

CITY OF SINTON, TEXAS
ANNUAL FINANCIAL REPORT
For the Fiscal Year Ended
SEPTEMBER 30, 2013

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FOR THE FISCAL YEAR ENDED SEPTEMBER 30, 2013

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FINANCIAL SECTION

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INDEPENDENT AUDITOR'S REPORT

To the City Council
City of Sinton, Texas

We have audited the accompanying financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the City of Sinton, Texas, as of and for the year ended September 30, 2013, 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. 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, 2013, 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 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 non-major fund financial statements are presented for purposes of additional analysis and are not a required part of the basic financial statements.

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



BEYER & CO.
Certified Public Accountants
Sinton, Texas
May 18, 2014

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, 2013.

Financial Highlights

- . The assets of the City of Sinton, Texas exceeded its liabilities at the close of the most recent fiscal year by \$15,088,121 (net assets). Of this amount, \$2,840,090 (unrestricted net assets) may be used to meet the government's ongoing obligations to citizens and creditors.
- . The government's total net assets decreased by \$278,946. The primary reason for the decrease was a drop in EMS revenues of \$380,831 and a drop in utility revenue of \$131,995.
- . As of the close of the current fiscal year, the City of Sinton, Texas' governmental funds reported combined ending fund balances of \$3,995,939, a decrease of \$625,707 in comparison with the prior year. Approximately 22% of this total amount, \$863,779, 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 \$863,779, or 24 percent of total general fund expenditures.
- . The City of Sinton, Texas' total debt decreased by \$469,183 (15 percent) during the current fiscal year. The key factor in this decrease was the payment of bond note principal of \$455,000.

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 ten 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 fire equipment and replacement fund, and the economic development fund all of which are considered to be major funds. Data from the other six 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 \$15,088,121 at the close of the most recent fiscal year.

The largest portion of the City of Sinton, Texas' net assets (60 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	
	2013	2012	2013	2012	2013	2012
Current and Other Assets	\$2,312,537	\$2,935,310	\$2,145,342	\$2,258,315	\$4,457,879	\$5,193,625
Restricted Assets:	2,974,028	3,274,147	141,466	114,739	3,115,494	3,388,886
Capital Assets:	6,801,376	6,757,790	4,819,686	4,858,013	11,621,062	11,615,803
Total Assets	12,087,941	12,967,247	7,106,494	7,231,067	19,194,435	20,198,314
Long-Term Liabilities	2,410,868	2,840,428	216,486	256,109	2,627,354	3,096,537
Other Liabilities	815,536	1,087,538	663,424	647,172	1,478,960	1,734,710
Total Liabilities	3,226,404	3,927,966	879,910	903,281	4,106,314	4,831,247
Invested in Capital Assets, Net of Related Debt	4,430,296	3,966,564	4,609,671	4,611,331	9,039,967	8,577,895
Restricted	3,066,598	2,984,511	141,466	114,739	3,208,064	3,099,250
Unrestricted	1,364,643	2,088,206	1,475,447	1,601,716	2,840,090	3,689,922
Total Net Position	\$8,861,537	\$9,039,281	\$6,226,584	\$6,327,786	\$15,088,121	\$15,367,067

An additional portion of the City of Sinton, Texas' net assets (21 percent) represents resources that are subject to external restrictions on how they may be used. The remaining balance of unrestricted net assets (\$2,840,090) 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 \$108,814 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 decreased by \$278,946. The primary reason for the decrease was a drop in EMS revenue and a drop in utility revenue.

Governmental activities:

Governmental activities decreased the City of Sinton, Texas' net assets by \$177,744, thereby accounting for 00 percent of the total growth in the net assets of the City of Sinton, Texas. This decrease is attributable to a drop in EMS revenue.

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

	Governmental Activities		Business-Type Activities		Total	
	2013	2012	2013	2012	2013	2012
Revenues:						
Program Revenues:						
Charges for Services	\$595,632	\$999,442	\$1,871,440	\$2,003,435	\$2,467,072	\$3,002,877
Capital Grants and Contributions	161,550	528,245	0	296,800	161,550	825,045
General Revenues:						
Maintenance and Operations Taxes	929,980	854,401			929,980	854,401
Sales Taxes	963,874	902,458			963,874	902,458
Franchise Taxes	224,100	240,335			224,100	240,335
Other Taxes	40,176	40,701			40,176	40,701
Unrestricted Investment Earnings	78,394	81,098	40,841	42,598	119,235	123,696
Miscellaneous	545,866	565,605			545,866	565,605
Total Revenue	3,539,572	4,212,285	1,912,281	2,342,833	5,451,853	6,555,118
Expenses:						
General Administration	837,839	1,270,450			837,839	1,270,450
Public Safety	2,176,041	1,962,019			2,176,041	1,962,019
Public Transportation	447,135	350,447			447,135	350,447
Culture and Recreation	717,655	702,069			717,655	702,069
Interest and Fiscal Charges	103,654	115,378			103,654	115,378
Water and Sewer			1,448,475	1,454,052	1,448,475	1,454,052
Total Expenses	4,282,324	4,400,363	1,448,475	1,454,052	5,730,799	5,854,415
Increase in Net Position Before Transfers and Special Items	(742,752)	(188,078)	463,806	888,781	(278,946)	700,703
Transfers	565,008	628,717	(565,008)	(628,717)	0	0
Increase in Net Position	(177,744)	440,639	(101,202)	260,064	(278,946)	700,703
Net Position at 09/30/2012	9,039,281	8,598,642	6,327,786	6,067,722	15,367,067	14,666,364
Net Position at 09/30/2013	\$8,861,537	\$9,039,281	\$6,226,584	\$6,327,786	\$15,088,121	\$15,367,067

Total revenues decreased by \$672,713 (16 percent) during the year. Total expenses decreased by \$118,039 or 3%. The largest expense increase was in public safety which increased by \$214,022 and public transportation which increased by \$96,688. The largest expense decrease was in general administration which decreased by \$432,611 which was mainly the result of a reduction in grant expenses. The largest increase in revenues was in property taxes and sales taxes which increased by \$75,579 and \$61,416, respectively. The largest decrease in revenues was in charges for services which decreased by \$403,810 and capital grants which decreased by \$366,695 or \$69%.

