

CITY OF ALTON  
ANNUAL FINANCIAL REPORT  
YEAR ENDED SEPTEMBER 30, 2014

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**Reyna & Garza, P.L.L.C.**  
Certified Public Accountants

CITY OF ALTON, TX  
ANNUAL FINANCIAL REPORT  
FOR THE YEAR ENDED SEPTEMBER 30, 2014

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# **Reyna & Garza, PLLC**

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**Certified Public Accountants**

2111 Jackson Creek Ave.

Edinburg, TX 78539

## INDEPENDENT AUDITOR'S REPORT

To the Honorable Mayor and City Council  
of the City of Alton, Tx  
Alton, Tx

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

We have audited the accompanying financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the City of Alton, Texas of and for the year ended September 30, 2014, and the related notes to the financial statements, which collectively comprise the City's basic financial statements as listed in the table of contents.

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

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

#### ***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 business-type activities, the aggregate discretely presented component units, each major fund, and the aggregate remaining fund information of the City of Alton, Tx, as of September 30, 2014, and the respective changes in financial position, budgetary comparison for the General Fund and, where applicable, cash flows thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

## ***Other Matters***

### *Required Supplementary Information*

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis on pages 4-9 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*

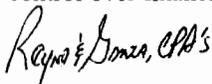
Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the City of Alton, Tx's basic financial statements. The introductory section, combining and individual nonmajor fund financial statements, are presented for purposes of additional analysis and are not a required part of the basic financial statements. The schedule of expenditures of federal awards is presented for purposes of additional analysis as required by U.S. Office of Management and Budget Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*, and is also not a required part of the basic financial statements.

The combining and individual nonmajor fund financial statements and the schedule of expenditures of federal awards are the responsibility of management and were 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 combining and individual nonmajor fund financial statements and the schedule of expenditures of federal awards are fairly stated in all material respects in relation to the basic financial statements as a whole.

The introductory section has not been subjected to the auditing procedures applied in the audit of the basic financial statements and, accordingly, we do not express an opinion or provide any assurance on it.

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

In accordance with *Government Auditing Standards*, we have also issued our report dated April 21, 2015, on our consideration of the City of Alton, Tx'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 to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering City of Alton, Tx's internal control over financial reporting and compliance.



Reyna & Garza, PLLC

Edinburg, Tx  
April 21, 2015

Management's Discussion and Analysis  
CITY OF ALTON

**MANAGEMENT'S DISCUSSION AND ANALYSIS**

In this section of the Annual Financial and Compliance Report, we, the managers of CITY OF ALTON, discuss and analyze the City's financial performance for the fiscal year ended September 30, 2014. Please read it in conjunction with the Independent Auditors' Report on page 2, and the City's Basic Financial Statements, which begin on page 10.

**FINANCIAL HIGHLIGHTS**

- The City's net assets: increased by \$352,393 as a result of this year's operations. While net assets of our business-type activities: increased by \$3,487,210 net assets of our governmental activities: decreased, by \$ 4,689,489.
- During the year, the City had expenses that were \$ 236,070 more than the \$4.1 million generated in tax and other revenues for governmental programs (before special items).
- In the City's business-type activities, revenues increased from \$2.26 to \$2.46 million (or 8.85% percent) while expenses also increased from \$1.59 to \$1.94 million (or 22.4 percent).
- The General Fund ended the year with a fund balance of \$218,262 thousand.
- The resources available for appropriation were \$82 thousand more than budgeted for the General Fund.

**USING THIS ANNUAL REPORT**

This annual report consists of a series of financial statements. The government-wide financial statements include the Statement of Net Assets and the Statement of Activities on pages 10 and 11. These provide information about the activities of the City as a whole and present a longer-term view of the City's property and debt obligations and other financial matters. They reflect the flow of total economic resources in a manner similar to the financial reports of a business enterprise.

Fund financial statements starting on page 13 report the City's operations in more detail than the government-wide statements by providing information about the City's most significant funds. For governmental activities, these statements tell how services were financed in the short term as well as what resources remain for future spending. They reflect the flow of current financial resources, and supply the basis for tax levies and the appropriations budget. For proprietary activities, fund financial statements tell how goods or services of the City were sold to external customers and how the sales revenues covered the expenses of the goods or services. The remaining statements, fiduciary statements (if applicable), provide financial information about activities for which the City acts solely as a trustee or agent for the benefit of those outside of the City.

The notes to the financial statements (starting on page 24) provide narrative explanations or additional data needed for full disclosure in the government-wide statements or the fund financial statements.

The combining statements for non-major funds contain even more information about the City's individual funds.

## **Reporting the City as a Whole**

### ***The Statement of Net Assets and the Statement of Activities***

The analysis of the City's overall financial condition and operations begins on page 10. Its primary purpose is to show whether the City is better off or worse off as a result of the year's activities. The Statement of Net Assets includes all the City's assets and liabilities at the end of the year while the Statement of Activities includes all the revenues and expenses generated by the City's operations during the year. These apply the accrual basis of accounting which is the basis used by private sector companies.

All of the current year's revenues and expenses are taken into account regardless of when cash is received or paid. The City's revenues are divided into those provided by outside parties who share the costs of some programs, such as grants provided by the Outside Sources (general revenues). All the City's assets are reported whether they serve the current year or future years. Liabilities are considered regardless of whether they must be paid in the current or future years.

These two statements report the City's net assets and changes in them. The City's net assets (the difference between assets and liabilities) provide one measure of the City's financial health, or financial position. Over time, increases or decreases in the City's net assets are one indicator of whether its financial health is improving or deteriorating. To fully assess the overall health of the City, however, you should consider non-financial factors as well, such as changes in the City's property tax base and the condition of the City's facilities.

In the Statement of Net Assets and the Statement of Activities, we divide the City into two kinds of activities:

- **Governmental activities**—Most of the City's basic services are reported here, including public safety, public works, culture and recreation, economic development and assistance, and general administration. Property taxes, sales taxes, franchise taxes, charges for services, and state and federal grants finance most of these activities.

- **Business-type activities**—The City charges a fee to “customers” to help it cover all or most of the cost of providing services such as water, sewer, and solid waste services.

## **Reporting the City's Most Significant Funds**

### ***Fund Financial Statements***

The fund financial statements begin on page 13 and provide detailed information about the most significant funds—not the City as a whole. Laws and/or contracts require the City to establish some funds, such as grants received under the Environmental Protection Agency program. The City's administration establishes several other funds to help it control and manage money for particular purposes. The City's two kinds of funds—governmental and proprietary—use different accounting approaches.

Governmental funds—Most of the City's basic services are reported in governmental funds. These use modified accrual accounting (a method that measures the receipt and disbursement of cash and all other financial assets that can be readily converted to cash) and report balances that are available for future spending. The governmental fund statements provide a detailed short-term view of the City's general operations and the basic services it provides. We describe the differences between governmental activities (reported in the Statement of Net Assets and the Statement of Activities) and governmental funds in reconciliation schedules following each of the fund financial statements.

Proprietary funds—The City reports 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 the Statement of Activities. In fact, the City's enterprise funds (one category of proprietary funds) are the business-type activities reported in the government-wide statements but containing more detail and additional information, such as cash flows.

## **GOVERNMENT-WIDE FINANCIAL ANALYSIS**

Our analysis focuses on the net assets (Table I) and changes in net assets (Table II) of the City's governmental and business-type activities.

Net assets of the City's governmental activities decreased from \$ 5.37 million to \$ 2.2 million. Unrestricted net assets – the part of net assets that can be used to finance day-to-day operations without constraints established by debt covenants, enabling legislation, or other legal requirements – was \$1,928,336 at September 30, 2014.

In 2014, net assets of our business-type activities increased by \$3.4 million, about 32 percent.

Table I  
City of ALTON  
NET ASSETS

	Governmental Activities 2014	Governmental Activities 2013	Business-type Activities 2014	Business-type Activities 2013	Total 2014	Total 2013
Current and other assets	4,162,737	6,117,215	809,113	475,328	4,971,850	6,592,543
Capital assets	17,702,620	17,358,284	14,572,762	11,277,272	32,275,382	28,635,556
Total assets	21,865,357	23,475,499	15,381,875	11,752,600	37,247,232	35,225,099
Long-term liabilities	8,890,440	7,292,156	0	660,019	8,890,440	7,952,175
Other liabilities	10,771,773	10,816,609	1,120,150	318,065	11,891,923	11,134,674
Total liabilities	19,622,213	18,108,765	1,120,150	978,084	20,782,363	19,086,849
Net Assets:						
Invested in capital assets net of related debt	(1,500,068)	(185,599)	13,600,449	10,442,336	12,100,381	10,256,737
Restricted	1,774,875	5,571,110	0	0	1,774,875	5,571,110
Unrestricted	1,928,336	(47,551)	661,276	332,180	2,589,612	284,629
Total net assets	2,203,143	5,337,960	14,261,725	10,774,516	16,464,868	16,112,476

Table II  
City of ALTON  
CHANGES IN NET ASSETS

	Governmental Activities 2014	Governmental Activities 2013	Business-type Activities 2014	Business-type Activities 2013	Total 2014	Total 2013
Revenues:						
Program Revenues:						
Charges for Services	289,323	230,538	2,461,597	2,255,536	2,750,920	2,486,074
Operating grants and contributions	279,415	106,358	0	0	279,415	106,358
General Revenues:						
Maintenance and operations taxes	1,027,105	875,429	0	0	1,027,105	875,429
Debt service taxes	343,184	406,842	0	0	343,184	406,842
Sales Taxes	652,660	645,560	0	0	652,660	645,560
Franchise Taxes	269,719	212,996	0	0	269,719	212,996
Investment Earnings	2,138	10,168	0	0	2,138	10,168
Miscellaneous	1,312,183	920,631	23,560	389	1,335,743	921,020
Total Revenue	4,175,726	3,408,522	2,485,157	2,255,925	6,660,883	5,664,447
Expenses:						
General Government	470,095	1,224,401	0	0	470,095	1,224,401
Public Safety	2,243,449	2,055,556	0	0	2,243,449	2,055,556
Public Works	758,607	677,835	0	0	758,607	677,835
Health and Welfare	129,933	117,623	0	0	129,933	117,623
Culture & Recreation	140,671	111,005	0	0	140,671	111,005
Economic Development & Asst.	447,947	534,723	0	0	447,947	534,723
Debt Service	220,845	211,818	0	0	220,845	211,818
Fiscal Agent's Fees	250	250	0	0	250	250
Utility Fund Services	0	0	0	0	0	0
Solid Waste Fund Services	0	0	1,939,459	1,586,171	1,939,459	1,586,171
Utility I&S Fund	0	0	0	0	0	0
Total Expenses	4,411,797	4,933,211	1,939,459	1,586,171	6,351,256	6,519,382
Increase in net assets before transfers and special items	(236,071)	(1,524,690)	545,698	669,754	309,627	(854,936)
Transfers	(2,992,907)	502,000	2,937,907	(502,000)	(55,000)	0
Special Items – Resources	-	(4,433,159)	-	4,433,159	0	0
Special Items-Prior Period Adjustments	94,160	737,585	3,605	(197,064)	97,765	540,521
Net assets at 10/1/13	5,337,960	10,056,225	10,774,516	6,370,667	16,112,476	16,426,892
Net assets at 9/30/14	2,203,143	5,337,960	14,261,725	10,774,516	16,464,868	16,112,476

The cost of all governmental activities this year was \$ 4.5 million. However, as shown in the Statement of Activities on pages 11 and 12, the amount that our taxpayers ultimately financed for these activities through City taxes was only \$1.36 million because some of the costs were paid by those who directly benefited from the programs or by other governments and organizations that subsidized certain programs with grants and contributions; \$279 thousand.

## THE CITY'S FUNDS

As the City completed the year, its governmental funds (as presented in the balance sheet on pages 13 reported a combined fund balance of \$2.696 million, which is more than last year's total of \$1.174 million. Included in this year's total change in fund balance is an increase of \$477.7 thousand in the City's General Fund.

Over the course of the year, the Board revised the City's budget several times. These budget amendments fall into one category. They involved amendments moving funds from programs that did not need all the resources originally appropriated, to programs with resource needs.

