

CITY OF SINTON, TEXAS
ANNUAL FINANCIAL REPORT
FOR THE YEAR ENDED
SEPTEMBER 30, 2016

CITY OF SINTON, TEXAS

TABLE OF CONTENTS

	<u>Exhibit</u>	<u>Page Number</u>
Introductory Section		
List of City Officials		1
Financial Section		
Independent Auditors' Report		2
Management's Discussion and Analysis		5 - 12
<i>Basic Financial Statements:</i>		
Statement of Net Position	A-1	13
Statement of Activities	B-1	14-15
<i>Governmental Fund Financial Statements:</i>		
Balance Sheet	C-1	16-17
Statement of Revenues, Expenditures, and Changes in Fund Balances	C-2	18-19
Reconciliation of the Statement of Revenues, Expenditures and Changes in Fund Balances of Governmental Funds to the Statement of Activities	C-3	20
Statement of Revenues, Expenditures, and Changes in Fund Balances - Budget and Actual - General Fund	C-4	21
<i>Proprietary Fund Financial Statements:</i>		
Statement of Net Position	D-1	22
Statement of Revenues, Expenses, and Changes in Fund Net Position	D-2	23
Statement of Cash Flows	D-3	24
Notes to Financial Statements		25-49
Combining Statements		
Schedule of Expenditures - Budget and Actual	G-1	50
<i>Nonmajor Governmental Funds:</i>		
Combining Balance Sheet	H-1	51-52
Combining Statement of Revenues, Expenditures, and Changes in Fund Balances	H-2	53-54

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CITY OF SINTON, TEXAS

TABLE OF CONTENTS

	<u>Exhibit</u>	<u>Page</u> <u>Number</u>
Compliance Section		
Independent Auditors' Report on Internal Control Over Financial Reporting and on Compliance and Other Matters Based on an Audit of Financial Statements Performed in Accordance with <i>Government Auditing Standards</i>		55-56
Schedule of Findings and Questioned Costs		57-58

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INTRODUCTORY SECTION

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CITY OF SINTON, TEXAS

LIST OF CITY OFFICIALS

SEPTEMBER 30, 2016

Mayor.....Edward Adams
Mayor Pro-Tem.....Patricia G. Vargas
City Commissioner.....Danny Davila
City CommissionerCheryl Rigotti
City CommissionerNathan Lindeman
City Manager.....John Hobson
City Secretary.....Cathy Duhart

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FINANCIAL SECTION

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INDEPENDENT AUDITOR'S REPORT

To the Honorable Mayor and
Member of the City Council
City of Sinton, Texas

Report on the Financial Statements

We have audited the accompanying financial statements of the governmental activities, the business-type activities, the aggregate discretely presented component unit, each major fund, and the aggregate remaining fund information of City of Sinton, Texas (City), as of and for the year ended September 30, 2016, 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.

Auditors' Responsibility

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

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditors' 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.

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**Governmental Audit
Quality Center**

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, the aggregate discretely presented component unit, each major fund, and the aggregate remaining fund information of the City of Sinton, Texas, as of September 30, 2016, and the respective changes in financial position, and, where applicable, cash flows thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Change in Accounting Principle

As described in Note A to the financial statements, in 2016, the City adopted new accounting guidance, *GASB Statement No. 68, Accounting and Financial Reporting for Pensions and GASB Statement No. 71, Pension Transition for Contributions Made Subsequent to the Measurement Date*. Our opinion is not modified with respect to this matter.

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis and budgetary comparison information 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 introductory section, other supplementary information, and statistical section as listed in the table of contents, are presented for purposes of additional analysis and are not a required part of the basic financial statements.

The other supplementary information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America.

In our opinion, the other supplementary information is fairly stated in all material respects in relation to the basic financial statements as a whole.

The introductory and statistical sections have not been subjected to the auditing procedures applied in the audit of the basic financial statements and, accordingly, we do not express an opinion or provide any assurance on them.

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated August 7, 2017, on our consideration of the City of Sinton, Texas' internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering City of Sinton, Texas' internal control over financial reporting and compliance.

Pattillo, Brown & Hill, C.P.A.

Brownsville, Texas
August 7, 2017

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, 2016.

FINANCIAL HIGHLIGHTS

The assets and deferred outflows of resources of the City of Sinton, Texas exceeded its liabilities at the close of the most recent fiscal year by \$14,060,123 (net assets). Of this amount, \$2,648,437 (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 \$183,832. The primary reason for the decrease was a decrease in sale tax revenues of \$151,749.

As of the close of the current fiscal year, the City of Sinton, Texas' governmental funds reported combined ending fund balances of \$4,466,086 an increase of \$193,100 in comparison with the prior year. Approximately 25% of this total amount, \$1,155,664, 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 \$565,626 or 15% of total general fund expenditures.

The City of Sinton, Texas' total debt increased by \$415,046 or 5% during the current fiscal year. The key factor in this decrease was an increase of the net pension plan liability of \$494,190.

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OVERVIEW OF THE FINANCIAL STATEMENTS

This discussion and analysis is 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 13-15 of this report.

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

Governmental funds: Governmental funds are used to account for essentially the same functions reported as governmental activities in the government-wide financial statements. However, unlike the government-wide financial statements, governmental fund financial statements focus on near-term inflows and outflows of spendable resources, as well as on balances of spendable resources available at the end of the fiscal year. Such information may be useful in evaluating a government's near-term financing requirements.

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

The City of Sinton, Texas maintains eleven individual governmental funds. Information is presented separately in the governmental fund balance sheet and in the governmental fund statement of revenues, expenditures, and changes in fund balances for the general fund, the interest and sinking fund, the 2014 tax note street improvement fund, and the economic development fund all of which are considered to be major funds. Data from the other seven governmental funds are combined into a single, aggregated presentation. Individual fund data for each of these non-major governmental funds is provided in the form of combining statements elsewhere in this report.

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

The governmental fund financial statements can be found on pages 16-19 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 22-24 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 25-49 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.

The combining statements referred to earlier in connection with none 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 51-54 of this report.

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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 \$14,060,123 at the close of the most recent fiscal year.

The largest portion of the City of Sinton, Texas' net assets 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 Position

	Primary Government			Combined Total 2015
	Governmental Activities 2016	Business Type Activities 2016	Total 2016	
Current and other assets	\$ 4,144,491	\$ 2,360,504	\$ 6,504,995	\$ 4,397,231
Restricted assets	1,292,859	1,270,783	2,563,642	4,919,711
Capital assets	7,344,424	5,610,194	12,954,618	12,218,080
Deferred outflows of resources pensions	<u>262,428</u>	<u>69,759</u>	<u>332,187</u>	<u>368,599</u>
Total assets and deferred outflows of resources	<u>\$ 13,044,202</u>	<u>\$ 9,311,240</u>	<u>\$ 22,355,442</u>	<u>\$ 21,903,621</u>
Long-term liabilities	3,991,098	2,029,981	6,021,079	5,811,161
Other liabilities	<u>971,264</u>	<u>1,195,652</u>	<u>2,166,916</u>	<u>1,961,788</u>
Total liabilities	<u>4,962,362</u>	<u>3,225,633</u>	<u>8,187,995</u>	<u>7,772,949</u>
Deferred inflows related pensions	<u>146,181</u>	<u>(38,857)</u>	<u>107,324</u>	<u>-</u>
Net investment in capital assets	3,469,573	4,029,503	7,499,076	9,922,231
Restricted	3,912,610	-	3,912,610	3,015,796
Unrestricted	<u>553,476</u>	<u>2,094,961</u>	<u>2,648,437</u>	<u>1,192,645</u>
Total net position	<u>\$ 7,935,659</u>	<u>\$ 6,124,464</u>	<u>\$ 14,060,123</u>	<u>\$ 14,130,672</u>
Total liabilities, deferred inflows of resources and net position	<u>\$ 13,044,202</u>	<u>\$ 9,311,240</u>	<u>\$ 22,355,442</u>	<u>\$ 21,903,621</u>

An additional portion of the City of Sinton, Texas' net assets represents resources that are subject to external restrictions on how they may be used. The remaining balance of unrestricted net assets \$2,648,737 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 \$896,814 in restricted net assets reported in connection with the City of Sinton, Texas' government-type and business-type activities. This increase resulted mainly from capital expenditures.

The City's governmental total assets decreased by \$183,832. The primary reason for the decrease was a decrease in the City's accounts receivable of \$154,085.

Governmental activities:

CITY OF SINTON, TEXAS – Change in Net Position

	Primary Government		Total 2016	Combined Total 2015
	Governmental Activities 2016	Business Type Activities 2016		
Program Revenues:				
Charges for Services	\$ 1,140,123	\$ 1,828,336	\$ 2,968,459	\$ 2,879,054
Operating grants and contributions	41,196	-	41,196	-
General revenues:				
Property taxes	1,148,128	-	1,148,128	1,091,543
Non property taxes	1,122,893	-	1,122,893	1,314,853
Unrestricted investment earnings	2,891	926	3,817	6,425
Other income	<u>576,117</u>	<u>-</u>	<u>576,117</u>	<u>553,346</u>
Total revenues	4,031,348	1,829,262	5,860,610	5,845,221
Expenses:				
General government	456,231	-	456,231	738,138
Public safety	2,360,659	-	2,360,659	2,434,436
Public works	384,408	-	384,408	447,677
Culture and recreation	543,111	-	543,111	601,662
Interest and fiscal charges	82,778	117,588	200,366	134,062
Water and sewer services	<u>-</u>	<u>1,759,621</u>	<u>1,759,621</u>	<u>1,610,809</u>
Total expenses	3,827,187	1,877,209	5,704,396	5,966,784
Change to net position before transfers	204,161	(47,947)	156,214	(121,563)
Transfers in (out)	<u>(18,916)</u>	<u>(388,447)</u>	<u>(407,363)</u>	<u>-</u>
Change in net position	185,245	(436,394)	(251,149)	(121,563)
Net position beginning	7,567,656	5,971,176	13,538,832	14,252,235
Prior period adjustment	<u>182,758</u>	<u>589,682</u>	<u>772,440</u>	<u>-</u>
Net positions at 09/30/2016-Restated	<u>7,750,414</u>	<u>6,560,858</u>	<u>14,311,272</u>	<u>14,252,235</u>
Net position, ending	<u>\$ 7,935,659</u>	<u>\$ 6,124,464</u>	<u>\$ 14,060,123</u>	<u>\$ 14,130,672</u>

Total governmental and business-type revenues increased by \$15,389 or .26% during the year. Total expenses decreased by \$262,388 or 4.40%. The largest expense decrease was in general government, which decreased by \$281,907 or 38.13%.

