

CITY OF STINNETT, TEXAS

ANNUAL FINANCIAL REPORT

**FOR YEAR ENDED
SEPTEMBER 30, 2018**

CITY OF STINNETT, TEXAS
ANNUAL FINANCIAL REPORT
FOR YEAR ENDED SEPTEMBER 30, 2018

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ANNUAL FINANCIAL REPORT
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PART I

INTRODUCTORY SECTION

CITY OF STINNETT, TEXAS
PRINCIPAL CITY OFFICIALS
SEPTEMBER 30, 2018

Colin Locke	Mayor
Jeff Irvin	Council Member
Char Collier	Council Member
Justin Hart	Council Member
Ralph Batenhorst	Council Member
Andy Trahan	Council Member
Durk Downs	City Manager
Stacie Miller	City Secretary

PART II
FINANCIAL SECTION



To The Honorable City Mayor and
Council Members Comprising the
City Council of
City of Stinnett, Texas

INDEPENDENT AUDITORS' REPORT

Report on the Financial Statements

We have audited the accompanying financial statements of the governmental activities, the business-type activities, the aggregate discretely presented component unit, the major fund, and the aggregate remaining fund information of the City of Stinnett, Texas as of and for the year ended September 30, 2018, and the related notes to the financial statements, which collectively comprise the City's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

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

Auditors' Responsibility

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

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditors' judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the City'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 City's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

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

Opinions

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, the aggregate discretely presented component unit, the major fund, and the aggregate remaining fund information of the City of Stinnett, Texas, as of September 30, 2018, and the respective changes in financial position, and, where applicable, cash flows thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the Budgetary Comparison Schedule, the Schedule of Changes in Net Pension Liability and Related Ratios, the Schedule of Employer Contributions, the Schedule of Changes in Total OPEB Liability and Related Ratios on pages 40 – 43 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. 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.

The City has omitted the Management's Discussion and Analysis (MD&A) that accounting principles generally accepted in the United States of America require to be presented to supplement the basic financial statements. The MD&A, 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. The independent auditors' opinion is not affected by the omission of the MD&A.

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated August 16, 2019, on our consideration of the City of Stinnett, Texas' internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the City of Stinnett, Texas' internal control over financial reporting and compliance.

DOSHIER, PICKENS & FRANCIS, L.L.C.

DOSHIER, PICKENS & FRANCIS, LLC
August 16, 2019

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BASIC FINANCIAL STATEMENTS

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**CITY OF STINNETT, TEXAS
STATEMENT OF NET POSITION
SEPTEMBER 30, 2018**

	Primary Government			Component Unit
	Governmental Activities	Business-Type Activities	Total	Community Development Corporation
ASSETS				
Cash and cash equivalents	\$ 26,261	\$ 301,881	\$ 328,142	\$ 157,886
Investments	565,163	-	565,163	-
Restricted cash - customer deposits	1,290	102,204	103,494	-
Receivables, net	94,130	98,124	192,254	-
Due from primary government	-	-	-	189,421
Intergovernmental receivables	29,298	-	29,298	9,766
Net pension asset	291,276	149,883	441,159	-
Capital assets not being depreciated:				
Land	56,627	105,400	162,027	-
Capital assets				
Buildings	1,363,300	55,210	1,418,510	-
Furniture and equipment	1,722,204	599,348	2,321,552	-
Infrastructure	257,347	3,256,706	3,514,053	-
Less: Accumulated depreciation	(2,425,691)	(2,817,848)	(5,243,539)	-
Total assets	1,981,205	1,850,908	3,832,113	357,073
DEFERRED OUTFLOWS OF RESOURCES				
Pension economic/demographic losses	9,972	5,131	15,103	-
Pension assumption changes	228	117	345	-
OPEB contributions	199	102	301	-
OPEB assumption changes	2,070	1,065	3,135	-
Total deferred outflows of resources	12,469	6,415	18,884	-
LIABILITIES				
Accounts payable	23,891	7,293	31,184	-
Accrued interest	434	-	434	-
Intergovernmental payable	3,264	993	4,257	-
Due to component unit	189,421	-	189,421	-
Customer deposits	1,290	102,204	103,494	-
Noncurrent liabilities:				
Due within one year	69,382	1,300	70,682	-
Due in more than one year	371,048	12,020	383,068	-
Other post-employment benefit liability	33,688	17,335	51,023	-
Total liabilities	692,418	141,145	833,563	-
DEFERRED INFLOWS OF RESOURCES				
Pension excess earnings	37,213	19,148	56,361	-
Pension economic/demographic gains	355	182	537	-
Total deferred inflows of resources	37,568	19,330	56,898	-
NET POSITION				
Net investment in capital assets	554,524	1,198,816	1,753,340	-
Unrestricted	709,164	498,032	1,207,196	357,073
Total net position	\$ 1,263,688	\$ 1,696,848	\$ 2,960,536	\$ 357,073

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

**CITY OF STINNETT, TEXAS
STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED SEPTEMBER 30, 2018**

Functions/Programs	Expenses	Program Revenues		
		Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions
Primary Government:				
Governmental activities:				
Administration	\$ 193,491	\$ -	\$ -	\$ -
Sanitation	237,765	310,118	-	-
Cemetery	28,690	13,422	-	-
Ambulance	282,297	93,029	19,450	-
Animal control and code enforcement	84,305	120	-	-
Municipal court	25,698	21,635	-	-
Fire	90,526	-	33,000	-
Police	257,895	-	-	-
Streets	139,520	-	-	-
Public facilities	218,686	35,302	-	-
Interest on long-term debt	4,542	-	-	-
	<u>1,563,415</u>	<u>473,626</u>	<u>52,450</u>	<u>-</u>
Total governmental activities				
Business-Type Activities:				
Water and sewer fund	408,230	641,370	-	-
Gas utility	450,092	537,551	-	-
	<u>858,322</u>	<u>1,178,921</u>	<u>-</u>	<u>-</u>
Total business-type activities				
Total primary government				
	<u>\$ 2,421,737</u>	<u>\$ 1,652,547</u>	<u>\$ 52,450</u>	<u>\$ -</u>
Component Unit:				
Community Development	<u>\$ 150</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>

General revenues:

Property taxes
Property taxes, levied for debt service
Sales and use taxes
Franchise taxes
Hotel/Motel taxes
Unrestricted investment earnings
Gain on disposal of assets
Miscellaneous
Transfers

Total general revenues

Change in net position

Net position - beginning

Prior period adjustment

Net position - beginning as restated

Net position - ending

Net (Expense) Revenue and Changes in Net Position

Primary Government			Component Unit
Governmental Activities	Business-Type Activities	Total	Community Development Corporation
\$ (193,491)	\$ -	\$ (193,491)	\$ -
72,353	-	72,353	-
(15,268)	-	(15,268)	-
(169,818)	-	(169,818)	-
(84,185)	-	(84,185)	-
(4,063)	-	(4,063)	-
(57,526)	-	(57,526)	-
(257,895)	-	(257,895)	-
(139,520)	-	(139,520)	-
(183,384)	-	(183,384)	-
(4,542)	-	(4,542)	-
<u>(1,037,339)</u>	<u>-</u>	<u>(1,037,339)</u>	<u>-</u>
-	233,140	233,140	-
-	87,459	87,459	-
<u>-</u>	<u>320,599</u>	<u>320,599</u>	<u>-</u>
<u>(1,037,339)</u>	<u>320,599</u>	<u>(716,740)</u>	<u>-</u>
<u>-</u>	<u>-</u>	<u>-</u>	<u>(150)</u>
333,472	-	333,472	-
52,022	-	52,022	-
183,116	-	183,116	61,039
51,936	-	51,936	-
1,085	-	1,085	-
6,672	1,191	7,863	88
12,000	-	12,000	-
52,781	-	52,781	-
219,273	(219,273)	-	-
<u>912,357</u>	<u>(218,082)</u>	<u>694,275</u>	<u>61,127</u>
<u>(124,982)</u>	<u>102,517</u>	<u>(22,465)</u>	<u>60,977</u>
1,332,394	1,582,188	2,914,582	285,350
56,276	12,143	68,419	10,746
<u>1,388,670</u>	<u>1,594,331</u>	<u>2,983,001</u>	<u>296,096</u>
<u>\$ 1,263,688</u>	<u>\$ 1,696,848</u>	<u>\$ 2,960,536</u>	<u>\$ 357,073</u>

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

**CITY OF STINNETT, TEXAS
BALANCE SHEET
GOVERNMENTAL FUNDS
SEPTEMBER 30, 2018**

	<u>General</u>	<u>Debt Service</u>	<u>Total Governmental Funds</u>
ASSETS			
Cash and cash equivalents	\$ 12,807	\$ 13,454	\$ 26,261
Investments	565,163	-	565,163
Accounts receivables, net	83,334	-	83,334
Taxes receivable, net	8,848	1,948	10,796
Due from other funds	-	5,759	5,759
Due from other governments	29,298	-	29,298
Restricted cash - customer deposits	1,290	-	1,290
	<hr/>	<hr/>	<hr/>
Total assets	<u>\$ 700,740</u>	<u>\$ 21,161</u>	<u>\$ 721,901</u>
LIABILITIES			
Accounts payable	\$ 23,891	\$ -	\$ 23,891
Due to other funds	5,759	-	5,759
Due to component unit	189,421	-	189,421
Customer deposits	1,290	-	1,290
Payable to other governments	3,264	-	3,264
	<hr/>	<hr/>	<hr/>
Total liabilities	<u>223,625</u>	<u>-</u>	<u>223,625</u>
DEFERRED INFLOWS OF RESOURCES			
Unavailable revenue - property taxes	7,422	1,700	9,122
Unavailable revenue - other receivables	639	-	639
	<hr/>	<hr/>	<hr/>
Total deferred inflows of resources	<u>8,061</u>	<u>1,700</u>	<u>9,761</u>
FUND BALANCES			
Restricted:			
Debt service	-	19,461	19,461
Unassigned	469,054	-	469,054
	<hr/>	<hr/>	<hr/>
Total fund balances	<u>469,054</u>	<u>19,461</u>	<u>488,515</u>
	<hr/>	<hr/>	<hr/>
Total liabilities, deferred inflows of resources, and fund balances	<u>\$ 700,740</u>	<u>\$ 21,161</u>	<u>\$ 721,901</u>

