

CITY OF SINTON, TEXAS

ANNUAL FINANCIAL REPORT

**FISCAL YEAR ENDED
SEPTEMBER 30, 2019**



Armstrong, Vaughan & Associates, P. C.

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INDEPENDENT AUDITOR'S REPORT

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, each major fund and the aggregate remaining fund information of City of Sinton as of and for the year ended September 30, 2019, and the related notes to the financial statements, which collectively comprise City of Sinton's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

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

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

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our qualified audit opinion on the governmental activities, business-type activities and utility fund and unmodified audit opinion on the general fund, economic development fund, debt service fund, special revenue fund, and aggregate remaining fund information.

Summary of Opinions

<i>Opinion Unit</i>	<i>Type of Opinion</i>
Governmental Activities	Qualified
Business-Type Activities	Qualified
General Fund	Unmodified
Economic Development Fund	Unmodified
Debt Service Fund	Unmodified
Special Revenue Fund	Unmodified
Utility Fund	Qualified
Aggregate Remaining Fund Information	Unmodified

Basis for Qualified Opinion on Governmental Activities, Business-type Activities and Utility Fund

Management has not conducted an actuarial valuation on the retiree insurance plan (an other post-employment benefit) disclosed in Note P to the financial statements. The City is accounting for the costs of the plan as they become due and payable. Accounting principles generally accepted in the United States of America require that any actuarially accrued liability related to the benefit be recorded as a liability on the governmental activities, business-type activities and utility fund, as well as an expense for the current period change in the liability. Because a valuation has not been conducted, the amount by which this departure would affect the liabilities, and expenses of the governmental activities, business-type activities and utility fund has not been determined.

Qualified Opinion on Governmental Activities, Business-type Activities and Utility Fund

In our opinion, except for the effects, if any, of the matter described in the Basis for Qualified Opinion paragraph on the governmental activities, business-type activities and utility fund, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, business-type activities and utility fund of City of Sinton, as of September 30, 2019, 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.

Unmodified Opinion on the Major Governmental Funds and Aggregate Remaining Fund Information

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the general fund, economic development fund, debt service fund, special revenue fund, and the aggregate remaining fund information for City of Sinton, as of September 30, 2019, and the respective changes in financial position 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, budgetary comparison information, schedule of changes in net pension liability, schedule of employer pension contributions, and schedule of changes in total other postemployment benefit liability (as listed in table of contents), 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 Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated March 11, 2020 on our consideration of City of Sinton's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is 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's internal control over financial reporting and compliance.

Armstrong, Vaughan & Associates, P.C.

Armstrong, Vaughan & Associates, P.C.

March 11, 2020

MANAGEMENT’S DISCUSSION AND ANALYSIS

This section of the City of Sinton’s annual financial report presents our discussion and analysis of the City’s financial performance during the fiscal year ended September 30, 2019. Please read it in conjunction with the City’s financial statements, which follow this section.

FINANCIAL HIGHLIGHTS

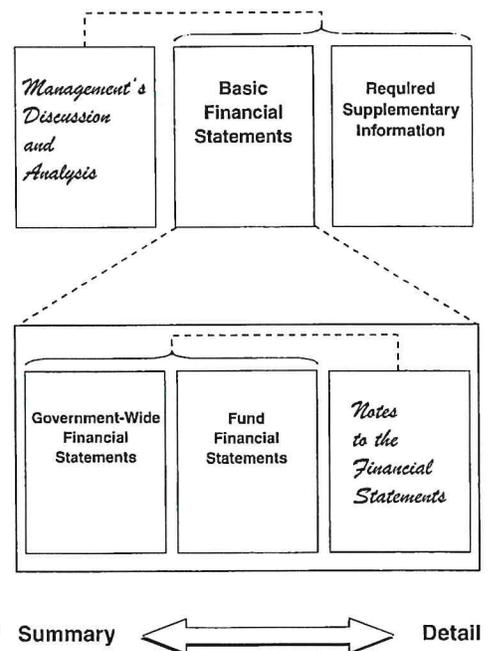
- The City’s total combined net position was \$15.4 million at September 30, 2019.
- The City’s governmental expenses were \$261 thousand less than the \$4.4 million generated in general and program revenues (and administrative transfers from the utility fund) for governmental activities. Governmental expenses decreased 15%.
- The City’s business-type expenses were \$302 thousand less than the \$3.0 million generated in charges for services and other revenues (before transfers). The total cost of the City’s business-type activities increased 6%.
- The general fund reported a fund balance of \$1.8 million, an increase of \$496 thousand.
- During the year, the City issued \$1.2 million in bonds for the Utility fund to replace water meters.

OVERVIEW OF THE FINANCIAL STATEMENTS

This annual report consists of three parts—*management’s discussion and analysis* (this section), the *basic financial statements*, and *required supplementary information*. The basic financial statements include two kinds of statements that present different views of the City:

- The first two statements are *government-wide financial statements* that provide both *long-term* and *short-term* information about the City’s overall financial status.
- The remaining statements are *fund financial statements* that focus on *individual parts* of the government, reporting the City’s operations in more detail than the government-wide statements.
- *The governmental funds* statements tell how *general government* services were financed in the *short-term* as well as what remains for future spending.
- *Proprietary fund* statements offer *short- and long-term* financial information about the activities the government operates *like businesses*.

Figure A-1F, Required Components of the Village’s Annual Financial Report



The financial statements also include notes that explain some of the information in the financial statements and provide more detailed data. The statements are followed by a section of *required supplementary information* that further explains and supports the information in the financial statements. Figure A-1 shows how the required parts of this annual report are arranged and related to one another.

Figure A-2. Major Features of the City's Government-wide and Fund Financial Statements			
	Fund Statements		
<i>Type of Statements</i>	Government-wide	Governmental Funds	Proprietary Funds
<i>Scope</i>	Entire City's government (except fiduciary funds) and the City's component units	The activities of the town that are not proprietary or fiduciary	Activities of the City that operate similar to private businesses: water, sewer and garbage
<i>Required financial statements</i>	• Statement of net position	• Balance Sheet	• Statement of net position
	• Statement of activities	• Statement of revenues, expenditures & changes in fund balances	• Statement of revenues, expenses & changes in net position • Statement of cash flows
<i>Accounting basis and measurement focus</i>	Accrual accounting and economic resources focus	Modified accrual accounting and current financial resources focus	Accrual accounting and economic resources focus
<i>Type of asset/liability information</i>	All assets and liabilities, both financial and capital, short-term and long-term	Only assets expected to be used up and liabilities that come due during the year or soon thereafter; no capital assets included	All assets and liabilities, both financial and capital, and short-term and long-term
<i>Type of inflow/outflow information</i>	All revenues and expenses during year, regardless of when cash is received or paid	Revenues for which cash is received during or soon after the end of the year; expenditures when goods or services have been received and payment is due during the year or soon thereafter.	All revenues and expenses during year, regardless of when cash is received or paid

Figure A-2 summarizes the major features of the City's financial statements, including the portion of the City government they cover and the types of information they contain. The remainder of this overview section of management's discussion and analysis explains the structure and contents of each of the statements.

Government-Wide Statements

The government-wide statements report information about the City as a whole using accounting methods similar to those used by private-sector companies. The statement of net position includes all of the government's assets and liabilities. All of the current year's revenues and expenses are accounted for in the statement of activities regardless of when cash is received or paid.

The two government-wide statements report the City's net position and how they have changed. Net position—the difference between the City's assets and liabilities—is one way to measure the City's financial health or *position*.

- Over time, increases or decreases in the City's net position are an indicator of whether its financial health is improving or deteriorating, respectively.
- To assess the overall health of the City, one needs to consider additional non-financial factors such as changes in the City's tax base.

- The government-wide financial statements of the City include the *Governmental activities*. Most of the City's basic services are included here, such as general government, public safety, streets, economic development, culture and recreation, and interest on long-term debt. Property taxes and charges for services finance most of these activities.

Fund Financial Statements

The fund financial statements provide more detailed information about the City's most significant *funds*—not the City as a whole. Funds are accounting devices that the City uses to keep track of specific sources of funding and spending for particular purposes. Some funds are required by State law and by bond covenants. The Board of Alderman establishes other funds to control and manage money for particular purposes or to show that it is properly using certain taxes and grants.

The City has the following kinds of funds:

- *Governmental funds*—Most of the City's basic services are included in governmental funds, which focus on (1) how *cash and other financial assets* that can readily be converted to cash flow in and out and (2) the balances left at year-end that are available for spending. Consequently, the governmental fund statements provide a detailed *short-term* view that helps you determine whether there are more or fewer financial resources that can be spent in the near future to finance the City's programs. Because this information does not encompass the additional long-term focus of the government-wide statements, we provide additional information on the subsequent page, which explains the relationship (or differences) between them.
- *Proprietary funds*—Services for which the City charges customers a fee are generally reported in proprietary funds. Proprietary funds, like the government-wide statements, provide both long-term and short-term financial information.

FINANCIAL ANALYSIS OF THE CITY AS A WHOLE

The City's combined net position was \$15.4 million at September 30, 2019. (See Table A-1).

Table A-1
City's Net Position

	Governmental Activities		Business-Type Activities		Total	
	2019	2018*	2019	2018*	2019	2018*
<i>Assets:</i>						
Current Assets	\$ 6,855,594	\$ 6,483,649	\$ 2,297,727	\$ 2,244,050	\$ 9,153,321	\$ 8,727,699
Other Assets	128,695	150,141	651,119	-	779,814	150,141
Capital Assets (net)	6,714,592	6,972,379	5,917,326	5,336,955	12,631,918	12,309,334
Total Assets	13,698,881	13,606,169	8,866,172	7,581,005	22,565,053	21,187,174
<i>Deferred Outflows:</i>	742,676	204,268	164,129	54,108	906,805	258,376
<i>Liabilities:</i>						
Current Liabilities	394,996	416,268	908,527	749,085	1,303,523	1,165,353
Long-Term Liabilities	3,386,583	3,223,171	2,812,644	1,651,064	6,199,227	4,874,235
Total Liabilities	3,781,579	3,639,439	3,721,171	2,400,149	7,502,750	6,039,588
<i>Deferred Inflows:</i>	474,226	246,486	80,198	64,377	554,424	310,863
<i>Net Position:</i>						
Net Invested in Capital Assets	4,856,118	4,980,815	3,953,065	3,888,915	8,809,183	8,869,730
Restricted	4,169,849	4,003,445	-	-	4,169,849	4,003,445
Unrestricted	1,159,785	940,252	1,275,867	1,281,672	2,435,652	2,221,924
Total Net Position	\$ 10,185,752	\$ 9,924,512	\$ 5,228,932	\$ 5,170,587	\$ 15,414,684	\$ 15,095,099

*2018 has been restated to reflect the results of a prior period adjustment.

Governmental Activities

- Property tax rates remained the same for the fiscal year ending September 30, 2019. However, increasing valuations and new property increased property tax revenues to \$1.4 million.
- Costs decreased overall, primarily from street maintenance.

Business-Type Activities

- Expenses increased 5% while revenues increased 2.4%.
- The customer base is largely stable.