Expenses and Program Revenues - Governmental Activities

Revenues by source - Governmental Activities

	Revenues	Percent
Charges for services	\$ 1,140,123	28%
Capital grants and contributions	41,196	1%
Maintenance and operations taxes	1,148,128	28%
Sales taxes	883,655	22%
Franchise taxes	239,238	6%
Unrestricted investment earnings	2,891	0%
Miscellaneous	<u>576,117</u>	<u>14%</u>
Total revenues by source	<u>\$ 4,031,348</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:

Expenses from business-type activities of \$1,877,209 exceeded revenues of \$1,829,261 by \$47,948. The increase was related to the increases in water consumption and related demand and to remain compliant with the City's agreement with TCEQ. For expenses over the was Business-type activities decreased the City of Sinton, Texas' net assets by \$13,453, thereby accounting for 11 percent of the total decline in the net assets of the City of Sinton, Texas.

Total expenses increased by \$266,400 or 16.54%. The increase in expenses closely paralleled inflation and an increase in the demand for services.

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 \$4,466,086 an increase of \$193,100 in comparison with the prior year.

Approximately 25.88% of this total amount \$1,155,664 constitutes unassigned fund balance, which is available for spending at the government's discretion. The remainder of fund balance is restricted, committed, or non-spendable.

The general fund is the chief operating fund of the City of Sinton, Texas. At the end of the current fiscal year, unassigned fund balance of the general fund was \$553,476, while total fund balance reached \$565,626. 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 16.08% of total general fund expenditures, while total fund balance represents 15.34% of that same amount.

At the end of the current fiscal year, restricted fund balance of the interest and sinking fund was \$913,762. As a measure of the interest and sinking fund's liquidity, it may be useful to compare the total fund balance to total fund expenditures.

The fund balances of the City of Sinton, Texas' interest and sinking fund increased by \$206,043 during the current fiscal year. A key factor in this increase is the continued transfers in of \$205,617.

At the end of the current fiscal year, unassigned fund balance of the Economic Development Fund's total fund balance was \$1,970,537. As a measure of the economic development fund's liquidity, it may be useful to compare the total fund balance to total fund expenditures. The total fund balance exceeded the total expenditures. However, the fund had transfers out of \$484,704.

The fund balances of the City of Sinton, Texas' economic development fund decreased by \$18,937, during the current fiscal year. Key factors in this decrease are as follows: the decrease resulted mainly from transfers out of \$484,704.

At the end of the current fiscal year, assigned fund balance of the 2014 Tax Note Street Improvement fund was \$98,632. There is no analysis of the 2014 Tax Note Street Improvement fund because it is a construction fund and any analysis would be meaningless.

Proprietary funds:

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

Unrestricted net assets of the Utility fund at the end of the year amounted to \$2,094,964. Other factors concerning the finances of these funds have already been addressed in the discussion of the City of Sinton, Texas' business-type activities.

GENERAL FUND BUDGETARY HIGHLIGHTS

There was no change between the original budget and the final amended budget in the general fund. Overall, actual expenditures in the general fund of \$3,686,404 were less than the budgeted expenditures of \$3,846,579 by \$160,175.

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, 2016, amounts to \$12,954,619 (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 6.03% increase. This percent increase consisted of a 1.44% increase for governmental activities and a 12.70% increase for business-type activities.

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

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

CITY OF SINTON, TEXAS – CAPITAL ASSETS

	Primary Government			Combined Total 2015
	Governmental	Business	Total 2016	
	Activities 2016	Type Activities 2016		
Land, water and service rights	\$ 62,250	\$ 4,000	\$ 66,250	\$ 66,250
Construction in progress	1,022,573	1,380,700	2,403,273	1,588,459
Buildings and improvements	5,634,366	9,548,368	15,182,734	14,964,775
Machinery, equipment and vehicles	2,577,553	1,109,415	3,686,968	3,481,908
Infrastructure	2,666,062	-	2,666,062	2,666,062
Intangible assets	45,674	6,190	51,864	25,064
Totals at historical cost	12,008,478	12,048,673	24,057,151	22,792,518
Accumulated depreciation	(4,664,054)	(6,438,478)	(11,102,532)	(10,574,438)
Total assets-net of depreciation	<u>\$ 7,344,424</u>	<u>\$ 5,610,195</u>	<u>\$ 12,954,619</u>	<u>\$ 12,218,080</u>

Additional information on the City of Sinton, Texas' capital assets can be found in Note IV on page 39-40 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 \$3,855,000. This debt comprises debt backed by the full faith and credit of the City of Sinton, Texas.

City of Sinton, Texas – Debt Service

	Governmental	Business	Total 2016	Combined Total 2015
	Activities	Type Activities		
	2016	2016		
Certificate of obligations	\$ 2,307,918	\$ -	\$ 2,307,918	\$ 2,520,000
Revenue bonds	-	1,547,082	1,547,082	1,610,000
Total debt service	<u>\$ 2,307,918</u>	<u>\$ 1,547,082</u>	<u>\$ 3,855,000</u>	<u>\$ 4,130,000</u>

The City of Sinton, Texas' total debt decreased by \$275,000 or 6.66% during the current fiscal year. The key factor in this decrease was the bond payments of \$275,000.

The City of Sinton, Texas and its Utility fund both maintain an "A" rating from Standard & Poor'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 \$46,961,472, 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 on pages 39-41 of this report.

Request 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

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CITY OF SINTON, TEXAS
STATEMENT OF NET POSITION
SEPTEMBER 30, 2016

	Primary Government		
	Governmental Activities	Business-type Activities	Total
ASSETS			
Cash and investments	\$ 3,377,053	\$ 2,041,365	\$ 5,418,418
Receivables, net of allowances for uncollectibles			
Accounts	383,571	284,280	667,851
Property taxes	226,600	-	226,600
Escrow customer accounts	21,417	-	21,417
Due from other funds	123,700	-	123,700
Inventories	12,150	34,859	47,009
Restricted cash	1,292,859	1,270,783	2,563,642
Capital assets, net of accumulated depreciation			
Non-depreciable assets	62,250	4,000	66,250
Depreciable assets	<u>7,282,174</u>	<u>5,606,194</u>	<u>12,888,368</u>
Total assets	<u>12,781,774</u>	<u>9,241,481</u>	<u>22,023,255</u>
DEFERRED OUTFLOWS OF RESOURCES			
Deferred outflows related to pension	<u>262,428</u>	<u>69,759</u>	<u>332,187</u>
Total deferred outflow of resources	<u>262,428</u>	<u>69,759</u>	<u>332,187</u>
LIABILITIES			
Accounts payable	170,730	96,955	267,685
Accrued liabilities	89,039	289,732	378,771
Deferred revenue	711,495	685,265	1,396,760
Due to other funds	-	123,700	123,700
Due within one year	245,799	79,479	325,278
Due in more than one year	<u>3,745,299</u>	<u>1,950,502</u>	<u>5,695,801</u>
Total liabilities	<u>4,962,362</u>	<u>3,225,633</u>	<u>8,187,995</u>
DEFERRED INFLOWS OF RESOURCES			
Deferred inflows related to pensions	<u>146,181</u>	(38,857)	<u>107,324</u>
Total deferred inflow of resources	<u>146,181</u>	(38,857)	<u>107,324</u>
NET POSITION			
Net investment in capital assets	3,469,573	4,029,503	7,499,076
Restricted for:			
Inventories	12,150	-	12,150
Debt service	913,762	-	913,762
Public safety	172,933	-	172,933
Self-insurance	142,408	-	142,408
Economic development	1,970,537	-	1,970,537
Capital projects	98,632	-	98,632
Special revenue	602,188	-	602,188
Unassigned	<u>553,476</u>	<u>2,094,961</u>	<u>2,648,437</u>
Total net position	<u>\$ 7,935,659</u>	<u>\$ 6,124,464</u>	<u>\$ 14,060,123</u>

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

CITY OF SINTON, TEXAS
STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED SEPTEMBER 30, 2016

Functions/Programs	Expenses	Program Revenues	
		Charges for Services	Operating Grants and Contributions
Primary Government:			
Governmental activities:			
General government	\$ 456,231	\$ 1,140,123	\$ 7,070
Public safety	2,360,659	-	24,486
Public works	384,408	-	4,057
Culture and recreation	543,111	-	5,584
Total governmental activities	3,744,409	1,140,123	41,196
Business-type activities:			
Enterprise funds	1,759,621	1,828,336	-
Total business-type activities	1,759,621	1,828,336	-
Total primary government	\$ 5,504,030	\$ 2,968,459	\$ 41,196

General revenues:

Taxes:

Property taxes, levied for general purposes

Sales taxes

Franchise taxes

Investment earnings

Other financing sources (uses)

Transfers

Miscellaneous

Total general revenues and transfers

Change in net position

Net position, beginning

Prior period adjustment

Net position, ending

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

EXHIBIT B-1

Net (Expenses) Revenues and
Changes in Net Position

Primary Government		
Governmental Activities	Business-type Activities	Total
\$ 690,962	\$ -	\$ 690,962
(2,336,173)	-	(2,336,173)
(380,351)	-	(380,351)
(537,527)	-	(537,527)
(2,563,090)	-	(2,563,090)
-	68,715	68,715
-	68,715	68,715
(2,563,090)	68,715	(2,494,375)
1,148,128	-	1,148,128
883,655	-	883,655
239,238	-	239,238
2,891	926	3,817
(82,778)	(117,588)	(200,366)
(18,916)	(388,447)	(407,363)
576,117	-	576,117
2,748,335	(505,109)	2,243,226
185,245	(436,394)	(251,149)
7,567,656	5,971,176	13,538,832
182,758	589,682	772,440
\$ 7,935,659	\$ 6,124,464	\$ 14,060,123

