



**City of  
Sullivan City**

**Audited Financial Report**

**Year Ended September 30, 2019**

**City of Sullivan City, Texas**  
**Annual Financial Report**  
**For the Year Ended September 30, 2019**

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**City of Sullivan City, Texas**  
City Officials  
For the Year Ended September 30, 2019

**LEONEL “LEO” GARCIA**  
Mayor

**SYLVIA CASTILLO**  
Commissioner, Place #1

**DANIEL FLORES**  
Commissioner, Place #2

**GABRIEL SALINAS**  
Commissioner, Place #3

**ADRIANA RODRIGUEZ**  
Commissioner, Place #4

OTHER OFFICIALS

**RICHARD OZUNA**  
Interim City Manager

**VERONICA GUTIERREZ**  
City Secretary

## **FINANCIAL SECTION**



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Email: org110n@aol.com

Oscar R. González  
Melissa González

## INDEPENDENT AUDITORS' REPORT

To the Honorable Mayor and City Commission of  
City of Sullivan City, Texas

### **Report on the Financial Statements**

We have audited the accompanying financial statements of the governmental activities, the aggregate discretely presented component unit, each major fund, and the aggregate remaining fund information of the City of Sullivan City, 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 Sullivan City, Texas'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.

### **Auditor's Responsibility**

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

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

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

## **Other Matters**

### *Required Supplementary Information*

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis and budgetary comparison information on pages 3–8 and 36 be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

### *Other Information*

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the City of Sullivan City, Texas' basic financial statements. The budgetary comparison information is the responsibility of management and was derived from and relate directly to the underlying accounting and other records used to prepare the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the budgetary comparison information is fairly stated in all material respects in relation to the basic financial statements as a whole.

### **Other Reporting Required by Government Auditing Standards**

In accordance with *Government Auditing Standards*, we have also issued our report dated August 12, 2020, on our consideration of the City of Sullivan City, 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 Sullivan City, Texas' 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 Sullivan City, Texas' internal control over financial reporting and compliance.

 Oscar R. Gonzalez, CPA & Associates, PLLC

Oscar R. Gonzalez, CPA & Associates, PLLC  
Certified Public Accountants  
Pharr, Texas

August 12, 2020

## **MANAGEMENT'S DISCUSSION AND ANALYSIS**

# City of Sullivan City, Texas

## Management's Discussion and Analysis

As management of the City of Sullivan City, Texas (the City), we offer readers of the City's financial statements this narrative overview and analysis of the financial activities of the City of Sullivan City, Texas for the fiscal year ended September 30, 2019. We encourage readers to consider the information presented here in conjunction with the City's financial statements, which follow this section.

### Financial Highlights

- The City's assets from governmental activities exceeded its liabilities at the close of the most recent fiscal year by over \$2,320,354, compared to \$2,287,776 in the prior year.
- The City's total net position increased by \$18,471, net of prior period adjustments.
- Unreserved fund balance for the general fund was \$192,451 for 2019 and \$228,331 for 2018 respectively.
- The General Fund ended the year with a positive fund balance of \$231,462.

### Overview of the Financial Statements

This discussion and analysis is intended to serve as an introduction to the City's basic financial statements. The City's basic financial statements are comprised of three components: 1) government-wide financial statements, 2) fund financial statements, and 3) notes to the financial statements. This report also contains other supplementary information in addition to the basic financial statements themselves.

**Government-wide financial statements** – The government-wide financial statements are designed to provide readers with a broad overview of the City's finances, in a manner similar to a private-sector business.

The statement of net position presents information on all of the City's assets deferred outflows of resources, liabilities and deferred inflows of resources, with the differences between them reported as net position. Over time, increases or decreases in net position may serve as a useful indicator of whether the financial position of the City is improving or deteriorating.

The statement of activities presents information showing how the City's net position changed during the most recent fiscal year. All changes in net position are reported as soon as the underlying event giving rise to the change occurs, regardless of the timing of related cash flows. Thus, revenues and expenses are reported in this statement for some items that will only result in cash flows in future fiscal periods (e.g., uncollected taxes and earned but unused vacation leave).

Both of the government-wide financial statements distinguish functions of the City that are principally supported by taxes and intergovernmental revenues (governmental activities) from other functions that are intended to recover all or a significant portion of their costs through user fees and charges (business-type activities). The governmental activities of the City include general government, public safety, highways and streets, sanitation, drainage, health and welfare, and culture and recreation. The government-wide financial statements include itself (known as primary government). The government-wide financial statements can be found on pages 9 and 10 of this report. The government-wide financial statements include not only the City itself, but also its legal component units Economic Development Corporation and Crime Prevention for which the city is financially accountable.

## **City of Sullivan City, Texas**

### **Management's Discussion and Analysis**

**Fund financial statements** – A fund is a grouping of related accounts that is used to maintain control over resources that have been segregated for specific activities or objectives. The City, like other state and local governments, uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements. All of the funds of the City can be divided into three categories: governmental funds, proprietary funds, fiduciary funds.

**Governmental funds.** Governmental funds are used to account for essentially the same functions reported as governmental activities in the government-wide financial statements. However, unlike the government-wide financial statements, governmental fund financial statements focus on near-term inflows and outflows of spendable resources, as well as on balances of spendable resources available at the end of the fiscal year. Such information may be useful in evaluating a government's near-term financing requirements.

Because the focus of governmental funds is narrower than that of the government-wide financial statements, it is useful to compare the information presented for governmental funds with similar information presented for governmental activities in the government-wide financial statements. By doing so, readers may better understand the long-term impact of the government's near-term financing decisions. Both the governmental fund balance sheet and the governmental fund statement of revenues, expenditures, and changes in fund balances provide a reconciliation to facilitate this comparison between governmental funds and governmental activities.

The City adopts an annual appropriated budget for all of its governmental funds with the exception of grant funded special revenue funds and capital projects funds, if any.

The basic governmental fund financial statements can be found on pages 12 through 17 of this report.

**Proprietary funds** – The City would normally report the activities for which it charges users (whether outside customers or other units of the city) in proprietary funds using the same accounting methods employed in the Statement of Net Assets and Statement of Activities. The City does not report an enterprise fund.

**Notes to financial statements** – The notes provide additional information that is essential to a full understanding of the data provided in the government-wide and fund financial statements. The notes to the financial statements can be found on pages 18 through 35 of this report.

As noted earlier, net position may serve over time as a useful indicator of a government's financial position. In the case of the City, assets exceeded liabilities by \$2,320,354 and \$2,287,776 for 2019 and 2018 as adjusted, respectively, for governmental activities. One of the largest portions of the City's net position (60 percent) reflects its investment in capital assets (e.g., land building, machinery, and equipment), less any related debt used to acquire those assets that are still outstanding.

**City of Sullivan City, Texas**  
**Management's Discussion and Analysis**

**Government-wide Financial Analysis**

The City's Statement of Net Position along with the last fiscal year's numbers are presented for comparison in the table below.

	Governmental Activities		Totals		Increase
	2019	2018	2019	2018	(Decrease)
Current Assets	\$1,373,188	\$ 1,555,234	\$1,373,188	\$ 1,555,234	\$(182,046)
Non-Current Assets	1,751,640	1,432,488	1,751,640	1,432,488	319,152
<b>Total Assets</b>	<u>3,124,828</u>	<u>2,987,722</u>	<u>3,124,828</u>	<u>2,987,722</u>	137,106
<b>Aggregate Deferred Outflows of Resources</b>	-	-	-	-	-
Current Liabilities	694,722	672,848	694,722	672,848	21,874
Non-Current Liabilities	109,752	27,098	109,752	27,098	82,654
<b>Total Liabilities</b>	<u>804,474</u>	<u>699,946</u>	<u>804,474</u>	<u>699,946</u>	104,528
<b>Aggregate Deferred Inflows of Resources</b>	-	-	-	-	-
Net Invested in					
Capital Assets	1,387,439	1,387,439	1,387,439	1,387,439	-
Restricted	39,011	64,233	39,011	64,233	(25,222)
Unrestricted	893,904	836,104	893,904	836,104	57,800
<b>Total Net Position</b>	<u>\$2,320,354</u>	<u>\$ 2,287,776</u>	<u>\$2,320,354</u>	<u>\$ 2,287,776</u>	<u>\$ 32,578</u>

**City of Sullivan City, Texas**  
**Management's Discussion and Analysis**

The City's overall net position increased by \$18,471 during the current fiscal year.