Expenses and Program Revenues - Governmental Activities

Functions/Programs	Expenses	Program Revenues	
		Charges for Services	Capital Grants and Contributions
Primary Government			
Government Activities:			
General Administration	\$837,839	\$57,385	\$161,550
Public Safety	2,176,041	481,470	
Public Transportation	447,135	48,631	
Culture and Recreation	717,655	8,146	
Interest and Fiscal Charges	103,654		
Total Government Activities:	<u>\$4,282,324</u>	<u>\$595,632</u>	<u>\$161,550</u>

Revenues by Source - Governmental Activities

	REVENUES	%
Charges for Services	\$595,632	17%
Capital Grants and Contributions	161,550	5%
Maintenance and Operations Taxes	929,980	26%
Sales Taxes	963,874	27%
Franchise Taxes	224,100	6%
Other Taxes	40,176	1%
Unrestricted Investment Earnings	78,394	2%
Miscellaneous	545,866	15%
	<u>\$3,539,572</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 \$101,202, 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 7 percent or \$131,995 and the capital grants decreased by \$296,800.
- The amount of transfer to the general fund decreased by \$63,709 or 10%.
- Total expenses decreased by \$5,577 or .38%. The increase 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	\$1,448,475	\$1,871,440	\$0
Total Business-Type Activities	\$1,448,475	\$1,871,440	\$0

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 \$3,995,939, a decrease of \$625,707 in comparison with the prior year. Key factors in this decrease are as follows:

A reduction in EMS revenues of \$380,831.

Approximately 22 percent of this total amount (\$863,779) constitutes unassigned fund balance, which is available for spending at the government's discretion. The remainder of fund balance is either 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 \$863,779, while total fund balance reached \$888,687. 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 24 percent of total general fund expenditures, while total fund balance represents 25 percent of that same amount.

The fund balances of the City of Sinton, Texas' general fund decreased by \$708,521, during the current fiscal year. Key factors in this decrease are as follows:

- . The revenues decreased by \$760,733.
- . The expenditures decreased by \$218,435.
- . The transfers out increased by \$12,102.

At the end of the current fiscal year, unassigned fund balance of the economic development fund was \$-0-, while total fund balance was \$1,280,135. 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 452 percent of that same amount.

The fund balances of the City of Sinton, Texas' economic development fund increased by \$292,258, 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 \$1,296,580. 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 418 percent of that same amount.

The fund balances of the City of Sinton, Texas' interest and sinking fund increased by \$72,667, during the current fiscal year. Key factors in this increase are as follows: Continued transfers from both the general fund and the utility fund.

At the end of the current fiscal year, unassigned fund balance of the Fire Equipment and Replacement fund was \$-0-, while total fund balance was \$110,412. As a measure of the Fire Equipment and Replacement 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 Fire Equipment and Replacement fund expenditures, while total fund balance represents 29 percent of that same amount.

The fund balances of the City of Sinton, Texas' Fire Equipment and Replacement fund decreased by \$323,575, during the current fiscal year. Key factors in this decrease are as follows: Purchase of fire trucks.

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 \$1,475,447. The decrease in net assets was \$101,202. 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 an increase between the original budget and the final amended budget in the general fund of \$143,568. The largest increase was in the parks department which increased by \$243,936. Overall, actual expenditures in the general fund of \$3,601,485 were less than the budgeted expenditures of \$3,651,770 by \$50,285.

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, 2013, amounts to \$11,659,389 (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 increase in the City of Sinton, Texas' investment in capital assets for the current fiscal year was a .38 percent increase (a .01 percent increase for governmental activities and a 00 percent increase for business-type activities).

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

The City had street improvements and water facility improvements during the year which were financed by a Tax Note and a federal grant, respectively.

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

	Governmental Activities		Business-Type Activities		Total	
	2013	2012	2013	2012	2013	2012
Land	\$62,250	\$62,250	\$4,000	\$4,000	\$66,250	\$66,250
Construction in Progress	0	0	437,128	437,128	437,128	437,128
Building and Improvements	4,124,610	4,235,358	0	0	4,124,610	4,235,358
Machinery, Equipment and Vehicles	477,409	271,270	155,855	155,855	633,264	427,125
Intangible Assets	7,550	11,324	3,714	3,714	11,264	15,038
Infrastructure	2,129,557	2,177,588	4,257,316	4,257,316	6,386,873	6,434,904
Total	\$6,801,376	\$6,757,790	\$4,858,013	\$4,858,013	\$11,659,389	\$11,615,803

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 \$2,570,002. Of this amount, \$2,359,987 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	
	2013	2012	2013	2012	2013	2012
	Certificates of Obligation	\$2,359,987	\$2,778,320			\$2,359,987
Revenue Bonds			210,015	246,682	210,015	246,682
Total	\$2,359,987	\$2,778,320	\$210,015	\$246,682	\$2,570,002	\$3,025,002

The City of Sinton, Texas' total bonded debt decreased by \$455,000 (15 percent) during the current fiscal year. The key factor in this decrease was debt payment of \$455,000.

The City of Sinton, Texas and its Utility fund both maintain a "AA" rating from Standard & Poor's and Fitch and a "Aa" 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 \$33,965,838, 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, 2013

	Primary Government		
	Governmental Activities	Business-type Activities	Total
ASSETS			
Cash and Cash Equivalents	\$1,448,499	\$1,873,332	\$3,321,831
Receivables (net of allowance for uncollectibles)	783,742	233,206	1,016,948
Inventories	24,908	34,859	59,767
Unamortized Bond Issuance Cost	55,388	3,945	59,333
Restricted Assets:			
Cash and Cash Equivalents	2,974,028	141,466	3,115,494
Capital Assets Not Being Depreciated:			
Land	62,250	4,000	66,250
Total Capital Assets Being Depreciated, Net			
Building and Improvements	4,124,610	4,653,085	8,777,695
Machinery and Equipment	477,409	160,125	637,534
Infrastructure	2,129,557		2,129,557
Intangible Assets	7,550	2,476	10,026
Total Assets	\$12,087,941	\$7,106,494	\$19,194,435
LIABILITIES			
Accounts Payable	\$34,543	\$110,778	\$145,321
Accrued Wages	26,442	6,123	32,565
Accrued Interest Payable	11,093	1,292	12,385
Consumer Meter Deposit		241,535	241,535
Unearned Revenue	743,458	303,696	1,047,154
Noncurrent Liabilities			
Due Within One Year	452,107	41,569	493,676
Due in More Than One Year	1,958,761	174,917	2,133,678
Total Liabilities	3,226,404	879,910	4,106,314
NET POSITION			
Invested in Capital Assets, Net of Related Debt	4,430,296	4,609,671	9,039,967
Restricted for:			
Debt Service	1,443,314	75,330	1,518,644
Construction	255,619	66,136	321,755
Economic Development	1,133,401		1,133,401
Public Safety	234,264		234,264
Unrestricted	1,364,643	1,475,447	2,840,090
Total Net Position	\$8,861,537	\$6,226,584	\$15,088,121

The accompanying notes are an integral part of this statement.