Table A-2
Changes in City's Net Position

	Governmental Activities		Business-Type Activities		Total	
	2019	2018*	2019	2018*	2019	2018*
<i>Program Revenues:</i>						
Charges for Services	\$ 1,075,534	\$ 912,415	\$ 3,004,627	\$ 2,933,901	\$ 4,080,161	\$ 3,846,316
Operating Grants and Contributions	103,130	72,000	-	-	103,130	72,000
Capital Contributions	-	-	41,500	-	41,500	-
<i>General Revenues:</i>						
Taxes	2,948,546	2,845,193	-	-	2,948,546	2,845,193
Interest Earnings	3,042	2,458	1,279	-	4,321	2,458
Miscellaneous	44,938	764,982	-	-	44,938	764,982
TOTAL REVENUES	4,175,190	4,597,048	3,047,406	2,933,901	7,222,596	7,530,949
<i>Program Expenses:</i>						
Administration	858,514	1,006,883	-	-	858,514	1,006,883
Police	1,091,697	989,312	-	-	1,091,697	989,312
Fire	114,105	86,142	-	-	114,105	86,142
Animal Control	51,609	61,450	-	-	51,609	61,450
Municipal Court	103,826	85,015	-	-	103,826	85,015
Streets	426,501	1,138,877	-	-	426,501	1,138,877
Parks	297,343	233,873	-	-	297,343	233,873
Emergency Services	841,906	968,671	-	-	841,906	968,671
Inspections	9,765	59,815	-	-	9,765	59,815
Library	278,854	216,479	-	-	278,854	216,479
Utilities	-	-	2,745,445	2,602,717	2,745,445	2,602,717
Interest on Debt	83,446	85,391	-	-	83,446	85,391
TOTAL EXPENSES	4,157,566	4,931,908	2,745,445	2,602,717	6,903,011	7,534,625
Transfers	243,616	270,000	(243,616)	(270,000)	-	-
Change in Net Position	\$ 261,240	\$ (64,860)	\$ 58,345	\$ 61,184	\$ 319,585	\$ (3,676)

*2018 has been restated to reflect the results of a prior period adjustment.

FINANCIAL ANALYSIS OF THE CITY'S FUNDS

- The General fund increased its fund balance by \$496 thousand primarily from the release of prior committed self-insurance funds and administrative transfers from the utility fund.
- Both the Economic Development and Debt Service funds added to their fund balance by \$276 and \$106 thousand respectively.
- The wastewater utility ended the year with \$1.3 million in unrestricted net assets.

Budgetary Highlights

- Almost all General Fund revenues exceeded the budget. Total revenues were over the budget by \$268 thousand.
- General Fund expenditures were \$187 thousand under budget. Although, some departments did exceed the budget.
- The General Fund balance increased \$496 thousand, which was a swing of \$661 thousand from the budgeted decrease in fund balance of \$165 thousand.

CAPITAL ASSETS AND DEBT ADMINISTRATION

Capital Assets

As of September 30, 2019, the City had invested \$12.2 million in a broad range of capital assets, including land, equipment, buildings, and infrastructure. Significant changes in fiscal year 2019 included new water meters for the utility fund. (See Table A-4)

Table A-4
City's Capital Assets
(in thousands dollars)

	Governmental Activities		Business-Type Activities		Total	
	2019	2018	2019	2018	2019	2018
Land	\$ 62	\$ 62	\$ 4	\$ 4	\$ 66	\$ 66
Buildings and Improvements	5,634	5,634	-	-	5,634	5,634
Infrastructure	3,689	3,689	10,929	9,548	14,618	13,237
Equipment	2,779	2,876	817	1,298	3,596	4,174
Construction in Progress	-	-	827	1,381	827	1,381
Totals at Historical Cost	12,164	12,261	12,577	12,231	24,741	24,492
Total Accumulated Depreciation	(5,450)	(5,289)	(6,660)	(6,894)	(12,110)	(12,183)
Net Capital Assets	<u>\$ 6,714</u>	<u>\$ 6,972</u>	<u>\$ 5,917</u>	<u>\$ 5,337</u>	<u>\$ 12,631</u>	<u>\$ 12,309</u>

More detailed information about the City's capital assets is presented in the notes to the financial statements.

Long Term Debt

The City had bonds payable at year end as outlined in Table A-5. 2019 bonds of \$1.2 million were issued in the utility fund during the fiscal year. More detailed information about the City’s debt is presented in the notes to the financial statements.

Table A-5
City's Long-Term Debt
(in thousands dollars)

	Governmental		Business-Type		Total	
	Activities		Activities			
	2019	2018	2019	2018	2019	2018
Bonds Payable	\$ 1,858	\$ 1,992	\$ 2,615	\$ 1,448	\$ 4,473	\$ 3,440
Total Long-Term Debt	\$ 1,858	\$ 1,992	\$ 2,615	\$ 1,448	\$ 4,473	\$ 3,440

ECONOMIC FACTORS AND NEXT YEAR’S BUDGETS AND RATES

For the 2019-2020 year, the City kept the overall property tax rate at \$0.7375, but a larger portion is weighted to the general fund. The City intends to maintain current service levels to the citizens, while containing and reducing overall operational costs.

CONTACTING THE CITY’S FINANCIAL MANAGEMENT

This financial report is designed to provide our citizens, taxpayers, customers, and investors and creditors with a general overview of the City’s finances and to demonstrate the City’s accountability for the money it receives. If you have questions about this report or need additional financial information, contact City at (361) 364-2381 or visit the City’s website at www.sintontexas.org.

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BASIC FINANCIAL STATEMENTS

The basic financial statements include integrated sets of financial statements as required by the GASB. The sets of statements include:

- Government – Wide Financial Statements
- Fund Financial Statements:
 - Governmental Funds
 - Proprietary Fund

In addition, the notes to the financial statements are included to provide information that is essential to a user's understanding of the basic financial statements.

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CITY OF SINTON
STATEMENT OF NET POSITION
SEPTEMBER 30, 2019

	Governmental Activities	Business-Type Activities	Total
ASSETS			
Cash and Cash Equivalents	\$ 6,119,264	\$ 2,058,215	\$ 8,177,479
Ad Valorem Tax Receivable (Net)	172,929	-	172,929
Other Receivables (Net)	393,611	399,092	792,703
Internal Balances	159,580	(159,580)	-
Inventory	10,210	-	10,210
Notes Receivable	128,695	-	128,695
Restricted Cash - Construction	-	651,119	651,119
Capital Assets (net)	6,714,592	5,917,326	12,631,918
TOTAL ASSETS	<u>13,698,881</u>	<u>8,866,172</u>	<u>22,565,053</u>
DEFERRED OUTFLOWS			
Deferred Pension Related Outflows	736,767	162,721	899,488
Deferred OPEB Related Outflows	5,909	1,408	7,317
TOTAL DEFERRED OUTFLOWS	<u>742,676</u>	<u>164,129</u>	<u>906,805</u>
LIABILITIES			
Accounts Payable	49,294	360,631	409,925
Accrued Wages	79,440	21,721	101,161
Accrued Interest	11,720	12,423	24,143
Accrued Compensated Absences	101,248	22,051	123,299
Deposits and Unearned Revenue	15,174	309,312	324,486
<i>Long-term Debt</i>			
Long-term Debt Due in One Year	138,120	182,389	320,509
Long-term Debt Due in More than One Year	1,720,354	2,432,991	4,153,345
Total OPEB Liabilities	101,482	20,138	121,620
Net Pension Liability	1,564,747	359,515	1,924,262
TOTAL LIABILITIES	<u>3,781,579</u>	<u>3,721,171</u>	<u>7,502,750</u>
DEFERRED INFLOWS			
Deferred Pension Related Inflows	460,925	76,112	537,037
Deferred OPEB Related Inflows	13,301	4,086	17,387
TOTAL DEFERRED INFLOWS	<u>474,226</u>	<u>80,198</u>	<u>554,424</u>
NET POSITION			
Net Investment in Capital Assets	4,856,118	3,953,065	8,809,183
Restricted for:			
Debt Service	1,465,349	-	1,465,349
Economic Development	2,570,405	-	2,570,405
Police Department	361	-	361
Tourism Development	50,905	-	50,905
EMS Services	3,045	-	3,045
Municipal Court	79,784	-	79,784
Street Maintenance	122,272	-	122,272
Fire Equipment Replacement	219,631	-	219,631
Unrestricted	817,882	1,275,867	2,093,749
TOTAL NET POSITION	<u>\$ 10,185,752</u>	<u>\$ 5,228,932</u>	<u>\$ 15,414,684</u>

See accompanying notes to basic financial statements.

CITY OF SINTON
STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED SEPTEMBER 30, 2019

Functions and Programs	Expenses	Program Revenues		
		Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions
Primary Government:				
<i>Governmental Activities:</i>				
Administration	\$ 858,514	118,599	\$ -	\$ -
Police	1,091,697	65,317	20,305	-
Fire	114,105	19,894	55,703	-
Animal Control	51,609	19,508	-	-
Municipal Court	103,826	113,987	-	-
Streets	426,501	45,740	-	-
Parks	297,343	309,129	-	-
Emergency Services	841,906	345,799	26,122	-
Inspections	9,765	29,002	-	-
Library	278,854	8,559	1,000	-
Interest on Long-term Debt	83,446	-	-	-
<i>Total Governmental Activities</i>	<u>4,157,566</u>	<u>1,075,534</u>	<u>103,130</u>	<u>-</u>
<i>Business-Type Activities:</i>				
Utilities	<u>2,745,445</u>	<u>3,004,627</u>	-	41,500
<i>Total Business-Type Activities</i>	<u>2,745,445</u>	<u>3,004,627</u>	-	41,500
Total Primary Government	<u>\$ 6,903,011</u>	<u>\$ 4,080,161</u>	<u>\$ 103,130</u>	<u>\$ 41,500</u>
General Revenues:				
Taxes				
Ad Valorem Taxes				
Sales Taxes				
Other Taxes				
Interest and Investment Earnings				
Miscellaneous				
Total General Revenues				
Transfers and Payments in Lieu of Taxes				
Change in Net Position				
Net Position at Beginning of Year				
Prior Period Adjustment				
Net Position at End of Year				

See accompanying notes to basic financial statements.

Net (Expense) Revenue and Changes in Net Position
Primary Government

Governmental Activities	Business-Type Activities	Total
\$ (739,915)		\$ (739,915)
(1,006,075)		(1,006,075)
(38,508)		(38,508)
(32,101)		(32,101)
10,161		10,161
(380,761)		(380,761)
11,786		11,786
(469,985)		(469,985)
19,237		19,237
(269,295)		(269,295)
(83,446)		(83,446)
(2,978,902)		(2,978,902)
	\$ 300,682	300,682
	300,682	300,682
		(2,678,220)
1,411,406	-	1,411,406
1,206,545	-	1,206,545
330,595	-	330,595
3,042	1,279	4,321
44,938	-	44,938
2,996,526	1,279	2,997,805
243,616	(243,616)	-
261,240	58,345	319,585
8,655,233	5,537,957	14,193,190
1,269,279	(367,370)	901,909
\$ 10,185,752	\$ 5,228,932	\$ 15,414,684

CITY OF SINTON
BALANCE SHEET - GOVERNMENTAL FUNDS
SEPTEMBER 30, 2019

	Major Funds		
	General Fund	Economic Development	Debt Service
ASSETS			
Cash and Cash Equivalents	\$ 1,913,489	\$ 2,498,736	\$ 691,016
Ad Valorem Taxes Receivable (Net)	145,975	-	26,953
Other Receivables (Net)	313,695	79,916	-
Due from Other Funds	180,057	-	759,100
Inventory	10,210	-	-
Notes Receivable	-	-	-
TOTAL ASSETS	<u>\$ 2,563,426</u>	<u>\$ 2,578,652</u>	<u>\$ 1,477,069</u>
LIABILITIES, DEFERRED INFLOWS OF RESOURCES, AND FUND BALANCES			
<i>Liabilities:</i>			
Accounts Payable	\$ 53,114	\$ 2,247	\$ -
Accrued Wages	79,440	-	-
Due to Other Funds	410,119	6,000	-
<i>Total Liabilities</i>	<u>542,673</u>	<u>8,247</u>	<u>-</u>
<i>Deferred Inflows of Resources:</i>			
Unavailable Property Tax Revenue	145,975	-	26,953
Unavailable EMS Revenue	115,451	-	-
<i>Total Deferred Inflows of Resources</i>	<u>261,426</u>	<u>-</u>	<u>26,953</u>
<i>Fund Balances:</i>			
<i>Nonspendable:</i>			
Inventory	10,210	-	-
Notes Receivable	-	-	-
<i>Restricted for:</i>			
Debt Service	-	-	1,450,116
Economic Development	-	2,570,405	-
Police Department	361	-	-
Tourism Development	50,905	-	-
EMS Services	3,045	-	-
Municipal Court	38,886	-	-
Street Maintenance	-	-	-
Fire Equipment Replacement	-	-	-
<i>Committed for:</i>			
Affordable Housing	-	-	-
Unassigned	1,655,920	-	-
<i>Total Fund Balances</i>	<u>1,759,327</u>	<u>2,570,405</u>	<u>1,450,116</u>
TOTAL LIABILITIES, DEFERRED INFLOWS OF RESOURCES, AND FUND BALANCES	<u>\$ 2,563,426</u>	<u>\$ 2,578,652</u>	<u>\$ 1,477,069</u>

See accompanying notes to basic financial statements.

