

**CITY OF STINNETT, TEXAS**

**ANNUAL FINANCIAL REPORT**

**FOR YEAR ENDED  
SEPTEMBER 30, 2019**

**CITY OF STINNETT, TEXAS**  
**ANNUAL FINANCIAL REPORT**  
**FOR YEAR ENDED SEPTEMBER 30, 2019**

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**CITY OF STINNETT, TEXAS**  
**ANNUAL FINANCIAL REPORT**  
**FOR YEAR ENDED SEPTEMBER 30, 2019**

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**PART I**

**INTRODUCTORY SECTION**

**CITY OF STINNETT, TEXAS**  
**PRINCIPAL CITY OFFICIALS**  
**SEPTEMBER 30, 2019**

Colin Locke	Mayor
Jeff Irvin	Council Member
Jamie Jimenez	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 units, each major fund, and the aggregate remaining fund information of the City of Stinnett, Texas, as of and for the year ended September 30, 2019, and the related notes to the financial statements, which collectively comprise the City's basic financial statements as listed in the table of contents.

### **Management's Responsibility for the Financial Statements**

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

### **Auditors' Responsibility**

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

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

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit 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 units, each major fund, and the aggregate remaining fund information of the City of Stinnett, Texas, as of September 30, 2019, and the respective changes in financial position, and, where applicable, cash flows thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.



## **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, and the Schedule of Changes in Total OPEB Liability and Related Ratios on pages 39 – 42 be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

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 June 5, 2020, on our consideration of the City of Stinnett, Texas's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is solely 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 the effectiveness of the City of Stinnett, Texas's 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's internal control over financial reporting and compliance.

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

DOSHIER, PICKENS & FRANCIS, LLC  
June 5, 2020

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## **BASIC FINANCIAL STATEMENTS**

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**CITY OF STINNETT, TEXAS**  
**STATEMENT OF NET POSITION**  
**SEPTEMBER 30, 2019**

	Primary Government			Component Unit
	Governmental Activities	Business-Type Activities	Total	Community Development Corporation
<b>ASSETS</b>				
Cash and cash equivalents	\$ 233,776	\$ 256,278	\$ 490,054	\$ 158,246
Investments	575,883	-	575,883	-
Restricted cash - customer deposits	1,500	103,079	104,579	-
Receivables, net	87,293	90,246	177,539	-
Internal balances	(506,632)	506,632	-	-
Due from primary government	-	-	-	255,575
Intergovernmental receivables	27,064	-	27,064	9,022
Net pension asset	227,239	63,633	290,872	-
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	1,891,712	599,348	2,491,060	-
Infrastructure	257,347	3,256,706	3,514,053	-
Less: Accumulated depreciation	(2,592,190)	(2,936,793)	(5,528,983)	-
<b>Total assets</b>	<b>1,622,919</b>	<b>2,099,739</b>	<b>3,722,658</b>	<b>422,843</b>
<b>DEFERRED OUTFLOWS OF RESOURCES</b>				
Pension deficient earnings	93,449	26,168	119,617	-
Pension economic/demographic losses	5,918	1,657	7,575	-
OPEB contributions	370	104	474	-
OPEB assumption changes	1,972	552	2,524	-
<b>Total deferred outflows of resources</b>	<b>101,709</b>	<b>28,481</b>	<b>130,190</b>	<b>-</b>
<b>LIABILITIES</b>				
Accounts payable	26,342	15,808	42,150	-
Accrued interest	6,915	-	6,915	-
Intergovernmental payable	3,207	1,006	4,213	-
Due to component unit	255,575	-	255,575	-
Customer deposits	1,500	103,080	104,580	-
Noncurrent liabilities:				
Due within one year	106,709	1,000	107,709	-
Due in more than one year	267,033	9,099	276,132	-
Other post-employment benefit liability	38,060	10,657	48,717	-
<b>Total liabilities</b>	<b>705,341</b>	<b>140,650</b>	<b>845,991</b>	<b>-</b>
<b>DEFERRED INFLOWS OF RESOURCES</b>				
Pension economic/demographic gains	37,956	10,629	48,585	-
OPEB economic gains	1,512	423	1,935	-
OPEB assumptions changes	2,026	567	2,593	-
<b>Total deferred inflows of resources</b>	<b>41,494</b>	<b>11,619</b>	<b>53,113</b>	<b>-</b>
<b>NET POSITION</b>				
Net investment in capital assets	624,815	1,079,871	1,704,686	-
Unrestricted	352,978	896,080	1,249,058	422,843
<b>Total net position</b>	<b>\$ 977,793</b>	<b>\$ 1,975,951</b>	<b>\$ 2,953,744</b>	<b>\$ 422,843</b>

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, 2019**

Functions/Programs	Expenses	Program Revenues		
		Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions
<b>Primary Government:</b>				
Governmental activities:				
Administration	\$ 195,516	\$ -	\$ -	\$ -
Sanitation	243,837	312,212	-	-
Cemetery	11,847	6,594	-	-
Ambulance	234,354	62,886	9,910	-
Animal control and code enforcement	62,139	403	-	-
Municipal court	29,229	33,888	-	-
Fire	60,656	-	33,000	55,000
Police	403,294	-	-	-
Streets	145,513	-	-	-
Public facilities	205,767	35,591	-	-
Interest on long-term debt	9,602	-	-	-
Total governmental activities	<u>1,601,754</u>	<u>451,574</u>	<u>42,910</u>	<u>55,000</u>
Business-Type Activities:				
Water and sewer fund	444,410	585,768	-	-
Gas utility	449,593	582,895	-	-
Total business-type activities	<u>894,003</u>	<u>1,168,663</u>	<u>-</u>	<u>-</u>
Total primary government	<u>\$ 2,495,757</u>	<u>\$ 1,620,237</u>	<u>\$ 42,910</u>	<u>\$ 55,000</u>
<b>Component Unit:</b>				
Community Development	<u>\$ -</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  
Miscellaneous  
Transfers

