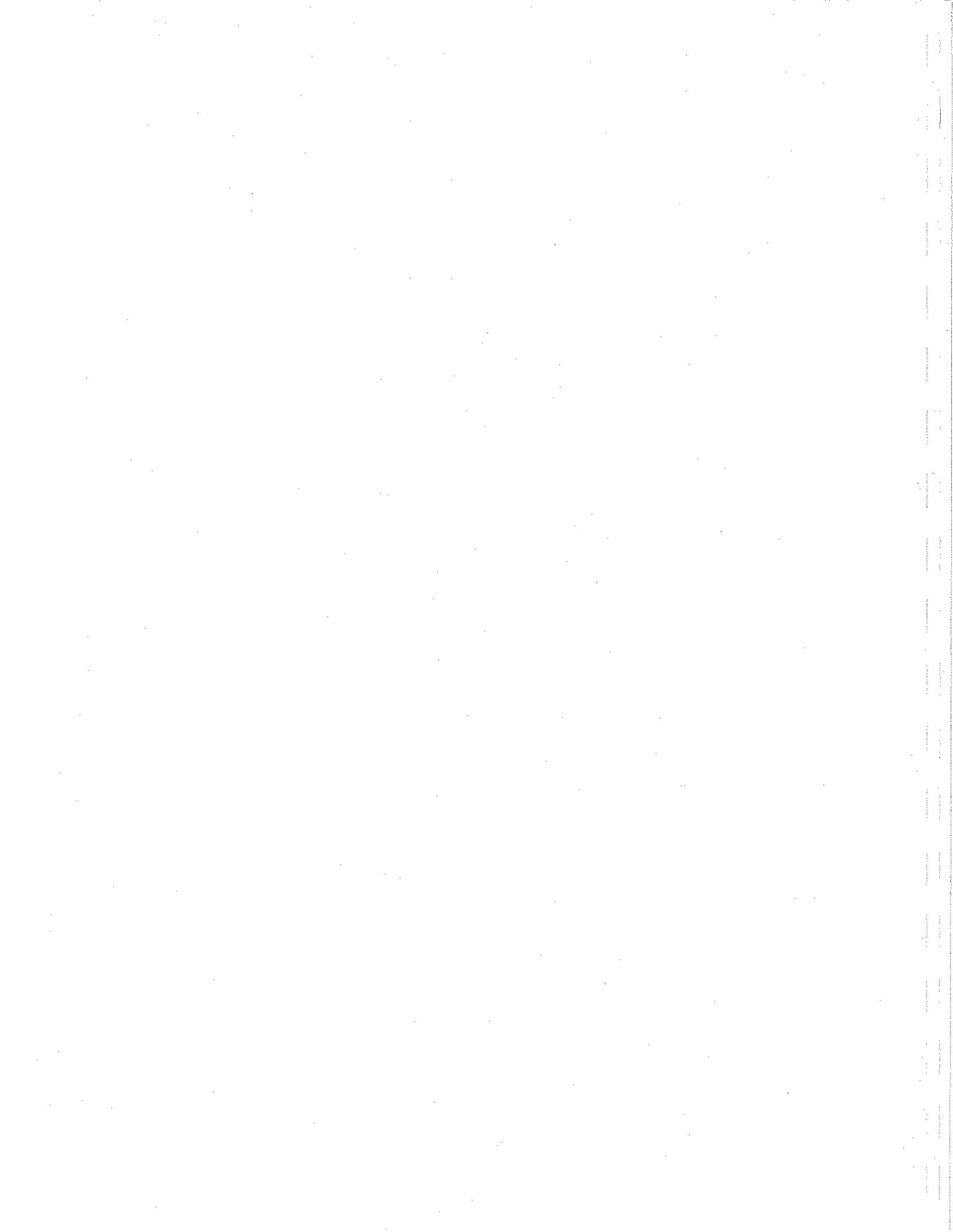


CITY OF ALTON, TX  
ANNUAL FINANCIAL REPORT  
YEAR ENDED SEPTEMBER 30, 2015

NOEL GARZA, CPA, PC  
Certified Public Accountant



CITY OF ALTON, TX  
ANNUAL FINANCIAL REPORT  
FOR THE YEAR ENDED SEPTEMBER 30, 2015

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# Noel Garza, CPA, PC

Certified Public Accountant

4416 S. McColl Rd.

Edinburg, TX 78539

956-393-8743

## INDEPENDENT AUDITOR'S REPORT

To the Honorable Mayor and the 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, Tx, as of and for the year ended September 30, 2015, and the related notes to the financial statements, which collectively comprise the City of Alton'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, each major fund, and the aggregate remaining fund information of the City of Alton, Tx, as of September 30, 2015, and the respective changes in financial position, and the respective 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.

