

CITY OF SINTON, TEXAS
ANNUAL FINANCIAL REPORT
FOR THE YEAR ENDED SEPTEMBER 30, 2014

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CERTIFIED PUBLIC ACCOUNTANTS

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FINANCIAL SECTION

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INDEPENDENT AUDITOR'S REPORT

To the City Council
City of Sinton, Texas

Report on the Financial Statements

We have audited the accompanying financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of City of Sinton, Texas, as of and for the year ended September 30, 2014, 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 remaining fund information of the City of Sinton, Texas, as of September 30, 2014, 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.

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis and the schedule of funding progress for the Public Employees Retirement System on pages 3 through 13 and 46, respectively, be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Other Information

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the City of Sinton, Texas' basic financial statements. The combining and individual nonmajor fund financial statements are presented for purposes of additional analysis and are not a required part of the basic financial statements. The schedule of expenditures of federal awards is presented for purposes of additional analysis as required by U.S. Office of Management and Budget Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*, and is also not a required part of the basic financial statements.

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

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated June 14, 2015, on our consideration of the City of Sinton, Texas' internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is 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 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 Sinton, Texas' internal control over financial reporting and compliance.

Wayne R. Beizer

BEYER & CO.
Certified Public Accountants
June 14, 2015

Management's Discussion and Analysis

As management of the City of Sinton, Texas, we offer readers of the City of Sinton, Texas' financial statements this narrative overview and analysis of the financial activities of the City of Sinton, Texas for the fiscal year ended September 30, 2014.

Financial Highlights

- . The assets of the City of Sinton, Texas exceeded its liabilities at the close of the most recent fiscal year by \$15,530,894 (net assets). Of this amount, \$2,763,663 (unrestricted net assets) may be used to meet the government's ongoing obligations to citizens and creditors.
- . The government's total net assets increased by \$502,106. The primary reason for the increase was an increase in EMS revenues of \$559,245 and a drop in utility revenue of \$71,156.
- . As of the close of the current fiscal year, the City of Sinton, Texas' governmental funds reported combined ending fund balances of \$5,811,750, an increase of \$1,815,811 in comparison with the prior year. Approximately 17% of this total amount, \$964,438, is available for spending at the government's discretion (unassigned fund balance).
- . At the end of the current fiscal year, unassigned fund balance for the general fund was \$964,438, or 22 percent of total general fund expenditures.
- . The City of Sinton, Texas' total debt increased by \$2,644,107 (101 percent) during the current fiscal year. The key factor in this increase was the issuance of 2014 bonds of \$3,000,000.

Overview of the Financial Statements

This discussion and analysis are intended to serve as an introduction to the City of Sinton, Texas' basic financial statements. The City of Sinton, Texas' 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 of Sinton, Texas' finances, in a manner similar to a private-sector business.

The statement of net assets presents information on all of the City of Sinton, Texas' assets and liabilities, with the difference between the two reported as net assets. Over time, increases or decreases in net assets may serve as a useful indicator of whether the financial position of the City of Sinton, Texas is improving or deteriorating.

The statement of activities presents information showing how the government's net assets changed during the most recent fiscal year. All changes in net assets 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 vacation leave).

The government-wide financial statements distinguish functions of the City of Sinton, Texas that are principally supported by taxes and intergovernmental revenues (governmental activities) from other functions that are intended to recover all or a significant portion of their costs through user fees and charges (business-type activities). The governmental activities of the City of Sinton, Texas include general administration, public safety, public transportation, capital projects, and culture and recreation. The business-type activities of the City of Sinton, Texas include a Water and Sewer fund.

The government-wide financial statements include only the City of Sinton, Texas itself (known as the primary government).

The government-wide financial statements can be found on pages 14-15 of this report.

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 of Sinton, Texas, like other state and local governments, uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements. All of the funds of the City of Sinton, Texas can be divided into two categories: governmental funds and proprietary 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 and outflows of spendable resources, as well as on balances of spendable resources available at the end of the fiscal year. Such information may be useful in evaluating a government'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 government's near-term financing decisions. Both the governmental fund balance sheet and the governmental fund statement of revenues, expenditures, and changes in fund balances provide a reconciliation to facilitate this comparison between governmental funds and governmental activities.

The City of Sinton, Texas maintains eleven individual governmental funds. Information is presented separately in the governmental fund balance sheet and in the governmental fund statement of revenues, expenditures, and changes in fund balances for the general fund, the interest and sinking fund, the 2014 tax note street improvement fund, and the economic development fund all of which are considered to be major funds. Data from the other seven 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 elsewhere in this report.

The City of Sinton, Texas adopts an annual appropriated budget for its general fund. A budgetary comparison statement has been provided for the general fund to demonstrate compliance with this budget.

The basic governmental fund financial statements can be found on pages 16-20 of this report.

Proprietary funds: The City of Sinton, Texas maintains two 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 of Sinton, Texas uses enterprise funds to account for its Water and Sewer activities. The Internal Service Funds for the City of Sinton, Texas, consist solely of the Self-Insurance Fund. This fund was created to provide physical damage coverage for accidental damages incurred by City vehicles. Because these services predominantly benefit governmental rather than business-type functions, they have been included within 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 Utility fund which is considered to be a major fund of the City of Sinton, Texas. Conversely, the internal service fund is combined into a single, aggregated presentation in the proprietary fund financial statement.

The basic proprietary fund financial statements can be found on pages 21-25 of this report.

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 on pages 26-45 of 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 of Sinton, Texas' progress in funding its obligation to provide pension benefits to its employees. Required supplementary information can be found on page 46 of this report.

The combining statements referred to earlier in connection with non-major governmental funds are presented immediately following the required supplementary information on pensions. Combining and individual fund statements and schedules can be found on pages 47-48 of this report.

Government-wide Financial Analysis

As noted earlier, net assets may serve over time as a useful indicator of a government's financial position. In the case of the City of Sinton, Texas, assets exceeded liabilities by \$15,530,894 at the close of the most recent fiscal year.

The largest portion of the City of Sinton, Texas' net assets (58 percent) reflects its investment in capital assets (e.g., land, buildings, machinery, and equipment), less any related debt used to acquire those assets that is still outstanding. The City of Sinton, Texas uses these capital assets to provide services to citizens; consequently, these assets are not available for future spending. Although the City of Sinton, Texas' 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.

CITY OF SINTON, TEXAS NET ASSETS

	Governmental Activities		Business-Type Activities		Total	
	2014	2013	2014	2013	2014	2013
Current and Other Assets	\$2,443,556	\$2,257,149	\$2,232,319	\$2,141,397	\$4,675,875	\$4,398,546
Restricted Assets:	4,752,874	2,974,028	1,819,350	141,466	6,572,224	3,115,494
Capital Assets:	6,641,156	6,801,376	4,699,815	4,819,686	11,340,971	11,621,062
Total Assets	13,837,586	12,032,553	8,751,484	7,102,549	22,589,070	19,135,102
Long-Term Liabilities	3,381,045	2,410,868	1,890,416	216,486	5,271,461	2,627,354
Other Liabilities	993,241	815,536	793,474	663,424	1,786,715	1,478,960
Total Liabilities	4,374,286	3,226,404	2,683,890	879,910	7,058,176	4,106,314
Invested in Capital Assets, Net of Related Debt	4,567,153	4,430,296	4,455,779	4,609,671	9,022,932	9,039,967
Restricted	3,531,289	3,066,598	213,010	141,466	3,744,299	3,208,064
Unrestricted	1,364,858	1,309,255	1,398,805	1,471,502	2,763,663	2,780,757
Total Net Position	\$9,463,300	\$8,806,149	\$6,067,594	\$6,222,639	\$15,530,894	\$15,028,788

An additional portion of the City of Sinton, Texas' net assets (24 percent) represents resources that are subject to external restrictions on how they may be used. The remaining balance of unrestricted net assets (\$2,763,663) may be used to meet the governments on going obligations to citizens and creditors. At the end of the current fiscal year, the City of Sinton, Texas reported a positive balance in the governmental activities and a positive balance in the business-type activities. For the prior fiscal year, the City of Sinton, Texas reported positive balances in all three categories of net assets, both for the government as a whole, as well as for its separate governmental and business-type activities.

There was an increase of \$536,235 in restricted net assets reported in connection with the City of Sinton, Texas' government-type and business-type activities. This increase resulted mainly from an increase in sales tax revenues.

The government's total net assets increased by \$502,106. The primary reason for the increase was an increase in EMS revenues of \$559,245 and a drop in utility revenue of \$71,156.

Governmental activities:

Governmental activities increased the City of Sinton, Texas' net assets by \$657,151, thereby accounting for 100 percent of the total growth in the net assets of the City of Sinton, Texas. This increase is attributable to an increase in EMS revenues of \$559,245 and an increase in ad valorem taxes of \$111,473.

**CITY OF SINTON, TEXAS
CHANGE IN NET ASSETS**

	Governmental Activities		Business-Type Activities		Total	
	2014	2013	2014	2013	2014	2013
Revenues:						
Program Revenues:						
Charges for Services	\$1,125,102	\$595,632	\$1,800,284	\$1,871,440	\$2,925,386	\$2,467,072
Capital Grants and Contributions	858,334	161,550	0	0	858,334	161,550
General Revenues:						
Maintenance and Operations Taxes	1,041,453	929,980			1,041,453	929,980
Sales Taxes	1,057,860	963,874			1,057,860	963,874
Franchise Taxes	237,537	224,100			237,537	224,100
Other Taxes	41,375	40,176			41,375	40,176
Unrestricted Investment Earnings	20,690	78,394	15,806	40,841	36,496	119,235
Miscellaneous	434,680	545,866			434,680	545,866
Total Revenue	4,817,031	3,539,572	1,816,090	1,912,281	6,633,121	5,451,853
Expenses:						
General Administration	1,425,576	837,839			1,425,576	837,839
Public Safety	2,159,109	2,176,041			2,159,109	2,176,041
Public Transportation	465,385	447,135			465,385	447,135
Culture and Recreation	573,017	717,655			573,017	717,655
Interest and Fiscal Charges	94,202	97,076			94,202	97,076
Water and Sewer			1,413,726	1,448,475	1,413,726	1,448,475
Total Expenses	4,717,289	4,275,746	1,413,726	1,448,475	6,131,015	5,724,221
Increase in Net Position Before Transfers and Special Items	99,742	(736,174)	402,364	463,806	502,106	(272,368)
Transfers	557,409	565,008	(557,409)	(565,008)	0	0
Increase in Net Position	657,151	(171,166)	(155,045)	(101,202)	502,106	(272,368)
Net Position at 09/30/2013 - Restated	8,806,149	8,977,315	6,222,639	6,323,841	15,028,788	15,301,156
Net Position at 09/30/2014	\$9,463,300	\$8,806,149	\$6,067,594	\$6,222,639	\$15,530,894	\$15,028,788

Total revenues increased by \$1,277,459 (36 percent) during the year. Total expenses increased by \$441,543 or 10%. The largest expense increase was in general administration which increased by \$587,787 which was mainly the result of an increase in grant expenses. The largest increase in revenues was in capital grants and charges for services which increased by \$696,784 and \$529,470, respectively. The largest decrease in revenues was in miscellaneous and in investment earnings which decreased by \$111,186 and \$57,704, respectively.

Expenses and Program Revenues - Governmental Activities

Functions/Programs	Expenses	Program Revenues	
		Charges for Services	Capital Grants and Contributions
Primary Government			
Government Activities:			
General Administration	\$1,425,576	\$108,959	\$858,334
Public Safety	2,159,109	958,622	
Public Transportation	465,385	48,825	
Culture and Recreation	573,017	8,696	
Interest and Fiscal Charges	94,202		
Total Government Activities:	<u>\$4,717,289</u>	<u>\$1,125,102</u>	<u>\$858,334</u>

Revenues by Source - Governmental Activities

	REVENUES	%
Charges for Services	\$1,125,102	23%
Capital Grants and Contributions	858,334	18%
Maintenance and Operations Taxes	1,041,453	22%
Sales Taxes	1,057,860	22%
Franchise Taxes	237,537	5%
Other Taxes	41,375	1%
Unrestricted Investment Earnings	20,690	0%
Miscellaneous	434,680	9%
	<u>\$4,817,031</u>	<u>100%</u>

For the most part, increases and decreases in expenses closely paralleled inflation and growth in the demand for services.

Business-type activities:

Business-type activities decreased the City of Sinton, Texas' net assets by \$155,045, thereby accounting for a 00 percent of the total growth in the net assets of the City of Sinton, Texas.

