

CITY OF SINTON, TEXAS

**ANNUAL FINANCIAL REPORT
FOR THE FISCAL YEAR ENDED
SEPTEMBER 30, 2018**

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INTRODUCTORY SECTION

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CITY OF SINTON, TEXAS

LIST OF CITY OFFICIALS

SEPTEMBER 30, 2018

Mayor.....Edward Adams
Mayor Pro Tem.....Patricia Garcia Vargas
City Councilmember.....Nathan Lindeman
City Councilmember.....Danny Davila
City Councilmember.....Cheryl Rigotti
City Manager.....John D. Hobson
City Secretary.....Cathy Duhart
Finance Director.....Sally Oelrich

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FINANCIAL SECTION

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Cascos & Associates, PC

Certified Public Accountants
Audit/Accounting/Tax/Consulting

INDEPENDENT AUDITORS' REPORT

To the Honorable Mayor and
Members 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 units, each major fund, and the aggregate remaining fund information of City of Sinton, Texas (City), as of and for the year ended September 30, 2018, and the related notes to the financial statements, which collectively comprise the City's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

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

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

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

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, 2018, and the respective changes in financial position and, where applicable, cash flows thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

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 it.

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated June 18, 2019, 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.

Carr & Associates, PC

Brownsville, Texas
June 18, 2019

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, 2018.

FINANCIAL HIGHLIGHTS

The assets and deferred outflows of resources of the City of Sinton, Texas exceeded its liabilities at the end of the current fiscal year by \$14,193,190 (net assets). Of this amount, \$2,651,086 (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 \$253,34. The primary reasons for the decrease was the increase in expenditures.

As of the close of the current fiscal year, the City of Sinton, Texas' governmental funds reported combined ending fund balances of \$5,016,006 an increase of \$58,470 in comparison with the prior year. Approximately 16 % of this total amount, \$799,136, is available for spending at the government's discretion (unassigned fund balance).

At the end of the current fiscal year, the unassigned fund balance for the general fund was \$799,136 or 17% of total general fund expenditures.

The City of Sinton, Texas' Statement of Net Position total liabilities decreased by \$243,065 during the current fiscal year.

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 (11) 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. The general fund and the economic development fund are considered to be major funds. Data from the other nine (9) 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 self-insurance 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. The fund is presented as a non-major special revenue fund within the governmental funds.

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

The basic governmental fund financial statements can be found on pages 16-19 of this report.

Proprietary funds: The City of Sinton, Texas maintains one proprietary fund. The enterprise fund is used to report the same functions presented as business-type activities in the government-wide financial statements. The City of Sinton, Texas uses the enterprise fund to account for its Water and Sewer activities.

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.

The basic proprietary fund financial statements can be found on pages 20-22 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 23-59 of this report.

Other information: In addition to the basic financial statements and accompanying notes, this report also presents certain required supplementary information concerning the City of Sinton, Texas' progress in funding its obligation to provide pension benefits to its employees. Required supplementary information can be found on pages 60-68 of this report.

The combining statements referred to earlier in connection with non major governmental funds are presented immediately following the required supplementary information on pensions. Combining and individual fund statements and schedules can be found on pages 70-77 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 \$14,245,677 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 2017
	Governmental Activities 2018	Business Type Activities 2018	Total 2018	
	Current and other assets	\$ 5,110,015	\$ 1,997,711	
Restricted assets	901,494	1,578,082	2,479,576	2,446,737
Capital assets	6,890,786	5,363,052	12,253,838	12,555,529
Deferred outflows of resources pensions	204,268	54,108	258,376	520,371
Total assets and deferred outflows of resources	\$ 13,106,563	\$ 8,992,953	\$ 22,099,516	\$ 22,443,566
Long-term liabilities	3,259,342	1,664,820	4,924,162	5,371,157
Other liabilities	945,502	1,725,799	2,671,301	2,682,339
Total liabilities	4,204,844	3,390,619	7,595,463	8,053,496
Deferred inflows related pensions	246,486	64,377	310,863	158,514
Net investment in capital assets	3,463,933	3,981,012	7,444,945	7,652,205
Restricted	4,003,445	93,714	4,097,159	4,205,290
Unrestricted	1,187,855	1,463,231	2,651,086	2,374,061
Total net position	\$ 8,655,233	\$ 5,537,957	\$ 14,193,190	\$ 14,231,556
Total liabilities, deferred inflows of resources and net position	\$ 13,106,563	\$ 8,992,953	\$ 22,099,516	\$ 22,443,566

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 \$2,651,086 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 2018, 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 a decrease of \$108,131 in restricted net assets reported in connection with the City of Sinton, Texas' government-type and business-type activities. This decreased resulted mainly from capital expenditures.

The City's governmental total assets increased by \$368,088. The primary reason for the increase is the increase of non-property taxes.

Governmental activities:

CITY OF SINTON, TEXAS – Change in Net Position

	Primary Government			Combined Total 2017
	Governmental Activities 2018	Business Type Activities 2018	Total 2018	
Program Revenues:				
Charges for Services	\$ 826,842	\$ 2,059,060	\$ 2,885,902	\$ 3,249,609
Operating grants and contributions	72,000	-	72,000	60,000
General revenues:				
Property taxes	1,333,827	-	1,333,827	1,456,908
Non property taxes	1,493,168	-	1,493,168	1,399,054
Unrestricted investment earnings	709,003	-	709,003	562,682
Other income	106,229	-	106,229	107,368
Total revenues	<u>4,541,069</u>	<u>2,059,060</u>	<u>6,600,129</u>	<u>6,835,621</u>
Expenses:				
General government	1,283,177	-	1,283,177	1,279,463
Public safety	2,129,140	-	2,129,140	2,142,545
Public works	1,138,877	-	1,138,877	704,521
Health and welfare	61,450	-	61,450	61,224
Culture and recreation	233,873	-	233,873	216,024
Interest and fiscal charges	85,391	-	85,391	89,563
Water and sewer services	-	1,791,287	1,791,287	1,995,519
Total expenses	<u>4,931,908</u>	<u>1,791,287</u>	<u>6,723,195</u>	<u>6,488,859</u>
Change to net position before transfers	(390,839)	267,773	(123,066)	346,762
Transfers in (out)	<u>325,979</u>	<u>(270,000)</u>	<u>55,979</u>	<u>-</u>
Change in net position	(64,860)	(2,227)	(67,087)	346,762
Net position beginning	8,748,242	5,698,282	14,446,524	14,060,123
Prior period adjustment	<u>(28,149)</u>	<u>(158,098)</u>	<u>(186,247)</u>	<u>39,639</u>
Net position at 09/30/2018-Restated	<u>8,720,093</u>	<u>5,540,184</u>	<u>14,260,277</u>	<u>14,099,762</u>
Net position, ending	<u>\$ 8,655,233</u>	<u>\$ 5,537,957</u>	<u>\$ 14,193,190</u>	<u>\$ 14,446,524</u>

Total governmental and business-type revenues decreased by \$235,492 or 3 % during the year. Total expenses increased by \$234,336 or 3.6%. The largest expense increase was in public works, which increased by \$434,356.

Expenses and Program Revenues - Governmental Activities

Revenues by source - Governmental Activities

	<u>Revenues</u>	<u>Percent</u>
Maintenance and operation taxes	\$ 1,333,827	29.4%
Capital grants and contributions	72,000	1.6%
Sales tax and franchise fees	1,493,168	32.9%
Fees and charges for services	826,842	18.2%
Fines and forfeitures	85,573	1.9%
Licenses and permits	18,198	0.4%
Unrestricted investment earnings	2,458	0.1%
Miscellaneous	<u>709,003</u>	<u>15.6%</u>
Total revenues by source	<u>\$ 4,541,069</u>	<u>100.0%</u>

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

Business-type activities:

Revenues from business-type activities of \$2,059,060 exceeded expenses of \$1,748,527 by \$310,533. The increase was related to the increases in water consumption and related demand and to remain complaint with the City's agreement with TCEQ. The revenues amount over expenses, bond insurance and transfer out of \$42,760 and \$270,000 decreased the City of Sinton, Texas' business-type net assets by (\$2,227).

Total expenses decreased by \$97,772 or 5.2% as a result of expenses decreasing from \$1,846,299 (fiscal year 2017) to \$1,748,527 in the current year. The total expenses of \$1,748,527 includes miscellaneous uses of \$42,760. 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 \$5,016,006 an increase of \$58,470 in comparison with the prior year.

Approximately 16% or \$799,136 represents the 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 and total fund balance of the general fund was \$799,136. 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 17.41% of the total general fund expenditures, while total fund balance represents 107% of that same amount.

At the end of the current fiscal year, restricted fund balance of the interest and sinking fund was \$1,343,817. 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 total fund balance exceeded total expenditures.

The fund balances of the City of Sinton, Texas' interest and sinking fund increased by \$220,346 during the current fiscal year. Key factors in this decrease are as follows: the continued transfers from the utility fund declined.

At the end of the current fiscal year, the restricted fund balance of the Economic Development Fund's total fund balance was \$2,228,181. 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.

The fund balances of the City of Sinton, Texas' economic development fund increased by \$135,074, during the current fiscal year. This increase was a result of revenues exceeding expenditures and a key factor for the increase in fund balance.

At the end of the current fiscal year, assigned fund balance of the 2014 Tax Note Street Improvement fund increased from (\$67,496) to a (\$67,466). There is no analysis of the 2014 Tax Note Street Improvement fund because it is a non-major construction fund.

Proprietary funds:

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

Unrestricted net assets of the Utility fund at the end of the year amounted to \$1,560,263. 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 \$4,589,861 were more than the budgeted expenditures of \$4,468,720 by \$121,141.

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, 2018, amounts to \$12,253,838 (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 City's net investment in capital assets decreased by \$207,710, from \$7,652,205 in 2017 to \$7,444,495 current year, or 2.71% decrease.

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

The City had minimal street 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 2017
	Governmental	Business	Total 2018	
	Activities	Type Activities		
	2018	2018		
Land, water and service rights	\$ 62,250	\$ 4,000	\$ 66,250	\$ 66,250
Construction in progress	-	1,380,700	1,380,700	1,380,700
Buildings and improvements	5,634,366	9,548,368	15,182,734	15,182,734
Machinery, equipment and vehicles	2,828,182	1,284,858	4,113,040	3,812,114
Infrastructure	3,688,635	-	3,688,635	3,688,635
Intangible assets	47,674	13,350	61,024	61,024
Totals at historical cost	12,261,107	12,231,276	24,492,383	24,191,457
Accumulated depreciation	(5,370,321)	(6,868,224)	(12,238,545)	(11,635,928)
Total assets-net of depreciation	<u>\$ 6,890,786</u>	<u>\$ 5,363,052</u>	<u>\$ 12,253,838</u>	<u>\$ 12,555,529</u>

Additional information on the City of Sinton, Texas' capital assets can be found in Notes J and K on pages 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 2018	Combined Total 2017
	Activities	Type Activities		
	2018	2018		
Bonds payable and premium	\$1,161,564	\$1,448,040	\$2,609,604	\$2,733,017
Certificate of obligations	830,000	-	830,000	905,000
Total debt service	<u>\$ 1,991,564</u>	<u>\$ 1,448,040</u>	<u>\$ 3,439,604</u>	<u>\$ 3,638,017</u>

The City of Sinton, Texas' total debt decreased by \$278,413 or 7.11% during the current fiscal year.

The City of Sinton, Texas and its Utility fund both maintain an "AA" rating from Standard & Poor's and Fitch and an "AA2" rating from Moody's for general obligation debt. State statutes limit the amount of general obligation debt a governmental entity may issue to 25 percent of its total assessed valuation. The current debt limitation for the City of Sinton, Texas is \$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 L on pages 40 - 42 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, 2018

	Primary Government		
	Governmental Activities	Business-type Activities	Total
ASSETS			
Cash and investments	\$ 4,325,547	\$ 1,649,984	\$ 5,975,531
Receivables, net	507,860	312,868	820,728
Prepaid expenses	40,665	-	40,665
Restricted cash and cash equivalents	901,494	1,578,082	2,479,576
Internal balances	235,943	-	235,943
Inventory	-	34,859	34,859
Capital assets, net of accumulated depreciation:			
Non-depreciable assets	62,250	-	62,250
Depreciable assets	<u>6,828,536</u>	<u>5,363,052</u>	<u>12,191,588</u>
Total assets	<u>12,902,295</u>	<u>8,938,845</u>	<u>21,841,140</u>
DEFERRED OUTFLOWS OF RESOURCES			
Deferred outflows related to OPEB	7,109	1,777	8,886
Deferred outflows related to pensions	<u>197,159</u>	<u>52,331</u>	<u>249,490</u>
Total deferred outflow of resources	<u>204,268</u>	<u>54,108</u>	<u>258,376</u>
LIABILITIES			
Accounts payable	154,208	278,684	432,892
Accrued liabilities	37,848	29,499	67,347
Customer deposits payable	-	281,158	281,158
Due to other funds	-	235,943	235,943
Unearned revenue	588,479	828,190	1,416,669
Noncurrent liabilities:			
Due within one year	164,967	72,325	237,292
Due in more than one year	<u>3,259,342</u>	<u>1,664,820</u>	<u>4,924,162</u>
Total liabilities	<u>4,204,844</u>	<u>3,390,619</u>	<u>7,595,463</u>
DEFERRED INFLOWS OF RESOURCES			
Deferred inflows related to pensions	<u>246,486</u>	<u>64,377</u>	<u>310,863</u>
Total deferred inflows of resources	<u>246,486</u>	<u>64,377</u>	<u>310,863</u>
NET POSITION			
Net investment in capital assets	3,463,933	3,981,012	7,444,945
Restricted for:			
Capital Projects	72,243	-	72,243
Special revenue funds	572,629	-	572,629
Debt service	1,130,392	93,714	1,224,106
Community development	2,228,181	-	2,228,181
Unrestricted	<u>1,187,855</u>	<u>1,463,231</u>	<u>2,651,086</u>
Total net position	<u>\$ 8,655,233</u>	<u>\$ 5,537,957</u>	<u>\$ 14,193,190</u>

The accompanying notes are an integral part of these financial statements.

CITY OF SINTON, TEXAS
STATEMENT OF ACTIVITIES
FOR THE FISCAL YEAR ENDED SEPTEMBER 30, 2018

Function/Program Activities	Expenses	Program Revenues	
		Charges for Services	Operating Grants and Contributions
Primary government			
Governmental activities:			
General government	\$ 1,283,177	\$ 74,672	\$ 72,000
Public safety	2,129,140	635,053	-
Public works	1,138,877	101,764	-
Health and welfare	61,450	-	-
Culture and recreation	233,873	15,353	-
Interest and fiscal agent fees	85,391	-	-
Total governmental activities	<u>4,931,908</u>	<u>826,842</u>	<u>72,000</u>
Business-type activities:			
Water & sewer services	<u>1,748,527</u>	<u>2,059,060</u>	<u>-</u>
Total business-type activities	<u>1,748,527</u>	<u>2,059,060</u>	<u>-</u>
Total primary government	<u>\$ 6,680,435</u>	<u>\$ 2,885,902</u>	<u>\$ 72,000</u>

General revenues:

Taxes:

Property taxes, levied for general purposes

Sales and franchise taxes

Licenses and permits

Hotel/motel taxes

Unrestricted investment earning

Miscellaneous revenues (uses)

Transfers

Total general revenues and transfers

Changes 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.