Total general revenues

Change in net position

Net position - beginning

Net position - ending

Net (Expense) Revenue and Changes in Net Position

Primary Government			Component Unit
Governmental Activities	Business-Type Activities	Total	Community Development Corporation
\$ (195,516)	\$ -	\$ (195,516)	\$ -
68,375	-	68,375	-
(5,253)	-	(5,253)	-
(161,558)	-	(161,558)	-
(61,736)	-	(61,736)	-
4,659	-	4,659	-
27,344	-	27,344	-
(403,294)	-	(403,294)	-
(145,513)	-	(145,513)	-
(170,176)	-	(170,176)	-
(9,602)	-	(9,602)	-
<u>(1,052,270)</u>	<u>-</u>	<u>(1,052,270)</u>	<u>-</u>
-	141,358	141,358	-
-	133,302	133,302	-
<u>-</u>	<u>274,660</u>	<u>274,660</u>	<u>-</u>
<u>(1,052,270)</u>	<u>274,660</u>	<u>(777,610)</u>	<u>-</u>
<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
410,842	-	410,842	-
55,626	-	55,626	-
196,230	-	196,230	65,410
51,693	-	51,693	-
1,156	-	1,156	-
15,515	-	15,515	360
32,461	7,295	39,756	-
2,852	(2,852)	-	-
<u>766,375</u>	<u>4,443</u>	<u>770,818</u>	<u>65,770</u>
(285,895)	279,103	(6,792)	65,770
<u>1,263,688</u>	<u>1,696,848</u>	<u>2,960,536</u>	<u>357,073</u>
<u>\$ 977,793</u>	<u>\$ 1,975,951</u>	<u>\$ 2,953,744</u>	<u>\$ 422,843</u>

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

**CITY OF STINNETT, TEXAS  
BALANCE SHEET  
GOVERNMENTAL FUNDS  
SEPTEMBER 30, 2019**

	<b>General</b>	<b>Debt Service</b>	<b>Total Governmental Funds</b>
<b>ASSETS</b>			
Cash and cash equivalents	\$ 157,708	\$ 76,068	\$ 233,776
Investments	575,883	-	575,883
Restricted cash - customer deposits	1,500	-	1,500
Accounts receivables, net	72,965	-	72,965
Taxes receivable, net	12,122	2,206	14,328
Due from other governments	27,064	-	27,064
	<b>\$ 847,242</b>	<b>\$ 78,274</b>	<b>\$ 925,516</b>
Total assets	<b>\$ 847,242</b>	<b>\$ 78,274</b>	<b>\$ 925,516</b>
<b>LIABILITIES</b>			
Accounts payable	\$ 26,342	\$ -	\$ 26,342
Due to other funds	506,632	-	506,632
Due to component unit	255,575	-	255,575
Customer deposits	1,500	-	1,500
Payable to other governments	3,207	-	3,207
	<b>793,256</b>	<b>-</b>	<b>793,256</b>
Total liabilities	<b>793,256</b>	<b>-</b>	<b>793,256</b>
<b>DEFERRED INFLOWS OF RESOURCES</b>			
Unavailable revenue - property taxes	9,100	1,778	10,878
Unavailable revenue - other receivables	3,379	-	3,379
	<b>12,479</b>	<b>1,778</b>	<b>14,257</b>
Total deferred inflows of resources	<b>12,479</b>	<b>1,778</b>	<b>14,257</b>
<b>FUND BALANCES</b>			
Restricted:			
Debt service	-	76,496	76,496
Unassigned	41,507	-	41,507
	<b>41,507</b>	<b>76,496</b>	<b>118,003</b>
Total fund balances	<b>41,507</b>	<b>76,496</b>	<b>118,003</b>
Total liabilities, deferred inflows of resources, and fund balances	<b>\$ 847,242</b>	<b>\$ 78,274</b>	<b>\$ 925,516</b>

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, 2019**

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

Total fund balance - governmental funds	\$	118,003
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.		976,796
Certain accounts receivable are not available to pay for current-period expenditures and, therefore, are shown as unavailable revenues in the fund financial statements		14,257
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.		227,239
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		5,918
Pension deficient earnings		93,449
OPEB assumption changes		1,972
Pension and OPEB contributions paid after the measurement date, December 31, 2018, and before September 30, 2019 are expensed in the governmental funds and shown as deferred outflows of resources in the government-wide financial statements.		
OPEB contributions		370
Pension gains and excess earnings are shown as deferred inflows of resources in the government-wide financial statements.		
Pension economic/demographic gains		(37,956)
OPEB economic gains		(1,512)
OPEB assumption changes		(2,026)
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		(351,981)
Accrued interest payable		(6,915)
Compensated absences		(21,761)
Total OPEB liability		(38,060)
Net position - governmental activities	\$	<u>977,793</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, 2019**