CITY OF SINTON, TEXAS
STATEMENT OF ACTIVITIES
YEAR ENDED SEPTEMBER 30, 2013

Functions/Programs	Program Revenues				Net (Expense)	Net (Expense)
	Expenses	Charges for Services	Capital Grants and Contributions	Governmental Activities	Revenue and	Revenue and
					Changes in	Changes in
				Business-type	Total	
Primary government						
Government Activities:						
General Administration	\$837,839	\$57,385	\$161,550	(618,904)		(\$618,904)
Public Safety	2,176,041	481,470		(1,694,571)		(1,694,571)
Public Transportation	447,135	48,631		(398,504)		(398,504)
Culture and Recreation	717,655	8,146		(709,509)		(709,509)
Interest and Fiscal Charges	103,654			(103,654)		(103,654)
Total Government Activities	4,282,324	595,632	161,550	(3,525,142)	0	(3,525,142)
Business-Type Activities:						
Water and Sewer	1,448,475	1,871,440			422,965	422,965
Total Business-Type Activities	1,448,475	1,871,440	0	0	422,965	422,965
Total Primary Government	\$5,730,799	\$2,467,072	\$161,550	(3,525,142)	422,965	(3,102,177)
General Revenues						
Property Taxes, Levies for General Purposes				929,980		929,980
Sales Taxes				963,874		963,874
Franchise Taxes				224,100		224,100
Other Taxes				40,176		40,176
Unrestricted Investment Earnings				78,394	40,841	119,235
Miscellaneous				545,866		545,866
Transfers				565,008	(565,008)	0
Total General Revenues and Transfers				3,347,398	(524,167)	2,823,231
Change in Net Position				(177,744)	(101,202)	(278,946)
Net Position - Beginning				9,039,281	6,327,786	15,367,067
Net Position - Ending				\$8,861,537	\$6,226,584	\$15,088,121

The accompanying notes are an integral part of this statement.

FUND FINANCIAL STATEMENTS

CITY OF SINTON, TEXAS
BALANCE SHEET - GOVERNMENTAL FUNDS
SEPTEMBER 30, 2013

	General Fund	Interest and Sinking Fund	Economic Development Fund	Fire Equipment and Replacement Fund	Other Governmental Funds	Total Governmental Funds
ASSETS						
Cash and Cash Equivalents	\$1,159,864	\$0	\$0	\$0	\$146,863	\$1,306,727
Receivables (net of allowance for uncollectibles)	673,027					673,027
Inventories	24,908					24,908
Restricted Assets						
Cash and Cash Equivalents		1,296,580	1,280,135	110,412	286,901	2,974,028
Total Assets	<u>\$1,857,799</u>	<u>\$1,296,580</u>	<u>\$1,280,135</u>	<u>\$110,412</u>	<u>\$433,764</u>	<u>\$4,978,690</u>
LIABILITIES AND FUND BALANCES						
Liabilities						
Accounts Payable	\$20,904				\$13,639	\$34,543
Accrued Wages	26,442					26,442
Deferred Revenue	921,766					921,766
Total Liabilities	<u>969,112</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>13,639</u>	<u>982,751</u>
Fund Balances:						
Non-Spendable						
Inventories	24,908					24,908
Restricted						
Debt Service		1,296,580	146,734			1,443,314
Construction					255,619	255,619
Economic Development			1,133,401			1,133,401
Public Safety				110,412	123,852	234,264
Committed						
Construction					40,654	40,654
Unassigned	863,779					863,779
Total Fund Balance	<u>888,687</u>	<u>1,296,580</u>	<u>1,280,135</u>	<u>110,412</u>	<u>420,125</u>	<u>3,995,939</u>
Total Liabilities and Fund Balances	<u>\$1,857,799</u>	<u>\$1,296,580</u>	<u>\$1,280,135</u>	<u>\$110,412</u>	<u>\$433,764</u>	<u>\$4,978,690</u>

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, 2013

Total Fund Balances - governmental funds balance sheet

Amounts reported for governmental activities in the statement of Net Position ("SNA") are different because:	\$3,995,939
Capital assets used in governmental activities are not reported in the funds.	6,801,376
Property taxes receivable unavailable to pay for current period expenditures are deferred in the funds (net of allowance for uncollectibles).	178,308
Bond issuance costs are expenditures in the funds but are recorded as assets in the governmental activities.	55,388
Other long-term assets are not available to pay for current period expenditures and, therefore, are deferred in the funds.	110,715
Long-term liabilities, including bonds payable, are not due and payable in the current period and therefore are not reported in the funds.	(2,410,868)
Payables for bond interest are not reported in the funds.	(11,093)
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>141,772</u>
Net Position of governmental activities - statement of Net Position	<u><u>\$8,861,537</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, 2013

