

--ooOoo--

CONTENTS

	<u>Exhibits</u>	<u>Page(s)</u>
Independent Auditor's Report		1-2
<u>Financial Statements</u>		
Balance Sheet – Modified Cash Basis	B(1)	3
Statement of Revenues, Expenditures and Changes in Fund		
Balance – Modified Cash Basis – (With Budget Comparison)	B(2)	4-5
Notes to Financial Statements	B(3)	7-9

--ooOoo--



9422 Harmony Lake Ln.
Rosenberg, TX 77469
Tel: 281.725.2706
curtis@curtiscraigcpa.com
www.curtiscraigcpa.com

INDEPENDENT AUDITOR'S REPORT

To the Mayor and Council
Town of Quintana, Texas

I have audited the accompanying balance sheet - modified cash basis, of the Town of Quintana, Texas, as of September 30, 2018, and the statement of revenues, expenditures and changes in fund balance - modified cash basis, for the year then ended.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with the modified cash basis of accounting described in Note 1-A; this includes determining that the modified cash basis of accounting is an acceptable basis for the preparation of the financial statements in the circumstances. Management is also responsible for the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

My responsibility is to express an opinion on these financial statements based on my audit. I conducted my audit in accordance with auditing standards generally accepted in the United States of America. Those standards require that I 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, I 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.

I believe that the audit evidence I have obtained is sufficient and appropriate to provide a basis for my audit opinion.

Opinion

In my opinion, the financial statements referred to above present fairly, in all material respects, the modified cash basis balance sheet of the Town of Quintana, Texas, as of September 30, 2018, and the respective changes in modified cash basis financial position for the year then ended in accordance with the modified cash basis of accounting described in Note 1-A.

Basis of Accounting

I draw attention to Note 1-A of the financial statements, which describes the basis of accounting. The financial statements are prepared on the modified cash basis of accounting, which is a basis of accounting other than accounting principles generally accepted in the United States of America. My opinion is not modified with respect to this matter.

Curtis T. Craig, CPA

Rosenberg, Texas
March 15, 2019

TOWN OF QUINTANA, TEXAS
BALANCE SHEET - MODIFIED CASH BASIS
September 30, 2018

Exhibit B(1)

	<u>2018</u>
<u>Assets</u>	
Cash and Cash Equivalents:	
Bank depository accounts -	
Checking account	\$ 2,773,968
Money market account	235,495
Temporary investments -	
Governmental investment pool	<u>3,078,809</u>
Total Assets	<u><u>6,088,272</u></u>
 <u>Liabilities and Fund Balance</u>	
<u>Liabilities</u>	
Refundable deposits	<u>2,530</u>
Total Liabilities	<u>2,530</u>
 <u>Fund Balance:</u>	
Restricted for improvements	546,032
Unassigned	<u>5,539,710</u>
Total Fund Balance	<u>6,085,742</u>
Total Liabilities and Fund Balance	<u><u>\$ 6,088,272</u></u>

See Notes to Financial Statements.

TOWN OF QUINTANA, TEXAS

Exhibit B(2)

STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE - MODIFIED CASH BASIS (WITH BUDGET COMPARISON)

For The Year Ended September 30, 2018

	<u>Budgeted Amounts</u>		<u>2018</u>	<u>Variance</u>
	<u>Original</u>	<u>Final</u>	<u>Actual</u>	<u>Positive</u> <u>(Negative)</u>
Revenues:				
Taxes -				
Property	\$ 2,200	\$ 2,200	\$ 1,383	\$ (817)
Franchise	100,000	100,000	90,904	(9,096)
Sales	6,000	6,000	29,678	23,678
Industrial district payments	1,312,000	1,312,000	1,261,517	(50,483)
Water services	12,000	12,000	80,339	68,339
Investment earnings	2,000	2,000	47,105	45,105
Other	1,750	1,750	12,838	11,088
Total Revenues	<u>1,435,950</u>	<u>1,435,950</u>	<u>1,523,764</u>	<u>87,814</u>
Expenditures:				
Administration -				
Personnel related -				
Payroll	190,000	235,000	174,751	60,249
Payroll taxes	15,700	18,200	13,371	4,829
Retirement	3,300	4,000	3,363	637
Health insurance	19,500	38,000	31,342	6,658
Contract labor			21,176	(21,176)
Advertising	20,000	20,000	10,548	9,452
Auditing and bookkeeping	30,000	30,000	16,224	13,776
Mayor and council	12,500	12,500	15,323	(2,823)
Council health insurance			18,551	(18,551)
Office supplies	17,000	17,000	5,069	11,931
Election	10,000	10,000		10,000
Fuel	10,000	10,000	1,025	8,975
Equipment repair	5,000	5,000	219	4,781
Internet	29,550	29,550	25,860	3,690
Emergency management			16,750	(16,750)
Liability and general insurance	20,000	26,000	17,075	8,925
Travel and education	12,000	12,000	416	11,584
Capital outlay	45,000	45,000	21,653	23,347
Other administrative	24,275	24,275	14,441	9,834
Total Administration	<u>463,825</u>	<u>536,525</u>	<u>407,157</u>	<u>129,368</u>
Legal & Engineering -				
Attorney	65,000	85,000	50,547	34,453
Engineering	85,000	86,800	132,652	(45,852)
Total Legal & Engineering	<u>150,000</u>	<u>171,800</u>	<u>183,199</u>	<u>(11,399)</u>
Parks -				
Xeriscape	26,500	26,500		26,500
Pavillion	12,000	12,000		12,000
Bird observation tower		200,000	102,004	97,996
Bird sanctuary	14,000	14,000	30,000	(16,000)
Park maintenance	3,500	3,500		3,500
Other	13,000	13,000	1,330	11,670
Total Parks	<u>69,000</u>	<u>269,000</u>	<u>133,334</u>	<u>135,666</u>