CITY OF SINTON, TEXAS
BALANCE SHEET
NONMAJOR GOVERNMENTAL FUNDS
SEPTEMBER 30, 2016

	General	Interest and Sinking Fund	Economic Development Fund
ASSETS			
Cash and investments	\$ 867,661	\$ -	\$ 1,970,537
Receivables, net of allowances for uncollectibles			
Accounts	383,571	-	-
Property taxes	226,600	-	-
Sales taxes	-	-	-
Escrow accounts customers	-	-	-
Due from other funds	-	214,800	-
Inventories	12,150	-	-
Restricted Assets			
Cash and cash equivalents	-	698,962	-
Total assets	<u>\$ 1,489,982</u>	<u>\$ 913,762</u>	<u>\$ 1,970,537</u>
LIABILITIES			
Accounts payable	\$ 26,810	\$ -	\$ -
Accrued liabilities	89,039	-	-
Deferred revenue	711,495	-	-
Due to other funds	97,012	-	-
Total liabilities	<u>924,356</u>	<u>-</u>	<u>-</u>
FUND BALANCES			
Restricted for:			
Inventories	12,150	-	-
Debt service	-	913,762	-
Construction	-	-	-
Economic development	-	-	1,970,537
Public safety	-	-	-
Self-Insurance	-	-	-
Construction	-	-	-
Unassigned :			
General fund	553,476	-	-
Special Revenue	-	-	-
Total fund balances	<u>565,626</u>	<u>913,762</u>	<u>1,970,537</u>
Total liabilities, deferred inflows and fund balances	<u>\$ 1,489,982</u>	<u>\$ 913,762</u>	<u>\$ 1,970,537</u>

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

EXHIBIT C-1

2014 Tax Note Street Improvement Fund	Self Insurance Fund	Other Governmental Funds	Total Governmental Funds
\$ 209,955	\$ 142,408	\$ 186,492	\$ 3,377,053
-	-	-	383,571
-	-	-	226,600
-	-	-	-
-	-	21,417	21,417
5,912	-	-	220,712
-	-	-	12,150
-	-	593,897	1,292,859
<u>\$ 215,867</u>	<u>\$ 142,408</u>	<u>\$ 801,806</u>	<u>\$ 5,534,362</u>
\$ 117,235	\$ -	\$ 26,685	\$ 170,730
-	-	-	89,039
-	-	-	711,495
-	-	-	97,012
<u>117,235</u>	<u>-</u>	<u>26,685</u>	<u>1,068,276</u>
-	-	-	12,150
-	-	-	913,762
-	-	-	-
-	-	-	1,970,537
-	-	172,933	172,933
-	142,408	-	142,408
98,632	-	-	98,632
-	-	-	553,476
-	-	602,188	602,188
<u>98,632</u>	<u>142,408</u>	<u>775,121</u>	<u>4,466,086</u>
<u>\$ 215,867</u>	<u>\$ 142,408</u>	<u>\$ 801,806</u>	<u>\$ 5,534,362</u>

CITY OF SINTON, TEXAS
STATEMENT OF REVENUES, EXPENDITURES AND
CHANGES IN FUND BALANCES
GOVERNMENTAL FUNDS

FOR THE YEAR ENDED SEPTEMBER 30, 2016

	General	Interest and Sinking Fund	Economic Development Fund	2014 Tax Note Street Improvement Fund
REVENUES				
Taxes:				
Property	\$ 1,148,128	\$ -	\$ -	\$ -
Sales taxes	457,583	-	426,073	-
Franchise	239,238	-	-	-
Licenses and permits	37,601	-	-	-
Charges for services	973,337	-	-	-
Fines and forfeitures	34,050	-	-	-
Other	41,196	-	-	-
Investment earnings	542	426	724	822
Miscellaneous revenue	510,843	-	65,274	-
Total revenues	<u>3,442,518</u>	<u>426</u>	<u>492,071</u>	<u>822</u>
EXPENDITURES				
Current:				
General government	632,617	-	-	-
Public safety	2,191,085	-	-	-
Public works	363,038	-	-	-
Culture and recreation	499,664	-	-	-
Debt service:				
Principal	-	-	-	-
Interest and fiscal charges	-	-	-	-
Total expenditures	<u>3,686,404</u>	<u>-</u>	<u>-</u>	<u>-</u>
EXCESS (DEFICIENCY) OF REVENUES OVER (UNDER) EXPENDITURES	<u>(243,886)</u>	<u>426</u>	<u>492,071</u>	<u>822</u>
OTHER FINANCING SOURCES (USES)				
Transfers in	457,540	205,617	-	-
Transfers out	(197,371)	-	(484,704)	-
Loan proceeds	-	-	-	-
Bond principle	(52,082)	-	-	-
Bond interest	(44,730)	-	-	-
Premium on bonds	-	-	-	-
Total other financing sources and (uses)	<u>163,357</u>	<u>205,617</u>	<u>(484,704)</u>	<u>-</u>
NET CHANGE IN FUND BALANCES	<u>(80,529)</u>	<u>206,043</u>	<u>7,367</u>	<u>822</u>
FUND BALANCES, BEGINNING	549,695	707,719	1,989,474	307,533
PRIOR PERIOD ADJUSTMENT	<u>96,460</u>	<u>-</u>	<u>(26,304)</u>	<u>(209,723)</u>
FUND BALANCES, ENDING	<u>\$ 565,626</u>	<u>\$ 913,762</u>	<u>\$ 1,970,537</u>	<u>\$ 98,632</u>

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

EXHIBIT C-2

Self Insurance Fund	Other Governmental Funds	Governmental Funds
\$ -	\$ -	\$ 1,148,128
-	-	883,656
-	-	239,238
-	-	37,601
-	95,135	1,068,472
-	-	34,050
-	-	41,196
71	306	2,891
-	-	576,117
<u>71</u>	<u>95,441</u>	<u>4,031,349</u>
-	-	632,617
-	37,347	2,228,432
-	-	363,038
-	-	499,664
-	-	-
-	-	-
<u>-</u>	<u>37,347</u>	<u>3,723,751</u>
<u>71</u>	<u>58,094</u>	<u>307,598</u>
-	-	663,157
-	-	(682,075)
-	-	-
-	-	(52,082)
-	-	(44,730)
-	-	-
<u>-</u>	<u>-</u>	<u>(115,730)</u>
71	58,094	191,868
142,266	718,565	4,415,252
<u>71</u>	<u>(1,538)</u>	<u>(141,033)</u>
<u>\$ 142,408</u>	<u>\$ 775,121</u>	<u>\$ 4,466,087</u>

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CITY OF SINTON, TEXAS
 RECONCILIATION OF THE BALANCE SHEET OF GOVERNMENTAL FUNDS
 TO THE STATEMENT OF NET POSITION
 FOR THE YEAR ENDED SEPTEMBER 30, 2016

Fund balances	\$ 4,466,086
Amounts reported for governmental activities in the statement of activities are different because:	
Capital assets used in governmental activities are not financial resources and therefore are not reported in the funds.	7,344,424
Included in the noncurrent assets (liability) is the recognition of the City's net pension liability required by GASB 68. This resulted in an decrease in net position.	(1,471,679)
Long-term liabilities applicable to the City's governmental activities are not due and payables in the current period and accordingly are not reported as fund liabilities. All liabilities, both current and long-term are reported in the statement of net position. Bond premiums and discounts are also included and are amortized as an adjustment of interest expense in the statement of activities over the remaining life of the debt.	<u>(2,403,172)</u>
Net positions	<u>\$ 7,935,659</u>

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

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CITY OF SINTON, TEXAS
STATEMENT OF REVENUES, EXPENDITURES
AND CHANGES IN FUND BALANCES - BUDGET AND ACTUAL
GENERAL FUND
FOR THE YEAR ENDED SEPTEMBER 30, 2016

	Budgeted Amounts		Actual Amounts	Variance with Final Budget - Favorable
	Original	Final		(Unfavorable)
REVENUES				
Property taxes and penalties	\$ 1,077,157	\$ 1,077,157	\$ 1,148,128	\$ 70,971
Other taxes	537,794	537,794	457,583	(80,211)
Franchise fees	249,366	249,366	239,238	(10,128)
Licenses and permits	2,250	2,250	37,601	35,351
Fines and forfeitures	41,210	41,210	34,050	(7,160)
Charges for services	1,286,250	1,286,250	973,337	(312,913)
Intergovernmental	166,410	166,410	41,196	(125,214)
Investment earnings	2,500	2,500	542	(1,958)
Miscellaneous revenue	95,195	95,195	510,843	415,648
Total revenues	<u>3,458,132</u>	<u>3,458,132</u>	<u>3,442,518</u>	<u>(15,614)</u>
EXPENDITURES				
Current:				
General government	885,881	885,881	632,617	253,264
Public safety	1,968,420	1,968,420	2,191,085	(222,665)
Public works	737,278	737,278	363,038	374,240
Social services	46,476	46,476	-	46,476
Culture and recreation	208,524	208,524	499,664	(291,140)
Total expenditures	<u>3,846,579</u>	<u>3,846,579</u>	<u>3,686,404</u>	<u>160,175</u>
EXCESS (DEFICIENCY) OF REVENUES OVER (UNDER) EXPENDITURES	<u>(388,447)</u>	<u>(388,447)</u>	<u>(243,886)</u>	<u>144,561</u>
OTHER FINANCING SOURCES (USES)				
Transfers in	388,447	388,447	457,540	69,093
Transfers out	-	-	(197,371)	(197,371)
Bond principal and interest payment	-	-	(96,812)	(96,812)
Total other financing sources and (uses)	<u>388,447</u>	<u>388,447</u>	<u>163,357</u>	<u>(225,090)</u>
NET CHANGE IN FUND BALANCES	-	-	(80,529)	(80,529)
FUND BALANCES, BEGINNING (DEFICIT)	549,695	549,695	549,695	-
PRIOR PERIOD ADJUSTMENT	-	-	96,460	96,460
FUND BALANCES, ENDING	<u>\$ 549,695</u>	<u>\$ 549,695</u>	<u>\$ 565,626</u>	<u>\$ 15,931</u>