	General Fund	Interest and Sinking Fund	Economic Development Fund	Fire Equipment and Replacement Fund	Other Governmental Funds	Total Governmental Funds
REVENUES						
Taxes						
Property	\$915,019	\$0		\$0	\$0	\$915,019
Sales	481,937		481,937			963,874
Franchise	224,100					224,100
Other	40,176					40,176
Licenses and Permits	8,081					8,081
Intergovernmental	161,550					161,550
Charges for Services	502,153			52,431	23,117	577,701
Fines and Forfeitures	40,292					40,292
Interest	19,902	22,659	19,886	6,241	7,215	75,903
Miscellaneous	456,639		73,873		15,354	545,866
Total Revenues	2,849,849	22,659	575,696	58,672	45,686	3,552,562
EXPENDITURES						
Current:						
General Administration	601,216				4,222	605,438
Public Safety	1,987,726			382,247		2,369,973
Public Transportation	393,917					393,917
Culture and Recreation	618,626					618,626
Capital Projects -						
Capital Outlay and Other	161,550		76,551			238,101
Debt Service						
Principal Retirement		278,333	140,000			418,333
Interest and Fiscal Charges		32,002	66,887			98,889
Total Expenditures	3,763,035	310,335	283,438	382,247	4,222	4,743,277
Excess (Deficiency) of Revenues Over (Under) Expenditures	(913,186)	(287,676)	292,258	(323,575)	41,464	(1,190,715)
OTHER FINANCING SOURCES (USES):						
Transfers In	451,000	360,343				811,343
Transfers Out	(246,335)					(246,335)
Total Other Financing Sources (Uses)	204,665	360,343	0	0	0	565,008
Net Changes in Fund Balances	(708,521)	72,667	292,258	(323,575)	41,464	(625,707)
Fund Balances - Beginning	1,597,208	1,223,913	987,877	433,987	378,661	4,621,646
Fund Balances - Ending	\$888,687	\$1,296,580	\$1,280,135	\$110,412	\$420,125	\$3,995,939

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, 2013

Net Changes in Fund Balances - total governmental funds (625,707)

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.	43,586
Increase in loan principal are receipts in the funds but not revenue in the SOA.	
Increase (decrease) in bond issuance costs from beginning of period to end of period.	(6,578)
(Increase) decrease in accrued interest from beginning of period to end of period.	1,813
(Increase) decrease in compensated absences from beginning of period to end of period.	11,227
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.	(34,870)
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.	(509)
Certain property tax revenues are deferred in the funds. This is the change in these amounts this year.	14,961
Repayment of loan principal is an expenditure in the funds but not an expense in the SOA.	<u>418,333</u>

Change in Net Position of governmental activities - statement of activities (\$177,744)

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, 2013

	Budgeted Amounts		Actual	Variance with Final Budget - Positive (Negative)
	Original	Final		
REVENUES				
Taxes				
Property	\$659,965	\$986,000	\$915,019	(\$70,981)
Sales	490,000	450,000	481,937	31,937
Franchise	245,000	242,000	224,100	(17,900)
Other	0	35,000	40,176	5,176
Licenses and Permits	93,300	21,300	8,081	(13,219)
Charges for Services	610,100	610,100	502,153	(107,947)
Fines and Forfeitures	87,000	87,000	40,292	(46,708)
Interest	30,000	30,000	19,902	(10,098)
Miscellaneous	504,000	489,000	456,639	(32,361)
Total Revenues	<u>2,719,365</u>	<u>2,950,400</u>	<u>2,688,299</u>	<u>(262,101)</u>
EXPENDITURES				
Current:				
General Administration				
General administration	585,414	521,814	601,216	(79,402)
Public Safety				
Animal Control	61,500	61,520	75,955	(14,435)
EMS	841,045	837,292	813,605	23,687
Fire Department	84,250	84,315	83,817	498
Inspection	60,320	26,720	4,145	22,575
Municipal Court	85,555	86,355	70,667	15,688
Police Department	942,175	942,175	939,537	2,638
Public Transportation				
Streets	448,653	448,153	393,917	54,236
Culture and Recreation				
Parks	177,120	421,056	424,464	(3,408)
Library	222,170	222,370	194,162	28,208
Total Expenditures	<u>3,508,202</u>	<u>3,651,770</u>	<u>3,601,485</u>	<u>50,285</u>
Excess (Deficiency) of Revenues Over (Under) Expenditures	<u>(788,837)</u>	<u>(701,370)</u>	<u>(913,186)</u>	<u>(211,816)</u>
OTHER FINANCING SOURCES (USES):				
Transfers In	792,721	699,370	451,000	(248,370)
Transfers Out	0	0	(246,335)	(246,335)
Total Other Financing Sources (Uses)	<u>792,721</u>	<u>699,370</u>	<u>204,665</u>	<u>(494,705)</u>
Net Changes in Fund Balances	<u>3,884</u>	<u>(2,000)</u>	<u>(708,521)</u>	<u>(706,521)</u>
Fund Balances - Beginning	1,597,208	1,597,208	1,597,208	
Fund Balances - Ending	<u>\$1,601,092</u>	<u>\$1,595,208</u>	<u>\$888,687</u>	<u>(\$706,521)</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, 2013

	BUSINESS TYPE ACTIVITIES - ENTERPRISE FUNDS			GOVERN- MENTAL ACTIVITIES- INTERNAL SERVICE FUND
	UTILITY CURRENT YEAR	UTILITY PRIOR YEAR	TOTALS CURRENT YEAR	
ASSETS				
Current Assets				
Cash and Cash Equivalents	\$1,873,332	\$1,898,831	\$1,873,332	\$141,772
Accounts Receivables (net of allowance for uncollectibles)	233,206	319,891	233,206	
Inventories	34,859	34,859	34,859	
Unamortized Bond Issuance Cost	3,945	4,734	3,945	
Prepays	0	0	0	
Cash and Cash Equivalents for Restricted Current Liabilities	141,466	114,739	141,466	
Total Current Assets	2,286,808	2,373,054	2,286,808	141,772
Noncurrent Assets				
Capital Assets				
Land	4,000	4,000	4,000	
Construction in Progress	437,128	437,128	437,128	
Buildings and Improvements	9,078,818	8,918,964	9,078,818	
Machinery and Equipment	1,059,041	985,616	1,059,041	
Intangible Assets	6,190	6,190	6,190	
Total Capital Assets	10,585,177	10,351,898	10,585,177	0
Less Accumulated Depreciation	(5,765,491)	(5,493,885)	(5,765,491)	
Total Capital Assets (net of accumulated depreciation)	4,819,686	4,858,013	4,819,686	0
Total Noncurrent Assets	4,819,686	4,858,013	4,819,686	0
TOTAL ASSETS	\$7,106,494	\$7,231,067	\$7,106,494	\$141,772

(continued)