	<u>General</u>	<u>Debt Service</u>	<u>Total Governmental</u>
<b>REVENUES</b>			
Taxes:			
Property	\$ 409,164	\$ 55,548	\$ 464,712
Sales	196,230	-	196,230
Franchise	51,693	-	51,693
Hotel/Motel	1,156	-	1,156
Fines and forfeitures	31,148	-	31,148
Intergovernmental	42,910	-	42,910
Charges for services	417,686	-	417,686
Investment earnings	15,262	253	15,515
Miscellaneous	29,960	2,501	32,461
	<u>1,195,209</u>	<u>58,302</u>	<u>1,253,511</u>
Total revenues			
<b>EXPENDITURES</b>			
Current:			
Administration	195,934	-	195,934
Sanitation	200,183	-	200,183
Cemetery	11,847	-	11,847
Ambulance	254,566	-	254,566
Animal control and code enforcement	63,614	-	63,614
Municipal court	29,229	-	29,229
Public facilities	156,044	-	156,044
Fire	66,130	-	66,130
Police	333,766	-	333,766
Streets	130,652	-	130,652
Debt Service:			
Principal	67,282	-	67,282
Interest and other charges	1,853	1,267	3,120
Capital Outlay	114,508	-	114,508
	<u>1,625,608</u>	<u>1,267</u>	<u>1,626,875</u>
Total expenditures			
<b>EXCESS OF REVENUES OVER (UNDER) EXPENDITURES</b>			
	<u>(430,399)</u>	<u>57,035</u>	<u>(373,364)</u>
<b>OTHER FINANCING SOURCES (USES)</b>			
Transfers in	<u>2,852</u>	<u>-</u>	<u>2,852</u>
	<u>2,852</u>	<u>-</u>	<u>2,852</u>
Total other financing sources (uses)			
<b>NET CHANGE IN FUND BALANCES</b>			
	(427,547)	57,035	(370,512)
<b>FUND BALANCES - BEGINNING</b>			
	<u>469,054</u>	<u>19,461</u>	<u>488,515</u>
<b>FUND BALANCES - ENDING</b>			
	<u>\$ 41,507</u>	<u>\$ 76,496</u>	<u>\$ 118,003</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, 2019**

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

Net change in fund balances - total governmental funds	\$ (370,512)
<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, \$114,508 were exceeded by depreciation, \$166,499 in the current period.</p>	
	(51,991)
<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>	
	55,000
<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>	
	4,496
<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>	
Principal repayments	67,282
Accrued interest payable, net change	(6,483)
<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>	
	16,907
<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>(594)</u>
Change in net position - governmental activities	<u><u>\$ (285,895)</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, 2019**

	Water and Sewer Fund	Gas Utility	Total Enterprise Funds
<b>ASSETS</b>			
Current assets:			
Cash and cash equivalents	\$ 194,791	\$ 61,487	\$ 256,278
Restricted cash - customer deposits	44,105	58,974	103,079
Receivables, net	68,097	22,149	90,246
Due from other funds	300,000	206,632	506,632
	<u>606,993</u>	<u>349,242</u>	<u>956,235</u>
Total current assets			
Noncurrent assets:			
Net pension asset	37,784	25,849	63,633
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	(2,479,873)	(456,920)	(2,936,793)
	<u>1,058,212</u>	<u>85,292</u>	<u>1,143,504</u>
Total noncurrent assets			
	<u>1,665,205</u>	<u>434,534</u>	<u>2,099,739</u>
Total assets			
<b>DEFERRED OUTFLOWS OF RESOURCES</b>			
Pension economic/demographic losses	984	673	1,657
Pension deficient earnings	15,538	10,630	26,168
OPEB contributions	62	42	104
OPEB assumption changes	328	224	552
	<u>16,912</u>	<u>11,569</u>	<u>28,481</u>
Total deferred outflows of resources			

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, 2019**

	Water and Sewer Fund	Gas Utility	Total Enterprise Funds
<b>LIABILITIES</b>			
Current liabilities:			
Accounts payable	\$ 10,626	\$ 5,182	\$ 15,808
Due to other governments	-	1,006	1,006
Customer deposits	44,106	58,974	103,080
Compensated absences - current	800	200	1,000
Total current liabilities	<u>55,532</u>	<u>65,362</u>	<u>120,894</u>
Noncurrent liabilities:			
Accrued compensated absences	7,054	2,045	9,099
Total OPEB liability	<u>6,328</u>	<u>4,329</u>	<u>10,657</u>
Total noncurrent liabilities	<u>13,382</u>	<u>6,374</u>	<u>19,756</u>
Total liabilities	<u>68,914</u>	<u>71,736</u>	<u>140,650</u>
<b>DEFERRED INFLOWS OF RESOURCES</b>			
Pension economic/demographic gains	6,311	4,318	10,629
OPEB economic gains	251	172	423
OPEB assumption changes	<u>337</u>	<u>230</u>	<u>567</u>
Total deferred inflows of resources	<u>6,899</u>	<u>4,720</u>	<u>11,619</u>
<b>NET POSITION</b>			
Net investment in capital assets	1,020,428	59,443	1,079,871
Unrestricted	<u>585,876</u>	<u>310,204</u>	<u>896,080</u>
Total net position	<u>\$ 1,606,304</u>	<u>\$ 369,647</u>	<u>\$ 1,975,951</u>