- . Demand for services for business-type activities decreased by 4 percent or \$71,156.
- . The amount of transfer to the general fund decreased by \$7,599 or 1%.
- . Total expenses decreased by \$34,749 or 2%. The decrease in expenses closely paralleled inflation and an increase in the demand for services.

Expenses and Program Revenues - Business Activities

Functions/Programs	Expenses	Program Revenues	
		Charges for Services	Capital Grants and Contributions
Primary Government			
Business-Type Activities:			
Water and Sewer	\$1,413,726	\$1,800,284	\$0
Total Business-Type Activities	\$1,413,726	\$1,800,284	\$0

Revenues by Source - Business-Type Activities

	REVENUES	%
Charges for Services	\$1,800,284	99%
Unrestricted Investment Earnings	15,806	1%
	\$1,816,090	100%

Financial Analysis of the Government's Funds

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

Governmental funds:

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

As of the end of the current fiscal year, the City of Sinton, Texas' governmental funds reported combined ending fund balances of \$5,811,750, an increase of \$1,815,811 in comparison with the prior year. Key factors in this decrease are as follows:

An increase in EMS revenues of \$559,245.

Approximately 16 percent of this total amount (\$964,438) constitutes unassigned fund balance, which is available for spending at the government's discretion. The remainder of fund balance is restricted, committed, or non-spendable.

The general fund is the chief operating fund of the City of Sinton, Texas. At the end of the current fiscal year, unassigned fund balance of the general fund was \$964,438, while total fund balance reached \$971,453. As a measure of the general fund's liquidity, it may be useful to compare both unassigned fund balance and total fund balance to total fund expenditures. Unassigned fund balance represents 22 percent of total general fund expenditures, while total fund balance represents 22 percent of that same amount.

The fund balances of the City of Sinton, Texas' general fund increased by \$82,766, during the current fiscal year. Key factors in this increase are as follows:

- . The revenues increased by \$1,264,202.
- . The expenditures increased by \$569,458.
- . The transfers out increased by \$96,543.

At the end of the current fiscal year, unassigned fund balance of the economic development fund was \$-0-, while total fund balance was \$1,697,089. As a measure of the economic development fund's liquidity, it may be useful to compare both unassigned fund balance and total fund balance to total fund expenditures. Unassigned fund balance represents 00 percent of total economic development fund expenditures, while total fund balance represents 724 percent of that same amount.

The fund balances of the City of Sinton, Texas' economic development fund increased by \$416,954, during the current fiscal year. Key factors in this increase are as follows: This increase resulted mainly from a decrease in building activity and an increase in sales tax income.

At the end of the current fiscal year, unassigned fund balance of the interest and sinking fund was \$-0-, while total fund balance was \$1,181,279. As a measure of the interest and sinking fund's liquidity, it may be useful to compare both unassigned fund balance and total fund balance to total fund expenditures. Unassigned fund balance represents 00 percent of total interest and sinking fund expenditures, while total fund balance represents 380 percent of that same amount.

The fund balances of the City of Sinton, Texas' interest and sinking fund decreased by \$115,301, during the current fiscal year. Key factors in this decrease are as follows: Continued transfers from the utility fund declined.

At the end of the current fiscal year, unassigned fund balance of the 2014 Tax Note Street Improvement fund was \$-0-, while total fund balance was \$1,305,337. There is no analysis of the 2014 Tax Note Street Improvement fund because it is a construction fund and any analysis would be meaningless.

Proprietary funds:

The City of Sinton, Texas' proprietary funds provide the same type of information found in the government-wide financial statements, but in more detail.

Unrestricted net assets of the Utility fund at the end of the year amounted to \$1,398,805. The decrease in net assets was \$155,045. Other factors concerning the finances of these funds have already been addressed in the discussion of the City of Sinton, Texas' business-type activities.

General Fund Budgetary Highlights

There was no change between the original budget and the final amended budget in the general fund. Overall, actual expenditures in the general fund of \$3,474,159 were more than the budgeted expenditures of \$3,333,209 by \$140,950.

Capital Asset and Debt Administration

Capital assets:

The City of Sinton, Texas' investment in capital assets for its governmental and business-type activities as of September 30, 2014, amounts to \$11,340,971 (net of accumulated depreciation). This investment in capital assets includes land, buildings and system, improvements, machinery and equipment, park facilities, roads, highways, and bridges. The total decrease in the City of Sinton, Texas' investment in capital assets for the current fiscal year was a .27 percent decrease (a .02 percent decrease for governmental activities and a .03 percent decrease for business-type activities).

Major capital asset events during the current fiscal year included the following:

The City had street improvements and sewer facility improvements during the year which were financed by a 2014 bond.

CITY OF SINTON, TEXAS
CAPITAL ASSETS (Net of Depreciation)

	Governmental Activities		Business-Type Activities		Total	
	2014	2013	2014	2013	2014	2013
Land	\$62,250	\$62,250	\$4,000	\$4,000	\$66,250	\$66,250
Construction in Progress	90,438	0	72,354	437,128	162,792	437,128
Building and Improvements	4,013,862	4,124,610	0	0	4,013,862	4,124,610
Machinery, Equipment and Vehicles	389,304	477,409	134,431	155,855	523,735	633,264
Intangible Assets	3,775	7,550	1,238	3,714	5,013	11,264
Infrastructure	2,081,527	2,129,557	4,487,792	4,257,316	6,569,319	6,386,873
Total	\$6,641,156	\$6,801,376	\$4,699,815	\$4,858,013	\$11,340,971	\$11,659,389

Additional information on the City of Sinton, Texas' capital assets can be found in note IV C on page 37-38 of this report.

Long-term debt:

At the end of the current fiscal year, the City of Sinton, Texas had total bonded debt outstanding of \$5,142,346. Of this amount, \$5,142,346 comprises debt backed by the full faith and credit of the City of Sinton, Texas. The remainder of the City of Sinton, Texas' debt represents bonds secured solely by specified revenue sources (i.e., revenue bonds).

CITY OF SINTON, TEXAS
Outstanding Debt
Certificates of Obligation, Tax Notes, and Revenue Bonds

	Governmental Activities		Business-Type Activities		Total	
	2014	2013	2014	2013	2014	2013
Certificates of Obligation	\$3,291,970	\$2,359,987			\$3,291,970	\$2,359,987
Revenue Bonds			1,850,376	210,015	1,850,376	210,015
Total	\$3,291,970	\$2,359,987	\$1,850,376	\$210,015	\$5,142,346	\$2,570,002

The City of Sinton, Texas' total bonded debt increased by \$2,644,107 (101 percent) during the current fiscal year. The key factor in this increase was debt a debt issuance of \$3,000,000.

The City of Sinton, Texas and its Utility fund both maintain a "AA" rating from Standard & Poor's and Fitch and a "AA2" rating from Moody's for general obligation debt. State statutes limit the amount of general obligation debt a governmental entity may issue to 25 percent of its total assessed valuation. The current debt limitation for the City of Sinton, Texas is \$37,445,498, which is significantly in excess of the City of Sinton, Texas' outstanding general obligation debt.

Additional information on the City of Sinton, Texas' long-term debt can be found in note IV F on pages 39-41 of this report.

Requests for Information

This financial report is designed to provide a general overview of the City of Sinton, Texas' finances for all those with an interest in the government's finances. Questions concerning any of the information provided in this report or requests for additional financial information should be addressed to the Office of the Finance Department, P.O. Box 1395, Sinton, Texas, 78387.

BASIC FINANCIAL STATEMENTS

GOVERNMENT-WIDE FINANCIAL STATEMENTS

CITY OF SINTON, TEXAS
STATEMENT OF NET POSITION
SEPTEMBER 30, 2014

	Primary Government		Total
	Governmental Activities	Business-type Activities	
ASSETS			
Cash and Cash Equivalents	\$1,627,275	\$1,937,161	\$3,564,436
Receivables (net of allowance for uncollectibles)	809,266	260,299	1,069,565
Inventories	7,015	34,859	41,874
Restricted Assets:			
Cash and Cash Equivalents	4,708,699	1,819,350	6,528,049
Receivables (net of allowance for uncollectibles)	44,175		44,175
Capital Assets Not Being Depreciated:			
Land	62,250	4,000	66,250
Construction in Progress	90,438	72,354	162,792
Total Capital Assets Being Depreciated, Net			
Building and Improvements	4,013,862	4,487,792	8,501,654
Machinery and Equipment	389,304	134,431	523,735
Infrastructure	2,081,527		2,081,527
Intangible Assets	3,775	1,238	5,013
Total Assets	<u>\$13,837,586</u>	<u>\$8,751,484</u>	<u>\$22,589,070</u>
LIABILITIES			
Accounts Payable	\$106,801	\$85,155	\$191,956
Accrued Wages	40,960	10,590	51,550
Accrued Interest Payable	19,333	13,524	32,857
Consumer Meter Deposit		252,118	252,118
Unearned Revenue	826,147	432,087	1,258,234
Noncurrent Liabilities			
Due Within One Year	512,106	106,862	618,968
Due in More Than One Year	2,868,939	1,783,554	4,652,493
Total Liabilities	<u>4,374,286</u>	<u>2,683,890</u>	<u>7,058,176</u>
NET POSITION			
Invested in Capital Assets, Net of Related Debt	4,567,153	4,455,779	9,022,932
Restricted for:			
Debt Service	1,181,279	75,330	1,256,609
Construction	520,963	137,680	658,643
Economic Development	1,697,089		1,697,089
Public Safety	131,958		131,958
Unrestricted	1,364,858	1,398,805	2,763,663
Total Net Position	<u>\$9,463,300</u>	<u>\$6,067,594</u>	<u>\$15,530,894</u>

The accompanying notes are an integral part of this statement.

CITY OF SINTON, TEXAS
STATEMENT OF ACTIVITIES
YEAR ENDED SEPTEMBER 30, 2014

Functions/Programs	Expenses	Program Revenues			Net (Expense)	Net (Expense)
		Charges for Services	Grants and Contributions	Governmental Activities	Revenue and	Revenue and
					Capital	Changes in
				Business-type Activities	Total	
Primary government						
Government Activities:						
General Administration	\$1,425,576	\$108,959	858,334	(458,283)		(\$458,283)
Public Safety	2,159,109	958,622		(1,200,487)		(1,200,487)
Public Transportation	465,385	48,825		(416,560)		(416,560)
Culture and Recreation	573,017	8,696		(564,321)		(564,321)
Interest and Fiscal Charges	94,202			(94,202)		(94,202)
Total Government Activities	<u>4,717,289</u>	<u>1,125,102</u>	<u>858,334</u>	<u>(2,733,853)</u>	<u>0</u>	<u>(2,733,853)</u>
Business-Type Activities:						
Water and Sewer	1,413,726	1,800,284			386,558	386,558
Total Business-Type Activities	<u>1,413,726</u>	<u>1,800,284</u>	<u>0</u>	<u>0</u>	<u>386,558</u>	<u>386,558</u>
Total Primary Government	<u>\$6,131,015</u>	<u>\$2,925,386</u>	<u>\$858,334</u>	<u>(2,733,853)</u>	<u>386,558</u>	<u>(2,347,295)</u>
General Revenues						
Property Taxes, Levies for General Purposes				1,041,453		1,041,453
Sales Taxes				1,057,860		1,057,860
Franchise Taxes				237,537		237,537
Other Taxes				41,375		41,375
Unrestricted Investment Earnings				20,690	15,806	36,496
Miscellaneous				434,680		434,680
Transfers				557,409	(557,409)	0
Total General Revenues and Transfers				<u>3,391,004</u>	<u>(541,603)</u>	<u>2,849,401</u>
Change in Net Position				657,151	(155,045)	502,106
Net Position - Beginning - Restated				8,806,149	6,222,639	15,028,788
Net Position - Ending				<u>\$9,463,300</u>	<u>\$6,067,594</u>	<u>\$15,530,894</u>

The accompanying notes are an integral part of this statement.