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LIABILITIES, FUND EQUITY AND OTHER CREDITS	BUSINESS TYPE ACTIVITIES - ENTERPRISE FUNDS			GOVERN- MENTAL ACTIVITIES- INTERNAL SERVICE FUND
	UTILITY	UTILITY	TOTALS	
	CURRENT YEAR	PRIOR YEAR	CURRENT YEAR	
Liabilities				
Current Liabilities (Payable from Current Assets)				
Accounts Payable	\$110,778	\$150,549	\$110,778	
Accrued Wages	6,123	5,385	6,123	
Accrued Interest Payable	1,292	1,499	1,292	
Compensated Absences	3,236	4,714	3,236	
Deferred Revenue	303,696	271,211	303,696	
Revenue Bonds - Current	38,333	36,667	38,333	
Total Current Liabilities	463,458	470,025	463,458	0
Current Liabilities (Payable from Restricted Assets)				
Consumer Meter Deposits	241,535	218,528	241,535	
Total Current Liabilities	241,535	218,528	241,535	0
Payable from Restricted Assets				
Total Current Liabilities	704,993	688,553	704,993	0
Noncurrent Liabilities				
Compensated Absences	3,235	4,713	3,235	
Revenue Bonds Payable (net of unamortized discounts and deferred amount on refunding)	171,682	210,015	171,682	
Total Noncurrent Liabilities	174,917	214,728	174,917	0
Total Liabilities	879,910	903,281	879,910	0
Net Position				
Invested in Capital Assets, Net of Related Debt	4,609,671	4,611,331	4,609,671	0
Restricted for:				
Debt Service (Nonexpendable)	75,330	75,330	75,330	
Construction (Expendable)	66,136	39,409	66,136	
Unrestricted	1,475,447	1,601,716	1,475,447	141,772
Total Net Position	\$6,226,584	\$6,327,786	\$6,226,584	\$141,772

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, 2013

	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)	\$1,837,120	\$2,001,057	\$1,837,120	\$4,428
Miscellaneous	34,320	2,378	34,320	
Total Operating Revenues	1,871,440	2,003,435	1,871,440	4,428
OPERATING EXPENSES:				
Personal Services	616,690	562,780	616,690	
Supplies	77,312	102,237	77,312	
Other Services and Charges	473,912	537,761	473,912	7,428
Depreciation	271,606	241,104	271,606	
Total Operating Expenses	1,439,520	1,443,882	1,439,520	7,428
Operating Income (Loss)	431,920	559,553	431,920	(3,000)
NON-OPERATING REVENUES (EXPENSES):				
Intergovernmental	0	296,800	0	
Interest Income	40,841	42,598	40,841	2,491
Interest and Fiscal Charges	(8,955)	(10,170)	(8,955)	
Total Non-Operating Revenues (Expenses)	31,886	329,228	31,886	2,491
Income Before Transfers	463,806	888,781	463,806	(509)
Transfers In (Out)-Net	(565,008)	(628,717)	(565,008)	
Change in Net Position	(101,202)	260,064	(101,202)	(509)
Total Net Position - Beginning	6,327,786	6,067,722	6,327,786	142,281
Total Net Position - Ending	\$6,226,584	\$6,327,786	\$6,226,584	\$141,772

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, 2013

	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	\$2,013,617	\$2,037,562	\$2,013,617	\$4,428
Payments to Suppliers	(590,413)	(623,200)	(590,413)	(7,428)
Payments to Employees	(618,908)	(562,639)	(618,908)	
Net Cash Provided (Used) By Operating Activities	804,296	851,723	804,296	(3,000)
Cash Flows from Non-Capital and Related Financing Activities				
Transfers Out	(565,008)	(628,717)	(565,008)	
State and Federal Grant Receipts	0	296,800	0	
Net Cash Provided (Used) by Non-Capital and Related Financing Activities	(565,008)	(331,917)	(565,008)	0
Cash Flows from Capital and Related Financing Activities				
Principal Payment on Revenue Bonds, Notes and Capital Leases	(36,667)	(35,000)	(36,667)	
Interest and Fiscal Charges	(8,955)	(10,170)	(8,955)	2,491
Purchases of Capital Assets	(233,279)	(489,878)	(233,279)	
Net Cash Provided (Used) By Capital and Related Financing Activities	(278,901)	(535,048)	(278,901)	2,491
Cash Flows from Investing Activities				
Interest Received	40,841	42,598	40,841	
Net Cash Provided (Used) by Investment Activities	40,841	42,598	40,841	0
Net Increase (Decrease) in Cash Equivalents	1,228	27,356	1,228	(509)
Cash and Cash Equivalents at Beginning of Year	2,013,570	1,986,214	2,013,570	142,281
Cash and Cash Equivalents at End of Year	\$2,014,798	\$2,013,570	\$2,014,798	\$141,772
Unrestricted Assets:				
Cash and Cash Equivalents	\$1,873,332	\$1,898,831	\$1,873,332	\$141,772
Restricted Assets:				
Cash and Cash Equivalents	141,466	114,739	141,466	0
Total	\$2,014,798	\$2,013,570	\$2,014,798	\$141,772

(continued)

(continued)

	BUSINESS TYPE ACTIVITIES - ENTERPRISE FUNDS			GOVERN- MENTAL
	UTILITY	UTILITY	TOTALS	ACTIVITIES-
	CURRENT	PRIOR	CURRENT	INTERNAL
	YEAR	YEAR	YEAR	SERVICE
				FUND
Reconciliation of operating income to net cash provided (used) by operating activities:				
Operating Income (Loss)	\$431,920	\$559,553	\$431,920	(\$3,000)
Adjustments to Reconcile to Net Cash Flow				
Non-Cash Items Included in Net Income				
Depreciation	271,606	241,104	271,606	0
Changes in Current Items				
Decrease (Increase) in Accounts Receivable	86,685	20,431	86,685	
Decrease (Increase) in Inventories	0	0	0	
Decrease (Increase) in Bond Issuance Costs	789	789	789	
Decrease (Increase) in Prepays	0	0	0	
Increase (Decrease) in Accounts Payable	(39,771)	16,202	(39,771)	
Increase (Decrease) in Accrued Wages	738	576	738	
Increase (Decrease) in Accrued Interest Payable	(207)	(193)	(207)	
Increase (Decrease) in Compensated Absences	(2,956)	(435)	(2,956)	
Increase (Decrease) in Deferred Revenue	32,485	732	32,485	
Increase (Decrease) in Consumer Meter Deposits	23,007	12,964	23,007	0
Net Cash Provided (Used)				
By Operating Activities	<u>\$804,296</u>	<u>\$851,723</u>	<u>\$804,296</u>	<u>(\$3,000)</u>
Noncash Investing, Capital, and Financing Activities:				
Federal Grant Revenue	\$0	\$296,800	\$0	\$0
Total Noncash Investing, Capital, and Financing Activities:	<u>\$0</u>	<u>\$296,800</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, 2013

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 EDC is governed by a board appointed by the City Council who has the ability to impose their will on the Sinton Economic Development EDC. Although they are legally separate from the City, the Sinton Economic Development EDC 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 those transactions between governmental and business-type activities have not been eliminated.