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, 2019**

	Water and Sewer Fund	Gas Utility	Total Enterprise Funds
<b>OPERATING REVENUES:</b>			
Charges for Sales and Services:			
Charges for services	\$ 585,767	\$ 582,895	\$ 1,168,662
Lease and other income	5,241	2,055	7,296
	<u>591,008</u>	<u>584,950</u>	<u>1,175,958</u>
<b>OPERATING EXPENSES:</b>			
Personnel costs	177,162	154,510	331,672
Departmental operations	169,583	62,800	232,383
Depreciation	97,665	21,280	118,945
Gas purchase for re-sale	-	211,003	211,003
	<u>444,410</u>	<u>449,593</u>	<u>894,003</u>
<b>OPERATING INCOME</b>	<u>146,598</u>	<u>135,357</u>	<u>281,955</u>
<b>TRANSFERS, net</b>	<u>-</u>	<u>(2,852)</u>	<u>(2,852)</u>
<b>CHANGE IN NET POSTION</b>	146,598	132,505	279,103
<b>NET POSITION - BEGINNING</b>	<u>1,459,706</u>	<u>237,142</u>	<u>1,696,848</u>
<b>NET POSITION - ENDING</b>	<u>\$ 1,606,304</u>	<u>\$ 369,647</u>	<u>\$ 1,975,951</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, 2019**

	<u>Water and Sewer Fund</u>	<u>Gas Utility</u>	<u>Total Enterprise Funds</u>
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>			
Receipts from customers	\$ 598,429	\$ 586,283	\$ 1,184,712
Payments to employees for salaries and benefits	(159,484)	(125,614)	(285,098)
Payments to suppliers and service providers	<u>(160,303)</u>	<u>(274,555)</u>	<u>(434,858)</u>
Net cash provided by operating activities	<u>278,642</u>	<u>186,114</u>	<u>464,756</u>
<b>CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES</b>			
Transfers to other funds	-	(2,852)	(2,852)
Changes in interfund receivables/payables	<u>(300,000)</u>	<u>(206,632)</u>	<u>(506,632)</u>
Net cash used by noncapital financing activities	<u>(300,000)</u>	<u>(209,484)</u>	<u>(509,484)</u>
<b>NET INCREASE / (DECREASE) IN CASH</b>	(21,358)	(23,370)	(44,728)
<b>CASH AND CASH EQUIVALENTS, BEGINNING (including restricted amounts)</b>	<u>260,254</u>	<u>143,831</u>	<u>404,085</u>
<b>CASH AND CASH EQUIVALENTS, ENDING, (including restricted amounts)</b>	<u>\$ 238,896</u>	<u>\$ 120,461</u>	<u>\$ 359,357</u>
<b>RECONCILIATION OF OPERATING INCOME TO NET CASH PROVIDED BY OPERATING ACTIVITIES</b>			
Operating income	\$ 146,598	\$ 135,357	\$ 281,955
Adjustments to reconcile operating income to net cash flows from operating activities:			
Depreciation	97,665	21,280	118,945
Change in allowance for doubtful accounts	41	43	84
Changes in assets and liabilities:			
(Increase) decrease in accounts receivable	7,042	752	7,794
(Increase) decrease in net pension asset	38,089	48,161	86,250
(Increase) decrease in deferred outflows of pension and OPEB	(13,665)	(8,401)	(22,066)
Increase (decrease) in accounts payable	9,280	(752)	8,528
Increase (decrease) in accrued expenses	(1,413)	(1,808)	(3,221)
Increase (decrease) in total OPEB liability	(2,447)	(4,231)	(6,678)
Increase (decrease) in customer deposits	338	538	876
Increase (decrease) in deferred inflows of pension and OPEB	<u>(2,886)</u>	<u>(4,825)</u>	<u>(7,711)</u>
Net cash provided by operating activities	<u>\$ 278,642</u>	<u>\$ 186,114</u>	<u>\$ 464,756</u>

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

**CITY OF STINNETT, TEXAS**  
**NOTES TO FINANCIAL STATEMENTS**  
**SEPTEMBER 30, 2019**

**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, and proprietary funds. 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, 2019**

**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, 2019**

**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, 2019**

**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, 2019, the allowance for uncollectible accounts was \$203,773.

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 \$45,190.

**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, 2019**

**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, 2019**

**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, 2019**

**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, 2019**

**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.

**B. Excess of Expenditures Over Appropriations**

In accordance with GASB Statement No. 38, "Certain Financial Statement Note Disclosures," violations of finance-related legal and contractual provisions, if any, are reported below, along with actions taken to address such violations:

Violation	Action Taken
Expenditures exceeded the budget in various functional areas in the General Fund	A combination of underspending in other functional categories, and excess revenues over budget, have covered such overspendings.

**CITY OF STINNETT, TEXAS  
NOTES TO FINANCIAL STATEMENTS  
SEPTEMBER 30, 2019**

**NOTE 3 – DEPOSITS AND INVESTMENTS**

Following is a reconciliation of the City’s cash and deposit balances as of September 30, 2019:

Cash and deposit balances consist of:

Petty cash funds	\$	400
Bank deposits		587,491
Temporary investments - Texpool		151,848
Temporary investments - Lonestar		13,140
		13,140
Total	\$	752,879

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

Government-wide Statement of Net Position:

Unrestricted	\$	490,054
Restricted for customer deposits		104,579
Component unit - unrestricted		158,246
		158,246
Total	\$	752,879

Investment Type	Fair Value
FNC Brokerage account	
Cash, money funds	\$ 575,883
Total fair value	\$ 575,883

**Custodial credit risk – deposits.** As of September 30, 2019, the carrying amount of the City's deposits with financial institutions was \$587,492 and the bank's balance was \$614,999. Of the bank balance, \$250,000 was insured through the Federal Depository Insurance Corporation (FDIC), and the remaining \$364,999 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, 2019**

**NOTE 3 – DEPOSITS AND INVESTMENTS – Continuation**

As of September 30, 2019 the City had \$151,848 and \$13,140 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, 2019, 78% of the City's carrying value of cash was deposited with the City's primary depository bank.

