

**TOWN OF QUINTANA, TEXAS**

**ANNUAL FINANCIAL REPORT**

**For the Year Ended September 30, 2019**





**TOWN OF QUINTANA, TEXAS**  
***ANNUAL FINANCIAL REPORT***  
**For the Year Ended September 30, 2019**

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## **C O N T E N T S**

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## **INDEPENDENT AUDITOR'S REPORT**

To the Honorable Mayor and Council  
Town of Quintana  
Brazoria County, Texas

I have audited the accompanying balance sheet – modified cash basis, of the Town of Quintana, Texas, as of September 30, 2019, 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 respective modified cash basis balance sheet of the Town of Quintana, Texas, as of September 30, 2019, and the respective changes in the 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  
February 13, 2020



**TOWN OF QUINTANA, TEXAS**  
**BALANCE SHEET - MODIFIED CASH BASIS**  
**September 30, 2019**

**Exhibit B(1)**

	<u><b>2019</b></u>
<b><u>Assets</u></b>	
Cash and Cash Equivalents:	
Bank depository accounts -	
Checking account	\$ 2,913,144
Money market account	260,638
Temporary investments -	
Governmental investment pool	<u>3,150,818</u>
<b>Total Assets</b>	<u><u>6,324,600</u></u>
 <b><u>Liabilities and Fund Balance</u></b>	
<b><u>Liabilities</u></b>	
Refundable deposits	<u>2,070</u>
<b>Total Liabilities</b>	<u>2,070</u>
<b><u>Fund Balance:</u></b>	
Restricted for improvements	424,981
Unassigned	<u>5,897,549</u>
<b>Total Fund Balance</b>	<u>6,322,530</u>
<b>Total Liabilities and Fund Balance</b>	<u><u>\$ 6,324,600</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, 2019

	<u>Budgeted Amounts</u>		<u>2019</u>	<u>Variance</u>
	<u>Original</u>	<u>Final</u>	<u>Actual</u>	<u>Positive</u> <u>(Negative)</u>
<b><u>Revenues:</u></b>				
Taxes -				
Property	\$ 2,200	\$ 2,200	\$ 1,386	\$ (814)
Franchise	100,000	100,000	81,028	(18,972)
Sales	6,000	6,000	21,059	15,059
Industrial district payments	1,312,000	1,312,000	1,318,297	6,297
Water services	12,000	12,000	24,054	12,054
Investment earnings	2,000	2,000	82,452	80,452
Other	1,750	1,750	2,464	714
<b>Total Revenues</b>	<b>1,435,950</b>	<b>1,435,950</b>	<b>1,530,740</b>	<b>94,790</b>
<b><u>Expenditures:</u></b>				
Administration -				
Personnel related -				
Payroll	195,800	195,800	197,965	(2,165)
Payroll taxes	14,900	14,900	18,374	(3,474)
Retirement	4,000	4,000	4,776	(776)
Health insurance	38,000	38,000	71,839	(33,839)
Contract labor			1,693	(1,693)
Advertising	20,000	20,000	303	19,697
Auditing and bookkeeping	30,000	30,000	17,546	12,454
Mayor and council	20,000	20,000	19,429	571
Council health insurance	80,000	80,000	96,501	(16,501)
Office supplies	17,000	17,000	3,967	13,033
Election	10,000	10,000		10,000
Fuel	10,000	10,000	532	9,468
Equipment repair	5,000	5,000	2,457	2,543
Internet	25,000	25,000	22,300	2,700
Emergency management			20,900	(20,900)
Liability and general insurance	26,000	26,000	17,029	8,971
Travel and education	12,000	12,000	3,441	8,559
Capital outlay	36,000	36,000	17,208	18,792
Other administrative	53,275	53,275	43,418	9,857
Total Administration	<b>596,975</b>	<b>596,975</b>	<b>559,678</b>	<b>37,297</b>
Legal & Engineering -				
Attorney	85,000	85,000	66,545	18,455
Engineering	100,000	100,000	159,288	(59,288)
Total Legal & Engineering	<b>185,000</b>	<b>185,000</b>	<b>225,833</b>	<b>(40,833)</b>
Parks -				
Xeriscape	26,500	26,500		26,500
Pavillion	12,000	12,000		12,000
Bird observation tower			92,547	(92,547)
Bird sanctuary	14,000	14,000	3,190	10,810
Park maintenance	3,500	3,500		3,500
Other	13,000	13,000		13,000
Total Parks	<b>69,000</b>	<b>69,000</b>	<b>95,737</b>	<b>(26,737)</b>

# 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, 2019

	Budgeted Amounts		2019 Actual	Variance Positive (Negative)
	Original	Final		
Projects -				
Beach clean-up	4,000	4,000		4,000
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	95,000	6,000
Public Service -				
Public safety	44,000	44,000	41,500	2,500
Garbage pick-up	27,153	27,153	17,642	9,511
Portable toilets	7,000	7,000	5,838	1,162
Street lights	10,000	10,000	3,095	6,905
Capital outlay	25,000	25,000		25,000
Total Public Service	113,153	113,153	68,075	45,078
Roads -				
Signs	3,000	3,000	2,284	716
Repairs	65,000	65,000	1,174	63,826
Landscaping	25,000	25,000		25,000
Total Roads	93,000	93,000	3,458	89,542
Town Hall -				
Electric	5,500	5,500	2,906	2,594
Property insurance	15,000	15,000	18,690	(3,690)
Garbage dumpster			3,124	(3,124)
Telephone	4,500	4,500	3,490	1,010
Maintenance	30,000	30,000	6,786	23,214
Repairs			3,830	(3,830)
Landscaping	30,000	30,000	47,132	(17,132)
Supplies	4,000	4,000	7,546	(3,546)
Beautification - restricted	3,000	3,000	3,751	(751)
Capital outlay			18,413	(18,413)
Total Town Hall	92,000	92,000	115,668	(23,668)
Water System -				
Lab fees	4,000	4,000	7,329	(3,329)
Electric	10,000	10,000	6,894	3,106
Chlorine	13,000	13,000	5,205	7,795
Supplies			930	(930)
Repairs & maintenance	45,000	45,000	85,232	(40,232)
Ready fresh water service			7,567	(7,567)
Miscellaneous	15,500	15,500	946	14,554
Engineering	45,000	45,000		45,000
Capital outlay	45,000	45,000	16,400	28,600
Total Water System	177,500	177,500	130,503	46,997
<b>Total Expenditures</b>	1,427,628	1,427,628	1,293,952	133,676
<b>Net Change in Fund Balance</b>	8,322	8,322	236,788	228,466
<b>Fund Balance - Beginning</b>	6,085,742	6,085,742	6,085,742	
<b>Fund Balance - Ending</b>	\$ 6,094,064	\$ 6,094,064	\$ 6,322,530	\$ 228,466

See Notes to Financial Statements.

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**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 February 13, 2020, 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. This entity has a contractual agreement stipulating payments in lieu of property taxes. For the 2019 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](http://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](http://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 31<sup>st</sup> of each year, and information provided does not match with the Town's fiscal year-end. As of December 2018, the Town's Total Pension Liability exceeded the Plan Fiduciary Net Position in the amount of \$10,423 resulting in a Net Pension Liability. This Net Pension Liability measured as of December 2018, is not included in these modified cash basis financial statements.

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