FUND FINANCIAL STATEMENTS

CITY OF SINTON, TEXAS
BALANCE SHEET - GOVERNMENTAL FUNDS
SEPTEMBER 30, 2014

	General Fund	Interest and Sinking Fund	Economic Development Fund	2014 Tax Note Street Improvement Fund	Other Governmental Funds	Total Governmental Funds
ASSETS						
Cash and Cash Equivalents	\$1,299,916	\$0	\$0	\$0	\$185,093	\$1,485,009
Receivables (net of allowance for uncollectibles)	727,656					727,656
Inventories	7,015					7,015
Restricted Assets						
Cash and Cash Equivalents		1,181,279	1,652,914	1,366,337	508,169	4,708,699
Receivables (net of allowance for uncollectibles)			44,175			44,175
Total Assets	\$2,034,587	\$1,181,279	\$1,697,089	\$1,366,337	\$693,262	\$6,972,554
LIABILITIES AND FUND BALANCES						
Liabilities						
Accounts Payable	\$9,131			\$61,000	\$36,670	\$106,801
Accrued Wages	40,960					40,960
Deferred Revenue	826,147					826,147
Total Liabilities	876,238	0	0	61,000	36,670	973,908
DEFERRED INFLOWS OF RESOURCES						
Deferred Property Taxes	186,896					186,896
Fund Balances:						
Non-Spendable						
Inventories	7,015					7,015
Restricted						
Debt Service		1,181,279				1,181,279
Construction				1,305,337	483,838	1,789,175
Economic Development			1,697,089			1,697,089
Public Safety					131,958	131,958
Committed						
Construction					40,796	40,796
Unassigned	964,438					964,438
Total Fund Balance	971,453	1,181,279	1,697,089	1,305,337	656,592	5,811,750
Total Liabilities and Fund Balances	\$2,034,587	\$1,181,279	\$1,697,089	\$1,366,337	\$693,262	\$6,972,554

The accompanying notes are an integral part of this statement.

CITY OF SINTON, TEXAS
 RECONCILIATION OF THE GOVERNMENTAL FUNDS BALANCE SHEET
 TO THE STATEMENT OF NET POSITION
 SEPTEMBER 30, 2014

Total Fund Balances - governmental funds balance sheet

Amounts reported for governmental activities in the statement of Net Position ("SNA") are different because:	\$5,811,750
Capital assets used in governmental activities are not reported in the funds.	6,641,156
Property taxes receivable unavailable to pay for current period expenditures are deferred in the funds (net of allowance for uncollectibles).	186,896
Other long-term assets are not available to pay for current period expenditures and, therefore, are deferred in the funds.	81,610
Long-term liabilities, including bonds payable, are not due and payable in the current period and therefore are not reported in the funds.	(3,381,045)
Payables for bond interest are not reported in the funds.	(19,333)
Internal Service funds are used by management to account for funds for Self-Insurance. The assets and liabilities of internal service funds are included in governmental activities in the Statement of Net Position.	<u>142,266</u>
Net Position of governmental activities - statement of Net Position	<u><u>\$9,463,300</u></u>

The accompanying notes are an integral part of this statement.

CITY OF SINTON, TEXAS
STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES
IN FUND BALANCES - GOVERNMENTAL FUNDS
YEAR ENDED SEPTEMBER 30, 2014

	General Fund	Interest and Sinking Fund	Economic Development Fund	2014 Tax Note Street Improvement Fund	Other Governmental Funds	Total Governmental Funds
REVENUES						
Taxes						
Property	\$1,032,865	\$0	\$0	\$0	\$0	\$1,032,865
Sales	485,823		572,037			1,057,860
Franchise	237,537					237,537
Other	41,375					41,375
Licenses and Permits	64,773					64,773
Intergovernmental	858,334					858,334
Charges for Services	1,004,645				44,239	1,048,884
Fines and Forfeitures	40,550					40,550
Interest	2,951	4,485	4,631	6,213	1,916	20,196
Miscellaneous	345,198		74,679		14,803	434,680
Total Revenues	4,114,051	4,485	651,347	6,213	60,958	4,837,054
EXPENDITURES						
Current:						
General Administration	561,632				89	561,721
Public Safety	2,051,654				4	2,051,658
Public Transportation	413,110					413,110
Culture and Recreation	447,763		32,561			480,324
Capital Projects -						
Capital Outlay and Other	858,334			61,000		919,334
Debt Service						
Principal Retirement		286,667	140,000			426,667
Interest and Fiscal Charges		24,130	61,832	29,438		115,400
Total Expenditures	4,332,493	310,797	234,393	90,438	93	4,968,214
Excess (Deficiency) of Revenues Over (Under) Expenditures	(218,442)	(306,312)	416,954	(84,225)	60,865	(131,160)
OTHER FINANCING SOURCES (USES):						
Other Financing Sources - Bond Proceeds				1,358,650		1,358,650
Other Financing Sources - Bond Premium				30,912		30,912
Operating Transfers In	602,822	191,011			65,190	859,023
Operating Transfers Out	(301,614)					(301,614)
Total Other Financing Sources (Uses)	301,208	191,011	0	1,389,562	65,190	1,946,971
Net Changes in Fund Balances	82,766	(115,301)	416,954	1,305,337	126,055	1,815,811
Fund Balances - Beginning - Restated	888,687	1,296,580	1,280,135	0	530,537	3,995,939
Fund Balances - Ending	\$971,453	\$1,181,279	\$1,697,089	\$1,305,337	\$656,592	\$5,811,750

The accompanying notes are an integral part of this statement.

CITY OF SINTON, TEXAS
 RECONCILIATION OF THE STATEMENT OF REVENUES,
 EXPENDITURES, AND CHANGES IN FUND BALANCES OF
 GOVERNMENTAL FUNDS TO THE STATEMENT OF ACTIVITIES
 YEAR ENDED SEPTEMBER 30, 2014

Net Changes in Fund Balances - total governmental funds \$1,815,811

Amounts reported for governmental activities in the statement of Net Position
 ("SNA") are different because:

Governmental funds report capital outlays as expenditures. However, in the statement of activities the cost of those assets is allocated over their estimated useful lives and reported as depreciation expense. This is the amount by which capital outlays exceeded depreciation in the current period.	(160,220)
Increase in loan principal are receipts in the funds but not revenue in the SOA.	(1,358,650)
(Increase) decrease in bond premium from beginning of period to end of period.	(30,912)
(Increase) decrease in accrued interest from beginning of period to end of period.	(8,240)
(Increase) decrease in compensated absences from beginning of period to end of period.	(7,282)
Other long-term assets are not available to pay for current period expenditures and, therefore, are deferred in the funds. This is the change in these amounts this year.	(29,105)
Internal Service funds are used by management to account for funds for Self-Insurance. The net revenue of certain activities of Internal service funds is reported with governmental activities.	494
Certain property tax revenues are deferred in the funds. This is the change in these amounts this year.	8,588
Repayment of loan principal is an expenditure in the funds but not an expense in the SOA.	<u>426,667</u>
Change in Net Position of governmental activities - statement of activities	<u>\$657,151</u>

The accompanying notes are an integral part of this statement.

CITY OF SINTON, TEXAS
GENERAL FUND
STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES - BUDGET AND ACTUAL
FOR THE YEAR ENDED SEPTEMBER 30, 2014

	Budgeted Amounts		Actual	Variance with Final Budget - Positive (Negative)
	Original	Final		
REVENUES				
Taxes				
Property	\$986,000	\$986,000	\$1,032,865	\$46,865
Sales	470,000	470,000	485,823	15,823
Franchise	259,000	259,000	237,537	(21,463)
Other	35,000	35,000	41,375	6,375
Licenses and Permits	9,000	9,000	64,773	55,773
Charges for Services	714,600	714,600	1,004,645	290,045
Fines and Forfeitures	90,000	90,000	40,550	(49,450)
Interest	30,000	30,000	2,951	(27,049)
Miscellaneous	355,900	355,900	345,198	(10,702)
Total Revenues	<u>2,949,500</u>	<u>2,949,500</u>	<u>3,255,717</u>	<u>306,217</u>
EXPENDITURES				
Current:				
General Administration				
General administration	483,935	483,935	561,632	(77,697)
Public Safety				
Animal Control	63,039	63,039	75,254	(12,215)
EMS	734,527	734,527	913,445	(178,918)
Fire Department	75,725	75,725	79,881	(4,156)
inspection	8,220	8,220	4,084	4,136
Municipal Court	67,989	67,989	73,368	(5,379)
Police Department	881,588	881,588	905,622	(24,034)
Public Transportation				
Streets	479,454	479,454	413,110	66,344
Culture and Recreation				
Parks	332,852	332,852	265,434	67,418
Library	205,880	205,880	182,329	23,551
Total Expenditures	<u>3,333,209</u>	<u>3,333,209</u>	<u>3,474,159</u>	<u>(140,950)</u>
Excess (Deficiency) of Revenues Over (Under) Expenditures	<u>(383,709)</u>	<u>(383,709)</u>	<u>(218,442)</u>	<u>165,267</u>
OTHER FINANCING SOURCES (USES):				
Transfers In	602,822	602,822	602,822	0
Transfers Out	(219,100)	(219,100)	(301,614)	(82,514)
Total Other Financing Sources (Uses)	<u>383,722</u>	<u>383,722</u>	<u>301,208</u>	<u>(82,514)</u>
Net Changes in Fund Balances	13	13	82,766	82,753
Fund Balances - Beginning	888,687	888,687	888,687	
Fund Balances - Ending	<u>\$888,700</u>	<u>\$888,700</u>	<u>\$971,453</u>	<u>\$82,753</u>

The notes to the financial statements are an integral part of this statement.

CITY OF SINTON, TEXAS
STATEMENT OF NET POSITION
PROPRIETARY FUNDS
SEPTEMBER 30, 2014

	BUSINESS TYPE ACTIVITIES - ENTERPRISE FUNDS			GOVERN- MENTAL
	UTILITY	UTILITY	TOTALS	INTERNAL
	CURRENT YEAR	PRIOR YEAR	CURRENT YEAR	SERVICE FUND
ASSETS				
Current Assets				
Cash and Cash Equivalents	\$1,937,161	\$1,873,332	\$1,937,161	\$142,266
Accounts Receivables (net of allowance for uncollectibles)	260,299	233,206	260,299	
Inventories	34,859	34,859	34,859	
Prepays	0	0	0	
Cash and Cash Equivalents for Restricted Current Liabilities	1,819,350	141,466	1,819,350	
Total Current Assets	<u>4,051,669</u>	<u>2,282,863</u>	<u>4,051,669</u>	<u>142,266</u>
Noncurrent Assets				
Capital Assets				
Land	4,000	4,000	4,000	
Construction in Progress	72,354	0	72,354	
Buildings and Improvements	9,548,368	9,515,946	9,548,368	
Machinery and Equipment	1,084,415	1,059,041	1,084,415	
Intangible Assets	6,190	6,190	6,190	
Total Capital Assets	10,715,327	10,585,177	10,715,327	0
Less Accumulated Depreciation	(6,015,512)	(5,765,491)	(6,015,512)	
Total Capital Assets (net of accumulated depreciation)	<u>4,699,815</u>	<u>4,819,686</u>	<u>4,699,815</u>	<u>0</u>
Total Noncurrent Assets	<u>4,699,815</u>	<u>4,819,686</u>	<u>4,699,815</u>	<u>0</u>
TOTAL ASSETS	<u>\$8,751,484</u>	<u>\$7,102,549</u>	<u>\$8,751,484</u>	<u>\$142,266</u>
(continued)				

(continued)

	BUSINESS TYPE ACTIVITIES - ENTERPRISE FUNDS			GOVERN- MENTAL ACTIVITIES- INTERNAL SERVICE FUND
	UTILITY CURRENT YEAR	UTILITY PRIOR YEAR	TOTALS CURRENT YEAR	
LIABILITIES, FUND EQUITY AND OTHER CREDITS				
Liabilities				
Current Liabilities (Payable from Current Assets)				
Accounts Payable	\$85,155	\$110,778	\$85,155	
Accrued Wages	10,590	6,123	10,590	
Accrued Interest Payable	13,524	1,292	13,524	
Compensated Absences	4,650	3,236	4,650	
Deferred Revenue	432,087	303,696	432,087	
Notes Payable - Current	10,236	0	10,236	
Revenue Bonds - Current	91,976	38,333	91,976	
Total Current Liabilities	648,218	463,458	648,218	0
Current Liabilities (Payable from Restricted Assets)				
Consumer Meter Deposits	252,118	241,535	252,118	
Total Current Liabilities	252,118	241,535	252,118	0
Total Current Liabilities	900,336	704,993	900,336	0
Noncurrent Liabilities				
Compensated Absences	4,650	3,235	4,650	
Notes Payable	20,504	0	20,504	
Revenue Bonds Payable (net of unamortized premiums of \$37,344)	1,758,400	171,682	1,758,400	
Total Noncurrent Liabilities	1,783,554	174,917	1,783,554	0
Total Liabilities	2,683,890	879,910	2,683,890	0
Net Position				
Invested in Capital Assets, Net of Related Debt	4,455,779	4,609,671	4,455,779	0
Restricted for:				
Debt Service (Nonexpendable)	75,330	75,330	75,330	
Construction (Expendable)	137,680	66,136	137,680	
Unrestricted	1,398,805	1,471,502	1,398,805	142,266
Total Net Position	\$6,067,594	\$6,222,639	\$6,067,594	\$142,266

The notes to the financial statements are an integral part of this statement.