#### ***Emphasis of Matter***

As discussed in Note I to the financial statements, in 2015 the City implemented new accounting guidance, GASB Statement No. 68, Accounting and Financial Reporting for Pensions and GASB Statement No. 71, Pension Transition for Contributions Made Subsequent to the Measurement Date. Our opinion is not modified with respect to these matters.

***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 22, 2016 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 the City of Alton, Tx's internal control over financial reporting and compliance.

*Noel Garza C.P.A., P.C.*

Noel Garza, CPA, PC

Edinburg, Tx  
April 22, 2016

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, 2015. 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 position: increased by \$427,531 as a result of this year's operations. While net position of our business-type activities: decreased by \$60,105 net position of our governmental activities: increased, by \$487,636. However, net position of governmental activities had a prior period adjustment that decreased net position by \$2,495,854, and the business activities had a prior period adjustment that decreased net position by \$4,229 resulting in a total decrease in net position of \$2,072,552.

During the year, the City had expenses that were \$ 209,698 more than the \$5.49 million generated in tax and other revenues for governmental programs (before special items).

In the City's business-type activities, revenues increased from \$2.49 to \$2.87 million (or 3.9 percent) while expenses also increased from \$1.95 to \$1.94 million (or .5 percent).

The General Fund ended the year with a fund balance of \$688,434.

The resources available for appropriation were \$30 thousand less than budgeted expenses 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 position 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 25) 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 position 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 position 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 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 position and changes in them. The City's net position (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 position 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 position 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 position 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 position 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 position (Table I) and changes in net position (Table II) of the City's governmental and business-type activities.

Net position of the City's governmental activities decreased from \$ 2.20 million to \$ .19 million. Unrestricted net position – the part of net position that can be used to finance day-to-day operations without constraints established by debt covenants, enabling legislation, or other legal requirements – was \$222,356 at September 30, 2015.

In 2015, net position of our business-type activities decreased by \$64,334.

Table I  
City of ALTON  
NET POSITION

	Governmental Activities 2015	Governmental Activities 2014	Business-type Activities 2015	Business-type Activities 2014	Total 2015	Total 2014
Current and other assets	3,622,271	4,162,737	711,012	809,113	4,333,283	4,971,850
Capital assets	19,068,227	17,702,620	15,267,141	14,572,762	34,335,368	32,275,382
Total assets	22,690,498	21,865,357	15,978,153	15,381,875	38,668,651	37,247,232
Deferred Outflow, Pension Plan	165,481	0	36,309	0	201,790	
Long-term liabilities	11,654,117	8,890,440	1,472,055	0	13,126,172	9,145,691
Other liabilities	11,006,938	10,771,773	345,015	1,120,150	11,351,953	11,796,924
Total liabilities	22,661,055	19,622,213	1,817,070	1,120,150	24,478,125	20,782,363
Net position:						
Invested in capital assets net of related debt	(475,062)	(1,500,068)	14,158,851	13,600,449	13,683,789	12,100,381
Restricted	447,630	1,774,875	0	0	447,630	1,774,875
Unrestricted	222,356	1,928,336	38,540	661,276	260,896	2,589,612
Total net position	194,924	2,203,143	14,197,391	14,261,725	14,392,315	16,464,868