**Governmental activities.** Governmental activities increased the City's net position by \$18,471.

	Governmental		Totals		Increase (Decrease)
	Activities				
	2019	2018	2019	2018	
Revenues					
Program Revenues					
Charges for Services	\$ 468,585	\$ 638,433	\$ 468,585	\$ 638,433	\$ (169,848)
Operating Grants	118,868	384,237	118,868	384,237	(265,369)
Capital Grants	282,262	-	282,262	-	282,262
General Revenues					-
Property Tax	537,997	526,006	537,997	526,006	11,991
Sales Tax	306,227	279,964	306,227	279,964	26,263
Other Tax	112,585	105,781	112,585	105,781	6,804
Other Revenues	102,974	26,694	102,974	26,694	76,280
Total Revenues	<u>1,929,498</u>	<u>1,961,115</u>	<u>1,929,498</u>	<u>1,961,115</u>	<u>(31,617)</u>
Expenses					
General Government	448,274	754,029	448,274	754,029	(305,755)
Public Safety	824,620	689,940	824,620	689,940	134,680
Culture and Recreational	465,238	148,954	465,238	148,954	316,284
Economic Development	-	62,081	-	62,081	(62,081)
Municipal Court	172,895	147,750	172,895	147,750	25,145
Total Expenses	<u>1,911,027</u>	<u>1,802,754</u>	<u>1,911,027</u>	<u>1,802,754</u>	<u>108,273</u>
Non-Operating Transfers (Net)	-	-	-	-	-
Increase (Decrease) in Net Position	18,471	158,361	18,471	158,361	(139,890)
Prior Period Adjustment	14,107	(85,693)	14,107	(85,693)	99,800
Net Position - Beginning (Restated)	<u>2,287,776</u>	<u>2,215,108</u>	<u>2,287,776</u>	<u>2,215,108</u>	<u>72,668</u>
Net Position - Ending	<u>\$ 2,320,354</u>	<u>\$ 2,287,776</u>	<u>\$ 2,320,354</u>	<u>\$ 2,287,776</u>	<u>\$ 32,578</u>

**Financial Analysis of the City's Funds**

As noted earlier, the City uses fund accounting to ensure and demonstrate compliance with finance related legal requirements.

**Governmental funds-** The focus of the City's governmental funds is to provide information on near-term inflows, outflows, and balances of spendable resources. Such information is useful in assessing the City's financing requirements. In particular unreserved fund balance may serve as a useful measure of a Government's net resources available for spending at the end of the fiscal year. The general fund is the chief operating fund of the City. At the end of the current fiscal year, the unreserved fund balance of the General Fund had a balance of \$192,451 and the Special Revenue Fund (Economic Development Corporation and Crime Prevention) had a restricted fund balance of \$37,607 and the Debt Service Fund had a restricted fund balance of \$1,404.

**City of Sullivan City, Texas**  
**Management's Discussion and Analysis**

**General Fund Budgetary Highlights**

Actual revenues for the year were under the actual expenditures by \$102,507. Actual revenues were under the budgeted revenues by \$5,767 while actual expenditures exceeded appropriations by \$281,863.

**Capital Assets and Debt Administration**

**Capital Assets**

The City of Sullivan City's investments in capital assets for its governmental activities amount to \$1,751,640 and \$1,432,488 (net of accumulated depreciation) for 2019 and 2018. This investment in capital assets includes land, buildings, construction in progress, machinery and equipment, infrastructure/streets and vehicles. The City uses these capital assets to provide services to citizens; consequently, these assets are not available for future spending. Although the City's investment in its capital assets is reported net of related debt, it should be noted that the resources needed to repay this debt must be provided from other sources, since the capital assets themselves cannot be used to liquidate these liabilities.

	Governmental		Total		Increase (Decrease)
	2019	2018	2019	2018	
Capital Assets, Not Being Depreciated:					
Land	\$ 69,819	\$ 34,726	\$ 69,819	\$ 34,726	\$ 35,093
Construction-In-Progress	385,177	1,250,118	385,177	1,250,118	(864,941)
	454,996	1,284,844	454,996	1,284,844	(829,848)
Capital Assets, Being Depreciated:					
Buildings	739,056	9,422	739,056	9,422	729,634
Machinery & Equipment	382,399	364,499	382,399	364,499	17,900
Infrastructure/Streets	352,222	-	352,222	-	352,222
Vehicles	124,041	-	124,041	-	124,041
	1,597,718	373,921	1,597,718	373,921	1,223,797
Accumulated Depreciation	(301,074)	(226,277)	(301,074)	(226,277)	(74,797)
Total Capital Assets, being Depreciated, Net	1,296,644	147,644	1,296,644	147,644	1,149,000
Capital Assets, Net	<u>\$ 1,751,640</u>	<u>\$ 1,432,488</u>	<u>\$ 1,751,640</u>	<u>\$ 1,432,488</u>	<u>\$ 319,152</u>

**City of Sullivan City, Texas**  
**Management's Discussion and Analysis**

**Long-Term Debt**

Below is a table summarizing the long-term debt of the City.

**City of Sullivan City Long-Term Obligations**

	Governmental Activities		Total		Increase (Decrease)
	2019	2018	2019	2018	
Long-Term Obligations					
Capital Leases	\$ 151,139	\$ 45,049	\$ 151,139	\$ 45,049	\$ 106,090
Total Long-Term Obligations	<u>\$ 151,139</u>	<u>\$ 45,049</u>	<u>\$ 151,139</u>	<u>\$ 45,049</u>	<u>\$ 106,090</u>

Additional information on the City's debt service can be found in the notes to the financial statements.

**Economic Factors and Next Year's Budget and Rates**

The City's elected and appointed officials considered many factors when setting the fiscal year end 2020 budget.

- The ad valorem property tax rate was set at \$.50 to generate the revenues necessary for the operation of the City. This tax rate should increase total property taxes as compared to the prior year.
- General operating fund spending budget for 2020 was prepared based on history of actual definite revenues and essential expenses to operate.
- The budget provides for medical insurance for all employees, changing Code Enforcement Position from part-time to full-time, a small salary increases for all employees, as well as a deposit for a rainy-day fund.

**Requests for Information**

This financial report is designed to provide a general overview of the City's finances for all those with an interest in the City's finances. Questions concerning any of the information provided in this report or the component unit (EDC) should be addressed to the Office of the City of Sullivan City, City Manager: P.O. Box 249, Sullivan City, Texas 78595.

# **BASIC FINANCIAL STATEMENTS**

**City of Sullivan City, Texas**  
**Statement of Net Position**  
**September 30, 2019**

	<b>Primary Government</b>	
	<b>Governmental Activities</b>	<b>Total</b>
<b>ASSETS</b>		
<b>Current Assets</b>		
Cash and Cash Equivalents	\$ 170,381	\$ 170,381
Property Taxes Receivable (net)	228,062	228,062
Grants Receivable	644,685	644,685
Sales Taxes Receivable	55,320	55,320
Warrants Receivable (net)	264,874	264,874
Other Receivable	9,866	9,866
<b>Total Current Assets</b>	<b>1,373,188</b>	<b>1,373,188</b>
<b>Noncurrent Assets</b>		
Land	69,819	69,819
Construction In Progress	385,177	385,177
Buildings /Parks/Facilities (net)	704,621	704,621
Machinery/Equipment (net)	136,974	136,974
Infrastructure/Streets (net)	340,481	340,481
Vehicles (net)	114,568	114,568
<b>Total Noncurrent Assets</b>	<b>1,751,640</b>	<b>1,751,640</b>
<b>Total Assets</b>	<b>3,124,828</b>	<b>3,124,828</b>
<b>DEFERRED OUTFLOWS OF RESOURCES</b>		
	-	-
<b>TOTAL ASSETS AND DEFERRED OUTFLOWS OF RESOURCES</b>	<b>3,124,828</b>	<b>3,124,828</b>
<b>LIABILITIES</b>		
<b>Current Liabilities</b>		
Accounts Payable	8,650	8,650
Deferred Revenues - Hidalgo County-Urban County	644,685	644,685
Due Within One Year	41,387	41,387
<b>Total Current Liabilities</b>	<b>694,722</b>	<b>694,722</b>
<b>Long-Term Liabilities</b>		
Due in More Than One Year	109,752	109,752
<b>Total Liabilities</b>	<b>804,474</b>	<b>804,474</b>
<b>DEFERRED INFLOWS OF RESOURCES</b>		
	-	-
<b>NET POSITION</b>		
Net Investment in Capital Assets	1,387,439	1,387,439
Restricted for:		
Special Program	37,607	37,607
Economic Development	1,404	1,404
Unrestricted	893,904	893,904
<b>Total Net Position</b>	<b>2,320,354</b>	<b>2,320,354</b>
<b>TOTAL LIABILITIES, DEFERRED INFLOWS AND NET POSITION</b>	<b>\$ 3,124,828</b>	<b>\$ 3,124,828</b>

The notes to these statements are an integral part of these statements.