Net (Expense) Revenues and Changes in Net Position

Primary Government		
Governmental Activities	Business-type Activities	Total
\$(1,136,505)	\$ -	\$(1,136,505)
(1,494,087)	-	(1,494,087)
(1,037,113)	-	(1,037,113)
(61,450)	-	(61,450)
(218,520)	-	(218,520)
(85,391)	-	(85,391)
(4,033,066)	-	(4,033,066)
-	310,533	310,533
-	310,533	310,533
(4,033,066)	310,533	(3,722,533)
1,333,827	-	1,333,827
1,493,168	-	1,493,168
18,198	-	18,198
85,573	-	85,573
2,458	-	2,458
709,003	(42,760)	666,243
325,979	(270,000)	55,979
3,968,206	(312,760)	3,655,446
(64,860)	(2,227)	(67,087)
8,748,242	5,698,282	14,446,524
(28,149)	(158,098)	(186,247)
\$ 8,655,233	\$ 5,537,957	\$ 14,193,190

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

CITY OF SINTON, TEXAS
BALANCE SHEET
GOVERNMENTAL FUNDS
SEPTEMBER 30, 2018

	General	Economic Development Fund	Other Governmental	Total Governmental Funds
ASSETS				
Cash and investments	\$ 1,543,761	\$ 2,228,181	\$ 553,605	\$ 4,325,547
Receivables, net:				
Property taxes	158,902	-	-	158,902
Accounts receivable	348,958	-	-	348,958
Due from other funds	-	-	684,826	684,826
Inventory	40,665	-	-	40,665
Restricted cash and cash equivalents	-	-	901,494	901,494
Total assets	\$ 2,092,286	\$ 2,228,181	\$ 2,139,925	\$ 6,460,392
LIABILITIES, DEFERRED INFLOWS AND FUND BALANCE				
Liabilities:				
Accounts payable	\$ 27,200	\$ -	\$ 127,008	\$ 154,208
Accrued liabilities	13,620	-	24,228	37,848
Unearned revenue	588,479	-	-	588,479
Due to other funds	448,883	-	-	448,883
Total liabilities	1,078,182	-	151,236	1,229,418
Deferred inflows of resources				
Unavailable revenue - property taxes	214,968	-	-	214,968
Total deferred inflows of resources	214,968	-	-	214,968
Fund balances:				
Restricted	-	2,228,181	1,988,689	4,216,870
Committed	-	-	-	-
Assigned	-	-	-	-
Unassigned	799,136	-	-	799,136
Total fund balances	799,136	2,228,181	1,988,689	5,016,006
Total liabilities, deferred inflows of resources, and fund balances	\$ 2,092,286	\$ 2,228,181	\$ 2,139,925	\$ 6,460,392

The accompanying notes are an integral part of these financial statements.

CITY OF SINTON, TEXAS
RECONCILIATION OF THE BALANCE SHEET OF GOVERNMENTAL FUNDS
TO THE STATEMENT OF NET POSITION
FOR THE FISCAL YEAR ENDED SEPTEMBER 30, 2018

Fund balances	\$ 5,016,006
Amounts reported for governmental activities in the statement of net position are different because:	
Capital assets used in governmental activities are not financial resources and therefore are not reported in the funds	6,890,786
Long-term assets are not available to pay for current period expenditures and therefore are deferred in the funds - these result from unavailable property tax revenues	214,968
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.	(2,074,617)
Included in the noncurrent assets/(liability) is the recognition of the City's net pension asset/(liability), and a deferred resource outflows. This resulted in an increased/(decrease) in net position.	(1,252,858)
Included in the noncurrent assets/(liability) is the recognition of the Firemen's net pension asset/(liability) required by GASB 68 and 75 in the amount of \$32,162 and a deferred resource outflows of \$3,503. This resulted in a net decrease in net position.	(139,052)
Net position	<u>\$ 8,655,233</u>

The accompanying notes are an integral part of these financial statements.

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CITY OF SINTON, TEXAS
STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES
GOVERNMENTAL FUNDS
FOR THE FISCAL YEAR ENDED SEPTEMBER 30, 2018

	General	Economic Development Fund	Other Governmental	Total Governmental Funds
REVENUES				
Property taxes	\$ 1,333,827	\$ -	\$ -	\$ 1,333,827
Sales and franchise taxes	1,000,649	416,699	75,820	1,493,168
Fees and charges for services	752,355	74,487	-	826,842
Fines and forfeitures	85,573	-	-	85,573
Licenses and permits	18,198	-	-	18,198
Intergovernmental	72,000	-	-	72,000
Miscellaneous income	685,487	-	23,515	709,002
Interest and investment income	876	849	733	2,458
Total revenues	<u>3,948,965</u>	<u>492,035</u>	<u>100,068</u>	<u>4,541,068</u>
EXPENDITURES				
Current:				
General government	1,007,218	132,256	-	1,139,474
Public safety	1,933,462	-	39,760	1,973,222
Public works	1,048,206	-	-	1,048,206
Health and welfare	56,957	-	-	56,957
Culture and recreation	216,479	-	-	216,479
Capital outlay	223,644	-	-	223,644
Debt service:				
Principal retirement	55,546	75,000	-	130,546
Interest and fiscal agent fees	48,349	37,042	-	85,391
Total expenditures	<u>4,589,861</u>	<u>244,298</u>	<u>39,760</u>	<u>4,873,919</u>
EXCESS (DEFICIENCY) OF REVENUES OVER (UNDER) EXPENDITURES	<u>(640,896)</u>	<u>247,737</u>	<u>60,308</u>	<u>(332,851)</u>
OTHER FINANCING SOURCES (USES)				
Transfers in	594,072	-	-	594,072
Transfers out	-	(112,663)	(155,430)	(268,093)
Total other financing sources (uses)	<u>594,072</u>	<u>(112,663)</u>	<u>(155,430)</u>	<u>325,979</u>
NET CHANGE IN FUND BALANCES	<u>(46,824)</u>	<u>135,074</u>	<u>(95,122)</u>	<u>(6,872)</u>
FUND BALANCES, BEGINNING	<u>845,960</u>	<u>2,093,107</u>	<u>2,018,469</u>	<u>4,957,536</u>
PRIOR PERIOD ADJUSTMENT	<u>-</u>	<u>-</u>	<u>65,342</u>	<u>65,342</u>
FUND BALANCES, ENDING	<u>\$ 799,136</u>	<u>\$ 2,228,181</u>	<u>\$ 1,988,689</u>	<u>\$ 5,016,006</u>

The accompanying notes are an integral part of these financial statements.

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CITY OF SINTON, TEXAS

**RECONCILIATION OF THE STATEMENT OF REVENUES, EXPENDITURES
AND CHANGES IN FUND BALANCES OF GOVERNMENTAL FUNDS
TO THE STATEMENT OF ACTIVITIES
FOR THE FISCAL YEAR ENDED SEPTEMBER 30, 2018**

Net change in fund balances - total governmental funds	\$(6,872)
Amounts reported for governmental activities in the statement of activities are different because:	
Governmental funds report capital outlays as expenditures. However, in the statement of activities, the cost of those assets is allocated over their estimated useful lives as depreciation expense. This is the amount by which capital outlays exceeded depreciation in the current period.	(287,404)
Revenues in the statement of activities that do not provide current financial resources are not reported as revenues in the funds.	214,968
Some expenses reported in the statement of activities do not require the use of current financial resources and therefore are not reported as expenditures in governmental funds. Interest expense in the statement of activities differs from the amount reported in governmental funds due to the change in accrued interest (decrease of \$78,892) being calculated for bonds payable. Also any change in compensated absence payable (decrease of \$12,949) during the year is reported as an increase or decrease to expenditures in the statement of activities but not in the governmental funds.	76,222
Repayment of bond and notes payable principal is an expenditure in the governmental funds, but the repayment has no effect on net position.	129,000
Some pension-related expenses reported in the governmental activities statement of activities do not require the use of current financial resources and, therefore, are not reported as expenditures in governmental funds.	(190,774)
Change in net position of governmental activities	<u>\$(64,860)</u>

The accompanying notes are an integral part of these financial statements.

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CITY OF SINTON, TEXAS
STATEMENT OF NET POSITION
PROPRIETARY FUND
SEPTEMBER 30, 2018

	Business-type Activities	
	Water and Sewer	Total Enterprise Funds
ASSETS		
Current assets:		
Cash and investments	\$ 1,649,984	\$ 1,649,984
Receivables:		
Accounts receivable	312,868	312,868
Inventory	34,859	34,859
Restricted cash and cash equivalents	1,578,082	1,578,082
Total current assets	3,575,793	3,575,793
Noncurrent assets:		
Land, plant and equipment, net	5,363,052	5,363,052
Total noncurrent assets	5,363,052	5,363,052
Total assets	8,938,845	8,938,845
DEFERRED OUTFLOWS OF RESOURCES		
Deferred outflows related to OPEB	1,777	1,777
Deferred outflows related to pensions	52,331	52,331
Total deferred outflows of resources	54,108	54,108
LIABILITIES		
Current liabilities:		
Accounts payable	278,684	278,684
Accrued liabilities	29,499	29,499
Due to other funds	235,943	235,943
Compensated absences	6,325	6,325
Customer deposits payable	281,158	281,158
Deferred revenues	828,190	828,190
Bonds payable	66,000	66,000
Total current liabilities	1,725,799	1,725,799
Noncurrent liabilities:		
Compensated absences	10,242	10,242
Bonds payable	1,382,040	1,382,040
Net OPEB liability	22,752	22,752
Net pension liability	249,786	249,786
Total noncurrent liabilities	1,664,820	1,664,820
Total liabilities	3,390,619	3,390,619
DEFERRED INFLOWS OF RESOURCES		
Deferred inflows related to pensions	64,377	64,377
Total deferred inflows of resources	64,377	64,377
NET POSITION		
Net investment in capital assets	3,981,012	3,981,012
Restricted for debt service	93,714	93,714
Unrestricted	1,463,231	1,463,231
Total net position	\$ 5,537,957	\$ 5,537,957

The accompanying notes are an integral part of these financial statements.

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CITY OF SINTON, TEXAS
STATEMENT OF REVENUES, EXPENSES
AND CHANGES IN FUND NET POSITION
PROPRIETARY FUND
FOR THE FISCAL YEAR ENDED SEPTEMBER 30, 2018

	Business-type Activities	
	Water and Sewer	Total
OPERATING REVENUES		
Water and sewer	\$ 1,977,046	\$ 1,977,046
Penalties	68,683	68,683
Investment earnings	1,105	1,105
Micellaneous income	12,226	12,226
Total operating revenues	2,059,060	2,059,060
OPERATING EXPENSES		
Personnel and related services	750,943	750,943
Contracted services	272,345	272,345
Materials, supplies and repairs	460,444	460,444
Other expenses	52,056	52,056
Depreciation expense	212,739	212,739
Total operating expenses	1,748,527	1,748,527
OPERATING INCOME (LOSS)	310,533	310,533
NONOPERATING REVENUES (EXPENSES)		
Bond principal payment	-	-
Interest expense	-	-
Bond insurance	(42,760)	(42,760)
Miscellaneous revenue	-	-
Total nonoperating revenues (expenses)	(42,760)	(42,760)
Income before transfers	267,773	267,773
Capital contributions		
Transfers in	-	-
Transfers out	(270,000)	(270,000)
CHANGE IN NET POSITION	(2,227)	(2,227)
NET POSITION, BEGINNING	5,698,282	5,698,282
PRIOR PERIOD ADJUSTMENT	(158,098)	(158,098)
NET POSITION, ENDING	\$ 5,537,957	\$ 5,537,957

The accompanying notes are an integral part of these financial statements.

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CITY OF SINTON, TEXAS
STATEMENT OF CASH FLOWS
PROPRIETARY FUND
FOR THE FISCAL YEAR ENDED SEPTEMBER 30, 2018

	Business-type Activities Enterprise Fund	
	Water and Sewer	Total
CASH FLOWS FROM OPERATING ACTIVITIES		
Receipts from customers and users	\$ 2,052,474	\$ 2,052,474
Cash received from other resources	20,975	20,975
Disbursed for goods and services to suppliers	(608,303)	(608,303)
Disbursed for personnel services	(997,373)	(997,373)
Net cash provided by operating activities	467,773	467,773
CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES		
Transfers to other funds	(270,000)	(270,000)
Net cash provided (used) by noncapital financing activities	(270,000)	(270,000)
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES		
Disposal of capital assets	-	-
Principal paid on long-term debt	(66,000)	(66,000)
Interest and bond costs paid on long-term debt	(64,447)	(64,447)
Net cash used for capital and related financing activities	(130,447)	(130,447)
CASH FLOWS FROM INVESTING ACTIVITIES		
Interest received	1,078	1,078
Net cash provided by investing activities	1,078	1,078
NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS	68,404	68,404
CASH AND CASH EQUIVALENTS, BEGINNING	3,159,662	3,159,662
CASH AND CASH EQUIVALENTS, ENDING	\$ 3,228,066	\$ 3,228,066
RECONCILIATION OF OPERATING INCOME TO NET CASH PROVIDED BY OPERATING ACTIVITIES		
Operating income	\$ 310,533	\$ 310,533
Adjustments to reconcile operating income to net cash provided by operating activities:		
Depreciation	212,739	212,739
Decrease (increase) in accounts receivable	6,745	6,745
Decrease (increase) in other assets	(84,345)	(84,345)
Decrease (increase) in deferred outflows-pension	(38,783)	(38,783)
Increase (decrease) in accounts payable	90,354	90,354
Increase (decrease) in customer deposits	-	-
Increase (decrease) in accrued liabilities	84,623	84,623
Increase (decrease) in customer deposits	(10,236)	(10,236)
Increase (decrease) in net pension liability	(136,810)	(136,810)
Increase (decrease) in deferred inflows-pension	31,089	31,089
Increase (decrease) in compensated absences	1,864	1,864
Total adjustments	157,240	157,240
Net cash provided by operating activities	\$ 467,773	\$ 467,773

The accompanying notes are an integral part of these financial statements.

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CITY OF SINTON, TEXAS
NOTES TO THE FINANCIAL STATEMENTS
SEPTEMBER 30, 2018

NOTE A - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The financial statements of the City of Sinton, Texas (the "City"), have been prepared in conformity with generally accepted accounting principles (GAAP) as applied to government units. The Governmental Accounting Standards Board (GASB) is the accepted standard-setting body for establishing governmental accounting and financial reporting principles. The more significant of the City's accounting policies are described below.