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

CITY OF STINNETT, TEXAS
RECONCILIATION OF THE BALANCE SHEET OF GOVERNMENTAL
FUNDS TO THE STATEMENT OF NET POSITION
SEPTEMBER 30, 2018

Amounts reported for governmental activities in the Statement of Net Position are different because:

Total fund balance - governmental funds	\$	488,515
Capital assets used in governmental activities are not current financial resources and therefore are not reported in this fund financial statement, but are reported in the governmental activities of the Statement of Net Position.		973,787
Certain accounts receivable are not available to pay for current-period expenditures and, therefore, are shown as unavailable revenues in the fund financial statements		9,761
The net pension asset is not a current financial resources and therefore, is not reported in the fund financial statement, but is reported in the governmental activities of the Statement of Net Position.		291,276
Pension and OPEB losses, deficient earnings, and assumption changes are shown as deferred outflows of resources in the government-wide financial statements.		
Pension economic/demographic losses		9,972
Pension assumption changes		228
OPEB assumption changes		2,070
Pension and OPEB contributions paid after the measurement date, December 31, 2017, and before September 30, 2018 are expensed in the governmental funds and shown as deferred outflows of resources in the government-wide financial statements.		
OPEB contributions		199
Pension gains and excess earnings are shown as deferred inflows of resources in the government-wide financial statements.		
Pension economic/demographic gains		(355)
Pension excess earnings		(37,213)
Long-term liabilities are not due and payable in the current period, and therefore, are not reported in the funds:		
Bonds, capital leases, and notes payable		(419,263)
Accrued interest payable		(434)
Compensated absences		(21,167)
Total OPEB liability		(33,688)
Net position - governmental activities	\$	<u><u>1,263,688</u></u>

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

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

	<u>General</u>	<u>Debt Service</u>	<u>Total Governmental</u>
REVENUES			
Taxes:			
Property	\$ 352,472	\$ 58,738	\$ 411,210
Sales	183,116	-	183,116
Franchise	51,936	-	51,936
Hotel/Motel	1,085	-	1,085
Fines and forfeitures	20,996	-	20,996
Intergovernmental	52,450	-	52,450
Charges for services	451,991	-	451,991
Investment earnings	6,518	154	6,672
Miscellaneous	49,615	3,166	52,781
	<u>1,170,179</u>	<u>62,058</u>	<u>1,232,237</u>
Total revenues			
EXPENDITURES			
Current:			
Administration	187,730	-	187,730
Sanitation	184,467	-	184,467
Cemetery	28,690	-	28,690
Ambulance	267,787	-	267,787
Animal control and code enforcement	82,842	-	82,842
Municipal court	25,698	-	25,698
Public facilities	167,689	-	167,689
Fire	85,169	-	85,169
Police	230,217	-	230,217
Streets	121,296	-	121,296
Debt Service:			
Principal	39,349	57,000	96,349
Interest and other charges	814	4,313	5,127
Capital Outlay	85,444	-	85,444
	<u>1,507,192</u>	<u>61,313</u>	<u>1,568,505</u>
Total expenditures			
EXCESS OF REVENUES OVER (UNDER) EXPENDITURES	<u>(337,013)</u>	<u>745</u>	<u>(336,268)</u>
OTHER FINANCING SOURCES (USES)			
Proceeds from note payable	67,314	-	67,314
Transfers in	249,784	-	249,784
Transfers out	-	(30,511)	(30,511)
	<u>317,098</u>	<u>(30,511)</u>	<u>286,587</u>
Total other financing sources (uses)			
NET CHANGE IN FUND BALANCES	<u>(19,915)</u>	<u>(29,766)</u>	<u>(49,681)</u>
FUND BALANCES - BEGINNING	444,898	49,227	494,125
PRIOR PERIOD ADJUSTMENT	<u>44,071</u>	<u>-</u>	<u>44,071</u>
FUND BALANCES - BEGINNING, AS RESTATED	<u>488,969</u>	<u>49,227</u>	<u>538,196</u>
FUND BALANCES - ENDING	<u>\$ 469,054</u>	<u>\$ 19,461</u>	<u>\$ 488,515</u>

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

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

Amounts reported for Governmental Activities in the Statement of Activities are different because:

Net change in fund balances - total governmental funds	\$ (49,681)
<p>Governmental funds report outlays for capital assets as expenditures because such outlays use current financial resources. In contrast, the Statement of Activities reports only a portion of the outlay as expense. The outlay is allocated over the assets' estimated useful lives as depreciation expense for the period.</p> <p>This is the amount by which capital outlays, \$85,444 were exceeded by depreciation, \$163,064 in the current period.</p>	
	(77,620)
<p>The Statement of Activities reports gains arising from the trade-in of existing capital assets to acquire new capital assets. Conversely, governmental funds do not report any gain or loss on a trade-in of capital assets.</p>	
	12,000
<p>Revenues in the Statement of Activities that do not provide current financial resources are fully deferred in the Statement of Revenues, Expenditures and Changes in Fund Balances. This amount represents the change in unavailable revenue.</p>	
	(25,077)
<p>In the Statement of Net Position, incurring debt increases long-term liabilities and does not affect the Statement of Activities. Similarly, repayments of principal is an expenditure in the governmental funds, but reduces the liability in the Statement of Net Position.</p>	
Debt issued or incurred	(67,314)
Principal repayments	96,349
Accrued interest payable, net change	586
<p>Changes in pension and OPEB related liabilities, outflows, and inflows reported in the government-wide Statement of Activities are not reported in the governmental funds as revenues or expenditures.</p>	
	(4,889)
<p>Accrued compensated absences are not reported as an expenditure in the governmental funds. This is the change in the accrual amounts for the year reported in the government-wide Statement of Activities.</p>	
	<u>(9,336)</u>
Change in net position - governmental activities	<u><u>\$ (124,982)</u></u>

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

**CITY OF STINNETT, TEXAS
STATEMENT OF NET POSITION
PROPRIETARY FUNDS
SEPTEMBER 30, 2018**

	Water and Sewer Fund	Gas Utility	Total Enterprise Funds
ASSETS			
Current assets:			
Cash and cash equivalents	\$ 216,486	\$ 85,395	\$ 301,881
Restricted cash - customer deposits	43,768	58,436	102,204
Receivables, net	75,180	22,944	98,124
Total current assets	335,434	166,775	502,209
Noncurrent assets:			
Net pension asset	75,873	74,010	149,883
Capital assets:			
Land	105,400	-	105,400
Buildings	28,988	26,222	55,210
Furniture and equipment	405,012	194,336	599,348
Infrastructure	2,960,901	295,805	3,256,706
Less accumulated depreciation	(2,382,208)	(435,640)	(2,817,848)
Total noncurrent assets	1,193,966	154,733	1,348,699
Total assets	1,529,400	321,508	1,850,908
DEFERRED OUTFLOWS OF RESOURCES			
Pension economic/demographic losses	2,597	2,534	5,131
Pension assumption changes	59	58	117
OPEB contributions	52	50	102
OPEB assumption changes	539	526	1,065
Total deferred outflows of resources	3,247	3,168	6,415

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

CITY OF STINNETT, TEXAS
STATEMENT OF NET POSITION
PROPRIETARY FUNDS
SEPTEMBER 30, 2018

	Water and Sewer Fund	Gas Utility	Total Enterprise Funds
LIABILITIES			
Current liabilities:			
Accounts payable	\$ 1,346	\$ 5,947	\$ 7,293
Due to other governments	-	993	993
Customer deposits	43,768	58,436	102,204
Compensated absences - current	900	400	1,300
Total current liabilities	46,014	65,776	111,790
Noncurrent liabilities:			
Accrued compensated absences	8,367	3,653	12,020
Total OPEB liability	8,775	8,560	17,335
Total noncurrent liabilities	17,142	12,213	29,355
Total liabilities	63,156	77,989	141,145
DEFERRED INFLOWS OF RESOURCES			
Pension economic/demographic gains	92	90	182
Pension excess earnings	9,693	9,455	19,148
Total deferred inflows of resources	9,785	9,545	19,330
NET POSITION			
Net investment in capital assets	1,118,093	80,723	1,198,816
Unrestricted	341,613	156,419	498,032
Total net position	\$ 1,459,706	\$ 237,142	\$ 1,696,848

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

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

	Water and Sewer Fund	Gas Utility	Total Enterprise Funds
OPERATING REVENUES:			
Charges for Sales and Services:			
Charges for services	\$ 641,370	\$ 537,551	\$ 1,178,921
Total operating revenues	<u>641,370</u>	<u>537,551</u>	<u>1,178,921</u>
OPERATING EXPENSES:			
Personnel costs	175,021	193,415	368,436
Departmental operations	133,116	41,732	174,848
Depreciation	100,093	23,581	123,674
Gas purchase for re-sale	-	191,364	191,364
Total operating expenses	<u>408,230</u>	<u>450,092</u>	<u>858,322</u>
OPERATING INCOME	<u>233,140</u>	<u>87,459</u>	<u>320,599</u>
NONOPERATING REVENUES (EXPENSES):			
Investment earnings	1,154	37	1,191
Total nonoperating revenues (expenses)	<u>1,154</u>	<u>37</u>	<u>1,191</u>
INCOME BEFORE TRANSFERS	234,294	87,496	321,790
TRANSFERS, net	<u>(217,938)</u>	<u>(1,335)</u>	<u>(219,273)</u>
CHANGE IN NET POSTION	<u>16,356</u>	<u>86,161</u>	<u>102,517</u>
NET POSITION - BEGINNING	1,437,420	144,768	1,582,188
PRIOR PERIOD ADJUSTMENT	<u>5,930</u>	<u>6,213</u>	<u>12,143</u>
NET POSITION - BEGINNING, AS RESTATED	<u>1,443,350</u>	<u>150,981</u>	<u>1,594,331</u>
NET POSITION - ENDING	<u>\$ 1,459,706</u>	<u>\$ 237,142</u>	<u>\$ 1,696,848</u>