<u>Major Fund</u> <u>Special</u> <u>Revenue</u>	<u>Nonmajor Fund</u> <u>Affordable</u> <u>Housing</u>	<u>Total</u> <u>Governmental</u> <u>Funds</u>
\$ 746,259	\$ 269,764	\$ 6,119,264
-	-	172,928
-	-	393,611
-	-	939,157
-	-	10,210
-	128,695	128,695
<u>\$ 746,259</u>	<u>\$ 398,459</u>	<u>\$ 7,763,865</u>
\$ -	\$ 9,108	\$ 64,469
-	-	79,440
363,458	-	779,577
<u>363,458</u>	<u>9,108</u>	<u>923,486</u>
-	-	172,928
-	-	115,451
-	-	288,379
-	-	10,210
-	128,695	128,695
-	-	1,450,116
-	-	2,570,405
-	-	361
-	-	50,905
-	-	3,045
40,898	-	79,784
122,272	-	122,272
219,631	-	219,631
-	260,656	260,656
-	-	1,655,920
<u>382,801</u>	<u>389,351</u>	<u>6,552,000</u>
<u>\$ 746,259</u>	<u>\$ 398,459</u>	<u>\$ 7,763,865</u>

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CITY OF SINTON
RECONCILIATION OF THE GOVERNMENTAL FUNDS
BALANCE SHEET TO THE STATEMENT OF NET POSITION
SEPTEMBER 30, 2019

TOTAL FUND BALANCE - TOTAL GOVERNMENTAL FUNDS \$ 6,552,000

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. 6,714,592

Other long-term assets are not available to pay for current-period expenditures and, therefore, are deferred in the funds. 288,379

Accrued compensated absences are not due and payable in the current period and, therefore, not reported in the funds. (101,248)

Long-term liabilities, including capital leases and related accrued interest, are not due and payable in the current period and, therefore not reported in the funds. (1,870,192)

Net pension and total other post-employment liabilities (and related deferred outflows and inflows of resources) do not consume or create current financial resources and are not reported in the funds.

Net Pension Liability	(1,564,747)	
Pension Related Deferred Outflows	736,767	
Pension Related Deferred Inflows	(460,925)	
Total OPEB Obligation	(101,482)	
OPEB Related Deferred Outflows	5,909	
OPEB Related Deferred Inflows	(13,301)	(1,397,779)

TOTAL NET POSITION - GOVERNMENTAL ACTIVITIES \$ 10,185,752

See accompanying notes to basic financial statements.

CITY OF SINTON
STATEMENT OF REVENUES, EXPENDITURES
AND CHANGES IN FUND BALANCES – GOVERNMENTAL FUNDS
FOR THE YEAR ENDED SEPTEMBER 30, 2019

	Major Funds		
	General Fund	Economic Development	Debt Service
REVENUES			
Ad Valorem Taxes	\$ 1,195,659	\$ -	\$ 201,720
Sales Taxes	754,090	452,454	-
Other Taxes	330,595	-	-
Licenses and Permits	29,002	-	-
Grants and Donations	168,447	-	-
Emergency Services	631,367	-	-
Rental Income	299,129	77,142	-
Fines and Penalties	112,913	-	-
Interest Income	784	1,418	354
Miscellaneous	145,147	-	-
TOTAL REVENUES	3,667,133	531,014	202,074
EXPENDITURES			
<i>Current:</i>			
Administration	737,160	73,530	-
Police	1,023,897	-	-
Fire	86,805	-	-
Animal Control	51,186	-	-
Municipal Court	101,802	-	-
Streets	359,525	-	-
Parks	257,495	-	-
Emergency Services	771,640	-	-
Inspections	29,479	-	-
Library	220,848	-	-
Capital Outlay	53,366	-	-
<i>Debt Service:</i>			
Principal	-	75,000	55,486
Interest and Fiscal Charges	-	34,041	40,289
TOTAL EXPENDITURES	3,693,203	182,571	95,775
Excess (Deficiency) of Revenues Over (Under) Expenditures	(26,070)	348,443	106,299
OTHER FINANCING SOURCES (USES)			
Transfers In (Out)	522,545	(72,000)	-
TOTAL OTHER FINANCING SOURCES (USES)	522,545	(72,000)	-
Net Change in Fund Balance	496,475	276,443	106,299
Fund Balances at Beginning of Year	810,610	2,228,181	1,343,817
Prior Period Adjustment	452,242	65,781	-
Fund Balances at End of Year	\$ 1,759,327	\$ 2,570,405	\$ 1,450,116

See accompanying notes to basic financial statements.

<u>Major Fund</u>	<u>Nonmajor Fund</u>	<u>Total</u>
<u>Special</u>	<u>Affordable</u>	<u>Governmental</u>
<u>Revenue</u>	<u>Housing</u>	<u>Funds</u>
\$ -	\$ -	\$ 1,397,379
-	-	1,206,544
-	-	330,595
-	-	29,002
-	-	168,447
-	-	631,367
-	-	376,271
-	-	112,913
355	3,751	6,662
41,329	-	186,476
<u>41,684</u>	<u>3,751</u>	<u>4,445,656</u>
-	-	810,690
-	-	1,023,897
-	-	86,805
-	-	51,186
-	-	101,802
-	-	359,525
-	-	257,495
-	-	771,640
-	-	29,479
-	-	220,848
-	-	53,366
-	-	130,486
-	-	74,330
-	-	<u>3,971,549</u>
41,684	3,751	474,107
<u>(206,929)</u>	<u>-</u>	<u>243,616</u>
<u>(206,929)</u>	<u>-</u>	<u>243,616</u>
(165,245)	3,751	717,723
397,939	235,459	5,016,006
150,107	150,141	818,271
<u>\$ 382,801</u>	<u>\$ 389,351</u>	<u>\$ 6,552,000</u>

See accompanying notes to basic financial statements.

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CITY OF SINTON
STATEMENT OF NET POSITION – PROPRIETARY FUND
SEPTEMBER 30, 2019

	Business-Type Activities
	Utility Fund
ASSETS	
<i>Current Assets:</i>	
Cash and Cash Equivalents	\$ 2,058,215
Receivables (net of allowances for uncollectibles)	399,092
Due From Other Funds	189,401
<i>Total Current Assets</i>	2,646,708
 <i>Other Assets:</i>	
Restricted Cash - Construction	651,119
Property and Equipment (net)	5,917,326
<i>Total Other Assets</i>	6,568,445
TOTAL ASSETS	9,215,153
 DEFERRED OUTFLOWS OF RESOURCES	
Pension Related Deferred Outflows	162,721
OPEB Related Deferred Outflows	1,408
TOTAL DEFERRED OUTFLOWS	164,129
 LIABILITIES	
<i>Current Liabilities:</i>	
Accounts Payable	360,631
Accrued Wages	21,721
Accrued Interest	12,423
Accrued Compensated Absences	22,051
Deposits and Unearned Revenue	309,312
Due to Other Funds	348,981
Current Portion of Long-Term Debt	182,389
<i>Total Current Liabilities</i>	1,257,508
 <i>Long-term Liabilities:</i>	
Long-term Debt (Net of Current Portion)	2,432,991
Total OPEB Liability	20,138
Net Pension Liability	359,515
<i>Total Long-term Liabilities</i>	2,812,644
TOTAL LIABILITIES	4,070,152
 DEFERRED INFLOWS OF RESOURCES	
Pension Related Deferred Inflows	76,112
OPEB Related Deferred Inflows	4,086
TOTAL DEFERRED INFLOWS	80,198
 NET POSITION	
Net Investment In Capital Assets	3,953,065
Unrestricted	1,275,867
TOTAL NET POSITION	\$ 5,228,932

See accompanying notes to basic financial statements.

CITY OF SINTON
STATEMENT OF REVENUES, EXPENSES AND CHANGES IN FUND NET POSITION
PROPRIETARY FUND
FOR THE YEAR SEPTEMBER 30, 2019

	Business-Type Activities
	Utility Fund
OPERATING REVENUES	
Water Service	\$ 1,322,077
Sewer Service	720,020
Garbage Service	874,841
Miscellaneous Charges	87,689
TOTAL OPERATING REVENUES	3,004,627
OPERATING EXPENSES	
Personnel	710,728
Administrative	134,865
Water and Sewer Maintenance and Operations	747,638
Garbage Contractor	811,430
Depreciation	246,758
TOTAL OPERATING EXPENSES	2,651,419
OPERATING INCOME (LOSS)	353,208
NONOPERATING REVENUES (EXPENSES)	
Grants	41,500
Interest Income	1,279
Bond Issuance Costs	(40,000)
Interest Expense	(54,026)
TOTAL NONOPERATING	(51,247)
INCOME (LOSS) BEFORE TRANSFERS	301,961
TRANSFERS	
Transfers Out	(243,616)
CHANGE IN NET POSITION	58,345
BEGINNING NET POSITION	5,537,957
Prior Period Adjustment	(367,370)
ENDING NET POSITION	\$ 5,228,932

See accompanying notes to basic financial statements.

CITY OF SINTON
STATEMENT OF CASH FLOWS - PROPRIETARY FUND
FOR THE YEAR ENDED SEPTEMBER 30, 2019

	Business-Type Activities
	Utility Fund
Cash Flows From Operating Activities:	
Cash Received From Customers	\$ 3,108,792
Cash Paid to Employees for Services	(692,708)
Cash Paid to Suppliers for Goods and Services	(1,516,264)
Net Cash Provided (Used) by Operating Activities	899,820
Cash Flows From Noncapital Financing Activities:	
Transfers to Other Funds	(311,882)
Net Cash Provided (Used) by Noncapital Financing Activities	(311,882)
Cash Flows From Capital and Related Financing Activities:	
Capital Grants	41,500
Issuance of Bonds	1,240,000
Bond Issue Costs Paid	(40,000)
Purchase of Capital Assets	(827,130)
Principal Payments on Long-Term Debt	(69,514)
Interest Paid	(49,435)
Net Cash Provided (Used) by Capital and Related Financing Activities	295,421
Cash Flows From Investing Activities:	
Investment Interest Received	1,279
Net Cash Provided (Used) by Investing Activities	1,279
Net Increase (Decrease) in Cash and Cash Equivalents	884,638
Beginning of Year:	
Cash and Cash Equivalents	1,824,696
Total Beginning of Year	1,824,696
End of Year:	
Cash and Cash Equivalents	2,058,215
Restricted Cash	651,119
Total End of Year	\$ 2,709,334

See accompanying notes to basic financial statements.