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

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CITY OF SINTON, TEXAS
STATEMENT OF NET POSITION
PROPRIETARY FUNDS
SEPTEMBER 30, 2016

	Water and Sewer	Total Proprietary Funds
ASSETS		
Current assets:		
Cash and investments	\$ 2,041,365	\$ 2,041,365
Accounts receivable	284,280	284,280
Inventories	34,859	34,859
Restricted cash and cash equivalents	1,270,783	1,270,783
Total current assets	3,631,287	3,631,287
Noncurrent assets:		
Capital assets:		
Land	4,000	4,000
Construction in progress	372,789	372,789
Buildings and improvements	10,556,279	10,556,279
Furniture and equipment	1,109,415	1,109,415
Intangible assets	6,190	6,190
Less: accumulated depreciation	(6,438,478)	(6,438,478)
Total capital assets	5,610,195	5,610,195
Total assets	9,241,482	9,241,482
DEFERRED OUTFLOWS OF RESOURCES		
Deferred outflows related to pensions	69,759	69,759
Total deferred outflows of resources	69,759	69,759
LIABILITIES		
Current liabilities:		
Accounts payable	96,956	96,956
Accrued liabilities	22,948	22,948
Accrued interest payable	9,169	9,169
Consumer deposits	257,615	257,615
Deferred revenues	685,265	685,265
Due to other funds	123,700	123,700
Total current liabilities	1,195,653	1,195,653
Noncurrent liabilities:		
Compensated absences	12,649	12,649
Notes payable-TCEQ	14,533	14,533
Net pension liability	422,107	422,107
Revenue bonds payable (net of unamortized premiums)	1,580,692	1,580,692
Total noncurrent liabilities	2,029,981	2,029,981
Total liabilities	3,225,634	3,225,634
DEFERRED INFLOWS OF RESOURCES		
Deferred inflows related to pensions	(38,857)	(38,857)
Total deferred inflows of resources	(38,857)	(38,857)
NET POSITION		
Net investment in capital assets	4,029,503	4,029,503
Unrestricted	2,094,961	2,094,961
Total net position	\$ 6,124,464	\$ 6,124,464

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

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CITY OF SINTON, TEXAS
STATEMENT OF REVENUES, EXPENSES, AND CHANGES IN FUND NET POSITION
PROPRIETARY FUNDS
FOR THE YEAR ENDED SEPTEMBER 30, 2016

	Water and Sewer	Total Proprietary Funds
OPERATING REVENUES		
Charges for services	\$ 1,805,353	\$ 1,805,353
Other income	<u>22,983</u>	<u>22,983</u>
Total operating revenues	<u>1,828,336</u>	<u>1,828,336</u>
OPERATING EXPENSES		
Salaries and wages	518,162	518,162
Employee benefits	309,102	309,102
Supplies	280,587	280,587
Repairs and maintenance	167,289	167,289
Contracted services	199,692	199,692
Insurance expense	49,293	49,293
Other expenses	32,029	32,029
Depreciation	<u>203,467</u>	<u>203,467</u>
Total operating expenses	<u>1,759,621</u>	<u>1,759,621</u>
OPERATING INCOME	<u>68,715</u>	<u>68,715</u>
NONOPERATING REVENUES (EXPENSES)		
Investment earnings	926	926
Bond principal payment	(62,918)	(62,918)
Bond interest payment	<u>(54,670)</u>	<u>(54,670)</u>
Total nonoperating revenues	<u>(116,662)</u>	<u>(116,662)</u>
EXCESS (DEFICIENCY) OF REVENUES OVER (UNDER) EXPENSES	<u>(47,947)</u>	<u>(47,947)</u>
OTHER FINANCING SOURCES (USES)		
Transfers out (General Fund)	<u>(388,447)</u>	<u>(388,447)</u>
Total other financing sources and (uses)	<u>(388,447)</u>	<u>(388,447)</u>
NET CHANGE IN FUND BALANCES	(436,394)	(436,394)
TOTAL NET POSITION, BEGINNING	<u>5,971,176</u>	<u>5,971,176</u>
Prior period adjustment	<u>589,682</u>	<u>589,682</u>
TOTAL NET POSITION, ENDING	<u>\$ 6,124,464</u>	<u>\$ 6,124,464</u>

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

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CITY OF SINTON, TEXAS
STATEMENT OF CASH FLOWS
PROPRIETARY FUNDS
FOR THE YEAR ENDED SEPTEMBER 30, 2016

	Water and Sewer	Total Proprietary Funds
CASH FLOWS FROM OPERATING ACTIVITIES		
Cash received from customers	\$ 1,805,353	\$ 1,805,353
Cash received from other sources	22,983	22,983
Cash paid to suppliers for goods and services	(728,528)	(728,528)
Cash paid to employees for services	(827,264)	(827,264)
Net cash provided by operating activities	272,544	272,544
CASH FLOWS FROM (FOR) NONCAPITAL FINANCING ACTIVITIES		
Depreciation	230,467	230,467
Transfer to other funds	(388,447)	(388,447)
Net cash used (for) noncapital for financing activities	(157,980)	(157,980)
CASH FLOWS FOR CAPITAL AND RELATED FINANCING ACTIVITIES		
Acquisition and construction of capital assets	25,000	25,000
Revenue bonds payable (net of premium)	(1,867)	(1,867)
Principal paid on long-term debt	(62,918)	(62,918)
Interest and bond costs paid on long-term debt	(54,670)	(54,670)
Net cash used (for) capital and related financing activities	(94,455)	(94,455)
CASH FLOWS FROM INVESTING ACTIVITIES		
Earnings on investments	926	926
Net cash provided from investing activities	926	926
NET INCREASE IN CASH AND CASH EQUIVALENTS	21,035	21,035
CASH AND CASH EQUIVALENTS, BEGINNING	3,291,113	3,291,113
CASH AND CASH EQUIVALENTS, ENDING	\$ 3,312,148	\$ 3,312,148
RECONCILIATION OF OPERATING INCOME TO NET CASH PROVIDED BY OPERATING ACTIVITIES		
Operating income	\$ 68,715	\$ 68,715
Adjustments to reconcile operating income to net cash provided by operating activities:		
Depreciation	203,467	203,467
Decrease (increase) in accounts receivable	(18,629)	(18,629)
Decrease (increase) in due from other funds	1,867	1,867
Decrease (increase) in other assets	2,166	2,166
Decrease (increase) in deferred outflows-pension	(7,868)	(7,868)
Increase (decrease) in accounts payable	11,347	11,347
Decrease (increase) in long-term liabilities	(73,154)	(73,154)
Decrease (increase) in accrued liabilities	4,434	4,434
Increase (decrease) in customer deposits	7,971	7,971
Increase (decrease) in net pension liability	102,870	102,870
Increase (decrease) in deferred inflows-pension	(38,857)	(38,857)
Increase (decrease) in compensated absences	8,215	8,215
Total adjustments	203,829	203,829
Net cash provided by operating activities	\$ 272,544	\$ 272,544

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

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CITY OF SINTON, TEXAS
NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2016

1. 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, and (“the City”) conform to generally accepted accounting principles. The City also applies all relevant Government Accounting Standards Board (GASB) pronouncements. The following is a summary of the more significant policies.

Blended Component Unit

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

B. Government-Wide and Fund Financial Statements

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

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

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

C. Governmental Fund Financial Statements

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

CITY OF SINTON, TEXAS
NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2016

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

C. Governmental Fund Financial Statements

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

The City reports the following major governmental funds:

The general fund is the City'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, 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 2014 tax note street improvement used to administer monies collected for street improvement and sewer facility improvement.

D. Proprietary Fund Financial Statements

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

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

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

The City reports and accounts for the activities of the City's water and sewer operations as a major proprietary fund. The internal service fund is used for self-insurance purposes of the city.

CITY OF SINTON, TEXAS
NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2016

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

E. Assets, Liabilities and Net Position or Equity

1. Deposits and Investments

The City'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 City and the District to invest in obligations of the US, Treasury. Investments for the City 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. The property tax and Emergency Medical Services (EMS) receivable allowance is equal to approximately .77% of current outstanding property taxes and EMS receivable at September 30, 2016.

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.

CITY OF SINTON, TEXAS
 NOTES TO FINANCIAL STATEMENTS
 SEPTEMBER 30, 2016

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

E. Assets, Liabilities and Net Position or Equity

4. Restricted Assets

The restricted assets at September 30, 2016 were as follows:

	Interest and Sinking Fund	Other Governmental Funds	Utility Fund	Total
Debt Service	\$ 698,962	\$ -	\$ -	\$ 698,962
Special revenue	-	593,897	-	593,897
Construction	-	-	1,270,783	1,270,783
Total Restricted Assets	<u>\$ 698,962</u>	<u>\$ 593,897</u>	<u>\$ 1,270,783</u>	<u>\$ 2,563,642</u>

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

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

Major outlays for capital assets and improvements are capitalized as projects are constructed. Interest incurred during the construction phase of capital assets of business-type activities is included as part of the capitalized value of the assets constructed. The City had street improvements and sewer facility improvements during the year which were financed by a 2014 bond. Property, plant, and equipment of the primary government are depreciated using the straight line method over the following estimated useful lives:

<u>Assets</u>	<u>Years</u>
Buildings	50
Building improvements	20
Public domain infrastructure	50
System infrastructure	30
Vehicles	5
Office equipment	5
Computer equipment	5

CITY OF SINTON, TEXAS
NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2016

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

E. Assets, Liabilities and Net Position or Equity

6. Compensated Absences

It is the City'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 City does not have a policy to pay any amounts when employees separate from service with the City. 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, 2016, 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, granters, 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, 2016 fund balances are composed of the following:

CITY OF SINTON, TEXAS
 NOTES TO FINANCIAL STATEMENTS
 SEPTEMBER 30, 2016

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

E. Assets, Liabilities and Net Position or Equity

9. Fund Balances - Governmental Funds

Fund Balances:	
Non-Spendable	
Inventories	\$ 12,150
Restricted	
Debt Service	913,762
Self-insurance	142,408
Economic Development	1,970,537
Public Safety	172,933
Committed	
Construction	98,632
Unassigned	1,136,223
Total Fund Balance	<u>\$ 4,446,645</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% of the subsequent year's budgeted General Fund expenditures. The City's unassigned fund balance was approximately 30%.