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

**CITY OF STINNETT, TEXAS
STATEMENT OF CASH FLOWS
PROPRIETARY FUNDS
FOR THE YEAR ENDED SEPTEMBER 30, 2018**

	<u>Water and Sewer Fund</u>	<u>Gas Utility</u>	<u>Total Enterprise Funds</u>
CASH FLOWS FROM OPERATING ACTIVITIES			
Receipts from customers	\$ 643,426	\$ 543,283	\$ 1,186,709
Payments to employees for salaries and benefits	(173,361)	(193,403)	(366,764)
Payments to suppliers and service providers	(129,706)	(224,152)	(353,858)
	<u>340,359</u>	<u>125,728</u>	<u>466,087</u>
CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES			
Transfers to other funds	(217,938)	(1,335)	(219,273)
	<u>(217,938)</u>	<u>(1,335)</u>	<u>(219,273)</u>
CASH FLOWS FROM INVESTING ACTIVITIES			
Interest on investments	1,154	37	1,191
	<u>1,154</u>	<u>37</u>	<u>1,191</u>
NET INCREASE / (DECREASE) IN CASH	123,575	124,430	248,005
CASH AND CASH EQUIVALENTS, BEGINNING (including restricted amounts)	<u>136,679</u>	<u>19,401</u>	<u>156,080</u>
CASH AND CASH EQUIVALENTS, ENDING, (including restricted amounts)	<u><u>\$ 260,254</u></u>	<u><u>\$ 143,831</u></u>	<u><u>\$ 404,085</u></u>
RECONCILIATION OF OPERATING INCOME TO NET CASH PROVIDED BY OPERATING ACTIVITIES			
Operating income	\$ 233,140	\$ 87,459	\$ 320,599
Adjustments to reconcile operating income to net cash flows from operating activities:			
Depreciation	100,093	23,581	123,674
Change in allowance for doubtful accounts	25	11	36
Changes in assets and liabilities:			
(Increase) decrease in accounts receivable	1,991	5,201	7,192
(Increase) decrease in prepaids	3,986	4,588	8,574
(Increase) decrease in net pension asset	(20,734)	(27,033)	(47,767)
(Increase) decrease in deferred outflows of pension	18,164	17,716	35,880
Increase (decrease) in accounts payable	(576)	4,356	3,780
Increase (decrease) in accrued expenses	(3,527)	1,762	(1,765)
Increase (decrease) in total OPEB liability	1,136	1,108	2,244
Increase (decrease) in customer deposits	40	520	560
Increase (decrease) in deferred inflows of pension	6,621	6,459	13,080
	<u>340,359</u>	<u>125,728</u>	<u>466,087</u>
Net cash provided by operating activities	<u><u>\$ 340,359</u></u>	<u><u>\$ 125,728</u></u>	<u><u>\$ 466,087</u></u>

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

CITY OF STINNETT, TEXAS
NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2018

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The financial statements of the City of Stinnett, Texas (City) are prepared in conformity with accounting principles generally accepted in the United States of America (generally accepted accounting principles) (GAAP) for local governmental units. The Governmental Accounting Standards Board (GASB) is the accepted standard-setting body for establishing governmental accounting and financial reporting principles. The most significant accounting and reporting policies of the City are described in the following notes to the financial statements.

A. Financial Reporting Entity

The City was incorporated in 1927. The City Council, which is made up of five Council Members and the Mayor, is the general governing body of the City. The City provides the following services as authorized by the statutes of the State of Texas: administrative (e.g., tax collection), sanitation, cemetery, ambulance, animal control, municipal court, fire, police, streets, and public facilities. In addition, the City maintains a water/sewer and gas utility fund.

The Council is elected by the public and it has the authority to make decisions, appoint administrators and management, and significantly influence operations. It also has the primary accountability for fiscal matters. Therefore, the City is a financial reporting entity as defined by the Governmental Accounting Standards Board (“GASB”) in its Statement No. 61. *“The Financial Reporting Entity – Omnibus – An Amendment of GASB Statement No. 14 and No. 34.”*

Discretely Presented Component Unit: The Stinnett Community Development Corporation (CDC) is a component unit due to the fact that the Commission appoints the CDC board and also approves the annual budget. Additional information about the CDC may be obtained by contacting City personnel at City Hall.

B. Government-Wide and Fund Financial Statements

Government-Wide 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 inter-fund 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 inter-governmental revenues, and are reported separately from business-type activities, which rely to a significant extent on fees and charges for support.

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

Fund-Level Statements

Separate **fund financial statements** are provided for governmental funds, proprietary funds, and fiduciary funds even though the latter are excluded from the government-wide financial statements. The emphasis of fund financial statements is on major governmental and enterprise funds, each displayed in a separate column. All remaining governmental and enterprise funds are aggregated and reported as non-major funds.

Continued

CITY OF STINNETT, TEXAS
NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2018

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – Continuation

C. 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*, as is the proprietary fund. Revenues are recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of related cash flows. Property taxes are recognized as revenues in the year for which they are levied. Major revenue types which have been accrued are 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, investment earnings, and other miscellaneous revenues.

The effect of inter-fund activity has been eliminated from the government-wide financial statements.

Fiduciary funds are excluded in the government-wide presentation of the financial statements.

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 unavailable revenue.

Revenues susceptible to accrual include property taxes, fines, forfeitures, licenses, interest income, and charges for service and so have been recognized as revenues of the current fiscal period. All other revenue items are considered to be measurable and available only when cash is received by the City.

Inter-fund eliminations have not been made in the fund financial statements.

Expenditures generally are recorded when a fund liability is incurred; however, expenditures related to compensated absences and claims and judgments, are recorded only when the liability has matured and payment is due.

The City reports the following major governmental funds:

The **General Fund** is the general operating fund of the City. 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, sales, and franchise taxes, intergovernmental revenues and investment of idle funds. Primary expenditures are for administrative, sanitation, cemetery, ambulance, animal control, municipal court, fire, police, streets, and public facilities.

The City reports the following major proprietary fund:

The **Water/Sewer Fund** accounts for the operations of the water and sewer utilities furnished by the City to its residents.

The **Gas Utility** accounts for the gas supply, distribution, billing, and maintenance activities of the City.

Continued

CITY OF STINNETT, TEXAS
NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2018

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – Continuation

C. Measurement Focus, Basis of Accounting, and Financial Statement Presentation – Continuation

Additionally, the City reports the following non-major fund types:

The **Debt Service Fund** accounts for the accumulation and disbursement of resources associated with the City's debt obligations. Property taxes and interest income provide the resources necessary to pay the annual principal and interest payments.

D. Use of Estimates

The preparation of financial statements, in conformity with generally accepted accounting principles, requires management to make estimates and assumptions that affect certain reported amounts and disclosures. Accordingly, actual results could differ from those estimates.

E. Assets, Liabilities, Deferred Inflows and Outflows of Resources, and Net Position or Equity

1. Deposits and Investments

The City's cash and cash equivalents are considered to be cash on hand, demand deposits and deposits within public fund investment pools as well as investments in certificates of deposits with an original maturity of 90 days or less. Statutes authorize the City to keep funds in demand deposits, time deposits, or securities of the United States. The City's custodial banks are required to pledge for the purpose of securing City funds, securities of the following kind, in an amount equal to the amount of such City funds: bonds and notes of the United States, securities of indebtedness of the United States, bonds of the State of Texas, or of any county, city, or independent school district, and various other bonds as described in Texas Statutes.

All investments, except nonnegotiable certificates of deposit are reported at fair value, which is determined using selected bases. Short-term investments are reported at cost, which approximates fair value. Securities and/or money market accounts traded on a national or international exchange are valued at the last reported sales price at current exchange rates. The unrealized gain or loss in investments is reflected in investment earnings. Nonnegotiable certificates of deposit with redemption terms that do not consider market rates are reported at cost.

The City is required by Government Code Chapter 2256, the Public Funds Investment Act ("Act"), to adopt, and publicize an investment policy. That policy must be written, primarily emphasize safety of principal and liquidity, address investment diversification, yield, and maturity and the quality and capability of investment management, and include a list of the types of authorized investments in which the investing entity's funds may be invested, and the maximum allowable stated maturity of any individual investment owned by the entity.

The Act requires an annual audit of investment policies. Audit procedures in this area, conducted as a part of the audit of the basic financial statements, disclosed that in area of investment practices, management has established and reports appropriate policies. The City adheres to the requirements of the Act. Additionally, investment practices of the City are in accordance with local policies.

Continued

CITY OF STINNETT, TEXAS
NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2018

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – Continuation

E. Assets, Liabilities, Deferred Inflows and Outflows of Resources, and Net Position or Equity – Continuation

2. Receivables and Payables

Activities between funds that are representative of lending/borrowing arrangements outstanding at the end of the fiscal year are referred to as either “due to/from other funds” (i.e., the current portion of inter-fund loans) or “advances to/from other funds” (i.e., the noncurrent portion of inter-fund loans). All other outstanding balances between funds are reported as “due to/from other funds.”

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

Accounts receivable from other governments include amounts due from grantors for approved grants for specific programs and reimbursements for services performed by the City. Program grants are recorded as receivables revenues at the time all eligibility requirements established by the provider have been met.

All accounts receivable for the Utility and Ambulance billings are shown net of an allowance for uncollectible accounts. The allowance is comprised of balances in excess of 90 days in addition to specifically identified accounts that will probably be uncollectible. As of September 30, 2018, the allowance for uncollectible accounts was \$180,530.

Payables consist of vendor obligations for goods and services as well as funds payable to others when the criteria for their release have been met.

3. Property Tax Calendar and Revenues

Property taxes are based on taxable value at January 1 and become due October 1 and past due after January 31 of the following year. Tax collections after February 1 are treated as late payments and are subject to penalty and interest. Uncollected taxes from the current tax roll become delinquent on July 1 and are subject to additional penalties and interest. 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’ levies are shown net of an allowance for uncollectible accounts of \$34,334.