1. 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.

2. BLENDED COMPONENT UNIT

The accompanying financial statements include financial statements for related organizations in accordance with generally accepted accounting principles. Organizations are included if they are financially accountable to the City, or the nature and significance of their relationship with the City are such that exclusion would cause the financial statements to be misleading or incomplete. Inclusion is determined on the basis of the City's ability to exercise significant influence. Significant influence or accountability is based primarily on its operational or financial relationship with the City (as distinct from legal relationship). The City is financially accountable if it appoints a voting majority of an organization's governing body and is able to impose its will on that organization, or there is a potential for the organization to provide specific financial benefits to or impose specific financial burdens on the City.

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. This entity is presented as a blended component unit and major governmental fund. The City currently has operational responsibilities for this component unit. The entity has a September 30 year-end and does not issue separate financial statements.

3. GOVERNMENT-WIDE AND FUND FINANCIAL STATEMENTS

The government-wide financial statements (i.e. the Statement of Net Position and the Statement of Activities) report information on all of the non-fiduciary activities of the primary government and its component units. As a general rule, the effect of interfund activity has been removed from the primary government statements.

Governmental activities, which normally are supported by taxes and intergovernmental revenues, are reported separately from business-type activities, which rely to a significant extent on fees and charges for support. Likewise, the primary government is reported separately from certain separate component units for which the primary government is financially accountable.

CITY OF SINTON, TEXAS
NOTES TO THE FINANCIAL STATEMENTS
SEPTEMBER 30, 2018

NOTE A - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

3. GOVERNMENT-WIDE AND FUND FINANCIAL STATEMENTS (Continued)

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

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

4. MEASUREMENT FOCUS, BASIS OF ACCOUNTING AND FINANCIAL STATEMENT PRESENTATION

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

Governmental fund financial statements are reported using the *current financial resources measurement focus* and the *modified accrual basis of accounting*. Revenue is recognized as soon as it is both measurable and available. Revenue is considered to be *available* when it is collectible within the current period or soon enough thereafter to pay liabilities of the current period. For this purpose, the government considers revenue to be available if collected within 60 days of the end of the current fiscal period. Expenditures generally are recorded when a liability is incurred, as under accrual accounting. However, debt service expenditures, as well as expenditures related to and claims and judgments, are recorded only when payment is due.

Those revenues susceptible to accrual are property taxes and franchise taxes, special assessments, interest revenue and charges for services. Sales taxes collected and held by the intermediary collecting governments at year-end on behalf of the City also are recognized as revenue. Fines, permits and licenses revenues are not susceptible to accrual because generally they are not measurable until received in cash.

The following are reported as major governmental funds:

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

The following are reported as other nonmajor governmental fund types:

Debt Service Fund – This fund accounts for the resources accumulated and payments made for principal and interest on long-term tax supportable general obligation debt of the primary government.

Capital Projects Fund – This fund is used to account for financial resources to be used for the acquisition or construction of major capital facilities (other than those financed by proprietary funds).

Special Revenue Funds – These funds are used to account for the proceeds of specific revenue sources (other than private purpose trusts or major capital projects) that are legally restricted to expenditures for specified purposes.

CITY OF SINTON, TEXAS
NOTES TO THE FINANCIAL STATEMENTS
SEPTEMBER 30, 2018

NOTE A - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

4. MEASUREMENT FOCUS, BASIS OF ACCOUNTING AND FINANCIAL STATEMENT PRESENTATION (Continued)

The following are reported as major proprietary funds:

Water and Sewer Fund – This fund accounts for the water and sewer services provided to customers. All the capital assets net of related liabilities, along with revenues and expenses of providing these services are accounted for within this fund.

The following are reported as fiduciary fund types:

Firemen's Pension Fund – This fund accounts for the proceeds of specific revenue sources that are legally restricted to expenditures for specified purposes in a fiduciary (trustee) capacity for individuals, private organizations, and other governments.

As a general rule the effect of interfund activity has been eliminated from the primary government's government-wide financial statements. The exception to this general rule are the charges for water and sewer services to the other primary government funds and payment-in-lieu of taxes where the amounts are reasonably equivalent in value to the interfund services provided. Elimination of these charges would distort the direct costs and program revenues reported for the various functions concerned.

Amounts reported as program revenues include 1) charges to customers or applicants for goods, services, or privileges provided, 2) operating grants and contributions, and 3) capital grants and contributions, including special assessments. Internally dedicated resources are reported as general revenues rather than as program revenues. Likewise, general revenues include all taxes.

Proprietary funds distinguish operating revenues and expenses from non-operating items. Operating revenues and expenses generally result from providing services and producing and delivering goods in connection with a proprietary fund's principal ongoing operations. Operating expenses for proprietary funds include the cost of sales and services, administrative expenses, and depreciation on capital assets. All revenues and expenses not meeting this definition are reported as non-operating revenues and expenses.

Both the government-wide and proprietary fund financial statements apply all applicable GASB pronouncements.

When both restricted and unrestricted resources are available for use, it is the government's policy to use restricted resources first, then unrestricted resources.

5. ASSETS, LIABILITIES, DEFERRED OUTFLOWS/INFLOWS OF RESOURCES, LIABILITIES, AND NET POSITION OR EQUITY

Deposits and Investments

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.

Money market investments which are short-term, highly liquid debt instruments including commercial paper, banker's acceptances and U.S. Treasury and agency obligations are reported at amortized cost.

The City can legally invest in adequately secured investments in accordance with the Public Funds Investment Act. The City may also participate in any public funds investment pool created under the Interlocal Cooperation Act. Investment in external pools are reported at amortized cost for financial reporting purposes

CITY OF SINTON, TEXAS
NOTES TO THE FINANCIAL STATEMENTS
SEPTEMBER 30, 2018

NOTE A - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

5. ASSETS, LIABILITIES, DEFERRED OUTFLOWS/INFLOWS OF RESOURCES, LIABILITIES, AND NET POSITION OR EQUITY (Continued)

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, 2018.

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.

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.

Restricted Assets of the Proprietary Funds and EDC-4A, EDC-4B Component Units

Water and sewer bond ordinances and EDC-4A and EDC-4B component units' ordinances require that during the period the bonds are outstanding the City must maintain certain separate accounts and funds to account for the proceeds from the issuance of the bonds and the debt service deposits made from revenues or from bond proceeds. These restricted assets can be used only in accordance with the bond ordinances.

**CITY OF SINTON, TEXAS
NOTES TO THE FINANCIAL STATEMENTS
SEPTEMBER 30, 2018**

NOTE A - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

5. ASSETS, LIABILITIES, DEFERRED OUTFLOWS/INFLOWS OF RESOURCES, LIABILITIES, AND NET POSITION OR EQUITY (Continued)

Restricted Assets

The restricted assets at September 30, 2018 were as follows:

	Governmental Activities	Business Type Activities	Total
Debt Service	\$ 1,343,817	\$ 93,714	\$ 1,437,531
Community development	2,228,181	-	2,228,181
Special revenue	572,629	-	572,629
Capital projects	<u>72,243</u>	<u>-</u>	<u>72,243</u>
Total Restricted Assets	<u>\$ 4,216,870</u>	<u>\$ 93,714</u>	<u>\$ 4,310,584</u>

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 acquisition cost, which is the price that would be paid to acquire an asset with equivalent service potential at the acquisition date.

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:

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 THE FINANCIAL STATEMENTS
SEPTEMBER 30, 2018**

NOTE A - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

5. ASSETS, LIABILITIES, DEFERRED OUTFLOWS/INFLOWS OF RESOURCES, LIABILITIES, AND NET POSITION OR EQUITY (Continued)

Depreciation of capital assets used by proprietary funds is charged as an expense against their operations in the fund financial statements as well as the business-type activities in government-wide Statement of Activities. Capital assets, net of accumulated depreciation, are reported on proprietary funds Statement of Net Position and in the business-type activities column of the government-wide Statement of Net Position.

Depreciation of general government capital assets used by funds categorized as governmental activities is not allowed in the governmental fund financial statements, nor are the capital assets allowed to be reported on the balance sheets in the governmental fund financial statements in connection with their measurement focus. Depreciation of general government capital assets used by funds categorized as governmental activities in the government-wide Statement of Activities is required. Capital assets, net of accumulated depreciation, are required to be reported in the governmental activities column of the government-wide Statement of Net Position.

The EDC 4A and EDC 4B component units have depreciable capital assets. Depreciation expense is required in the government-wide Statement of Activities. Capital assets are reported for these component units in the government-wide Statement of Net Position.

Depreciable Assets Useful Lives

Building	50 years
Improvements other than buildings	20 years
Infrastructure	10-90 years
Furniture and equipment	5-15 years

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.

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.

**CITY OF SINTON, TEXAS
 NOTES TO THE FINANCIAL STATEMENTS
 SEPTEMBER 30, 2018**

NOTE A - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

5. ASSETS, LIABILITIES, DEFERRED OUTFLOWS/INFLOWS OF RESOURCES, LIABILITIES, AND NET POSITION OR EQUITY (Continued)

Fund Balances Reporting

Fund balance of governmental funds is reported in various categories based on the nature of any limitations requiring the use of resources for specific purposes.

There are two major categories of fund balances, which are nonspendable and spendable.

Nonspendable fund balances are balances that cannot be spent because they are not expected to be converted to cash or they are legally or contractually required to remain intact. Examples of this classification are prepaid items, inventories, and long-term receivables. The City has inventories and long-term advances to funds that are considered nonspendable.

In addition to the nonspendable fund balance, there is a hierarchy of spendable fund balances, based on a hierarchy of spending constraints.

Restricted - Fund balances that are constrained by external parties, constitutional provisions, or enabling legislation.

Committed - Fund balances that contain self-imposed constraints of the government from its highest level of decision making authority. The responsibility to commit funds rests with the City Council. Committed amounts cannot be used for any other purpose unless the governing board removes those constraints by taking the same type of formal action.

Assigned — Fund balances that contain self-imposed constraints of the government to be used for a particular purpose. The responsibility to assign funds rests with the City Council. The City does not have any assigned fund balances. Unlike commitments, assignments generally only exist temporarily. An additional action does not have to be taken for the removal of an assignment.

Unassigned — Fund balance is not constrained for any particular purpose.

Fund Balances as of September 30, 2018

Fund Balances:	
Restricted	
Capital projects	\$ 72,243
Special revenue	572,629
Community development	2,228,181
Debt Service	1,343,817
Unassigned	<u>523,169</u>
Total Fund Balance	<u>\$ 4,740,039</u>

**CITY OF SINTON, TEXAS
NOTES TO THE FINANCIAL STATEMENTS
SEPTEMBER 30, 2018**

NOTE A - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

5. ASSETS, LIABILITIES, DEFERRED OUTFLOWS/INFLOWS OF RESOURCES, LIABILITIES, AND NET POSITION OR EQUITY (Continued)

Fund Balance Flow Assumptions

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%.

Deferred Outflows of Resources and Deferred Inflows of Resources/Other Assets and Liabilities

Certain defined transactions that do not qualify for treatment as either assets or liabilities are required to be accounted for and reported as either deferred outflows of resources (a separate subheading following assets, but before liabilities) or deferred inflows of resources (a separate subheading following liabilities, but before equity).

Deferred Outflows of Resources — A consumption of net assets by the government that is applicable to a future reporting period and so will not be recognized as an outflow of resources (expenditure/expenses) until then. It has a positive effect on net position, similar to assets.

Deferred Inflows of Resources — An acquisition of net assets by the government that is applicable to a future reporting period. It has a negative effect on net position, similar to liabilities.

In the government-wide financial statements, insurance costs arising from the issuance of debt are expensed. Deferred amounts from a refunding of debt (debits) are reported as deferred outflows of resources and deferred amounts from refunding debt (credits) are reported as deferred inflows of resources and amortized over the lesser life of the refunded bonds or refunding debt.

Grant amounts received in advance of meeting timing requirements and advances of revenue from imposed non-exchange transactions such as property taxes or transactions recorded as a receivable prior to the period when resources are required to be used or are available, are reported as deferred inflows of resources at the fund level and are recognized as revenues at the government-wide level.

See below, Pensions regarding pension-related deferred outflows and deferred inflows of resources.

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 THE FINANCIAL STATEMENTS
SEPTEMBER 30, 2018

NOTE A - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

5. ASSETS, LIABILITIES, DEFERRED OUTFLOWS/INFLOWS OF RESOURCES, LIABILITIES, AND NET POSITION OR EQUITY (Continued)

Pensions

In government-wide financial statements, pensions are required to be recognized and disclosed using the accrual basis of accounting, regardless of the amount recognized as pension expenditures on the modified accrual basis of accounting. The City recognizes a net pension liability for each qualified pension plan in which it participates, which represents the excess of the total pension liability over the fiduciary net position of the pension plan measured as of the actuarial measurement date. Changes in the net pension liability during the period are recorded as pension expense, or as deferred inflows of resources or deferred outflows of resources depending on the nature of the change, in the period incurred. Those changes in net pension liability that are recorded as deferred inflows of resources or deferred outflows of resources that arise from changes in actuarial assumptions or other inputs and differences between expected or actual experience are amortized over the weighted average remaining service life of all participants in the respective qualified pension plan and recorded as a component of pension expense beginning with the period in which they are incurred. Projected earnings on qualified pension plan investments are recognized as a component of pension expense. Differences between projected and actual investment earnings are reported as deferred inflows of resources or deferred outflows of resources and amortized as a component of pension expense on a closed basis over a five-year period beginning with the period in which the difference occurred.

Defined Benefits Other Postemployment Benefits Plan

The City has a single employer defined benefit other postemployment benefits (OPEB) Plans For purpose of measuring the total OPEB Liability of each OPEB plan, deferred outflows of resources and deferred inflows of resources related to each OPEB plan, and OPEB expenses have been determined on the same basis as they are reported by the plans. For this purpose, benefit payments are recognized when due and payable in accordance with the benefit terms for the plans.

Allocations of OPEB items to the city's enterprise funds and component units are determined on the basis of full-time employees count by department.

Change in Accounting Principles

The City adopted and implemented the following GASB statements which have become effective for fiscal year 2018.

GASB Statement No. 75, *Accounting and Financial Reporting for Postemployment Benefits Other Than Pensions*.

- This Statement replaces the requirements of GASB Statement No.45, Accounting and Financial Reporting by Employers for Postemployment Benefits Other Than Pensions. Implementation resulted in restatement of beginning net position as of October 1, 2017. Reclassification of amounts previously expensed as salaries and benefits to deferred outflows of resources and recognition of the total OPEB liabilities as October 1, 2017, The City has implemented this Statement in fiscal year 2018 and, accordingly, has restated beginning net position within the government-wide financial statements as of October 1, 2017

**CITY OF SINTON, TEXAS
NOTES TO THE FINANCIAL STATEMENTS
SEPTEMBER 30, 2018**

NOTE B - STEWARDSHIP, COMPLIANCE, AND ACCOUNTABILITY

1. BUDGETARY INFORMATION

The City Manager has been authorized by the council to prepare the budget. He is assisted by the City's Finance Director 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, 2018.