10. Comparative Data/Reclassifications

Comparative total data for the prior year has not been presented for the individual enterprise funds in the fund financial statements.

11. Deferred Outflows/Inflows of Resources

In addition to assets, the statement of financial position will sometimes report a separate section for deferred outflows of resources. This separate financial statement element, deferred outflows of resources, represents a consumption of net position that applies to a future period(s) and so will not be recognized as an outflow of resources (expense/ expenditure) until then. The City 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 City 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.

CITY OF SINTON, TEXAS
NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2016

11. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

E. Assets, Liabilities and Net Position or Equity

12. Net Position Flow Assumption

Sometimes the City 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 City’s policy to consider restricted – net position to have been depleted before unrestricted – net position is applied.

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CITY OF SINTON, TEXAS
 NOTES TO FINANCIAL STATEMENTS
 SEPTEMBER 30, 2016

2. RECONCILIATION OF GOVERNMENT-WIDE AND FUND FINANCIAL STATEMENTS

A. Explanation of Certain Differences Between the Governmental Fund Balance Sheet and the Government-Wide Statement of Net Position

The governmental fund balance includes a reconciliation between fund balance - total governmental funds and net position - governmental activities as reported in the government-wide statement of net position. One element of that reconciliation explains that long-term liabilities, including bonds payable, are not due and payable in the current period and therefore are not reported in the funds. The details of this \$3,469,573 difference are as follows:

Capital assets-government wide	\$ 7,344,424
Decrease in fund balance due to net pension liability	(1,471,679)
Decrease in fund balance due to long-term liabilities	<u>(2,403,172)</u>
Increase in fund balance	3,469,573
Fund balances	<u>4,466,086</u>
Total net position	<u><u>\$ 7,935,659</u></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 \$7,344,424 difference are as follows:

Capital Assets Not Being Depreciated	\$ 1,084,823
Capital Assets Being Depreciated	10,923,655
Depreciation Expense	<u>(4,664,054)</u>
Total capital assets	<u><u>\$ 7,344,424</u></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 the noncurrent liabilities due in more than one year. Details of this difference are as follows:

Compensated balances due in one year	\$ 67,434
Bonds payable	<u>2,335,738</u>
Total noncurrent liabilities	<u><u>\$ 2,403,172</u></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 the change in noncurrent liabilities due to the recognition of the City's net pension liability required by GASB 68. Details of this difference are as follows:

Deferred outflows of resources related to pension plan	\$ 262,428
Deferred inflow of resources related to pension plan	(146,181)
Net pension liability increase	(1,587,717)
Pension plan expenses allocated to governmental activ	<u>323,791</u>
Net pension plan change	<u><u>\$ (1,147,679)</u></u>

CITY OF SINTON, TEXAS
NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2016

2. RECONCILIATION OF GOVERNMENT-WIDE AND FUND FINANCIAL STATEMENTS

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 \$104,137 difference are as follows:

Capital Outlay - Additions - Being Depreciated	\$ 424,819
Depreciation Expense	<u>(320,682)</u>
Net adjustment to increase net changes in fund balances- Total governmental funds to arrive at changes in net position of	<u>\$ 104,137</u>

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CITY OF SINTON, TEXAS
NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2016

3. 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 are 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 City's department heads may make transfers of appropriations within a department. Transfers of appropriations between departments require the approval of the City council. The legal level of budgetary control (i.e., the level at which expenditures may not legally exceed appropriations) is the department level. The City 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, 2016.

B. Excess of Expenditures Over Appropriations

There was no change between the original budget and the final amended budget in the general fund. Overall, actual expenditures in the general fund of \$3,686,404 were less than the budgeted expenditures of \$3,846,579 by \$160,175.

C. Deficit Fund Equity

The City had no deficit fund balances as of September 30, 2016.

CITY OF SINTON, TEXAS
NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2016

4. 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 not 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 City's deposits may not be returned to it. The City has a formal policy for custodial credit risk. As of September 30, 2016, the City's bank balance of \$7,982,060 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 City's name. The fair market value of the securities pledged is \$9,097,542 and the FDIC coverage is \$250,000. The book amount of cash at September 30, 2016 is \$7,982,060.

B. Receivables

Receivables as of year end for the City'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>			
Property Taxes	\$ 244,868	\$ -	\$ 244,868
Accounts receivable	2,411,687	314,793	2,726,480
Account-San Patricio County	22,293	-	22,293
Other	<u>1,958</u>	<u>150</u>	<u>2,108</u>
Gross Receivables	2,680,806	314,943	2,995,749
Less: Allowance for			
Uncollectibles	<u>(2,070,636)</u>	<u>(30,662)</u>	<u>(2,101,298)</u>
Net Total Receivables	<u>\$ 610,170</u>	<u>\$ 284,281</u>	<u>\$ 894,451</u>

CITY OF SINTON, TEXAS
NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2016

4. DETAILED NOTES ON ALL FUNDS

B. Receivables

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 City's governmental funds were as follows:

	Unearned Revenue
Library Books Purchase	\$ 11,416
Bulldozer account	1,841
School Zone Court Costs	46,719
Sinton Golf Assn. Lease Payments	75,000
8 Liner Receipts	156,469
Several accounts	420,050
Total deferred/unearned revenue for governmental funds	<u>\$ 711,495</u>

C. Capital Assets

Capital asset activity for the year ended September 30, 2016 was as follows:

Governmental Activities:	Beginning			Ending
Capital assets not being depreciated:	Balances	Increases	Decrease	Balances
Land	\$ 62,250	\$ -	\$ -	\$ 62,250
Construction in Progress	1,022,573	-	-	1,022,573
Total capital assets not being depreciated	<u>1,084,823</u>	<u>-</u>	<u>-</u>	<u>1,084,823</u>
Capital assets being depreciated:				
Building and improvements	5,416,407	217,959	-	5,634,366
Machinery, Equipment and Vehicles	2,397,493	180,060	-	2,577,553
Infrastructure	2,666,062	-	-	2,666,062
Intangible Assets	18,874	26,800	-	45,674
Total capital assets being depreciated:	<u>10,498,836</u>	<u>424,819</u>	<u>-</u>	<u>10,923,655</u>
Less: Accumulated Depreciation for:				
Building and Improvements	1,513,293	133,037	-	1,646,330
Machinery, Equipment and Vehicles	2,178,639	134,254	-	2,312,893
Infrastructure	632,566	48,031	-	680,597
Intangible Assets	18,874	5,360	-	24,234
Total Accumulated Depreciation	<u>4,343,372</u>	<u>320,682</u>	<u>-</u>	<u>4,664,054</u>
Total Capital Assets Depreciated, Net	<u>6,155,464</u>	<u>104,137</u>	<u>-</u>	<u>6,259,601</u>
Governmental Activities capital assets, Net	<u>\$ 7,240,287</u>	<u>\$ 104,137</u>	<u>\$ -</u>	<u>\$ 7,344,424</u>

CITY OF SINTON, TEXAS
NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2016

4. DETAILED NOTES ON ALL FUNDS

C. Capital Assets

Business-Type Activities:	Beginning			Ending
Capital assets not being depreciated:	Balances	Increases	Decreases	Balances
Land	\$ 4,000	\$ -	\$ -	\$ 4,000
Construction in Progress	<u>565,886</u>	<u>814,814</u>	<u>-</u>	<u>1,380,700</u>
Total capital assets not being depreciated:	<u>569,886</u>	<u>814,814</u>	<u>-</u>	<u>1,384,700</u>
Capital assets being depreciated:				
Building and Improvements	9,548,368	-	-	9,548,368
Machinery, Equipment and Vehicles	1,084,415	25,000	-	1,109,415
Intangible Assets	<u>6,190</u>	<u>-</u>	<u>-</u>	<u>6,190</u>
Total capital assets being depreciated	<u>10,638,973</u>	<u>25,000</u>	<u>-</u>	<u>10,663,973</u>
Less: Accumulated Depreciation for:				
Building and Improvements	5,225,282	164,705	-	5,389,987
Machinery, Equipment and Vehicles	999,594	42,707	-	1,042,301
Intangible Assets	<u>6,190</u>	<u>-</u>	<u>-</u>	<u>6,190</u>
Total Accumulated Depreciation	<u>6,231,066</u>	<u>207,412</u>	<u>-</u>	<u>6,438,478</u>
Total Capital Assets Depreciated, Net	<u>4,407,907</u>	<u>(182,412)</u>	<u>-</u>	<u>4,225,495</u>
Business- Type Activities Capital Assets, Net	<u>\$ 4,977,793</u>	<u>\$ 632,402</u>	<u>\$ -</u>	<u>\$ 5,610,195</u>

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

Governmental Activities	
General Administration	\$ 55,032
Public Safety	190,604
Public Transportation	31,581
Culture and Recreation	<u>43,466</u>
Total Depreciation Expense - Governmental Activities	<u>\$ 320,683</u>
Business - Type Activities	
Water and Sewer	<u>\$ 207,412</u>
Total Depreciation Expense - Business - Type Activities	<u>\$ 207,412</u>

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

CITY OF SINTON, TEXAS
 NOTES TO FINANCIAL STATEMENTS
 SEPTEMBER 30, 2016

4. DETAILED NOTES ON ALL FUNDS

D. Interfund Receivables, Payables, and Transfers

There were due to/from other funds at September 30, 2016.

There were no advances at September 30, 2016.

The interfund fund transfers for the year ended September 30, 2016 were as follows:

ACCOUNT	AMOUNT	REASON
<u>General fund</u>		
Transfer from Water/Sewer Fund	\$ 388,447	City Administration
Transfer from Water/Sewer Fund	31,275	Street Use Fees
Transfer to Interest and Sinking Fnd	(197,371)	Debt Service
<u>Water/Sewer Fund</u>		
Transfer to General Fund	(388,447)	City Administration
Transfer to General Fund	(31,275)	Street Use Fees
Transfer from Interest and Sinking Fund	173,283	Debt Service
<u>Interest and Skining Fund</u>		
Transfer to Water/Sewer Fund	(173,283)	Debt Service
Transfer from General Fund	197,371	Debt Service
	<u>\$ -</u>	

All of the transfers were recurring.