**City of Sullivan City, Texas**  
**Statement of Activities**  
For the Year Ended September 30, 2019

<b>Functions/Programs</b>	<b>Program Revenues</b>			
<b>Expenses</b>	<b>Charges for Services</b>	<b>Operating Grants and Contributions</b>	<b>Capital Grants and Contributions</b>	
<b>Primary Government</b>				
<b>Governmental Activities:</b>				
General Government	\$ 448,274	\$ 292,082	\$ 118,868	\$ 282,262
Public Safety	824,620	-	-	-
Culture and Recreation	465,238	40,185	-	-
Municipal Court	172,895	136,318	-	-
<b>Total Governmental Activities</b>	<b>\$ 1,911,027</b>	<b>\$ 468,585</b>	<b>\$ 118,868</b>	<b>\$ 282,262</b>

**General Purpose Revenues and Transfers:**

**Revenues**

Property Taxes

Sales Taxes

Franchise Taxes

Other Revenues

**General**

**Change in Net Position**

*Net Position at Beginning of Period*

*Prior period adjustment*

***Net Position at End of Period***

The notes to these statements are an integral part of these statements.

**Net (Expense) Revenue**  
**Primary Government**

<b>Governmental Activities</b>	<b>Total</b>
\$ 244,938	\$ 244,938
( 824,620 )	( 824,620 )
( 425,053 )	( 425,053 )
( 36,577 )	( 36,577 )
<u>( 1,041,312 )</u>	<u>( 1,041,312 )</u>
537,997	537,997
306,227	306,227
112,585	112,585
102,974	102,974
<u>1,059,783</u>	<u>1,059,783</u>
<b>18,471</b>	<b>18,471</b>
2,287,776	2,287,776
14,107	14,107
<b>\$ 2,320,354</b>	<b>\$ 2,320,354</b>

**City of Sullivan City, Texas**  
**Balance Sheet**  
**Governmental Funds**  
**September 30, 2019**

		<b>Debt Service Fund</b>
	<b>General Fund</b>	<b>Debt Service</b>
<b>ASSETS</b>		
Cash and Cash Equivalents	\$ 143,955	\$ 1,404
Property Taxes Receivable (net)	224,261	3,801
Grants Receivable	644,685	-
Sales Taxes Receivable	42,735	-
Warrants Receivable (net)	264,874	-
Other Receivable	9,866	-
<b><i>Total Assets</i></b>	<b>1,330,376</b>	<b>5,205</b>
<b>DEFERRED OUTFLOWS OF RESOURCES</b>		
Aggregated Deferred Outflows	-	-
<b><i>Total Assets and Deferred Outflows of Resources</i></b>	<b>1,330,376</b>	<b>5,205</b>
<b>LIABILITIES</b>		
Account Payable	8,650	-
Deferred Revenues - Hidalgo County-Urban County	644,685	-
<b><i>Total Liabilities</i></b>	<b>653,335</b>	<b>-</b>
<b>DEFERRED INFLOWS OF RESOURCES</b>		
Deferred Revenues - Property Taxes	219,716	3,801
Deferred Revenues - Warrants	264,874	-
<b><i>Total Deferred Inflows of Resources</i></b>	<b>484,590</b>	<b>3,801</b>
<b>FUND BALANCE</b>		
Restricted	-	1,404
Unassigned	192,451	-
<b><i>Total Fund Balance</i></b>	<b>192,451</b>	<b>1,404</b>
<b><i>Total Liabilities, Deferred Inflows of Resources and Fund Balance</i></b>	<b>\$ 1,330,376</b>	<b>\$ 5,205</b>

The notes to these statements are an integral part of these statements.

<b>Special Revenue Funds</b>		
<b>Crime Control &amp; Prevention District</b>	<b>City of Sullivan City Economic Development Corp.</b>	<b>Total Governmental Funds</b>
\$ 25,022	\$ -	\$ 170,381
-	-	228,062
-	-	644,685
12,585	-	55,320
-	-	264,874
-	-	9,866
<u>37,607</u>	<u>-</u>	<u>1,373,188</u>
-	-	-
<u><b>37,607</b></u>	<u><b>-</b></u>	<u><b>1,373,188</b></u>
-	-	8,650
-	-	644,685
-	-	653,335
-	-	223,517
-	-	264,874
-	-	488,391
37,607	-	39,011
-	-	192,451
<u>37,607</u>	<u>-</u>	<u>231,462</u>
<u><b>\$ 37,607</b></u>	<u><b>\$ -</b></u>	<u><b>\$ 1,373,188</b></u>

**City of Sullivan City, Texas**  
**Reconciliation of Governmental Funds**  
**Balance Sheet to the Statement of Net Position**  
**September 30, 2019**

Total Fund Balance - Governmental Funds	\$	231,462
Fixed assets are capitalized in Statement of Net Assets and depreciated in the Statement of Activities. These are expensed when acquired in the Statement of Revenues, Expenditures, and Changes in Fund Balance.		1,751,640
Long term debt reflected on Statement of Net Assets not in governmental funds balance sheet.		( 151,138 )
Property taxes receivable unavailable to pay for current period expenditures are deferred in the funds.		223,518
Warrants receivable that are not collected until after the fiscal year end are deferred in the funds.		264,873
Rounding		( 1 )
<b>Total Net Position-Governmental Funds</b>	<b>\$</b>	<b><u>2,320,354</u></b>

The notes to these statements are an integral part of these statements.

**City of Sullivan City, Texas**  
**Statement of Revenues, Expenditures, and Changes in Fund Balance**  
**Governmental Funds**  
**For the Year Ended September 30, 2019**

	<u>General Fund</u>	<u>Debt Service Fund</u>
<b>Revenues</b>		
Property Taxes	\$ 514,379	\$ 18,352
Sales Taxes	231,546	-
Franchises Taxes	112,585	-
Grant/Intergovernmental Revenues	401,130	-
Charges, Permits and Fees	321,892	-
Fines and Forfeitures	260,964	-
Other Revenues	113,349	-
<b>Total Revenues</b>	<u>1,955,845</u>	<u>18,352</u>
<b>Expenditures</b>		
General Government	702,637	-
Public Safety	747,126	-
Culture and Recreation	310,229	-
Economic Development	-	-
Municipal Court	166,128	-
Capital Outlay	317,355	-
Debt - Principal	-	17,049
<b>Total Expenditures</b>	<u>2,243,475</u>	<u>17,049</u>
<b>Excess of Revenues Over (Under) Expenditures</b>	<u>( 287,630 )</u>	<u>1,303</u>
<b>Other Financing Sources (Uses)</b>		
Loan	124,041	-
Transfer in	61,082	-
Transfer Out	-	-
<b>Net Other Financing Sources (Uses)</b>	<u>185,123</u>	<u>-</u>
<b>Net Change in Fund Balance</b>	<b>( 102,507 )</b>	<b>1,303</b>
<i>Fund Balance at Beginning of Period</i>	228,230	101
<i>Prior Period</i>	66,728	-
<b>Fund Balance at End of Period</b>	<u>\$ 192,451</u>	<u>\$ 1,404</u>

The notes to these statements are an integral part of these statements.

<b>Special Revenue Funds</b>		
<b>Crime Control &amp; Prevention District</b>	<b>City of Sullivan City Economic Development Corp.</b>	<b>Total Governmental Funds</b>
\$ -	\$ -	\$ 532,731
74,680	-	306,226
-	-	112,585
-	-	401,130
-	-	321,892
-	-	260,964
-	-	113,349
<u>74,680</u>	<u>-</u>	<u>2,048,877</u>
36	-	702,673
52,890	-	800,016
-	24	310,229
-	-	24
-	-	166,128
-	-	317,355
-	-	17,049
<u>52,926</u>	<u>24</u>	<u>2,313,474</u>
<u>21,754</u>	<u>( 24 )</u>	<u>( 264,597 )</u>
-	-	124,041
-	-	61,082
-	( 61,082 )	( 61,082 )
-	( 61,082 )	124,041
<u>21,754</u>	<u>( 61,106 )</u>	<u>( 140,556 )</u>
3,127	61,106	292,564
12,726	-	79,454
<u>\$ 37,607</u>	<u>\$ -</u>	<u>\$ 231,462</u>

**City of Sullivan City, Texas**  
**Reconciliation of Governmental Funds Statement of Revenues, Expenditures,**  
**and Changes in Fund Balance with Statement of Activities**  
**For the Year Ended September 30, 2019**

Total Net Change in Fund Balances - Governmental Funds	\$	( 140,555 )
Principal payments on long-term expenses in governmental fund statements, expensed as incurred in entity wide statements, and reflected as liability on Statement of Assets.		7,673
Depreciation expense reflected in entity wide statements, not reflected in governmental fund statements.		( 74,797 )
Fixed assets expenses as capital outlay in governmental fund statements, capitalized as fixed assets in Statement of Net Assets.		345,534
Property taxes receivable unavailable to pay for current period expenditures are deferred in the funds.		5,266
Fines receivable that are not collected until after the fiscal year end are deferred in the funds.		( 124,646 )
Rounding		( 4 )
Changes in Net Position-Governmental Funds	\$	18,471

The notes to these statements are an integral part of these statements.