CITY OF SINTON
STATEMENT OF CASH FLOWS - PROPRIETARY FUND (CONTINUED)
FOR THE YEAR ENDED SEPTEMBER 30, 2019

		<u>Business-Type Activities</u> <u>Utility Fund</u>
Reconciliation of Operating Income to		
Net Cash Provided (Used) by		
Operating Activities:		
Operating Income (Loss)	\$	353,208
Adjustments to Reconcile Operating		
Income to Net Cash Provided (Used)		
by Operating Activities:		
Depreciation Expense		246,758
(Increase) Decrease in:		
Accounts Receivable (net)		20,262
Pension Related Deferred Outflows		(110,390)
OPEB Related Deferred Outflows		369
Increase (Decrease) in Current Liabilities:		
Accounts Payable		177,669
Accrued Wages		1,958
Accrued Compensated Absences		3,147
Deposits and Unearned Revenue		83,903
Total OPEB Liability		(2,614)
Net Pension Liability		109,729
Pension Related Deferred Inflows		11,735
OPEB Related Deferred Inflows		4,086
Total Adjustments to Reconcile		546,612
Operating Activities		546,612
Net Cash Provided (Used) by		
Operating Activities	\$	899,820

See accompanying notes to basic financial statements.

CITY OF SINTON
NOTES TO BASIC FINANCIAL STATEMENTS
SEPTEMBER 30, 2019

NOTE A -- SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The City of Sinton, Texas (“City”) was incorporated in 1916 under the provisions of the State of Texas and operates under the Manager-Council form of government. The City provides the following primary services: police protection, emergency medical services, public works, street maintenance, parks, library and utility (water, sewer and garbage) service. The City is governed by a mayor and four council members.

The financial statements of 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.

1. REPORTING ENTITY

As required by generally accepted accounting principles, these financial statements present the government and its component units, entities for which the government is considered financially accountable. Blended component units, although legally separate entities, are, in substance, part of the government’s operations; thus, data from these units, if any existed, would be combined with data of the primary government. Discretely presented component units, on the other hand, are reported in a separate column in the government-wide financial statements to emphasize they are legally separate from the government. As of September 30, 2019, the City had the following component units:

City of Sinton Economic Development Corporation

The City exerts significant control over the Economic Development Corporation (EDC), a legally separate entity. The EDC uses the taxing authority of the City and provides services almost exclusively to the City and its constituents. This poses a significant benefit to the City. City Council appoints all members of the Board, approves the Budget, and is charged with hiring and firing of EDC employees, of which there are currently none. In addition, management of the City has operational responsibility for the component unit. This qualifies the EDC as a component unit, which is recorded as a separate fund of the City, using the blended method described in the previous paragraph. The EDC collects sales tax to promote economic growth in the City of Sinton. The EDC does not issue separate financial statements.

In addition, the City is affiliated with the following organizations:

Sinton Volunteer Fire Department (VFD)

The VFD is a legally separate entity over which the City Council has no control. The City provides financial support to supplement the other resources of the VFD. The City also allows the VFD to operate City fire vehicles and equipment. However, the City has no appointment or oversight abilities over the affairs of the VFD. As such, the financial statements of the VFD are not included in these financial statements. Financial information of the VFD may be obtained by writing to 317 E Market, Sinton, TX 78387.

CITY OF SINTON
NOTES TO BASIC FINANCIAL STATEMENTS (CONTINUED)
SEPTEMBER 30, 2019

NOTE A -- SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

2. GOVERNMENT-WIDE AND FUND FINANCIAL STATEMENTS

The **government-wide financial statements** include the statement of net position and the statement of activities. Government-wide statements report information on all of the activities of the City. The effect of interfund transfers has been removed from the government-wide statements but continues to be reflected on the fund statements. Governmental activities are supported mainly by taxes and intergovernmental revenues. Business-type activities are financed in whole or in part by fees charged to external parties for goods and services.

The statement of activities reflects the degree to which the direct expenses of a given function or segments are offset by program revenues. Direct expenses are those that are clearly identifiable with a specific function. 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 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 in program revenues are reported as general revenues.

Separate **fund financial statements** are provided for governmental funds and proprietary funds. The General Fund, Economic Development Fund, Debt Service Fund, Special Revenue Fund and Utility Fund meet the criteria as *major funds*.

3. 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. This measurement focus is also used for the proprietary fund financial statements. Revenues are recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of related cash flows. Revenue types which have been accrued consist of revenue from the investments, property taxes, intergovernmental revenue and charges for services. Grants are recognized as revenue when all applicable eligibility requirements imposed by the provider are met.

Revenues are classified as *program revenues* and *general revenues*. 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. General revenues include all taxes, grants not restricted to specific programs, investment earnings, and other miscellaneous revenues.

Governmental fund level financial statements are reported using current financial resources measurement focus and the modified accrual basis of accounting. Revenues are recognized as soon as they are both measurable and available. Revenues are considered available when they are collectible within the current period or soon enough thereafter to pay liabilities of the current period. Measurable and available revenues include revenues expected to be received within 60 days after the fiscal year ends. Receivables which are measurable but not collectible within 60 days after the end of the fiscal period are reported as deferred revenue.

CITY OF SINTON
NOTES TO BASIC FINANCIAL STATEMENTS (CONTINUED)
SEPTEMBER 30, 2019

NOTE A -- SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

3. MEASUREMENT FOCUS, BASIS OF ACCOUNTING, AND FINANCIAL STATEMENT PRESENTATION (CONT.)

Expenditures generally are recorded when a fund liability is incurred; however, debt service expenditures, as well as expenditures related to compensated absences, pension benefits and other post-employment benefits, are recorded only when the liability has matured and payment is due.

The government reports the following major governmental funds:

The General Fund is the general operating fund of the City and is always classified as a major fund. The General Fund is used to account for all financial resources except those required to be accounted for in another fund. Major revenue sources include property taxes, sales taxes, and franchise fees. Primary expenditures are for general administration and public safety.

Economic Development Fund is used to account for the sales taxes collected to support economic development activities in the City.

Special Revenue Fund is used to account for the collections from restricted revenue streams for municipal court, street maintenance and fire equipment/replacement.

Debt Service Fund is used to account for property taxes levied to repay legally authorized debts of the City.

Proprietary fund level financial statements are used to account for activities, which are similar to those often found in the private sector. The measurement focus is upon determination of net income, financial position and cash flows. The City's Proprietary Fund is the utility fund.

The **Proprietary Funds** are accounted for using the accrual basis of accounting as follows:

1. Revenues are recognized when earned, and expenses are recognized when the liabilities are incurred.
2. Current-year contributions, administrative expenses and benefit payments, which are not received or paid until the subsequent year, are accrued.

Proprietary funds distinguish operating revenues and expenses from non-operating. Operating revenues and expenses generally result from providing services and producing and delivering goods in connection with a proprietary fund's principal ongoing operations.

4. CASH AND CASH EQUIVALENTS AND RESTRICTED CASH

Cash and cash equivalents include cash deposits and investments with a maturity date within three (3) months of the date acquired by the City. This includes local government investment pools.

Cash is reported as restricted only if the restriction on the cash is narrower than the purpose of the fund as a whole. For the City, these balances generally consist of proceeds from bonds for construction.

CITY OF SINTON
NOTES TO BASIC FINANCIAL STATEMENTS (CONTINUED)
SEPTEMBER 30, 2019

NOTE A -- SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

5. INVESTMENTS

State statutes authorize the City to invest in (a) obligations of the United States or its agencies and instrumentalities; (b) direct obligations of the State of Texas or its agencies; (c) other obligations, the principal and interest of which are unconditionally guaranteed or insured by the State of Texas or the United States; (d) obligations of states, agencies, counties, cities, and other political subdivisions of any state having been rated as to investment quality by a nationally recognized investment rating firm and having received a rating of not less than A or its equivalent; (e) certificates of deposit by state and national banks domiciled in this state that are (i) guaranteed or insured by the Federal Deposit Insurance Corporation, or its successor; or, (ii) secured by obligations that are described by (a) - (e). Statutes also allow investing in local government investment pools organized and rated in accordance with the Interlocal Cooperation Act, whose assets consist exclusively of the obligations of the United States or its agencies and instrumentalities and repurchase assessments involving those same obligations.

The City's investments may include certificates of deposit (carried at amortized cost) and local government investment pools. These pools are 2a7-like which means they are not registered with the Securities and Exchange Commission as an investment company, but nevertheless have a policy that they will, and do, operate in a manner consistent with the SEC's Rule 2a7 of the Investment Company Act of 1940. These pools are reported a share price of \$1 which approximates fair value.

6. ACCOUNTS RECEIVABLE

Property taxes are levied based on taxable value at January 1 prior to September 30 and become due October 1, 2018 and past due after January 31, 2019. Accordingly, receivables and revenues for property taxes are reflected on the government-wide statement based on the full accrual method of accounting. Property tax receivables for prior years' levy are not shown net of an allowance for uncollectibles as management believes all outstanding amounts will be collected.

Accounts receivable from other governments include amounts due from grantors for approved grants for specific programs and taxes collected on behalf of the City (primarily sales). Program grants are recorded as receivables and revenues at the time all eligibility requirements established by the provider have been met.

7. PREPAID ITEMS

Payments made for goods and services in advance are recorded as prepaid items on the balance sheet.

8. SHORT-TERM INTERFUND RECEIVABLES/PAYABLES

During the course of operations, numerous transactions occur between individual funds for goods provided or services rendered. These receivables and payables are classified as "due from other funds" or "due to other funds" on the fund statements. Any residual balances outstanding between the governmental activities and business-type activities are reported in the government-wide financial statements as "internal balances."

CITY OF SINTON
NOTES TO BASIC FINANCIAL STATEMENTS (CONTINUED)
SEPTEMBER 30, 2019

NOTE A -- SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

9. NOTES RECEIVABLE

The City's affordable housing program lends financial resources to individuals in the City to purchase homes. The notes require escrowed taxes and insurance payments and are issued at favorable interest rate. The unpaid balance of the notes and any required escrow amounts are recorded as Notes Receivable on the Balance Sheet and Statement of Net Position. Because these notes are secured by a lien on the property, no allowance for uncollectible amounts has been recorded.

10. INVENTORY

Inventory consists of unleaded and diesel fuels available for City and County use. The County is billed monthly for their consumption. The fuel is carried at the lower of cost or market based on a first in- first out method.

11. DEFERRED INFLOWS AND OUTFLOWS OF RESOURCES

A deferred outflow of resources is a consumption of net position that is applicable to a future reporting period while a deferred inflow of resources is an acquisition of net position. These items are presented in separate sections following assets (deferred outflows) or liabilities (deferred inflows) on the statement of net position.

Property tax revenues are recognized when they become both measurable and available in the fund statements. Available means when due, or past due, and receivable within the current period or expected to be collected soon enough thereafter to be used to pay liabilities of the current period. Property tax revenue not expected to be available for the current period are reflected as unavailable revenue. Unavailable revenues arise when assets are recognized before revenue recognition criteria have been satisfied. Grant and reimbursement revenues received in advance of expenses/expenditures are reflected as unearned revenue.

12. CAPITAL ASSETS

Capital assets, which include land, buildings and improvements, equipment, and infrastructure assets, are reported in the applicable governmental or business type activities column in the government-wide financial statements. Capital assets such as equipment are defined as assets with a cost of \$2,000 or more and a useful life in excess of 1 year. Infrastructure assets include City-owned streets, sewer, and parks. Capital assets are recorded at historical costs if purchased or constructed. Donated capital assets are recorded at estimated fair market value at the date of donation.

CITY OF SINTON
 NOTES TO BASIC FINANCIAL STATEMENTS (CONTINUED)
 SEPTEMBER 30, 2019

NOTE A -- SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

12. CAPITAL ASSETS (Continued)

The Costs of normal maintenance and repairs that do not add to the value of the asset or materially extend asset lives are not capitalized. Capital assets are depreciated using the straight-line method over the following estimated useful lives:

<u>Asset</u>	<u>Estimated Life</u>
Buildings and Improvements	10 to 50 years
Streets, Utilities and Infrastructure	20 to 50 years
Furniture, Fixtures, Vehicles	5 to 20 years

13. COMPENSATED ABSENCES

Full-time employees earn vacation leave at varying rates depending on length of service. Accumulated vacation leave is paid on termination. In addition, employees accrue sick leave up to a maximum of 90 days. Unused sick leave is not paid upon termination.