E. Leases

Operating Leases

The City leases equipment under noncancelable operating leases. Total costs for such leases were \$7,482 for the year ended September 30, 2016. The future minimum lease payments for these leases are as follows:

Year Ending Sep. 30	<u>Amount</u>
2017	\$ 6,652
2018	<u>3,492</u>
Total	<u>\$ 10,144</u>

CITY OF SINTON, TEXAS
NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2016

4. DETAILED NOTES ON ALL FUNDS

F. Long-Term Debt

Certificate of Obligation Bonds

The City issues Certificate of Obligation bonds 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. The original amount of the Certificate of Obligation bonds issued in prior years for the City activities was \$3,145,000 and the original amount of Certificate of Obligation Bonds issued in prior years for the Business-type activities was \$500,000.

The City issued \$3,000,000 of Series 2014 bonds during the year 2015. Semi-annual payments are to be made starting in 2015 through the year 2034. The rate of interest varies from 2% to 4%. The City also incurred a TCEQ environmental penalty of \$30,740. This penalty is to be paid off by monthly payments of \$853. There is no interest expense associated with this note. The balance at September 30, 2016 is \$14,533.

Certificates of Obligation bonds and tax notes issued for governmental activities are direct obligations and pledge the full faith and credit of the City 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>Amounts</u>
Governmental activities, Series 2014	2.0 - 4.0%	\$ 1,242,918
Governmental activities, Series 2007	4.27%	\$ 975,000
Governmental activities, Series 2009	3.0 - 4.5%	\$ 90,000
Business-type activities, Series 2014	2.0 - 4.0%	\$ 1,547,082

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
2017	\$ 170,415	\$ 50,908	\$ 104,585	\$ 87,780
2018	85,872	45,468	109,128	84,574
2019	86,325	41,933	113,675	81,232
2020	91,325	38,284	113,675	77,822
2021	96,778	34,415	118,222	74,343
2022-2026	545,232	173,031	654,768	969,602
2027-2031	187,463	21,239	777,537	189,610
2032-2036	54,360	3,334	545,640	33,466
TOTALS	\$ 1,317,770	\$ 408,612	\$ 2,537,230	\$ 1,598,429

CITY OF SINTON, TEXAS
 NOTES TO FINANCIAL STATEMENTS
 SEPTEMBER 30, 2016

4. DETAILED NOTES ON ALL FUNDS

F. Long-Term Debt

Certificate of Obligation Bonds

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

Year Ending September 30,	Business-Type Activities	
	Principal & Interest	
2017	\$	10,236
2018		4,297
TOTALS	\$	14,533

Changes in long-term liabilities:

	Beginning Balance	Additions	Reductions	Ending Balance	Due Within One Year	Due After One Year
Governmental Activities:						
Bonds Payable	\$ 1,295,000	\$ -	\$ 52,082	\$ 1,242,918	\$ 52,082	\$ 1,190,836
Certificate of obligations Series 2007 (EDC 4A)	1,045,000	-	70,000	975,000	70,000	905,000
Certificate of obligations Series 2009 (EDC 4B)	180,000	-	90,000	90,000	90,000	-
Bonds Premium	29,366	-	1,546	27,820	-	27,820
Net Pension Liability	1,196,606	391,320	-	1,587,926	-	1,587,926
Total Bonds Payable	3,745,972	391,320	213,628	3,923,664	212,082	3,711,582
Compensated Absences Payable	66,838	596	-	67,434	33,717	33,717
	3,812,810	391,916	213,628	3,991,098	245,799	3,745,299
Business- Type Activities:						
Bonds Payable	1,610,000	-	62,918	1,547,082	62,918	1,484,164
Bond Premium	35,477	-	1,867	33,610	-	33,610
Net Pension Liability	319,237	102,870	-	422,107	-	422,107
TCEQ Note Payable	24,769	-	10,236	14,533	10,236	4,297
Total Bonds Payable	1,989,483	102,870	75,021	2,017,332	73,154	1,944,178
Compensated Absences Payable	8,868	3,781	-	12,649	6,325	6,324
Total	1,998,351	106,651	75,021	2,029,981	79,479	1,950,502
Grand Total	\$ 5,811,161	\$ 498,567	\$ 288,649	\$ 6,021,079	\$ 325,278	\$ 5,695,801

Certificate of Obligation Bonds

The general fund and the utility fund are used to service the compensated absences. The estimated amount due in the 2016-17 year is \$40,042. The City estimates that approximately half of the compensated absences will be used in the 2016-2017 year. The government-wide statement of activities includes \$245,799 noncurrent liabilities, due within one year.

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

CITY OF SINTON, TEXAS
NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2016

4. DETAILED NOTES ON ALL FUNDS

F. Long-Term Debt

The utility fund is used to service the revenue bonds. The general fund and the utility fund are used to service the series 2014 combination tax and revenue bonds which were originally issued for \$3,000,000 and have a year end balance of \$2,790,000. The economic development fund is used to service the series 2007 combination tax and revenue bonds which were originally issued for \$1,500,000 and have a year end balance of \$975,000 and the series 2009 refunding bonds which were originally issued for \$645,000 and have a year end balance of \$90,000. The utility fund is used to service the TCEQ penalty payments which have a year end balance of \$14,533.

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CITY OF SINTON, TEXAS
NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2016

5. OTHER INFORMATION

A. Risk Management

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

Changes in accrued liabilities for these claims follow:

	Year Ended 9/30/2015	Year Ended 9/30/2016
Unpaid claims, beginning of fiscal year	\$ -	\$ -
Incurred claims (including IBNRs)	-	-
Claim payments	-	-
Unpaid claims, end of fiscal year	\$ -	\$ -

General Liability Insurance

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

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

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

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

Property and Casualty Insurance

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

Workers' Compensation Insurance

The City insures against workers' compensation claims through TML.

Group Health and Life Insurance

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

CITY OF SINTON, TEXAS
NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2016

5. OTHER INFORMATION

A. Risk Management

Unemployment Compensation Insurance

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

B. Other Post-Employment Benefits

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

The City of Sinton will pay full-time Retiree's Medical Health Insurance. The City Retiree must have at least twenty-five (25) years of credit service with Texas Municipal Retirement System (TMRS) and must be drawing a retirement check. This policy will go into effect 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 two (2) retired employee who has qualified for this benefit. As of October 1, 2013, the City of Sinton's monthly premium expense for this employee is \$415.36 monthly to TML and \$115.40 to Humana.

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

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

With the high turn-over rate that the City has experienced in the past several years, it is anticipated that of those 148 employees who have 15 years or less of service, only 6% or approximately 3 employees will attain the required 25 year tenure.

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

CITY OF SINTON, TEXAS
NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2016

5. OTHER INFORMATION

B. Other Post-Employment Benefits

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

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

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

C. Contingent liabilities

Amounts received or receivable from grant agencies are subject to audit and adjustment by granter 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 granter cannot be determined at this time, although the City expects such amounts, if any, to be immaterial. The City was not a defendant in any lawsuit at September 30, 2016.

D. Subsequent Events

On October 20, 2015, the City accepted a bid from Frazer, Ltd. in the amount of \$141,825 for the purchase of an ambulance for Sinton EMS. The City, on January 28, 2016, made the purchase for \$145,325.

E. Related party transaction

The City did not have related party transactions.

F. Construction and other commitments

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

G. Prior Period Adjustments

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

The City had a prior period adjustment where by both governmental and business-type activities and Net Pension Liability were increased by \$128,871 and \$595,594, respectively. The restatement was a result of the City implementing GASB 68 and not recorded the net pension liability amount. These restatements had a corresponding effect on the beginning net assets.

CITY OF SINTON, TEXAS
NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2016

5. OTHER INFORMATION

G. Prior Period Adjustments

	Net Assets, As Previously Reported	GASB 68 Restatement	Net Prior Period Adjustment	Net Assets As Restated
Governmental Activities:				
Net Assets	\$ 9,582,817	\$ (1,795,470)	\$ 128,871	\$ 7,916,218
Total Governmental Activities	<u>\$ 9,582,817</u>	<u>\$ (1,795,470)</u>	<u>\$ 128,871</u>	<u>\$ 7,916,218</u>

	Net Assets, As Previously Reported	GASB 68 Restatement	Net Prior Period Adjustment	Net Assets As Restated
Business- Type Activities:				
Net Assets	\$ 5,534,782	\$ -	\$ 595,594	\$ 6,130,376
Total Business- Type Activities	<u>\$ 5,534,782</u>	<u>\$ -</u>	<u>\$ 595,594</u>	<u>\$ 6,130,376</u>

	Net Assets, As Previously Reported	Net Prior Period Adjustment	Net Assets As Restated
Governmental Funds			
Fund Balance	\$ 4,641,565	\$ (194,920)	\$ 4,446,645
Total Governmental Funds	<u>\$ 4,641,565</u>	<u>\$ (194,920)</u>	<u>\$ 4,446,645</u>

H. Defined Benefit Pension Plans

Plan Description

The City of Sinton participates as one of 866 plans in the nontraditional, joint, contributory, hybrid defined benefit pension plan administered by the Texas Municipal Retirement System (TMRS). TMRS is an agency created by the State of Texas and administered in accordance with the TMRS Act, Subtitle G, Title 8, Texas Government Code (the TMRS Act) as an agent multiple-employer retirement system for municipal employees in the State of Texas. The TMRS Act places the general administration and management of the System with a six-member Board of Trustees. Although the Governor, with the advice and consent of the Senate, appoints the Board, TMRS is not fiscally dependent on the State of Texas. TMRS's defined benefit pension plan is a tax qualified plan under Section 401 (a) of the Internal Revenue Code. TMRS issues a publicly available comprehensive annual financial report (CAFR) that can be obtained at www.tmr.com. All eligible employees of the city are required to participate in TMRS.