Excess of Expenditures Over Appropriations

There was no change between the original budget and the final amended budget in the general fund. During the year ended September 30, 2018, expenditures exceeded appropriations as follows in the General Fund.

Department	General Fund Excess of Expenditures Over Appropriations
City commission and management	\$ 81,603
Municipal Court	11,165
Police	38,663
Fire	49,257
Public library	4,518
Capital outlay	4,520
Debt service	103,895
	<u>\$ 293,621</u>

**CITY OF SINTON, TEXAS
NOTES TO THE FINANCIAL STATEMENTS
SEPTEMBER 30, 2018**

NOTE B - STEWARDSHIP, COMPLIANCE, AND ACCOUNTABILITY

1. DEFICIT FUND EQUITY

At September 30, 2018, the Tax Note Series 2014 fund has a deficit fund balance of \$67,466. The City is and will continue monitoring its progress to ensure it maintains an acceptable or positive balance or complete elimination of this deficit. The City had no deficit fund balances as of September 30, 2018.

NOTE C – DEPOSITS AND INVESTMENTS

1. PRIMARY GOVERNMENT

Deposits

State statutes require that all deposits in financial institutions be fully collateralized by U.S. Government obligations or its agencies and instrumentalities or direct obligations of Texas or its agencies and instrumentalities that have a market value of not less than the principal amount of the deposits, excluding the amount covered by Federal Deposit Insurance Corporation insurance. The City's deposits were fully insured as required by State statutes at September 30, 2018.

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, 2018, the City's bank balance of \$7,223,764 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 \$10,110,541 and the FDIC coverage is \$250,000. The book amount of cash at September 30, 2018 is \$7,965,715.

**CITY OF SINTON, TEXAS
NOTES TO THE FINANCIAL STATEMENTS
SEPTEMBER 30, 2018**

NOTE C – DEPOSITS AND INVESTMENTS

1. PRIMARY GOVERNMENT

Policies Governing Deposits and Investments (Continued)

At September 30, 2018, the carrying amount of the City’s deposits with financial institutions was \$5,048,673 and the bank balance was \$5,005,339. Bank balances of the City were covered by federal deposit insurance or were secured by collateral held by the City’s agent in the City’s name pursuant to the City’s Investment Policy and its Depository Agreement.

Custodial Credit Risk- Deposits

Custodial credit risk is the risk that in the event of a bank failure, the City’s deposits may not be covered by depository insurance and the deposits are uncollateralized, collateralized with securities held by the pledging financial institution, or collateralized with securities held by the pledging financial institution’s trust department or agent, but not in the City’s name. The City’s cash deposits at September 30, 2018 and during the year ended September 30, 2018 were covered by federal deposit insurance or were secured by collateral held by the City’s agent in the City’s name pursuant to the City’s Investment Policy and its Depository Agreement.

2. COMPONENT UNITS

Deposits for EDC-4A and EDC-4B are held separately from those of the City's funds. At September 30, 2018, the reported amount of deposits for EDC-4A totaled \$833,116, and the bank balances totaled \$833,116. The reported deposits for EDC-4B totaled \$1,395,065 and the bank balances totaled \$1,395,309.

At September 30, 2018, DEDC-4A and DCD-4B deposits were each covered by federal deposit insurance or were secured by collateral held by the component unit’s agent in the component unit’s name.

Reconciliation

The meaning of “investments” in this note may differ from the meaning of the caption “investments” in the basic financial statements. A reconciliation of cash and cash equivalents as shown on the Statement of Net Position is as follows:

	<u>Primary Government</u>		<u>Total</u>
	<u>Governmental Activities</u>	<u>Business-type Activities</u>	
Cash on hand	\$ 4,325,547	\$ 1,649,984	\$ 5,975,531
Total Cash and cash equivalents	4,325,547	1,649,984	5,975,531
Cash and cash equivalents - restricted	901,494	1,578,082	2,479,576
Cash/cash equivalents Statement of Net Position	<u>\$ 5,227,041</u>	<u>\$ 3,228,066</u>	<u>\$ 8,455,107</u>

CITY OF SINTON, TEXAS
NOTES TO THE FINANCIAL STATEMENTS
SEPTEMBER 30, 2018

NOTE D – PROPERTY TAXES

The City's property tax is levied each October 1, on the assessed value listed as of the prior January 1 for all real and business personal property in the City in conformity with Subtitle E, Texas Property Code. Assessed values are an approximation of market values. A receivable for property taxes is recognized and recorded at the levy date. The adjusted assessed value for the roll as of October 1, 2017, upon which the 2018 levy was based, was \$177,122,367.

Taxes are due upon receipt of the tax bill and are delinquent if not paid before February 1 of the year following the year in which imposed. No discounts are offered. During the fiscal year, 91% of the current year tax levy (October 1, 2017) was collected. The statutory lien date is January 1.

Taxes are prorated between general and debt service funds based on rates adopted for the year of the levy.

The methods of property assessment and tax collection are determined by Texas statute. The statutes provide for a property tax code, county-wide appraisal districts and certain exemptions from taxation, such as intangible personal property, household goods and family-owned automobiles.

The appraisal of property within the City is the responsibility of the San Patricio County Appraisal District. The San Patricio County Appraisal District is required under the Property Tax Code to assess all property within the appraisal district on the basis of 100% of its appraised value.

The tax rate to finance general governmental purposes, other than the payment of principal and interest on tax supported general obligation long-term debt, for the year ended September 30, 2018, was \$.62021 per \$100 assessed valuation. The tax rate for debt service on the principal and interest requirements on general obligation long-term debt, for the year ended September 30, 2018, was \$.11729 per \$100 of assessed valuation. The combined tax rate for the City is \$.73750 per \$100 of assessed valuation. The City is permitted by Article XI, Section 5 of the State of Texas Constitution to levy up to \$2.50 per \$100 of assessed valuation for general governmental purposes, including the payment of principal and interest on general obligation long-term debt.

On the modified accrual basis, property taxes that are measurable and available (receivable within the current period and collected within the current period or within 60 days thereafter to be used to pay liabilities of the current period) are recognized as revenue in the year of the levy. Property taxes that are measurable, but not available, are recorded, net of estimated uncollectible amounts, as deferred inflows of resources in the year of levy. Such deferred inflows are recognized as revenue in the fiscal year in which they become available.

Funds of the business-activity and economic development corporations are held in respective accounts and City policy.

**CITY OF SINTON, TEXAS
NOTES TO THE FINANCIAL STATEMENTS
SEPTEMBER 30, 2018**

NOTE E – RECEIVABLES

1. PRIMARY GOVERNMENT

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	Business- type Activities	Total
<u>Receivables</u>			
Property Taxes	\$ 298,246	\$ -	\$ 298,246
Accounts receivable	2,411,688	344,603	2,756,291
Account-San Patricio County	13,931	-	13,931
Other	4,750	150	4,900
Gross Receivables	2,728,615	344,753	3,073,368
Less: Allowance for Uncollectable	(2,220,755)	(31,885)	(2,252,640)
Net Total Receivables	\$ 507,860	\$ 312,868	\$ 820,728

NOTE F – UNEARNED REVENUE

Governmental funds report unearned revenue in connection with receivables for revenues that are not considered to be available to liquidate liabilities of the current period. Governmental funds defer revenue recognition in connection with resources that have been received, but not yet earned. At the end of the current fiscal year, the City reported \$588,479 in unearned revenue for the governmental activities, and \$828,190 in the business-type activities.

NOTE G - DEFERRED OUTFLOWS AND INFLOWS OF RESOURCES

The statement of net position reports deferred outflows in connection to the consumption of net position that applies to a future period. As of September 30, 2018, the various components of deferred outflows of resources are as follows:

	Governmental Activities	Business-type Activities
Deferred Resources		
Deferred outflows related to City's pension	\$ 196,862	\$ 52,331
Deferred outflows related to firemen's pension	297	-
Total deferred outflows of resources	\$ 197,159	\$ 52,331

**CITY OF SINTON, TEXAS
NOTES TO THE FINANCIAL STATEMENTS
SEPTEMBER 30, 2018**

NOTE G – DEFERRED OUTFLOWS AND INFLOWS OF RESOURCES

At the fund level financial statements, the City has the following deferred inflows of resources:

Deferred Resources	Governmental Activities
Deferred inflows related to City's pension	\$ 242,180
Deferred inflows related to firemen's pension	4,306
Total deferred inflows of resources	\$ 246,486

NOTE H – INTERFUND ASSETS/LIABILITIES

Interfund receivable and payable balances at September 30, 2018 were as follows.

	Due from Other Funds	Due to Other Funds
<u>Special Revenue</u>		
Enterprise Fund	\$ 5,912	\$ -
Total Special Revenue	5,912	-
 <u>Debt Service Fund</u>		
General Fund	448,883	448,883
Enterprise Fund	230,031	-
Total Debt Service Fund	678,914	448,883
 <u>Enterprise Fund</u>		
2014 Street Improvement	-	5,912
Debt Service Fund	-	230,031
Total Enterprise Fund	-	235,943
Total	\$ 684,826	\$ 684,826

The balances generally result from a routine lag between the dates that transactions are recorded in the accounting system and payments between the funds are made. All amounts are scheduled to be repaid within one year.

Certain interfund loans were not expected to be repaid within the next year. These loans are reported as long-term advances. The following advances were made to sustain operations of the City International Bridge Fund, which did not generate revenues to meet operating and debt obligations.

**CITY OF SINTON, TEXAS
NOTES TO THE FINANCIAL STATEMENTS
SEPTEMBER 30, 2018**

NOTE I – TRANSFERS

Inter-fund transfers during the year were as follows.

ACCOUNT	AMOUNT
General fund	
Transfer from Water/Sewer Fund	\$ 270,000
Water/Sewer Fund	
Transfer to General Fund	(270,000)
	\$ -

Transfers were used primarily to 1) move funds from the General Fund to the Water and Sewer Fund, or 2) to move funds from Water and Sewer to the General Fund. All of the transfers were recurring.

NOTE J – CAPITAL ASSETS

1. PRIMARY GOVERNMENT

Capital asset activity for the year ended September 30, 2018 was as follows:

Governmental Activities:	Beginning			Ending
Capital assets not being depreciated:	Balances	Increases	Decreases	Balances
Land	\$ 62,250	\$ -	\$ -	\$ 62,250
Total capital assets not being depreciated	62,250	-	-	62,250
Capital assets being depreciated:				
Building and improvements	5,634,366	-	-	5,634,366
Machinery, Equipment and Vehicles	2,604,538	223,644	-	2,828,182
Infrastructure	3,688,635	-	-	3,688,635
Intangible Assets	47,674	-	-	47,674
Total capital assets being depreciated:	11,975,213	223,644	-	12,198,857
Less: Accumulated Depreciation for:				
Building and Improvements	1,779,367	133,037	-	1,912,404
Machinery, Equipment and Vehicles	2,442,454	182,599	-	2,625,053
Infrastructure	728,628	68,482	-	797,110
Intangible Assets	29,994	5,760	-	35,754
Total Accumulated Depreciation	4,980,443	389,878	-	5,370,321
Total Capital Assets Depreciated, Net	6,994,770	(166,234)	-	6,828,536
Governmental Activities capital assets, Net	\$ 7,057,020	\$ (166,234)	\$ -	\$ 6,890,786

**CITY OF SINTON, TEXAS
NOTES TO THE FINANCIAL STATEMENTS
SEPTEMBER 30, 2018**

NOTE J – CAPITAL ASSETS

1. PRIMARY GOVERNMENT (CONTINUED)

Depreciation was charged to Government functions as follows:

Governmental Activities		
General Administration	\$	137,370
Public Safety		151,222
Public Transportation		80,331
Health and welfare		4,365
Culture and Recreation		16,590
Total Depreciation Expense - Governmental Activities	\$	<u>389,878</u>
Business - Type Activities		
Water and Sewer	\$	<u>212,739</u>
Total Depreciation Expense - Business - Type Activities	\$	<u>212,739</u>

Business-Type Activities:	Beginning			Ending
Capital assets not being depreciated:	Balances	Increases	Decreases	Balances
Land	\$ 4,000	\$ -	\$ -	\$ 4,000
Construction in Progress	1,380,700	-	-	1,380,700
Total capital assets not being depreciated:	<u>1,384,700</u>	<u>-</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	1,207,576	77,282	-	1,284,858
Intangible Assets	13,350	-	-	13,350
Total capital assets being depreciated	<u>10,769,294</u>	<u>77,282</u>	<u>-</u>	<u>10,846,576</u>
Less: Accumulated Depreciation for:				
Building and Improvements	5,554,528	152,798	-	5,707,326
Machinery, Equipment and Vehicles	1,093,335	58,509	-	1,151,844
Intangible Assets	7,622	1,432	-	9,054
Total Accumulated Depreciation	<u>6,655,485</u>	<u>212,739</u>	<u>-</u>	<u>6,868,224</u>
Total Capital Assets Depreciated, Net	<u>4,113,809</u>	<u>(135,457)</u>	<u>-</u>	<u>3,978,352</u>
Business-Type Activities Capital Assets, Net	<u>\$ 5,498,509</u>	<u>\$ (135,457)</u>	<u>\$ -</u>	<u>\$ 5,363,052</u>

CITY OF SINTON, TEXAS
NOTES TO THE FINANCIAL STATEMENTS
SEPTEMBER 30, 2018

NOTE K – LONG TERM DEBT

1. PRIMARY GOVERNMENT

Operating leases

The City leases equipment under non-cancelable operating leases. Total costs for such leases were \$6,652 for the year ended September 30, 2018. The future minimum lease payments for these leases are as follows:

Year Ending September 30, 2018	<u>Amount</u>
	\$ 3,492
Total	<u>\$ 3,492</u>

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

The 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, 2018 is \$4,297.

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 Certificates of Obligation bonds issued for business-type activities are secured solely by specified revenue sources.

Certificates of Obligation bonds currently outstanding are as follows:

<u>Certificates of Obligation Bonds</u>	<u>Rates</u>	<u>Amounts</u>
Governmental activities, Series 2014	2.0 - 4.0%	\$ 1,136,836
Governmental activities, Series 2007	4.27%	830,000
Business-type activities, Series 2014	2.0 - 4.0%	1,418,164

CITY OF SINTON, TEXAS
NOTES TO THE FINANCIAL STATEMENTS
SEPTEMBER 30, 2018

NOTE K – LONG TERM DEBT

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
2019	\$ 131,250	\$ 74,036	\$ 68,750	\$ 49,129
2020	136,250	69,040	68,750	47,066
2021	143,500	63,796	71,500	44,962
2022	150,750	58,271	74,250	42,776
2023	153,000	52,572	77,000	40,508
2024-2028	754,250	170,441	420,750	164,217
2029-2033	407,000	58,091	521,664	71,005
2034	90,836	1,890	115,500	2,310
TOTALS	\$ 1,966,836	\$ 548,137	\$ 1,418,164	\$ 461,973

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

September 30,	Business-Type Activities
	Principal & Interest
2018	\$ 4,297
TOTALS	\$ 4,297

The changes in long-term liabilities are presented in the table below.