Liabilities for compensated absences are recognized in the fund statements only to the extent the liabilities have matured (i.e. are due for payment). Compensated absences are accrued in the government-wide statements.

14. LONG-TERM OBLIGATIONS

In the government-wide financial statements, long-term debt (including capital leases) and other long-term obligations are reported as liabilities under governmental activities or proprietary fund type statement of net position. On new bond issues, bond premiums and discounts are deferred and amortized over the life of the bond. Bond issuance costs are expensed as incurred.

In the fund financial statements, governmental fund types recognize bond premiums and discounts, as well as bond issuance costs during the period incurred. 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.

15. PENSIONS

The net pension liability, deferred inflows and outflows of resources related to pensions, and pension expense, information about the fiduciary net position of the Texas Municipal Retirement System (TMRS), and additions to and deductions from TMRS's fiduciary net position have been determined on the same basis as they are reported by TMRS. For this purpose, benefit payments (including refunds of employee contributions) are recognized when due and payable in accordance with the benefit terms. Investments are reported at fair value.

CITY OF SINTON
NOTES TO BASIC FINANCIAL STATEMENTS (CONTINUED)
SEPTEMBER 30, 2019

NOTE A -- SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

16. OTHER POST-EMPLOYMENT BENEFITS (OPEB)

The total opeb liability (and related deferred inflows and outflows of resources) and opeb expense of the TMRS supplemental death benefits fund, have been determined on the same basis as they are reported by TMRS.

17. FUND BALANCES

In the fund financial statements, governmental funds report the following classifications of fund balance:

Nonspendable – Represents amounts that cannot be spent because they are either not in spendable form (such as inventory or prepaid items) or legally required to remain intact.

Restricted - Represents amounts that are constrained by external parties, constitutional provisions or enabling legislation.

Committed - Represents amounts that can only be used for a specific purpose by a resolution of City Council. Committed amounts cannot be used for any other purpose unless the City Council removes those constraints through the same formal action.

Assigned - Represents amounts which the City intends to use for a specific purpose but do not meet the criteria of restricted or committed. Assignments may be created by the City Council.

Unassigned - Represents the residual balance that may be spent on any other purpose of the City.

When an expenditure is incurred for a purpose in which multiple classifications are available, the City considers restricted balances spent first, committed second and assigned third.

18. NET POSITION

Net position represents the difference between assets and liabilities. Net position invested in capital assets consists of capital assets, net of accumulated depreciation, reduced by the outstanding balances of any borrowing used for the acquisition, construction or improvements of those assets, and adding back unspent proceeds. Net position are reported as restricted when there are limitations imposed on their use either through the enabling legislation adopted by the City or through external restrictions imposed by creditors, grantors, or laws or regulations of other governments.

19. OPERATING REVENUES AND EXPENSES

Operating revenues are those revenues that are generated directly from the primary activity of the enterprise. Operating expenses are the necessary costs incurred to provide the service that is the primary activity. Revenues and expenses not meeting these definitions are reported as nonoperating.

CITY OF SINTON
NOTES TO BASIC FINANCIAL STATEMENTS (CONTINUED)
SEPTEMBER 30, 2019

NOTE A -- SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

20. INTERFUND TRANSFERS

Legally authorized transfers are treated as interfund transfers and are included in the results of operations of both Governmental and Proprietary Funds. However, debt service paid on behalf of proprietary funds is reported as debt service expenditures in the debt service fund and a transfer in the governmental activities.

21. USE OF ESTIMATES

The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

NOTE B -- DEPOSITS AND INVESTMENTS

1. Deposits

The City's funds are required to be deposited and invested under the terms of a depository contract. The depository bank deposits for safekeeping and trust with the City's agent bank approved pledge securities in an amount sufficient to protect City funds on a day-to-day basis during the period of the contract. The pledge of approved securities is waived only to the extent of the depository bank's dollar amount of Federal Deposit Insurance Corporation ("FDIC") insurance. At September 30, 2019, the carrying amount of the City's deposits were fully collateralized by a combination of federal deposit insurance (FDIC) and securities pledged by the City's depository.

2. Investments

The City had no investments at September 30, 2019.

3. Analysis of Specific Deposit and Investment Risks

GASB Statement No. 40 requires a determination as to whether the City was exposed to specific investment risks at year end and if so, the reporting of certain related disclosures. The City has reviewed its risk exposure and does not believe it is exposed to significant credit risk, custodial credit risk, or concentration of credit risk.

CITY OF SINTON
NOTES TO BASIC FINANCIAL STATEMENTS (CONTINUED)
SEPTEMBER 30, 2019

NOTE C -- PROPERTY TAX CALENDAR

The City's property tax is levied and becomes collectible each October 1 based on the assessed values listed as of the prior January 1, which is the date a lien attaches to all taxable property in the City. Assessed values are established by the San Patricio County Appraisal District at 100% of estimated market value. Assessed values are reduced by lawful exemptions to arrive at taxable values. A revaluation of all property is required to be completed every four (4) years. The total taxable value as of January 1, 2018, upon which the fiscal 2019 levy was based, was \$186 million (i.e., market value less exemptions). The estimated market value was \$211 million, making the taxable value 88% of the estimated market value.

The City is permitted by the Constitution of the State of Texas to levy taxes up to \$1.50 per \$100 of taxable assessed valuation for all governmental purposes. The combined tax rate to finance general governmental services, including the payment of principal and interest on long-term debt, for the year ended September 30, 2019, was \$0.737500 per \$100 of assessed value, which means that the City has a tax margin of \$0.7625 for each \$100 value and could increase its annual tax levy by approximately \$1.4 million based upon the present assessed valuation before the limit is reached. However, the City may not adopt a tax rate that exceeds the effective tax rate calculated in accordance with the Texas Property Tax Code without holding two public hearings. The Property Tax Code subjects an increase in the proposed tax rate to a referendum election, if petitioned by registered voters, when the effective tax rate increase is more than eight percent (8%) of the previous year's maintenance and operations tax rate. Certain other statutory limitations may limit growth to only 3% annually.

NOTE D – OTHER RECEIVABLES

Other receivables for the City as of September 30, 2019 are as follows:

	General Fund	Economic Development	Utility Fund
Sales and Mixed Beverage Tax	\$ 133,193	\$ 79,916	\$ 499,092
Franchise Fees	39,822	-	-
Hotel Occupancy Tax	6,473	-	-
EMS Charges	468,143	-	-
Customer Charges	16,311	-	-
Other	2,445	-	-
Allowance for Uncollectibles	<u>(352,692)</u>	<u>-</u>	<u>(100,000)</u>
Total Other Receivables	<u>\$ 313,695</u>	<u>\$ 79,916</u>	<u>\$ 399,092</u>

CITY OF SINTON
NOTES TO BASIC FINANCIAL STATEMENTS (CONTINUED)
SEPTEMBER 30, 2019

NOTE E -- INTERFUND TRANSACTIONS

Interfund balances as of September 30, 2019 were as follows:

Due From	Due To	Amount	Purpose
General	Debt Service	\$ 410,119	<i>property tax collections</i>
Economic Development	General	6,000	<i>in support of administration</i>
Utility	Debt Service	348,981	<i>reimburse debt service payment</i>
Special Revenue	General	174,057	<i>funds released from commitment</i>
Special Revenue	Utility	189,401	<i>water replacement fees collected</i>

Interfund transfers during the year ending September 30, 2019 were as follows:

Transfer From	Transfer to	Amount	Purpose
Utility	General	\$ 243,616	<i>In support of administration</i>
Special Revenue	General	206,929	<i>Release of committed resources</i>
Economic Development	General	72,000	<i>In support of administration</i>
		<u>\$ 522,545</u>	

NOTE F – NOTES RECEIVABLE

The City has three outstanding notes for affordable housing as follows:

	Issue Date	Original Amount	Balance 9/30/19	Monthly Payment	Interest Rate
Note 1	8/1/2002	\$ 55,000	\$ 14,943	\$ 305	3.00%
Note 2	12/1/2010	71,000	61,925	394	3.00%
Note 3	12/1/2010	81,000	51,827	449	3.00%
		<u>\$ 207,000</u>	<u>\$ 128,695</u>	<u>\$ 1,148</u>	

Future minimum payments (not counting escrow payments for taxes and insurance are as follows:

Fiscal Year Ending September 30,	Future Note Payments
2020	\$ 13,776
2021	13,776
2022	13,776
2023	13,776
2024	11,434
Thereafter	89,413
Gross Amounts	155,951
Less: Amounts Representing Interest	(27,256)
	<u>\$ 128,695</u>

CITY OF SINTON
NOTES TO BASIC FINANCIAL STATEMENTS (CONTINUED)
SEPTEMBER 30, 2019

NOTE G -- CAPITAL ASSETS

Capital asset activity for the year ended September 30, 2019, was as follows:

<u>Governmental Activities</u>	Balance* 10/1/2018	Additions	Disposals/ Transfers	Balance 9/30/2019
Land	\$ 62,250	\$ -	\$ -	\$ 62,250
Buildings and Improvements	5,634,366	-	-	5,634,366
Infrastructure	3,688,635	-	-	3,688,635
Vehicles and Equipment	2,875,856	83,032	(179,971)	2,778,917
	<u>12,261,107</u>	<u>83,032</u>	<u>(179,971)</u>	<u>12,164,168</u>
Less Accumulated Depreciation				
Buildings and Improvements	(1,912,404)	(151,615)	-	(2,064,019)
Vehicles and Equipment	(2,579,215)	(122,504)	179,971	(2,521,748)
Infrastructure	(797,110)	(66,699)	-	(863,809)
	<u>(5,288,729)</u>	<u>(340,818)</u>	<u>179,971</u>	<u>(5,449,576)</u>
Capital Assets, Net	<u>\$ 6,972,378</u>	<u>\$ (257,786)</u>	<u>\$ -</u>	<u>\$ 6,714,592</u>
<u>Business-Type Activities</u>	Balance* 10/1/2018	Additions	Disposals/ Transfers	Balance 9/30/2019
Land	\$ 4,000	\$ -	\$ -	\$ 4,000
Infrastructure	9,548,368	-	1,380,699	10,929,067
Vehicles and Equipment	1,298,208	-	(480,887)	817,321
Construction in Progress	1,380,700	827,130	(1,380,699)	827,131
	<u>12,231,276</u>	<u>827,130</u>	<u>(480,887)</u>	<u>12,577,519</u>
Less Accumulated Depreciation				
Vehicles and Equipment	(1,140,972)	(35,832)	480,887	(695,917)
Infrastructure	(5,753,350)	(210,926)	-	(5,964,276)
	<u>(6,894,322)</u>	<u>(246,758)</u>	<u>480,887</u>	<u>(6,660,193)</u>
Capital Assets, Net	<u>\$ 5,336,954</u>	<u>\$ 580,372</u>	<u>\$ -</u>	<u>\$ 5,917,326</u>

Land and Construction in Progress are not depreciated.

*Beginning balances were restated from the results of a prior period adjustment.

CITY OF SINTON
NOTES TO BASIC FINANCIAL STATEMENTS (CONTINUED)
SEPTEMBER 30, 2019

NOTE G -- CAPITAL ASSETS (Continued)

Depreciation expense was charged to the governmental functions as follows:

Administration	\$	35,440
Police		40,758
Fire		27,300
Streets		76,296
Parks		48,309
Emergency Services		58,862
Library		<u>53,853</u>
Total Depreciation Expense - Governmental Activities		<u>\$ 340,818</u>

NOTE H -- LONG-TERM LIABILITIES

	Balance*			Balance
	10/1/2018	Additions	Reductions	9/30/2019
<i>Governmental Activities</i>				
Bonds Payable and Premiums	\$ 1,991,564	\$ -	\$ (133,090)	\$ 1,858,474
Net Pension Liability	1,207,540	704,512	(347,305)	1,564,747
Accrued Compensated Absences	94,762	101,248	(94,762)	101,248
Total OPEB Liability	<u>109,990</u>	<u>9,216</u>	<u>(17,724)</u>	<u>101,482</u>
<i>Total Governmental Activities</i>	<u>\$ 3,403,856</u>	<u>\$ 814,976</u>	<u>\$ (592,881)</u>	<u>\$ 3,625,951</u>
 <i>Business-Type Activities</i>				
Bonds Payable and Premiums	\$ 1,448,040	\$ 1,240,000	\$ (72,660)	\$ 2,615,380
Net Pension Liability	249,786	181,571	(71,842)	359,515
Accrued Compensated Absences	18,903	22,051	(18,903)	22,051
Total OPEB Liability	<u>22,752</u>	<u>2,539</u>	<u>(5,153)</u>	<u>20,138</u>
<i>Total Business-Type Activities</i>	<u>\$ 1,739,481</u>	<u>\$ 1,446,161</u>	<u>\$ (168,558)</u>	<u>\$ 3,017,084</u>

*Beginning balances restated from the results of a prior period adjustment.