4. Capital Assets

Capital assets, which include land, buildings and improvements, infrastructure, and equipment, are reported in the government-wide financial statements. Infrastructure (e.g. water/wastewater transmission lines, streets, and facilities) and equipment are reported in the Water and Sewer Fund and in the business-type activities column in the government-wide financial statements. According to the City’s capitalization policy, capital assets are defined as individual assets (or systems of assets) having a cost of \$5,000 or more and an estimated useful life in excess of two years. Capital assets are recorded at historical cost if purchased or constructed. Donated capital assets are recorded at estimated fair market value at the date of donation.

When capital assets are purchased, they are capitalized and depreciated in the government-wide financial statements. Capital assets are recorded as expenditures of the current period in the governmental fund financial statements.

Continued

CITY OF STINNETT, TEXAS
NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2018

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – Continuation

E. Assets, Liabilities, Deferred Inflows and Outflows of Resources, and Net Position or Equity – Continuation

4. Capital Assets – Continuation

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

Buildings and improvements	30 years
Infrastructure	10 - 20 years
Equipment	5 - 10 years

5. Compensated Absences

A liability for unused vacation time for all full-time employees is calculated and reported in the government-wide financial statements. For financial reporting, the following criteria must be met to be considered as compensated absences:

- leave or compensation is attributable to services already rendered
- leave or compensation is not contingent on a specific event (such as illness).

Per GASB Interpretation No. 6, liabilities for compensated absences are recognized in the fund statements to the extent the liabilities have matured (i.e. are due for payment).

Regular full-time employees are entitled to vacation of two to five weeks per year depending on longevity. Vacation time earned, but not taken, is paid at termination, but cannot be accumulated beyond one calendar year. The City has accrued a liability for unpaid vacation and comp time in the Proprietary Fund and Government-wide Statements of Net Position.

6. Long-term Obligations

In the government-wide financial statements, long-term debt and other long-term obligations are reported as liabilities in the applicable governmental activities, business-type activities, or proprietary fund type statement of net position.

7. Deferred Outflows and Inflows of Resources

In addition to assets, the statement of financial position will sometimes report a separate section for deferred outflows of resources. This separate financial statement element, *deferred outflows of resources*, represents a consumption of net position that applies to a future period(s) and so will *not* be recognized as an outflow of resources (expense/expenditure) until then. The City has several items that qualify for reporting in this category. They are the contributions and other items related to the City's pension and OPEB plans reported in the government-wide and proprietary statements of net position.

Continued

CITY OF STINNETT, TEXAS
NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2018

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – Continuation

E. Assets, Liabilities, Deferred Inflows and Outflows of Resources, and Net Position or Equity – Continuation

7. Deferred Outflows and Inflows of Resources – Continuation

In addition to liabilities, the statement of financial position will sometimes report a separate section for deferred inflows of resources. The separate financial statement element, *deferred inflows of resources*, represents an acquisition of net position that applies to a future period(s) and so will not be recognized as an inflow of resources (revenue) until that time. The City has multiple items that qualify for reporting in this category. One item, *unavailable revenue*, is reported only in the governmental funds balance sheet. The City reports unavailable revenues from property taxes and municipal court receivables. These amounts are deferred and recognized as an inflow of resources in the period that the amounts become available. The other items are related to the City's pension and other postemployment benefit plans reported in the government-wide statement of net position.

8. Pensions and Other Post-Employment Benefits

For purposes of measuring the net pension asset or liability, deferred outflows of resources and deferred inflows of resources related to pensions, and pension expense, information about the fiduciary net position of the City's Texas Municipal Retirement System Plan and additions to/deductions from the Plan's fiduciary net position have been determined on the same basis as they are reported by the Plan. 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.

For purposes of measuring the other post-employment benefit (OPEB) asset or liability, deferred outflows of resources and deferred inflows of resources related to OPEB, and OPEB expense, information about the fiduciary net position of the City's Texas Municipal Retirement System Supplemental Death Plan and the Texas Municipal League Health Benefits Plan, and additions to/deductions from the Plans' fiduciary net position have been determined on the same basis as they are reported by the Plans. 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.

9. Fund Balances

As prescribed by GASB Statement No. 54, governmental funds report fund balance in classifications based primarily on the extent to which the City is bound to honor constraints on the specific purposes for which amounts in the funds can be spent. Fund balance for governmental funds can consist of the following:

Non-spendable Fund Balance – includes amounts that are (a) not in spendable forms, or (b) legally or contractually required to be maintained intact. The “not in spendable form” criterion includes items that are not expected to be converted to cash, for example: inventories, prepaid amounts, and long-term notes receivable.

Restricted Fund Balance – includes amounts that are restricted for specific purposes stipulated by external resource providers, constitutionally or through enabling legislation. Restrictions may effectively be changed or lifted only with the consent of the resource providers.

Continued

CITY OF STINNETT, TEXAS
NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2018

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – Continuation

E. Assets, Liabilities, Deferred Inflows and Outflows of Resources, and Net Position or Equity – Continuation

9. Fund Balances – Continuation

Committed Fund Balance – includes amounts that can only be used for the specific purposes determined by a formal action of the City’s highest level of decision-making authority, the City Council. Commitments may be changed or lifted only by the City taking the same formal action that imposed the constraint originally (for example: resolution or ordinance).

Assigned Fund Balance – includes amounts intended to be used by the City for specific purposes that are neither restricted nor committed. Intent is expressed by (a) City Council or (b) a body (budget, finance committee, or City Official) to which the assigned amounts are to be used for specific purposes. Assigned amounts also include all residual amounts in governmental funds (except negative amounts) that are not classified as non-spendable, restricted or committed.

Unassigned Fund Balance – this classification represents fund balance that has not been assigned to other funds and that has not been restricted, committed, or assigned to specific purposes within the General Fund.

10. Net Position

In the government-wide financial statements, equity is classified as net position and displayed in three categories.

Net Investment in Capital Assets – This amount 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.

Restricted Net Position – This amount is restricted by external creditors, grantors, contributors, laws or regulations of other governments, enabling legislation, or constitutional provisions.

Unrestricted Net Position – This amount includes all net position amounts that do not meet the definition of “net investment in capital assets” or “restricted net position.”

11. Fund Balance Policies

When the City incurs an expenditure for which both restricted and unrestricted fund balance is available, the City considers restricted funds to have been spent first, then unrestricted funds. When expenditures are incurred for which committed, assigned, or unassigned fund balances are available, the City considers amounts to have been spent first out of committed funds, then assigned funds, and finally unassigned funds.

Committed fund balance amounts may be used for other purposes with appropriate action by the City Council to either modify or rescind a fund balance commitment. Commitments are typically done through adoption and amendment of the budget.

The City’s highest level of decision-making authority is the City Council. The Council has not yet delegated the authority to assign fund balance amounts to a specific individual nor does it have a policy to authorize the assignment of fund balances outside the Council.

CITY OF STINNETT, TEXAS
NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2018

NOTE 2 – STEWARDSHIP, COMPLIANCE, AND ACCOUNTABILITY

A. Budgetary Information

The City follows these procedures in establishing the budgetary data reflected in the financial statements:

1. In February, at the regularly scheduled City Council meeting the City Secretary presents a budget based on the previous year's figures as well as a copy of said budget to discuss and prepare a proposed budget for the new fiscal year that begins in April.
2. The City Council provides for a public hearing before the next scheduled council meeting. If there are no complaints or adjustments to be made, the budget is legally adopted by order of the City Council for the following funds: the General and Utility Funds.
3. The budget is prepared by fund and department during the Budget Workshop. Administrative control is maintained through the establishment of more detailed account or object class budgets within the departments. Emergency expenditures to meet unusual and unforeseen conditions which could not, by reasonable diligent thought and attention, have been included in the original budget, whereby total expenditures of a department have been increased must be authorized by the Council as emergency amendments to the original budget. Management may not amend the budget at any level without approval of the City Council. The Council has the authority to make such changes in the budget based on its judgment of facts, if the law warrants a change, and the interest of the taxpayers demand, provided the amounts budgeted for the current expenditures from the various funds for the City do not exceed appropriations, including fund balances from the prior fiscal periods. Amounts shown in the financial statements represent the original budget amounts and all supplemental appropriations. Supplemental appropriations to the original adopted budget are in the Final Budget Amounts column of the Budgetary Comparison Schedule for all city accounts.
4. Budgets for City funds are adopted on a basis consistent with GAAP on the modified accrual basis of accounting for the governmental funds and on the accrual basis of accounting for the utility funds on an annual basis
5. Formal budgetary integration on an annual basis is employed as a management control device during the year for the General and Utility Funds.
6. All appropriations lapse at the end of the City's fiscal year and may be re-budgeted the next year.

CITY OF STINNETT, TEXAS
NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2018

NOTE 3 – DEPOSITS AND INVESTMENTS

Following is a reconciliation of the City’s cash and deposit balances as of September 30, 2018:

Cash and deposit balances consist of:

Petty cash funds	\$	400
Bank deposits		427,903
Temporary investments - Texpool		148,378
Temporary investments - Lonestar		12,841
		12,841
Total	\$	589,522

Cash and deposit balances are reported in the basic financial statements as follows:

Government-wide Statement of Net Position:

Unrestricted	\$	328,142
Restricted for customer deposits		103,494
Component unit - unrestricted		157,886
		157,886
Total	\$	589,522

Investment Type	Fair Value
FNC Brokerage account	
Cash, money funds	\$ 324,163
Fixed income certificates of deposit	241,000
	241,000
Total fair value	\$ 565,163

Custodial credit risk – deposits. As of September 30, 2018, the carrying amount of the City's deposits with financial institutions was \$427,903 and the bank's balance was \$461,136. Of the bank balance, \$250,000 was insured through the Federal Depository Insurance Corporation (FDIC), and the remaining \$211,136 was collateralized with securities held by the pledging institution in the City’s name.

