1,194	1,223	1,227
Fire hydrants	13,750	12,318 (1)	12,925	10,877
Average daily treatment (mgd)	24	22	24	24

Source: City of Chandler Departments

(1) The 2010 decrease in Fire Hydrants is due to the City adjusting the count to include only hydrants owned and maintained by the City.

(2) The 2015 decrease in Library Bookstock is due to less demand from the increase usage of digital materials and removal of damaged, outdated and obsolete material no longer being circulated.

(3) Beginning fiscal year 2015-16, City staff is updating the Geographic Information System through a review of over 700 As-built, so a revised figure is reflected. The revised figure consists of active and City owned utilities.

Fiscal Year					
2013	2014	2015	2016	2017	2018
61	62	64	65	65	65
1,198	1,208	1,232	1,236	1,244	1,244
336	325	309	302	299	299
6	6	6	6	6	6
39	39	41	41	43	43
550,857	595,969	396,773 (2)	341,073	360,618	359,445
831	838	841	855	855	857
26,900	27,100	27,700	27,700	27,800	27,199
216	216	218	218	218	220
3	3	3	3	3	3
10	10	10	10	10	11
388	415	425	427	455	457
1,227	1,227	1,278	1,196 (3)	1,283	1,212
12,553	12,717	13,118	13,207	15,708	15,970
26	26	28	29	29	28



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Mayor Jay Tibshraeny & City Council