**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 2018 tax roll was \$.875232 per \$100, which means that the City has a tax margin of \$.624768 per \$100 and could raise up to \$348,791 additional revenue from the 2018 assessed valuation of \$55,827,300 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, 2019**

**NOTE 5 – CAPITAL ASSETS**

Capital asset activity for the year ended September 30, 2019 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	1,363,300	-	-	1,363,300
Infrastructure	257,347	-	-	257,347
Equipment	<u>1,722,204</u>	<u>169,508</u>	<u>-</u>	<u>1,891,712</u>
Total capital assets being depreciated	<u>3,342,851</u>	<u>169,508</u>	<u>-</u>	<u>3,512,359</u>
Less accumulated depreciating for:				
Buildings and improvements	(872,008)	(49,252)	-	(921,260)
Infrastructure	(227,707)	(4,465)	-	(232,172)
Equipment	<u>(1,325,976)</u>	<u>(112,782)</u>	<u>-</u>	<u>(1,438,758)</u>
Total accumulated depreciation	<u>(2,425,691)</u>	<u>(166,499)</u>	<u>-</u>	<u>(2,592,190)</u>
Total capital assets being depreciated, net	<u>917,160</u>	<u>3,009</u>	<u>-</u>	<u>920,169</u>
Governmental activities capital assets, net	<u>\$ 973,787</u>	<u>\$ 3,009</u>	<u>\$ -</u>	<u>\$ 976,796</u>

Continued

**CITY OF STINNETT, TEXAS**  
**NOTES TO FINANCIAL STATEMENTS**  
**SEPTEMBER 30, 2019**

**NOTE 5 – CAPITAL ASSETS – Continuation**

Depreciation expense for the year ended September 30, 2019 was charged to the functions/programs of the primary government as follows:

Governmental activities:

Administration	\$ 1,198
Fire	8,279
Streets	17,975
Police	25,341
Sanitation	48,675
Parks	50,313
Ambulance	13,657
Code enforcement	<u>1,061</u>
 Total depreciation expense-governmental activities	 <u><u>\$ 166,499</u></u>

**CITY OF STINNETT, TEXAS**  
**NOTES TO FINANCIAL STATEMENTS**  
**SEPTEMBER 30, 2019**

**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	(51,518)	(1,610)	-	(53,128)
Infrastructure	(2,261,017)	(85,217)	-	(2,346,234)
Equipment	(505,313)	(32,118)	-	(537,431)
Total accumulated depreciation	(2,817,848)	(118,945)	-	(2,936,793)
Total capital assets being depreciated, net	1,093,416	(118,945)	-	974,471
Business-type activities capital assets, net	\$ 1,198,816	\$ (118,945)	\$ -	\$ 1,079,871

Depreciation expense for the year ended September 30, 2019 was charged to the functions/programs of the primary government as follows:

Business-type activities:	
Water and sewer fund	\$ 97,665
Gas utility	21,280
Total depreciation expense-business-type activities	\$ 118,945

**CITY OF STINNETT, TEXAS**  
**NOTES TO FINANCIAL STATEMENTS**  
**SEPTEMBER 30, 2019**

**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](http://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, 2018, 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	14
Active employees	16

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**CITY OF STINNETT, TEXAS**  
**NOTES TO FINANCIAL STATEMENTS**  
**SEPTEMBER 30, 2019**

**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 2018 and 0.00% for the months of the accounting year in 2019. The contribution rate payable by the employee members is 5.0% for fiscal year 2019 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, 2018, 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, 2018 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.

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**CITY OF STINNETT, TEXAS**  
**NOTES TO FINANCIAL STATEMENTS**  
**SEPTEMBER 30, 2019**

**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, 2018 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, 2019**

**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):*

	<u>Total Pension Liability (a)</u>	<u>Plan Fiduciary Net Position (b)</u>	<u>Net Pension Liability / (Asset) (a) - (b)</u>
Balances as of December 31, 2017	\$ 1,864,848	\$ 2,306,007	\$ (441,159)
Changes for the year:			
Service cost	53,705	-	53,705
Interest on total pension liability	124,560	-	124,560
Difference between expected and actual experience	(63,534)	-	(63,534)
Changes of assumptions	-	-	-
Benefit payments/refunds of employee contributions	(92,741)	(92,741)	-
Contributions - employer	-	-	-
Contributions - employee	-	34,828	(34,828)
Net investment income	-	(68,980)	68,980
Administrative expenses	-	(1,335)	1,335
Other	-	(69)	69
Balances as of December 31, 2018	<u>\$ 1,886,838</u>	<u>\$ 2,177,710</u>	<u>\$ (290,872)</u>
Plan fiduciary net position as a percentage of the total pension liability:			115.42%
Covered employee payroll:			\$ 696,557
Net pension liability as a percentage of covered employee payroll:			-41.76%

Continued



**CITY OF STINNETT, TEXAS**  
**NOTES TO FINANCIAL STATEMENTS**  
**SEPTEMBER 30, 2019**

**NOTE 6 – RETIREMENT PLAN – Continuation**

The following presents the net pension liability/(asset) 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)	\$ (78,491)	\$ (290,872)	\$ (469,514)