Interest rate risk is the risk that adverse changes in interest rates will result in an adverse effect on the fair value of an investment. The City manages its exposure to interest rate risk by maintaining its cash in interest-bearing demand accounts, or in certificates of deposit with weighted average maturities of one year or less.

Credit risk is the risk that an insurer or other counterparty to an investment will not fulfill its obligations. The City is authorized by statute and by depository contract to invest in obligations of the United States of America, direct obligations of the State of Texas, obligations of state agencies, counties, cities, and other political subdivisions of any state having been rated not less than “A” or its equivalent, certificates of deposit issued by state and national banks that are guaranteed insured or secured by obligations described above having a market value of not less than 110% of the principal amount of the certificates, money market mutual funds regulated by the SEC with a dollar weighted average portfolio maturity of 90 days or less and eligible investment pools organized and operating in compliance with the Public Funds Investment Act that have been approved by the City Council.

Continued

CITY OF STINNETT, TEXAS
NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2018

NOTE 3 – DEPOSITS AND INVESTMENTS – Continuation

As of September 30, 2018 the City had \$148,378 and \$12,841 invested with the Texas Treasury Safekeeping Trust Company (TexPool) and the Lone Star Investment Pool, respectively. The Interlocal Cooperation Act, chapter 791 of the Texas Government Code, and the Public Funds Investment Act, chapter 2256 of the Texas Government Code, provide for the creation of public funds investment pools, such as TexPool and Lone Star, through which political subdivisions and other entities may invest public funds.

The State Comptroller of Public Accounts exercises oversight responsibility over TexPool. Oversight includes the ability to significantly influence operations, designation of management and accountability for fiscal matters. Additionally, the State Comptroller has established an advisory board composed of both participants in TexPool and other persons who do not have a business relationship with TexPool. The advisory board members review the investment policy and management fee structure.

The Lone Star Investment Pool is distributed by First Public, LLC, a subsidiary of the Texas Association of School Boards. Lone Star is an investment pool focusing on safety, liquidity, convenience, and competitive yields. Since 1991, Lone Star has provided Texas public entities a safe and competitive investment alternative. The pool is governed by a board of trustees, elected annually by its participants.

Both investment pools use amortized cost to value portfolio assets and follows the criteria for GASB Statement No. 79 for use of amortized cost. TexPool and Lone Star do not place any limitations or restrictions such as notice periods or maximum transaction amounts, on withdrawals. Both pools have a credit rating of AAA from Standard & Poor's Financial Services. Local government investment pools in this rating category meet the highest standards for credit quality, conservative investment policies, and safety of principle. TexPool and Lone Star each invest in a quality portfolio of debt securities investments that are legally permissible for local governments in the state.

Concentration of credit risk is the risk of loss attributed to the magnitude of a government's investment in a single insurer. As of September 30, 2018, 37% of the City's carrying value of cash was deposited with the City's primary depository bank. The remaining 63% was deposited in various investment pools and in the brokerage account.

NOTE 4 – PROPERTY TAX

The State of Texas Constitutional tax rate limit for operations is \$1.50 on each \$100 of assessed valuation. The tax rate on the 2017 tax roll was \$.775931 per \$100, which means that the City has a tax margin of \$.724069 per \$100 and could raise up to \$401,482 additional revenue from the 2017 assessed valuation of \$55,448,000 before the limit is reached.

Real and personal property values are assessed for the period January 1 to December 31, as of January 1 at which date property taxes attach as an enforceable lien on property. Taxes are levied by October 1 of the current year and are collected from October 1 to June 30 of the following year. Payments received after February 1 are considered late and are subject to penalty and interest. Taxes become delinquent on July 1 of the following year.

CITY OF STINNETT, TEXAS
NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2018

NOTE 5 – CAPITAL ASSETS

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

<u>Governmental activities:</u>	<u>Beginning Balances</u>	<u>Increases</u>	<u>Decreases</u>	<u>Ending Balances</u>
Capital assets not being depreciated:				
Land	\$ 56,627	\$ -	\$ -	\$ 56,627
Total capital assets not being depreciated	<u>56,627</u>	<u>-</u>	<u>-</u>	<u>56,627</u>
Capital assets being depreciated:				
Buildings and improvements	1,345,170	18,130	-	1,363,300
Infrastructure	257,347	-	-	257,347
Equipment	<u>1,660,683</u>	<u>79,314</u>	<u>(17,793)</u>	<u>1,722,204</u>
Total capital assets being depreciated	<u>3,263,200</u>	<u>97,444</u>	<u>(17,793)</u>	<u>3,342,851</u>
Less accumulated depreciating for:				
Buildings and improvements	(822,632)	(49,376)	-	(872,008)
Infrastructure	(223,242)	(4,465)	-	(227,707)
Equipment	<u>(1,234,546)</u>	<u>(109,223)</u>	<u>17,793</u>	<u>(1,325,976)</u>
Total accumulated depreciation	<u>(2,280,420)</u>	<u>(163,064)</u>	<u>17,793</u>	<u>(2,425,691)</u>
Total capital assets being depreciated, net	<u>982,780</u>	<u>(65,620)</u>	<u>-</u>	<u>917,160</u>
Governmental activities capital assets, net	<u>\$ 1,039,407</u>	<u>\$ (65,620)</u>	<u>\$ -</u>	<u>\$ 973,787</u>

Continued

CITY OF STINNETT, TEXAS
NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2018

NOTE 5 – CAPITAL ASSETS – Continuation

Depreciation expense for the year ended September 30, 2018 was charged to the functions/programs of the primary government as follows:

Governmental activities:

Administration	\$ 1,724
Fire	5,357
Streets	17,975
Police	24,338
Sanitation	49,830
Parks	50,734
Ambulance	12,045
Code enforcement	<u>1,061</u>
 Total depreciation expense-governmental activities	 <u><u>\$ 163,064</u></u>

CITY OF STINNETT, TEXAS
NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2018

NOTE 5 – CAPITAL ASSETS – Continuation

	Beginning Balances	Increases	Decreases	Ending Balances
<u>Business-type activities:</u>				
Capital assets not being depreciated:				
Land	\$ 105,400	\$ -	\$ -	\$ 105,400
Total capital assets not being depreciated	105,400	-	-	105,400
Capital assets being depreciated:				
Buildings and improvements	55,210	-	-	55,210
Infrastructure	3,256,706	-	-	3,256,706
Equipment	599,348	-	-	599,348
Total capital assets being depreciated	3,911,264	-	-	3,911,264
Less accumulated depreciating for:				
Buildings and improvements	(49,908)	(1,610)	-	(51,518)
Infrastructure	(2,175,800)	(85,217)	-	(2,261,017)
Equipment	(468,466)	(36,847)	-	(505,313)
Total accumulated depreciation	(2,694,174)	(123,674)	-	(2,817,848)
Total capital assets being depreciated, net	1,217,090	(123,674)	-	1,093,416
Business-type activities capital assets, net	\$ 1,322,490	\$ (123,674)	\$ -	\$ 1,198,816

Depreciation expense for the year ended September 30, 2018 was charged to the functions/programs of the primary government as follows:

Business-type activities:	
Water and sewer fund	\$ 100,093
Gas utility	23,581
Total depreciation expense-business-type activities	\$ 123,674

CITY OF STINNETT, TEXAS
NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2018

NOTE 6 – RETIREMENT PLAN

Plan Description:

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

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

Benefits Provided:

The plan provisions are adopted by the governing body of the City (employer), within the options available in the Texas state statutes governing TMRS. Members can retire at ages 60 and above with 5 or more years of service (10 years in some cities) or with 20-25 years of service regardless of age (depending on the city's plan chosen). Members are vested after 5 years of service (10 years for some cities).

Benefit amounts are determined by the sum of the employee's contributions to the plan, with interest, and employer-financed monetary credits. The level of these monetary credits is adopted by the governing body of the City within the actuarial constraints imposed by TMRS so that the resulting benefits can be expected to be adequately financed by the employer's commitment to contribute. At retirement, death, or disability, the benefit is calculated by converting the sum of the employee's accumulated contributions and the employer-financed monetary credits to a monthly annuity using annuity purchase rates prescribed by TMRS.

Employees Covered by Benefit Terms:

At December 31, 2017, the following employees were covered by the benefit terms:

Inactive employees or beneficiaries currently receiving benefits	9
Inactive employees entitled to but not yet receiving benefits	13
Active employees	17

Continued

CITY OF STINNETT, TEXAS
NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2018

NOTE 6 – RETIREMENT PLAN – Continuation

Contributions:

Under the state law governing TMRS, the contribution rate for each city is determined annually by the actuary, using the Entry Age Normal (EAN) cost method (EAN was first used in the December 31, 2014 valuation; previously, the Projected Unit Credit actuarial cost method had been used). This rate consists of the normal cost contribution rate and the prior service cost contribution rate, which is calculated to be a level percent of payroll from year to year. The normal cost contribution rate for an employee is the contribution rate which, if applied to a member’s compensation throughout their period of anticipated covered service with the municipality, would be sufficient to meet all benefits payable on their behalf. The salary-weighted average of the individual rates is the total normal cost rate. The prior service contribution rate amortizes the unfunded (overfunded) actuarial liability (asset) over the applicable period for that city. Both the normal cost and prior service contribution rates include recognition of the projected impact of annually repeating benefits, such as Updated Service Credits and Annuity Increases.

The City contributes to TMRS Plan at an actuarially determined rate. Both the employees and the City make contributions monthly. Since the City needs to know its contribution rate in advance for budgetary purposes, there is a one-year delay between the actuarial valuation that serves as the basis for the rate and the calendar year when the rate goes into effect (i.e., the December 31, 2014 valuation will determine the contribution rate beginning January 1, 2016).

The City contributed using the actuarially determined rate of 0.00% for the months of the accounting year in 2017 and 0.00% for the months of the accounting year in 2018. The contribution rate payable by the employee members is 5.0% for fiscal year 2018 as adopted by the governing body of the City. The employee contribution rate and the employer contribution rate may be changed by the governing body of the City.