The City's General Fund balance of \$218,261 thousand reported on page 13 differs from the General Fund's budgetary fund balance of (\$232 thousand) reported in the General Fund budgetary comparison schedule on page 19. This is principally due revenues realized in 2013-14.

## CAPITAL ASSET AND DEBT ADMINISTRATION

### Capital Assets

At the end of the 2013-14 year, the City had \$32.84 million invested in a broad range of capital assets, including facilities, land, infrastructure, vehicles, and equipment.

This years' major addition included:

The continuation of the sewer line expansion project, utilizing proceeds from the 100% forgivable loan from the Texas Water Development Board (Clean Water Revolving Loan Fund).

### Debt

At year-end, the City had \$20.2 million in bonds and notes outstanding, increasing by \$1.86 million from \$18.34 million, due to new bond issues.

Other obligations include accrued vacation pay and sick leave. More detailed information about the City's long-term liabilities is presented in the notes to the financial statements.

## ECONOMIC FACTORS AND NEXT YEAR'S BUDGETS AND RATES

The City's elected and appointed officials considered many factors when setting the fiscal-year 2013-14 budget tax rates. One of those factors is the economy. The City's population growth during 2000-2010 averaged annual gains of 181.5 percent. More recently, unemployment has remained relatively constant. This compares with the State's unemployment rate of 8.2 percent and the national rate of 9.6 percent. The City also takes the number of households served by the City in developing the budget for the Enterprise fund. The City is currently serving 2,799 residents through its Enterprise fund, providing water, sewer and solid waste services.

These indicators were taken into account when adopting the General Fund budget for 2014-15. Amounts available for appropriation in the General Fund budget are \$3.747 million, lower than the final 2013-14 budget of \$ 3.544 million, due to the City's establishing of an Enterprise Solid Waste Fund. The City will use its revenues to finance programs we currently offer. Budgeted expenditures are expected to relatively increase to \$3.741 million, also as a result of the Enterprise Solid Waste Fund.

If these estimates are realized, the City's budgetary General Fund balance is expected to increase slightly by the close of 2014-15.

Subsequent to year-end the City of Alton:

- The City continues construction of Fire Station Facility. The funding was provided by USDA-RD on a Community Facilities grant/loan of \$1,000,000.00. The City expects to complete construction in July 2015.

## CONTACTING THE CITY'S FINANCIAL MANAGEMENT

This financial report is designed to provide our citizens, taxpayers, customers, and investors and creditors with a general overview of the City's finances and to show the City's accountability for the money it receives. If you have questions about this report or need additional financial information, contact the City's administration office, at CITY OF ALTON, 519 S Main Blvd., ALTON, Texas.

CITY OF ALTON, TX  
STATEMENT OF NET POSITION  
SEPTEMBER 30, 2014

EXHIBIT A-1

	Primary Government		
	Governmental Activities	Business Type Activities	Total
<b>ASSETS</b>			
Cash and Cash Equivalents	\$ 2,783,046	\$ 437,219	\$ 3,220,265
Receivables (net of allowance for uncollectibles)	724,892	377,861	1,102,753
Inter Governmental Receivable	-	597	597
Internal Balances	7,864	(6,564)	1,300
Restricted Assets:			
Temp. Restricted Asset - TWDB	646,935	-	646,935
Capital Assets:			
Land	3,467,659	25,110	3,492,769
Infrastructure, net	8,528,307	-	8,528,307
Buildings, net	4,117,600	-	4,117,600
Improvements other than Buildings, net	-	5,057,706	5,057,706
Machinery and Equipment, net	689,205	299,119	988,324
Construction in Progress	899,849	9,190,827	10,090,676
Total Assets	<u>21,865,356</u>	<u>15,381,875</u>	<u>37,247,231</u>
<b>LIABILITIES</b>			
Accounts Payable	287,744	140,451	428,195
Intergovernmental Payable	62,527	7,386	69,913
Notes Payable - Current	-	181,336	181,336
Noncurrent Liabilities			
Due Within One Year	10,421,502	790,977	11,212,479
Due in More Than One Year	8,890,440	-	8,890,440
Total Liabilities	<u>19,662,213</u>	<u>1,120,150</u>	<u>20,782,363</u>
<b>NET POSITION</b>			
Net Investment in Capital Assets	(1,500,068)	13,600,449	12,100,381
Restricted for:			
Restricted for Long Term Debt	1	-	1
Restricted for Long Term Debt	(30,650)	-	(30,650)
Restricted for Capital Acquisitions	1,805,524	-	1,805,524
Unrestricted Net Position	1,928,336	661,276	2,589,612
Total Net Position	<u>\$ 2,203,143</u>	<u>\$ 14,261,725</u>	<u>\$ 16,464,868</u>

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

CITY OF ALTON, TX  
STATEMENT OF ACTIVITIES  
FOR THE YEAR ENDED SEPTEMBER 30, 2014

	Expenses	Program Revenues
		Charges for Services
<b>Primary Government:</b>		
GOVERNMENTAL ACTIVITIES:		
General Government	\$ 470,095	\$ 289,323
Public Safety	2,243,449	-
Public Works	758,607	-
Health and Welfare	129,933	-
Culture and Recreation	140,671	-
Conservation and Development	447,947	-
Bond Interest	146,276	-
Other Debt Interest	74,569	-
Fiscal Agent's Fees	250	-
Total Governmental Activities:	4,411,797	289,323
BUSINESS-TYPE ACTIVITIES:		
	1,156,458	1,297,778
	783,001	1,163,819
Total Business-Type Activities:	1,939,459	2,461,597
<b>TOTAL PRIMARY GOVERNMENT:</b>	<b>\$ 6,351,256</b>	<b>\$ 2,750,920</b>

General Revenues:

Taxes:

Property Taxes, Levied for General Purposes

Property Taxes, Levied for Debt Service

Sales Taxes

Franchise Taxes

Other Taxes

Penalty and Interest

Grants and Contributions Not Restricted

Miscellaneous Revenue

Investment Earnings

Transfers In (Out)

Total General Revenues and Transfers

Change in Net Position

Net Position - Beginning

Prior Period Adjustment

Net Position--Ending

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

Net (Expense) Revenue and Changes in Net Position		
Primary Government		
Governmental Activities	Business-type Activities	Total
\$ (180,772)	\$ -	\$ (180,772)
(2,243,449)	-	(2,243,449)
(758,607)	-	(758,607)
(129,933)	-	(129,933)
(140,671)	-	(140,671)
(447,947)	-	(447,947)
(146,276)	-	(146,276)
(74,569)	-	(74,569)
(250)	-	(250)
<u>(4,122,474)</u>	<u>-</u>	<u>(4,122,474)</u>
-	141,320	141,320
-	380,818	380,818
-	<u>522,138</u>	<u>522,138</u>
<u>(4,122,474)</u>	<u>522,138</u>	<u>(3,600,336)</u>
1,027,105	-	1,027,105
343,184	-	343,184
652,660	-	652,660
269,719	-	269,719
32	-	32
76,204	-	76,204
279,415	-	279,415
1,235,947	23,560	1,259,507
2,138	-	2,138
<u>(2,992,907)</u>	<u>2,937,907</u>	<u>(55,000)</u>
<u>893,497</u>	<u>2,961,467</u>	<u>3,854,964</u>
(3,228,977)	3,483,605	254,628
5,337,960	10,774,515	16,112,475
94,160	3,605	97,765
<u>\$ 2,203,143</u>	<u>\$ 14,261,725</u>	<u>\$ 16,464,868</u>

CITY OF ALTON, TX  
BALANCE SHEET  
GOVERNMENTAL FUNDS  
SEPTEMBER 30, 2014

	General Fund	Capital Projects	Capital Projects
<b>ASSETS</b>			
Cash and Cash Equivalents	\$ 395,545	\$ 6,940	\$ 1,765,525
Taxes Receivable	336,527	-	-
Receivables (Net)	86,623	-	-
Intergovernmental Receivables	43,575	103,780	-
Due from Other Funds	11,640	69,947	-
Temporarily Restricted Asset - TWDB	-	646,935	-
Total Assets	<u>\$ 873,910</u>	<u>\$ 827,602</u>	<u>\$ 1,765,525</u>
<b>LIABILITIES</b>			
Accounts Payable	\$ 73,434	\$ 145,182	\$ -
Wages and Salaries Payable	41,040	-	-
Intergovernmental Payable	62,527	-	-
Due to Other Funds	135,338	-	-
Due to Others	-	-	-
Unavailable Revenues	6,782	642,421	-
Total Liabilities	<u>319,121</u>	<u>787,603</u>	<u>-</u>
<b>DEFERRED INFLOWS OF RESOURCES</b>			
Unavailable Revenue - Property Taxes	336,527	-	-
Total Deferred Inflows of Resources	<u>336,527</u>	<u>-</u>	<u>-</u>
<b>FUND BALANCES</b>			
Capital Acquisition and Contractual Obligation	-	39,999	1,765,525
Retirement of Long-Term Debt	-	-	-
Capital Expenditures for Equipment	-	-	-
Unassigned Fund Balance	218,262	-	-
Total Fund Balances	<u>218,262</u>	<u>39,999</u>	<u>1,765,525</u>
Total Liabilities, Deferred Inflows & Fund Balances	<u>\$ 873,910</u>	<u>\$ 827,602</u>	<u>\$ 1,765,525</u>

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

Other Funds	Total Governmental Funds
\$ 615,036	\$ 2,783,046
131,770	468,297
22,617	109,240
-	147,355
79,793	161,380
-	646,935
<u>\$ 849,216</u>	<u>\$ 4,316,253</u>
\$ 18,727	\$ 237,343
2,219	43,259
-	62,527
18,178	153,516
7,143	7,143
-	649,203
<u>46,267</u>	<u>1,152,991</u>
130,435	466,962
<u>130,435</u>	<u>466,962</u>
-	1,805,524
(30,650)	(30,650)
1	1
703,163	921,425
<u>672,514</u>	<u>2,696,300</u>
<u>\$ 849,216</u>	<u>\$ 4,316,253</u>

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CITY OF ALTON, TX  
 RECONCILIATION OF THE GOVERNMENTAL FUNDS BALANCE SHEET TO THE  
 STATEMENT OF NET POSITION  
 FOR THE YEAR ENDED SEPTEMBER 30, 2014

<b>Total Fund Balances - Governmental Funds</b>	\$	2,696,300
<p>The City uses internal service funds to charge the costs of certain activities, such as self-insurance and printing, to appropriate functions in other governmental funds. The assets and liabilities of the internal service funds are included in governmental activities in the statement of net assets. The net effect of this consolidation is to Increase (decrease) net position.</p>		
		-0-
<p>Capital assets used in governmental activities are not financial resources and therefore are not reported in governmental funds. At the beginning of the year, the cost of these assets was \$33,538,950 and the accumulated depreciation was \$16,259,352. In addition, long-term liabilities, including bonds payable, are not due and payable in the current period, and, therefore are not reported as liabilities in the funds. The net effect of including the beginning balances for capital assets (net of depreciation) and long-term debt in the governmental activities is to increase (decrease) net position.</p>		
		292,490
<p>Current year capital outlays and long-term debt principal payments are expenditures in the fund financial statements, but they should be shown as increases in capital assets and reductions in long-term debt in the government-wide financial statements. The net effect of including the 2014 capital outlays and debt principal payments is to increase (decrease) net position.</p>		
		1,287,381
<p>The 2014 depreciation expense increases accumulated depreciation. The net effect of the current year's depreciation is to decrease net position.</p>		
		(864,360)
<p>Various other reclassifications and eliminations are necessary to convert from the modified accrual basis of accounting to accrual basis of accounting. These include recognizing deferred revenue as revenue, eliminating interfund transactions, reclassifying the proceeds of bond sales as an increase in bonds payable, and recognizing the liabilities associated with maturing long-term debt and interest. The net effect of these reclassifications and recognitions is to increase (decrease) net position.</p>		
		(1,208,668)
<b>Net Position of Governmental Activities</b>	<b>\$</b>	<b>2,203,143</b>