## **NOTES TO FINANCIAL STATEMENTS**

**City of Sullivan City, Texas**  
**Notes to Financial Statements**  
**For the Year Ended September 30, 2019**

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**I. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

**A. General Statement**

CITY OF SULLIVAN CITY (the “City”) was incorporated on April 15, 1972, under Article XI, Section 5 of the Constitution of the State of Texas. The City operates under a Mayor-Commissioner form of government and provides the following services as authorized by its charter. The services include public safety (police and fire), public works, sanitation, health and social services, culture-recreation, public improvement, planning and zoning, and general administrative services.

The combined financial statements of the City have been prepared in conformity with accounting principles applicable to governmental units which are generally accepted in the United States of America. The Governmental Accounting Standards Board (“GASB”) is the accepted standard settling body for establishing governmental accounting and financial reporting principles.

**B. Financial Reporting Entity**

The City’s basic financial statements include the accounts of all its operations. The City evaluated whether any other entity should be included in these financial statements. The criteria for including organizations as component units within the City’s reporting entity, as set forth in GASB Statement No. 14, “The Financial Reporting Entity”, include whether:

- The organization is legally separate
- The City holds the corporate powers of the organization
- The City appoints a voting majority to the organization’s board
- The city is able to impose its will on the organization
- The organization has the potential to impose a financial benefit/burden on the City
- There is fiscal dependency by the organization of the City
- The exclusion of the organization would result in misleading or incomplete financial statements

The City also evaluated each legally separate, tax – exempt organization whose resources are used principally to provide support to the City to determine if its omission from the reporting entity would result in financial statements that are misleading or incomplete. GASB Statement No. 14 requires inclusion of such an organization as a component unit when: 1) The economic resources received or held by the organization are entirely or almost entirely for the direct benefit of the City, its component units, or its constituents; and 2) The City or its component units is entitled to, or has the ability to otherwise access, a majority of the economic resources received or held by the organization; and 3) such economic resources are significant to the City. Based on these criteria the City has no component unit. Additionally, the City is not a component unit of any other reporting entity as defined by the GASB Statement

**City of Sullivan City, Texas**  
**Notes to Financial Statements**  
**For the Year Ended September 30, 2019**

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**I. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)**

**C. Government-Wide and Fund Financial Statements**

The Statement of Net Assets and the Statement of Activities are government-wide financial statements. They report information on all of the City's non-fiduciary activities with most of the inter-fund activities removed. Governmental activities include programs supported primarily by taxes, State Funds, grants and other intergovernmental revenues. Business-type activities include operations that rely to a significant extent on fees and charges for support.

The Statement of Activities demonstrates how other people or entities that participate in programs the City operates have shared in the payment of the direct costs. The "charges for services" column includes payments made by parties that purchase, use, or directly benefit from goods or services provided by a given function or segment of the City.

The "grants and contributions" column includes amounts paid by organizations outside the City to help meet the operational or capital requirements of a given function. If a revenue is not a program revenue, it is a general revenue used to support all of the City's functions. Taxes are always general revenues.

Interfund activities between governmental funds and between governmental funds and proprietary funds appear as due to/due from on the Governmental Fund Balance Sheet and Proprietary Fund Statement of Net Assets and as other resources and other uses on the governmental fund Statement of Revenues, Expenditures and Changes in Fund Net Assets. All interfund transactions between governmental funds are eliminated on the government-wide statements. Interfund activities between governmental funds and enterprise funds remain on the governmental-wide statements and appear on the government-wide Statement of Net Assets as internal balances and on the Statement of Activities as interfund transfers. Interfund activities between governmental funds and fiduciary funds remain as due to/due from on the government-wide Statement of Activities.

The fund financial statements provide reports on the financial condition and results of operations for three fund categories – governmental, proprietary, and fiduciary. Since the resources in the fiduciary funds cannot be used for City operations, they are not included in the government-wide statements. The City considers some governmental and enterprise funds major and reports their financial condition and results of operations in a separate column.

Proprietary funds distinguish operating revenues and expenses from nonoperating items. Operating revenues result from providing goods and services in connection with a proprietary fund's principal ongoing operations; they usually come from exchange or exchange-like transactions. All other revenues are nonoperating. Operating expenses can be tied specifically to the production of the goods and services, such as materials and labor and direct overhead. Other expenses are nonoperating.

**City of Sullivan City, Texas**  
**Notes to Financial Statements**  
**For the Year Ended September 30, 2019**

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**I. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)**

**D. Measurement Focus, Basis of Accounting, and Financial Statement Presentation**

The government-wide financial statements use the economic resources measurement focus and the accrual basis of accounting, as do the proprietary fund and fiduciary fund financial statements. Revenues are recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of the related cash flows. Property taxes are recognized as revenues in the year for which they are levied. Grants and similar items are recognized as revenue as soon as all eligibility requirements imposed by the provider have been met.

Governmental fund financial statements use the current financial resources measurement focus and the modified accrual basis of accounting. With this measurement focus, only current assets, current liabilities and fund balances are included on the balance sheet. Operating statements of these funds present net increase and decreases in current assets (i.e. revenues and other financing sources and expenditures and other financing uses).

The modified accrual basis of accounting recognizes revenues in the accounting period in which they become both measurable and available, and it recognizes expenditures in the accounting period in which the fund liability is incurred, if measurable, except for un-matured interest and principle on long-term debt, which is recognized when due. The expenditures related to certain compensated absences and claims and judgments are recognized when the obligations are expected to be liquidated with expendable available financial resources. The City considers all revenues available if they are collectible within 60 days after year-end.

Revenues from local sources consist primarily of property taxes. Property tax revenues and revenues received from the State are recognized under the “susceptible to accrual” concept, that is, when they are both measurable and available. The City considers them “available” if they will be collected within 60 days of the end of the fiscal year. Miscellaneous revenues are recorded as revenue when received in cash because they are generally not measurable until actually received. Investment earnings are recorded as earned, since they are both measurable and available.

Grant funds are considered to be earned to the extent of expenditures made under the provisions of the grant. Accordingly, when such funds are received, they are recorded as deferred revenues until related and authorized expenditures have been made.

If balances have not been expended by the end of the project period, grantors sometimes require the City to refund all or part of the unused amount.

**City of Sullivan City, Texas**  
**Notes to Financial Statements**  
**For the Year Ended September 30, 2019**

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**I. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)**

**D. Measurement Focus, Basis of Accounting, and Financial Statement Presentation (continued)**

The Proprietary Fund Types and Fiduciary Funds are accounted for on a flow of economic resources measurement focus and utilize the accrual basis of accounting. This basis of accounting recognizes revenues in the accounting period in which they are earned and become measurable and expenses in the accounting period in which they are incurred and become measurable. The City applies all GASB pronouncements as well as the Financial Accounting Standards Board pronouncements issued on or before November 30, 1989, unless these pronouncements conflict or contradict GASB pronouncements. With this measurement focus, all assets and all liabilities associated with operation of these funds are included on the fund statement of Net Assets. The fund equity is segregated into invested in capital assets net of related debt, restricted net assets, and unrestricted net assets.

In the fund financial statements, governmental funds report fund balances based on the following classifications: non-spendable, restricted, committed or unassigned. Restricted fund balances are amounts legally restricted by outside parties for use be a specific purpose. Commitments of fund balance require approval of the City Council through action. The City Council delegates the responsibility to assign fund balance to the City Manager or his designee, when appropriate. Funds will be utilized in the following spending order: restricted, committed, assigned and unassigned.

On October 1, 2012, the District adopted GASB Statement No. 63 Financial Reporting of Deferred outflows of Resources, Deferred Inflows of Resources, and Net Position and early implemented GASB Statement No. 65 Items Previously Reported as Assets and Liabilities as encouraged by GASB. As a result of the adoption of these new accounting standards, a restatement of beginning net position at the government-wide level financial statement was required.