Net Pension Liability:

The City’s net pension liability was measured as of December 31, 2017, and the total pension liability used to calculate the net pension liability or asset was determined by an actuarial valuation as of that date.

Actuarial Assumptions:

The total pension liability in the December 31, 2017 actuarial valuation was determined using the following actuarial assumptions, applied to all periods included in the measurement:

Inflation	2.50%
Salary increases	3.5% to 10.5% including inflation
Investment rate of return	6.75%
Cost-of-living adjustments	None

Mortality rates were based on the RP-2000 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.

Actuarial valuations involve estimates of the value of reported amounts and assumptions about the probability of events far into the future. Actuarially determined amounts are subject to continual revision as actual results are compared to past expectations and new estimates are made about the future.

Continued

CITY OF STINNETT, TEXAS
NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2018

NOTE 6 – RETIREMENT PLAN – Continuation

Actuarial calculations are based on the benefits provided under the terms of the substantive plan in effect at the time of each valuation, and reflect a long-term perspective. Consistent with that perspective, actuarial methods and assumptions used include techniques that are designed to reduce short-term volatility in actuarial accrued liabilities and the actuarial value of assets.

The actuarial assumptions that determined the total pension liability as of December 31, 2017 were based on the results of an actuarial experience study for the period January 1, 2009 – December 31, 2012, except where required to be different by GASB 68.

Discount Rate:

The discount rate used to measure the total pension liability was 6.75%. The discount rate is the single rate of return that, when applied to all projected benefit payments results in an actuarial present value of projected benefit payments equal to the total of the following:

1. The actuarial present value of benefit payments projected to be made in future periods in which (a) the amount of the pension plan's fiduciary net position is projected to be greater than the benefit payments that are projected to be made in that period and (b) pension plan assets up to that point are expected to be invested using a strategy to achieve the long-term rate of return, calculated using the long-term expected rate of return on pension plan investments.
2. The actuarial present value of projected benefit payments not included in (1), calculated using the municipal bond rate.

Therefore, if plan investments in a given future year are greater than projected benefit payments in that year and are invested such that they are expected to earn the long-term rate of return, the discount rate applied to projected benefit payments in that year should be the long-term expected rate of return on plan investments. If future years exist where this is not the case, then an index rate reflecting the yield on a 20-year, tax-exempt municipal bond should be used to discount the projected benefit payments for those years

The determination of a future date when plan investments are not sufficient to pay projected benefit payments is often referred to as a depletion date projection. A depletion date projection compares projections of the pension plan's fiduciary net position to projected benefit payments and aims to determine a future date, if one exists, when the fiduciary net position is projected to be less than projected benefit payments. If an evaluation of the sufficiency of the projected fiduciary net position compared to projected benefit payments can be made with sufficient reliability without performing a depletion date projection, alternatives methods to determine sufficiency may be applied.

In order to determine the discount rate to be used by the employer we have used an alternative method to determine the sufficiency of the fiduciary net position in all future years. Our alternative method reflects the funding requirements under the employer's funding policy and the legal requirements under TMRS.

1. TMRS has a funding policy where the Unfunded Actuarial Accrued Liability (UAAL) shall be amortized as a level percent of pay over 20-year closed layered periods.
2. Under TMRS, the employer is legally required to make the contribution specified in the funding policy.
3. The employer's assets are projected to exceed its accrued liabilities in 20 years or less. When this point is reached, the employer is still required to contribute at least the normal cost.

Continued

CITY OF STINNETT, TEXAS
NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2018

NOTE 6 – RETIREMENT PLAN – Continuation

4. Any increased cost due to the adoption of a COLA is required to be funded over a period of 15 years, if applicable.

Based on the above, the projected fiduciary net position is determined to be sufficient compared to projected benefit payments. Based on the expected level of cash flows and investment returns to the system, the fiduciary net position as a percentage of total pension liability is projected to increase from its current level in future years.

Since the projected fiduciary net position is projected to be sufficient to pay projected benefit payments in all future years, the discount rate for purposes of calculating the total pension liability and net pension liability of the employer is equal to the long-term assumed rate of return on investments. This long-term assumed rate of return should be net of investment expenses, but gross of administrative expenses for GASB 68 purposes. Therefore, we have used a discount rate of 7.00%.

Changes in the Net Pension Liability / (Asset):

	Total Pension Liability (a)	Plan Fiduciary Net Position (b)	Net Pension Liability / (Asset) (a) - (b)
	<u> </u>	<u> </u>	<u> </u>
Balances as of December 31, 2016	\$ 1,772,705	\$ 2,071,477	\$ (298,772)
Changes for the year:			
Service cost	53,695	-	53,695
Interest on total pension liability	118,611	-	118,611
Difference between expected and actual experience	4,541	-	4,541
Changes of assumptions	-	-	-
Benefit payments/refunds of employee contributions	(84,704)	(84,704)	-
Contributions - employer	-	13	(13)
Contributions - employee	-	34,027	(34,027)
Net investment income	-	286,757	(286,757)
Administrative expenses	-	(1,488)	1,488
Other	-	(75)	75
	<u> </u>	<u> </u>	<u> </u>
Balances as of December 31, 2017	<u>\$ 1,864,848</u>	<u>\$ 2,306,007</u>	<u>\$ (441,159)</u>
Plan fiduciary net position as a percentage of the total pension liability:			123.66%
Covered employee payroll:			\$ 680,549
Net pension liability as a percentage of covered employee payroll:			-64.82%

Continued

CITY OF STINNETT, TEXAS
NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2018

NOTE 6 – RETIREMENT PLAN – Continuation

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 / (asset) would be if it were calculated using a discount rate that is 1 percentage point lower (5.75%) or 1 percentage point higher (7.75%) than the current rate.

	1% Decrease 5.75%	Current Single Rate Assumption 6.75%	1% Increase 7.75%
Net pension liability / (asset)	\$ (228,667)	\$ (441,159)	\$ (619,733)

Pension Expense / (Income):

	January 1, 2017 to December 31, 2017
Total service cost	\$ 53,695
Interest on total pension liability	118,611
Employee contributions (reduction of expenses)	(34,027)
Projected earnings on plan investments (reduction of expenses)	(139,825)
Administrative expenses	1,488
Other changes in fiduciary net position	75
Recognition of current year deferred (inflows)/outflows of resources - liabilities	1,113
Recognition of current year deferred (inflows)/outflows of resources - assets	(29,386)
Amortization of prior year deferred (inflows)/outflows of resources - liabilities	17
Amortization of prior year deferred (inflows)/outflows of resources - assets	33,115
Total pension expense	\$ 4,876

Deferred Inflows / Outflows of Resources:

As of December 31, 2017, the deferred inflows and outflows of resources are as follows:

	Deferred Inflows of Resources	Deferred Outflows of Resources
Differences between expected and actual experience	\$ 537	\$ 15,103
Changes of assumptions	-	345
Net difference between projected and actual earnings	56,361	-
Contributions made subsequent to measurement date	N/A	-

Continued

CITY OF STINNETT, TEXAS
NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2018

NOTE 6 – RETIREMENT PLAN – Continuation

Amounts currently reported as deferred outflows of resources and deferred inflows of resources related to pensions, excluding contributions made subsequent to the measurement date, will be recognized in pension expense as follows:

Year ended December 31:		
2018	\$	11,064
2019		5,057
2020		(28,273)
2021		(29,298)
		<hr/>
Total	\$	<u>(41,450)</u>

NOTE 7 – OTHER POST EMPLOYMENT BENEFIT (OPEB) OBLIGATIONS

Plan Description

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 SDBF by adopting an ordinance before November 1 of any year to be effective the following January 1.

Plan Benefits

The death benefit for active employees provides a lump-sum payment approximately equal to the employee’s annual salary (calculated based on the employee’s actual earnings, for the 12-month period preceding the month of death). The death benefit for retirees is considered an other postemployment benefit (“OPEB”) and is a fixed amount of \$7,500. As the SDBF covers both active and retiree participants, with no segregation of assets, the SDBF is considered to be an unfunded OPEB plan (i.e. no assets are accumulated). The member city contributes to the SDBF at a contractually required rate as determined by an annual actuarial valuation. The rate is equal to the cost of providing one-year term life insurance. The funding policy for the SDBF program is to assure that adequate resources are available to meet all death benefit payments for the upcoming year. The intent is not to pre-fund retiree term life insurance during employees’ entire careers.

Employees Covered by Benefit Terms

At December 31, 2017, the following employees were covered by the benefit terms:

Inactive employees or beneficiaries currently receiving benefits	8
Inactive employees entitled to but not yet receiving benefits	2
Active employees	17

Continued

CITY OF STINNETT, TEXAS
NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2018

NOTE 7 – OTHER POST EMPLOYMENT BENEFIT (OPEB) OBLIGATIONS – Continuation

Total OPEB Liability

The City's total OPEB liability was measured as of December 31, 2017, and was determined by an actuarial valuation as of that date.

Actuarial Assumptions:

The total OPEB liability in the December 31, 2017 actuarial valuation was determined using the following actuarial assumptions, applied to all periods included in the measurement.

All actuarial assumptions that determined the total OPEB liability as of December 31, 2017 were 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.

For calculating the OPEB liability and the OPEB contribution rates, the Gender-distinct RP2000 Combined Healthy Mortality Tables with Blue Collar Adjustment are used 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 100.0%. The rates are projected on a fully generational basis by scale BB to account for future mortality improvements.

Discount Rate

The SDBF covers both active and retiree benefits with no segregation of assets, and therefore doesn't meet the definition of a trust under GASB No. 75, paragraph 4b, (i.e., no assets are accumulated for OPEB). As such the SDBF is considered to be a single-employer unfunded OPEB plan (and not a cost sharing plan) with benefit payments treated as being equal to employer's yearly contributions for retirees. In accordance with paragraph 155, the applicable discount rate for an unfunded OPEB is based on an index of tax exempt 20-year municipal bond rates rated AA or higher. As of December 31, 2017, the discount rate used in development of the Total OPEB Liability was 3.31% compared to 3.78% as of December 31, 2016.