Table II  
City of ALTON  
CHANGES IN NET POSITION

	Governmental Activities 2015	Governmental Activities 2014	Business-type Activities 2015	Business-type Activities 2014	Total 2015	Total 2014
Revenues:						
Program Revenues:						
Charges for Services	301,196	289,323	2,550,401	2,461,597	2,851,597	2,750,920
Operating grants and contributions	988,800	279,415	0	0	988,800	279,415
General Revenues:						
Maintenance and operations taxes	1,037,178	1,027,105	0	0	1,037,178	1,027,105
Debt service taxes	358,799	343,184	0	0	358,799	343,184
Sales Taxes	731,039	652,660	0	0	731,039	652,660
Franchise Taxes	74,457	269,719	0	0	271,199	269,719
Investment Earnings	5,269	2,137	0	0	5,269	2,137
Miscellaneous	1,793,474	1,312,183	36,565	23,560	1,830,039	1,335,743
Total Revenue	5,486,954	4,175,726	2,586,966	2,485,157	8,073,920	6,660,883
Expenses:						
General Government	1,503,434	470,095	0	0	1,503,434	470,095
Public Safety	2,529,243	2,243,449	0	0	2,529,243	2,243,449
Public Works	687,956	758,607	0	0	687,956	758,607
Health and Welfare	108,349	129,933	0	0	108,349	129,933
Culture & Recreation	83,657	140,671	0	0	83,657	140,671
Economic Development & Asst.	487,119	447,947	0	0	487,119	447,947
Debt Service	296,644	220,845	0	0	296,644	220,845
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	1,949,737	1,939,459	1,949,737	1,939,459
Utility I&S Fund	0	0	0	0	0	0
Total Expenses	5,696,652	4,411,797	1,949,737	1,939,459	7,646,389	6,351,256
Increase in net position before transfers and special items	(209,698)	(236,071)	637,229	545,698	427,531	309,627
Transfers	697,334	(2,992,907)	(697,334)	2,937,907	0	(55,000)
Special Items - Resources					0	0
Special Items-Prior Period Adjustments	(2,495,854)	94,159	(4,229)	3,605	(2,500,083)	97,764
Net position at 10/1/14	2,203,142	5,337,960	14,261,725	10,774,516	16,464,867	16,112,476
Net position at 9/30/15	194,924	2,203,142	14,197,391	14,261,725	14,392,315	16,464,868

The cost of all governmental activities this year was \$ 5.70 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 \$1.4 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; \$1.29 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 \$194 thousand, which is less than last year's total of \$2.2 million. Included in this year's total change in fund balance is an increase of \$470.2 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 (\$608 thousand) reported in the General Fund budgetary comparison schedule on page 19. This is principally due unrealized revenues.

## CAPITAL ASSET AND DEBT ADMINISTRATION

### Capital Assets

At the end of the 2014-15 year, the City had \$19.07 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 fire department building project, utilizing proceeds from the USDA loan & grant.

### Debt

At year-end, the City had \$20.65 million in bonds and notes outstanding, increasing by \$.47 million from \$20.18 million, due to new bond issues and notes.

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 2014-15 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 2015-16. Amounts available for appropriation in the General Fund budget are \$4.194 million, lower than the final 2014-15 budget of \$ 3.747 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 \$4.16 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 2015-16.

## 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, 2015

EXHIBIT A-1

	Primary Government		Total
	Governmental Activities	Business Type Activities	
<b>ASSETS</b>			
Cash and Cash Equivalents	\$ 1,754,686	\$ 463,996	\$ 2,218,682
Receivables (net of allowance for uncollectibles)	1,111,678	274,083	1,385,761
Internal Balances	110,130	(110,130)	-
Restricted Assets:			
Temp. Restricted Asset (specify)	645,777	83,063	728,840
Capital Assets:			
Land	3,467,659	25,110	3,492,769
Infrastructure, net	8,556,968	-	8,556,968
Buildings, net	3,993,359	-	3,993,359
Improvements other than Buildings, net	-	5,668,675	5,668,675
Machinery and Equipment, net	804,142	537,717	1,341,859
Construction in Progress	2,246,099	9,035,639	11,281,738
Total Assets	<u>22,690,498</u>	<u>15,978,153</u>	<u>38,668,651</u>
<b>DEFERRED OUTFLOW OF RESOURCES</b>			
Deferred Outflow Related to Pension Plan	\$ 165,481	\$ 36,309	\$ 201,790
Total Deferred Outflows of Resources	<u>165,481</u>	<u>36,309</u>	<u>201,790</u>
<b>LIABILITIES</b>			
Accounts Payable	282,966	125,479	408,445
Intergovernmental Payable	48,801	7,548	56,349
Unearned Revenues	(3,375)	-	(3,375)
Notes Payable - Current	-	211,988	211,988
Noncurrent Liabilities			
Due Within One Year	10,678,546	-	10,678,546
Due in More Than One Year	8,978,858	1,472,055	10,450,913
Net Pension Liability	2,675,259	-	2,675,259
Total Liabilities	<u>22,661,055</u>	<u>1,817,070</u>	<u>24,478,126</u>
<b>NET POSITION</b>			
Net Investment in Capital Assets	(475,062)	14,158,851	13,683,789
Restricted for:			
Restricted for	14,395	-	14,395
Restricted for	433,235	-	433,235
Unrestricted Net Position	222,356	38,540	260,896
Total Net Position	<u>\$ 194,924</u>	<u>\$ 14,197,391</u>	<u>\$ 14,392,315</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, 2015