CITY OF SINTON, TEXAS
STATEMENT OF REVENUES, EXPENSES, AND CHANGES IN FUND NET POSITION
PROPRIETARY FUNDS
FOR THE YEAR ENDED SEPTEMBER 30, 2014

	BUSINESS TYPE ACTIVITIES - ENTERPRISE FUNDS			GOVERN- MENTAL ACTIVITIES- INTERNAL SERVICE FUND
	UTILITY CURRENT YEAR	UTILITY PRIOR YEAR	TOTALS CURRENT YEAR	
OPERATING REVENUES:				
Charges for Services - Water and Sewer	\$1,082,411	\$1,179,656	\$1,082,411	\$0
Charges for Services - Sewer	625,990	631,599	625,990	
Charges for Services - Other	86,892	25,865	86,892	
Miscellaneous	4,991	34,320	4,991	
Total Operating Revenues	1,800,284	1,871,440	1,800,284	0
OPERATING EXPENSES:				
Personal Services	630,041	616,690	630,041	
Supplies	91,773	77,312	91,773	
Other Services and Charges	435,035	473,912	435,035	0
Depreciation	250,022	271,606	250,022	
Total Operating Expenses	1,406,871	1,439,520	1,406,871	0
Operating Income (Loss)	393,413	431,920	393,413	0
NON-OPERATING REVENUES (EXPENSES):				
Intergovernmental	0	0	0	
Interest Income	15,806	40,841	15,806	494
Interest and Fiscal Charges	(6,855)	(8,166)	(6,855)	
Total Non-Operating Revenues (Expenses)	8,951	32,675	8,951	494
Income Before Transfers	402,364	464,595	402,364	494
Transfers In (Out)-Net	(557,409)	(565,008)	(557,409)	
Change in Net Position	(155,045)	(100,413)	(155,045)	494
Total Net Position - Beginning	6,222,639	6,323,052	6,222,639	141,772
Total Net Position - Ending	\$6,067,594	\$6,222,639	\$6,067,594	\$142,266

The notes to the financial statements are an integral part of this statement.

CITY OF SINTON, TEXAS
STATEMENT OF CASH FLOWS
PROPRIETARY FUNDS
FOR THE YEAR ENDED SEPTEMBER 30, 2014

	BUSINESS TYPE ACTIVITIES - ENTERPRISE FUNDS			GOVERN- MENTAL ACTIVITIES- INTERNAL SERVICE FUND
	UTILITY CURRENT YEAR	UTILITY PRIOR YEAR	TOTALS CURRENT YEAR	
	Cash Flows from Operating Activities			
Receipts from Customers and Users	\$1,912,165	\$2,013,617	\$1,912,165	\$0
Payments to Suppliers	(540,199)	(590,413)	(540,199)	0
Payments to Employees	(622,745)	(618,908)	(622,745)	
Net Cash Provided (Used) By Operating Activities	749,221	804,296	749,221	0
Cash Flows from Non-Capital and Related Financing Activities				
Transfers Out	(557,409)	(565,008)	(557,409)	
State and Federal Grant Receipts	0	0	0	
Net Cash Provided (Used) by Non-Capital and Related Financing Activities	(557,409)	(565,008)	(557,409)	0
Cash Flows from Capital and Related Financing Activities				
Principal Payment on Revenue Bonds, Notes and Capital Leases	(38,333)	(36,667)	(38,333)	
Proceeds from Capital Debt	1,709,433	0	1,709,433	
Interest and Fiscal Charges	(6,855)	(8,955)	(6,855)	
Purchases of Capital Assets	(130,150)	(233,279)	(130,150)	
Net Cash Provided (Used) By Capital and Related Financing Activities	1,534,095	(278,901)	1,534,095	0
Cash Flows from Investing Activities				
Interest Received	15,806	40,841	15,806	494
Net Cash Provided (Used) by Investment Activities	15,806	40,841	15,806	494
Net Increase (Decrease) in Cash Equivalents	1,741,713	1,228	1,741,713	494
Cash and Cash Equivalents at Beginning of Year	2,014,798	2,013,570	2,014,798	141,772
Cash and Cash Equivalents at End of Year	\$3,756,511	\$2,014,798	\$3,756,511	\$142,266
Unrestricted Assets:				
Cash and Cash Equivalents	\$1,937,161	\$1,873,332	\$1,937,161	\$142,266
Restricted Assets:				
Cash and Cash Equivalents	1,819,350	141,466	1,819,350	0
Total	\$3,756,511	\$2,014,798	\$3,756,511	\$142,266

(continued)

(continued)

	BUSINESS TYPE ACTIVITIES - ENTERPRISE FUNDS			GOVERN- MENTAL ACTIVITIES- INTERNAL SERVICE FUND
	UTILITY	UTILITY	TOTALS	
	CURRENT YEAR	PRIOR YEAR	CURRENT YEAR	
Reconciliation of operating income to net cash provided (used) by operating activities:				
Operating Income (Loss)	\$393,413	\$431,920	\$393,413	\$0
Adjustments to Reconcile to Net Cash Flow				
Non-Cash Items Included in Net Income				
Depreciation	250,022	271,606	250,022	0
Changes in Current Items				
Decrease (Increase) in Accounts Receivable	(27,093)	86,685	(27,093)	
Decrease (Increase) in Inventories	0	0	0	
Decrease (Increase) in Bond Issuance Costs	0	789	0	
Decrease (Increase) in Prepaids	0	0	0	
Increase (Decrease) in Accounts Payable	(25,623)	(39,771)	(25,623)	
Increase (Decrease) in Accrued Wages	4,467	738	4,467	
Increase (Decrease) in Accrued Interest Payable	12,232	(207)	12,232	
Increase (Decrease) in Compensated Absences	2,829	(2,956)	2,829	
Increase (Decrease) in Deferred Revenue	128,391	32,485	128,391	
Increase (Decrease) in Consumer Meter Deposits	10,583	23,007	10,583	0
Net Cash Provided (Used)				
By Operating Activities	<u>\$749,221</u>	<u>\$804,296</u>	<u>\$749,221</u>	<u>\$0</u>
Noncash Investing, Capital, and Financing Activities:				
Bond Issuance Proceeds	<u>\$1,709,433</u>	<u>\$0</u>	<u>\$0</u>	<u>\$0</u>
Total Noncash Investing, Capital, and Financing Activities:	<u>\$1,709,433</u>	<u>\$0</u>	<u>\$0</u>	<u>\$0</u>

The notes to the financial statements are an integral part of this statement.

CITY OF SINTON, TEXAS
NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2014

I. Summary of significant accounting policies

A. Reporting entity

The City of Sinton, Texas, was incorporated by an election held on March 1, 1916. The City operates under a charter, Manager-Council type of government and provides the following services: public safety (fire, ambulance, and law enforcement), public transportation (streets), health, culture, recreation, public facilities, legal, election functions, and general administrative services. The accounting policies of the City of Sinton, Texas, (the City) conform to generally accepted accounting principles. The City also applies all relevant Government Accounting Standards Board (GASB) pronouncements. The following is a summary of the more significant policies.

Blended Component Unit

The Sinton Economic Development Corporation is governed by a board appointed by the City Council who has the ability to impose their will on the Sinton Economic Development Corporation. Although they are legally separate from the City, the Sinton Economic Development Corporation is reported as if they are a part of the primary government because their primary purpose is to provide services to the citizens of the City. The general fund of this entity is reported as a special revenue fund of the City. Separate financial statements are not prepared for the blended component unit.

B. Government-wide and fund financial statements

The City's Government-Wide Financial Statements include a Statement of Net Position and a Statement of Activities. These statements present summaries of Governmental and Business-Type Activities for the City accompanied by a total column.

These statements are presented on an "economic resources" measurement focus and the accrual basis of accounting. Accordingly, all of the City's assets, deferred outflows of resources, liabilities, and deferred inflows of resources, including capital assets and long-term liabilities, are included in the accompanying Statement of Net Position. The Statement of Activities presents changes in Net Position. Under the accrual basis of accounting, revenues are recognized in the period in which they are earned while expenses are recognized in the period in which the liability is incurred, regardless of the timing of related cash flows. The types of transactions reported as program revenues for the City are reported in three categories: 1) charges for services, 2) operating grants and contributions, and 3) capital grants and contributions.

Certain eliminations have been made to interfund activities, payables, and receivables. All internal balances in the Statement of Net Position have been eliminated except those representing balances between the governmental activities and the business-type activities, which are presented as internal balances and eliminated in the total primary government column. In the Statement of Activities, internal service fund transactions have been eliminated; however, those transactions between governmental and business-type activities have not been eliminated.

C. Governmental Fund Financial Statements

Governmental fund financial statements include a Balance Sheet and a Statement of Revenues, Expenditures and Changes in Fund Balances for all major governmental funds and non-major funds aggregated. An accompanying schedule is presented to reconcile and explain the differences in fund balances and changes in fund balances as presented in these statements to the Net Position and changes in Net Position presented in the Government-Wide financial statements. The City has presented all major funds that met those qualifications.

All governmental funds are accounted for on a spending or "current financial resources" measurement focus and the modified accrual basis of accounting. Accordingly, only current assets and current liabilities are included on the Balance Sheets. (The City's deferred outflows of resources and deferred inflows of resources are noncurrent.) The Statement of Revenues, Expenditures and Changes in Fund Balances present increases (revenues and other financing sources) and decreases (expenditures and other financing uses) in net current assets. Under the modified accrual basis of accounting, revenues are recognized in the accounting period in which they become both measurable and available to finance expenditures of the current period. Accordingly, revenues are recorded when received in cash, except that revenues subject to accrual (generally 60 days after year-end) are recognized when due. The primary revenue sources, which have been treated as susceptible to accrual by the City, are property taxes and franchise taxes. Expenditures are recorded in the accounting period in which the related fund liability is incurred.

The government reports the following major governmental funds:

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

The Debt Service Fund for the City of Sinton, Texas, consists of the 1995 Certificates of Obligation. This fund has been established to receive funds from a tax levy and other sources for the accumulation of funds to meet the annual principal and interest requirements on the outstanding general obligation debt of the City.

The economic development fund functions to bring businesses to the Sinton area.

The 2014 tax note street improvement used to administer monies collected for street improvement and sewer facility improvement.

D. Proprietary fund financial statements

Proprietary fund financial statements include a Statement of Net Position, a Statement of Revenues, Expenses and Changes in Fund Net Position, and a Statement of Cash Flows for each major proprietary fund and for the non-major funds aggregated.

Proprietary funds are accounted for using the "economic resources" measurement focus and the accrual basis of accounting. Accordingly, all assets, deferred outflows of resources, liabilities (whether current or noncurrent), and deferred inflows of resources are included on the Statement of Net Position. The Statement of Revenues, Expenses and Changes in Fund Net Position present increases (revenues) and decreases (expenses) in total Net Position. Under the accrual basis of accounting, revenues are recognized in the period in which they are earned while expenses are recognized in the period in which the liability is incurred, regardless of the timing of related cash flows.

Operating revenues in the proprietary funds are those revenues that are generated from the primary operations of the fund. All other revenues are reported as non-operating revenues. Operating expenses are those expenses that are essential to the primary operations of the fund. All other expenses are reported as non-operating expenses.

The government reports the following major proprietary funds:

The utility fund accounts for the activities of the government's water and sewer operations.

The internal service fund is used for self insurance purposes of the city.

E. Assets, liabilities, and net position or equity

1. Deposits and investments

The government's cash and cash equivalents are considered to be cash on hand, demand deposits, and short-term investments with original maturities of three months or less from the date of acquisition.

State statutes authorize the government and the District to invest in obligations of the U.S. Treasury. Investments for the government are reported at fair value.

2. Receivables and payables

Activity between funds that are representative of lending/borrowing arrangements outstanding at the end of the fiscal year are referred to as either "due to/from other funds" (i.e., the current portion of interfund loans) or "advances to/from other funds" (i.e., the non-current portion of interfund loans). All other outstanding balances between funds are reported as "due to/from other funds." Any residual balances outstanding between the governmental activities and business-type activities are reported in the government-wide financial statements as "internal balances."