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

CITY OF ALTON, TX  
STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE  
GOVERNMENTAL FUNDS  
FOR THE YEAR ENDED SEPTEMBER 30, 2014

	General Fund	Capital Projects	Capital Projects
<b>REVENUES:</b>			
Taxes:			
Property Taxes	\$ 1,026,248	\$ -	\$ -
General Sales and Use Taxes	326,330	-	-
Franchise Tax	269,719	-	-
Other Taxes	32	-	-
Penalty and Interest on Taxes	53,625	-	-
Licenses and Permits	148,285	-	-
Intergovernmental Revenue and Grants	20,685	3,507,589	-
Charges for Services	274,464	-	-
Fines	443,856	-	-
Forfeits	-	-	-
Special Assessments	-	-	-
Investment Earnings	344	424	330
Rents and Royalties	24,390	-	-
Contributions & Donations from Private Sources	-	-	-
Other Revenue	83,020	-	-
Total Revenues	2,670,998	3,508,013	330
<b>EXPENDITURES:</b>			
Current:			
General Government	891,473	-	-
Public Safety	1,782,443	-	-
Public Works	601,233	-	-
Health and Welfare	106,515	-	-
Culture and Recreation	51,077	-	-
Conservation and Development	71,649	-	-
Debt Service:			
Bond Principal	-	-	-
Other Debt Principal	-	-	-
Bond Interest	-	-	-
Other Debt Interest	-	-	-
Fiscal Agent's Fees	-	-	-
Capital Outlay:			
Capital Outlay	-	3,564,907	141,360
Total Expenditures	3,504,390	3,564,907	141,360
Excess (Deficiency) of Revenues Over (Under) Expenditures	(833,392)	(56,894)	(141,030)
<b>OTHER FINANCING SOURCES (USES):</b>			
Capital-related Debt Issued (Regular Bonds)	-	-	1,955,000
Sale of Real and Personal Property	660,000	-	-
Transfers In	561,000	-	-
Transfers Out (Use)	-	(150,000)	(113,585)
Total Other Financing Sources (Uses)	1,221,000	(150,000)	1,841,415
<b>SPECIAL ITEMS:</b>			
Special Item - Resource	-	-	-
Special Item - (Use)	(4,035)	-	-
Net Change in Fund Balances	383,573	(206,894)	1,700,385
Fund Balance - October 1 (Beginning)	(259,471)	246,893	65,140
Prior Period Adjustment	94,160	-	-
Fund Balance - September 30 (Ending)	\$ 218,262	\$ 39,999	\$ 1,765,525

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

Other Funds	Total Governmental Funds
\$ 339,301	\$ 1,365,549
326,330	652,660
-	269,719
-	32
22,579	76,204
-	148,285
125,309	3,653,583
14,859	289,323
-	443,856
85,774	85,774
59,384	59,384
1,040	2,138
2,540	26,930
17,381	17,381
36,746	119,766
1,031,243	7,210,584
-	891,473
80,228	1,862,671
-	601,233
-	106,515
68,936	120,013
254,671	326,320
513,350	513,350
65,820	65,820
146,276	146,276
74,569	74,569
250	250
1,023,341	4,729,608
2,227,441	9,438,098
(1,196,198)	(2,227,514)
-	1,955,000
-	660,000
477,690	1,038,690
(203,105)	(466,690)
274,585	3,187,000
472,000	472,000
-	(4,035)
(449,613)	1,427,451
1,122,127	1,174,689
-	94,160
\$ 672,514	\$ 2,696,300

CITY OF ALTON, TX  
 RECONCILIATION OF THE GOVERNMENTAL FUNDS STATEMENT OF REVENUES, EXPENDITURES,  
 AND CHANGES IN FUND BALANCES TO THE STATEMENT OF ACTIVITIES  
 FOR THE YEAR ENDED SEPTEMBER 30, 2014

<b>Total Net Change in Fund Balances - Governmental Funds</b>	\$	1,427,451
<p>The city uses some internal service funds to charge the costs of certain activities primarily to the governmental funds. The net income (loss) of these internal service funds are reported with governmental activities. The net effect of this consolidation is to increase (decrease) the change in net position.</p>		
		-0-
<p>Current year capital outlays and long-term debt principal payments are expenditures in the fund financial statements, but they should be shown as increases in capital assets and reductions in long-term debt in the government-wide financial statements. The net effect of removing the 2014 capital outlays and debt principal payments is to increase (decrease) the change in net position.</p>		
		1,287,381
<p>Depreciation is not recognized as an expense in governmental funds since it does not require the use of current financial resources. The net effect of the current year's depreciation is to decrease the change in net position.</p>		
		(864,360)
<p>Various other reclassifications and eliminations are necessary to convert from the modified accrual basis of accounting to accrual basis of accounting. These include recognizing deferred revenue as revenue, adjusting current year revenue to show the revenue earned from the current year's tax levy, eliminating interfund transactions, reclassifying the proceeds of bond sales, and recognizing the liabilities associated with maturing long-term debt and interest. The net effect of these reclassifications and recognitions is to increase (decrease) the change in net position.</p>		
		(5,079,449)
<b>Change in Net Position of Governmental Activities</b>	<b>\$</b>	<b>(3,228,977)</b>

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

CITY OF ALTON, TX  
 SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE  
 BUDGET AND ACTUAL - GENERAL FUND  
 FOR THE YEAR ENDED SEPTEMBER 30, 2014

	Budgeted Amounts		Actual Amounts (GAAP BASIS)	Variance With Final Budget Positive or (Negative)
	Original	Final		
<b>REVENUES:</b>				
Taxes:				
Property Taxes	\$ 1,048,008	\$ 1,086,143	\$ 1,026,248	\$ (59,895)
General Sales and Use Taxes	325,100	325,100	326,330	1,230
Franchise Tax	250,000	250,000	269,719	19,719
Other Taxes	-	-	32	32
Penalty and Interest on Taxes	-	-	53,625	53,625
Licenses and Permits	146,021	129,122	148,285	19,163
Intergovernmental Revenue and Grants	500	18,236	20,685	2,449
Charges for Services	273,955	227,710	274,464	46,754
Fines	420,000	438,228	443,856	5,628
Investment Earnings	-	-	344	344
Rents and Royalties	27,085	24,952	24,390	(562)
Other Revenue	91,912	89,504	83,020	(6,484)
Total Revenues	<u>2,582,581</u>	<u>2,588,995</u>	<u>2,670,998</u>	<u>82,003</u>
<b>EXPENDITURES:</b>				
Current:				
General Government	826,106	905,478	891,473	14,005
Public Safety	1,667,888	1,747,338	1,782,443	(35,105)
Public Works	548,275	575,302	601,233	(25,931)
Health and Welfare	119,424	109,987	106,515	3,472
Culture and Recreation	83,921	54,621	51,077	3,544
Conservation and Development	129,857	79,968	71,649	8,319
Total Expenditures	<u>3,375,471</u>	<u>3,472,694</u>	<u>3,504,390</u>	<u>(31,696)</u>
Excess (Deficiency) of Revenues Over (Under) Expenditures	<u>(792,890)</u>	<u>(883,699)</u>	<u>(833,392)</u>	<u>50,307</u>
<b>OTHER FINANCING SOURCES (USES):</b>				
Sale of Real and Personal Property	400,000	350,000	660,000	310,000
Transfers In	561,000	561,000	561,000	-
Total Other Financing Sources (Uses)	<u>961,000</u>	<u>911,000</u>	<u>1,221,000</u>	<u>310,000</u>
<b>SPECIAL ITEMS:</b>				
Special Item - (Use)	-	-	(4,035)	(4,035)
Net Change	168,110	27,301	383,573	356,272
Fund Balance - October 1 (Beginning)	(259,471)	(259,471)	(259,471)	-
Prior Period Adjustment	-	-	94,160	94,160
Fund Balance - September 30 (Ending)	<u>\$ (91,361)</u>	<u>\$ (232,170)</u>	<u>\$ 218,262</u>	<u>\$ 450,432</u>

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

CITY OF ALTON, TX  
STATEMENT OF NET POSITION  
PROPRIETARY FUNDS  
SEPTEMBER 30, 2014

	Business-Type Activities - Enterprise Funds		
	Water & Sewer Fund	Solid Waste Fund	Total Enterprise Funds
<b>ASSETS</b>			
<b>Current Assets:</b>			
Cash and Cash Equivalents	\$ 313,071	\$ 124,148	\$ 437,219
Accounts Receivable-Net of Uncollectible Allowance	220,511	157,350	377,861
Due from Other Governments	-	597	597
Total Current Assets	<u>533,582</u>	<u>282,095</u>	<u>815,677</u>
<b>Noncurrent Assets:</b>			
Capital Assets:			
Land Purchase and Improvements	25,110	-	25,110
Improvements other than Buildings	7,024,974	-	7,024,974
Accumulated Depreciation - Other Improvements	(1,967,268)	-	(1,967,268)
Machinery and Equipment	-	569,121	569,121
Accumulated Depreciation - Machinery & Equipment	-	(270,002)	(270,002)
Construction in Progress	9,190,827	-	9,190,827
Total Noncurrent Assets	<u>14,273,643</u>	<u>299,119</u>	<u>14,572,762</u>
Total Assets	<u>14,807,225</u>	<u>581,214</u>	<u>15,388,439</u>
<b>LIABILITIES</b>			
<b>Current Liabilities:</b>			
Accounts Payable	4,505	115,198	119,703
Wages and Salaries Payable	12,880	7,868	20,748
Intergovernmental Payable	-	7,386	7,386
Due to Other Funds	-	6,564	6,564
Notes Payable - Current	14,776	166,560	181,336
Bonds Payable - Current:			
Revenue Bonds Payable	449,398	341,579	790,977
Total Liabilities	<u>481,559</u>	<u>645,155</u>	<u>1,126,714</u>
<b>NET POSITION</b>			
Net Investment in Capital Assets	13,809,469	(209,020)	13,600,449
Unrestricted Net Position	516,197	145,079	661,276
Total Net Position	<u>\$ 14,325,666</u>	<u>\$ (63,941)</u>	<u>\$ 14,261,725</u>

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

CITY OF ALTON, TX  
 STATEMENT OF REVENUES, EXPENSES, AND CHANGES IN FUND NET POSITION  
 PROPRIETARY FUNDS  
 FOR THE YEAR ENDED SEPTEMBER 30, 2014

	Business-Type Activities - Enterprise Funds		
	Water & Sewer Fund	Solid Waste Fund	Total Enterprise Funds
<b>OPERATING REVENUES:</b>			
Charges for Services	\$ -	\$ 1,110,406	\$ 1,110,406
Charges for Sewerage Service	1,297,778	53,413	1,351,191
Investment Earnings	182	126	308
Contributions & Donations from Private Source	-	23,252	23,252
Total Operating Revenues	<u>1,297,960</u>	<u>1,187,197</u>	<u>2,485,157</u>
<b>OPERATING EXPENSES:</b>			
Personnel Services - Salaries and Wages	195,118	194,082	389,200
Personnel Services - Employee Benefits	42,200	50,261	92,461
Purchased Professional & Technical Services	200,000	9,122	209,122
Purchased Property Services	-	51,887	51,887
Other Operating Expenses	523,501	277,509	801,010
Supplies	49	64,270	64,319
Depreciation	171,084	115,298	286,382
Interest Expense	9,506	20,572	30,078
Total Operating Expenses	<u>1,141,458</u>	<u>783,001</u>	<u>1,924,459</u>
Operating Income	<u>156,502</u>	<u>404,196</u>	<u>560,698</u>
<b>NON-OPERATING REVENUES (EXPENSES):</b>			
Bond Issuance Cost	(15,000)	-	(15,000)
Total Non-operating Revenue (Expenses)	<u>(15,000)</u>	<u>-</u>	<u>(15,000)</u>
Income Before Contributions & Transfers	141,502	404,196	545,698
Capital Contributions	3,564,907	-	3,564,907
Transfers Out	(293,000)	(334,000)	(627,000)
Change in Net Position	3,413,409	70,196	3,483,605
Total Net Position - October 1 (Beginning)	10,907,553	(133,038)	10,774,515
Prior Period Adjustment	4,704	(1,099)	3,605
Total Net Position - September 30 (Ending)	<u>\$ 14,325,666</u>	<u>\$ (63,941)</u>	<u>\$ 14,261,725</u>