	Beginning Balance	Additions	Reductions	Ending Balance	Due Within One Year	Due After One Year
Governmental Activities:						
Bonds Payable	\$ 1,190,836	\$ -	\$ 54,000	\$ 1,136,836	\$ 56,250	\$ 1,080,586
Certificate of Obligations Series 2007 (EDC 4A)	905,000	-	75,000	830,000	75,000	755,000
Bonds Premium	26,274	-	1,546	24,728	1,546	23,182
Net Pension Liability OPEB	-	111,029	1,039	109,990	-	109,990
Net Pension Liability	1,454,338	52,347	299,145	1,207,540	-	1,207,540
Total	3,576,448	163,376	430,730	3,309,094	132,796	3,176,298
Compensated Absences Payable	80,383	4,855	2,185	83,053	33,717	49,336
	3,656,831	168,231	432,915	3,392,147	166,513	3,225,634
Business-Type Activities:						
Bonds Payable	1,484,164	-	66,000	1,418,164	68,750	1,349,414
Bond Premium	31,743	-	1,867	29,876	1,867	28,009
Net Pension Liability OPEB	-	23,028	276	22,752	-	22,752
Net Pension Liability	386,596	57,929	194,739	249,786	-	249,786
TCEQ Note Payable	4,297	-	4,297	-	-	-
Total	1,906,800	80,957	267,179	1,720,578	70,617	1,649,961
Compensated Absences Payable	14,703	1,864	-	16,567	6,325	10,242
Total	1,921,503	82,821	267,179	1,737,145	76,942	1,660,203
Grand Total	\$ 5,578,334	\$ 251,052	\$ 700,094	\$ 5,129,292	\$ 243,455	\$ 4,885,837

**CITY OF SINTON, TEXAS
NOTES TO THE FINANCIAL STATEMENTS
SEPTEMBER 30, 2018**

NOTE K – LONG TERM DEBT

Compensated absences

The general fund and the utility fund are used to service the compensated absences. The estimated amount due as of September 30, 2018 is \$83,053, of which \$33,717 is estimated to be due within a year. The government-wide statement of activities balances at year end is estimated to be \$16,567, of which \$6,325 is estimated to be due within a year.

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

2. BUSINESS-TYPE ACTIVITIES

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 \$0.

NOTE L – TEXAS MUNICIPAL RETIREMENT SYSTEM BENEFIT PLAN

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.

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

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

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

**CITY OF SINTON, TEXAS
NOTES TO THE FINANCIAL STATEMENTS
SEPTEMBER 30, 2018**

NOTE M – TEXAS MUNICIPAL RETIREMENT SYSTEM BENEFIT PLAN

DEFINED BENEFIT PENSION POLICIES

Plan Descriptions. The City participates as one of 872 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 agency 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 Sections 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.

The City grants monetary credits for service rendered of a theoretical amount equal to two times what would have been contributed by the employee, with interest. Monetary credits, also known as the matching ratio, are 200% of the employee's accumulated contributions and are only payable in the form of an annuity.

Beginning in 2010, the City granted an annually repeating (automatic) basis monetary credit referred to as an updated service credit (USC) which is a theoretical amount that takes into account salary increases or plan improvements. If at any time during their career an employee earns a USC, this amount remains in their account earning interest at 5% until retirement. At retirement, the benefit is calculated as if the sum of the employee's accumulated contributions with interest and the employer match plus employer-financed monetary credits, such as USC, with interest were used to purchase an annuity. Additionally, initiated in 2010, the City provided on an annually repeating (automatic) basis cost of living adjustments (COLA) for retirees equal to a percentage of the change in the consumer price index (CPI).

A summary of plan provisions for the City are as follows:

Employee deposit rate	7%
Matching ratio (City to employee)	2 to 1
Years requiring for vesting	5
Service retirement eligibility	25 years to any age, 5 years at age 60 and above
Updated service credit	100% Repeating
Cost of living adjustments (COLA) for retirees	70% consumer price indices (CPI)

**CITY OF SINTON, TEXAS
NOTES TO THE FINANCIAL STATEMENTS
SEPTEMBER 30, 2018**

NOTE M – TEXAS MUNICIPAL RETIREMENT SYSTEM BENEFIT PLAN

DEFINED BENEFIT PENSION POLICIES (CONTINUED)

Employees covered by benefit terms

At the December 31, 2017 valuation and measurement date, the following employees were covered by the benefit terms:

Inactive employees or beneficiaries currently receiving benefits	22
Inactive employees entitled to but not yet receiving benefits	47
Active employees	<u>56</u>
Total	<u>125</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 with 100%, 150%, or 200%, both as adopted by the governing body of the city. Under the state law governing TMRS, the contributions 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 any unfunded accrued liability.

Employees for the City were required to contribute 7% of their annual gross earnings during the fiscal year [if the City changed its employee deposit rate, it should be noted here]. The contribution rates for the City were 12.40% and 12.63% in calendar years 2016 and 2017, respectively. The City's contributions to TMRS for the year ended September 30, 2017, were \$283,366 and were equal to the required contributions.

Net Pension Liability. The City's Net Pension Liability (NPL) was measured as of December 31, 2017, 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, 2017 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 Tables with Blue Collar Adjustment, with male rates multiplied by 109% and female rates multiplied by 103%. Based on the size of the city, rates are multiplied by an additional factor of 100%. 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 Combined Healthy Mortality Tables with Blue Collar Adjustment 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 THE FINANCIAL STATEMENTS
SEPTEMBER 30, 2018**

NOTE M – TEXAS MUNICIPAL RETIREMENT SYSTEM BENEFIT PLAN

Actuarial assumptions used in the December 31, 2017, 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 the 2009 through 2011, and the 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. 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 expenses 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).

The target allocation and best estimates of arithmetic real rates return for each major assets class in fiscal year 2018 are summarized in the following table:

<u>Asset Class</u>	<u>Target Allocation</u>	<u>Long-Term Real Rate of Return (Arithmetic)</u>
Domestic Equity	17.5%	4.55%
International Equity	17.5%	6.35%
Core Fixed Income	10.0%	1.00%
Non-Core Fixed Income	20.0%	4.15%
Real Return	10.0%	4.15%
Real Estate	10.0%	4.75%
Absolute Return	10.0%	4.00%
Private Equity	5.0%	7.75%
	<u>100.0%</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. 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.

**CITY OF SINTON, TEXAS
NOTES TO THE FINANCIAL STATEMENTS
SEPTEMBER 30, 2018**

NOTE M – TEXAS MUNICIPAL RETIREMENT SYSTEM BENEFIT PLAN

Changes in the Net Position—TMRS

	Increase (Decrease)		
	Total Pension Liability	Plan Fiduciary Net Pension	Net Pension Liability
	(a)	(b)	(a)-(b)
Balance at December 31, 2016	\$ 8,560,125	\$ 6,719,191	\$ 1,840,934
Changes for the year:			
Service cost	336,274	-	336,274
Interest	575,209	-	575,209
Change in current benefits			
Difference between expected/actual experience	61,618	-	61,618
Changes of assumptions	-	-	-
Contributions - employer	-	276,867	(276,867)
Contributions - employee	-	153,450	(153,450)
Net investment income	-	931,463	(931,463)
Benefit payments, including refunds of employee contributions	(413,288)	(413,288)	-
Administrative expenses	-	(4,826)	4,826
Other charges	-	(245)	245
Net changes	<u>559,813</u>	<u>943,421</u>	<u>(383,608)</u>
Balance at December 31, 2017	<u>\$ 9,119,938</u>	<u>\$ 7,662,612</u>	<u>\$ 1,457,326</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 (6.75%)	1% Increase in
	Discount Rate (5.75%)		Discount Rate (7.75%)
City's net pension liability	<u>\$ 2,861,176</u>	<u>\$ 1,457,326</u>	<u>\$ 325,937</u>

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.tmrs.com.

**CITY OF SINTON, TEXAS
NOTES TO THE FINANCIAL STATEMENTS
SEPTEMBER 30, 2018**

NOTE L – TEXAS MUNICIPAL RETIREMENT SYSTEM BENEFIT PLAN

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

For the year ended September 30, 2018, the City recognized pension expense of \$301,112. At September 30, 2018, the City reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	<u>Deferred Outflows of Resources</u>	<u>Deferred Inflows of Resources</u>
Differences between expected and actual economic experience	\$ 45,021	\$ 104,414
Changes in actuarial assumptions	10,481	-
Difference between projected and actual investment earnings	-	202,143
Contributions subsequent to the measurement date	193,691	-
Total	<u><u>\$ 249,193</u></u>	<u><u>\$ 306,557</u></u>

\$193,691 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, 2018. Other amounts reported as deferred outflows and inflows of resources related to pensions will be recognized in pension expense as outflows:

Year ended September 30,	
2019	\$ (9,557)
2020	(63,692)
2021	(74,606)
2022	(103,199)
Total	<u><u>\$ (251,054)</u></u>

OTHER POST EMPLOYMENT BENEFITS

Plan Description

The City also participates in the cost sharing multiple-employer benefit group-term life insurance plan operated by the Texas Municipal Retirement System (TMRS) known as the Supplemental Death Benefits Fund (SDBF). The City elected, by ordinance, to provide group-term life insurance coverage to both current and retired employees. The City may terminate coverage under and discontinue participation in the SDBF by adopting an ordinance before November 1 of any year to be effective the following January 1.

**CITY OF SINTON, TEXAS
NOTES TO THE FINANCIAL STATEMENTS
SEPTEMBER 30, 2018**

NOTE L – TEXAS MUNICIPAL RETIREMENT SYSTEM BENEFIT PLAN

Benefits

The death benefit for active employees provides a lump-sum payment approximately equal to the employee’s annual salary (calculated based on the employee’s actual earnings, for the 12-month period preceding the month of death); retired employees are insured for \$7,500; this coverage is an “other postemployment benefit,” or OPEB plan.

Contributions

The City contributes to the SDBF at a contractually required rate as determined by an annual actuarial valuation. The rate is equal to the cost of providing one-year term life insurance. The funding policy for the SDBF program is to assure that adequate resources are available to meet all death benefit payments for the upcoming year; the intent is not to pre-fund retiree term life insurance during employees’ entire careers.

As December 31, 2017, the following employees were covered by the benefits terms:

Inactive employees currently receiving benefits	16
Inactive employees entitled to but not yet receiving benefits	7
Active employees	54
Total	77

Accounting Policy

GASB 75 requires employers to recognize the total OPEB liability and the OPEB expense on their financial statements. The OPEB expense recognized each fiscal year is equal to the change in the total OPEB liability from the beginning of the year to the end of the year, adjusted for deferred recognition of certain changes in the liability. An irrevocable trust has not been established that meets the criteria in paragraph 4 of GASB Statements No.75. Therefore, the Plan is not accounted for as a trust fund. The plan does not issue a separate financial Report.

Funding Policy

The benefits levels and contribution rate are approved annually by the city management and the City Council as part of the budget process. By the City not contributing anything toward this plan in advance, the city employs a pay-as-you-go method through ensuring the annual retiree contribution are equal to the benefits that are paid on behalf of the retirees. OPEB expenses as actuarially determined for the city was \$12,636.

**CITY OF SINTON, TEXAS
NOTES TO THE FINANCIAL STATEMENTS
SEPTEMBER 30, 2018**

NOTE M – TEXAS MUNICIPAL RETIREMENT SYSTEM BENEFIT PLAN

Actuarial Methods and Assumptions

<i>General inflation</i>	Assumed to be 2.50% per year
<i>Discount Rate</i>	3.31%
<i>Individual Salary Increase</i>	3.50% to 10.50%, including inflation
<i>Demographic Assumption</i>	Based on the experience study covering the four-year period ending December 31, 2014 as conducted for the Texas Municipal Retirement System (TMRS)
<i>Retirees' share of benefit-related costs</i>	\$0
<i>Administrative expenses</i>	All administrative expenses are paid through the Pension Trust and accounted for under reporting requirements under GASB Statement No. 68.
<i>Mortality rates – service retirees</i>	Statement No. 68.
<i>Mortality rates – disabled retirees</i>	RP2000 Combined Mortality Table with Blue Collar adjustment with male rates multiplied by 109% and female rates multiplied by 103% with a 3 year set-forward for both males and females. The rates are projected on a fully generational basis with scale BB to account for future mortality improvements subject to the 3% floor.

These assumptions are estimates of the future experience with respect to rates of mortality, disability, turnover, retirement, rate or rates of investments income and compensations increase. The actuarial valuation report determines, as of the actuarial valuations date, the service cost, total OPEB liability, and related actuarial present value of projected benefits.

**CITY OF SINTON, TEXAS
NOTES TO THE FINANCIAL STATEMENTS
SEPTEMBER 30, 2018**

NOTE M – TEXAS MUNICIPAL RETIREMENT SYSTEM BENEFIT PLAN

Total OPEB Liability

The total OPEB Liability of \$132,742 (City) was measured as of December 31, 2017. And was determined by an actuarial valuation as of the date.

The total OPEB liability and related information are as follows for the city at December 31, 2017.

As of Measurement Date of December 31, 2017

<i>Actuarial Valuation and Measurements Date, December 31,</i>	Total OPEB Liability
Total OPEB Liability – beginning of year 2016	\$ 113,787
Changes for The year	
Service Cost	6,576
Interest on Total OPEB Liability	4,401
Changes of benefit terms	-
Differences between expected and actual experience	-
Changes in assumptions or other inputs	9,293
Benefit payments **	<u>(1,315)</u>
Net changes	<u>18,955</u>
Total OPEB Liability – end of year 2017	<u><u>\$ 132,742</u></u>

OPEB Expense and Deferred Outflows of Resources Related to OPEBs:

For the year ended September 20, 2018, the city recognized OPEB expenses of \$ 12,636.

OPEB Expense:

Service cost	\$ 6,576
Interest on total OPEB liability	4,401
Changes in benefit terms	-
Employer administrative costs	-
Recognition of deferred outflows/inflows of resources:	
Differences between expected and actual experience	-
Changes in assumptions or other inputs	<u>1,659</u>
Total OPEB expense	<u><u>\$ 12,636</u></u>

**CITY OF SINTON, TEXAS
NOTES TO THE FINANCIAL STATEMENTS
SEPTEMBER 30, 2018**

NOTE L – TEXAS MUNICIPAL RETIREMENT SYSTEM BENEFIT PLAN

At September 30, 2018, the city reported deferred outflows of resources related to pensions from the following sources:

Deferred (Inflows)/Outflows of Resources:	Deferred Outflows of Resources
Differences between expected and actual experience	\$ -
Changes in assumptions and other inputs	7,634
Contributions made subsequent to measurement date	1,252
Total (excluding contributions made subsequent to measurement date)	\$ 8,886

The city shall include contributions made subsequent to the measurement date through the City's fiscal year end as deferred outflows resources.