*Pension Expense / (Income):*

	January 1, 2018 to December 31, 2018
Total service cost	\$ 53,705
Interest on total pension liability	124,560
Employee contributions (reduction of expenses)	(34,828)
Projected earnings on plan investments (reduction of expenses)	(155,655)
Administrative expenses	1,335
Other changes in fiduciary net position	69
Recognition of current year deferred (inflows)/outflows of resources - liabilities	(14,949)
Recognition of current year deferred (inflows)/outflows of resources - assets	44,927
Amortization of prior year deferred (inflows)/outflows of resources - liabilities	7,336
Amortization of prior year deferred (inflows)/outflows of resources - assets	3,728
Total pension expense	\$ 30,228

*Deferred Inflows / Outflows of Resources:*

As of September 30, 2019, the deferred inflows and outflows of resources are as follows:

	Deferred Inflows of Resources	Deferred Outflows of Resources
Differences between expected and actual experience	\$ 48,585	\$ 7,575
Changes of assumptions	-	-
Net difference between projected and actual earnings	-	119,617
Contributions made subsequent to measurement date	N/A	-

Continued

**CITY OF STINNETT, TEXAS**  
**NOTES TO FINANCIAL STATEMENTS**  
**SEPTEMBER 30, 2019**

**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:		
2019	\$	35,035
2020		1,705
2021		679
2022		41,188
2023		-
Thereafter		-

**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, 2018, 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	16

Continued

**CITY OF STINNETT, TEXAS**  
**NOTES TO FINANCIAL STATEMENTS**  
**SEPTEMBER 30, 2019**

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

*Total OPEB Liability*

The City's total OPEB liability was measured as of December 31, 2018, and was determined by an actuarial valuation as of that date.

*Actuarial Assumptions:*

The total OPEB liability in the December 31, 2018 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, 2018 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, 2018, the discount rate used in development of the Total OPEB Liability was 3.71% compared to 3.31% as of December 31, 2017.

Continued

**CITY OF STINNETT, TEXAS**  
**NOTES TO FINANCIAL STATEMENTS**  
**SEPTEMBER 30, 2019**

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

Changes in the Total OPEB Liability:

	Changes in Total OPEB Liability
Balance as of December 31, 2017	\$ 51,023
Changes for the year:	
Service cost	1,811
Interest on total OPEB liability	1,712
Changes of benefit terms	-
Effect of economic/demographic experience	(2,312)
Effect of assumptions changes or inputs	(3,099)
Benefit payments	(418)
Other	-
	-
Balance as of December 31, 2018	\$ 48,717

*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 2.71%	Current Single Rate Assumption 3.71%	1% Increase 4.71%
Net pension liability / (asset)	\$ 57,157	\$ 48,717	\$ 42,033

Continued

**CITY OF STINNETT, TEXAS**  
**NOTES TO FINANCIAL STATEMENTS**  
**SEPTEMBER 30, 2019**

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

*OPEB Expense / (Income)*

	January 1, 2018 to December 31, 2018
Service cost	\$ 1,811
Interest on total OPEB liability	1,712
Recognition of deferred inflows/outflows of resources	
Differences between expected and actual experience	(377)
Changes in assumptions or other inputs (1)	105
Recognition of investment gains or losses	-
Other	-
 Total OPEB expense	 \$ 3,251

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

*Deferred Inflows / Outflows of Resources:*

As of September 30, 2019, the deferred inflows and outflows of resources are as follows:

	Deferred Inflows of Resources	Deferred Outflows of Resources
Differences between expected and actual experience	\$ 1,935	\$ -
Changes of assumptions	2,593	2,524
Contributions made subsequent to measurement date	N/A	474

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:	
2019	\$ (272)
2020	(272)
2021	(272)
2022	(272)
2023	(803)
Thereafter	(113)

**CITY OF STINNETT, TEXAS**  
**NOTES TO FINANCIAL STATEMENTS**  
**SEPTEMBER 30, 2019**

**NOTE 8 – INTER-FUND RECEIVABLES, PAYABLES AND TRANSFERS**

**Individual Fund Inter-fund Receivables and Payables**

Fund	Inter-fund Receivables	Inter-fund Payables
General Fund	\$ -	\$ 506,632
Proprietary Funds:		
Water / Sewer Utility	300,000	-
Gas Utility	206,632	-
	<u>\$ 506,632</u>	<u>\$ 506,632</u>

The primary purpose of inter-fund receivables and payables is 1) the recording of sales tax receipts received by the General Fund on behalf of the Stinnett CDC, and 2) the Proprietary Funds supplementing cash balances in the General Fund.

**Individual Inter-fund Transfers**

Fund	Inter-fund Transfers In	Inter-fund Transfers Out
General Fund	\$ 2,851	\$ -
Proprietary Funds:		
Gas Utility	-	2,851
	<u>\$ 2,851</u>	<u>\$ 2,851</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, 2019**

**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:

<b>Governmental Activities:</b>	<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	\$ 174,000	\$ -	\$ (55,000)	\$ 119,000	\$ 58,000
Note Payable - trash truck	183,853	-	-	183,853	34,227
Capital Lease - lifepak	61,410	-	(12,282)	49,128	12,282
Compensated Absences	<u>21,167</u>	<u>18,871</u>	<u>(18,277)</u>	<u>21,761</u>	<u>2,200</u>
<b>Total Governmental Activities Long-Term Liabilities</b>	<u>\$ 440,430</u>	<u>\$ 18,871</u>	<u>\$ (85,559)</u>	<u>\$ 373,742</u>	<u>\$ 106,709</u>
	<u>Beginning Balance</u>	<u>Additions</u>	<u>Reductions</u>	<u>Ending Balance</u>	<u>Due Within One Year</u>
<b>Business-Type Activities:</b>					
Compensated Absences	<u>\$ 13,320</u>	<u>\$ 10,624</u>	<u>\$ (13,845)</u>	<u>\$ 10,099</u>	<u>\$ 1,000</u>
<b>Total Business-Type Activities Long-Term Liabilities</b>	<u>\$ 13,320</u>	<u>\$ 10,624</u>	<u>\$ (13,845)</u>	<u>\$ 10,099</u>	<u>\$ 1,000</u>

The City paid interest expense in the amount of \$3,120 during the fiscal year ended September 30, 2019.