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

CITY OF ALTON, TX  
STATEMENT OF CASH FLOWS  
PROPRIETARY FUNDS  
FOR THE YEAR ENDED SEPTEMBER 30, 2014

EXHIBIT D-3

	Business-Type Activities		
	Water & Sewer Fund	Solid Waste Fund	Total Enterprise Funds
<u>Cash Flows from Operating Activities:</u>			
Cash Received from User Charges	\$ 1,285,055	\$ 1,146,819	\$ 2,431,874
Cash Received from Assessments - Other Funds	182	126	308
Cash Payments to Employees for Services	(238,922)	(241,679)	(480,601)
Cash Payments for Suppliers	(197,045)	(124,098)	(321,143)
Cash Payments for Other Operating Expenses	(623,632)	(293,748)	(917,380)
Net Cash Provided by Operating Activities	<u>225,638</u>	<u>487,420</u>	<u>713,058</u>
<u>Cash Flows from Non-Capital Financing Activities:</u>			
Operating Transfer Out	(293,000)	(334,000)	(627,000)
<u>Cash Flows from Capital &amp; Related Financing Activities:</u>			
Acquisition of Capital Assets	(3,564,907)	(16,965)	(3,581,872)
Capital Contributed by Other Funds	3,564,907	-	3,564,907
Net Cash Provided by (Used for) Capital & Related Financing Activities	<u>-</u>	<u>(16,965)</u>	<u>(16,965)</u>
<u>Cash Flows from Investing Activities:</u>			
Debt Service Payments	(28,810)	-	(28,810)
Proceeds from Sale & Maturities of Securities	315,000	(163,813)	151,187
Prior Period Adjustment	4,704	(1,099)	3,605
Net Cash Provided by (Used for) Investing Activities	<u>290,894</u>	<u>(164,912)</u>	<u>125,982</u>
Net Increase(Decrease) in Cash and Cash Equivalents	223,532	(28,457)	195,075
Cash and Cash Equivalents at Beginning of the Year:	<u>89,539</u>	<u>152,605</u>	<u>242,144</u>
Cash and Cash Equivalents at the End of the Year:	<u>\$ 313,071</u>	<u>\$ 124,148</u>	<u>\$ 437,219</u>
<u>Reconciliation of Operating Income to Net Cash Provided By Operating Activities:</u>			
Operating Income:	\$ 156,502	\$ 404,196	\$ 560,698
Adjustments to Reconcile Operating Income to Net Cash Provided by Operating Activities:			
Depreciation	171,084	115,298	286,382
Effect of Increases and Decreases in Current Assets and Liabilities:			
Decrease (increase) in Receivables	(12,723)	(40,252)	(52,975)
Increase (decrease) in Accounts Payable	1,501	1,180	2,681
Increase (decrease) in Payroll Deductions	(1,604)	2,664	1,060
Increase (decrease) in Due to Other Funds	(89,122)	3,388	(85,734)
Increase (decrease) in Other Current Liabilities	-	946	946
Net Cash Provided by Operating Activities	<u>\$ 225,638</u>	<u>\$ 487,420</u>	<u>\$ 713,058</u>

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

CITY OF ALTON, TX  
STATEMENT OF NET POSITION  
FIDUCIARY FUNDS  
SEPTEMBER 30, 2014

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	Agency Fund
<hr/>	
ASSETS	
Cash and Cash Equivalents	\$ 55
Accounts Receivable-Net of Uncollectible Allowance	6,381
Total Assets	<u>\$ 6,436</u>
LIABILITIES	
Due to Other Funds	\$ 1,300
Total Liabilities	<u>\$ 1,300</u>
NET POSITION	
Unrestricted Net Position	\$ 5,136
Total Net Position	

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

CITY OF ALTON

NOTES TO THE FINANCIAL STATEMENTS

YEAR ENDED SEPTEMBER 30, 2014

**I. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

**CITY OF ALTON** (the "City") was incorporated on April 1, 1978, under Article XI, Section 5 of the Constitution of the State of Texas. The City operates under a Home Rule (Mayor, City Commissioners) 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 improvements, planning and zoning, and general administrative services. Other services include utilities (water & sewer services and solid waste collection).

The City prepares its basic financial statements in conformity with generally accepted accounting principles promulgated by the Governmental Accounting Standards Board and other authoritative sources identified in *Statement on Auditing Standards No. 69* of the American Institute of Certified Public Accountants and the requirements of contracts and grants of agencies from which it receives funds.

**A. REPORTING ENTITY**

The Board of Commissioners (the "Board") is elected by the public and it has the authority to make decisions, appoint administrators and managers, and significantly influence operations. It also has the primary accountability for fiscal matters. Therefore, the City is a financial reporting entity as defined by the Governmental Accounting Standards Board ("GASB") in its Statement No. 14, "The Financial Reporting Entity."

In evaluating how to define the City for financial reporting purposes, management has considered all potential component units. The decision to include a potential component unit in the reporting entity was made by applying the criteria set forth in Generally Accepted Accounting Principles (GAAP). The basic-but not the only-criterion for including a potential component unit within the reporting entity is the governing body's ability to exercise oversight responsibility. The most significant manifestation of this ability is financial interdependency. Other manifestations of the ability to exercise oversight responsibility include, but are not limited to, the selection of governing authority, the designation of management, the ability to significantly influence operations, and accountability for fiscal matters. A second criterion used in evaluating potential component units is the scope of public service. Application of this criterion involves considering whether the activity benefits the government and/or its citizens, whether the activity is conducted within the geographic boundaries of the government and is generally available to its citizens. A third criterion used to evaluate potential component units for inclusion or exclusion is the existence of special financing relationships, regardless of whether the government is able to exercise oversight responsibilities. Based upon the application of the above criteria, the following is a brief review of the City's component unit addressed in defining the City's reporting entity.

*Blended Component Units* – Blended component units, although legally separate entities, are in substance part of the government's operations and so data from these units are combined with data of the primary government. The City's blended component unit follows.

**Included in the Reporting Entity**

The City of Alton Development Corporation (4A Corporation) and the City of Alton Community Development Corporation (4B Corporation) were incorporated on July 9, 1996, under the Development Corporation Act of 1979, of the State of Texas. The Development Corporations (4A & 4B) operate as Component Units of the City of Alton, Texas (the "City"). The Corporations' purpose are to promote economic development and encourage employment and public welfare on behalf of the City by developing, implementing, providing and financing projects under the Act as defined in Sections 4A and 4B of the Act.

**B. 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 OF ALTON nonfiduciary activities with most of the interfund 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 froms 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 Balance and on the Proprietary Fund Statement of Revenues, Expenses 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 government-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 froms 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.

**C. 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 increases 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 principal 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 some times require the City to refund all or part of the unused amount.

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 the 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.

#### D. FUND ACCOUNTING

The City reports the following major governmental funds:

1. **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.
3. **Capital Projects Funds** – The proceeds from long-term debt financing and revenues and expenditures related to authorized construction and other capital asset acquisitions are accounted for in a capital projects fund.

The City reports the following major enterprise fund(s):

1. **The Utility Fund** – The utility fund is used to account for all financial resources derived from providing basic services such as water, sewer services and solid waste services.

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

Governmental Funds:

1. **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.

2. **The Debt Service Fund** – The debt service fund is used to account for the accumulation of resources for and payment of, general long term debt principal, interest, and related costs.
3. **Capital Projects Funds** – The proceeds from long-term debt financing and revenues and expenditures related to authorized construction and other capital asset acquisitions are accounted for in a capital projects fund.

Proprietary Funds:

4. **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.

**E. OTHER ACCOUNTING POLICIES**

1. For purposes of the statement of cash flows for proprietary funds, the City considers highly liquid investments to be cash equivalents if they have a maturity of three months or less when purchased.
2. In the government-wide financial statements, and proprietary fund types in the fund financial statements, long-term debt and other long-term obligations are reported as liabilities in the applicable governmental activities, business-type activities, or proprietary fund type statement of net assets. Bond premiums and discounts, as well as issuance costs, are deferred and amortized over the life of the bonds using the effective interest method. Bonds payable are reported net of the applicable bond premium or discount. Bond issuance costs are reported as deferred charges and amortized over the term of the related debt.

In the fund financial statements, governmental fund types recognize bond premiums and discounts, as well as bond issuance costs, during the current period. The face amount of debt issued is reported as other financing sources. Premiums received on debt issuances are reported as other financing sources while discounts on debt issuances are reported as other financing uses. Issuance costs, whether or not withheld from the actual debt proceeds received, are reported as debt service expenditures.

3. 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 sick 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.
4. 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 \$500 and an estimated useful life in excess of two years. Such assets are recorded at 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 7 years for equipment, 45 years for improvements, and 40 years for buildings.

5. Restricted Assets-Certain proceeds of enterprise fund revenue bonds, as well as certain resources set aside for their repayment, are classified as restricted assets on the balance sheet because their use is limited by applicable bond covenants.
6. Deferred revenues are those for which asset recognition criteria have been met, but for which revenue recognition criteria have not been met. Monies collected in advance from federal or state agencies are recorded as revenue in the year for which the expenditures are incurred.
7. 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.
8. Encumbrances-The City of Alton, Texas, employs encumbrance accounting; under which purchase order, contracts, and other commitments for the expenditure of monies are recorded in order to reserve that portion of the applicable appropriation.
9. The City has adopted GASB 54 as part of its 2010-11 fiscal year reporting. Implementation of GASB 54 is required for all cities for their fiscal year ending 2011. 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 nonspendable and spendable.

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 nonspendable 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 balance 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 used the restricted assets first whenever they will have to be returned if they are not used.

## **II. RECONCILIATION OF GOVERNMENT-WIDE AND FUND FINANCIAL STATEMENTS**

### **A. EXPLANATION OF CERTAIN DIFFERENCES BETWEEN THE GOVERNMENTAL FUND BALANCE SHEET AND THE GOVERNMENT-WIDE STATEMENT OF NET ASSETS**

Exhibit C-2 provides the reconciliation between the fund balance for total governmental funds on the governmental fund balance sheet and the net assets for governmental activities as reported in the government-wide statement of net assets. One element of that reconciliation explains that capital assets are not financial resources and are therefore not reported in governmental funds. In addition, long-term liabilities, including bonds payable, are not due and payable in the current period and are not reported as liabilities in the funds. The details of capital assets and long-term debt at the beginning of the year were as follows:

<u>Capital Assets</u> <u>at the Beginning of the year</u>	<u>Historic Cost</u>	<u>Accumulated</u> <u>Depreciation</u>	<u>Net Value at the</u> <u>Beginning of the</u> <u>Year</u>	<u>Change in Net</u> <u>Assets</u>
Land	\$3,549,928	0	\$ 3,549,928	
Buildings	5,750,463	(1,492,369)	4,258,094	
Furniture & Equipment	2,699,897	(2,230,809)	469,088	
Construction In Progress	107,888	0	107,888	
Infrastructure	21,430,774	(12,536,174)	8,894,600	
Change in Net Assets				<u>\$ 17,279,599</u>
 <u>Long-term Liabilities</u> <u>at the Beginning of the year</u>			<u>Payable at the</u> <u>Beginning of the</u> <u>Year</u>	
Bonds Payable			5,232,000	
Less Deferred Charges				
Loans Payable			<u>12,280,538</u>	
Change in Net Assets				<u>(17,512,538)</u>
Net Adjustment to Net Assets				<u>\$(232,939)</u>

**B. EXPLANATION OF CERTAIN DIFFERENCES BETWEEN THE GOVERNMENTAL FUND STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES AND THE GOVERNMENT-WIDE STATEMENT OF ACTIVITIES**

Exhibit C-4 provides the reconciliation between the net changes in fund balance as shown on the governmental fund statement of revenues, expenditures, and changes in fund balances and the changes in net assets of governmental activities as reported on the government-wide statement of activities. One element of that reconciliation explains that current year capital outlays and debt principal payments are expenditures in the fund financial statements, but should be shown as increases in capital assets and decreases in long-term debt in the government-wide statements. This adjustment affects both the net asset balance and the change in net assets. The details of this adjustment are as follows:

	<u>Amount</u>	<u>Adjustments to</u> <u>Changes in Net</u> <u>Assets</u>	<u>Adjustments to</u> <u>Net Assets</u>
<u>Current Year Capital Outlay</u>			
Various Categories	<u>\$1,287,381</u>		
Total Capital Outlay	<u>\$1,287,381</u>	<u>\$1,287,381</u>	<u>\$1,287,381</u>
 <u>Debt Principal Payments</u>			
Bond Principal	414,000		
Loan Principal	<u>352,328</u>		
Total Principal	<u>\$766,328</u>	<u>766,328</u>	<u>766,328</u>
Payments			
Total Adjustment to Net Assets		<u>\$2,053,709</u>	<u>\$2,053,709</u>

Another element of the reconciliation on Exhibit C-4 is described as various other reclassifications and eliminations necessary to convert from the modified accrual basis of accounting to accrual basis of accounting. This adjustment is the result of several items. The details for this element are as follows:

	<u>Amount</u>	<u>Adjustments to Change in Net Assets</u>	<u>Adjustments to Net Assets</u>
<u>Adjustments to Revenue and Deferred Revenue</u>			
Taxes Collected from Prior Year Levies	\$128,723	\$ (128,723)	
Uncollected taxes (assumed collectible) from Current Year Levy	144,349	144,349	144,349
<u>Reclassify Proceeds of Bonds, Loans &amp; Capital Leases</u>			
Bond/Note Issuance	2,453,906	(2,453,906)	(2,453,906)
Sale of Property	660,000	660,000	660,000
Other		(196,716)	(325,282)
Total		<u>\$ (1,974,996)</u>	<u>\$ (1,974,839)</u>

### **III. STEWARDSHIP, COMPLIANCE, AND ACCOUNTABILITY**

#### **A. BUDGETARY DATA**

The Board of Commissioners adopts an "appropriated budget" for the General Fund and Debt Service Fund. In accordance with Government Accounting Standards Board (GASB) Statement #34, a City is required to present the adopted and final amended budgeted revenues and expenditures for the General Fund. The City compares the final amended budget to actual revenues and expenditures. The General Fund Budget report appears in Exhibit F-1.

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

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 Board 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 Board. Once a budget is approved, it can only be formally amended by approval of a majority of the members of the Board. Amendments are presented to the Board at its regular meetings. Each amendment must have Board approval. As required by law, such amendments are made before the fact, and are reflected in the official minutes of the Board, and are not made after fiscal year end. Because the City has a policy of careful budgetary control, several amendments were necessary during the year. However, none of these were deemed significant.
4. Budgeted amounts are as amended by the Board. All budget appropriations lapse at year end.

#### **B. EXCESS OF EXPENDITURES OVER APPROPRIATIONS**

General Fund expenditures exceeded appropriations by the amount(s) noted below;

<u>Functional Category</u>	<u>Amount</u>
Culture and Recreation	\$ 366
Conservation and Development	<u>2,746</u>
Total Excess of Expenditures	<u>\$ 3,112</u>

#### **IV. DETAILED NOTES ON ALL 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, 2014, the carrying amount of the City's deposits (cash, certificates of deposit, and interest-bearing savings accounts included in temporary investments) was \$ 3,220,320 and the bank balance was \$3,741,290. The City's cash deposits at September 30, 2014 and during the year ended September 30, 2014 were entirely covered by FDIC Insurance and securities collateral.

The Public Funds 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. That policy must address the following areas: (1) safety of principal and liquidity, (2) portfolio 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 the 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 with local policies.

Credit Risk 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, 2014, the city's investments were secured by FDIC Insurance and securities collateral.

Custodial Credit Risk for Investments State law requires governmental entities to contract with financial institutions in which funds will be deposited to secure those deposits with insurance or pledged securities with a fair value equaling or exceeding the amount on deposit at the end of each business day. The pledged securities must be in the name of the governmental entity and held by the entity or its agent. Since the city complies with this law, it has no custodial credit risk for deposits.

Concentration of Credit Risk To limit the risk of loss attributed to the magnitude of a government's investment in a single issuer, the investment portfolio shall be diversified in terms of investment instruments maturity scheduling, and financial institutions.

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.

*Foreign Currency Risk for Investments* The District limits the risk that changes in exchanges rates will adversely affect the fair value of an investment. At year-end, the District was not exposed to foreign currency risk.

**B. 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 31st 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 school fiscal year.

**C. DELINQUENT TAXES RECEIVABLE**

Delinquent taxes are prorated between maintenance and debt service based on rates adopted for the year of the levy Allowances for uncollectible tax receivables within the General and Debt Service Funds 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.

**D. INTERFUND BALANCES**

General Fund Due to:	
4A Corporation	12,330
4B Corporation	12,330
Special Revenue	37,516
Debt Service	3,215
Capital Projects	<u>69,947</u>
	135,338

Special Revenue Fund Due to:	
General Fund	<u>3,776</u>
	3,776

Debt Service Fund Due to:	
Special Revenue Fund	<u>14,401</u>
	14,401

Enterprise Fund Due to:	
General Fund	<u>6,564</u>
	6,564

Agency fund Due to:	
General Fund	<u>1,300</u>
	1,300

Total Due To:	<u><u>161,380</u></u>
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General Fund Due From:	
Special Revenue Fund	19,477
Enterprise Fund	<u>6,564</u>
	26,041

4A Corporation Due From:

General Fund	<u>12,330</u>
	12,330
4B Corporation Due From:	
General Fund	<u>12,330</u>
	12,330
Special Revenue Fund Due From:	
General Fund	<u>37,516</u>
	37,516
Debt Service Fund Due From:	
General Fund	<u>3,215</u>
	3,215
Capital Projects Fund Due From:	
General Fund	<u>69,947</u>
	69,947
Total Due From:	<u><u>161,380</u></u>

**E. DISAGGREGATION OF RECEIVABLES AND PAYABLES**

Receivables at September 30, 2014, were as follows:

	<u>Property</u> <u>Taxes</u>	<u>Sales and</u> <u>Franchise</u> <u>Taxes</u>	<u>Other</u> <u>Governments</u>	<u>Due From</u> <u>Other Funds</u>	<u>Other</u>	<u>Total</u> <u>Receivables</u>
General Fund	\$ 336,527	\$ 86,623	\$ 43,575	\$ 11,640	\$ -	\$ 478,365
Special Revenue Funds	1,335	22,617	-	76,578	-	100,530
Debt Service Fund	130,435	-	-	3,215	-	133,650
Capital Projects Fund	-	-	103,780	69,947	-	173,727
Enterprise Fund	-	-	-	597	377,861	378,458
Total Receivables	<u>\$ 468,297</u>	<u>\$ 109,240</u>	<u>\$ 147,355</u>	<u>\$ 161,977</u>	<u>\$ 377,861</u>	<u>\$ 1,264,730</u>
Less: Allowance for Uncollectible	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
<b>Net Total Receivable</b>	<u>\$ 468,297</u>	<u>\$ 109,240</u>	<u>\$ 147,355</u>	<u>\$ 161,977</u>	<u>\$ 377,861</u>	<u>\$ 1,264,730</u>

Payables at September 30, 2014, were as follows:

	<u>Accounts</u> <u>Payable</u>	<u>Loans, Leases</u> <u>and Bonds</u> <u>Payable -</u> <u>Current Year</u>	<u>Salaries</u> <u>and</u> <u>Benefits</u>	<u>Due To</u> <u>Other</u> <u>Funds</u>	<u>Due to</u> <u>Other</u> <u>Governments</u>	<u>Other</u>	<u>Total</u> <u>Payables</u>
General Fund	\$ 73,435	\$ -	\$ 41,040	\$ 135,338	\$ 62,527	\$ -	\$ 249,813
Special Revenue Funds	7,986	-	2,219	3,777	-	7,143	21,125
Debt Service	-	-	-	14,401	-	-	14,401
Capital Projects Fund	155,923	-	-	-	-	-	155,923
Enterprise Fund	119,703	972,313	20,748	6,564	7,386	-	1,126,714
Total Payable	<u>\$ 357,047</u>	<u>\$ 972,313</u>	<u>\$ 64,007</u>	<u>\$ 160,080</u>	<u>\$ 69,913</u>	<u>\$ 7,143</u>	<u>\$ 1,630,503</u>

## F. TEMPORARILY RESTRICTED CASH

Temporarily restricted cash consists of loan proceeds that were deposited into an escrow account by the Texas Water Development Board. The proceeds are required to be expended towards the City's Sewer Project. The expenditures must be approved by the Texas Development Water Board in order for the funds to be authorized for release from the escrow account. As of September 30, 2014 the temporarily restricted cash balance totaled \$646,935.

## G. CAPITAL ASSET ACTIVITY

Capital asset activity for the City for the year ended September 30, 2014, was as follows:

	Primary Government				Ending Balance
	Beginning Balance	Additions	Retirements	Adjustments	
Governmental Activities:					
Land	\$ 3,549,928	\$ -	\$ (82,269)	\$ -	\$ 3,467,659
Buildings & Improvements	5,750,463	3,200	-	-	5,753,663
Furniture and Equipment	2,699,897	360,421	(586,671)	101,276	2,574,923
Construction In Progress	107,888	791,961	-	-	899,849
Infrastructure	<u>21,430,774</u>	<u>108,678</u>	<u>-</u>	<u>-</u>	<u>21,539,452</u>
Totals at Historic Cost	<u>\$ 33,538,950</u>	<u>\$ 1,264,260</u>	<u>(668,940)</u>	<u>\$ 101,276</u>	<u>\$ 34,235,546</u>
Less Accumulated Depreciation:					
Total Accumulated Depreciation	<u>(16,209,440)</u>	<u>(864,360)</u>	<u>583,881</u>	<u>(43,009)</u>	<u>(16,532,928)</u>
Governmental Activities Capital Assets, Net	<u>\$17,329,510</u>	<u>\$ 399,900</u>	<u>\$ (85,059)</u>	<u>\$ 58,267</u>	<u>\$17,702,618</u>
Business-type Activities:					
Land	\$ 25,110	-	-	-	\$ 25,110
Construction in Progress	5,625,920	3,564,907	-	-	9,190,827
Furniture and Equipment	552,156	54,767	-	-	606,923
Infrastructure	5,924,606	-	-	-	5,924,606
Buildings and Improvements	<u>1,100,369</u>	<u>589,894</u>	<u>-</u>	<u>-</u>	<u>1,690,263</u>
Totals at Historic Cost	<u>\$ 13,228,161</u>	<u>\$ 4,209,568</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 17,437,729</u>
Less Accumulated Depreciation					
Total Accumulated Depreciation	<u>(1,950,888)</u>	<u>(348,790)</u>	<u>-</u>	<u>-</u>	<u>(2,299,678)</u>
Business-type Activities Capital Assets, Net	<u>\$11,277,273</u>	<u>\$ 3,860,778</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$15,138,051</u>

Depreciation expense was charged to governmental functions as follows:

General Government	\$186,529
Public Safety	386,628
Public Works	126,369
Health & Welfare	22,300
Culture and Recreation	20,658
Economic Development & Assistance	<u>121,876</u>

Total Depreciation Expense \$ 864,360

## H. BONDS AND LONG-TERM NOTES PAYABLE

At September 30, 2014, long-term debt consisted of the following:

### Governmental General Long Term Debt:

\$2,568,000 Series 2007 Certificate of Obligation with annual interest rate of 4.39% to 4.47%; Original date of issuance on January 18, 2008 and maturity date on September 15, 2026.	1,853,000
\$ 2,485,000 Series 2011 General Obligation Refunding Bonds. Original Issue Date is October 14, 2011 Maturity date is September 15, 2023. Annual interest rate of 2.31%.	1,900,000
\$1,250,000 Series 2012 Tax Increment Revenue and Limited Tax Certificates of Obligation(TIRZ). Original Issue Date is August 21, 2012 Maturity date is August 15, 2022 . Annual interest rate of 3.7%.	1,065,000
Note Payable to Happy State Bank, dated September 20, 2010 in the original amount of \$229,306.00 for the purchase of Police Vehicles; Maturity date November 15, 2015 with an interest rate of 5.82%.	73,944
During the year 2011, the City was approved financial assistance from the Texas Water Development Board in the amount of \$9,595,000, with 100% of such loan to be forgiven, all as is more specifically set forth in the application. No debt obligations are to be assumed by the City for the loan and no taxes and/or revenues are required to be pledged by the City.	9,596,104
Note Payable to The Bank of New York, dated July 22, 2013 in the original amount of \$500,000; Maturity dated August 1, 2028 with an interest rate of 3.25%	469,651
Note Payable to The Bank of New York, dated July 22, 2013 in the original amount of \$500,000; Maturity dated August 1, 2028 with an interest rate of 3.25%	469,651
Note Payable to Bank of New York Mellon in the amount of \$2,925,000 for the construction of the city recreation center funded through the Urban County CBDG Program	1,340,000
Note Payable to Ally Financial, dated March 13, 2014 in the amount of \$26,906, for the purchase of a 2014 Chevrolet Van for Senior Center; Maturity date March 13, 2016 with an interest rate of 6.84%	17,338
Note Payable to Compass Bank, dated August 1, 2014 in the original amount of \$1,955,000 for TIRZ Projects; Maturity date February 25, 2029 with an interest rate of 3.6%	1,955,000
Note Payable to USDA, dated March 4, 2014 in the original amount of \$500,000 for the Construction of the new Fire Station; Maturity date June 15, 2043 with an interest rate of 3.125%	<u>491,000</u>

Total General Long Term Debt \$19,230,688

Enterprise Funds General Long Term Debt:

Note Payable to Lone Star National Bank, dated October 27, 2011 in the original amount of \$175,000 for the purchase of a Cash Flow; Ten annual payments of \$10,500, interest rate of 6.0%	\$ 149,174
Note Payable to Government Capital Corp, dated February 28, 2012 in the original amount of \$834,296.85 for the purchase of Solid Waste Equipment; Maturity date February 15, 2017 with an interest rate of 3.447%	508,139
Note Payable to Compass Bank, dated August 1, 2014 in the original amount of \$315,000 for SW Capacity Buy as well as SW improvement & equipment; Maturity date February 25, 2029 with an interest rate of 3.6%	<u>315,000</u>
<b>Total Enterprise Fund Long Term Debt</b>	<b><u>\$ 972,312</u></b>

There are a number of limitations and restrictions contained in the general obligation bond indenture. Management has indicated that the City is in compliance with all significant limitations and restrictions at September 30, 2014.

The city issued \$2,485,000 in General Obligation Refunding Bonds – Series 2011 to provide resources to cover the costs of issuance to purchase qualifying securities that were placed in an irrevocable trust for the purpose of generating resources for all future debt service payments of the refunded debt, Series 1999 and Series 2008. The aggregate difference between the refunding debt and refunded debt is \$418,274. The economic gain on this transaction is a net present value of \$368,201. Accordingly, the trust account assets and liabilities for the defeased bonds are not included in the District’s financial statements.

**I. DEBT SERVICE REQUIREMENTS – BONDS/NOTES PAYABLE**

Debt service requirements for bonds/notes payable are as follows:

GOVERNMENTAL FUNDS			ENTERPRISE FUNDS		
Year Ending			Year Ending		
September 30	Principal	Interest	September 30	Principal	Interest
2015	10,421,502	294,398	2015	196,336	37,877
2016	858,742	269,571	2016	201,219	30,243
2017	848,187	246,607	2017	309,757	16,637
2018	896,107	225,956	2018	20,000	9,180
2019	936,089	204,154	2019	20,000	8,460
2020-2024	3,426,555	633,729	2020-2024	100,000	31,500
2025-2029	1,537,507	171,738	2025-2029	125,000	11,250
2030-2034	90,000	40,965			
2035-2039	110,000	25,460			
2040-2043	178,000	6,781			
<b>Total</b>	<b><u>19,202,688</u></b>	<b><u>2,119,359</u></b>	<b>Total</b>	<b><u>972,312</u></b>	<b><u>145,146</u></b>

**J. CHANGES IN LONG-TERM LIABILITIES**

Long-term activity for the year ended September 30, 2014, was as follows:

	<u>Beginning</u> <u>Balance</u>	<u>Additions</u>	<u>Reductions</u>	<u>Adjustments</u>	<u>Ending</u> <u>Balance</u>	<u>Due Within</u> <u>One Year</u>
<b>Governmental Activities:</b>						
Bonds and Notes Payable:						
General Obligation Bonds	\$ 5,232,000	\$ 2,427,000	\$ (423,000)	\$ -	\$7,236,000	\$ 438,000
Loans Payable	<u>12,280,538</u>	<u>26,906</u>	<u>(340,775)</u>	<u>19</u>	<u>11,966,688</u>	<u>9,938,502</u>
Total Bonds and Notes Payable	<u>\$17,512,538</u>	<u>\$ 2,453,906</u>	<u>\$ (588,775)</u>	<u>\$ -</u>	<u>\$19,202,688</u>	<u>\$10,421,502</u>
<b>Enterprise Activities:</b>						
Notes Payable:						
Combination Tax & Rev. Bonds	\$ 0	\$ 315,000	-	-	315,000	15,000
Loans Payable	<u>834,936</u>	<u>-</u>	<u>(177,624)</u>	<u>-</u>	<u>657,312</u>	<u>181,336</u>
Total Bonds and Notes Payable	<u>\$ 834,936</u>	<u>\$ 315,000</u>	<u>\$ (177,624)</u>	<u>\$ -</u>	<u>\$ 972,312</u>	<u>\$ 196,336</u>
Total Enterprises Activities Long-term Liabilities	<u>\$ 834,936</u>	<u>\$ 315,000</u>	<u>\$ (177,624)</u>	<u>\$ -</u>	<u>\$ 972,312</u>	<u>\$ 196,336</u>

**K. DEFERRED OUTFLOWS AND INFLOWS OF RESOURCES**

Governmental funds report deferred inflows in connection with receivables for revenues that are not considered to be available to liquidate liabilities of the current period. Governmental funds also defer revenue recognition in connection with resources that have been received, but not yet earned.

As of August 31, 2014 the various components of deferred outflows and inflows of resources are as follows:

At the fund level financial statements, the City has the following Deferred Inflows of Resources:

	<u>General Fund</u>	<u>Debt Service Fund</u>	<u>Total</u>
Property Tax, unavailable	\$343,309	\$130,435	\$473,744

**L. DEFERRED REVENUE**

Deferred revenue at year-end consisted of the following:

	<u>Capital</u> <u>Projects</u> <u>Fund</u>	<u>Total</u>
Deferred Revenue	\$ 642,421	\$ 642,421
Total Deferred Revenue	<u>\$ 642,421</u>	<u>\$ 642,421</u>

**M. TAX INCREMENT REINVESTMENT ZONE**

The City of Alton, on December 29, 2009 through Ordinance 2009-09 created "Reinvestment Zone Number One, City of Alton, Texas. Section 7. The Ordinance reads as follows:

This hereby created and established in the depository bank of the City, a fund to call the "REINVESTMENT ZONE NUMBER ONE, CITY OF ALTON, TEXAS, TEXAS TAX INCREMENT FUND" (HEREIN CALLED THE "Tax Increment Fund"). Money in the Tax Increment Fund, from whatever source, may be disbursed from the Tax Increment Fund, invested and paid as permitted by the Act or by any agreements entered into pursuant to the Act, or as otherwise authorized by law.

As of the end of fiscal year 2014, the County of Hidalgo transferred \$55,006 for fiscal years 2013, while the City transferred \$57,833 to meet the requirements of the TIRZ agreement for the fiscal year.

**N. DEFINED BENEFIT PENSION PLAN**

**Plan Description**

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

TMRS issues a publicly available comprehensive annual financial report that includes financial statements and required supplementary information (RSI) for TMRS; the report also provides detailed explanations of the contributions, benefits and actuarial methods and assumptions used by the System. 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).

The plan provisions are adopted by the governing body of the City, within the options available in the state statutes governing TMRS. Plan provisions for the City were as follows:

	Plan Year 2013	Plan Year 2014
Employee Deposit Rate	7%	7%
Matching ratio (city to employee)	2 to 1	2 to 1
Years required for vesting	5	5
Service retirement eligibility (expressed as age/years of Service)	60/5, 0/25	60/5, 0/25
Updated Service Credit	100% Repeating; Transfers	100% Repeating; Transfers
Annuity Increase (to retirees)	70% of CPI Repeating	70% of CPI Repeating

*Contributions*

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

The City contributes to the TMRS Plan at an actuarially determined rate. Both the employees and the City make contributions monthly. Since the City needs to know its contribution rate in advance for budgetary purposes, there is a one-year delay between the actuarial valuation that serves as the basis for the rate and the

calendar year when the rate goes into effect. The annual pension cost and net pension obligation/ (asset) are as follows:

1. Annual Required Contribution (ARC)	\$	189,524
2. Interest on Net Pension Obligation		5,183
3. Adjustment to the ARC		(4,554)
4. Annual Pension Cost (APC)		190,153
5. Contributions Made		(195,025)
6. Increase (decrease) in net pension obligation		(4,872)
7. Net Pension Obligation/(Asset), beginning of year		74,043
8. Net Pension Obligation/(Asset), end of year	\$	69,171

<u>September 30,</u>	<u>Made</u>	<u>Cost (APC)</u>	<u>Contributed</u>	<u>Obligation</u>
2012	154,336	149,238	103%	38,866.00
2013	142,711	177,888	81%	74,043.00
2014	195,025	190,153	103%	69,171.00

The required contribution rates for fiscal year 2014 were determined as part of the December 31, 2011 and 2012 actuarial valuations. Additional information as of the latest actuarial valuation, December 31, 2013, also follows:

Valuation Date	12/31/2011	12/31/2012	12/31/2013
Actuarial Cost Method	Projected Unit Credit	Projected Unit Credit	Entry Age Normal
Amortization Method	Level Percent of Payroll	Level Percent of Payroll	Level Percent of Payroll
GASB 25 Equivalent Single Amortization Period	27.1 years; Closed Period	26.1 years; Closed Period	30.0 years; Closed Period
Amortization Period for new Gains/Losses	30 years	30 years	30 years
Asset Valuation Method	10-year smoothed market	10-year smoothed market	10-year smoothed market
Actuarial Assumptions: Investment Rate of Return	7.0%	7.0%	7.0%
Projected Salary Increases	Varies by age and service	Varies by age and service	Varies by age and service
Includes inflation at	3.00%	3.00%	3.00%
Cost of Living Adjustments	2.1%	2.1%	2.1%

The funded status as of December 31, 2013, the most recent actuarial valuation date, is as follows:

Actual Valuation Date	Actuarial Value of Assets (1)	Actuarial Accrued Liability (AAL) (2)	Funded Ratio (3) (1)/(2)	Unfunded AAL (UAAL) (4) (2)-(1)	Covered Payroll (5)	UAAL as a Percentage of Covered Payroll (6) (4)/(5)
12/31/13	\$ 2,676,171	\$3,203,941	83.5%	\$527,770	\$2,203,173	24.0%

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

Actuarial calculations are based on the benefits provided under the terms of the substantive plan in effect at the time of each valuation, and reflect a long-term perspective. Consistent with that perspective, actuarial methods and assumptions used include techniques that are designed to reduce short – term volatility in actuarial accrued liabilities and the actuarial value of assets. The schedule of funding progress, presented as Required Supplementary Information following the notes to the financial statements, presents multi-year trend information about whether the actuarial value of plan assets is increasing or decreasing over time relative to the actuarial accrued liability of benefits.