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

All trade and property tax receivables are shown net of an allowance for uncollectibles. Trade accounts receivable allowance in excess of 30 days is equal to 5 percent of outstanding utility billings at September 30, 2014, the trade accounts receivable allowance in excess of 60 days is equal to 10 percent of outstanding utility billings at September 30, 2014, the trade accounts receivable allowance in excess of 90 days is equal to 25 percent of outstanding utility billings at September 30, 2014, and the trade accounts receivable allowance in excess of 120 days is equal to 50 percent of outstanding utility billings at September 30, 2014. The property tax receivable allowance is equal to 1 percent of current outstanding property taxes at September 30, 2014, and 10 percent of delinquent outstanding property taxes at September 30, 2014.

Property is appraised and a lien on such property becomes enforceable as of January 1, subject to certain procedures for rendition, appraisal, appraisal review and judicial review. Traditionally, property taxes are levied October 1, of the year in which assessed or as soon thereafter as practicable. Taxes are due and payable when levied since that is when the City bills the taxpayers. The City begins to collect the taxes as soon as the taxpayers are billed.

3. Inventories and prepaid items

All inventories are valued at cost using the first-in/first-out (FIFO) method. Inventories of governmental funds are recorded as expenditures when consumed rather than when purchased.

Certain payments to vendors reflect costs applicable to future accounting periods and are recorded as prepaid items in both government-wide and fund financial statements.

4. Restricted assets

The restricted assets at September 30, 2014 were as follows:

	Interest and Sinking Fund	Economic Development Fund	2014 Tax Note Street Improvement Fund	Other Governmental Funds	Utility Fund	Total
Debt Service	\$1,181,279	\$510,220	\$0	\$0	\$75,330	\$1,766,829
Fire Safety				131,958		131,958
Future Projects		1,186,869				1,186,869
Construction			1,366,337	376,211	1,744,020	3,486,568
Total Restricted Assets	\$1,181,279	\$1,697,089	\$1,366,337	\$508,169	\$1,819,350	\$6,572,224

5. 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 government as assets with an initial, individual cost of more than \$5,000 (amount not rounded) and an estimated useful life in excess of two years. Such assets are recorded at historical cost or estimated historical cost if purchased or constructed. Donated capital assets are recorded at estimated fair market value at the date of donation.

The costs of normal maintenance and repairs that do not add to the value of the asset or materially extend assets lives are not capitalized.

Major outlays for capital assets and improvements are capitalized as projects are constructed. Interest incurred during the construction phase of capital assets of business-type activities is included as part of the capitalized value of the assets constructed. The City had street improvements and sewer facility improvements during the year which were financed by a 2014 bond.

Property, plant, and equipment of the primary government are depreciated using the straight line method over the following estimated useful lives:

Assets	Years
Buildings	50
Building improvements	20
Public Domain infrastructure	50
System infrastructure	30
Vehicles	5
Office equipment	5
Computer equipment	5

6. Compensated absences

It is the government's policy to permit employees to accumulate earned but unused vacation and sick pay benefits. There is no liability for unpaid accumulated sick leave since the government does not have a policy to pay any amounts when employees separate from service with the government. All vacation pay is accrued when incurred in the government-wide, and proprietary fund financial statements. Compensated absences are reported in the governmental funds only if they have matured with respect to terminated employees who have an unpaid balance of reimbursable unused leave. A liability for these amounts is reported in governmental funds.

7. Long-term obligations

In the government-wide financial statements, and proprietary fund types in the fund financial statements, long-term debt and other long-term obligations are reported as liabilities in the applicable governmental activities, business-type activities, or proprietary fund type statement of net position. Bond premiums and discounts, as well as issuance costs, are deferred and amortized over the life of the bonds using the effective interest method. Bonds payable are reported net of the applicable bond premium or discount. Bond issuance costs are reported as deferred charges and amortized over the term of the related debt.

In the fund financial statements, governmental fund types 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.

8. Fund Balances – Governmental Funds

As of September 30, 2014, fund balances of the governmental funds are classified as follows:

Nonspendable – amounts that cannot be spent either because they are in nonspendable form or because they are legally or contractually required to be maintained intact.

Restricted — amounts that can be spent only for specific purposes because of constitutional provisions or enabling legislation or because of constraints that are externally imposed by creditors, grantors, contributors, or the laws or regulations of other governments.

Committed — amounts that can be used only for specific purposes determined by a formal action of City Council. City Council is the highest level of decision-making authority for the City. Commitments may be established, modified, or rescinded only through ordinances or resolutions approved by City Council.

Unassigned — all other spendable amounts.

As of September 30, 2014, fund balances are composed of the following:

Fund Balances:	
Non-Spendable	
Inventories	\$7,015
Restricted	
Debt Service	1,181,279
Construction	1,789,175
Economic Development	1,697,089
Public Safety	131,958
Committed	
Construction	40,796
Unassigned	964,438
Total Fund Balance	<u>\$5,811,750</u>

When an expenditure is incurred for purposes for which both restricted and unrestricted fund balance is available, the City considers restricted funds to have been spent first. When an expenditure is incurred for which committed, assigned, or unassigned fund balances are available, the City considers amounts to have been spent first out of committed funds, then assigned funds, and finally unassigned funds, as needed, unless City Council or the finance committee has provided otherwise in its commitment or assignment actions.

In fiscal year 2011, the City Council adopted a minimum fund balance policy for the General Fund. The policy requires the unassigned fund balance at fiscal year end to be at least equal to 20 to 25 percent of the subsequent year's budgeted General Fund expenditures.

9. Comparative data/reclassifications

Comparative total data for the prior year have been presented only for individual enterprise funds in the fund financial statements in order to provide an understanding of the changes in the financial position and operations of these funds. Also, certain amounts presented in the prior year data have been reclassified in order to be consistent with the current year's presentation.

10. Deferred outflows/inflows of resources

In addition to assets, the statement of financial position will sometimes report a separate section for deferred outflows of resources. This separate financial statement element, deferred outflows of resources, represents a consumption of net position that applies to a future period(s) and so will not be recognized as an outflow of resources (expense/ expenditure) until then. The government only has one item that qualifies for reporting in this category. It is the deferred charge on refunding reported in the government-wide statement of net position. A deferred charge on refunding results from the difference in the carrying value of refunded debt and its reacquisition price. This amount is deferred and amortized over the shorter of the life of the refunded or refunding debt.

In addition to liabilities, the statement of financial position will sometimes report a separate section for deferred inflows of resources. This separate financial statement element, deferred inflows of resources, represents an acquisition of net position that applies to a future period(s) and so will not be recognized as an inflow of resources (revenue) until that time. The government has only one type of item, which arises only under a modified accrual basis of accounting, that qualifies for reporting in this category. Accordingly, the item, unavailable revenue, is reported only in the governmental funds balance sheet. The governmental funds report unavailable revenues from two sources: property taxes and special assessments. These amounts are deferred and recognized as an inflow of resources in the period that the amounts become available.

11. Net position flow assumption

Sometimes the government will fund outlays for a particular purpose from both restricted (e.g., restricted bond or grant proceeds) and unrestricted resources. In order to calculate the amounts to report as restricted - net position and unrestricted - net position in the government-wide and proprietary fund financial statements, a flow assumption must be made about the order in which the resources are considered to be applied. It is the government's policy to consider restricted - net position to have been depleted before unrestricted - net position is applied.

II. Reconciliation of government-wide and fund financial statements

A. Explanation of certain differences between the governmental fund balance sheet and the government-wide statement of net position

The governmental fund balance includes a reconciliation between fund balance - total governmental funds and net position - governmental activities as reported in the government-wide statement of net position. One element of that reconciliation explains that "long-term liabilities, including bonds payable, are not due and payable in the current period and therefore are not reported in the funds." The details of this \$3,381,045 difference are as follows:

Bonds Payable	\$3,291,970
Bond Premium	30,912
Compensated Absences	58,163
	<u>\$3,381,045</u>

The governmental fund statement of revenues, expenditures, and changes in fund balances includes reconciliation between net changes in fund balances - total governmental funds and changes in net position of governmental activities as reported in the government-wide statement of activities. One element of that reconciliation explains that "Governmental funds report capital outlays as expenditures. However, in the statement of activities the cost of those assets is allocated over their estimated useful lives and reported as depreciation expense." The details of this \$6,641,156 difference are as follows:

Capital Assets Not Being Depreciated	\$152,688
Capital Assets Being Depreciated	10,537,881
Depreciation Expense	(4,049,413)
Net Adjustment to Increase Net Changes in Fund Balances - Total Governmental Funds to Arrive at Changes in Net Position of Governmental Activities	<u>\$6,641,156</u>

The governmental fund balance sheet includes reconciliation between fund balance - total governmental funds and net position - governmental activities as reported in the government-wide statement of net position. One element of that reconciliation explains that "Property taxes receivable unavailable to pay for current period expenditures are deferred in the funds (net of allowance for uncollectibles)." Details of this \$186,896 difference are as follows:

Property Taxes Receivable	\$202,010
Allowance for Doubtful Accounts	<u>(15,114)</u>
Net	<u>\$186,896</u>

The governmental fund balance sheet includes reconciliation between fund balance - total governmental funds and net position - governmental activities as reported in the government-wide statement of net position. One element of that reconciliation explains that "Municipal fines and fees receivable unavailable to pay for current period expenditures are deferred in the funds (net of allowance for uncollectibles)." Details of this \$81,610 difference are as follows:

Fines and Fees Receivable	\$192,609
Allowance for Doubtful Accounts	<u>(110,999)</u>
Net	<u>\$81,610</u>

B. Explanation of certain differences between the governmental fund statement of revenues, expenditures, and changes in fund balances and the government-wide statement of activities

The governmental fund statement of revenues, expenditures, and changes in fund balances includes reconciliation between net changes in fund balances - total governmental funds and changes in net position of governmental activities as reported in the government-wide statement of activities. One element of that reconciliation explains that "Governmental funds report capital outlays as expenditures. However, in the statement of activities the cost of those assets is allocated over their estimated useful lives and reported as depreciation expense." The details of this \$160,220 difference are as follows:

Capital Outlay - Additions - Not Being Depreciated	\$90,438
Capital Outlay - Additions - Being Depreciated	105,845
Capital Outlay - Deletions	0
Depreciation Expense	(356,503)
Net Adjustment to Increase Net Changes in Fund Balances - Total Governmental Funds to Arrive at Changes in Net Position of Governmental Activities	<u><u>(\$160,220)</u></u>

III. Stewardship, compliance, and accountability

A. Budgetary information

The City Manager has been authorized by the council to prepare the budget. He is assisted by the City Office Manager and City Secretary. The budget is adopted on budgetary basis in conformity with generally accepted accounting principles. After the budget is prepared, it is reviewed by the City Council. The budget is adjusted by the City Council if desired. Then a final budget is prepared by the City Manager. A public hearing is held on the budget by the City Council. Department heads may appear. Before determining the final budget, the City Council may increase or decrease the amounts requested by the various departments or citizens. Amounts finally budgeted may not exceed the estimate of revenues and available cash. Appropriations lapse at year end.

The General fund is the only governmental fund that has legally adopted an annual budget.

When the budget is adopted by the City Council, the City Manager is responsible for monitoring the expenditures of the various departments of the City to prevent expenditures from exceeding budgeted appropriations and for keeping the members of the City Council advised of the conditions of the various funds and accounts. The level of control is the department. Expenditures can exceed appropriations as long as they do not exceed available revenues and cash balances. The legal level of control (the level on which the City Council must approve over expenditures) is at the department level.

The appropriated budget is prepared by fund, function, and department. The government's department heads may make transfers of appropriations within a department. Transfers of appropriations between departments require the approval of the council. The legal level of budgetary control (ie., the level at which expenditures may not legally exceed appropriations) is the department level. The council made several supplemental budgetary appropriations throughout the year. The supplemental budgetary appropriations made in the general fund were not material.

Encumbrance accounting is employed in governmental funds. Encumbrances (e.g., purchase orders, contracts) outstanding at year end are reported as reservations of fund balances and do not constitute expenditures or liabilities because the commitments will be re-appropriated and honored during the subsequent year. There were no outstanding encumbrances at September 30, 2014.