Historically, the General Fund has been used to pay for governmental accrued compensated absences. Because of the on-demand nature of compensated absences, the City reports the liability for accrued compensated absences as a current liability on the Statement of Net Position. Beginning balances were restated. See Note O.

NOTE I -- BONDS PAYABLE

Combination Tax and Limited Pledged Revenue Certificates of Obligation, Series 2007

The City issued \$1,500,000 in certificates in March, 2007 for the construction of a community center. The debt service is funded by a pledge of economic development sales taxes. The City may also levy a property tax to pay the debt service. The bonds mature serially through September 1, 2027 and bear interest at 4.27%.

CITY OF SINTON
NOTES TO BASIC FINANCIAL STATEMENTS (CONTINUED)
SEPTEMBER 30, 2019

NOTE I – BONDS PAYABLE (Continued)

Combination Tax and Limited Pledged Revenue Certificates of Obligation, Series 2014

The City issued \$3,000,000 in certificates in June, 2014 for replacing water meters. The debt service is funded by a combination of utility system revenues (55%) and property taxes (45%). The bonds mature serially through September 1, 2034 and bear interest at 2-4%.

Combination Tax and Limited Pledged Revenue Certificates of Obligation, Series 2019

The City issued \$1,240,000 in certificates in June, 2019 for automatic water meters. The debt service is funded by utility system revenues (and backed by property taxes if necessary). The bonds mature serially through September 1, 2029 and bear interest at 1.1-2.4%.

All three bond series were privately placed with a bank and contain no subjective acceleration clauses, events of default with finance-related consequences, or termination events with finance-related consequences.

Changes in Bonds Payable

	Balance 10/1/2018	Additions	Reductions	Balance 9/30/2019	Due Within One Year
<i>Governmental Activities</i>					
Bonds Payable:					
2007 Series	\$ 830,000	\$ -	\$ (75,000)	\$ 755,000	\$ 80,000
2014 Series	1,136,836	-	(55,486)	1,081,350	55,625
Unamortized Premiums	24,728	-	(2,604)	22,124	2,495
<i>Total Governmental Activities</i>	<u>\$ 1,991,564</u>	<u>\$ -</u>	<u>\$ (133,090)</u>	<u>\$ 1,858,474</u>	<u>\$ 138,120</u>
<i>Business-Type Activities</i>					
Bonds Payable:					
2019 Series	\$ -	\$ 1,240,000	\$ -	\$ 1,240,000	\$ 110,000
2014 Series	1,418,164	-	(69,514)	1,348,650	69,375
Unamortized Premiums	29,876	-	(3,146)	26,730	3,014
<i>Total Business-Type Activities</i>	<u>\$ 1,448,040</u>	<u>\$ 1,240,000</u>	<u>\$ (72,660)</u>	<u>\$ 2,615,380</u>	<u>\$ 182,389</u>

CITY OF SINTON
NOTES TO BASIC FINANCIAL STATEMENTS (CONTINUED)
SEPTEMBER 30, 2019

NOTE I – BONDS PAYABLE (Continued)

The annual requirements to amortize all bonded debt outstanding as of September 30, 2019, including interest payments, are as follows:

Fiscal Year Ending September 30,	Principal	Interest	Total
<i>Governmental Activities</i>			
2020	\$ 135,625	\$ 68,612	\$ 204,237
2021	142,850	63,387	206,237
2022	150,075	57,882	207,957
2023	152,300	52,203	204,503
2024	159,525	46,351	205,876
2025-2029	666,550	141,288	807,838
2030-2034	429,425	44,278	473,703
	<u>\$ 1,836,350</u>	<u>\$ 474,001</u>	<u>\$ 2,310,351</u>
<i>Business-Type Activities</i>			
2020	\$ 179,375	\$ 74,540	\$ 253,915
2021	187,150	68,827	255,977
2022	189,925	64,106	254,031
2023	197,700	59,247	256,947
2024	205,475	54,195	259,670
2025-2029	1,093,450	186,874	1,280,324
2030-2034	535,575	55,222	590,797
	<u>\$ 2,588,650</u>	<u>\$ 563,011</u>	<u>\$ 3,151,661</u>

NOTE J -- EMPLOYEES' RETIREMENT SYSTEMS

The City participates as one of 887 plans in the nontraditional, joint contributory, hybrid defined benefit pension plan administered by the Texas Municipal Retirement System (TMRS). TMRS is an agency created by the state of Texas and administered in accordance with the TMRS Act, Subtitle G, Title 8, Texas Government Code (the TMRS Act) as an agent multiple-employer retirement system for municipal employees in the State of Texas. The TMRS Act places the general administration and management of the system with a six-member Board of Trustees. Although the Governor, with the advice and consent of the Senate, appoints the Board, TMRS is not fiscally dependent on the State of Texas. TMRS's defined benefit pension plan is a tax-qualified plan under Section 401(a) of the Internal Revenue Code. TMRS issues a publicly available comprehensive annual financial report (CAFR) that can be obtained at www.tmr.com. All eligible employees of the City are required to participate in TMRS retirement system.

CITY OF SINTON
NOTES TO BASIC FINANCIAL STATEMENTS (CONTINUED)
SEPTEMBER 30, 2019

NOTE J -- EMPLOYEES' RETIREMENT SYSTEMS (Continued)

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 payment 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.

At the December 31 valuations and measurement dates, the following employees were covered by the benefit terms:

	2018
Inactive employees or beneficiaries currently receiving benefits	25
Inactive employees entitled to but not yet receiving benefits	56
Active employees	51
	132

Contributions

The contribution rates for employees in TMRS are either 5%, 6%, or 7% of employee gross earnings, and the City matching percentages are either 100%, 150%, or 200%, both as adopted by the governing body of the City. Under the state law governing TMRS, the contribution rate for each City is determined annually by the actuary, using the Entry Age Normal (EAN) actuarial cost method. The actuarially determined rate is the estimated amount necessary to finance the cost of benefits earned by employees during the year, with an additional amount to finance any unfunded accrued liability.

Employees for the City were required to contribute 7% of their annual gross earnings and the City matches 2 to 1. The City also offers updated service credits and cost of living allowances. The contribution rates for the City were 12.6% and 12.87% in calendar years 2018 and 2019, respectively. The City's contributions to TMRS for the year ended September 30, 2019 were \$264,302 and matched the required contributions.

Actuarial Assumptions

The Total Pension Liability in the December 31, 2018 actuarial valuation was determined using the following actuarial assumptions:

Inflation	2.50% per year
Salary Increases	3.5%-10.5% including inflation
Investment Rate of Return*	6.75%

* Presented net of pension plan investment expense, including inflation

CITY OF SINTON
NOTES TO BASIC FINANCIAL STATEMENTS (CONTINUED)
SEPTEMBER 30, 2019

NOTE J -- EMPLOYEES' RETIREMENT SYSTEMS (Continued)

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 Health Mortality Table, 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 Disable Retiree 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.

Actuarial assumptions used in the December 31, 2018 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. They were adopted in 2015 and first used in the December 31, 2015 actuarial valuation. The post-retirement mortality assumption for healthy annuitants and Annuity Purchase Rate (APRs) are based on the Mortality Experience Investigation Study covering 2009 through 2011 and dated December 31, 2013. In conjunction with these changes first used in the December 31, 2013 valuation, the System adopted the Entry Age Normal actuarial cost method and a one-time change to the amortization policy. Plan assets are managed on a total return basis with an emphasis on both capital appreciation as well as the production of income, in order to satisfy the short-term and long-term funding needs of TMRS.

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

<u>Asset Class</u>	<u>Target Allocation</u>	<u>Long-Term Expected Real Rate of Return (Arithmetic)</u>
Domestic Equity	17.50%	4.30%
International Equity	17.50%	6.10%
Core Fixed Income	10.00%	1.00%
Non-Core Fixed Income	20.00%	3.39%
Real Return	10.00%	3.78%
Real Estate	10.00%	4.44%
Absolute Return	10.00%	3.56%
Private Equity	5.00%	7.75%
	<u>100.00%</u>	

CITY OF SINTON
NOTES TO BASIC FINANCIAL STATEMENTS (CONTINUED)
SEPTEMBER 30, 2019

NOTE J -- EMPLOYEES' RETIREMENT SYSTEMS (Continued)

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.

Net Pension Liability

The City's Net Pension Liability (NPL) was measured as of December 31, 2018, and the Total Pension Liability (TPL) used to calculate the Net Pension Liability was determined by an actuarial valuation as of that date.

Changes in the Net Pension Liability

The below schedule presents the changes in the Net Pension Liability as of December 31, 2018:

	Total Pension Liability	Plan Fiduciary Net Position	Net Pension Liability
Balance at December 31, 2017	\$ 9,119,938	\$ 7,662,612	\$ 1,457,326
Changes for the year:			
Service Cost	326,906	-	326,906
Interest	612,641	-	612,641
Change of Benefit Terms	-	-	-
Difference Between Expected and Actual Experience	(287,727)	-	(287,727)
Changes of Assumptions	-	-	-
Contributions - Employer	-	269,484	(269,484)
Contributions - Employee	-	149,663	(149,663)
Net Investment Income	-	(229,595)	229,595
Benefit Payments, Including Refunds of Employee Contributions	(414,455)	(414,455)	-
Administrative Expense	-	(4,436)	4,436
Other Changes	-	(232)	232
Net Changes	<u>237,365</u>	<u>(229,571)</u>	<u>466,936</u>
Balance at December 31, 2018	<u>\$ 9,357,303</u>	<u>\$ 7,433,041</u>	<u>\$ 1,924,262</u>

CITY OF SINTON
NOTES TO BASIC FINANCIAL STATEMENTS (CONTINUED)
SEPTEMBER 30, 2019

NOTE J -- EMPLOYEES' RETIREMENT SYSTEMS (Continued)

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 or 1-percentage point higher than the current rate:

	Discount Rate 5.75%	Discount Rate 6.75%	Discount Rate 7.75%
Net Pension Liability (Asset)	\$ 3,391,943	\$ 1,924,262	\$ 744,210

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.

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

For the year ended September 30, 2019, the City recognized pension expense of \$314,900. Also as of September 30, 2019, the City reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences Between Expected and Actual Economic Experience	\$ 27,002	\$ 250,051
Changes in Actuarial Assumptions	-	-
Differences Between Projected and Actual Investment Earnings	680,503	286,986
Contributions Subsequent to the Measurement Date	191,983	-
	\$ 899,488	\$ 537,037

Deferred outflows of resources in the amount of \$191,983 is related to pensions resulting from contributions subsequent to the measurement date, and will be recognized as a reduction of the net pension liability for the fiscal year ending September 30, 2020.