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 tax, sales tax, intergovernmental revenues and other 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 fire equipment and replacement fund is used to administer monies collected for fire safety.

C. 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 presents 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.

D. 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, 2013, the trade accounts receivable allowance in excess of 60 days is equal to 10 percent of outstanding utility billings at September 30, 2013, the trade accounts receivable allowance in excess of 90 days is equal to 25 percent of outstanding utility billings at September 30, 2013, and the trade accounts receivable allowance in excess of 120 days is equal to 50 percent of outstanding utility billings at September 30, 2013. The property tax receivable allowance is equal to 1 percent of current outstanding property taxes at September 30, 2013, and 10 percent of delinquent outstanding property taxes at September 30, 2013.

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, 2013 were as follows:

	Interest and Sinking Fund	Economic Development Fund	Fire Equipment and Replacement Fund	Other Governmental Funds	Utility Fund	Total
Debt Service	\$1,296,580	\$146,734	\$0	\$0	\$75,330	\$1,518,644
Fire Safety			110,412			110,412
Future Projects		1,133,401				1,133,401
Construction				286,901	66,136	353,037
Total Restricted Assets	\$1,296,580	\$1,280,135	\$110,412	\$286,901	\$141,466	\$3,115,494

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 water facility improvements during the year which were financed by a Tax Note and a federal grant, respectively.

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, 2013, 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, 2013, fund balances are composed of the following:

Fund Balances:

Non-Spendable	
Inventories	\$24,908
Restricted	
Debt Service	1,443,314
Construction	255,619
Economic Development	1,133,401
Public Safety	234,264
Committed	
Construction	40,654
Unassigned	863,779
Total Fund Balance	<u>\$3,995,939</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 \$2,410,868 difference are as follows:

Bonds Payable	\$2,359,987
Compensated Absences	<u>50,881</u>
	<u>\$2,410,868</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 \$6,801,376 difference are as follows:

Capital Assets Not Being Depreciated	\$62,250
Capital Assets Being Depreciated	10,450,031
Depreciation Expense	(3,710,905)
Net Adjustment to Increase Net Changes in Fund Balances - Total Governmental Funds to Arrive at Changes in Net Position of Governmental Activities	<u>\$6,801,376</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 \$178,308 difference are as follows:

Property Taxes Receivable	\$192,350
Allowance for Doubtful Accounts	<u>(14,042)</u>
Net	<u>\$178,308</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 \$110,715 difference are as follows:

Fines and Fees Receivable	\$237,742
Allowance for Doubtful Accounts	<u>(127,027)</u>
Net	<u>\$110,715</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 \$43,586 difference are as follows:

Capital Outlay - Additions - Not Being Depreciated	\$0
Capital Outlay - Additions - Being Depreciated	407,961
Capital Outlay - Deletions	0
Depreciation Expense	(364,375)
Net Adjustment to Increase Net Changes in Fund Balances - Total Governmental Funds to Arrive at Changes in Net Position of Governmental Activities	<u>\$43,586</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, 2013.

B. Excess of expenditures over appropriations

For the year ended September 30, 2013, expenditures did not exceed appropriations.

C. Deficit fund equity

The City had no deficit fund balances as of September 30, 2013.

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 no formal policy for custodial credit risk. As of September 30, 2013, the government's bank balance of \$6,695,307 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 \$9,236,856 and the FDIC coverage is \$250,000. The book amount of cash at September 30, 2013 is \$6,437,325.

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	Water and Sewer	Total
<u>Receivables</u>			
Taxes	\$192,350	\$0	\$192,350
EMS	2,095,545		2,095,545
Accounts	36,735	255,152	291,887
Fines	237,742		237,742
Other	63,458		63,458
Gross Receivables	2,625,830	255,152	2,880,982
Less: Allowance for Uncollectibles	1,842,088	21,946	1,864,034
Net Total Receivables	<u>\$783,742</u>	<u>\$233,206</u>	<u>\$1,016,948</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:

	<u>Unearned Revenue</u>
Delinquent property taxes receivable (General fund)	\$178,308
Bulldozer account	206,372
8 Liner Receipts	162,787
Several immaterial accounts	<u>374,299</u>
Total deferred/unearned revenue for governmental funds	<u>\$921,766</u>

C. Capital assets

Capital asset activity for the year ended September 30, 2013 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			0
Total capital assets not being depreciated:	62,250	0	0	62,250
Capital assets being depreciated:				
Building and Improvements	5,416,407			5,416,407
Machinery, Equipment and Vehicles	1,940,727	407,961		2,348,688
Intangible Assets	18,874			18,874
Infrastructure	2,666,062			2,666,062
Total capital assets being depreciated:	10,042,070	407,961	0	10,450,031
Less: Accumulated Depreciation for:				
Building and Improvements	1,181,049	110,748		1,291,797
Machinery, Equipment and Vehicles	1,669,457	201,822		1,871,279
Intangible Assets	7,550	3,774		11,324
Infrastructure	488,474	48,031		536,505
Total Accumulated Depreciation	3,346,530	364,375	0	3,710,905
Total Capital Assets Depreciated, Net	6,695,540	43,586	0	6,739,126
Governmental Activities capital assets, Net	\$6,757,790	\$43,586	\$0	\$6,801,376
Business-Type Activities:	Beginning			Ending
Capital Assets not Being Depreciated:	Balances	Increases	Decreases	Balances
Land	\$4,000			\$4,000
Construction in Progress	437,128		437,128	0
Total Capital Assets Not Being Depreciated:	441,128	0	437,128	4,000
Capital Assets Being Depreciated:				
Building and Improvements	8,918,964	596,982		9,515,946
Machinery, Equipment and Vehicles	985,616	73,425		1,059,041
Intangible Assets	6,190			6,190
Total Capital Assets Being Depreciated:	9,910,770	670,407	0	10,581,177
Less: Accumulated Depreciation for:				
Building and Improvements	4,661,648	201,213		4,862,861
Machinery, Equipment and Vehicles	829,761	69,155		898,916
Intangible Assets	2,476	1,238		3,714
Total Accumulated Depreciation	5,493,885	271,606	0	5,765,491
Total Capital Assets Depreciated, Net	4,416,885	398,801	0	4,815,686
Business-Type Activities Capital Assets, Net	\$4,858,013	\$398,801	\$437,128	\$4,819,686