GASB Statement No. 63 provides financial guidance for reporting deferred outflows, deferred inflows of resources, and net position in a statement of financial position and related disclosures. Deferred outflows of resources are defined as a consumption of net assets by a government that is applicable to a future reporting period and deferred inflows of resources are defined as an acquisition of net assets by a government that is applicable to a future reporting period. Net position is defined as the residual of all other elements presented in a statement of financial position, being measured as the difference between (a) assets and deferred resources and (b) liabilities and deferred inflows of resources.

GASB Statement No. 65 establishes accounting and financial reporting that reclassify, as deferred outflows of resources or deferred inflows of resources, certain items that were previously reported as assets and liabilities. This statement also provides other financial reporting guidance related to the impact of the financial statement elements deferred outflows of resources and deferred inflows or resources, such as changes in the determination of the major fund calculations and limiting the use of the term “deferred” in financial statement presentations.

**City of Sullivan City, Texas**  
**Notes to Financial Statements**  
**For the Year Ended September 30, 2019**

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**I. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)**

**E. New Accounting Pronouncements**

In year 2019, the District adopted new statements of financial accounting standards issued by the Governmental Accounting Standards Board:

- Statement No. 87, *Leases*
- Statement No. 90, *Majority Equity Interests—an amendment of GASB Statements No. 14 and No. 61*

- a. **Statement No. 87** The objective is to better meet the information needs of financial statement users by improving accounting and financial reporting for leases by governments. This Statement increases the usefulness of governments' financial statements by requiring recognition of certain lease assets and liabilities for leases that previously were classified as operating leases and recognized as inflows of resources or outflows of resources based on the payment provisions of the contract. It establishes a single model for lease accounting based on the foundational principle that leases are financings of the right to use an underlying asset. Under this Statement, a lessor is required to recognize a lease receivable and a deferred inflow of resources, thereby enhancing the relevance and consistency of information about governments' leasing activities.

The requirements of this Statement are effective for reporting periods beginning after December 15, 2019.

The District has not determined the impact of the implementation of this standard.

- b. **Statement No. 90** The primary objectives of this Statement are to improve the consistency and comparability of reporting a government's majority equity interest in a legally separate organization and to improve the relevance of financial statement information for certain component units. It defines a majority equity interest and specifies that a majority equity interest in a legally separate organization should be reported as an investment if a government's holding of the equity interest meets the definition of an investment.

This Statement also establishes that ownership of a majority equity interest in a legally separate organization results in the government being financially accountable for the legally separate organization and, therefore, the government should report that organization as a component unit. The requirements of this Statement are effective for reporting periods beginning after December 15, 2018.

The District has not determined the impact of the implementation of this standard.

**City of Sullivan City, Texas**  
Notes to Financial Statements  
For the Year Ended September 30, 2019

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**I. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)**

**F. Fund Types and Major Funds**

**A. FUND ACCOUNTING**

The City reports the following major governmental funds:

- **The General Fund** – The general fund is the City’s primary operating fund. It accounts for all financial resources except those required to be accounted for in another fund.

Additionally, the City reports the following fund type(s):

Governmental Funds:

- **Special Revenue Funds** –The City accounts for resources restricted to, or designated for, specific purposes by the City or a grantor in a special revenue fund. Most Federal and some State financial assistance is accounted for in a Special Revenue Fund, and sometimes unused balances must be returned to the grantor at the close of specified project periods. The City has no special revenue funds.
- **Debt Service Funds** - The City accounts for resources accumulated and payments made for principal and interest on long-term general obligation debt of governmental funds in a debt service fund. The City has no debt service fund.
- **Permanent Funds** - The City accounts for donations for which the donor has stipulated that the principal may not be expended and where the income may only be used for purposes that support the City’s programs. The City has no Permanent Funds.
- **The Capital Projects Fund** –This fund is used to account for financial resources used for the acquisition of capital assets or construction of major capital facilities, not being financed by the proprietary funds. The City has no capital projects funds.

Proprietary Funds:

- **Enterprise Funds** – The City’s activities for which outside users are charged a fee roughly equal to the cost of providing the goods or services of those activities are accounted for in an enterprise fund. The City has no enterprise funds
- **Internal Service Funds** – Revenues and expenses related to services provided to organizations inside the City on a cost reimbursement basis are accounted for in an internal service fund. The City has no internal service funds.

**City of Sullivan City, Texas**  
Notes to Financial Statements  
For the Year Ended September 30, 2019

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**I. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)**

**F. Fund Types and Major Funds** (continued)

*Fiduciary Funds:*

- **Private Purpose Trust Funds** – The City accounts for donations for which the donor has stipulated that both the principle and the income may be used for purposes that benefit parties outside the City. The City has no Private Purpose Trust Funds.
- **Agency Funds** – The City accounts for resources held for others in a custodial capacity in agency funds. The City has no Agency Funds.

**G. Assets, Liabilities and Net Position or Equity**

**1. Cash and Investments**

Cash of all funds, including restricted cash, are pooled into common pooled accounts in order to maximize investment opportunities. Each fund whose monies are deposited in the pooled cash accounts has equity therein, and interest earned on the investment of these monies is allocated based upon relative equity at month end. An individual fund's pooled cash are available upon demand and are considered to be "cash equivalents" when preparing these financial statements. All investments are recorded at fair value based on quoted market prices. Fair value is the amount at which a financial instrument could be exchanged in a current transaction between willing parties.

**2. Property Taxes**

Property taxes are levied by October 1, on the assessed value listed as of the prior January 1 for all real and business personal property located in the City in conformity with Subtitle E, Texas Property Tax Code. Taxes are due on receipt of the tax bill and are delinquent if not paid before February 1 of the year following the year in which imposed. On January 31 of each year, a tax lien attaches to property to secure the payment of all taxes, penalties, and interest ultimately imposed. Property tax revenues are considered available (1) when they become due or past due and receivable within the current period and (2) when they are expected to be collected during a 60-day period after the close of the fiscal year.

**3. Delinquent Taxes Receivable**

Allowances for uncollectible tax receivables within the General Fund are based on historical experience in collecting property taxes. Uncollectible personal property taxes are periodically reviewed and written off, but the City is prohibited from writing off real property taxes without specific statutory authority from the Texas Legislature.

**H. Inventories**

The inventories are recorded at cost and are accounted for by the consumption method.

**City of Sullivan City, Texas**  
**Notes to Financial Statements**  
**For the Year Ended September 30, 2019**

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**I. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)**

**I. 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”. Any residual balances outstanding between the governmental activities and business-type activities are reported in the governmental-wide financial statements as “internal balances.” All trade and property tax receivables are shown net of an allowance for uncollectible.

**J. Transactions between Funds**

Legally authorized transfers are treated as interfund transfers and are included in the results of operations of both Governmental and other funds.

**K. Capital Assets**

Capital assets, which include land, buildings, furniture and equipment, and infrastructure assets, are reported in the applicable governmental or business-type activities columns in the government-wide financial statements. Capital assets are defined by the City as assets with an initial, individual cost of more than \$5,000 and an estimated useful life in excess of one year. Such assets are recorded in historical cost or estimated historical cost if purchased or constructed. Donated capital assets are recorded at estimated fair market value at the date of donation.

The costs of normal maintenance and repairs that do not add to the value of the asset or materially extend assets lives are not capitalized. Major outlays for capital assets and improvements are capitalized as projects are constructed.

Buildings, furniture and equipment of the City are depreciated using the straight line method over the following estimated useful lives. The estimated lives range from 5 to 15 years for furniture and equipment, 5 years for vehicles, 10 to 45 years for infrastructure, 20 to 45 years for water and sewer system assets, and 30 years for buildings.

Buildings	30 Years
Infrastructure	10-45 Years
Vehicles	5-10 Years
Water and Sewer System	20-45 Years
Machinery and Equipment	5-15 Years

**L. Compensated Absences**

It is the City’s policy to permit some employees to accumulate earned but unused vacation and sick pay benefits. There is a liability for unpaid accumulated vacation leave since the City does have a policy to pay any amounts when employees separate from service with the City. All vacation pay is accrued when incurred in the government-wide, proprietary, and fiduciary fund financial statements. A liability for these amounts is reported in governmental funds only if they have matured, for example, as a result of employee resignations and retirements. As of September 30, 2019, there was no liability for compensated absences.

**City of Sullivan City, Texas**  
**Notes to Financial Statements**  
**For the Year Ended September 30, 2019**

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**I. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)**

**M. Long-Term Obligations**

In the government-wide, proprietary and component unit financial statements, long-term debt and other long-term obligations are reported as liabilities. Bond premiums and discounts, as well as issuance cost are deferred and amortized over the life of the bonds using the straight line method as the amount is immaterial against the effective interest method. Unamortized bond premium and discount, issuance cost and gain or loss on refunding are not netted against the liability, but recorded in the asset portion of the financial statements. In the fund financial statements, long-term liabilities are not recorded in the governmental funds as the payment of the obligations will not be made by current financial resources. The governmental fund financial statements recognize the proceeds of debt as other financing resources.