CITY OF SINTON
NOTES TO BASIC FINANCIAL STATEMENTS (CONTINUED)
SEPTEMBER 30, 2019

NOTE J -- EMPLOYEES' RETIREMENT SYSTEMS (Continued)

Other amounts reported as deferred outflows and inflows of resources related to pensions will be recognized in pension expense as follows:

For the Fiscal Year ended September 30,		
2020	\$	15,713
2021		(24,632)
2022		30,022
2023		149,365
	\$	<u>170,468</u>

NOTE K -- OTHER POSTEMPLOYMENT BENEFIT – SUPPLEMENTAL DEATH BENEFIT

The City also participates in the cost sharing multiple-employer defined 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.

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. Membership in the plan at December 31, 2018, the valuation and measurement date, consisted of:

	<u>2018</u>
Inactive employees or beneficiaries currently receiving benefits	17
Inactive employees entitled to but not yet receiving benefits	6
Active employees	51
	<u>74</u>

The SDBF required contribution rates, based on these assumptions, are as follows:

For the Plan Year Ended December 31,	Total Rate	Retiree Portion
2018	0.22%	0.08%
2019	0.23%	0.09%

CITY OF SINTON
 NOTES TO BASIC FINANCIAL STATEMENTS (CONTINUED)
 SEPTEMBER 30, 2019

NOTE K -- OTHER POSTEMPLOYMENT BENEFIT - SBDF (Continued)

These contribution rates are based on actuarial assumptions developed primarily from the actuarial investigation of the experience of TMRS over the four year period from December 31, 2010 to December 31, 2014. They were adopted in 2015 and first used in the December 31, 2015 actuarial valuation. The post-retirement mortality assumption for healthy annuitants and Annuity Purchase Rate (APRs) are based on the Mortality Experience Investigation Study covering 2009 through 2011 and dated December 31, 2013. In conjunction with these changes first used in the December 31, 2013 valuation, the System adopted the Entry Age Normal actuarial cost method. These assumptions are summarized below:

Inflation	2.50%
Salary Increases	3.5% to 10.5% including Inflation
Discount Rate	3.71% based on Fidelity 20-year Municipal GO AA Index
Administrative expenses	All administrative expenses are paid through the Pension Trust and accounted for under reporting requirements under GASB Statement No. 68.
Mortality rates - service retirees	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.
Mortality rates - disabled retirees	RP2000 Combined Mortality Table with blue Collar Adjustment with male rates multiplied by 109% and femal rates multiplied by 103% with a 3 year set-forward for both male 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.

CITY OF SINTON
NOTES TO BASIC FINANCIAL STATEMENTS (CONTINUED)
SEPTEMBER 30, 2019

NOTE K -- OTHER POSTEMPLOYMENT BENEFIT - SBDF (Continued)

The changes in the City's Total OPEB Liability (TOL), based on the above actuarial factors, during the year ended December 31, 2018, were as follows:

	Total OPEB Liability
Balance at December 31, 2017	\$ 132,742
Changes for the year:	
Service Cost	7,269
Interest	4,486
Change of Benefit Terms	-
Difference Between Expected and Actual Experience	(12,838)
Changes of Assumptions	(8,329)
Benefit Payments	(1,710)
Net Changes	(11,122)
 Balance at December 31, 2018	 \$ 121,620

There is no separate trust maintained to fund this TOL. No assets are accumulated in a trust that meets the criteria in paragraph 4 of GASB Statement No. 75 to pay related benefits.

The following presents the TOL of the City, calculated using the discount rate of 3.71% as well as what the City's TOL would be if it were calculated using a discount rate that is 1-percentage point lower (2.71%) and 1-percentage point higher (4.71%) than the current rate:

	Discount Rate 2.71%	Discount Rate 3.71%	Discount Rate 4.71%
Total OPEB Liability	\$ 143,986	\$ 121,620	\$ 104,173

For the year ended September 30, 2019, the City recognized OPEB expense of \$9,634. Also as of September 30, 2019, the City reported deferred outflows of resources and deferred inflows of resources related to OPEB from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences Between Expected and Actual Economic Experience	\$ -	\$ 10,545
Changes in Actuarial Assumptions	5,975	6,842
Contributions Subsequent to the Measurement Date	1,342	-
	\$ 7,317	\$ 17,387

CITY OF SINTON
 NOTES TO BASIC FINANCIAL STATEMENTS (CONTINUED)
 SEPTEMBER 30, 2019

NOTE K -- OTHER POSTEMPLOYMENT BENEFIT - SBDF (Continued)

Deferred outflows of resources in the amount of \$1,342 is related to OPEB benefits resulting from contributions subsequent to the measurement date, and will be recognized as a reduction of the total OPEB liability for the fiscal year ending September 30, 2020. Other amounts reported as deferred outflows and inflows of resources related to OPEB will be recognized in OPEB expense as follows:

For the Fiscal Year ending September 30,		
2020	\$	(2,121)
2021		(2,121)
2022		(2,121)
2023		(2,782)
2024		(2,267)
	<u>\$</u>	<u>(11,412)</u>

NOTE L -- COMMITMENTS AND CONTINGENCIES

Litigation

The City is the subject of various other claims and litigation that have arisen in the course of its operations. Management is of the opinion that the City's liability in these cases, if decided adversely to the City, will not have a material effect on the City's financial position.

Commitments

The City entered into a contract for the replacement of water meters throughout the City for an estimated total contract of \$981,018. Of this amount, \$785,603 was incurred through September 30, 2019, leaving an estimated commitment of \$195,415.

NOTE M -- RISK MANAGEMENT

The City is exposed to various risks of loss related to torts; theft of, damage to, and destruction of assets; business interruption; errors and omissions; injuries to employees; employee health benefits; and other claims of various natures. The City contracts with the Texas Municipal League (TML) to provide insurance coverage for property and casualty, and workers compensation. TML is a multi-employer group that provides for a combination of risk sharing among pool participants and stop loss coverage. Contributions are set annually by the provider. Liability by the City is generally limited to the contributed amounts for losses up to \$1,000,000.

CITY OF SINTON
NOTES TO BASIC FINANCIAL STATEMENTS (CONTINUED)
SEPTEMBER 30, 2019

NOTE O -- PRIOR PERIOD ADJUSTMENT

The City recorded prior period adjustments to correct errors in the prior annual report. The effect of these adjustment on beginning net position/fund balance were as follows:

	Governmental Funds			
	General Fund	Economic Development	Special Revenue	Affordable Housing
Beginning Fund Balance, Previously Reported	\$ 810,610	\$ 2,228,181	\$ 397,939	\$ 235,459
(Over) Understated Cash	230,170	-	32,872	-
Understated Franchise Tax Receivable	37,730	-	-	-
Understated Hotel Tax Receivable	6,556	-	-	-
Understated Sales Tax Receivable	122,979	73,788	-	-
Overstated Inventory	(31,955)	-	-	-
Unrecorded Notes Receivable	-	-	-	150,141
(Understated) Overstated Accounts Payable	(70,321)	(8,007)	117,235	-
(Understated) Overstated Accrued Wages	15,103	-	-	-
Remove Accrued Compensated Absences	2,668	-	-	-
Overstated Unearned Revenue	484,265	-	-	-
Understated Unavailable EMS Revenue	(401,019)	-	-	-
Overstated Unavailable Property Tax Revenue	56,066	-	-	-
Beginning Fund Balance, Restated	<u>\$ 1,262,852</u>	<u>\$ 2,293,962</u>	<u>\$ 548,046</u>	<u>\$ 385,600</u>

	Governmental	Business
	Activities	Type Activities
Beginning Net Position, Previously Reported	\$ 8,655,233	\$ 5,537,957
(Over) Understated Cash	263,042	(1,381,609)
Understated Franchise Tax Receivable	37,730	-
Understated Hotel Tax Receivable	6,556	-
Unrecorded Unbilled Utility Receivable	-	80,170
Understated Customer Receivables	-	26,316
Understated Sales Tax Receivable	196,767	-
Overstated Inventory	(31,955)	(34,859)
Unrecorded Notes Receivable	150,141	-
(Over) Understated Accumulated Depreciation	81,593	(26,097)
Overstated Accounts Payable	38,907	77,867
(Understated) Overstated Accrued Wages	15,103	(5,683)
Overstated Unearned Revenue	484,265	888,130
Understated Accrued Compensated Absences	(9,041)	8,395
Removal of Volunteer Fire Department Pension	36,171	-
Beginning Net Position, Restated	<u>\$ 9,924,512</u>	<u>\$ 5,170,587</u>

CITY OF SINTON
NOTES TO BASIC FINANCIAL STATEMENTS (CONTINUED)
SEPTEMBER 30, 2019

NOTE P – OTHER POST EMPLOYMENT BENEFIT – RETIREE HEALTH INSURANCE

The City allows for retirees with at least 25 years of credit services with Texas Municipal Retirement System (TMRS), with all 25 years being continuous with the City and who will be drawing a retirement check from TMRS to be included in the City's health insurance plan. In addition, the City will pay the medical premium. The City is recording the cost of the plan as medical premiums come due. No actuarial valuation of the plan has been conducted. Therefore, no liability is reported in these financial statements.

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REQUIRED SUPPLEMENTARY INFORMATION

Required supplementary information includes financial information and disclosures that are required by the GASB but are not considered a part of the basic financial statements. Such information includes:

- Budgetary Comparison Schedule – General Fund
- Schedule of Changes – Net Pension Liability
- Schedule of Employer Pension Contributions
- Schedule of Changes – Total OPEB Liability – Supplemental Death Benefits Fund

CITY OF SINTON
REQUIRED SUPPLEMENTARY INFORMATION
SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE-
BUDGET AND ACTUAL - GENERAL FUND
FOR THE YEAR ENDED SEPTEMBER 30, 2019

	Budget Amounts		Actual Amounts	Variance
	Original	Final		Favorable (Unfavorable)
REVENUES				
Ad Valorem Taxes	\$ 1,165,474	\$ 1,165,474	\$ 1,195,659	\$ 30,185
Sales Taxes	673,904	673,904	754,090	80,186
Other Taxes	259,504	259,504	330,595	71,091
Licenses and Permits	16,504	16,504	29,002	12,498
Grants and Donations	162,556	162,556	168,447	5,891
Emergency Services	608,858	608,858	631,367	22,509
Rental Income	294,550	294,550	299,129	4,579
Fines and Penalties	59,336	59,336	112,913	53,577
Interest Income	550	550	784	234
Miscellaneous	158,150	158,150	145,147	(13,003)
TOTAL REVENUES	<u>3,399,386</u>	<u>3,399,386</u>	<u>3,667,133</u>	<u>267,747</u>
EXPENDITURES				
<i>Current:</i>				
Administration	639,025	639,025	737,160	(98,135)
Police	979,872	979,872	1,023,897	(44,025)
Fire	109,200	109,200	86,805	22,395
Animal Control	62,423	62,423	51,186	11,237
Municipal Court	101,871	101,871	101,802	69
Streets	359,747	359,747	359,525	222
Parks	245,674	245,674	257,495	(11,821)
Emergency Services	776,322	776,322	771,640	4,682
Inspections	28,748	28,748	29,479	(731)
Library	225,816	225,816	220,848	4,968
Capital Outlay	351,300	351,300	53,366	297,934
TOTAL EXPENDITURES	<u>3,879,998</u>	<u>3,879,998</u>	<u>3,693,203</u>	<u>186,795</u>
Excess (Deficiency) of Revenues Over (Under) Expenditures	<u>(480,612)</u>	<u>(480,612)</u>	<u>(26,070)</u>	<u>454,542</u>
OTHER FINANCING SOURCES				
Transfers In	<u>315,612</u>	<u>315,612</u>	<u>522,545</u>	<u>206,933</u>
Net Change in Fund Balance	(165,000)	(165,000)	496,475	661,475
Beginning Fund Balance	810,610	810,610	810,610	-
Prior Period Adjustment	-	-	452,242	452,242
Ending Fund Balance	<u>\$ 645,610</u>	<u>\$ 645,610</u>	<u>\$ 1,759,327</u>	<u>\$ 661,475</u>

See Independent Auditor's Report.