TOWN OF QUINTANA, TEXAS

Exhibit B(2) Continued

STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE - CASH BASIS (WITH BUDGET COMPARISON)

For The Year Ended September 30, 2018

	Budgeted Amounts		2018	Variance
	Original	Final	Actual	Positive (Negative)
Projects -				
Beach clean-up	4,000	4,000	244	3,756
Restricted beach clean-up - County	95,000	95,000	95,000	
Creed day	2,000	2,000		2,000
Total Projects	101,000	101,000	95,244	5,756
Public Service -				
Public safety	44,000	44,000	40,000	4,000
Garbage pick-up	27,153	27,153	20,026	7,127
Portable toilets	7,000	7,000	9,460	(2,460)
Street lights	10,000	10,000	3,454	6,546
Capital outlay	25,000	25,000		25,000
Total Public Service	113,153	113,153	72,940	40,213
Roads -				
Signs	3,000	3,000	414	2,586
Landscaping	25,000	25,000	25,425	(425)
Capital outlay	65,000	65,000	19,319	45,681
Total Roads	93,000	93,000	45,158	47,842
Town Hall -				
Electric	5,500	5,500	2,351	3,149
Property insurance	15,000	15,000	17,012	(2,012)
Garbage dumpster			2,095	(2,095)
Telephone	4,500	4,500	4,300	200
Maintenance	55,000	55,000	13,558	41,442
Repairs			2,741	(2,741)
Landscaping			32,933	(32,933)
Supplies	4,000	4,000	9,946	(5,946)
Beautification - restricted	3,000	3,000		3,000
Capital outlay	15,000	30,000	37,383	(7,383)
Total Town Hall	102,000	117,000	122,319	(5,319)
Water System -				
Lab fees	4,000	4,000	2,981	1,019
Electric	10,000	10,000	6,304	3,696
Chlorine	13,000	13,000	2,908	10,092
Supplies			415	(415)
Repairs & maintenance	45,000	45,000	56,120	(11,120)
Ready fresh water service			6,026	(6,026)
Miscellaneous	15,500	15,500	31,157	(15,657)
Engineering		45,000	38,261	6,739
Capital outlay	45,000	45,000	9,069	35,931
Total Water System	132,500	177,500	153,241	24,259
Total Expenditures	1,224,478	1,578,978	1,212,592	366,386
Net Change in Fund Balance	211,472	(143,028)	311,172	454,200
Fund Balance - Beginning	5,774,570	5,774,570	5,774,570	
Fund Balance - Ending	\$ 5,986,042	\$ 5,631,542	\$ 6,085,742	\$ 454,200

See Notes to Financial Statements.

(This Page Intentionally Left Blank)

TOWN OF QUINTANA, TEXAS
NOTES TO FINANCIAL STATEMENTS

Exhibit B(3)

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

A. Basis of Accounting

The Town's policy is to prepare its financial statements on the modified cash basis of accounting. This is a method different from either the accrual or modified accrual bases of accounting, which are required by generally accepted accounting principles. The cash basis of accounting recognizes revenues when cash is received, versus the accrual basis that records revenues when earned, regardless of the time of receipt. Expenditures under the cash basis are generally recognized when cash is disbursed, versus the accrual basis which would recognize expenditures when liabilities are incurred, regardless of the time of cash disbursement.