B. Excess of expenditures over appropriations

For the year ended September 30, 2014, expenditures did not exceed appropriations except in the general fund where actual expenditures in the of \$3,474,159 were more than the budgeted expenditures of \$3,333,209 by \$140,950.

C. Deficit fund equity

The City had no deficit fund balances as of September 30, 2014.

IV. Detailed notes on all funds

A. Deposits and investments

Legal and Contractual Provisions Governing Deposits and Investments:

The Public Funds Investment Act (Government Code Chapter 2256) contains specific provisions in the areas of investment practices, management reports and establishment of appropriate policies. Among other things, it requires the City to adopt, implement, and publicize an investment policy. That policy must address the following areas: (1) safety of principal and liquidity, (2) portfolio diversification, (3) allowable investments, (4) acceptable risk levels, (5) expected rates of return, (6) maximum allowable stated maturity of portfolio investments, (7) maximum average dollar-weighted maturity allowed based on the stated maturity date for the portfolio, (8) investment staff quality and capabilities, (9) and bid solicitation preferences for certificates of deposit. Statutes authorize the City to invest in (1) obligations of the U.S. Treasury, certain U.S. agencies, and the State of Texas; (2) certificates of deposit, (3) certain municipal securities, (4) money market savings accounts, (5) repurchase agreements, (6) bankers acceptances, (7) Mutual Funds, (8) Investment pools, (9) guaranteed investment contracts, (10) and common trust funds. The Act also requires the City to have independent auditors perform test procedures related to investment practices as provided by the Act. The City is in substantial compliance with the requirements of the Act and with local policies.

Policies Governing Deposits and Investments

In compliance with the Public Funds Investment Act, the City has adopted a deposit and investment policy. That policy does address the following risks:

Custodial credit risk - deposits. In the case of deposits, this is the risk that in the event of a bank failure, the government's deposits may not be returned to it. The government has a formal policy for custodial credit risk. As of September 30, 2014, the government's bank balance of \$7,246,406 was not exposed to custodial credit risk because it was fully insured and collateralized with securities held by the pledging financial institution's trust department or agent, in the government's name. The fair market value of the securities pledged is \$10,186,740 and the FDIC coverage is \$250,000. The book amount of cash at September 30, 2014 is \$10,092,485.

B. Receivables

Receivables as of year end for the government's individual major funds and non-major funds in the aggregate, including the applicable allowances for uncollectible accounts, are as follows:

	General	Economic Development Fund	Water and Sewer	Total
<u>Receivables</u>				
Property Taxes	\$202,010			\$202,010
Sales Taxes		44,175		44,175
EMS	2,282,328			2,282,328
Accounts	39,071		286,421	325,492
Fines	192,609			192,609
Other	67,570			67,570
Gross Receivables	2,783,588	44,175	286,421	3,114,184
Less: Allowance for Uncollectibles	1,974,322		26,122	2,000,444
Net Total Receivables	<u>\$809,266</u>	<u>\$44,175</u>	<u>\$260,299</u>	<u>\$1,113,740</u>

Governmental funds report deferred revenue in connection with receivables for revenues that are not considered to be available to liquidate liabilities of the current period. Governmental funds also defer revenue recognition in connection with resources that have been received, but not yet earned. At the end of the current fiscal year, the various components of deferred revenue and unearned revenue reported in the governmental funds were as follows:

	Unearned Revenue
Library Damage Payments	\$ 96,999
Bulldozer account	147,075
Sinton Golf Assn. Lease Payments	60,000
8 Liner Receipts	159,922
Several immaterial accounts	<u>362,151</u>
Total deferred/unearned revenue for governmental funds	<u>\$826,147</u>

C. Capital assets

Capital asset activity for the year ended September 30, 2014 was as follows:

Governmental Activities:	Beginning			Ending
Capital assets not being depreciated:	Balances	Increases	Decreases	Balances
Land	\$62,250			\$62,250
Construction in Progress	0	90,438		90,438
Total capital assets not being depreciated:	62,250	90,438	0	152,688

Capital assets being depreciated:				
Building and Improvements	5,416,407			5,416,407
Machinery, Equipment and Vehicles	2,348,688	105,845	17,995	2,436,538
Intangible Assets	18,874			18,874
Infrastructure	2,666,062			2,666,062
Total capital assets being depreciated:	10,450,031	105,845	17,995	10,537,881

Less: Accumulated Depreciation for:				
Building and Improvements	1,291,797	110,748		1,402,545
Machinery, Equipment and Vehicles	1,871,279	193,950	17,995	2,047,234
Intangible Assets	11,324	3,775		15,099
Infrastructure	536,505	48,030		584,535
Total Accumulated Depreciation	3,710,905	356,503	17,995	4,049,413
Total Capital Assets Depreciated, Net	6,739,126	(250,658)	0	6,488,468
Governmental Activities capital assets, Net	\$6,801,376	(\$160,220)	\$0	\$6,641,156

Business-Type Activities:	Adjusted			Ending
Capital assets not being depreciated:	Beginning	Increases	Decreases	Balances
Land	\$4,000			\$4,000
Construction in Progress	0	72,354		72,354
Total capital assets not being depreciated:	4,000	72,354	0	76,354

Capital assets being depreciated:				
Building and Improvements	9,515,946	32,422		9,548,368
Machinery, Equipment and Vehicles	1,059,041	25,374		1,084,415
Intangible Assets	6,190			6,190
Total capital assets being depreciated:	10,581,177	57,796	0	10,638,973

Less: Accumulated Depreciation for:				
Building and Improvements	4,862,861	197,715		5,060,576
Machinery, Equipment and Vehicles	898,916	51,068		949,984
Intangible Assets	3,714	1,238		4,952
Total Accumulated Depreciation	5,765,491	250,021	0	6,015,512
Total Capital Assets Depreciated, Net	4,815,686	(192,225)	0	4,623,461

Business-Type Activities Capital Assets, Net \$4,819,686 (\$119,871) \$0 \$4,699,815

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

Governmental Activities	
General Administration	\$1,638
Public Safety	209,639
Public Transportation	52,664
Culture and Recreation	92,562
Total Depreciation Expense - Governmental Activities	<u>\$356,503</u>
Business-Type Activities	
Water and Sewer	<u>\$250,022</u>
Total Depreciation Expense - Business-Type Activities	<u>\$250,022</u>

Construction during the year: The City had street improvements and sewer facility improvements during the year which were financed by a 2014 bond.

D. Interfund receivables, payables, and transfers

There were Due to/from other funds at September 30, 2014.

There were no advances at September 30, 2014.

The interfund fund transfers for the year ended September 30, 2014 were as follows:

<u>ACCOUNT</u>	<u>AMOUNT</u>	<u>REASON</u>
<u>GENERAL FUND</u>		
TRANSFER FROM WATER/SEWER FUND	\$571,822	CITY ADMINISTRATION
TRANSFER FROM WATER/SEWER FUND	31,000	STREET USE FEES
TRANSFER TO INTEREST AND SINKING FUND FUND	(236,424)	DEBT SERVICE
TRANSFER TO 2010 TAX NOTE STREET IMPROVEMENT FUND	(65,190)	DEBT SERVICE
<u>WATER/SEWER FUND</u>		
TRANSFER TO GENERAL FUND	(571,822)	CITY ADMINISTRATION
TRANSFER TO GENERAL FUND	(31,000)	STREET USE FEES
TRANSFER FROM INTEREST AND SINKING FUND	45,413	DEBT SERVICE
<u>2010 TAX NOTE STREET IMPROVEMENT FUND</u>		
TRANSFER FROM GENERAL FUND	65,190	STREET CONSTRUCTION
<u>INTEREST AND SINKING FUND</u>		
TRANSFER TO WATER/SEWER FUND	(45,413)	DEBT SERVICE
TRANSFER FROM GENERAL FUND	236,424	DEBT SERVICE
	<u>\$0</u>	

All of the transfers were recurring except for the following exceptions: The transfer to the 2010 Tax Note Street Improvement fund of \$65,190.

E. Leases

Operating Leases

The government leases equipment under noncancelable operating leases. Total costs for such leases were \$9,622 for the year ended September 30, 2014. The future minimum lease payments for these leases are as follows:

Year Ending Sep. 30	<u>Amount</u>
2015	\$ 9,622
2016	7,482
2017	6,652
2018	3,492
2019	0
Total	<u>\$27,248</u>

F. Long-term debt

Certificate of Obligation Bonds

The government issues Certificate of Obligation bonds and Tax Notes to provide funds for the acquisition and constructions of major capital facilities. Certificate of Obligation bonds have been issued for both governmental and business-type activities. Tax Notes have been issued for the governmental activities. The original amount of the Certificate of Obligation bonds issued in prior years for the Governmental activities was \$3,145,000 and the original amount of Certificate of Obligation Bonds issued in prior years for the Business-type activities was \$500,000. The original amount of the Tax Notes issued for the Governmental activities was \$1,025,000.

The government issued \$3,000,000 of Series 2014 bonds during the year 2014. Semi-annual payments are to be made starting in 2015 through the year 2034. The rate of interest varies from 2% to 4%.

The government also incurred a TCEQ environmental penalty of \$30,740. This penalty is to be paid off by monthly payments of \$853. There is no interest expense associated with this note.

Certificates of Obligation bonds and tax notes issued for governmental activities are direct obligations and pledge the full faith and credit of the government and the Certificate of Obligation bonds issued for business-type activities are secured solely by specified revenue sources.

Certificate of Obligation bonds currently outstanding are as follows:

<u>Purpose</u>	<u>Rates</u>	<u>Amount</u>
Governmental activities , Series 2014	2.0 - 4.0	\$ 1,358,650
Governmental activities , Series 2003	3.3 - 4.0	\$ 343,321
Governmental activities , Series 2007	4.27	\$ 1,110,000
Governmental activities, Series 2010	3.0 - 4.5	\$ 265,000
Business-type activities , Series 2014	2.0 - 4.0	\$ 1,641,350
Business-type activities , Series 2003	3.3 - 4.0	\$ 171,681

Tax Notes currently outstanding are as follows:

<u>Purpose</u>	<u>Rates</u>	<u>Amount</u>
Governmental activities , Series 2011	1.40-2.95	\$ 215,000

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

Year Ending September 30,	Governmental Activities		Business-Type Activities	
	Principal	Interest	Principal	Interest
2015	\$273,024	\$120,701	\$91,976	\$70,583
2016	295,415	102,582	104,585	58,621
2017	298,748	91,164	106,252	55,454
2018	222,679	80,980	112,321	51,792
2019	131,597	74,294	68,405	48,871
2020-2024	745,696	291,493	369,304	212,350
2025-2029	672,778	143,424	432,222	148,378
2030-2034	437,032	45,062	527,968	54,438
TOTALS	\$3,076,970	\$949,701	\$1,813,032	\$700,486

Annual debt service requirements to maturity for Tax Notes are as follows:

Year Ending September 30,	Governmental Activities		Business-Type Activities	
	Principal	Interest	Principal	Interest
2015	\$215,000	\$3,171	\$10,236	
2016			10,236	
2017			10,268	
TOTALS	\$215,000	\$3,171	\$30,740	\$0

Changes in long-term liabilities:

	Beginning Balance	Additions	Reductions	Ending Balance	Due Within One Year	Due After One Year
Governmental Activities:						
Bonds Payable	\$1,934,987	\$1,358,650	\$216,667	\$3,076,970	\$268,024	\$2,808,946
Bond Premium		30,912		30,912		30,912
Tax Notes Payable	425,000	0	210,000	215,000	215,000	0
Total Bonds Payable	2,359,987	1,389,562	426,667	3,322,882	483,024	2,839,858
Compensated Absences Payable	50,881	58,163	50,881	58,163	29,082	29,081
	2,410,868	1,447,725	477,548	3,381,045	512,106	2,868,939
Business-Type Activities:						
Bonds Payable	210,015	1,641,350	38,333	1,813,032	91,976	1,721,056
Bond Premium		37,344		37,344		37,344
Tceq Note Payable		30,740	0	30,740	10,236	20,504
Total Bonds Payable	210,015	1,709,434	38,333	1,881,116	102,212	1,778,904
Compensated Absences Payable	6,471	9,300	6,471	9,300	4,650	4,650
	216,486	1,718,734	44,804	1,890,416	106,862	1,783,554
Grand Total	\$2,627,354	\$3,166,459	522,352	5,271,461	618,968	4,652,493

The general fund and the utility fund are used to service the compensated absences. The estimated amount due in the 2014-15 year is \$33,732. The City estimates that approximately half of the compensated absences will be used in the 2014-2015 year.