CITY OF SINTON
 REQUIRED SUPPLEMENTARY INFORMATION
 SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE-
 BUDGET AND ACTUAL - GENERAL FUND
 FOR THE YEAR ENDED SEPTEMBER 30, 2019

	Budget Amounts		Actual Amounts	Variance
	Original	Final		Favorable (Unfavorable)
REVENUES				
Ad Valorem Taxes	\$ 1,165,474	\$ 1,165,474	\$ 1,195,659	\$ 30,185
Sales Taxes	673,904	673,904	754,090	80,186
Other Taxes	259,504	259,504	330,595	71,091
Licenses and Permits	16,504	16,504	29,002	12,498
Grants and Donations	162,556	162,556	168,447	5,891
Emergency Services	608,858	608,858	631,367	22,509
Rental Income	294,550	294,550	299,129	4,579
Fines and Penalties	59,336	59,336	112,913	53,577
Interest Income	550	550	784	234
Miscellaneous	158,150	158,150	145,147	(13,003)
TOTAL REVENUES	<u>3,399,386</u>	<u>3,399,386</u>	<u>3,667,133</u>	<u>267,747</u>
EXPENDITURES				
<i>Current:</i>				
Administration	639,025	639,025	737,160	(98,135)
Police	979,872	979,872	1,023,897	(44,025)
Fire	109,200	109,200	86,805	22,395
Animal Control	62,423	62,423	51,186	11,237
Municipal Court	101,871	101,871	101,802	69
Streets	359,747	359,747	359,525	222
Parks	245,674	245,674	257,495	(11,821)
Emergency Services	776,322	776,322	771,640	4,682
Inspections	28,748	28,748	29,479	(731)
Library	225,816	225,816	220,848	4,968
Capital Outlay	351,300	351,300	53,366	297,934
TOTAL EXPENDITURES	<u>3,879,998</u>	<u>3,879,998</u>	<u>3,693,203</u>	<u>186,795</u>
Excess (Deficiency) of Revenues Over (Under) Expenditures	<u>(480,612)</u>	<u>(480,612)</u>	<u>(26,070)</u>	<u>454,542</u>
OTHER FINANCING SOURCES				
Transfers In	<u>315,612</u>	<u>315,612</u>	<u>522,545</u>	<u>206,933</u>
Net Change in Fund Balance	(165,000)	(165,000)	496,475	661,475
Beginning Fund Balance	810,610	810,610	810,610	-
Prior Period Adjustment	-	-	452,242	452,242
Ending Fund Balance	<u>\$ 645,610</u>	<u>\$ 645,610</u>	<u>\$ 1,759,327</u>	<u>\$ 661,475</u>

See Independent Auditor's Report.

CITY OF SINTON
NOTES TO SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN
FUND BALANCE- BUDGET AND ACTUAL
SEPTEMBER 30, 2019

Budgetary Information – The budget is prepared in accordance with accounting principles generally accepted in the United States of America. The City maintains strict budgetary controls. The objective of these controls is to ensure compliance with legal provision embodied in the annual appropriated budget approved by the City Council and as such is a good management control device. The following are the funds which have legally adopted annual budgets: General Fund and Debt Service.

Budgetary preparation and control is exercised at the department level. Actual expenditures may not legally exceed appropriations at the fund level.

The City does not use encumbrances.

CITY OF SINTON
 REQUIRED SUPPLEMENTARY INFORMATION
 SCHEDULE OF CHANGES – NET PENSION LIABILITY AND RELATED RATIOS
 LAST FIVE PLAN (CALENDAR) YEARS

	Total Pension Liability				
	2014	2015	2016	2017	2018
Service Cost	\$ 242,487	\$ 339,180	\$ 340,258	\$ 336,274	\$ 326,906
Interest (on the Total Pension Liability)	496,612	531,734	555,308	575,209	612,641
Changes of Benefit Terms	-	-	-	-	-
Difference between Expected and Actual Experience	-	81,947	(212,614)	61,618	(287,727)
Change of Assumptions	14,629	5,560	-	-	-
Benefit Payments, Including Refunds of Employee Contributions	(302,873)	(297,806)	(358,952)	(413,288)	(414,455)
Net Change	450,855	660,615	324,000	559,813	237,365
Total Pension Liability - Beginning	7,124,655	7,575,510	8,236,125	8,560,125	9,119,938
Total Pension Liability - Ending	<u>\$ 7,575,510</u>	<u>\$ 8,236,125</u>	<u>\$ 8,560,125</u>	<u>\$ 9,119,938</u>	<u>\$ 9,357,303</u>
	Plan Fiduciary Net Position				
	2014	2015	2016	2017	2018
Contributions - Employer	\$ 255,224	\$ 296,695	\$ 278,890	\$ 276,867	\$ 269,484
Contributions - Employee	137,959	164,309	157,319	153,450	149,663
Net Investment Income	323,232	8,942	420,850	931,463	(229,595)
Benefit Payments, Including Refunds of Employee Contributions	(302,873)	(297,806)	(358,952)	(413,288)	(414,455)
Administrative Expense	(3,374)	(5,446)	(4,752)	(4,826)	(4,436)
Other	(277)	(269)	(256)	(245)	(232)
Net Change	409,891	166,425	493,099	943,421	(229,571)
Beginning Plan Fiduciary Net Position	5,649,776	6,059,667	6,226,092	6,719,191	7,662,612
Ending Plan Fiduciary Net Position	<u>\$ 6,059,667</u>	<u>\$ 6,226,092</u>	<u>\$ 6,719,191</u>	<u>\$ 7,662,612</u>	<u>\$ 7,433,041</u>
Net Pension Liability (Asset) - Ending	\$ 1,515,843	\$ 2,010,033	\$ 1,840,934	\$ 1,457,326	\$ 1,924,262
Plan Fiduciary Net Position as a Percentage of Total Pension Liability	79.99%	75.59%	78.49%	84.02%	79.44%
Covered Payroll	\$ 1,970,842	\$ 2,347,267	\$ 2,247,414	\$ 2,192,141	\$ 2,138,037
Net Pension Liability as a Percentage of Covered Payroll	76.91%	85.63%	81.91%	66.48%	90.00%

Information is being accumulated until 10 years are presented.

CITY OF SINTON
 SCHEDULE OF CITY PENSION CONTRIBUTIONS
 LAST FIVE FISCAL YEARS

Fiscal Year Ending September 30,	Actuarially Determined Contribution (ADC)	Contributions in Relation to the ADC	Contribution Deficiency (Excess)	Covered Payroll	Contributions as a Percentage of Covered Payroll
2019	\$ 264,302	\$ 264,302	\$ -	\$ 2,065,669	12.79%
2018	264,544	264,544	-	2,098,304	12.61%
2017	278,874	278,874	-	2,218,129	12.57%
2016	281,451	281,451	-	2,258,840	12.46%
2015	273,444	273,444	-	2,159,055	12.67%

Notes to Schedule of Contributions

Valuation Date:

Actuarially determined contribution rates are calculated as of December 31 and become effective in January, thirteen (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	27 Years
Asset Valuation Method	10 Year Smoothed Market; 15% Soft Corridor
Inflation	2.50%
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.

Other Information

Benefit Changes	None
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Information is being accumulated until 10 years are presented.

CITY OF SINTON
SCHEDULE OF CHANGES – TOTAL OPEB LIABILITY AND RELATED RATIOS
SUPPLEMENTAL DEATH BENEFIT
LAST TWO PLAN (CALENDAR) YEARS

Total OPEB Liability	2017	2018
Service Cost	\$ 6,576	\$ 7,269
Interest (on the Total OPEB Liability)	4,401	4,486
Changes of Benefit Terms	-	-
Difference between Expected and Actual Experience	-	(12,838)
Change of Assumptions	9,293	(8,329)
Benefit Payments	(1,315)	(1,710)
Net Change in Total OPEB Liability	18,955	(11,122)
Total OPEB Liability - Beginning	113,787	132,742
Total OPEB Liability - Ending	\$ 132,742	\$ 121,620
 Covered Payroll	 \$ 2,192,141	 \$ 2,138,037
 Total OPEB Liability as a Percentage of Covered Payroll	 6.06%	 5.69%

Notes to Schedule of Changes

Valuation Date:

Actuarially determined contribution rates are calculated as of December 31 and become effective in January, thirteen (13) months later.

Methods and Assumptions Used to Determine Contribution Rates:

Inflation	2.50%
Salary Increases	3.5% to 10.5% including Inflation
Discount Rate	3.71% based on Fidelity 20-year Municipal GO AA Index
Administrative expenses	All administrative expenses are paid through the Pension Trust and accounted for under reporting requirements under GASB Statement No. 68.
Mortality rates - service retirees	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.
Mortality rates - disabled retirees	RP2000 Combined Mortality Table with blue Collar Adjustment with male rates multiplied by 109% and femal rates multiplied by 103% with a 3 year set-forward for both male 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.

Other Information

No assets are accumulated to meet future OPEB benefits.

Benefit Changes	None
Changes in Assumptions	None

COMPLIANCE SECTION



Armstrong, Vaughan & Associates, P. C.

Certified Public Accountants

Deborah F. Fraser

Phil S. Vaughan

Nancy L. Vaughan

Kimberly J. Roach

INDEPENDENT AUDITOR'S REPORT

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*

Management, Mayor and City Council of
City of Sinton, Texas

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, business-type activities, and each major fund of the City of Sinton as of and for the year ended September 30, 2019, 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 March 11, 2020. Our report includes a qualified opinion on the governmental activities, business-type activities, and utility fund for the retiree insurance other postemployment benefit liability.

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 City's financial statements will not be prevented, or detected and corrected on a timely basis. A *significant deficiency* is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

Our consideration of internal control over financial reporting was for the limited purpose described in the preceding paragraph and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies and therefore, material weaknesses or significant deficiencies may exist that have not been identified. We did identify a deficiency in internal control, described in the accompanying schedule of findings and responses as item 2019-001 that we consider to be a material weakness.

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

We noted certain other matters that we have reported to management of the City in a separate letter dated March 11, 2020.

City of Sinton's Response to the Findings

City of Sinton's response to the findings identified in our audit is described in the accompanying schedule of findings and responses. 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 City'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 City's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

Respectfully submitted,



Armstrong, Vaughan & Associates, P.C.

March 11, 2020

SCHEDULE OF FINDINGS AND RESPONSES

Finding 2019-001

Material Weakness in Internal Control over Financial Reporting—Insufficient Reconciliation and Financial Reporting Procedures

Criteria: The City should dedicate sufficient resources to reconciling financial statement accounts, recording all transactions, and appropriately classifying these activities.

Condition: Significant journal entries (both in number and size) were necessary as part of the audit process to correct errors in the financial statements.

Context: Corrections to the financial statements included routine accruals and significant corrections such as:

- Beginning balances did not agree with the 2018 audited figures.
- Revenues and expenditures were netted together in liability accounts: most notably garbage activities.
- Cash of \$1.5 million was carried on the books from the 2014 bond series that was spent in a prior year.
- Unrecorded 2019 bond series cash (\$1.2 million) and wire payments capital projects (\$549 thousand).
- Unrecorded wire payments for debt service (\$236 thousand).
- Unrecorded affordable housing notes (\$150 thousand).

Effect: Financial statements provided to Council during the year to make management decisions were materially misstated.

Cause: The entity's turnover, limited size, and staffing resources have made it difficult for management to commit the necessary time and personnel to accurately reconcile financial statement accounts and record all transactions.

Recommendation: Management and staff should review all of the adjustments necessary to correct the financial statements and monitor progress to a more timely and complete financial reporting process. The City may wish to contract with an outside bookkeeper to train staff on the best methods to use the accounting software and to develop routine procedures and best practices.

Views of Responsible Official(s) and Planned Corrective Actions: Management has received the corrections identified in the audit and has developed a plan to obtain training on Incode and financial reporting. Management will look at streamlining some manual processes to free up more time to spend reviewing financial statements regularly.

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