**N. Restricted Assets**

The proceeds and required reserves of debt issuances are recorded as restricted assets as they are restricted for debt service and/or capital projects, payments and /or purchases. When the City incurs an expense for which it may use either restricted or unrestricted assets, it uses the restricted assets first whenever they will have to be returned if they are not used.

**O. Net Position / Fund Equity**

In the fund financial statements, governmental funds report reservations of fund balance for amounts that are not available or are legally restricted by outsource parties for use for a specific purpose.

**P. Estimates**

The preparation of financial statements in accordance with generally accepted accounting principles requires the use of estimates by management.

**II. STEWARDSHIP, COMPLIANCE AND ACCOUNTABILITY**

**A. Budgetary Data**

The City Council adopts an “appropriated budget” for the General Fund and certain Special Revenue Funds. In accordance with Government Accounting Standards Board (GASB) Statement #34, a City is required to present the adopted and final amended budget revenues and expenditures for the General Fund. The City compares the final amended budget to actual revenues and expenditures. The General Fund Budget report is on page 36.

The following procedures are followed in establishing the budgetary data reflected in the general-purpose financial statements:

**City of Sullivan City, Texas**  
**Notes to Financial Statements**  
**For the Year Ended September 30, 2019**

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**II. STEWARDSHIP, COMPLIANCE AND ACCOUNTABILITY (CONTINUED)**

**A. Budgetary Data** (continued)

1. Prior to October 1, the City prepares a budget for the next succeeding fiscal year beginning October 1. The operating budget includes proposed expenditures and the means of financing them.
2. A meeting of the City Council is then called for the purpose of adopting the proposed budget. At least ten days' public notice of the meeting must be given.
3. Prior to October 1, the budget is legally enacted through passage of an ordinance by the Council. Once a budget is approved, it can only be formally amended by approval of a majority of the members of the Council. Amendments are presented to the Council at its regular meetings.
4. Each amendment must have Council approval. As required by law, such amendments are made before the fact, and are reflected in the official minutes of the Council, and are not made after fiscal year end. The City has a policy of careful budgetary control, however during the year, no amendments were necessary.
5. Budget amounts are as amended by the Council. All budget appropriations lapse at year end.

**B. Excess of General Fund Expenditures below Appropriations**

At September 30, 2019, the general fund total expenditures were above budget appropriations by \$564,125 and actual revenues were below budgeted revenues by \$276,495. Actual revenues for the year were less than actual expenditures by \$102,507, after other financing sources. There were several budget categories that were exceeded at year-end.

**Finance-Related Legal and Contractual Provisions**

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:

<u>Violation</u>	<u>Action Taken</u>
None	Non-Applicable

**Fund Balance**

General fund had a surplus fund balance of \$192,451 due to a previous accumulation in prior years.

**General Fund's Fund Balance Policy**

The City has adopted GASB 54 as part of its fiscal year reporting. Implementation of GASB 54 was required for all cities for their fiscal year ending 2013. The intention of GASB 54 is to provide a more structured classification of fund balance and to improve the usefulness of fund balance reporting to the users of the City's financial statements. The reporting standard establishes a hierarchy for fund balance classifications and the constraints imposed on the uses of those resources. GASB 54 provides for two major types of fund balances, which are non-spendable and spendable.

**City of Sullivan City, Texas**  
**Notes to Financial Statements**  
**For the Year Ended September 30, 2019**

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**II. STEWARDSHIP, COMPLIANCE AND ACCOUNTABILITY (CONTINUED)**

**B. Excess of General Fund Expenditures below Appropriations (continued)**

*Nonspendable* fund balances are balances that cannot be spent because they are not expected to be converted to cash or they are legally or contractually required to remain intact. Examples of these classifications are prepaid items and inventories. In addition to the non-spendable fund balance, GASB 54 has provided a hierarchy of spendable fund balances, based on hierarchy of spending constraints.

- *Restricted: fund balances* that are constrained by external parties, constitutional provisions, or enabling legislation.
- *Committed: fund balances* that contain self-imposed constraints of the government from its highest level of decision making authority. The responsibility to commit funds rests with the City Commissioners. Committed amounts cannot be used for any other purpose unless the governing board removes those constraints by taking the same type of formal action.
- *Assigned: fund balances that* contain self-imposed constraints of the government to be used for a particular purpose.
- Unassigned: fund balances of the general fund that is not constrained for any particular purpose.

When the City incurs an expense for which it may use either restricted or unrestricted assets, it uses the restricted assets first whenever they will have to be returned if they are not used.

**III. DETAILED NOTES ON FUNDS AND ACCOUNT GROUPS**

**A. Deposits and Investments**

The funds of the City must be deposited and invested under the terms of a contract, contents of which are set out in the Depository Contract Law. The depository bank places approved pledged securities for safekeeping and trust with the City's agent bank in an amount sufficient to protect City funds on a day-to-day basis during the period of the contract. The pledge of approved securities is waived only to the extent of the depository bank's dollar amount of Federal Deposit Insurance Corporation ("FDIC") insurance.

At September 30, 2019, the carrying amount of the City's deposits (cash and interest-bearing savings accounts included in temporary investment) was \$170,381, while the bank balance was \$190,175. The City's cash deposits at September 30, 2019 and during the year ended September 30, 2019 was entirely covered by FDIC insurance or by pledged collateral held by the City's agent bank in the City's name.

The Public Fund Investment Act (Government Code Chapter 2256) contains specific provisions in the areas of investment practices, management reports and establishment of appropriate policies. Among other things, it requires the City to adopt, implement, and publicize an investment policy. The policy must address the following areas: (1) safety of principal and liquidity, (2) portfolio

**City of Sullivan City, Texas**  
**Notes to Financial Statements**  
**For the Year Ended September 30, 2019**

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**III. DETAILED NOTES ON FUNDS AND ACCOUNT GROUPS (CONTINUED)**

**A. Deposits and Investments (continued)**

diversification, (3) allowable investments, (4) acceptable risk levels, (5) expected rates of return, (6) maximum allowable stated maturity of portfolio investments, (7) maximum average dollar-weighted maturity allowed based on the stated maturity date for the portfolio, (8) investment staff quality and capabilities, (9) and bid solicitation preferences for certificates of deposit. Statutes authorize the City to invest in (1) obligations of the U.S. Treasury, certain U.S. agencies, and State of Texas; (2) certificates of deposit, (3) certain municipal securities, (4) money market savings accounts, (5) repurchase agreements, (6) bankers acceptances, (7) Mutual Funds, (8) Investment pools, (9) guaranteed investment contracts, (10) and common trust funds. The Act also requires the City to have independent auditors perform test procedures related to investment practices as provided by the Act. The City is in substantial compliance with the requirements of the Act and the local policies.

**Analysis of Specific Deposit and Investment Risks:**

GASB Statement No. 40 requires a determination as to whether the City was exposed to the following specific investment risks at year end and if so, the reporting of certain related disclosures:

Interest Rate Risk

This is the risk that changes in interest rates will adversely affect the fair value of an investment. At year end, the City was not exposed to interest rate risk. To limit the risk that changes in interest rates will adversely affect the fair value of investments; the City requires that the investments shall be monitored by using specific identification.

Credit Risk

Credit risk is the risk that an issuer or other counterparty to an investment will not fulfill its obligations. To limit the risk that an issuer or other counterparty to an investment will not fulfill its obligations the City limits investments to Certificates of Deposits, Public Funds Investment Pools and Guaranteed Investment Contracts, collateralized by U.S. Government Securities. As of September 30, 2019, the City's investments were secured by the U.S. Government Securities.

Custodial Credit Risk

Deposits and investments are exposed to custodial credit risk if they are not covered by the depository insurance and the deposits and investments are uncollateralized, collateralized with securities held by the pledging financial institution, or collateralized with securities held by the pledging financial institution's trust department or agent but not in the City's name. At year end, the City was not exposed to custodial credit risk.