Actual Valuation Date	Actuarial Value of Assets (1)	Actuarial Accrued Liability (AAL) (2)	Funded Ratio (3) (1)/(2)	Unfunded AAL (UAAL) (4) (2)-(1)	Covered Payroll (5)	UAAL as a Percentage of Covered Payroll (6) (4)/(5)
12/31/11	\$1,879,487	\$2,516,997	74.7%	\$637,510	\$1,801,460	35.4%
12/31/12	\$2,246,112	\$2,876,944	78.1%	\$630,832	\$1,904,212	33.1%
12/31/13	\$2,676,171	\$3,203,941	83.5%	\$527,770	\$2,203,173	24.0%

**O. OTHER POST EMPLOYMENT BENEFITS – TEXAS MUNICIPAL RETIREMENT SYSTEM –SUPPLEMENTAL DEATH BENEFITS**

The city also participates in the cost sharing multiple-employer defined benefit group-term life insurance plan operated by the Texas Municipal Retirement System (TMRS) known as the Supplemental Death Benefits Fund (SDBF). The city elected, by ordinance, to provide group-term life insurance coverage to current and retired employees . The city may terminate coverage under and discontinue participation in the SDBF by adopting an ordinance before November 1 of any year to be effective the following January 1.

The death benefit for active employees provides a lump-sum payment approximately equal to the employee’s annual salary (calculated based on the employee’s actual earnings, for the 12-month period preceding the month of death); retired employees are insured for \$7,500; this coverage is an “other postemployment benefit,” or OPEB.

Your city offers supplemental death to:	Plan Year 2013	Plan Year 2014
Active employees (yes or no)	Yes	Yes
Retirees (yes or no)	Yes	Yes

The city contributes to the SDBF at a contractually required rate as determined by an annual actuarial valuation. The rate is equal to the cost of providing one-year term life insurance. The funding policy for the SDBF program is to assure that adequate resources are available to meet all death benefit payments for the upcoming year; the intent is not to pre-fund retiree term life insurance during employees’ entire careers.

The city's contributions to the TMRS SDBF for the years ended 2014, 2013 and 2012 were \$2,479, \$2,149 and \$2,015, respectively, which equaled the required contributions each year.

**P. CONSTRUCTION AND OTHER SIGNIFICANT COMMITMENTS AND CONTINGENCIES**

Projected Summary of Facilities

<u>Project</u>	<u>Architect</u>	<u>Projected Completion Date</u>	<u>Negotiated Contract Amount</u>
Plumbing Connections Project	LEMC Engineering	August, 2015	\$ 935,000
Fire Station Project	AGA, Inc.	July, 2015	\$1,250,000

**Q. LITIGATION**

The City is the defendant in several legal proceedings arising from its operations. The City's administration believes the outcome of these proceedings, if not favorable to the City, will not materially affect the City's financial position and therefore no allowances have been made.

**R. SUBSEQUENT EVENTS**

The City considered all subsequent events through April 21, 2015.

**S. PRIOR PERIOD ADJUSTMENT**

The City recognized prior period adjustments in the Governmental Funds totaling \$94,160 and the Government Wide Financial Statements totaling \$94,160. The following adjustments to beginning fund/net assets balances were necessary to reflect the actual balances at beginning of the year:

The City recognized prior period adjustments in the Governmental Funds totaling \$94,160. General Fund Balance account was adjusted to correctly reflect the reduction of interfund payables as of 9/30/2012, for \$94,160.

The City recognized prior period adjustments in the Enterprise Funds totaling \$3,605. The Net Asset account was adjusted to correctly restate the beginning Fixed Assets balance in the amount of \$3,605.

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COMBINING AND INDIVIDUAL FUND  
STATEMENTS AND SCHEDULES

CITY OF ALTON, TX  
 COMBINING BALANCE SHEET  
 NONMAJOR GOVERNMENTAL FUNDS  
 SEPTEMBER 30, 2014

	Development Corporation 4A	Community Corporation 4B	Facilities & Infrastructur Fund
<b>ASSETS</b>			
Cash and Cash Equivalents	\$ 108,132	\$ 92,143	\$ 112,757
Taxes Receivable	-	-	-
Receivables (Net)	9,740	9,740	-
Due from Other Funds	12,330	12,330	-
Total Assets	<u>\$ 130,202</u>	<u>\$ 114,213</u>	<u>\$ 112,757</u>
<b>LIABILITIES</b>			
Accounts Payable	\$ 932	\$ 5,833	\$ 1,000
Wages and Salaries Payable	1,300	919	-
Due to Other Funds	-	-	-
Due to Others	-	-	-
Total Liabilities	<u>2,232</u>	<u>6,752</u>	<u>1,000</u>
<b>DEFERRED INFLOWS OF RESOURCES</b>			
Unavailable Revenue - Property Taxes	-	-	-
Total Deferred Inflows of Resources	<u>-</u>	<u>-</u>	<u>-</u>
<b>FUND BALANCES</b>			
Retirement of Long-Term Debt	-	-	-
Capital Expenditures for Equipment	-	-	-
Unassigned Fund Balance	127,970	107,461	111,757
Total Fund Balances	<u>127,970</u>	<u>107,461</u>	<u>111,757</u>
Total Liabilities, Deferred Inflows & Fund Balances	<u>\$ 130,202</u>	<u>\$ 114,213</u>	<u>\$ 112,757</u>

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

Urban County	Seizures & Forfeitures Fund	Alton Youth Club Activities	TIRZ Zone Fund	PEG Fund	Texas Leverage Fund	Volunteer Fire Dept Fund	Alton Chamber of Commerce Fund
\$ -	\$ 72,965	\$ 1,011	\$ 919	\$ 12,069	\$ 226,998	\$ 2,569	\$ 275
-	-	-	-	1,335	-	-	-
2,916	-	-	-	-	-	-	221
(2,916)	-	-	54,834	-	-	-	-
<u>\$ -</u>	<u>\$ 72,965</u>	<u>\$ 1,011</u>	<u>\$ 55,753</u>	<u>\$ 13,404</u>	<u>\$ 226,998</u>	<u>\$ 2,569</u>	<u>\$ 496</u>
\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 221
-	-	-	-	-	-	-	-
-	-	3,777	-	-	-	-	-
-	7,143	-	-	-	-	-	-
-	<u>7,143</u>	<u>3,777</u>	-	-	-	-	<u>221</u>
-	-	-	-	-	-	-	-
-	-	-	-	-	-	-	-
-	65,822	(2,766)	55,753	13,404	226,998	2,569	275
-	<u>65,822</u>	<u>(2,766)</u>	<u>55,753</u>	<u>13,404</u>	<u>226,998</u>	<u>2,569</u>	<u>275</u>
<u>\$ -</u>	<u>\$ 72,965</u>	<u>\$ 1,011</u>	<u>\$ 55,753</u>	<u>\$ 13,404</u>	<u>\$ 226,998</u>	<u>\$ 2,569</u>	<u>\$ 496</u>

CITY OF ALTON, TX  
 COMBINING BALANCE SHEET  
 NONMAJOR GOVERNMENTAL FUNDS  
 SEPTEMBER 30, 2014

	Total Nonmajor Special Revenue Funds	Debt Service Fund	TIRZ Debt Service Fund	Total Nonmajor Debt Service Funds
<b>ASSETS</b>				
Cash and Cash Equivalents	\$ 629,838	\$ 5,106	\$ 1	\$ 5,107
Taxes Receivable	1,335	130,435	-	130,435
Receivables (Net)	22,617	-	-	-
Due from Other Funds	76,578	3,215	-	3,215
Total Assets	<u>\$ 730,368</u>	<u>\$ 138,756</u>	<u>\$ 1</u>	<u>\$ 138,757</u>
<b>LIABILITIES</b>				
Accounts Payable	\$ 7,986	\$ -	\$ -	\$ -
Wages and Salaries Payable	2,219	-	-	-
Due to Other Funds	3,777	14,401	-	14,401
Due to Others	7,143	-	-	-
Total Liabilities	<u>21,125</u>	<u>14,401</u>	<u>-</u>	<u>14,401</u>
<b>DEFERRED INFLOWS OF RESOURCES</b>				
Unavailable Revenue - Property Taxes	-	130,435	-	130,435
Total Deferred Inflows of Resources	<u>-</u>	<u>130,435</u>	<u>-</u>	<u>130,435</u>
<b>FUND BALANCES</b>				
Retirement of Long-Term Debt	-	-	-	-
Capital Expenditures for Equipment	-	-	1	1
Unassigned Fund Balance	709,243	(6,080)	-	(6,080)
Total Fund Balances	<u>709,243</u>	<u>(6,080)</u>	<u>1</u>	<u>(6,079)</u>
Total Liabilities, Deferred Inflows & Fund Balances	<u>\$ 730,368</u>	<u>\$ 138,756</u>	<u>\$ 1</u>	<u>\$ 138,757</u>

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

Capital Projects USDA Fund	Total Nonmajor Governmental Funds
\$ (19,909)	\$ 615,036
-	131,770
-	22,617
-	79,793
<u>\$ (19,909)</u>	<u>\$ 849,216</u>
\$ 10,741	\$ 18,727
-	2,219
-	18,178
-	7,143
<u>10,741</u>	<u>46,267</u>
-	130,435
-	130,435
(30,650)	(30,650)
-	1
-	703,163
<u>(30,650)</u>	<u>672,514</u>
<u>\$ (19,909)</u>	<u>\$ 849,216</u>

CITY OF ALTON, TX  
 COMBINING STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN  
 FUND BALANCES - NONMAJOR GOVERNMENTAL FUNDS  
 FOR THE YEAR ENDED SEPTEMBER 30, 2014

	Development Corporation 4A	Community Corporation 4B	Facilities & Infrastructur Fund
<b>REVENUES:</b>			
Taxes:			
Property Taxes	\$ -	\$ -	\$ -
General Sales and Use Taxes	163,165	163,165	-
Penalty and Interest on Taxes	-	-	-
Intergovernmental Revenue and Grants	-	-	-
Charges for Services	-	-	-
Forfeits	-	-	-
Special Assessments	-	-	59,384
Investment Earnings	92	88	92
Rents and Royalties	-	-	-
Contributions & Donations from Private Sources	-	-	-
Other Revenue	-	-	-
Total Revenues	<u>163,257</u>	<u>163,253</u>	<u>59,476</u>
<b>EXPENDITURES:</b>			
Current:			
Public Safety	-	-	55,151
Culture and Recreation	-	-	-
Conservation and Development	113,761	128,441	-
Debt Service:			
Bond Principal	-	-	-
Other Debt Principal	26,466	26,466	-
Bond Interest	-	-	-
Other Debt Interest	15,732	15,732	-
Fiscal Agent's Fees	-	-	-
Capital Outlay:			
Capital Outlay	-	-	-
Total Expenditures	<u>155,959</u>	<u>170,639</u>	<u>55,151</u>
Excess (Deficiency) of Revenues Over (Under) Expenditures	<u>7,298</u>	<u>(7,386)</u>	<u>4,325</u>
<b>OTHER FINANCING SOURCES (USES):</b>			
Transfers In	-	-	-
Transfers Out (Use)	-	-	-
Total Other Financing Sources (Uses)	<u>-</u>	<u>-</u>	<u>-</u>
<b>SPECIAL ITEMS:</b>			
Special Item - Resource	-	-	-
Net Change in Fund Balance	7,298	(7,386)	4,325
Fund Balance - October 1 (Beginning)	<u>120,672</u>	<u>114,847</u>	<u>107,432</u>
Fund Balance - September 30 (Ending)	<u>\$ 127,970</u>	<u>\$ 107,461</u>	<u>\$ 111,757</u>