Other amounts to reported as deferred outflow related to OPEB will be recognized in OPEB expense as follow:

Net deferred outflows of Resources		
2018	\$	1,659
2019		1,659
2020		1,659
2021		1,659
2022		998
Total	\$	7,634

Sensitive of the Total OPEB Liability to changes in the Discount Rate

The following presents the total OPEB liability of the City, calculated using the discount rate of (3.31%) as well as what the city's total OPEB liability would be if it were calculated using a discount rate that is 1-percentage-point lower (2.31%) or 1-percentage-point higher (4.31%) than the current discount rate:

	1% Decrease (2.31%)	Current Discount Rate (3.31%)	1% Increase (4.31%)
Total OPEB Liability	\$ 156,440	\$ 132,742	\$ 114,200

**CITY OF SINTON, TEXAS
NOTES TO THE FINANCIAL STATEMENTS
SEPTEMBER 30, 2018**

NOTE N – FIREMEN’S PENSION PLAN

The Texas Emergency Services Retirement System (TESRS) administers a cost-sharing multiple employer pension system (the System) established and administered by the State of Texas to provide pension benefits for emergency services personnel who serve without significant monetary remuneration. At August 31, 2018, there were 235 fire and/or emergency services member departments participating in TESRS. Eligible participants include volunteer emergency services personnel who are members in good standing of a member department.

TESRS issues a publicly available comprehensive annual financial report that includes financial statements and required supplementary information (RSI) for TESRS; the report also provides detailed explanations of the contributions, benefits and actuarial methods and assumptions used by the System. This report may be obtained from TESRS’ website at www.tesrs.org.

Benefits Provided

Senate Bill 411, 65th Legislature, Regular Session (1977), created TESRS and established the applicable benefit provisions. The 79th Legislature, Regular Session (2005), re-codified the provisions and gave the TESRS Board of Trustees authority to establish vesting requirements, contribution levels, benefit formulas, and eligibility requirements by board rule. The benefit provisions include retirement benefits as well as death and disability benefits. Members are 50% vested after the tenth year of service, with the vesting percent increasing 10% for each of the next five years of service so that a member becomes 100% vested with 15 years of service.

Upon reaching age 55, each vested member may retire and receive a monthly pension equal to his vested percent multiplied by six times the governing body’s average monthly contribution over the member’s years of qualified service. For years of service in excess of 15 years, this monthly benefit is increased at the rate of 6.2% compounded annually. There is no provision for automatic postretirement benefit increases.

On and off-duty death benefits and on-duty disability benefits are dependent on whether or not the member was engaged in the performance of duties at the time of death or disability. Death benefits include a lump sum amount or continuing monthly payments to a member’s surviving spouse and dependent children.

Employees covered by benefit terms

As of most recent measurement date, pension plan membership is as follows:

Inactive employees or beneficiaries currently receiving benefits	11
Inactive employees entitled to but not yet receiving benefits	8
Active employees	14
	33

Contributions

Contributions are made by governing bodies for the participating departments. No contributions are required from the individuals who are members of the System, nor are they allowed. The governing bodies of each participating department are required to make contributions for each month a member performs emergency services for a department (this minimum contribution is \$36 per member and the department may make a higher monthly contribution for its members). This is referred to as a Part One contribution, which is the legacy portion of the System contribution that directly impacts future retiree annuities.

**CITY OF SINTON, TEXAS
NOTES TO THE FINANCIAL STATEMENTS
SEPTEMBER 30, 2018**

NOTE N – FIREMEN’S PENSION PLAN

Contributions (Continued)

The state is required to contribute an amount necessary to make the System “actuarially sound” each year, which may not exceed one-third of the total of all contributions made by participating governing bodies in a particular year.

The board rule defining contributions was amended effective July 27, 2014 to add the potential for actuarially determined Part Two contributions that would be required only if the expected future annual contributions from the state are not enough with the Part One contributions to provide an adequate contribution arrangement as determined by the most recent actuarial valuation. This Part Two portion, which is actuarially determined as a percent of the Part One portion (not to exceed 15%), is to be actuarially adjusted every two years based on the most recent actuarial valuation. Based on the actuarial valuation as of August 31, 2016, the Part Two contributions were established by the board to be 2% of the Part One contributions beginning September 1, 2017.

Contributions Required and Contributions Made

Additional contributions may be made by governing bodies within two years of joining the System, to grant up to ten years of credit for service per member. Prior service purchased must have occurred before the department began participation in the System.

The contribution requirement per active emergency services personnel member per month is not actuarially determined. Rather, the minimum contribution provisions are set by board rule, and there is no maximum contribution rate. For the fiscal year ending August 31, 2018, total contributions of \$5,012,131 were paid into TESRS by the political subdivisions served by the member volunteer emergency services personnel.

Actuarial Assumptions

The total pension liability was determined by an actuarial valuation for the 2018 measurement period using the following actuarial assumptions, applied to all periods included in the measurement:

Inflation	3%
Salary increases	N/A
Investment rate of return	7.75%, net of pension plan investment expense, including inflation

Mortality rates were based on the RP-2000 Combined Healthy Lives Mortality Tables for males and for females projected to 2024 by scale AA.

The long-term expected rate of return on pension plan investments was determined using a building-block method in which expected future net real rates of return (expected returns, net of pension plan investment expense and inflation) are developed for each major asset class. These components 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 (currently 4.97%) and by adding expected inflation (3.00%). In addition, the final 7.75% assumption was selected by “rounding down” and thereby reflects a reduction of 0.22% for adverse deviation. The target allocation and expected arithmetic real rates of return for each major asset class are summarized in the following table:

**CITY OF SINTON, TEXAS
NOTES TO THE FINANCIAL STATEMENTS
SEPTEMBER 30, 2018**

NOTE M – FIREMEN’S PENSION PLAN

Actuarial Assumptions (Continued)

Asset Class and Target Allocation and Long Term Expected Real Rate of Return

Asset Class	Target Allocation	Long-Term Expected Real Rate of Return
Equities		
Large cap domestic	32%	5.72%
Small cap domestic	10%	5.96%
Developed international	21%	6.21%
Emerging markets	6%	7.18%
Master limited partnership	5%	7.61%
Fixed income		
Domestic	21%	1.61%
International	5%	1.81%
Cash	0%	0.00%
Total	100%	

Discount Rate

The discount rate used to measure the total pension liability was 7.75%. No projection of cash flows was used to determine the discount rate because the August 31, 2016 actuarial valuation showed that expected contributions would pay the normal cost and amortize the unfunded actuarial accrued liability (UAAL) in 30 years using the conservative level dollar amortization method. Because of the 30-year amortization period with the conservative amortization method, the pension plan’s fiduciary net position is expected to be available to make all projected future benefit payments of current active and inactive members. Therefore, the long-term expected rate of return on pension plan investments was applied to all periods of projected benefit payments to determine the total pension liability.

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

The following presents the net pension liability for the Firemen’s Relief pension, calculated using the discount rate of 7.75%, 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 or 1-percentage-point higher than the current rate:

	1% Decrease in Discount Rate (6.75%)	Current Discount Rate (7.75%)	1% Decrease in Discount Rate (8.75%)
Firemen's Net Pension Liability	\$ 147,149	\$ 74,045	\$ 24,738

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

At September 30, 2018, the City reported a liability of \$57,123 for its proportionate share of the TESRS’ net pension liability.

**CITY OF SINTON, TEXAS
NOTES TO THE FINANCIAL STATEMENTS
SEPTEMBER 30, 2018**

NOTE N – FIREMEN’S PENSION PLAN

Sensitivity of the Net Pension Liability to Changes in the Discount Rate (Continued)

The net pension liability was measured as of August 31, 2018 and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of that date. The employer’s proportion of the net pension liability was based on the employer’s contributions to the pension plan relative to the contributions of all employers to the plan for the period September 1, 2017 through August 31, 2018.

Changes in Net Pension Liability

Changes in the City’s net pension liability for the Firemen’s Relief pension for the fiscal year ended September 30, 2018 are as follows:

	Increase (Decrease)		
	(a) Total Pension Liability	(b) Plan Fiduciary Net Position	(a) – (b) Net Pension Liability (Asset)
Balance at September 30, 2017	\$ 173,022	\$ 140,860	\$ 32,162
Changes for the year Service			
Service cost	5,450	-	5,450
Interest	33,872	-	33,872
Changes of benefit terms	9,663	-	9,663
Differences between expected and actual experience	(309)	-	(309)
Contributions – City	-	14,018	(14,018)
Contributions – State	-	4,546	(4,546)
Net investment income	-	38,693	(38,693)
Benefit payments, including refunds of employee contributions	(19,972)	(19,972)	-
Administrative expenses	-	(541)	541
Net changes	<u>28,704</u>	<u>36,744</u>	<u>(8,040)</u>
Balance at September 30, 2018	<u>\$ 201,726</u>	<u>\$ 177,604</u>	<u>\$ 24,122</u>

CITY OF SINTON, TEXAS
NOTES TO THE FINANCIAL STATEMENTS
SEPTEMBER 30, 2018

NOTE M – FIREMEN’S PENSION PLAN

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

For the fiscal year ended September 30, 2018 the city recognized pension expense of \$72,503 for the Firemen’s Relief pension plan. Pension expense components are as follows:

<u>Pension Expense Components</u>	<u>Fiscal Year Ended 9/30/2018</u>
Services cost	\$ 54,450
Interest on TPL	33,872
Differences between expected and actual experience	-
Changes in assumptions	922
Changes in benefit terms	-
Employee contributions	-
Projected earnings on pension plan investments	(27,601)
Differences between projected and actual earnings on plan investments	656
Pension plan administrative expenses	541
Changes in benefit provisions	9,663
Total pension expense	<u>\$ 72,503</u>

At September 30, 2018, the city reported deferred outflows of resources related to Firemen’s Relief pension:

	<u>Deferred Outflows of Resources</u>	<u>Deferred Inflows of Resources</u>
Differences between expected and actual experience	\$ 20	\$ 213
Changes in assumptions	277	4,092
Net difference between projected and actual investment earnings	-	-
City contribution subsequent to measurement date	-	-
Total	<u>\$ 297</u>	<u>\$ 4,306</u>

**CITY OF SINTON, TEXAS
NOTES TO THE FINANCIAL STATEMENTS
SEPTEMBER 30, 2018**

NOTE N – FIREMEN’S PENSION PLAN

Pension Expense and Deferred Outflows of Resources and Deferred Inflows of Resources Related to Pensions (Continued):

The deferred outflows and (inflows) of resources related to pensions will be amortized and recognized in pension expenses as follows:

Year ended September 30,	<u>Firemen's Relief and Retirement Plan</u>
2019	\$ 4,771
2020	(2,655)
2021	(3,907)
2022	(2,218)
	<u>\$ (4,009)</u>

NOTE O – OTHER INFORMATION AND EMPLOYEE BENEFITS

1. PRIMARY GOVERNMENT

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 9/30/2017	Year Ended 9/30/2018
Unpaid claims, beginning of fiscal year	\$ -	\$ -
Incurred claims (including IBNRs)	-	-
Claim payments	-	-
Unpaid claims, end of fiscal year	<u>\$ -</u>	<u>\$ -</u>

General Liability Insurance

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

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

CITY OF SINTON, TEXAS
NOTES TO THE FINANCIAL STATEMENTS
SEPTEMBER 30, 2018

NOTE N – OTHER INFORMATION AND EMPLOYEE BENEFITS

General Liability Insurance (Continued)

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.

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.

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.

The City 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.

NOTE O – CONTINGENCIES AND OTHER INFORMATION

Contingent liabilities

Amounts received or receivable from grant agencies are subject to audit and adjustment by grantor agencies, principally the federal government. Any disallowed claims, including amounts already collected, may constitute a liability of the applicable funds. The City was not a defendant in any lawsuit at September 30, 2018.

**CITY OF SINTON, TEXAS
NOTES TO THE FINANCIAL STATEMENTS
SEPTEMBER 30, 2018**

NOTE O – CONTINGENCIES AND OTHER INFORMATION

Litigation

Management has represented that there is no litigation pending against the City of Sinton.

Subsequent Events

Management of the City has evaluated subsequent events for disclosure through the date of the Independent Auditor's Report, the date the financial statements were available to be issued.

Related party transactions

The City did not have related party transactions.

Construction and other commitments

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

Prior Period Adjustments

The City has determined that certain prior year transaction were not correctly recorded to the general ledger at the end of the year. The City had a prior period adjustment for the business-type activities funds. The prior period adjustments were necessary for the restatements of net position at the end of the year.

	Net Position Per General Ledger	Net Change In Fund Balance	Net Prior Period Adjustment	Net Position End of the Year
<u>Governmental Funds</u>				
Fund Balance	\$ 4,957,536	\$ (6,872)	\$ 65,342	\$ 5,016,006
Total Governmental Funds	<u>\$ 4,957,536</u>	<u>\$ (6,872)</u>	<u>\$ 65,342</u>	<u>\$ 5,016,006</u>
<u>Business- Type Activities</u>				
Net Position	\$ 5,698,282	\$ (2,227)	\$ (158,098)	\$ 5,537,957
Total Business- Type Activities	<u>\$ 5,698,282</u>	<u>\$ (2,227)</u>	<u>\$ (158,098)</u>	<u>\$ 5,537,957</u>

NOTE P – PRIOR PERIOD ADJUSTMENT

During fiscal year 2018, the City adopted GASB statement No.75 for Accounting and financial Reporting for Postemployment Benefits Other Than Pensions. With GASB 75, the City must assume their proportionate share of the Net OPEB liability of Texas Municipal Retirement System. Adoption of GASB 75 required a prior period adjustment to report the effect of GASB 75 retroactively. The prior adjustment totaled \$(112,830).