Concentration of Credit Risk

To limit the risk of loss attributed to the magnitude of a government's investments in a single issuer, the investment portfolio shall be diversified in terms of investment instruments maturity scheduling, and financial institutions. To further limit the risk all the City investments are collateralized by U.S. Government Securities

**City of Sullivan City, Texas**  
**Notes to Financial Statements**  
For the Year Ended September 30, 2019

**III. DETAILED NOTES ON FUNDS AND ACCOUNT GROUPS (CONTINUED)**

**A. Deposits and Investments (continued)**

Foreign Currency Risk

This is the risk that exchange rates will adversely affect the fair value of an investment. At year end, the City was not exposed to foreign currency risk

**B. Disaggregation of Receivables**

Receivables for the City at September 30, 2019 were as follows:

Governmental Funds	Accounts Receivable	Allowance for Uncollectible	Total (Net)
Property Taxes (net)	\$ 242,952	\$ 14,890	\$ 228,062
Court Fines and Fees (net)	662,184	397,310	264,874
Sales Taxes	55,320	-	55,320
Franchise Taxes	9,866	-	9,866
Grants and Other Receivables	644,685	-	644,685
	<u>\$ 1,615,007</u>	<u>\$ 412,200</u>	<u>\$ 1,202,807</u>

**C. Deferred Inflows of Resources & Unearned Revenues**

Governmental funds report deferred revenue in connection with receivables for revenues that are not considered to be available to liquidate liabilities of the current period. Governmental funds defer revenue recognition in connection with resources that have been received, but not yet earned. At the end of the year, the various components of deferred revenue and unearned revenue reported in the fund financial statements were as follows:

Deferred Inflows Description	General Fund	Debt Service	Total
Property Taxes	\$ 219,716	\$ 3,801	\$ 223,517
Court Fines	264,874		264,874
Total	<u>\$ 484,590</u>		<u>\$ 488,391</u>
Total Deferred Inflows for Primary Government			<u>\$ 488,391</u>

2. Unearned Revenues

Unearned Revenues Description	General Fund	Total
Urban County Grant	\$ 644,685	\$ 644,685
Total	<u>\$ 644,685</u>	<u>\$ 644,685</u>
Total Unearned Revenues for Primary Government		<u>\$ 644,685</u>

**III. DETAILED NOTES ON FUNDS AND ACCOUNT GROUPS (CONTINUED)**

**City of Sullivan City, Texas**  
**Notes to Financial Statements**  
For the Year Ended September 30, 2019

**D. Capital Assets**

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

Capital Assets	10/1/2018	Additions	Retirements	9/30/2019
Land	\$ 34,726	\$ 35,093	\$ -	\$ 69,819
Construction in Progress	1,184,770	282,263	(1,081,856)	385,177
Buildings/Parks/Facilities	9,422	729,634	-	739,056
Machinery/Equipment	429,847	-	(47,448)	382,399
Infrastructure/Streets	-	352,222	-	352,222
Vehicles	-	124,041	-	124,041
Accumulated Depreciation	(226,277)	(74,797)	-	(301,074)
<b>Net Capital Assets</b>	<b>\$ 1,432,488</b>	<b>\$ 1,448,456</b>	<b>\$ (1,129,304)</b>	<b>\$ 1,751,640</b>

Depreciation expense was charged to functions of the governmental activities as follows:

Expenditures	Depreciation By Function
General Government	27,285
Public Safety	29,013
Culture and Recreation	12,047
Municipal Court	6,451
<b>Total Allocable Expenditures</b>	<b>74,797</b>

**E. Long Term Obligations**

The following schedule summarizes the changes in long-term debt during year end;

	Government Capital Corp		Motorola Solutions, Inc		Deere Lease		Total Lease Payables	
	Principal	Interest	Principal	Interest	Principal	Interest	Principal	Interest
Balance 9/30/18	\$ -	\$ -	\$ 20,935	\$ -	\$ 24,114	\$ -	\$ 45,049	\$ -
Financing Lease	124,041	-	-	-	-	-	124,041	-
Payments	-	-	10,278	-	7,673	-	17,951	-
Ending Balance 9/30/19	124,041	-	10,657	-	16,441	-	151,139	-
2020	22,705	5,495	10,657	592	8,025	754	41,387	6,841
2021	23,711	4,489	-	-	8,416	386	32,127	4,875
2022	24,762	3,439	-	-	-	-	24,762	3,439
2023	25,859	2,342	-	-	-	-	25,859	2,342
2024	27,004	1,196	-	-	-	-	27,004	1,196
	<b>\$ 124,041</b>	<b>\$ 16,961</b>	<b>\$ 10,657</b>	<b>\$ 592</b>	<b>\$ 16,441</b>	<b>\$ 1,140</b>	<b>\$ 151,139</b>	<b>\$ 18,693</b>

**City of Sullivan City, Texas**  
**Notes to Financial Statements**  
For the Year Ended September 30, 2019

**III. DETAILED NOTES ON FUNDS AND ACCOUNT GROUPS (CONTINUED)**

**E. Long Term Obligations**

**Financing Lease** –\$10,657 lease payable; due in annual payments of \$11,249, including interest, through June 2020; interest at 3.68%.

**Financing Lease** –\$16,441 note payable; due in annual payments of \$8,779; matures February 2021; interest at 4.5%.

**Financing Lease** –\$124,041 note payable; due in annual payments of \$28,200; matures November 2023; interest at 4.43%.

**IV. OTHER INFORMATION**

**F. Prior Period Adjustment**

A prior period adjustments were made as follows:

Fund Level

General Fund- Adjustment to correct amounts in sales tax (EDC) receivable from prior years.	\$(38,135)
General Fund- Adjustment to correct amounts in payroll taxes from prior years.	(25,593)
General Fund- Adjustment to correct amounts in sales tax (Crime Control) from prior years.	(12,726)
General Fund- Adjustment to correct amounts in VFD account from prior years.	<u>(3,000)</u>
Total Fund Balance Adjustments	<u>(79,454)</u>

Government Wide Level

Government Wide-Adjustment to correct accumulated depreciation at year end.	<u>65,347</u>
Total Government Wide Adjustments	65,347
Total Prior Period Adjustments	<u><u>\$(14,107)</u></u>

**G. Urban County**

The City of Sullivan City and other municipalities in Hidalgo County participate in Hidalgo County's "Urban County" Program. By being designated as an "Urban County," Hidalgo County and the participating cities are entitled to receive a formula share of entitlement CDBG program funds from U.S. Department of Housing and Urban Development (HUD).

Monies received from HUD are allocated to the cities participating in the program based on agreed upon formulas. The County is responsible for the administration of the program and is ultimately responsible for including the grant activity related to the "Urban County Program" in its audit report (s) as per CDBG guidelines. All monies received from HUD on this program are handled by the County. The County pays the vendors or contractors directly for goods or services which benefit the different cities. The County also reimburses the cities for general administration cost incurred by those cities. The City received \$317,355 for expenses and improvements occurred between October 1, 2018 and September 30, 2019.

**IV. OTHER INFORMATION (CONTINUED)**

**City of Sullivan City, Texas**  
**Notes to Financial Statements**  
**For the Year Ended September 30, 2019**

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**H. Litigation**

The City is a defendant in various lawsuits. Although the outcome of these lawsuits is not presently determinable, it is the opinion of the City's legal counsel and management that resolution of these matters will not have a material adverse effect on the financial condition of the City at September 30, 2019.

**I. Commitments and Contingencies**

Federal and State Funds – The City has received federal and state funds as grants and other financial assistance. These funds must be spent only as allowed by the grant and other federal or state requirements. Also, the City must follow various laws and regulations when they receive these funds. If the City does not abide by these laws and regulations or does not spend the monies, as allowed under the grant agreements, the City may be required to return the grant monies, or portion thereof, to the granting agencies. The contingent liability, if any, that may be due to the federal and state agencies, cannot be readily determined.

**J. Risk Management**

The City is exposed to various risk of loss related to torts, theft, damage, or destruction of assets, errors and omissions, injuries to employees, and natural disasters. During fiscal year 2019, the City has maintained general liability coverage at a cost that is considered to be economically justifiable by joining together with the governmental entities in the State as a member of the Texas Municipal League Intergovernmental Risk Pool ("TML"). TML is a self-funded pool operating as a common risk management and insurance program. The City pays an annual premium to TML for its insurance coverage. The agreement for formation of TML provides that TML will be self-sustaining through member premiums and will reinsure through commercial companies for claims in excess of acceptable risk levels; however each category of coverage has its own level of reinsurance. The city continues to carry commercial insurance for other risks of loss. There were no significant reductions in commercial insurance coverage in the past fiscal year and settled claims resulting from these risks have not exceeded coverage in any of the past three years.

**L. Fair Value of Financial Instruments**

The Fair Value Measurements and Disclosures Topic of the FASB Accounting Standards Codification (FASB ASC 825-10) require disclosure of the fair value information about financial instruments, whether or not recognized in the balance sheet. In case where quoted market prices are not available, fair values are based on estimates using present value or other valuation techniques. Those techniques are significantly affected by the assumptions used, including the discount rate and estimates of future cash flows. The District categorizes its fair value measurements within the fair value hierarchy established by generally accepted accounting principles. The hierarchy is based on the valuation inputs used to measure the fair value of the asset.