	Expenses	Program Revenues
		Charges for Services
<b>Primary Government:</b>		
<b>GOVERNMENTAL ACTIVITIES:</b>		
General Government	\$ 1,503,434	\$ 301,196
Public Safety	2,529,243	-
Public Works	658,068	-
Highways and Streets	29,888	-
Health and Welfare	117,917	-
Health	(9,568)	-
Culture and Recreation	83,657	-
Conservation and Development	487,119	-
Bond Interest	131,415	-
Other Debt Interest	165,229	-
Fiscal Agent's Fees	250	-
Total Governmental Activities:	5,696,652	301,196
<b>BUSINESS-TYPE ACTIVITIES:</b>		
	1,114,218	1,211,442
	835,520	1,338,959
Total Business-Type Activities:	1,949,738	2,550,401
<b>TOTAL PRIMARY GOVERNMENT:</b>	\$ 7,646,390	\$ 2,851,597

General Revenues:

Taxes:

Property Taxes, Levied for General Purposes

Property Taxes, Levied for Debt Service

Sales Taxes

Franchise Taxes

Penalty and Interest

Grants and Contributions Not Restricted

Miscellaneous Revenue

Investment Earnings

Special Item - resource

Special Item (Use)

Transfers In (Out)

Total General Revenues, Special Items, 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
\$ (1,202,238)	\$ -	\$ (1,202,238)
(2,529,243)	-	(2,529,243)
(658,068)	-	(658,068)
(29,888)	-	(29,888)
(117,917)	-	(117,917)
9,568	-	9,568
(83,657)	-	(83,657)
(487,119)	-	(487,119)
(131,415)	-	(131,415)
(165,229)	-	(165,229)
(250)	-	(250)
<u>(5,395,456)</u>	<u>-</u>	<u>(5,395,456)</u>
-	97,224	97,224
-	503,439	503,439
-	<u>600,663</u>	<u>600,663</u>
<u>(5,395,456)</u>	<u>600,663</u>	<u>(4,794,793)</u>
1,037,178	-	1,037,178
358,799	-	358,799
731,039	-	731,039
271,199	-	271,199
74,457	-	74,457
988,800	-	988,800
1,719,017	7,174	1,726,191
5,269	-	5,269
40,125	29,392	69,517
(40,125)	-	(40,125)
697,334	(697,334)	-
<u>5,883,092</u>	<u>(660,768)</u>	<u>5,222,324</u>
487,636	(60,105)	427,531
2,203,142	14,261,725	16,464,867
(2,495,854)	(4,229)	(2,500,083)
<u>\$ 194,924</u>	<u>\$ 14,197,391</u>	<u>\$ 14,392,314</u>