The government-wide statement of activities includes \$618,968 as "noncurrent liabilities, due within one year".

There was no interest capitalized. All of the interest was expensed.

The utility fund is used to service the revenue bonds. The general fund and the utility fund are used to service the series 2014 combination tax and revenue bonds which were originally issued for \$3,000,000 and have a year end balance of \$3,000,000. The general fund and the utility fund are used to service the series 2003 combination tax and revenue bonds which were originally issued for \$1,500,000 and have a year end balance of \$515,002. The economic development fund is used to service the series 2007 combination tax and revenue bonds which were originally issued for \$1,500,000 and have a year end balance of \$1,110,000 and the series 2010 refunding bonds which were originally issued for \$645,000 and have a year end balance of \$265,000. The general fund will be used to service the series 2011 tax notes which were originally issued for \$1,025,000 and have a year end balance of \$215,000. The utility fund is used to service the TCEQ penalty payments.

V. Other information

A. Risk management

The City is exposed to various risks of loss related to torts; theft of, damage to and destruction of assets; errors and omissions; injuries to employees; and natural disasters. Claim liabilities are estimated considering the effects of inflation, recent claim settlement trends (including frequency and amounts of payouts) and other economic and social factors (including the effects of specific, incremental claim adjustment expense, salvage and subrogation).

Changes in accrued liabilities for these claims follow:

	Year ended <u>09/30/14</u>	Year ended <u>09/30/13</u>
Unpaid claims, beginning of fiscal year	\$ -0-	\$ -0-
Incurring claims (including IBNRs)		
Claim payments	<u>-0-</u>	<u>-0-</u>
Unpaid claims, end of fiscal year	<u>\$ -0-</u>	<u>\$ -0-</u>

General Liability Insurance

The City is insured for general, police officers and automobile liability. Expenditures for self-insured liabilities are accounted for in the General Fund, which will pay any liabilities incurred.

The City has joined together with other governments in the Texas Municipal League Intergovernmental Risk Pool (TML). The City pays an annual premium to TML for auto vehicle insurance coverage. The agreement with TML provides that TML will be self-sustaining through member premiums and will reinsure through commercial companies for claims in excess of \$500,000 to \$1,000,000 for each insurance event. The City anticipates no contingent losses.

TML has published its own financial report that can be obtained from the Texas Municipal League Intergovernmental Risk Pool, Austin, Texas.

The City carries commercial fidelity bonds for elected officials and for management.

Property and Casualty Insurance

Property, casualty, mobile equipment, boiler and machinery insurance is provided by TML.

Workers' Compensation Insurance

The City insures against workers' compensation claims through TML.

Group Health and Life Insurance

The City maintains a group health insurance plan for active employees and their eligible dependents. Costs are recorded in the fund from which the employees' compensation is paid.

Unemployment Compensation Insurance

The City self-insures for unemployment compensation claims through an agreement with the Texas Workforce Commission (TWC). Under the agreement, TWC administers all claims and is reimbursed by the City for claims incurred plus administrative charges.

B. Other post employment benefits

Ref. Ordinance No. 1998-10, Chapter 32.5, Retiree's Medical Insurance adopted and approved by the Sinton City Council on the 15th day of September 1998.

The City of Sinton will pay full-time Retiree's Medical Health Insurance. The City Retiree must have at least twenty-five (25) years of credit service with Texas Municipal Retirement System (TMRS) and must be drawing a retirement check. This policy will go into affect with the passing of this ordinance and will not be retroactive, but starting from the time of passage. This is to be added to the "Employee Policy Manual" under Chapter 7.00 Benefits, Section 7.05 Employment Insurance.

Research of the past 40 years has shown that there have been 3 employees who had 25 or more years of service with the City of Sinton. Under the Ordinance, the City of Sinton has one (2) retired employee who has qualified for this benefit. As of October 1, 2014, the City of Sinton's monthly premium expense for these employees is \$415.36 monthly to TML and \$115.40 to Humana.

The City of Sinton currently has 56 employees who are contributing to TMRS.

1- 30 Yrs Service	Age = 53
1- 29 Yrs Service	Age = 58
1- 27 Yrs Service	Age = 48
1- 23 Yrs Service	Age = 61
1- 20 Yrs Service	Age = 58
1- 19 Yrs Service	Age = 42
Under 10 Yrs Service	Age = 43

With the high turn-over rate that the City has experienced in the past several years, it is anticipated that of those 48 employees who have 15 years or less of service, only 6% or approximately 3 employees will attain the required 25 year tenure.

A survey of the 6 employees have shown that 3 plan to continue working until the age of 66, and the other 3 employees working until the age of 62. This, of course, is assuming no unforeseen changes, such as health, employment status, etc., that would prohibit the employees from reaching each one's goal.

The City Sinton is currently insured thru the Texas Municipal League Intergovernmental Employee Benefits Pool. The monthly premium for the health insurance, including life/AD&D and dental, is \$529.35. Only the full time employees, those who are participating in TMRS, are eligible for the City's health insurance.

With the constant variance in factors, such as annual experience in claims, general adjustments in premiums, and the ever changing political climate, predicting what the City's insurance expense will be for the next fiscal year much less 5 or even 10 years into the future is anyone's guess. An educated guess would be that there will be increases, and those increases will be the determining factor as to whether the City of Sinton as well as other employers will be able to provide health insurance benefits and how much will be left to the employee to pay. Whatever those costs will be will also affect the benefits for the retired employees.

Based on the above we consider the expense amount to the City is considered immaterial and thus is not included in the City-wide financial statements either as an expense or a liability.

C. Contingent liabilities

Amounts received or receivable from grant agencies are subject to audit and adjustment by grantor agencies, principally the federal government. Any disallowed claims, including amounts already collected, may constitute a liability of the applicable funds. The amount, if any, of expenditures that may be disallowed by the grantor cannot be determined at this time, although the government expects such amounts, if any, to be immaterial.

- 1) *Eloy Salazar v City* (EEOC) Salazar claims he was terminated as a form of disability discrimination. A settlement was agreed to on 2/17/15 with Salazar receiving \$33,000 in exchange for agreement to dismiss charge, not file suit, & not seek future employment with the City. TML paid majority of funds. Charge has been dismissed.
- 2) *Laura Salazar v City* (EEOC) Salazar claims she was terminated as a form of disability discrimination. A settlement was agreed to on 2/17/15 with Salazar receiving \$33,000 in exchange for agreement to dismiss charge, not file suit, & not seek future employment with the City. TML paid majority of funds. Charge has been dismissed.

D. Subsequent Events

There were no subsequent events requiring disclosure.

E. Related party transaction

Bill Moore, a Council Member-owns Moore's Pharmacy. The City EMS does purchase some supplies and in the fiscal year ended September 30, 2014 the City paid \$4,826.

F. Construction and other commitments

The City had street improvements and sewer facility improvements during the year which were financed by a 2014 bond.

G. Employee retirement systems and pension plans

Plan Description

The City provides pension benefits for all of its eligible employees through a non-traditional, joint contributory, hybrid defined benefit plan in the state-wide Texas Municipal Retirement System (TMRS), an agent multiple-employer public employee retirement system. The plan provisions that have been adopted by the city are within the options available in the governing state statutes of TMRS.

TMRS issues a publicly available comprehensive annual financial report that includes financial statements and required supplementary information (RSI) for TMRS; the report also provides detailed explanations of the contributions, benefits and actuarial methods and assumptions used by the system. This report may be obtained by writing to TMRS, P.O. Box 149153, Austin, Texas 78714-9153 or by calling 800-924-8677; in addition, the report is available on TMRS' website at www.TMRS.com.

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

PLAN YEAR	2014	2013
EMPLOYEE DEPOSIT RATE	5.00%	7.00%
MATCHING RATIO (city to employee)	2 to 1	2 to 1
YEARS REQUIRED FOR VESTING	5	5
SERVICE RETIREMENT ELIGIBILITY (expressed as age/years of service)	60/5, 0/25	60/5, 0/25
UPDATED SERVICE CREDIT	100% repeating	100% repeating
ANNUITY INCREASE (to retirees)	70% of CPI Repeating	70% of CPI Repeating

Contributions

Under the state law governing TMRS, the contribution rate for each City is determined annually by actuary, using the Projected Unit Credit actuarial Method. This rate consists of the normal cost contribution rate and the prior service cost contribution rate, which is calculated to be a level percent of payroll from year to year. The normal cost contribution rate finances the portion of an active member's projected benefit allocated annually; the prior service contribution rate amortizes the unfunded (overfunded) actuarial liability (asset) over the applicable period for that City. Both the normal cost and the prior service contribution rates include recognition of the projected impact of annually repeating benefits, such as Updated Service Credits and Annuity Increases.

The City contributes to the TMRS Plan at an actuarially determined rate. Both the employees and the City make contributions monthly. Since the City needs to know its contribution rate in advance for budgetary purposes, there is a one-year delay between the actuarial valuation that serves as the basis for the rate and the calendar year when the rate goes into effect.

The annual pension cost and net pension obligation/asset are as follows:

Accounting Year Ending	Annual Pension Cost (APC)	Percentage of APC Contributed	Net Pension Obligation
09-30-12	251,745	100%	-0-
09-30-13	276,133	100%	-0-
09-30-14	254,836	100%	-0-

The required contribution rates for fiscal year 2014 were determined as part of the December 31, 2011 and 2012 actuarial valuations. Additional information as of the latest valuation, December 31, 2013, also follows:

VALUATION DATE	12/31/2011	12/31/2012	12/31/2013
ACTUARIAL COST METHOD	Projected Unit Credit	Projected Unit Credit	Entry Age Normal
AMORTIZATION METHOD	Level Percent of Payroll	Level Percent of Payroll	Level Percent of Payroll
REMAINING AMORTIZATION PERIOD	26.1 years; closed period	25.1 years; closed period	30.0 years; closed period
ASSET VALUATION METHOD	10 year smoothed market	10 year smoothed market	10 year smoothed market
AMORTIZATION PERIOD FOR NET GAINS/LOSSES	30 years	30 years	30 years
ACTUARIAL ASSUMPTIONS:			
INVESTMENT RATE OF RETURN	7.0%	7.0%	7.0%
PROJECTED SALARY INCREASES	Varies by age and service	Varies by age and service	Varies by age and service
INCLUDES INFLATION AT A COST-OF-LIVING ADJUSTMENTS	3.00%	3.00%	3.00%
	2.1	2.1%	2.1%

The funded status as of December 31, 2012, the most actuarial valuation date, is as follows:

Actuarial Valuation Date	Actuarial Value of Assets (a)	Actuarial Accrued Liability (AAL) (b)	Unfunded AAL (UAAL) (b-a)	Funded Ratio (a/b)	Annual Covered Payroll (c)	UAAL as a Percentage of Payroll ((b-a)/c)
12/31/2013	\$4,863,878	\$6,255,368	\$1,391,490	77.8%	\$1,770,796	78.6%

The schedule of funding progress presented as required supplementary information (RSI) immediately following the notes to the financial statements, presents multiyear trend information about whether the actuarial value of plan assets is increasing or decreasing over time relative to the AAL for benefits.

H. Prior Period Adjustments

The City has determined that certain transactions were recorded incorrectly in a prior year.

Governmental Activities: In the Government-Wide statements and in the Funds, the City expensed Bond Issuance Costs as per GASB Statement 65. This restatement had a corresponding effect on change in net assets.

	Net Assets, as Previously Reported	Bond Issuance Costs	Net Assets As Restated
Governmental Activities:			
Net Assets	\$8,861,537	(\$55,388)	\$8,806,149
Total Governmental Activities	\$8,861,537	(\$55,388)	\$8,806,149

	Net Assets, as Previously Reported	Bond Issuance Costs	Net Assets As Restated
Business-Type Activities:			
Net Assets	\$6,226,584	(\$3,945)	\$6,222,639
Total Business-Type Activities	\$6,226,584	(\$3,945)	\$6,222,639

REQUIRED SUPPLEMENTARY INFORMATION

Required Supplementary Information

ANALYSIS OF FUNDING PROGRESS

Actuarial Valuation Date	Actuarial Value of Assets (a)	Actuarial Accrued Liability (AAL) (b)	Unfunded AAL (UAAL) (b-a)	Funded Ratio (a/b)	Annual Covered Payroll (c)	UAAL as a Percentage of Payroll ((b-a)/c)
2011	\$4,012,339	\$4,594,871	\$ 582,532	87.3%	\$1,611,414	36.2%
2012	4,353,577	5,969,547	1,615,970	72.9	1,723,287	93.8
2013	4,863,878	6,255,368	1,391,490	77.8	1,770,496	78.6

Funded Status and funding Progress – In June, 2010, SB was enacted by the Texas Legislature, resulting in a restructure of the TMRS funds. This legislation provided for the actuarial valuation to be completed, as if restructuring had occurred on December 31, 2010. In addition, the actuarial assumptions were updated for the new fund structure, based on an actuarial study that was adopted by the TMRS Board at their May, 2010 meeting (the review compared actual to expected experience for the four year period of January 1, 2006 through December 31, 2009). for a complete description of the combined impact of the legislation and new actuarial assumptions, including the effects on TMRS city rates and funding ratios, please refer to the December 31, 2010 TMRS Comprehensive Annual financial Report (CAFR).