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REQUIRED SUPPLEMENTARY INFORMATION

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CITY OF SINTON, TEXAS
SCHEDULE OF REVENUES, EXPENDITURES AND
CHANGES IN FUND BALANCE - BUDGET AND ACTUAL
GENERAL FUND
FOR THE FISCAL YEAR ENDED SEPTEMBER 30, 2018

	2018			Variance From Final Positive (Negative)
	Original Budget	Final Budget	Actual	
REVENUES				
Property taxes	\$ 1,345,323	\$ 1,345,323	\$ 1,333,827	\$ (11,496)
Sales and franchise taxes	901,157	960,312	1,000,649	40,337
Fees and charges for services	950,761	955,361	752,355	(203,006)
Fines and forfeitures	79,117	79,117	85,573	6,456
Licenses and permits	13,000	18,550	18,198	(352)
Intergovernmental	72,000	72,000	72,000	-
Investment earnings	550	550	876	326
Miscellaneous income	522,981	522,981	685,487	162,506
Total revenue	<u>3,884,889</u>	<u>3,954,194</u>	<u>3,948,965</u>	<u>(5,229)</u>
EXPENDITURES				
General government:				
City commission and management	841,182	841,182	922,785	(81,603)
Municipal Court	73,268	73,268	84,433	(11,165)
Total general government	<u>914,450</u>	<u>914,450</u>	<u>1,007,218</u>	<u>(92,768)</u>
Public safety:				
Police	930,109	930,109	968,772	(38,663)
Fire	96,700	96,700	145,957	(49,257)
EMS	907,584	907,584	818,733	88,851
Total public safety	<u>1,934,393</u>	<u>1,934,393</u>	<u>1,933,462</u>	<u>931</u>
Public works:				
Street maintenance	826,050	826,050	820,088	5,962
Parks and recreation	299,671	299,671	228,118	71,553
Total public works	<u>1,125,721</u>	<u>1,125,721</u>	<u>1,048,206</u>	<u>77,515</u>

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CITY OF SINTON, TEXAS
SCHEDULE OF REVENUES, EXPENDITURES AND
CHANGES IN FUND BALANCE - BUDGET AND ACTUAL
GENERAL FUND
FOR THE FISCAL YEAR ENDED SEPTEMBER 30, 2018

	2018			Variance From Final Positive (Negative)
	Original Budget	Final Budget	Actual	
EXPENDITURES				
Health and welfare:				
Animal Control	63,071	63,071	56,957	6,114
Total health and welfare	<u>63,071</u>	<u>63,071</u>	<u>56,957</u>	<u>6,114</u>
Culture and recreation:				
Public library	211,961	211,961	216,479	(4,518)
Total culture and recreation	<u>211,961</u>	<u>211,961</u>	<u>216,479</u>	<u>(4,518)</u>
Capital outlay	<u>219,124</u>	<u>219,124</u>	<u>223,644</u>	<u>(4,520)</u>
Debt service:				
Principal retirement	-	-	55,546	(55,546)
Interest and fiscal agent fees	-	-	48,349	(48,349)
Total debt service	<u>-</u>	<u>-</u>	<u>103,895</u>	<u>(103,895)</u>
Total expenditures	<u>4,468,720</u>	<u>4,468,720</u>	<u>4,589,861</u>	<u>(121,141)</u>
EXCESS (DEFICIENCY) OF REVENUES OVER (UNDER) EXPENDITURES	<u>(583,831)</u>	<u>(514,526)</u>	<u>(640,896)</u>	<u>(126,370)</u>
OTHER FINANCING SOURCES (USES)				
Transfers in	591,831	591,831	594,072	2,241
Transfers out	-	-	-	-
Total other financing sources (uses)	<u>591,831</u>	<u>591,831</u>	<u>594,072</u>	<u>2,241</u>
NET CHANGE IN FUND BALANCE	8,000	77,305	(46,824)	(124,129)
FUND BALANCE, BEGINNING	<u>845,960</u>	<u>845,960</u>	<u>845,960</u>	<u>-</u>
FUND BALANCE, ENDING	<u>\$ 853,960</u>	<u>\$ 923,265</u>	<u>\$ 799,136</u>	<u>\$ (124,129)</u>

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CITY OF SINTON, TEXAS
SCHEDULE OF CHANGES IN NET PENSION LIABILITY
FOR THE FISCAL YEAR ENDED SEPTEMBER 30, 2018

	<u>2014</u>	<u>2015</u>	<u>2016</u>	<u>2017</u>
Total Pension Liability				
Service cost	\$ 242,487	\$ 339,180	\$ 340,258	\$ 336,274
Interest on total pension liability	496,612	531,734	555,308	575,209
Effect between expected and actual experience	-	-	(212,614)	61,618
Effect of assumptions changes or inputs	14,629	5,560	-	-
Effect of economic/demographic (gains) or losses	-	81,947	-	-
Benefit payments/refunds of contributions	(302,873)	(297,806)	(358,952)	(413,288)
Net change in total pension liability	450,855	660,615	324,000	559,813
Total pension liability, beginning	<u>7,124,655</u>	<u>7,575,510</u>	<u>8,236,125</u>	<u>8,560,125</u>
Total pension liability, ending (a)	<u>7,575,510</u>	<u>8,236,125</u>	<u>8,560,125</u>	<u>9,119,938</u>
Fiduciary Net Position				
Employer contributions	255,224	296,695	278,890	276,867
Member contributions	137,959	164,309	157,319	153,450
Investment income net of investment expenses	323,232	8,942	420,850	931,463
Benefit payments/refunds of contributions	(302,873)	(297,806)	(358,952)	(413,288)
Administrative expenses	(3,374)	(5,446)	(4,752)	(4,826)
other	(277)	(269)	(256)	(245)
Net change in fiduciary net position	409,891	166,425	493,099	943,421
Fiduciary net position, beginning	<u>5,649,776</u>	<u>6,059,667</u>	<u>6,226,092</u>	<u>6,719,191</u>
Fiduciary net position, ending (b)	6,059,667	6,226,092	6,719,191	7,662,612
Net pension liability / (asset), ending (a) - (b)	<u>\$ 1,515,843</u>	<u>\$ 2,010,033</u>	<u>\$ 1,840,934</u>	<u>\$ 1,457,326</u>
Fiduciary net position as a % of total pension liability	79.99%	75.59%	78.49%	84.02%
Pensionable covered payroll	\$ 1,970,842	\$ 2,347,267	\$ 2,347,267	\$ 2,192,141
Net pension liability as a % of covered payroll	76.91%	85.63%	78.43%	66.48%

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**CITY OF SINTON, TEXAS
SCHEDULE OF EMPLOYER CONTRIBUTIONS
FOR THE FISCAL YEAR ENDED SEPTEMBER 30, 2018**

Fiscal Year Ended September 30,	Actuarially Determined Contribution	Actual Employer Contribution	Contribution Deficiency (Excess)	Pensionable Covered Payroll	Actual Contribution as a % of Covered Payroll
2015	\$ 255,224	\$ 255,224	\$ -	\$ 1,970,842	12.9%
2016	296,695	296,695	-	2,347,267	12.6%
2017	278,890	278,890	-	2,247,414	12.4%
2018	276,867	276,867	-	2,192,141	12.6%

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**CITY OF SINTON, TEXAS
NOTES TO SCHEDULE OF CONTRIBUTIONS
FOR THE FISCAL YEAR ENDED SEPTEMBER 30, 2018**

Valuation Date:

Notes Actuarially determined contribution rates are calculated as of December 31 and become effective in January 13 months later.

Methods and Assumptions Used to Determine Contribution Rates:

Actuarial Cost Method	Entry Age Normal
Amortization Method	Level Percentage of Payroll, Closed
Remaining Amortization Period	29 years
Asset Valuation Method	10 Year smoothed market; 15% soft corridor

Inflation	2.5%
Salary Increases	3.5% to 10.5% including inflation
Investment Rate of Return	6.75%
Retirement Age	Experience-based table of rates that are specific to the City's plan of benefits Last updated for the 2015 valuation pursuant to an experience study of the period 2010 - 2014
Mortality	RP2000 Combined Mortality Table with Blue Collar Adjustment with male rates multiplied by 109% and Female rates multiplied by 103% and projected on a fully generational basis with scale BB. The base table is the RP-2000 table projected with Scale AA to 2014.

Other Information:

Notes There were no benefit changes during the year.

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CITY OF SINTON, TEXAS
SCHEDULE OF CHANGES IN NET PENSION LIABILITY
AND RELATED RATIOS
FIREMEN'S PENSION PLAN
FOR THE FISCAL YEAR ENDED

Plan Year	September 30,			
	2018	2017	2016	2015
A. Total pension liability				
Service Cost	\$ 5,450	\$ 2,135	\$ 2,270	\$ 2,270
Interest (on the Total Pension Liability)	33,872	12,687	11,929	11,351
Changes of benefit terms	9,663	-	968	-
Difference between expected and actual experience	(309)	-	87	-
Changes of assumptions	-	-	1,193	-
Benefit payments, including refunds of employee contributions	(19,972)	(6,743)	(6,300)	(6,028)
Net change in total pension liability	28,704	8,079	10,147	7,593
Total pension liability - beginning	173,022	164,943	154,798	147,205
Total pension liability - ending (a)	<u>\$ 201,726</u>	<u>\$ 173,022</u>	<u>\$ 164,945</u>	<u>\$ 154,798</u>
B. Plan fiduciary net position				
Contributions - City	\$ 14,018	\$ 6,716	\$ 4,641	\$ 4,711
Contributions - State	4,546	2,122	2,122	2,194
Contributions - Employer	-	-	-	-
Net Investment Income	38,693	13,100	6,642	(4,412)
Benefit payments, including refunds of employee contributions	(19,972)	(6,743)	(6,300)	(6,028)
Administrative Expenses	(541)	(247)	(224)	(289)
Net change in plan fiduciary net position	36,744	14,948	6,881	(3,824)
Plan fiduciary net position - beginning	140,860	125,912	119,030	122,855
Plan fiduciary net position - ending (b)	<u>\$ 177,605</u>	<u>\$ 140,860</u>	<u>\$ 125,911</u>	<u>\$ 119,031</u>
C. Net pension liability - ending (a) - (b)	<u>\$ 24,121</u>	<u>\$ 32,162</u>	<u>\$ 39,034</u>	<u>\$ 35,767</u>
D. Plan fiduciary net position as a percentage of total pension liability	88.04%	81.41%	76.34%	76.89%
E. Number of Active Members	13.58	5	5	5
F. System's Net Pension Liability per Active Member	\$ 1,776	\$ 5,932	\$ 7,807	\$ 7,153
				\$ 4,501

Note: GASB requires 10 fiscal years of data to be provided in this schedule. However, until a full 10-year trend is compiled, this schedule provides three years of information

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CITY OF SINTON, TEXAS
 SCHEDULE OF CONTRIBUTIONS
 FIREMEN'S PENSION PLAN
 FOR THE FISCAL YEAR ENDED SEPTEMBER 30, 2018

Plan Year	2014	2015	2016	2017	2018
Actuarial determined contribution	\$ 7,648	\$ 6,905	\$ 6,763	\$ 8,839	\$ 18,564
Contributions in relation to the actuarially determined contribution	7,648	6,905	6,763	8,839	18,564
Contribution deficiency (excess)	-	-	-	-	-
Covered employee payroll	56,652	57,306	54,728	74,798	72,845
Contributions as a percentage of covered employee payroll	27.0%	13.70%	14.10%	13.40%	34.20%

NOTES TO SCHEDULE OF CONTRIBUTIONS

Valuation Date:

8/31/2018

Notes: The information presented in the required supplementary schedules was determined as part of the actuarial valuation at the dates indicated. Additional information as of the latest actuarial valuation follows.

Methods and Assumptions Used to Determine Contribution Rates:

Actuarial Cost Method	Entry age normal
Amortization Method	Level annual dollar amount
Remaining Amortization period	30 years
Asset Valuation Method	Market value
Inflation	3.00%
Salary Increases	Not applicable
Investment Rate of Return	7.75%
Retirement Age	Age 55 or above

Other Information:

Notes

There were no benefit changes during the year.

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CITY OF SINTON, TEXAS
SCHEDULE OF CHANGES IN THE CITY'S TOTAL OPEB LIABILITY
FOR THE FISCAL YEAR ENDED SEPTEMBER 30, 2018

	<u>2017</u>
Total OPEB Liability	
Service cost	\$ 6,576
Interest on total pension liability	4,401
Actuarial determined contribution	-
Difference between expected and actual experience	-
Changes in assumptions or other inputs	9,293
Benefit payments/refunds of contributions	<u>(1,315)</u>
Net change in total pension liability	18,955
Total OPEB liability, beginning	<u>113,787</u>
Total OPEB liability, ending (a)	<u>132,742</u>
Net pension OPEB as a % of covered payroll	6.14%

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CITY OF SINTON, TEXAS
NOTES TO REQUIRED SUPPLEMENTARY INFORMATION
FOR THE FISCAL YEAR ENDED SEPTEMBER 30, 2018

Budgetary Information

Annual budgets are adopted on a basis consistent with accounting principles generally accepted in the United States of America for all governmental funds except as a management control device during the year for the General, Debt Service and Special Revenue funds, as well as of the Water, Sewer and Solid Waste collection funds.

Unused appropriations for all of the above annually budgeted funds lapse at the end of each year. The budget amounts shown in the financial statements are the final authorized amounts as revised during the year.

Budgetary data for Capital Project Funds are budgeted over the life of the respective project and not on an annual basis. Therefore, this data is not presented in the accompanying combined financial statements.

Revisions that alter individual expenditure category or department totals within a fund must be approved by the City Council. Therefore, the legal level of budgetary responsibility is the department level.

City management establishes the amount of estimated revenues and other resources available for appropriation for the succeeding budget year. City Management submits to the City Council a proposed operating budget for the fiscal year commencing the following October 1. The operating fund includes proposed expenditures and the means of financing them. Public hearings are conducted at City Hall to obtain taxpayer comments. Prior to October 1, the budget is adopted by the City Council.

Expenditures may not legally exceed budgeted appropriations at the fund level. During the year, one budgetary revision was necessary.

Expenditures Over Appropriations

At September 30, 2018, expenditures in the following departments exceeded appropriations:

Department	General Fund Excess of Expenditures Over Appropriations
City commission and management	\$ 81,603
Municipal Court	11,165
Police	38,663
Fire	49,257
Public library	4,518
Capital outlay	4,520
Debt service	103,895
	<u>\$ 293,621</u>

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**NON-MAJOR GOVERNMENTAL FUNDS
SPECIAL REVENUE FUNDS**

Special revenue funds are used to account for specific revenues that are legally restricted to expenditures for particular purposes. The City has the following special revenue funds:

The **Criminal Justice Planning Fund** is used to account for funds received from the payment of citations issued by the City. The funds may only be expended for the benefit of the municipal court.

The **Fire Equipment and Replacement Fund** is used to account for equipment replacement expenditures related to the City's volunteer fire department.

The **Sinton Affordable housing Fund** is used to account for expenditures related to the City's affordable public housing program.

The **Self-Insurance Fund** is used to account for expenditures related to the City's unemployment compensation claims.

CAPITAL PROJECTS FUNDS

Capital project funds are used to account for the acquisition and construction of non-major capital facilities other than those financed by proprietary funds and trust funds. The City has the following non-major capital projects funds:

The **Certificates of Obligation Bonds Series 1985 Fund's** activities included only the recording and accounting of immaterial expenditures.

The **2010 Tax Note Street Improvement Fund** is used to account for immaterial investment earnings.

The **2014 Tax Note Street Improvement Fund** is used to account for expenditures for the public works department.

DEBT SERVICE FUND

The Debt Service Fund is used to account for the accumulation of resources and the payment of general obligation bond principal and interest from governmental resources when the City is obligated in some manner for the payment.