CITY OF ALTON, TX  
BALANCE SHEET  
GOVERNMENTAL FUNDS  
SEPTEMBER 30, 2015

	General Fund	Major Special Revenue Fund	Capital Projects
<b>ASSETS</b>			
Cash and Cash Equivalents	\$ 402,617	\$ 408,908	\$ 195,160
Taxes Receivable	334,722	-	-
Receivables (Net)	115,261	417,280	-
Intergovernmental Receivables	62,402	-	-
Due from Other Funds	411,911	103,320	70,057
Temporarily Restricted Asset - TWDB	-	-	645,777
Total Assets	<u>\$ 1,326,913</u>	<u>\$ 929,508</u>	<u>\$ 910,994</u>
<b>LIABILITIES</b>			
Accounts Payable	\$ 43,462	\$ -	\$ 1
Wages and Salaries Payable	76,454	-	-
Intergovernmental Payable	48,801	-	-
Due to Other Funds	128,258	400,000	-
Due to Others	-	-	-
Unearned Revenues	-	-	642,421
Total Liabilities	<u>296,975</u>	<u>400,000</u>	<u>642,422</u>
<b>DEFERRED INFLOWS OF RESOURCES</b>			
Unavailable Revenue - Property Taxes	341,504	-	-
Total Deferred Inflows of Resources	<u>341,504</u>	<u>-</u>	<u>-</u>
<b>FUND BALANCES</b>			
Capital Acquisition and Contractual Obligation	-	-	268,572
Retirement of Long-Term Debt	-	-	-
Other Assigned Fund Balance	-	529,508	-
Unassigned Fund Balance	688,434	-	-
Total Fund Balances	<u>688,434</u>	<u>529,508</u>	<u>268,572</u>
Total Liabilities, Deferred Inflows & Fund Balances	<u>\$ 1,326,913</u>	<u>\$ 929,508</u>	<u>\$ 910,994</u>

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

EXHIBIT C-1

Capital Projects	Capital Projects	Other Funds	Total Governmental Funds
\$ 35,294	\$ 266,965	\$ 445,742	\$ 1,754,686
-	-	123,948	458,670
-	-	58,065	590,606
-	-	-	62,402
-	-	90,606	675,894
-	-	-	645,777
<u>\$ 35,294</u>	<u>\$ 266,965</u>	<u>\$ 718,361</u>	<u>\$ 4,188,035</u>
\$ 12,985	\$ 124,611	\$ 5,823	\$ 186,882
-	-	3,806	80,260
-	-	-	48,801
-	-	37,506	565,764
-	-	15,824	15,824
-	-	-	642,421
<u>12,985</u>	<u>124,611</u>	<u>62,959</u>	<u>1,539,952</u>
-	-	122,553	464,057
-	-	122,553	464,057
22,309	142,354	-	433,235
-	-	14,395	14,395
-	-	518,454	1,047,962
-	-	-	688,434
<u>22,309</u>	<u>142,354</u>	<u>532,849</u>	<u>2,184,026</u>
<u>\$ 35,294</u>	<u>\$ 266,965</u>	<u>\$ 718,361</u>	<u>\$ 4,188,035</u>

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CITY OF ALTON, TX  
 RECONCILIATION OF THE GOVERNMENTAL FUNDS BALANCE SHEET TO THE  
 STATEMENT OF NET POSITION  
 SEPTEMBER 30, 2015

<b>Total Fund Balances - Governmental Funds</b>	\$	2,184,026
<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 \$34,235,546 and the accumulated depreciation was \$16,532,928. 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>		
		(994,906)
<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 2015 capital outlays and debt principal payments is to increase (decrease) net position.</p>		
		3,121,206
<p>The 2015 depreciation expense increases accumulated depreciation. The net effect of the current year's depreciation is to decrease net position.</p>		
		(881,692)
<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>		
		(3,233,710)
<b>Net Position of Governmental Activities</b>	<b>\$</b>	<b>194,924</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, 2015