Continued

CITY OF STINNETT, TEXAS
NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2018

NOTE 7 – OTHER POST EMPLOYMENT BENEFIT (OPEB) OBLIGATIONS – Continuation

Changes in the Total OPEB Liability:

	Changes in Total OPEB Liability
Balances as of December 31, 2016	\$ 44,419
Changes for the year:	
Service cost	1,565
Interest on total OPEB liability	1,701
Changes of benefit terms	-
Effect of economic/demographic experience	-
Effect of assumptions changes or inputs	3,746
Benefit payments	(408)
Other	-
Balances as of December 31, 2017	\$ 51,023

Sensitivity of the net pension liability / (asset) to changes in the discount rate

The following presents the Total OPEB Liability of the employer, calculated using the discount rate of 3.31%, as well as the what the Total OPEB Liability would be if it were calculated using a discount rate that is 1 percentage point lower (2.31%) or 1 percentage point higher (4.31%) than the current rate. Note that the healthcare cost trend rate does not affect the Total OPEB Liability, so sensitivity to the healthcare cost trend rate is not shown.

	1% Decrease 2.31%	Current Single Rate Assumption 3.31%	1% Increase 4.31%
Net pension liability / (asset)	\$ 60,652	\$ 51,023	\$ 43,505

Continued

CITY OF STINNETT, TEXAS
NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2018

NOTE 7 – OTHER POST EMPLOYMENT BENEFIT (OPEB) OBLIGATIONS – Continuation

OPEB Expense / (Income)

	January 1, 2017 to December 31, 2017
Service cost	\$ 1,565
Interest on total OPEB liability	1,701
Recognition of deferred inflows/outflows of resources	
Differences between expected and actual experience (1)	-
Changes in assumptions or other inputs (2)	611
Recognition of investment gains or losses	-
Other	-
 Total OPEB expense	 \$ 3,877

(1) In the year of implementation, the beginning of year liability is rolled back from the measurement date, so there will be no experience loss / (gain).

(2) Generally, this will only be the annual change in the municipal bond index rate.

Deferred Inflows / Outflows of Resources:

As of December 31, 2017, the deferred inflows and outflows of resources are as follows:

	Deferred Inflows of Resources	Deferred Outflows of Resources
Differences between expected and actual experience	\$ -	\$ -
Changes of assumptions	-	3,135
Contributions made subsequent to measurement date	N/A	301

Amounts currently reported as deferred outflows of resources and deferred inflows of resources related to pensions, excluding contributions made subsequent to the measurement date, will be recognized in pension expense as follows:

Year ended December 31:	
2018	\$ 611
2019	611
2020	611
2021	611
2022	611
Thereafter	80
 Total	 \$ 3,135

CITY OF STINNETT, TEXAS
NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2018

NOTE 8 – INTER-FUND RECEIVABLES, PAYABLES AND TRANSFERS

Individual Fund Inter-fund Receivables and Payables

Fund	Inter-fund Receivables	Inter-fund Payables
General Fund	\$ -	\$ 195,180
Debt Service Fund	5,759	-
Component Unit: Stinnett CDC	189,421	-
	<u>\$ 195,180</u>	<u>\$ 195,180</u>

The primary purpose of inter-fund receivables and payables is the recording of sales tax receipts received by the General Fund on behalf of the Stinnett CDC.

Individual Inter-fund Transfers

Fund	Inter-fund Transfers In	Inter-fund Transfers Out
General Fund	\$ 249,784	\$ -
Debt Service Fund	-	30,511
Proprietary Funds: Water and Sewer Fund	-	217,938
Gas Utility	-	1,335
	<u>\$ 249,784</u>	<u>\$ 249,784</u>

The primary purpose of inter-fund transfers is the supplementing of General Fund operations with excess revenues earned in the Utility Fund.

NOTE 9 – RISK MANAGEMENT

The City’s major areas of risk management are: public officials’, automobile liability, general comprehensive liability and property damage, workers’ compensation, and employee health insurance. The City has obtained insurance with an insurance company and a public entity risk pool in which all risk is transferred to those entities for all the above areas. The City pays a deductible per incident except on the employee health insurance in which the deductible is the responsibility of the employee. There have been no significant reductions in insurance coverage from the prior year and settlements have not exceeded insurance coverage for the current year or the previous three years.

CITY OF STINNETT, TEXAS
NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2018

NOTE 10 – LONG-TERM LIABILITIES

On September 28, 2017, the City executed a note payable to First National Bank for the purchase of a 2019 Mack trash truck in the amount of \$183,853 at 3.65% interest. The note payable constitutes a direct obligation of the City and is payable in five annual installments (including principal and interest) of \$40,937. The note payable is secured by a lien on the purchased equipment.

Advanced Refunding

The City issued \$400,000 in General Obligation Refunding Bonds, Series 2014 with a fixed interest rate of 2.13%. The proceeds were used to advance refund \$380,000 of outstanding General Obligation Bonds, Series 2001. The net proceeds of the refunding bonds were deposited into an irrevocable trust with an escrow agent to provide funds for the future debt service payments of the refunded bonds. As a result, the General Obligations Bonds, Series 2001 are considered defeased and the liability for those notes has been removed from the statement of net position. The Refunding Bonds will be repaid through ad valorem taxes, within the limits prescribed by law. The 2014 Obligations are due and payable between February 15, 2015 and February 15, 2021.

The City advanced refunded the General Obligation Bonds, Series 2001 to reduce its total debt service payments over 3 years by \$38,155 and to obtain an economic gain (difference between the present value of the debt service payments of the old and new debt) of \$35,868.

Changes in long-term liabilities:

Governmental Activities:	<u>Beginning Balance</u>	<u>Additions</u>	<u>Reductions</u>	<u>Ending Balance</u>	<u>Due Within One Year</u>
2014 General Obligation Refunding Bonds	\$ 231,000	\$ -	\$ (57,000)	\$ 174,000	\$ 55,000
Note Payable - trash truck	183,853	-	-	183,853	-
Note Payable - patrol cars	33,445	-	(33,445)	-	-
Capital Lease - lifepak	-	67,314	(5,904)	61,410	12,282
Compensated Absences	11,831	16,691	(7,355)	21,167	2,100
	<u> </u>	<u> </u>	<u> </u>	<u> </u>	<u> </u>
Total Governmental Activities Long-Term Liabilities	<u>\$ 460,129</u>	<u>\$ 84,005</u>	<u>\$ (103,704)</u>	<u>\$ 440,430</u>	<u>\$ 69,382</u>
	<u>Beginning Balance</u>	<u>Additions</u>	<u>Reductions</u>	<u>Ending Balance</u>	<u>Due Within One Year</u>
Business-Type Activities:					
Compensated Absences	\$ 14,713	\$ 12,408	\$ (13,801)	\$ 13,320	\$ 1,300
	<u> </u>	<u> </u>	<u> </u>	<u> </u>	<u> </u>
Total Business-Type Activities Long-Term Liabilities	<u>\$ 14,713</u>	<u>\$ 12,408</u>	<u>\$ (13,801)</u>	<u>\$ 13,320</u>	<u>\$ 1,300</u>

The City paid interest expense in the amount of \$5,128 during the fiscal year ended September 30, 2018.

Continued

CITY OF STINNETT, TEXAS
NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2018

NOTE 10 – LONG-TERM LIABILITIES

Long-term liability activity for the year ended September 30, 2018, was as follows:

Years Ending September 30	Total	General Obligation Refunding Bonds, Series 2014		Note Payable Trash Truck	
		Principal	Interest	Principal	Interest
2019	\$ 70,402	\$ 55,000	\$ 3,120	\$ -	\$ -
2020	113,136	58,000	1,917	34,227	6,710
2021	114,869	61,000	650	35,476	5,461
2022	53,219	-	-	36,771	4,166
2023	53,219	-	-	38,113	2,824
2024-2028	40,699	-	-	39,266	1,433
Total	\$ 445,544	\$ 174,000	\$ 5,687	\$ 183,853	\$ 20,594

Capital Lease LifePak	
Principal	Interest
\$ 12,282	\$ -
12,282	-
12,282	-
12,282	-
12,282	-
-	-
\$ 61,410	\$ -

NOTE 11 – LEASES

Capital Leases

During the year ended September 30, 2018, the City executed a capital lease payable to Stryker Flex Financial for the purchase of two LifePak 15 Defibrillator/Monitors in the amount of \$67,314 at 0% interest. The capital lease payable constitutes a direct obligation of the City and is payable in five annual installments of \$12,282 and an initial upfront payment of \$5,904. The capital lease payable is secured by a lien on the purchased equipment. The future minimum lease payments under capital lease and the net present value of the future minimum least payments are as follow:

Continued

CITY OF STINNETT, TEXAS
NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2018

NOTE 11 – LEASES – Continuation

Capital Leases – Continuation

Year Ending September 30, 2018	Governmental Activities
2019	\$ 12,282
2020	12,282
2021	12,282
2022	12,282
2023	12,282
Total	61,410
Less amounts representing interest	-
	\$ 61,410
The following summarized the assets acquired under capital lease:	
Equipment	\$ 79,314
Accumulated Depreciation	(11,330)
Net Leased Equipment	\$ 67,984

Amortization of leased equipment under capital assets is included with depreciation expense.

CITY OF STINNETT, TEXAS
NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2018

NOTE 12 – PRIOR PERIOD RESTATEMENT

The beginning net position and beginning fund balance of the City were changed for multiple and various reasons as follows. 1) The prior year statements did not correctly report the GASB 68 deferrals as related to the City’s net pension obligation, 2) beginning net position was adjusted to implement the provisions of GASB 75, recording the total OPEB liability and related deferrals, 3) the prior year statements did not correctly record a receivable from the Texas Comptroller for Sales Tax revenue earned but not received, and 4) the prior year fund level financial statement for the General Fund included a long-term liability related to accrued compensated absences that should have only been recorded at the government-wide level. Net Position/Fund Balance was increased in all statements as noted below.