COMBINING AND INDIVIDUAL FUND STATEMENTS AND SCHEDULES

CITY OF SINTON, TEXAS
 COMBINING BALANCE SHEET
 NON-MAJOR GOVERNMENTAL FUNDS
 SEPTEMBER 30, 2014

	SPECIAL REVENUE				CAPITAL PROJECTS				TOTAL NON-MAJOR GOVERN- MENTAL FUND
	FIRE EQUIPMENT AND REPLACEMENT	SINTON AFFORDABLE HOUSING	1985 GENERAL OBLIGATION IMPROVEMENT	2010 TAX NOTE STREET IMPROVEMENT	STREET IMPROVEMENT	MUNICIPAL BUILDING			
ASSETS									
Cash and Cash Equivalents	\$0	\$161,299	\$0	\$0	\$0	\$0	\$0	\$0	\$185,093
Restricted Assets:									
Cash and Cash Equivalents	131,958		34,823	153,213	147,379	40,796			508,169
TOTAL ASSETS	\$23,794	\$161,299	\$34,823	\$153,213	\$147,379	\$40,796			\$693,262
LIABILITIES AND FUND BALANCES									
Liabilities									
Accounts Payable	\$23,794	\$12,876	\$0	\$0	\$0	\$0	\$0	\$0	\$36,670
Total Liabilities	\$23,794	\$12,876	\$0	\$0	\$0	\$0	\$0	\$0	\$36,670
Fund Balances:									
Restricted									
Construction		148,423	34,823	153,213	147,379				483,838
Public Safety	131,958								131,958
Committed									
Construction			34,823	153,213	147,379	40,796			40,796
Total Fund Balances	0	148,423	34,823	153,213	147,379	40,796			656,592
TOTAL LIABILITIES AND FUND BALANCES	\$23,794	\$161,299	\$34,823	\$153,213	\$147,379	\$40,796			\$693,262

CITY OF SINTON, TEXAS
 COMBINING STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES
 NON-MAJOR GOVERNMENTAL FUNDS
 FOR THE YEAR ENDED SEPTEMBER 30, 2014

	SPECIAL REVENUE			CAPITAL PROJECTS					TOTAL NON-MAJOR GOVERN- MENTAL FUND
	CRIMINAL JUSTICE PLANNING	EQUIPMENT AND REPLACEMENT	SINTON AFFORDABLE HOUSING	1985 GENERAL OBLIGATION IMPROVEMENT	2010 TAX NOTE STREET IMPROVEMENT FUND	STREET IMPROVEMENT FUND	MUNICIPAL BUILDING FUND		
REVENUES:									
Charges for Services		\$21,153				\$23,086		\$44,239	
Interest		397	485			441	142	1,916	
Miscellaneous			14,803		330			14,803	
Total Revenues	0	21,550	15,288	121	330	23,527	142	60,958	
EXPENDITURES:									
Current									
General Administration		4	89					89	
Public Safety								4	
Total Expenditures	0	4	89	0	0	0	0	93	
Excess (Deficiency) of Revenues Over (Under) Expenditures	0	21,546	15,199	121	330	23,527	142	60,865	
OTHER FINANCING SOURCES (USES)									
Operating Transfers In									
Net change in fund balances	0	21,546	15,199	121	65,520	23,527	142	65,190	
Fund Balance at Beginning of Year	0	110,412	133,224	34,702	87,693	123,652	40,664	530,537	
Fund Balance at End of Year	\$0	\$131,958	\$148,423	\$34,823	\$153,213	\$147,379	\$40,796	\$656,592	

SINGLE AUDIT SECTION

CITY OF SINTON, TEXAS
 SCHEDULE OF FEDERAL FINANCIAL ASSISTANCE
 FOR THE YEAR ENDED SEPTEMBER 30, 2014

SOURCE AND TITLE OF GRANT	FEDERAL CFDA NUMBER	PROGRAM OR AWARD AMOUNT	GRANTOR'S/ PASS-THROUGH PROGRAM	
			GRANTOR'S NUMBER	EXPEND- ITURES
<u>NON-STIMULUS</u>				
U.S. Department of Housing and Urban Development Passed Through - Texas Department of Housing and Community Affairs Home Investment Partnerships Program (M) HOME Project	14.239			285,113
Total U.S. Department of Housing and Urban Development				<u>285,113</u>
TOTAL NON-STIMULUS				<u>285,113</u>
<u>STIMULUS</u>				
U.S. Department of Transportation Passed Through Texas Department of Transportation Safe Routes to School (M)	20.205		CSJ#0616-28-058	<u>573,221</u>
Total U.S. Department of Transportation				<u>573,221</u>
TOTAL STIMULUS				<u>573,221</u>
Total Federal Assistance				<u><u>\$858,334</u></u>

CFDA=CATALOGUE OF FEDERAL DOMESTIC ASSISTANCE NUMBER
 M=MAJOR PROGRAM
 NM=NONMAJOR PROGRAM

See Accompanying Notes to Schedule of Federal Financial Assistance

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**INDEPENDENT AUDITOR'S REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING AND
ON COMPLIANCE AND OTHER MATTERS BASED ON AN AUDIT OF FINANCIAL STATEMENTS
PERFORMED IN ACCORDANCE WITH GOVERNMENT AUDITING STANDARDS**

To the City Council
City of Sinton, Texas

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the City of Sinton, Texas, as of and for the year ended September 30, 2014, and the related notes to the financial statements, which collectively comprise the City of Sinton, Texas' basic financial statements and have issued our report thereon dated June 14, 2015.

Internal Control over Financial Reporting

In planning and performing our audit of the financial statements, we considered the City of Sinton, Texas' internal control over financial reporting (internal control) to determine the audit procedures that are appropriate in the circumstances for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the City of Sinton, Texas' internal control. Accordingly, we do not express an opinion on the effectiveness of the City of Sinton, Texas' internal control.

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

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies and therefore, material weaknesses or significant deficiencies may exist that were not identified. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified. We did identify certain deficiencies in internal control, described below as findings 2014-1 that we consider to be significant deficiencies.

2014-1 Segregation of Duties

Condition: Segregation of Duties - due to the limited number of people working in the office, many critical duties are combined and given to the available employees. To the extent possible, duties should be segregated to serve as a check and balance on the employee's integrity and to maintain the best control system as possible.

Criteria: Internal controls should be in place that provides reasonable assurance that to the extent possible, duties should be segregated to serve as a check and balance on the employee's integrity and to maintain the best control system as possible.

Effect: Because the City does not have proper segregation of duties the possibility exists that the financial statements can be materially misstated either through mistake, error, or fraud.

Cause of Condition: This condition exists because it would be impracticable and expensive for the City to have a proper segregation of duties.

Recommendation: We recommend that the City look into the possibility of dividing up the accounting, bookkeeping/cash duties and/or to institute more oversight by management so as to avoid the possibility of financial statements being materially misstated either through mistake, error, or fraud.

Response: The City is not large enough to effectuate segregation of duties; therefore, the City will implement more oversight by the City Council and by City Management.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the City of Sinton, Texas' financial statements are free from material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests did not disclose any instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

Purpose of this Report

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

Wayne R. Beyer

BEYER & CO.
Certified Public Accountants
Pleasanton, Texas
June 14, 2015

BEYER & Co.
CERTIFIED PUBLIC ACCOUNTANTS

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**INDEPENDENT AUDITOR'S REPORT ON COMPLIANCE FOR EACH MAJOR PROGRAM
AND ON INTERNAL CONTROL OVER COMPLIANCE REQUIRED BY OMB CIRCULAR A-133**

To the City Council
City of Sinton, Texas

Report on Compliance for Each Major Federal Program

We have audited the City of Sinton, Texas' compliance with the types of compliance requirements described in the *OMB Circular A-133 Compliance Supplement* that could have a direct and material effect on each of the City of Sinton, Texas' major federal programs for the year ended September 30, 2014. The City of Sinton, Texas' major federal programs are identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs.

Management's Responsibility

Management is responsible for compliance with the requirements of laws, regulations, contracts, and grants applicable to its federal programs.

Auditor's Responsibility

Our responsibility is to express an opinion on compliance for each of the City of Sinton, Texas' major federal programs based on our audit of the types of compliance requirements referred to above. We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and OMB Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*. Those standards and OMB Circular A-133 require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about the City of Sinton, Texas' compliance with those requirements and performing such other procedures as we considered necessary in the circumstances.

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

Opinion on Each Major Federal Program

In our opinion, the City of Sinton, Texas, complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on each of its major federal programs for the year ended September 30, 2014.

Other Matters

The results of our auditing procedures disclosed no instances of noncompliance, which are required to be reported in accordance with OMB Circular A-133.

Report on Internal Control over Compliance

Management of the City of Sinton, Texas is responsible for establishing and maintaining effective internal control over compliance with the types of compliance requirements referred to above. In planning and performing our audit of compliance, we considered the City of Sinton, Texas' internal control over compliance with the types of requirements that could have a direct and material effect on each major federal program to determine the auditing procedures that are appropriate in the circumstances for the purpose of expressing an opinion on compliance for each major federal program and to test and report on internal control over compliance in accordance with OMB Circular A-133, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of the City of Sinton, Texas' internal control over compliance.

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

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

The purpose of this report on internal control over compliance is solely to describe the scope of our testing of internal control over compliance and the results of that testing based on the requirements of OMB Circular A-133. Accordingly, this report is not suitable for any other purpose.

Wayne R. Beyer

BEYER & CO.
Certified Public Accountants
Pleasanton, Texas
June 14, 2015

CITY OF SINTON, TEXAS
NOTES TO SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
FOR THE YEAR ENDED SEPTEMBER 30, 2014

General

The accompanying Schedule of Expenditure of Federal Awards presents the activity of all the City of Sinton, Texas's federal grants for the year ended September 30, 2014. This report is intended for the information of the City of Sinton, Texas, state and federal awarding agencies, and is not intended to be used and should not be used by anyone other than these specified parties.

Basis of Accounting

The Schedule of Expenditure of Federal Awards is presented using the modified accrual basis of accounting.

Non Cash Grants

The City of Sinton received no non-cash grants for the year ended September 30, 2014.

CITY OF SINTON, TEXAS
SCHEDULE OF PRIOR AUDIT FINDINGS
FOR THE YEAR ENDED SEPTEMBER 30, 2014

Federal

There were no prior audit findings for Federal Awards.

CITY OF SINTON, TEXAS
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
FOR THE YEAR ENDED SEPTEMBER 30, 2014

SUMMARY OF AUDITOR'S RESULTS

1. The auditor's report expresses an unqualified opinion on the financial statements of the City of Sinton, Texas.
2. There was one significant deficiency disclosed during the audit on page 51 as finding 2014-1. There was no material weakness disclosed during the audit.
3. There were no instances of noncompliance material to the financial statements of the City of Sinton, Texas, which would be required to be reported in accordance with Government Auditing Standards.
4. There was no significant deficiency over major federal award programs disclosed during the audit. There was no material weakness over major federal award programs disclosed during the audit.
5. The auditor's report on compliance for the major federal award programs for the City of Sinton, Texas expresses an unqualified opinion on all major federal programs.
6. There were no audit findings that are required to be reported in accordance with Section 510(a) of OMB Circular A-133.
7. The programs tested as major programs: HOME Grant CFDA 14.239 and National Safe Routes to School CFDA 20.205.
8. The threshold used for distinguishing between Type A and B programs was \$300,000.
9. The City of Sinton did not qualify as a low-risk auditee.
10. Material Weaknesses
 - a. There was no material weakness disclosed during the audit.

Findings relating to the Financial Statements

None

Findings and Questioned Costs for Federal Awards

None