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

Urban County	Seizures & Forfeitures Fund	Alton Youth Club Activities	TIRZ Zone Fund	PEG Fund	Texas Leverage Fund	Volunteer Fire Dept Fund	Alton Chamber of Commerce Fund
\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
-	-	-	-	-	-	-	-
-	-	-	-	-	-	-	-
12,469	-	-	112,840	-	-	-	-
-	-	14,859	-	-	-	-	-
-	85,774	-	-	-	-	-	-
-	-	-	-	-	-	-	-
-	58	3	47	9	429	2	1
-	-	2,540	-	-	-	-	-
-	-	-	-	-	-	2,931	14,450
-	-	26,879	-	5,267	-	-	4,600
<u>12,469</u>	<u>85,832</u>	<u>44,281</u>	<u>112,887</u>	<u>5,276</u>	<u>429</u>	<u>2,933</u>	<u>19,051</u>
-	25,077	-	-	-	-	-	-
-	-	45,783	-	-	-	1,514	21,639
12,469	-	-	-	-	-	-	-
-	-	-	-	-	-	-	-
-	-	-	-	-	-	-	-
-	-	-	-	-	-	-	-
-	-	-	-	-	300,000	-	-
<u>12,469</u>	<u>25,077</u>	<u>45,783</u>	<u>-</u>	<u>-</u>	<u>300,000</u>	<u>1,514</u>	<u>21,639</u>
-	60,755	(1,502)	112,887	5,276	(299,571)	1,419	(2,588)
-	-	-	-	-	-	-	-
-	(60,000)	-	(143,105)	-	-	-	-
-	(60,000)	-	(143,105)	-	-	-	-
-	-	-	-	-	-	-	-
-	755	(1,502)	(30,218)	5,276	(299,571)	1,419	(2,588)
-	65,067	(1,264)	85,971	8,128	526,569	1,150	2,863
<u>\$ -</u>	<u>\$ 65,822</u>	<u>\$ (2,766)</u>	<u>\$ 55,753</u>	<u>\$ 13,404</u>	<u>\$ 226,998</u>	<u>\$ 2,569</u>	<u>\$ 275</u>

CITY OF ALTON, TX  
 COMBINING STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN  
 FUNDBALANCES - NONMAJOR GOVERNMENTAL FUNDS  
 FOR THE YEAR ENDED SEPTEMBER 30, 2014

	Total Nonmajor Special Revenue Funds	Debt Service Fund	TIRZ Debt Service Fund	Total Nonmajor Debt Service Funds
<b>REVENUES:</b>				
Taxes:				
Property Taxes	\$ -	\$ 339,301	\$ -	\$ 339,301
General Sales and Use Taxes	326,330	-	-	-
Penalty and Interest on Taxes	-	22,579	-	22,579
Intergovernmental Revenue and Grants	125,309	-	-	-
Charges for Services	14,859	-	-	-
Forfeits	85,774	-	-	-
Special Assessments	59,384	-	-	-
Investment Earnings	821	133	-	133
Rents and Royalties	2,540	-	-	-
Contributions & Donations from Private Sources	17,381	-	-	-
Other Revenue	36,746	-	-	-
Total Revenues	<u>669,144</u>	<u>362,013</u>	<u>-</u>	<u>362,013</u>
<b>EXPENDITURES:</b>				
Current:				
Public Safety	80,228	-	-	-
Culture and Recreation	68,936	-	-	-
Conservation and Development	254,671	-	-	-
Debt Service:				
Bond Principal	-	413,350	100,000	513,350
Other Debt Principal	52,932	12,888	-	12,888
Bond Interest	-	146,276	-	146,276
Other Debt Interest	31,464	-	43,105	43,105
Fiscal Agent's Fees	-	250	-	250
Capital Outlay:				
Capital Outlay	300,000	-	-	-
Total Expenditures	<u>788,231</u>	<u>572,764</u>	<u>143,105</u>	<u>715,869</u>
Excess (Deficiency) of Revenues Over (Under) Expenditures	<u>(119,087)</u>	<u>(210,751)</u>	<u>(143,105)</u>	<u>(353,856)</u>
<b>OTHER FINANCING SOURCES (USES):</b>				
Transfers In	-	126,000	143,105	269,105
Transfers Out (Use)	(203,105)	-	-	-
Total Other Financing Sources (Uses)	<u>(203,105)</u>	<u>126,000</u>	<u>143,105</u>	<u>269,105</u>
<b>SPECIAL ITEMS:</b>				
Special Item - Resource	-	-	-	-
Net Change in Fund Balance	(322,192)	(84,751)	-	(84,751)
Fund Balance - October 1 (Beginning)	1,031,435	78,671	1	78,672
Fund Balance - September 30 (Ending)	<u>\$ 709,243</u>	<u>\$ (6,080)</u>	<u>\$ 1</u>	<u>\$ (6,079)</u>

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

Capital Projects USDA Fund	Total Nonmajor Governmental Funds
\$ -	\$ 339,301
-	326,330
-	22,579
-	125,309
-	14,859
-	85,774
-	59,384
86	1,040
-	2,540
-	17,381
-	36,746
<u>86</u>	<u>1,031,243</u>
-	80,228
-	68,936
-	254,671
-	513,350
-	65,820
-	146,276
-	74,569
-	250
<u>723,341</u>	<u>1,023,341</u>
<u>723,341</u>	<u>2,227,441</u>
<u>(723,255)</u>	<u>(1,196,198)</u>
208,585	477,690
-	(203,105)
<u>208,585</u>	<u>274,585</u>
472,000	472,000
(42,670)	(449,613)
12,020	1,122,127
<u>\$ (30,650)</u>	<u>\$ 672,514</u>

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**Reyna & Garza, PLLC**  
Certified Public Accountants  
2111 Jackson Creek Ave.  
Edinburg, TX 78539

INDEPENDENT AUDITOR'S 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 the City Council  
of the City of Alton, Tx  
Alton, Tx

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of the governmental activities, the business-type activities, the aggregate discretely presented component units, each major fund, and the aggregate remaining fund information of City of Alton, Tx, as of and for the year ended September 30, 2014, and the related notes to the financial statements, which collectively comprise City of Alton, Tx's basic financial statements, and have issued our report thereon dated April 21, 2015.

**Internal Control over Financial Reporting**

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

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

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

**Compliance and Other Matters**

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

## Purpose of this Report

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



Reyna & Garza, PLLC

Edinburg, Tx  
April 21, 2015

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# **Reyna & Garza, PLLC**

**Certified Public Accountants**

2111 Jackson Creek Ave.

Edinburg, TX 78539

**INDEPENDENT AUDITOR'S REPORT ON COMPLIANCE FOR EACH MAJOR PROGRAM  
AND ON INTERNAL CONTROL OVER COMPLIANCE REQUIRED BY OMB CIRCULAR A-133**

To the Honorable Mayor and the City Council  
of the City of Alton, Tx  
Alton, Tx

**Report on Compliance for Each Major Federal Program**

We have audited City of Alton, Tx's compliance with the types of compliance requirements described in the *OMB Circular A-133 Compliance Supplement* that could have a direct and material effect on each of City of Alton, Tx's major federal programs for the year ended September 30, 2014. City of Alton, Tx's major federal programs are identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs.

***Management's Responsibility***

Management is responsible for compliance with the requirements of laws, regulations, contracts, and grants applicable to its federal programs.

***Auditor's Responsibility***

Our responsibility is to express an opinion on compliance for each of City of Alton, Tx's major federal programs based on our audit of the types of compliance requirements referred to above. We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and OMB Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*. Those standards and OMB Circular A-133 require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about City of Alton, Tx's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances.

We believe that our audit provides a reasonable basis for our opinion on compliance for each major federal program. However, our audit does not provide a legal determination of City of Alton, Tx's compliance.

***Opinion on Each Major Federal Program***

In our opinion, City of Alton, Tx, complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on each of its major federal programs for the year ended September 30, 2014.

**Report on Internal Control over Compliance**

Management of City of Alton, Tx, is responsible for establishing and maintaining effective internal control over compliance with the types of compliance requirements referred to above. In planning and performing our audit of compliance, we considered City of Alton, Tx's internal control over compliance with the types of requirements that could have a direct and material effect on each major federal program to determine the auditing procedures that are appropriate in the circumstances for the purpose of expressing an opinion on compliance for each major federal program and to test and report on internal control over compliance in accordance with OMB Circular A-133, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of City of Alton, Tx's internal control over compliance.

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

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

The purpose of this report on internal control over compliance is solely to describe the scope of our testing of internal control over compliance and the results of that testing based on the requirements of OMB Circular A-133. Accordingly, this report is not suitable for any other purpose.



Reyna & Garza, PLLC

Edinburg, Tx  
April 21, 2015

CITY OF ALTON  
 SCHEDULE OF FINDINGS AND QUESTIONED COSTS  
 FOR THE YEAR ENDED SEPTEMBER 30, 2014

**I. Summary of the Auditor's Results:**

- |                                                                                                        |                                                     |
|--------------------------------------------------------------------------------------------------------|-----------------------------------------------------|
| A. The type of report issued:                                                                          | Unmodified opinion.                                 |
| B. Internal control over financial statements:                                                         |                                                     |
| Material Weakness(es) indentified?                                                                     | No                                                  |
| Significant Deficiency(ies) identified which were not considered material weaknesses?                  | No                                                  |
| C. Noncompliance material to the financial statements noted?                                           | No                                                  |
| D. Federal Awards: Type of Report on Compliance with major programs.                                   | Unmodified opinion                                  |
| E. Internal control over Major Programs:                                                               |                                                     |
| Material Weakness(es) identified?                                                                      | No                                                  |
| Significant Deficiency(ies) identified which were not considered material weaknesses?                  | No                                                  |
| F. Findings & Questioned Costs for Federal Awards as defined under Section __.510(a). OMB Circular 133 | No                                                  |
| F. Dollar threshold used to distinguish between Type A And Type B Federal programs.                    | \$300,000                                           |
| G. Auditee qualified as a low-risk auditee?                                                            | No                                                  |
| H. Major Federal Program(s)                                                                            | E.P.A. & T.W.D.B. – Clean Water Revolving Loan Fund |

**II. Findings Relating to the Financial Statements Which Are Required To Be Reported in Accordance with *Generally Accepted Government Auditing Standards.***

None

**III. Findings Related to Federal Awards.**

None

CITY OF ALTON  
SCHEDULE OF PRIOR FINDINGS  
FOR THE YEAR ENDED SEPTEMBER 30, 2014

2013-01 Fund Balances

Status: Corrected

CITY OF ALTON, TX  
 SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS  
 FOR THE YEAR ENDED SEPTEMBER 30, 2014

(1)	(2)	(3)	(4)
FEDERAL GRANTOR/ PASS-THROUGH GRANTOR/ PROGRAM or CLUSTER TITLE	Federal CFDA Number	Pass-Through Entity Identifying Number	Federal Expenditures
<b>ENVIRONMENTAL PROTECTION AGENCY</b>			
<u>Passed through Texas Water Development Board</u>			
Clean Water State Revolving Fund	66.458	G11016	\$ 3,389,370
Total Passed through Texas Water Development Board			<u>3,389,370</u>
<b>TOTAL ENVIRONMENTAL PROTECTION AGENCY</b>			<u>3,389,370</u>
<b>TOTAL EXPENDITURES OF FEDERAL AWARDS</b>			<u>\$ 3,389,370</u>

CITY OF ALTON, TX  
NOTES ON ACCOUNTING POLICIES FOR FEDERAL AWARDS  
YEAR ENDED SEPTEMBER 30, 2014

- The City uses the fund types specified by the Governmental Accounting Standards Board. Special revenue funds are used to account for resources restricted to, or designated for, specific purposes. Federal and state financial assistance generally is accounted for in a Special Revenue Fund because it is restricted for specific purposes.
- The accounting and financial reporting treatment applied to a fund is determined by its measurement focus. The Governmental Fund types are accounted for using a current financial resources measurement focus called the modified accrual basis of accounting. Nearly all Federal grant funds were accounted for in a Special Revenue Fund which is a Governmental Fund type. With this measurement focus, only current assets and current liabilities and the fund balance are included on the balance sheet. Operating statements of these funds present increases and decreases in net current assets.

The modified accrual basis of accounting recognizes revenues in the accounting period in which they become susceptible to accrual, i.e., both measurable and available, and expenditures in the accounting period in which the fund liability is incurred, if measurable, except for unmatured interest on General Long-Term Debt, which is recognized when due, and certain compensated absences and claims and judgments, which are recognized when the obligations are expected to be liquidated with expendable available financial resources.

Usually Federal grant funds are considered to be earned to the extent of expenditures made under the provisions of the grant. When Federal grant funds are received before related expenditures are made, they are recorded as deferred revenues.

- The period of availability for federal grant funds for the purpose of liquidation of outstanding obligations made on or before the ending date of the federal project period extends 30 days beyond the federal project period ending date, in accordance with provisions in Section H, Period of Availability of Federal Funds, Part 3, OMB Circular A-133 Compliance Statement.