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

Governmental Activities	
General Administration	\$3,208
Public Safety	212,341
Public Transportation	52,664
Culture and Recreation	<u>96,162</u>
Total Depreciation Expense - Governmental Activities	<u>\$364,375</u>
Business-Type Activities	
Water and Sewer	<u>\$271,606</u>
Total Depreciation Expense - Business-Type Activities	<u>\$271,606</u>

Construction during the year: The City had street improvements and water facility improvements during the year which were financed by a Tax Note and a federal grant, respectively.

D. Interfund receivables, payables, and transfers

There were Due to/from other funds at September 30, 2013.

There were no advances at September 30, 2013.

The interfund fund transfers for the year ended September 30, 2013 were as follows:

<u>ACCOUNT</u>	<u>AMOUNT</u>	<u>REASON</u>
<u>GENERAL FUND</u>		
TRANSFER FROM WATER/SEWER FUND	\$451,000	CITY ADMINISTRATION
TRANSFER TO INTEREST AND SINKING FUND FUND	(246,335)	DEBT SERVICE
<u>WATER/SEWER FUND</u>		
TRANSFER TO GENERAL FUND	(451,000)	CITY ADMINISTRATION
TRANSFER TO INTEREST AND SINKING FUND FUND	(114,008)	DEBT SERVICE
<u>INTEREST AND SINKING FUND</u>		
TRANSFER FROM WATER/SEWER FUND	114,008	DEBT SERVICE
TRANSFER FROM GENERAL FUND	246,335	DEBT SERVICE
	<u>\$0</u>	

All of the transfers were recurring.

E. Leases

Operating Leases

The government leases equipment under noncancelable operating leases. Total costs for such leases were \$7,156 for the year ended September 30, 2013. The future minimum lease payments for these leases are as follows:

Year Ending Sep. 30	<u>Amount</u>
2014	\$ 8,902
2015	8,902
2016	6,762
2017	6,646
2018	<u>3,492</u>
Total	<u>\$34,704</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 \$1,100,000. The original amount of the Tax Notes issued for the Governmental activities was \$1,025,000.

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	3.3 - 4.0	\$ 419,987
Governmental activities	4.27	\$ 1,170,000
Governmental activities-refunded	3.0 - 4.5	\$ 345,000
Business-type activities	3.3 - 4.0	\$ 210,015

Tax Notes currently outstanding are as follows:

<u>Purpose</u>	<u>Rates</u>	<u>Amount</u>
Governmental activities	1.40-2.95	\$ 425,000

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
2014	\$216,667	\$292,278	\$38,333	\$45,412
2015	230,000	297,001	40,000	45,708
2016	243,333	300,899	41,667	45,904
2017	246,667	294,116	43,333	45,977
2018	168,333	207,195	46,682	47,592
2019-2023	419,987	554,066	0	0
2024-2027	410,000	446,081	0	0
TOTALS	\$1,934,987	\$2,391,636	\$210,015	\$230,594

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

Year Ending September 30,	Governmental Activities	
	Principal	Interest
2014	\$210,000	\$9,072
2015	215,000	3,171
TOTALS	\$425,000	\$12,243

Changes in long-term liabilities:

	Beginning Balance	Additions	Reductions	Ending Balance	Due Within One Year	Due After One Year
<u>Governmental Activities:</u>						
Bonds Payable	\$2,148,320		\$213,333	\$1,934,987	\$216,667	\$1,718,320
Tax Notes Payable	630,000	0	205,000	425,000	210,000	215,000
Total Bonds Payable	2,778,320	0	418,333	2,359,987	426,667	1,933,320
Compensated Absences Payable	62,108	50,881	62,108	50,881	25,440	25,441
	2,840,428	50,881	480,441	2,410,868	452,107	1,958,761
<u>Business-Type Activities:</u>						
Bonds Payable	246,682		36,667	210,015	38,333	171,682
Total Bonds Payable	246,682	0	36,667	210,015	38,333	171,682
Compensated Absences Payable	9,427	6,471	9,427	6,471	3,236	3,235
	256,109	6,471	46,094	216,486	41,569	174,917
Grand Total	\$3,096,537	\$57,352	526,535	2,627,354	493,676	2,133,678

The general fund and the utility fund are used to service the compensated absences. The estimated amount due in the 2013-14 year is \$28,676. The City estimates that approximately half of the compensated absences will be used in the 2013-2014 year.

The government-wide statement of activities includes \$493,676 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 is used to service the series 2003 combination tax and revenue bonds which were originally issued for \$1,000,000 and have a year end balance of \$419,987. The economic development fund is used to service the series 2013 combination tax and revenue bonds which were originally issued for \$1,500,000 and have a year end balance of \$1,170,000 and the series 2013 refunding bonds which were originally issued for \$645,000 and have a year end balance of \$345,000. The general fund will be used to service the series 2013 tax notes which were originally issued for \$1,025,000 and have a year end balance of \$425,000.

V. Other information

A. Risk management

The government is exposed to various risks of loss related to torts; theft of, damage to, and destruction of assets; errors and omissions; and natural disasters for which the government carries commercial insurance. Liabilities of the fund are reported when it is probable that a loss has occurred and the amount of the loss can be reasonably estimated. Liabilities include an amount for claims that have been incurred but not reported (IBNRs). The result of the process to estimate the claims liability is not an exact amount as it depends on many complex factors, such as inflation, changes in legal doctrines, and damage awards. Accordingly, claims are reevaluated periodically to consider the effects of inflation, recent claim settlement trends (including frequency and amount of pay-outs), and other economic and social factors. The estimate of the claims liability also includes amounts for incremental claim adjustment expenses related to specific claims and other claim adjustment expenses regardless of whether allocated to specific claims. Estimated recoveries, for example from salvage or subrogation, are another component of the claims liability estimate. An excess coverage insurance policy covers individual claims in excess of \$50. Settlements have not exceeded coverages for each of the past three fiscal years. Changes in the balances of claims liabilities during the past two years are as follows:

	Year Ended 09/30/12	Year Ended 09/30/13
Unpaid Claims, Beginning of Fiscal Year	\$0	\$0
Incurred Claims (including IBNRs)	0	0
Claim Payments	0	0
Unpaid Claims, End of Fiscal Year	<u>\$0</u>	<u>\$0</u>

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 (1) retired employee who has qualified for this benefit. As of October 1, 2013, the City of Sinton's monthly premium expense for these employees is \$ 694.04 monthly to Blue Cross Blue Shield of Texas, and \$ 70.50 to HISC-Blue Medicare RX.