	General Fund	Major Special Revenue Fund	Capital Projects
<b>REVENUES:</b>			
Taxes:			
Property Taxes	\$ 1,054,233	\$ -	\$ -
General Sales and Use Taxes	365,519	-	-
Franchise Tax	271,199	-	-
Penalty and Interest on Taxes	53,799	-	-
Licenses and Permits	210,519	-	-
Intergovernmental Revenue and Grants	-	-	62,757
Charges for Services	279,658	-	-
Fines	482,833	-	-
Forfeits	-	-	-
Special Assessments	-	-	-
Investment Earnings	584	2,510	542
Rents and Royalties	21,538	-	-
Contributions & Donations from Private Sources	-	-	-
Other Revenue	257,778	-	-
Total Revenues	2,997,660	2,510	63,299
<b>EXPENDITURES:</b>			
Current:			
General Government	1,134,973	-	-
Public Safety	2,207,810	-	-
Public Works	550,866	-	-
Health and Welfare	104,118	-	-
Culture and Recreation	30,372	-	-
Conservation and Development	79,608	-	-
Debt Service:			
Bond Principal	-	-	-
Other Debt Principal	-	-	-
Bond Interest	-	-	-
Other Debt Interest	-	-	-
Fiscal Agent's Fees	-	-	-
Capital Outlay:			
Capital Outlay	-	400,000	29,600
Total Expenditures	4,107,747	400,000	29,600
Excess (Deficiency) of Revenues Over (Under) Expenditures	(1,110,087)	(397,490)	33,699
<b>OTHER FINANCING SOURCES (USES):</b>			
Capital-related Debt Issued (Regular Bonds)	-	-	950,000
Sale of Real and Personal Property	400,000	300,000	-
Transfers In	526,288	400,000	35,000
Other Resources	653,971	-	-
Transfers Out (Use)	-	-	(750,000)
Total Other Financing Sources (Uses)	1,580,259	700,000	235,000
<b>SPECIAL ITEMS:</b>			
Special Item - (Use)	-	-	(40,125)
Net Change in Fund Balances	470,172	302,510	228,574
Fund Balance - October 1 (Beginning)	218,262	226,998	39,998
Fund Balance - September 30 (Ending)	\$ 688,434	\$ 529,508	\$ 268,572

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

Capital Projects	Capital Projects	Other Funds	Total Governmental Funds
\$ -	\$ -	\$ 343,996	\$ 1,398,229
-	-	365,520	731,039
-	-	-	271,199
-	-	20,658	74,457
-	-	-	210,519
-	570,921	337,252	970,930
-	-	150,532	430,190
-	-	-	482,833
-	-	5,599	5,599
-	-	123,757	123,757
725	252	656	5,269
-	-	300	21,838
-	-	17,870	17,870
-	28,000	22,899	308,677
<u>725</u>	<u>599,173</u>	<u>1,389,039</u>	<u>5,052,406</u>
-	-	-	1,134,973
-	-	13,716	2,221,526
-	-	-	550,866
-	-	-	104,118
-	-	39,541	69,913
-	-	326,090	405,698
-	-	358,486	358,486
-	-	458,678	458,678
-	-	131,415	131,415
-	-	165,229	165,229
-	-	250	250
<u>1,688,941</u>	<u>726,169</u>	<u>79,997</u>	<u>2,924,707</u>
<u>1,688,941</u>	<u>726,169</u>	<u>1,573,402</u>	<u>8,525,859</u>
<u>(1,688,216)</u>	<u>(126,996)</u>	<u>(184,363)</u>	<u>(3,473,453)</u>
-	-	-	950,000
-	-	-	700,000
280,000	300,000	489,334	2,030,622
(335,000)	-	-	653,971
<u>(55,000)</u>	<u>300,000</u>	<u>241,046</u>	<u>3,001,305</u>
-	-	-	(40,125)
<u>(1,743,216)</u>	<u>173,004</u>	<u>56,683</u>	<u>(512,273)</u>
<u>1,765,525</u>	<u>(30,650)</u>	<u>476,166</u>	<u>2,696,299</u>
<u>\$ 22,309</u>	<u>\$ 142,354</u>	<u>\$ 532,849</u>	<u>\$ 2,184,026</u>

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, 2015

<b>Total Net Change in Fund Balances - Governmental Funds</b>	\$	(512,273)
<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 2015 capital outlays and debt principal payments is to increase (decrease) the change in net position.</p>		
		3,113,767
<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>		
		(881,692)
<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>		
		(1,232,166)
<b>Change in Net Position of Governmental Activities</b>	<b>\$</b>	<b>487,636</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, 2015