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COMBINING STATEMENTS

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**CITY OF SINTON, TEXAS
COMBINING BALANCE SHEET
NONMAJOR GOVERNMENTAL FUNDS
SEPTEMBER 30, 2018**

	Nonmajor Special Revenue	Nonmajor Capital Projects	Nonmajor Debt Service	Total Nonmajor Governmental Funds
ASSETS				
Cash and investments	\$ 370,029	\$ 183,576	\$ -	\$ 553,605
Due from other funds	38,774	5,902	640,150	684,826
Restricted cash and cash equivalents	<u>197,827</u>	<u>-</u>	<u>703,667</u>	<u>901,494</u>
Total assets	<u>\$ 606,630</u>	<u>\$ 189,478</u>	<u>\$ 1,343,817</u>	<u>\$ 2,139,925</u>
LIABILITIES, DEFERRED INFLOWS AND FUND BALANCE				
Liabilities:				
Accounts payable	\$ 9,773	\$ 117,235	\$ -	\$ 127,008
Accrued liabilities	24,228	-	-	24,228
Due to other funds	-	-	-	-
Unearned revenues	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Total liabilities	<u>34,001</u>	<u>117,235</u>	<u>-</u>	<u>151,236</u>
Deferred inflows of resources:				
Unavailable revenue - property taxes	-	-	-	-
Unavailable revenue - noncurrent receivable	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Total deferred inflows of resources	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Fund balances:				
Restricted	572,629	72,243	1,343,817	1,988,689
Unassigned	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Total fund balances	<u>572,629</u>	<u>72,243</u>	<u>1,343,817</u>	<u>1,988,689</u>
Total liabilities, deferred inflows and fund balances	<u>\$ 606,630</u>	<u>\$ 189,478</u>	<u>\$ 1,343,817</u>	<u>\$ 2,139,925</u>

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CITY OF SINTON, TEXAS
COMBINING STATEMENT OF REVENUES, EXPENDITURES
AND CHANGES IN FUND BALANCES
NONMAJOR GOVERNMENTAL FUNDS
FOR THE FISCAL YEAR ENDED SEPTEMBER 30, 2018

	Nonmajor Special Revenue	Nonmajor Capital Projects	Nonmajor Debt Service	Total Nonmajor Governmental Funds
REVENUES				
Property taxes	\$ -	\$ -	\$ -	\$ -
Charges for services	75,820	-	-	75,820
Fines and forfeitures	-	-	-	-
Intergovernmental revenue	-	-	-	-
Miscellaneous income	-	23,515	-	23,515
Interest and investment income	274	101	358	733
Total revenues	<u>76,094</u>	<u>23,616</u>	<u>358</u>	<u>100,068</u>
EXPENDITURES				
Current:				
General government	-	-	-	-
Public safety	39,760	-	-	39,760
Health and welfare	-	-	-	-
Culture and recreation	-	-	-	-
Capital outlay	-	-	-	-
Debt service:				
Principal retirement	-	-	-	-
Interest and fiscal agent fees	-	-	-	-
Advance refunding escrow - from existing resources	-	-	-	-
Issuance costs	-	-	-	-
Total expenditures	<u>39,760</u>	<u>-</u>	<u>-</u>	<u>39,760</u>
EXCESS (DEFICIENCY) OF REVENUES (OVER) UNDER EXPENDITURES	<u>36,334</u>	<u>23,616</u>	<u>358</u>	<u>60,308</u>
OTHER FINANCING SOURCES (USES)				
Sale of capital asset	-	-	-	-
Refunding bonds issued	-	-	-	-
Payment to refunded bond escrow agent	-	-	-	-
Transfers in	-	-	-	-
Transfers out	-	(155,430)	-	(155,430)
Total other financing sources (uses)	<u>-</u>	<u>(155,430)</u>	<u>-</u>	<u>(155,430)</u>
NET CHANGE IN FUND BALANCES	36,334	(131,814)	358	(95,122)
FUND BALANCES, BEGINNING	<u>550,941</u>	<u>344,057</u>	<u>1,123,471</u>	<u>2,018,469</u>
PRIOR PERIOD ADJUSTMENT	<u>(14,646)</u>	<u>(140,000)</u>	<u>219,988</u>	<u>65,342</u>
FUND BALANCES, ENDING	<u>\$ 572,629</u>	<u>\$ 72,243</u>	<u>\$ 1,343,817</u>	<u>\$ 1,988,689</u>

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**CITY OF SINTON, TEXAS
COMBINING BALANCE SHEET
NONMAJOR SPECIAL REVENUE FUNDS
SEPTEMBER 30, 2018**

	Criminal Justice Planning	Fire Equipment and Replacement	Sinton Affordable Housing	Self Insurance Fund	Total Nonmajor Special Revenue Funds
ASSETS					
Cash and investments	\$ 21,247	\$ -	\$ 259,687	\$ 89,095	\$ 370,029
Due from other funds	-	-	-	38,774	38,774
Restricted cash and equivalents	-	197,827	-	-	197,827
Total assets	<u>\$ 21,247</u>	<u>\$ 197,827</u>	<u>\$ 259,687</u>	<u>\$ 127,869</u>	<u>\$ 606,630</u>
LIABILITIES, DEFERRED INFLOWS AND FUND BALANCES					
Liabilities:					
Accounts payable	\$ 9,773	\$ -	\$ -	\$ -	\$ 9,773
Accrued liabilities	-	-	24,228	-	24,228
Due to other funds	-	-	-	-	-
Unearned revenue	-	-	-	-	-
Total liabilities	<u>9,773</u>	<u>-</u>	<u>24,228</u>	<u>-</u>	<u>34,001</u>
Fund balances:					
Restricted	11,474	197,827	235,459	127,869	572,629
Unassigned	-	-	-	-	-
Total fund balances	<u>11,474</u>	<u>197,827</u>	<u>235,459</u>	<u>127,869</u>	<u>572,629</u>
Total liabilities, deferred inflows of resources and fund balances	<u>\$ 21,247</u>	<u>\$ 197,827</u>	<u>\$ 259,687</u>	<u>\$ 127,869</u>	<u>\$ 606,630</u>

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CITY OF SINTON, TEXAS
COMBINING STATEMENT OF REVENUES,
EXPENDITURES AND CHANGES IN FUND BALANCES
NONMAJOR SPECIAL REVENUE FUNDS
FOR THE FISCAL YEAR ENDED SEPTEMBER 30, 2018

	Criminal Justice Planning	Fire Equipment and Replacement	Sinton Affordable Housing	Self Insurance Fund	Total Nonmajor Special Revenue Funds
REVENUES					
Nonproperty taxes	\$ -	\$ -	\$ -	\$ -	\$ -
Charges for services	44,046	21,485	10,289	-	75,820
Fines and forfeitures	-	-	-	-	-
Intergovernmental revenue	-	-	-	-	-
Miscellaneous income	-	-	-	-	-
Interest and investment income	-	102	126	46	274
Total revenues	<u>44,046</u>	<u>21,587</u>	<u>10,415</u>	<u>46</u>	<u>76,094</u>
EXPENDITURES					
Current:					
General government	-	-	-	-	-
Public safety	39,760	-	-	-	39,760
Health and welfare	-	-	-	-	-
Culture and recreation	-	-	-	-	-
Capital outlay	-	-	-	-	-
Debt service					
Principal	-	-	-	-	-
Interest and fiscal agent fees	-	-	-	-	-
Total expenditures	<u>39,760</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>39,760</u>
EXCESS (DEFICIENCY) OF REVENUES OVER (UNDER) EXPENDITURES					
	4,286	21,587	10,415	46	36,334
FUND BALANCES, BEGINNING					
	7,188	176,240	225,044	142,469	550,941
PRIOR PERIOD ADJUSTMENT					
	-	-	-	(14,646)	(14,646)
FUND BALANCES, ENDING					
	<u>\$ 11,474</u>	<u>\$ 197,827</u>	<u>\$ 235,459</u>	<u>\$ 127,869</u>	<u>\$ 572,629</u>

CITY OF SINTON, TEXAS
COMBINING BALANCE SHEET
NONMAJOR CAPITAL PROJECTS FUNDS
SEPTEMBER 30, 2018

	2014 Tax Note Street Improvement	1985 General Obligation	2010 Tax Note Street Improvement
ASSETS			
Cash and investments	\$ 43,867	\$ -	\$ -
Due from other funds	<u>5,902</u>	<u>-</u>	<u>-</u>
Total assets	<u>49,769</u>	<u>-</u>	<u>-</u>
LIABILITIES AND FUND BALANCES			
Liabilities:			
Accounts payable	117,235	-	-
Due to other funds	<u>-</u>	<u>-</u>	<u>-</u>
Total liabilities	<u>117,235</u>	<u>-</u>	<u>-</u>
Fund balances:			
Restricted	(67,466)	-	-
Unassigned	<u>-</u>	<u>-</u>	<u>-</u>
Total fund balances	<u>(67,466)</u>	<u>-</u>	<u>-</u>
Total liabilities and fund balances	<u>\$ 49,769</u>	<u>\$ -</u>	<u>\$ -</u>

Street Improvement Fund	Municipal Building Fund	Total Nonmajor Capital Projects Funds
\$ 98,832	\$ 40,877	\$ 183,576
<u>-</u>	<u>-</u>	<u>5,902</u>
<u>98,832</u>	<u>40,877</u>	<u>189,478</u>
-	-	117,235
<u>-</u>	<u>-</u>	<u>-</u>
<u>-</u>	<u>-</u>	<u>117,235</u>
98,832	40,877	72,243
<u>-</u>	<u>-</u>	<u>-</u>
<u>98,832</u>	<u>40,877</u>	<u>72,243</u>
<u>\$ 98,832</u>	<u>\$ 40,877</u>	<u>\$ 189,478</u>

CITY OF SINTON, TEXAS
COMBINING STATEMENT OF REVENUES,
EXPENDITURES AND CHANGES IN FUND BALANCES
NONMAJOR CAPITAL PROJECTS FUNDS
FOR THE FISCAL YEAR ENDED SEPTEMBER 30, 2018

	2014 Tax Note Street Improvement	1985 General Obligation	2010 Tax Note Street Improvement
REVENUES			
Fess and charges for services	\$ -	\$ -	\$ -
Intergovernmental	-	-	-
Miscellaneous income	-	-	-
Interest and investment income	<u>30</u>	<u>-</u>	<u>-</u>
Total revenues	<u>30</u>	<u>-</u>	<u>-</u>
EXPENDITURES			
Public works	-	-	-
Capital outlay	<u>-</u>	<u>-</u>	<u>-</u>
Debt issuance costs	-	-	-
Total expenditures	<u>-</u>	<u>-</u>	<u>-</u>
EXCESS (DEFICIENCY) OF REVENUES		-	-
OVER (UNDER) EXPENDITURES	30	-	-
OTHER FINANCING SOURCES (USES)		-	-
Transfers in	-	-	-
Transfers out	<u>-</u>	<u>(1,986)</u>	<u>(153,444)</u>
Total other financing sources (uses)	<u>-</u>	<u>(1,986)</u>	<u>(153,444)</u>
FUND BALANCES, BEGINNING	<u>(67,496)</u>	<u>1,986</u>	<u>153,444</u>
PRIOR PERIOD ADJUSTMENT	<u>-</u>	<u>-</u>	<u>-</u>
FUND BALANCES, ENDING	<u>\$(67,466)</u>	<u>\$ -</u>	<u>\$ -</u>

Street Improvement Fund	Municipal Building Fund	Total Nonmajor Governmental Funds
\$ -	\$ -	\$ -
-	-	-
23,515	-	23,515
<u>50</u>	<u>21</u>	<u>101</u>
<u>23,565</u>	<u>21</u>	<u>23,616</u>
-	-	-
<u>-</u>	<u>-</u>	<u>-</u>
-	-	-
<u>-</u>	<u>-</u>	<u>-</u>
23,565	21	23,616
-	-	-
<u>-</u>	<u>-</u>	<u>(155,430)</u>
<u>-</u>	<u>-</u>	<u>(155,430)</u>
215,267	40,856	344,057
<u>(140,000)</u>	<u>-</u>	<u>(140,000)</u>
<u>\$ 98,832</u>	<u>\$ 40,877</u>	<u>\$ 72,243</u>

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COMPLIANCE SECTION

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Cascos & Associates, PC

Certified Public Accountants

Audit/Accounting/Tax/Consulting

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*

The Honorable Mayor and Members
of the City Commission
City of Sinton

We have audited, 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, 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 as of and for the year ended September 30, 2018, and the related notes to the financial statements, which collectively comprise City of Sinton's basic financial statements, and have issued our report thereon dated June 18, 2019.

Internal Control over Financial Reporting

In planning and performing our audit of the financial statements, we considered City of Sinton's 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's internal control. Accordingly, we do not express an opinion on the effectiveness of City of Sinton's internal control.

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

Our consideration of internal control over financial reporting was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control over financial reporting 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 over financial reporting that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified. We did identify certain deficiencies in internal control, described in the accompanying schedule of findings and questioned costs that we considered to be significant deficiencies as items 2018-01 through 2018-04.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether City of Sinton's 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.

City of Sinton's Response to Findings

City of Sinton's response to the findings identified in our audit are described in the accompanying *Corrective Action plan*. City of Sinton's response was not subjected to the auditing procedures applied in the audit of the financial statements and, accordingly, we express no opinion on it.

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.

Casen & Associates, PC

Brownsville, Texas
June 18, 2019

CITY OF SINTON, TEXAS

SCHEDULE OF FINDINGS

FOR THE YEAR ENDED SEPTEMBER 30, 2018

<u>Reference No.</u>	<u>Findings/Noncompliance</u>
<u><i>Finding 2018-01</i></u>	<i>ECONOMIC DEVELOPMENT CORPORATION (EDC)—FUND ACCOUNTING SYSTEM</i>
<u><i>Criteria:</i></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><i>Condition:</i></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, 2018, the City's general ledger did not reflect financial transactions for EDC 4A and 4B.
<u><i>Cause:</i></u>	The City could not readily provide an accounting for the EDC's assets, liabilities, equity balances, revenues, expenses, and financial reports.
<u><i>Effect:</i></u>	As discussed in prior year the 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><i>Recommendation:</i></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><i>Finding 2018-02</i></u>	<i>GROUPING OF VARIOUS FUNDS-ACCOUNTING SYSTEMS</i>
<u><i>Criteria:</i></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><i>Condition:</i></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 fund's balances for assets, liabilities, equity, and revenues and expenses.
<u><i>Cause:</i></u>	The City's finance department lacks additional governmental accounting training.
<u><i>Effect:</i></u>	As discussed in prior year the 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><i>Recommendation:</i></u>	The City's finance department should take governmental accounting training.

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CITY OF SINTON, TEXAS

SCHEDULE OF FINDINGS

FOR THE YEAR ENDED SEPTEMBER 30, 2018

Finding 2018-03 ***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 2018 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: As discussed in prior year 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 2018-04 ***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: As discussed in prior year 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.

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