The City of Sinton currently has 42 employees who are contributing to TMRS.

1- 35 Yrs Service	Age = 60
1- 34 Yrs Service	Age = 62
1- 24 Yrs Service	Age = 53
1- 22 Yrs Service	Age = 43
1- 19 Yrs Service	Age = 56
1- 17 Yrs Service	Age = 39
7- 10 to 15 Yrs Service	
29- Under 10 Yrs Service	

With the high turn-over rate that the City has experienced in the past several years, it is anticipated that of those 36 employees who have 15 years or less of service, only 6% or approximately 2 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 \$424.35. 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.

Knox vs. City-Jackie Knox, former city manager, filed suit claiming damages for wrongful termination. This was first filed with EEOC but was denied. The suit was settled with \$25,000 in damages paid for by the City's insurance carrier.

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, 2013 the City paid \$2,464.

F. Construction and other commitments

The City had street improvements during the year which was financed by a Tax Note issued in the 2010 year.

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	2013	2012
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
09-30-11	172,729	100%	-0-
09-30-12	251,745	100%	-0-
09-30-13	276,133	100%	-0-

The required contribution rates for fiscal year 2013 were determined as part of the December 31, 2010 and 2011 actuarial valuations. Additional information as of the latest valuation, December 31, 2012, also follows:

VALUATION DATE	12/31/2010	12/31/2011	12/31/2012
ACTUARIAL COST METHOD	Projected Unit Credit	Projected Unit Credit	Projected Unit Credit
AMORTIZATION METHOD	Level Percent of Payroll	Level Percent of Payroll	Level Percent of Payroll
GASB 25 EQUIVALENT SINGLE AMORTIZATION PERIOD	28.9 years; closed period	29.8 years; closed period	28.5 years; closed period
ASSET VALUATION METHOD	10-year smoothed market	10-year smoothed market	10-year smoothed market
AMORTIZATION PERIOD FOR NEW GAINS/LOSSES	30 years	30 years	30 years
ACTUARIAL ASSUMPTIONS:			
INVESTMENT RATE OF RETURN	7.5%	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)
12/31/2012	\$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.

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)
2010	\$4,012,339	\$4,594,871	\$ 582,532	87.3%	\$1,611,414	36.2%
2011	4,353,577	5,969,547	1,615,970	72.9	1,723,287	93.8
2012	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, 2013

	SPECIAL REVENUE		CAPITAL PROJECTS						TOTAL NON-MAJOR GOVERN- MENTAL FUND
	CRIMINAL JUSTICE PLANNING	SINTON AFFORDABLE HOUSING	1985		2010 TAX		MUNICIPAL BUILDING FUND		
			GENERAL OBLIGATION IMPROVEMENT	NOTE STREET IMPROVEMENT	STREET IMPROVEMENT	FUND			
ASSETS									
Cash and Cash Equivalents	\$9,785	\$137,078	\$0	\$0	\$0	\$0	\$0	\$146,863	
Restricted Assets:									
Cash and Cash Equivalents			34,702	87,693	123,852	40,654	40,654	286,901	
TOTAL ASSETS	\$9,785	\$137,078	\$34,702	\$87,693	\$123,852	\$40,654	\$40,654	\$433,764	
LIABILITIES AND FUND BALANCES									
Liabilities									
Accounts Payable	\$9,785	\$3,854						\$13,639	
Total Liabilities	\$9,785	\$3,854	\$0	\$0	\$0	\$0	\$0	\$13,639	
Fund Balances:									
Restricted									
Construction		133,224	34,702	87,693	123,852	40,654	40,654	255,619	
Public Safety								123,852	
Committed								40,654	
Construction								420,125	
Total Fund Balances	0	133,224	34,702	87,693	123,852	40,654	40,654	420,125	
TOTAL LIABILITIES AND FUND BALANCES	\$9,785	\$137,078	\$34,702	\$87,693	\$123,852	\$40,654	\$40,654	\$433,764	

CITY OF SINTON, TEXAS
 COMBINING STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES
 NON-MAJOR GOVERNMENTAL FUNDS
 FOR THE YEAR ENDED SEPTEMBER 30, 2013

	SPECIAL REVENUE		CAPITAL PROJECTS				TOTAL
	CRIMINAL JUSTICE PLANNING	SINTON AFFORDABLE HOUSING	1985 GENERAL OBLIGATION IMPROVEMENT	2010 TAX NOTE STREET IMPROVEMENT FUND	STREET IMPROVEMENT FUND	MUNICIPAL BUILDING FUND	NON-MAJOR GOVERNMENTAL FUND
REVENUES:							
Charges for Services					\$23,117		\$23,117
Interest		2,309	620	1,568	1,991	727	7,215
Miscellaneous		15,354					15,354
Total Revenues	0	17,663	620	1,568	25,108	727	45,686
EXPENDITURES:							
Current							
General Administration		4,222					4,222
Public Safety							0
Public Transportation							0
Capital Projects -							
Capital Outlay and Other							0
Total Expenditures	0	4,222	0	0	0	0	4,222
Excess (Deficiency) of Revenues Over (Under) Expenditures	0	13,441	620	1,568	25,108	727	41,464
OTHER FINANCING SOURCES (USES)							
Operating Transfers In							0
Operating Transfers Out							0
Net change in fund balances	0	13,441	620	1,568	25,108	727	41,464
Fund Balance at Beginning of Year	0	119,783	34,082	86,125	98,744	39,927	378,661
Fund Balance at End of Year	\$0	\$133,224	\$34,702	\$87,693	\$123,852	\$40,654	\$420,125