	<u>Government-Wide Statement</u>		<u>Fund Level Statements</u>		
	<u>Governmental Activities</u>	<u>Business-Type Activities</u>	<u>General Fund</u>	<u>Water and Sewer Fund</u>	<u>Gas Utility</u>
Net position/fund balance as of September 30, 2017, as previously reported	\$ 1,332,394	\$ 1,582,188	\$ 444,898	\$ 1,437,420	\$ 144,768
To correct prior year GASB 68 deferrals	53,170	27,282	-	13,518	13,764
To record beginning balances in order to implement GASB 75	(29,134)	(15,139)	-	(7,588)	(7,551)
To correct receivable from State for sales tax	32,240	-	32,240	-	-
To remove long-term liability from Fund Level	-	-	11,831	-	-
 Total net restatement	 56,276	 12,143	 44,071	 5,930	 6,213
 Net position/fund balance as of October 1, 2018, as restated	 \$ 1,388,670	 \$ 1,594,331	 \$ 488,969	 \$ 1,443,350	 \$ 150,981

**REQUIRED SUPPLEMENTARY INFORMATION
(UNAUDITED)**

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

	<u>Budgeted Amounts</u>		<u>Actual Amounts</u>	<u>Variance With Final Budget</u>
	<u>Original</u>	<u>Final</u>		
REVENUES				
Taxes:				
Property taxes	\$ 368,836	\$ 368,836	\$ 352,472	\$ (16,364)
Sales	155,526	155,526	183,116	27,590
Franchise	50,000	50,000	51,936	1,936
Hotel/Motel	2,500	2,500	1,085	(1,415)
Fines and forfeitures	35,050	35,050	20,996	(14,054)
Intergovernmental	61,720	61,720	52,450	(9,270)
Charges for services	410,400	410,400	451,991	41,591
Interest earnings	3,830	3,830	6,518	2,688
Miscellaneous	7,862	7,862	49,615	41,753
	<u>1,095,724</u>	<u>1,095,724</u>	<u>1,170,179</u>	<u>74,455</u>
EXPENDITURES				
Current:				
Administration	173,853	173,853	187,730	(13,877)
Sanitation	199,317	199,317	184,467	14,850
Cemetery	28,513	28,513	28,690	(177)
Ambulance	153,234	153,234	267,787	(114,553)
Animal control and code enforcement	92,075	92,075	82,842	9,233
Municipal court	28,244	28,244	25,698	2,546
Public facilities	182,965	182,965	167,689	15,276
Fire	64,220	64,220	85,169	(20,949)
Police	258,082	258,082	230,217	27,865
Streets	112,791	112,791	121,296	(8,505)
Debt Service:				
Principal	72,544	72,544	39,349	33,195
Interest and other charges	4,394	4,394	814	3,580
Capital outlay	15,050	15,050	85,444	(70,394)
	<u>1,385,282</u>	<u>1,385,282</u>	<u>1,507,192</u>	<u>(121,910)</u>
EXCESS OF REVENUES OVER (UNDER) EXPENDITURES	<u>(289,558)</u>	<u>(289,558)</u>	<u>(337,013)</u>	<u>(47,455)</u>
OTHER FINANCING SOURCES				
Proceeds from note payable	-	-	67,314	67,314
Proceeds from sale of capital assets	100	100	-	(100)
Transfers in	160,000	160,000	249,784	89,784
	<u>160,100</u>	<u>160,100</u>	<u>317,098</u>	<u>156,998</u>
NET CHANGE IN FUND BALANCE	(129,458)	(129,458)	(19,915)	109,543
FUND BALANCES - BEGINNING PRIOR PERIOD RESTATEMENT	444,898 44,071	444,898 44,071	444,898 44,071	44,071 -
FUND BALANCES - BEGINNING, AS RESTATED	<u>488,969</u>	<u>488,969</u>	<u>488,969</u>	<u>44,071</u>
FUND BALANCES - ENDING	<u>\$ 359,511</u>	<u>\$ 359,511</u>	<u>\$ 469,054</u>	<u>\$ 153,614</u>

CITY OF STINNETT, TEXAS
TEXAS MUNICIPAL RETIREMENT SYSTEM
SCHEDULE OF CHANGES IN NET PENSION LIABILITY AND RELATED RATIOS
Last 10 Years (will ultimately be displayed as available)

	Year Ended December 31,			
	2017	2016	2015	2014
Total Pension Liability:				
Service cost	\$ 53,695	\$ 53,166	\$ 47,118	\$ 28,631
Interest on total pension liability	118,611	111,800	112,099	106,021
Changes of benefit terms	-	-	-	-
Difference between expected and actual experience	4,541	24,505	(54,117)	14,701
Changes of assumptions	-	-	34,731	-
Benefit payments/refunds of contributions	(84,704)	(92,953)	(83,005)	(60,525)
Net change in total pension liability	92,143	96,518	56,826	88,828
Total pension liability, beginning	1,772,705	1,676,187	1,619,361	1,530,533
Total pension liability, ending (a)	<u>\$ 1,864,848</u>	<u>\$ 1,772,705</u>	<u>\$ 1,676,187</u>	<u>\$ 1,619,361</u>
Fiduciary Net Position:				
Employer contributions	\$ 13	\$ (14)	\$ -	\$ (8)
Employee contributions	34,027	33,950	31,081	26,262
Net investment income	286,757	134,814	3,022	112,741
Benefit payments/refunds of contributions	(84,704)	(92,953)	(83,005)	(60,525)
Administrative expenses	(1,488)	(1,524)	(1,841)	(1,177)
Other	(75)	(82)	(91)	(97)
Net change in fiduciary net position	234,530	74,191	(50,834)	77,196
Fiduciary net position, beginning	2,071,477	1,997,286	2,048,120	1,970,924
Fiduciary net position, ending (b)	<u>\$ 2,306,007</u>	<u>\$ 2,071,477</u>	<u>\$ 1,997,286</u>	<u>\$ 2,048,120</u>
Net pension liability / (asset), ending = (a) - (b)	<u>\$ (441,159)</u>	<u>\$ (298,772)</u>	<u>\$ (321,099)</u>	<u>\$ (428,759)</u>
Fiduciary net position as a % of total pension liability	123.66%	116.85%	119.16%	126.48%
Pensionable covered payroll	\$ 680,549	\$ 679,005	\$ 621,615	\$ 525,243
Net pension liability as a % of covered payroll	-64.82%	-44.00%	-51.66%	-81.63%

CITY OF STINNETT, TEXAS
TEXAS MUNICIPAL RETIREMENT SYSTEM
SCHEDULE OF EMPLOYER CONTRIBUTIONS
Last 10 Fiscal Years (will ultimately be displayed)

Year Ending September 30:	Actuarially Determined Contribution	Actual Employer Contribution	Contribution Deficiency (Excess)	Pensionable Covered Payroll	Actual Contribution as a % of Covered Payroll
2015	\$ -	\$ -	\$ -	\$ 598,644	0.0%
2016	-	-	-	671,951	0.0%
2017	-	-	-	677,318	0.0%
2018	-	-	-	688,139	0.0%

NOTES TO SCHEDULE OF EMPLOYER CONTRIBUTIONS

Valuation Date:

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

Methods and Assumptions Used to Determine Contribution Rates:

Actuarial Cost Method	Entry Age Normal
Amortization Method	Level Percentage of Payroll, Closed
Remaining Amortization Period	25 years
Asset Valuation Method	10 Year smoothed market; 15% soft corridor
Inflation	2.50%
Salary increases	3.50% - 10.50% 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:

Notes There were no benefit changes during the year.

CITY OF STINNETT, TEXAS
TEXAS MUNICIPAL RETIREMENT SYSTEM
SCHEDULE OF CHANGES IN TOTAL OPEB LIABILITY AND RELATED RATIOS
Last 10 Years (will ultimately be displayed as available)

	Year Ended December 31,			
	2017	2016	2015	2014
Total OPEB Liability:				
Service cost	\$ 1,565	\$ N/A	\$ N/A	\$ N/A
Interest on total OPEB liability	1,701	N/A	N/A	N/A
Effect of plan changes	-	N/A	N/A	N/A
Effect of assumption changes or inputs	3,746	N/A	N/A	N/A
Effect of economic/demographic (gains) or losses	-	N/A	N/A	N/A
Benefit payments	(408)	N/A	N/A	N/A
Net change in total OPEB liability	6,604	N/A	N/A	N/A
Total OPEB liability, beginning	44,419	N/A	N/A	N/A
Total OPEB liability, ending	<u>\$ 51,023</u>	<u>\$ N/A</u>	<u>\$ N/A</u>	<u>\$ N/A</u>
Covered employee payroll	\$ 680,549	\$ N/A	\$ N/A	\$ N/A
Total OPEB liability as a % of covered employee payroll	7.50%	N/A	N/A	N/A

Notes to Schedule:

Valuation Timing	Actuarially determined contribution rates are calculated on a calendar year basis as of December 31, two years prior to the end of the fiscal year in which the contributions are reported.
Actuarial Cost Method	Entry Age Normal
Amortization Method	Straight-Line amortization over Expected Working Life
Asset Valuation Method	Does not apply
Inflation	Does not apply
Salary increases	Does not apply
Investment rate of return	3.31% (20 Year Municipal GO AA Index published by the Fidelity Index as of December 31, 2017)

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PART III
COMPLIANCE



To The Honorable City Mayor and
Council Members Comprising the
City Council of
City of Stinnett, Texas

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

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of the governmental activities, the business-type activities, the aggregate discretely presented component unit, the major fund, and the aggregate remaining fund information of the City of Stinnett, Texas as of and for the year ended September 30, 2018, and the related notes to the financial statements, which collectively comprise the City of Stinnett, Texas' basic financial statements and have issued our report thereon dated August 16, 2019.

Internal Control Over Financial Reporting

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

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

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

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the City of Stinnett, Texas' financial statements are free from material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

Purpose of this Report

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the 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 entity's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

DOSHIER, PICKENS & FRANCIS, L.L.C.

DOSHIER, PICKENS & FRANCIS, LLC

August 16, 2019