The Town's financial statements are prepared with a modification to the pure cash basis of accounting, in that liabilities that arise from cash transactions are included in the financial reports, when applicable. These liabilities include items associated with payroll transactions that have resulted in a cash disbursement. The withholdings of items such as payroll taxes in connection with a payroll result in a liability until the taxes are actually paid. Another liability arising from cash transactions is the collection of security deposits from Town residents for bottled water dispensers. These cash collections do not reflect revenue, as such are payable back to the residents upon return of the bottled water dispensers. Only these current liabilities arising from cash transactions are included in the Town's financial statements. The Town's financial statements do not reflect other accrual basis accounts such as receivables, other liabilities, or any capital assets or long-term liabilities.

B. Capital Assets

The Town does not have a controlling record of capital assets, and accordingly, does not include either the cost or depreciation associated with such assets in the financial statements.

C. Fund Balance

The reported fund balance represents the excess of cash and cash equivalents over liabilities, as of the balance sheet date. Unassigned fund balance represents amounts available for future years. The Town reports a restriction of fund balance representing an amount legally or contractually obligated for certain purposes. During the 2015 fiscal year, Freeport LNG provided Public Improvement Funding to the Town in the amount of \$1,000,000, in exchange for certain development rights. These restricted funds can be used for improvements benefitting residents, or for the Town's infrastructure, buildings or other assets, without limitation.

D. Date of Management's Review

In preparing the financial statements, the Town has evaluated events and transactions for potential recognition or disclosure through March 14, 2019, the date that the financial statements were available to be issued.

TOWN OF QUINTANA, TEXAS
NOTES TO FINANCIAL STATEMENTS

Exhibit B(3)

NOTE 2 – INDUSTRIAL DISTRICT PAYMENTS & RISK CONCENTRATION

The Town is receiving payments from one entity that has substantial facilities within the Town's taxable jurisdiction. These entities have contractual agreements stipulating payments in lieu of property taxes. For the 2018 fiscal year, these payments represent approximately 83% of the Town's total revenues.

NOTE 3 – CASH AND INVESTMENTS/SECURITY RISK

The Town maintains a substantial portion of its cash equivalent assets in Texpool. This local government investment pool was organized in 1989 and provides investment services to over 2,000 communities throughout the State of Texas. The Texas State Comptroller of Public Accounts oversees the pool, with Federated Investors providing asset management and participant services. This pool was created with stated objectives of preservation and safety of principal, with liquidity and yield consistent with the Public Funds Investment Act. For more information, visit the pool's website at www.texpool.com.

Custodial Credit Risk - Deposits

For deposits, this is the risk that in the event of bank failure, the Town's deposits may not be returned to it. The Town does not have a deposit policy for custodial credit risk. Collateral is required for all bank deposits at 100% of deposits not covered by federal depository insurance.

The Town's deposits in banks at year-end were entirely covered by federal depository insurance or by acceptable collateral held by the Town's agent, in the Town's name.

NOTE 4 – OTHER DISCLOSURES

The following disclosure is not required for modified cash basis financial reporting but is presented because of its significance to current financial reporting, and for the purpose of providing additional information to the user of these financial statements.

EMPLOYEE RETIREMENT PLAN

Plan Description - The Town provides pension benefits for all of its eligible employees 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 Town 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 of the contributions, benefits and actuarial methods and assumptions used by TMRS. This report may be obtained by writing to TMRS, P.O. Box 149153, Austin, TX 78714-9153, or by calling 800.924.8677; in addition, the report is available on TMRS' website at www.TMRS.com.

TOWN OF QUINTANA, TEXAS
NOTES TO FINANCIAL STATEMENTS

Exhibit B(3)

Governments reporting under generally accepted accounting principles, began reporting net pension liabilities/assets and related note disclosures during the 2015 fiscal year. The TMRS measurement date is December 31st of each year, and information provided does not match with the Town's fiscal year-end. As of December 2017, the Town's Plan Fiduciary Net Position exceeded the Total Pension Liability in the amount of \$2,128 resulting in a Net Pension Asset. This Net Pension Asset measured as of December 2017, is not included in these modified cash basis financial statements.

NOTE 5 – SUBSEQUENT EVENT

In November 2017, the Town approved a total quality water project in the amount of \$1,161,000, which will address water quality compliance requirements of the Texas Commission on Environmental Quality. During the 2018 fiscal year, this project did not begin, however, subsequent to September 30, 2018, the Town has approved plans to move forward with this project. The Town does not intend to issue any debt to fund this project.