Continued

**CITY OF STINNETT, TEXAS**  
**NOTES TO FINANCIAL STATEMENTS**  
**SEPTEMBER 30, 2019**

**NOTE 10 – LONG-TERM LIABILITIES**

Long-term liability activity for the year ended September 30, 2019, was as follows:

Years Ending September 30	Total	General Obligation Refunding Bonds, Series 2014		Note Payable Trash Truck	
		Principal	Interest	Principal	Interest
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	40,699	-	-	39,266	1,433
<b>Total</b>	<b>\$ 375,142</b>	<b>\$ 119,000</b>	<b>\$ 2,567</b>	<b>\$ 183,853</b>	<b>\$ 20,594</b>

Capital Lease LifePak	
Principal	Interest
\$ 12,282	\$ -
12,282	-
12,282	-
12,282	-
-	-
<b>\$ 49,128</b>	<b>\$ -</b>

**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 follows:

Continued



**CITY OF STINNETT, TEXAS**  
**NOTES TO FINANCIAL STATEMENTS**  
**SEPTEMBER 30, 2019**

**NOTE 11 – LEASES – Continuation**

**Capital Leases – Continuation**

Year Ending September 30, 2019	Governmental Activities
2020	\$ 12,282
2021	12,282
2022	12,282
2023	12,282
	49,128
Total	49,128
Less amounts representing interest	-
	\$ 49,128
The following summarizes the assets acquired under capital lease:	
Equipment	\$ 79,314
Accumulated Depreciation	(22,661)
	\$ 56,653

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

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**REQUIRED SUPPLEMENTARY INFORMATION  
(UNAUDITED)**

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**CITY OF STINNETT, TEXAS**  
**GENERAL FUND**  
**SCHEDULE OF REVENUES, EXPENDITURES AND**  
**CHANGES IN FUND BALANCE - BUDGET AND ACTUAL**  
**FOR THE YEAR ENDED SEPTEMBER 30, 2019**

	<u>Budgeted Amounts</u>		<u>Actual Amounts</u>	<u>Variance With Final Budget</u>
	<u>Original</u>	<u>Final</u>		
<b>REVENUES</b>				
Taxes:				
Property taxes	\$ 430,498	\$ 430,498	\$ 409,164	\$ (21,334)
Sales	160,000	160,000	196,230	36,230
Franchise	50,000	50,000	51,693	1,693
Hotel/Motel	1,500	1,500	1,156	(344)
Fines and forfeitures	23,550	23,550	31,148	7,598
Intergovernmental	42,800	42,800	42,910	110
Charges for services	460,050	460,050	417,686	(42,364)
Interest earnings	3,830	3,830	15,262	11,432
Miscellaneous	7,662	7,662	29,960	22,298
	<u>1,179,890</u>	<u>1,179,890</u>	<u>1,195,209</u>	<u>15,319</u>
<b>EXPENDITURES</b>				
Current:				
Administration	169,440	181,184	195,934	(14,750)
Sanitation	186,993	215,463	200,183	15,280
Cemetery	32,463	34,175	11,847	22,328
Ambulance	238,901	260,292	254,566	5,726
Animal control and code enforcement	74,642	84,306	63,614	20,692
Municipal court	26,181	23,897	29,229	(5,332)
Public facilities	185,053	201,835	156,044	45,791
Fire	64,140	86,164	66,130	20,034
Police	291,193	331,563	333,766	(2,203)
Streets	119,799	134,585	130,652	3,933
Debt Service:				
Principal	51,836	52,310	67,282	(14,972)
Interest and other charges	2,795	2,795	1,853	942
Capital outlay	124,963	154,371	114,508	39,863
	<u>1,568,399</u>	<u>1,762,940</u>	<u>1,625,608</u>	<u>137,332</u>
<b>EXCESS OF REVENUES OVER (UNDER) EXPENDITURES</b>	<u>(388,509)</u>	<u>(583,050)</u>	<u>(430,399)</u>	<u>152,651</u>
<b>OTHER FINANCING SOURCES</b>				
Proceeds from sale of capital assets	700	700	-	(700)
Transfers in	160,000	160,000	2,852	(157,148)
	<u>160,700</u>	<u>160,700</u>	<u>2,852</u>	<u>(157,848)</u>
<b>NET CHANGE IN FUND BALANCE</b>	(227,809)	(422,350)	(427,547)	(5,197)
<b>FUND BALANCES - BEGINNING</b>	<u>469,054</u>	<u>469,054</u>	<u>469,054</u>	<u>-</u>
<b>FUND BALANCES - ENDING</b>	<u>\$ 241,245</u>	<u>\$ 46,704</u>	<u>\$ 41,507</u>	<u>\$ (5,197)</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,			
	2018	2017	2016	2015
<b>Total Pension Liability:</b>				
Service cost	\$ 53,705	\$ 53,695	\$ 53,166	\$ 47,118
Interest on total pension liability	124,560	118,611	111,800	112,099
Changes of benefit terms	-	-	-	-
Difference between expected and actual experience	(63,534)	4,541	24,505	(54,117)
Changes of assumptions	-	-	-	34,731
Benefit payments/refunds of contributions	(92,741)	(84,704)	(92,953)	(83,005)
Net change in total pension liability	21,990	92,143	96,518	56,826
Total pension liability, beginning	1,864,848	1,772,705	1,676,187	1,619,361
Total pension liability, ending (a)	<u>\$ 1,886,838</u>	<u>\$ 1,864,848</u>	<u>\$ 1,772,705</u>	<u>\$ 1,676,187</u>
<b>Fiduciary Net Position:</b>				
Employer contributions	\$ -	\$ 13	\$ (14)	\$ -
Employee contributions	34,828	34,027	33,950	31,081
Net investment income	(68,980)	286,757	134,814	3,022
Benefit payments/refunds of contributions	(92,741)	(84,704)	(92,953)	(83,005)
Administrative expenses	(1,335)	(1,488)	(1,524)	(1,841)
Other	(69)	(75)	(82)	(91)
Net change in fiduciary net position	(128,297)	234,530	74,191	(50,834)
Fiduciary net position, beginning	2,306,007	2,071,477	1,997,286	2,048,120
Fiduciary net position, ending (b)	<u>\$ 2,177,710</u>	<u>\$ 2,306,007</u>	<u>\$ 2,071,477</u>	<u>\$ 1,997,286</u>
Net pension liability / (asset), ending = (a) - (b)	<u>\$ (290,872)</u>	<u>\$ (441,159)</u>	<u>\$ (298,772)</u>	<u>\$ (321,099)</u>
Fiduciary net position as a % of total pension liability	115.42%	123.66%	116.85%	119.16%
Pensionable covered payroll	\$ 696,557	\$ 680,549	\$ 679,005	\$ 621,615
Net pension liability as a % of covered payroll	-41.76%	-64.82%	-44.00%	-51.66%