Benefits Provided

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

At retirement, the benefit is calculated as if the sum of the employee's contributions, with interest, and the city financed monetary credits with interest were used to purchase an annuity. Members may choose to receive their retirement benefit in one of seven payments options. Members may also choose to receive a portion of their benefit as a Partial Lump Sum Distribution in an amount equal to 12, 24, or 36 monthly payments, which cannot exceed 75% of the member's deposits and interest.

CITY OF SINTON, TEXAS
 NOTES TO FINANCIAL STATEMENTS
 SEPTEMBER 30, 2016

5. OTHER INFORMATION

H. Defined Benefit Pension Plans

Employees covered by benefit terms

At the December 31, 2015 valuation and measurement date, the following employees were covered by the benefit terms:

Inactive employees or beneficiaries currently receiving benefits	18
Inactive employees entitled to but not yet receiving benefits	40
Active employees	<u>62</u>
Total	<u>120</u>

Contributions

The contribution rates for employees in TMRS are either 5%, 6%, or 7% of employee gross earnings, and the city matching percentages are either 100%, 150%, or 200%, both as adopted by the governing body of the city. Under the state law governing TMRS, the contribution rate for each city is determined annually by the actuary, using the Entry Age Normal (EAN) actuarial cost method. The actuarially determined rate is the estimated amount necessary to finance the cost of benefits earned by employees during the year, with an additional amount to finance and unfunded accrued liability. Employees for the City of Sinton were required to contribute 7.00% of their annual gross earnings during the fiscal year. The contribution rates for the City of Sinton were 13.15% and 12.85% in calendar years 2014 and 2015, respectively. The City's contributions to TMRS for the year ended September 30, 2015, were \$296,695, and were equal to the required contributions.

Net Pension Liability

The City's Net Pension Liability (NPL) was measured as of December 31, 2015, and the Total Pension Liability (TPL) used to calculate the Net Pension Liability was determined by an actuarial valuation as of that date.

Actuarial assumptions:

The Total Pension Liability in the December 31, 2015 actuarial valuation was determined using the following actuarial assumptions:

Inflation	2.5% per year
Overall payroll growth	3.0 % per year
Investment rate of Return	6.75% net of pension plan investment expense, including inflation

Salary increases were based on a service-related table. Mortality rates for active members, retirees, and beneficiaries were based on the gender-distinct RP2000 Combined Healthy Mortality Table with Blue Collar Adjustment, with male rates multiplied by 109% and female rates multiplied by 103%. The rates are projected on a fully generational basis by scale BB to account for future mortality improvements. For disabled annuitants, the gender-distinct RP2000 Disabled Retiree Mortality Table are used with males rates multiplied by 109% and female rates multiplied by 103% with a 3-year set-forward for both males and females. In addition, a 3% minimum mortality rate is applied to reflect the impairment for younger members who become disabled. The rates are projected on a fully generational basis by scale BB to account for future mortality Improvements subject to the 3% floor.

CITY OF SINTON, TEXAS
NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2016

5. OTHER INFORMATION

H. Defined Benefit Pension Plans

Actuarial assumptions used in the December 31, 2015, valuation were based on the results of actuarial experience studies. The experience study in TMRS was for the period December 31, 2010 through December 31, 2014. Healthy post-retirement mortality rates and annuity purchase rates were updated based on a Mortality Experience Investigation Study covering 2009 through 2011, and dated December 31, 2013. These assumptions were first used in the December 31, 2013 valuation, along with a change to the Entry Age Normal (EAN) actuarial cost method. Assumptions are reviewed annually. No additional changes were made for the 2014 valuation. After the Asset Allocation Study analysis and experience investigation study, the Board amended the long-term expected rate of return on pension plan investments from 7% to 6.75%. Plan assets are managed on a total return basis with an emphasis on both capital appreciation as well as the production of income, in order to satisfy the short-term and long-term funding needs of TMRS.

The long-term expected rate of return on pension plan investments was determined using a building-block method in which best estimate ranges of expected future real rates of return (expected returns, net of pension plan investment expense and inflation) are developed for each major asset class. These ranges are combined to produce the long-term expected rate of return by weighting the expected future real rates of return by the target asset allocation percentage and by adding expected inflation. In determining their best estimate of a recommended investment return assumption under the various alternative asset allocation portfolios, GRS focused on the area between (1) arithmetic mean (aggressive) without an adjustment for time (conservative) and (2) the geometric mean (conservative) with an adjustment for time (aggressive). At its meeting on July 30, 2015, the TMRS Board approved a new portfolio target allocation.

Net Pension Liability

The target allocation and best estimates of real rates of return for each major asset class are summarized in the following table:

Asset Class	Target Allocation	Long-Term Expected Real Rate of Return (Arithmetic)
Domestic Equity	17.5%	4.6%
International Equity	17.5%	6.1%
Core Fixed Income	10.0%	1.0%
Non-Core Fixed Income	20.0%	3.7%
Real Return	10.0%	4.0%
Real Estate	10.0%	5.0%
Absolute Return	10.0%	4.0%
Private Equity	<u>5.0%</u>	8.0%
Total	<u>100%</u>	

Discount Rate

The discount rate used to measure the Total Pension Liability was 6.75%. The projection of cash flows used to determine the discount rate assumed that employee and employer contributions will be made at the rates specified in statute.

CITY OF SINTON, TEXAS
NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2016

5. OTHER INFORMATION

H. Defined Benefit Pension Plans

Discount Rate

Based on that assumption, the pension plan's Fiduciary Net Position was projected to be available to make all projected future benefit payments of current active and inactive employees. Therefore, the long-term expected rate of return on pension plan investments was applied to all periods of projected benefit payments to determine the Total Pension Liability.

Schedule of Changes in Net Pension Liability

The change in the City's net pension liability for TMRS pension for the fiscal year ended September 30, 2015 is as follows:

Changes in the Net Pension Liability	Increase (Decrease)		
	Total Pension Liability	Plan Fiduciary Net Pension	Net Pension Liability
	(a)	(b)	(a)-(b)
Balance at December 31, 2014	\$ 7,575,510	\$ 6,059,667	\$ 1,515,843
Changes for the year:			
Service cost	339,180	-	339,180
Interest	531,734	-	531,734
Difference between expected/actual experience	5,560	-	5,560
Changes of assumptions	81,947	-	81,947
Contributions - employer	-	296,695	(296,695)
Contributions - employee	-	164,309	(164,309)
Net investment income	-	8,942	(8,942)
Benefit payments, including refunds of employee contributions	(297,806)	(297,806)	-
Administrative expenses	-	(5,446)	5,446
Other charges	-	(269)	269
Net changes	<u>660,615</u>	<u>166,425</u>	<u>494,190</u>
Balance at December 31, 2015	<u>\$ 8,236,125</u>	<u>\$ 6,226,092</u>	<u>\$ 2,010,033</u>

Sensitivity of the net pension liability to changes in the discount rate

The following presents the net pension liability of the City, calculated using the discount rate of 6.75%, as well as what the City's net pension liability would be if it were calculated using a discount rate that is 1-percentage-point lower (5.75%) or 1-percentage-point higher (7.75%) than the current rate:

	1% Decrease Discount Rate (5.75%)	Discount Rate (6.75%)	1% Increase in Discount Rate (7.75%)
City's net pension liability	<u>\$3,301,003</u>	<u>\$2,010,033</u>	<u>\$969,376</u>

CITY OF SINTON, TEXAS
NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2016

5. OTHER INFORMATION

H. Defined Benefit Pension Plans

Pension Plan Fiduciary Net Position

Detailed information about the pension plan's Fiduciary Net Position is available in a separately-issued TMRS financial report. That report may be obtained on the internet at www.tmr.com.

Pension Expense and Deferred Outflows of Resources and Deferred Inflows of Resources

For the year ended September 30, 2016, the city recognized a combined pension expense of \$415,584. At September 30, 2016, the City reported deferred outflows of resources and deferred inflows of resources related to pensions from the following resources:

	Deferred Outflows of Resources	Deferred Inflows Resources
Differences between expected and actual economic experience	\$ 3,944	\$ -
Changes in actuarial assumptions	58,125	-
Difference between projected and actual investment earnings	332,187	-
Contributions subsequent to the measurement date	122,969	-
Total	\$ 517,225	\$ -

\$122,969 reported as deferred outflows of resources related to pensions resulting from contributions subsequent to the measurement date will be recognized as a reduction of the net pension liability for the year ending September 30, 2016. Other amounts reported as deferred outflows and inflows of resources related to pensions will be recognized in pension expense as follows:

Year ended December 31,	City
2016	\$ 127,441
2017	124,046
2018	108,692
2019	83,046
Total	\$ 443,225

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COMBINING STATEMENTS

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CITY OF SINTON, TEXAS
 SCHEDULE OF EXPENDITURES - BUDGET AND ACTUAL
 GENERAL FUND
 YEAR ENDED SEPTEMBER 30, 2016

	Budgeted Amounts		Actual Amounts	Variance with Final Budget - Positive (Negative)
	Original	Final		
GENERAL GOVERNMENT				
Administration	\$ 812,076	\$ 812,076	\$ 632,617	\$ 179,459
Municipal court	73,805	73,805	73,653	152
Total general government	<u>885,881</u>	<u>885,881</u>	<u>706,270</u>	<u>179,611</u>
PUBLIC SAFETY				
Police	958,193	958,193	949,684	8,509
Fire	83,468	83,468	83,626	(158)
Emergency medical services	916,259	916,259	998,018	(81,759)
Building inspection	10,500	10,500	13,245	(2,745)
Total public safety	<u>1,968,420</u>	<u>1,968,420</u>	<u>2,044,573</u>	<u>(76,153)</u>
PUBLIC WORKS				
Streets	443,144	443,144	363,038	80,106
Parks	294,134	294,134	298,283	(4,149)
Total public works	<u>737,278</u>	<u>737,278</u>	<u>661,321</u>	<u>75,957</u>
CULTURE AND RECREATION				
Library	208,524	208,524	201,381	7,143
Total culture and recreation	<u>208,524</u>	<u>208,524</u>	<u>201,381</u>	<u>7,143</u>
HEALTH AND WELFARE				
Animal control	46,476	46,476	72,860	(26,384)
Total health and welfare	<u>46,476</u>	<u>46,476</u>	<u>72,860</u>	<u>(26,384)</u>
Total expenditures	<u>\$ 3,846,579</u>	<u>\$ 3,846,579</u>	<u>\$ 3,686,404</u>	<u>\$ 160,175</u>