- Level 1 inputs are quoted prices in active markets for identical assets.
- Level 2 inputs are significant other observable inputs.
- Level 3 inputs are significant unobservable inputs.

**IV. OTHER INFORMATION (CONTINUED)**

**City of Sullivan City, Texas**  
**Notes to Financial Statements**  
For the Year Ended September 30, 2019

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**L. Fair Value of Financial Instruments** (continued)

In the regard, the derived fair value estimates cannot be sustained by comparison to independent markets and, cases could not be realized in immediate settlement of the instruments. Certain financial instruments and all nonfinancial instruments are excluded from these disclosure requirements. Accordingly, the aggregate fair value amounts presented do not represent the underlying value of the District.

The following methods and assumptions were used by the District in estimating its fair value disclosure for financial instruments:

*Cash and Cash Equivalents:* The carrying amount reported in the balance sheet for cash and cash equivalents is the fair value.

*Time deposits:* Fair values of certificates of deposit are at cost plus accrued interest.

*Accounts Receivable* – The carrying amount approximates fair value because of the short maturity of these instruments.

*Payable and Accruals:* The carrying amounts approximate fair value because of the short maturity period.

<u>Financial Assets</u>	<u>Carrying Amount</u>	<u>Fair Value</u>
Cash and Cash Equivalents	\$ 170,381	\$ 170,381
Property Taxes Receivable (net)	228,062	228,062
Grants Receivable	644,685	644,685
Sales Taxes Receivable	55,320	55,320
Warrants Receivable (net)	264,874	264,874
Other Receivable	9,866	9,866
<u>Financial Liabilities</u>		
Account Payable	\$ 8,650	\$ 8,650
Deferred Revenues - Urban County	644,685	644,685

**City of Sullivan City, Texas**  
Notes to Financial Statements  
For the Year Ended September 30, 2019

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**IV. OTHER INFORMATION (CONTINUED)**

**M. Subsequent Events**

In addition, the COVID-19 pandemic sweeping across the country has resulted in mandatory closure of many businesses resulting in layoffs of much of the workforce. The economic effects of those closures are not yet known but could potentially affect collectability of future revenue due to the significant economic impact on unemployment of the City's customers.

For the purposes of reporting subsequent events, management has considered events occurring up to August 12, 2020, the date the report was available to be issued. No further subsequent events were noted.

## **REQUIRED SUPPLEMENTARY INFORMATION**

Required supplementary information includes financial information and disclosures required by the Governmental Accounting Standards, but not considered a part of the basic financial statements.

**City of Sullivan City, Texas**  
Schedule of Revenues, Expenditures, and Changes in Fund Balance-Budget and Actual  
General Fund  
For the Year Ended September 30, 2019

	Budgeted Amounts		Actual	Variance Favorable (Unfavorable)
	Original	Final	Budget Basis	Final to Actual
<b>Revenues</b>				
Property Taxes	\$ 546,700	\$ 546,700	\$ 514,379	\$ 32,321
Sales Taxes	280,000	280,000	231,546	48,454
Franchises Taxes	106,115	106,115	112,585	( 6,470 )
Intergovernmental	81,200	81,200	401,130	( 319,930 )
Permits and Fees	328,532	328,532	321,892	6,640
Fines and Forfeitures	304,000	304,000	260,964	43,036
Other Revenues	32,803	32,803	113,349	( 80,546 )
<b>Total Revenues</b>	1,679,350	1,679,350	1,955,845	( 276,495 )
<b>Other Financing Sources</b>				
Transfers From Other Funds	-	-	185,123	( 185,123 )
<b>Total Revenues and Other Financing Sources</b>	1,679,350	1,679,350	2,140,968	( 461,618 )
<b>Expenditures</b>				
General Government	630,533	630,533	702,637	( 72,104 )
Public Safety	693,883	693,883	747,126	( 53,243 )
Culture and Recreation	187,623	187,623	310,229	( 122,606 )
Economic Development	-	-	-	-
Municipal Court	167,311	167,311	166,128	1,183
Capital Outlay	-	-	317,355	( 317,355 )
Debt - Principal	-	-	-	-
Debt - Interest	-	-	-	-
<b>Total Expenditures</b>	1,679,350	1,679,350	2,243,475	( 564,125 )
<b>Other Financing Uses</b>				
Transfers to other funds	-	-	-	-
<b>Total Expenditures and Other Financing Uses</b>	1,679,350	1,679,350	2,243,475	( 564,125 )
<b>Excess (Deficiency) of Revenues and Other Sources Over Expenditures and Other Uses</b>				
<b>Net Change in Fund Balance</b>	3,310	3,310	( 102,507 )	102,507
Beginning Fund Balance	228,230	228,230	228,230	-
Prior Period Adjustment	66,728	66,728	66,728	-
<b>Ending Fund Balance</b>	\$ 298,268	\$ 298,268	\$ 192,451	\$ ( 105,817 )

The notes to these statements are an integral part of these statements.

**INTERNAL CONTROL/COMPLIANCE SECTION**



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&  
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Oscar R. González  
Melissa González

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*

To the Honorable Mayor and City Council of  
City of Sullivan City, Texas

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 aggregate discretely presented component unit, each major fund, and the aggregate remaining fund information of the City of Sullivan City, 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 Sullivan City, Texas' basic financial statements, and have issued our report thereon dated August 12, 2020.

**Internal Control over Financial Reporting**

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

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

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

## **Compliance and Other Matters**

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

## **Purpose of this Report**

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the 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.

*Oscar R. Gonzalez CPA & Associates PLLC*

Oscar R. Gonzalez, CPA & Associates, PLLC  
Certified Public Accountants

Pharr, Texas  
August 12, 2020

**City of Sullivan City, Texas**  
Schedule of Findings and Responses  
For the Year Ended September 30, 2019

A. Summary of Auditor's Results

	<u>UNMODIFIED</u>
1. Financial Statements	
Type of Report Issued:	<u> X </u> YES <u>    </u> NO
Internal control over financial reporting:	
One or more material weaknesses identified?	<u>    </u> YES <u> X </u> NONE REPORTED
One of more significant deficiencies identified that are not considered to be material weaknesses?	<u>    </u> YES <u> X </u> NONE REPORTED

B. Financial Statement Findings

None

**City of Sullivan City, Texas**  
Schedule of Prior Audit Findings  
Year Ended September 30, 2019

**SUMMARY OF AUDITOR RESULTS – PRIOR FISCAL YEAR**

***Schedule Reference: (2018-1) Closing of Financial Statements***

Criteria: Controls relative to timely and accurate close-out of financial statements at year-end should be in place, in order to provide management and other third-party stakeholders with the necessary financial information to make appropriate decisions, and to ensure compliance with federal, state, and local reporting deadlines.

Condition: The City did not post various significant entries required at year-end. These entries impacted the balance sheet.

Effect: Timely and accurate financial statements in accordance with GAAP were not available during the year, and at year-end. As such, monitoring of budget versus actual activity in the expenditures incurred and revenues realized may have been compromised, as well as other key decision-making processed based on financial statements.

Recommendation: The City should review its internal controls relating to financial statement accounting and reporting to ensure that timely financial statements in accordance with GAAP are prepared and available for management use, as well as for audit purposes.

Current Status: Item has been corrected.

***Schedule Reference: (2018-2) Fixed Assets***

Criteria: A City's capital assets typically represent the entity's most significant assets and have a significant impact on financial statements.

Condition: A physical inventory of the City's capital assets has not been performed periodically. Additionally, subsidiary records for capital assets were not reconciled to the general ledger on a timely basis. This would include depreciation schedules.

Effect: The City's perpetual records for accounting for capital assets may not accurately reflect capital assets on hand and accumulated depreciation during the year and at year-end unless all pertinent record are updated accordingly.

Recommendation: The City should update perpetual records (general ledgers) to reflect the results of the physical inventory. Additionally, depreciation records should also be updated in order to allow for an accurate annual calculation.

Current Status: Item has been corrected.

***Schedule Reference: (2018-3) Accounts Payable***

Criteria: A City's accounts payables typically represent the entity's current obligations and have a significant impact on financial statements. Controls relative to produce a timely and accurate listing of accounts payable should be in place, in order to provide management and other third-party stakeholders with the necessary financial information to make appropriate decisions, and to ensure financial accountability.

Condition: Subsidiary records for accounts payables were not reconciled to the general ledger on a timely basis. This would include payment schedules for any settlement agreements.

Effect: The City's records for accounting for accounts payable may not accurately reflect amounts owed during the year and at year-end unless all pertinent records are updated accordingly.

Recommendation: The City should update vendor records (general ledgers) to reflect the results of the vendor balances.

Current Status: Item has been corrected.