Year Ended December 31,

2014	2013	2012	2011	2010	2009
\$ 28,631	\$ N/A	\$ N/A	\$ N/A	\$ N/A	\$ N/A
106,021	N/A	N/A	N/A	N/A	N/A
-	N/A	N/A	N/A	N/A	N/A
14,701	N/A	N/A	N/A	N/A	N/A
-	N/A	N/A	N/A	N/A	N/A
(60,525)	N/A	N/A	N/A	N/A	N/A
88,828	N/A	N/A	N/A	N/A	N/A
1,530,533	N/A	N/A	N/A	N/A	N/A
<u>\$ 1,619,361</u>	<u>\$ N/A</u>	<u>\$ N/A</u>	<u>\$ N/A</u>	<u>\$ N/A</u>	<u>\$ N/A</u>
\$ (8)	\$ N/A	\$ N/A	\$ N/A	\$ N/A	\$ N/A
26,262	N/A	N/A	N/A	N/A	N/A
112,741	N/A	N/A	N/A	N/A	N/A
(60,525)	N/A	N/A	N/A	N/A	N/A
(1,177)	N/A	N/A	N/A	N/A	N/A
(97)	N/A	N/A	N/A	N/A	N/A
77,196	N/A	N/A	N/A	N/A	N/A
1,970,924	N/A	N/A	N/A	N/A	N/A
<u>\$ 2,048,120</u>	<u>\$ N/A</u>	<u>\$ N/A</u>	<u>\$ N/A</u>	<u>\$ N/A</u>	<u>\$ N/A</u>
<u>\$ (428,759)</u>	<u>\$ N/A</u>	<u>\$ N/A</u>	<u>\$ N/A</u>	<u>\$ N/A</u>	<u>\$ N/A</u>
126.48%	N/A	N/A	N/A	N/A	N/A
\$ 525,243	\$ N/A	\$ N/A	\$ N/A	\$ N/A	\$ N/A
-81.63%	N/A	N/A	N/A	N/A	N/A

**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%
2019	-	-	-	787,424	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,			
	2018	2017	2016	2015
<b>Total OPEB Liability:</b>				
Service cost	\$ 1,811	\$ 1,565	\$ N/A	\$ N/A
Interest on total OPEB liability	1,712	1,701	N/A	N/A
Effect of plan changes	-	-	N/A	N/A
Effect of assumption changes or inputs	(3,099)	3,746	N/A	N/A
Effect of economic/demographic (gains) or losses	(2,312)	-	N/A	N/A
Benefit payments	(418)	(408)	N/A	N/A
Net change in total OPEB liability	(2,306)	6,604	N/A	N/A
Total OPEB liability, beginning	51,023	44,419	N/A	N/A
Total OPEB liability, ending	<u>\$ 48,717</u>	<u>\$ 51,023</u>	<u>\$ N/A</u>	<u>\$ N/A</u>
Covered employee payroll	\$ 696,557	\$ 680,549	\$ N/A	\$ N/A
Total OPEB liability as a % of covered employee payroll	6.99%	7.50%	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	3.71% (20 Year Municipal GO AA Index published by the Fidelity Index as of December 31, 2018)

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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 units, each major fund, and the aggregate remaining fund information of the City of Stinnett, Texas, as of and for the year ended September 30, 2019, and the related notes to the financial statements, which collectively comprise the City of Stinnett, Texas's basic financial statements, and have issued our report thereon dated June 5, 2020.

**Internal Control Over Financial Reporting**

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

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

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

## Purpose of this Report

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

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

DOSHIER, PICKENS & FRANCIS, LLC

June 5, 2020