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

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**CITY OF SINTON, TEXAS
 COMBINING BALANCE SHEET
 NONMAJOR GOVERNMENTAL FUNDS
 SEPTEMBER 30, 2016**

	Special Revenue		
	Criminal Justice Planning	Fire Equipment and Replacement	Sinton Affordable Housing
ASSETS			
Cash and investments	\$ 12,021	\$ -	\$ 174,471
Restricted assets:			
Cash and cash equivalents	-	172,933	-
Escrow Account-Customers	-	-	21,417
Total assets	\$ 12,021	\$ 172,933	\$ 195,888
LIABILITIES			
Accounts payable	\$ 9,773	\$ -	\$ 16,912
Total liabilities	9,773	-	16,912
FUND BALANCES			
Total fund balances	2,248	172,933	178,976
Total liabilities, deferred inflows of resources and fund balances	\$ 12,021	\$ 172,933	\$ 195,888

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

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EXHIBIT H-1

1985 General Obligation	Special Revenue			Total Nonmajor Governmental Funds
	2010 Tax Note Street Improvement	Street Improvement Fund	Municipal Building Fund	
\$ -	\$ -	\$ -	\$ -	\$ 186,492
34,858	153,367	191,903	40,836	593,897
-	-	-	-	21,417
<u>\$ 34,858</u>	<u>\$ 153,367</u>	<u>\$ 191,903</u>	<u>\$ 40,836</u>	<u>\$ 801,806</u>
\$ -	\$ -	\$ -	\$ -	\$ 26,685
-	-	-	-	26,685
<u>34,858</u>	<u>153,367</u>	<u>191,903</u>	<u>40,836</u>	<u>775,121</u>
<u>\$ 34,858</u>	<u>\$ 153,367</u>	<u>\$ 191,903</u>	<u>\$ 40,836</u>	<u>\$ 801,806</u>

**CITY OF SINTON, TEXAS
 COMBINING STATEMENT OF REVENUES, EXPENDITURES
 AND CHANGES IN FUND BALANCES NONMAJOR GOVERNMENTAL FUNDS
 FOR THE YEAR ENDED SEPTEMBER 30, 2016**

	Special Revenue		
	Criminal Justice Planning	Fire Equipment and Replacement	Sinton Affordable Housing
REVENUES			
Taxes:			
Charges for services	\$ 37,460	\$ 21,330	\$ 13,217
Investment earnings	-	81	94
Total revenues	37,460	21,411	13,311
EXPENDITURES			
Current:			
General government	-	-	-
Public safety	37,347	-	-
Public works	-	-	-
Culture and recreation	-	-	-
Debt service:			
Principal	-	-	-
Interest and fiscal charges	-	-	-
Total expenditures	37,347	-	-
EXCESS (DEFICIENCY) OF REVENUES OVER (UNDER) EXPENDITURES	113	21,411	13,311
OTHER FINANCING SOURCES (USES)			
Total other financing sources and (uses)	-	-	-
NET CHANGE IN FUND BALANCES	113	21,411	13,311
FUND BALANCES, BEGINNING	-	153,259	165,773
PRIOR PERIOD ADJUSTMENT	2,135	(1,737)	(108)
FUND BALANCES, ENDING	\$ 2,248	\$ 172,933	\$ 178,976

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

EXHIBIT H-2

Capital Projects				Total
1985 General Obligation	2010 Tax Note Street Improvement	Street Improvement Fund	Municipal Building Fund	Nonmajor Governmental Funds
\$ -	\$ -	\$ 23,128	\$ -	\$ 95,135
17	-	94	20	306
17	-	23,222	20	95,441
-	-	-	-	-
-	-	-	-	37,347
-	-	-	-	-
-	-	-	-	-
-	-	-	-	-
-	-	-	-	37,347
17	-	23,222	20	58,094
-	-	-	-	-
17	-	23,222	20	58,094
34,840	153,290	170,587	40,816	718,565
1	77	(1,906)	-	(1,538)
<u>\$ 34,858</u>	<u>\$ 153,367</u>	<u>\$ 191,903</u>	<u>\$ 40,836</u>	<u>\$ 775,121</u>

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COMPLIANCE SECTION

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PATTILLO, BROWN & HILL, L.L.P.
 CERTIFIED PUBLIC ACCOUNTANTS ■ BUSINESS CONSULTANTS

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

To the City Honorable Mayor and
 Members of the City Commission
 City of Sinton, Texas

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of the governmental activities, the business-type activities, the aggregate discretely presented component unit, each major fund, and the aggregate remaining fund information of City of Sinton, Texas, as of and for the year ended September 30, 2016, and the related notes to the financial statements, which collectively comprise City of Sinton, Texas' basic financial statements, and have issued our report thereon dated August 7, 2017.

Internal Control over Financial Reporting

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

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

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies and therefore, material weaknesses or significant deficiencies may exist that were not identified. Given these limitations, during our audit we did not identify any deficiencies in internal control and we consider to be material weaknesses. However, material weaknesses may exist that have not been identified. We did identify certain deficiencies in internal control, described in the accompanying schedule of findings and questioned costs that we consider to be significant deficiencies as items 2016-01 through 2016-05.

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Governmental Audit
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Compliance and Other Matters

As part of obtaining reasonable assurance about whether City of Sinton, Texas' financial statements are free from material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts.

However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

Purpose of this Report

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



Brownsville, Texas
August 7, 2017

CITY OF SINTON, TEXAS
SCHEDULE OF AUDIT FINDINGS
FOR THE YEAR ENDED SEPTEMBER 30, 2016

<u>Reference No.</u>	<u>Findings/Noncompliance</u>
<u>Finding 2016-01</u>	<i>ECONOMIC DEVELOPMENT CORPORATION (EDC)--FUND ACCOUNTING SYSTEM</i>
<u>Criteria:</u>	Governmental accounting systems should be organized and operated on a fund basis. A fund is defined as a fiscal and accounting entity with a self-balancing set of accounts recording cash and other financial resources, together with all related liabilities and residual equities or balances, and changes therein, which are segregated for the purpose of carrying on specific activities or attaining certain objectives in accordance with special regulations, restrictions, or limitations.
<u>Condition:</u>	The City's lacked an accounting system for the EDC. As a result, the City did not post and/or record cash and other financial resources, liabilities, revenues, and expenses. As of September 30, 2016, the City's general ledger did not reflect financial transactions for EDC 4A and 4B.
<u>Cause:</u>	The City could not readily provide an accounting for the EDC's assets, liabilities, equity balances, revenues, expenses, and financial reports.
<u>Effect:</u>	Accounting systems are essential for segregations of financial resources and reporting. From a management viewpoint, the City could not readily provide an accounting for the EDC's assets, liabilities, and equity balance and financial reports.
<u>Recommendation:</u>	The City should consider developing and implementing procedures and processes to maintain an EDC accounting system to ensure the timely recording, posting, and reconciliation of all financial transactions.
<u>Finding 2016-02</u>	<i>GROUPING OF VARIOUS FUNDS-ACCOUNTING SYSTEMS</i>
<u>Criteria:</u>	Governmental accounting systems should be organized and operated on a fund basis. Each fund is a fiscal and accounting entity with a self-balancing set of accounts recording cash, related liabilities and fund balances.
<u>Condition:</u>	During our audit, we found that the City grouped various funds. This resulted in a significant amount of time to separate the fund into single funds to account for each of the funds' balances for assets, liabilities, equity, and revenues and expenses.
<u>Cause:</u>	The City's finance department lacks additional governmental accounting training.
<u>Effect:</u>	Accounting systems are essential for segregations of financial resources and reporting. From a management viewpoint, the City could not readily provide an accounting for each of funds' assets, liabilities, and equity balance and financial reports.
<u>Recommendation:</u>	The City's finance department should take governmental accounting training.

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Finding 2016-03

BUDGET AND BUDGETARY ACCOUNTING

Criteria:

Budgeting is an essential element of the financial planning, control, and evaluation processes of governments. Every governmental unit should prepare a comprehensive budget covering all governmental, proprietary, and fiduciary funds for each annual fiscal period.

Condition:

The City Council approved the 2016 annual budget prepared and submitted by the City Manager. However, during the audit we found numerous expenditures paid through deferred revenue accounts.

Cause:

The City did not follow procedures or processes to ensure those expenditures were incurred in accordance to the approved budget.

Effect:

The City's finance department in these instances was not in compliance with the approved budget.

Recommendation:

The City should develop and implement procedures or processes to ensure the finance department is in compliance with the approved budget.

Finding 2016-04

RECOGNITION OF LONG TERM DEBT SERVICE LIABILITIES AND PAYMENTS

Criteria:

Governments should recognize debt service liabilities and payments when due. A government must accrue a governmental fund liability and expenditure for most expenditures and transfers in the period in which the government incurs the liability.

Condition:

Although the City made the debt service payments, the payments were not posted to the appropriate debt service accounts.

Cause:

The City did not implement procedures or processes to ensure the debt service payments were posted to the debt service accounts.

Effect:

The City's debt service balances were not accurate.

Recommendation:

The City should develop and implement procedures or processes to ensure the finance department records the debt service payments to the appropriate accounts.

Finding 2016-05

CONSTRUCTION IN PROGRESS

Criteria:

Construction in progress (CIP) is a capital asset and should be reported in the statement of net position with other assets.

Condition:

The capital assets beginning balance for the City's governmental activities included an amount for construction in progress. However, the City did not make an adjustment or allocate CIP to capital assets to reflect the percentage completed and capitalized.

Cause:

The City did not use a cost-accumulation method to capitalize the CIP completed.

Effect:

The City's financial report reflects an unallocated CIP amount of \$1,022,573.

Recommendation:

The City should develop and implement procedures or processes to ensure the finance department allocates CIP to the appropriate capital asset accounts.

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