	Budgeted Amounts		Actual Amounts (GAAP BASIS)	Variance With Final Budget Positive or (Negative)
	Original	Final		
<b>REVENUES:</b>				
Taxes:				
Property Taxes	\$ 1,027,088	\$ 1,039,003	\$ 1,054,233	\$ 15,230
General Sales and Use Taxes	334,850	295,524	365,519	69,995
Franchise Tax	260,000	260,000	271,199	11,199
Penalty and Interest on Taxes	48,766	48,766	53,799	5,033
Licenses and Permits	156,400	188,483	210,519	22,036
Charges for Services	306,493	297,686	279,658	(18,028)
Fines	442,150	486,423	482,833	(3,590)
Investment Earnings	375	624	584	(40)
Rents and Royalties	25,900	19,744	21,538	1,794
Other Revenue	209,335	257,310	257,778	468
<b>Total Revenues</b>	<b>2,811,357</b>	<b>2,893,563</b>	<b>2,997,660</b>	<b>104,097</b>
<b>EXPENDITURES:</b>				
Current:				
General Government	938,420	1,154,317	1,134,973	19,344
Public Safety	1,950,743	2,025,910	2,207,810	(181,900)
Public Works	572,788	562,259	550,866	11,393
Health and Welfare	108,879	106,163	104,118	2,045
Culture and Recreation	44,300	31,927	30,372	1,555
Conservation and Development	98,639	92,994	79,608	13,386
<b>Total Expenditures</b>	<b>3,713,769</b>	<b>3,973,570</b>	<b>4,107,747</b>	<b>(134,177)</b>
Excess (Deficiency) of Revenues Over (Under) Expenditures	(902,412)	(1,080,007)	(1,110,087)	(30,080)
<b>OTHER FINANCING SOURCES (USES):</b>				
Sale of Real and Personal Property	430,000	430,000	400,000	(30,000)
Transfers In	531,000	526,288	526,288	-
Other Resources	-	513,417	653,971	140,554
<b>Total Other Financing Sources (Uses)</b>	<b>961,000</b>	<b>1,469,705</b>	<b>1,580,259</b>	<b>110,554</b>
<b>Net Change</b>	<b>58,588</b>	<b>389,698</b>	<b>470,172</b>	<b>80,474</b>
Fund Balance - October 1 (Beginning)	218,262	218,262	218,262	-
<b>Fund Balance - September 30 (Ending)</b>	<b>\$ 276,850</b>	<b>\$ 607,960</b>	<b>\$ 688,434</b>	<b>\$ 80,474</b>

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, 2015

	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	\$ 208,402	\$ 255,594	\$ 463,996
Restricted Assets - Current:			
Temporarily Restricted Asset - Escrow	83,063	-	83,063
Accounts Receivable-Net of Uncollectible Allowance	157,253	116,830	274,083
Total Current Assets	<u>448,718</u>	<u>372,424</u>	<u>821,142</u>
<b>Noncurrent Assets:</b>			
Capital Assets:			
Land Purchase and Improvements	25,110	-	25,110
Improvements other than Buildings	7,819,749	-	7,819,749
Accumulated Depreciation - Other Improvements	(2,151,074)	-	(2,151,074)
Machinery and Equipment	2,081	949,735	951,816
Accumulated Depreciation - Machinery & Equipment	-	(414,099)	(414,099)
Construction in Progress	9,035,639	-	9,035,639
Total Noncurrent Assets	<u>14,731,505</u>	<u>535,636</u>	<u>15,267,141</u>
Total Assets	<u>15,180,223</u>	<u>908,060</u>	<u>16,088,283</u>
<b>DEFERRED OUTFLOWS OF RESOURCES</b>			
Deferred Outflow Related to Pension Plan	17,981	18,328	36,309
Total Deferred Outflows of Resources	<u>17,981</u>	<u>18,328</u>	<u>36,309</u>
<b>LIABILITIES</b>			
<b>Current Liabilities:</b>			
Accounts Payable	7,281	90,956	98,237
Wages and Salaries Payable	17,261	9,981	27,242
Intergovernmental Payable	-	7,548	7,548
Due to Other Funds	103,320	6,810	110,130
Notes Payable - Current	28,917	183,071	211,988
Total Current Liabilities	<u>156,779</u>	<u>298,366</u>	<u>455,145</u>
<b>NonCurrent Liabilities:</b>			
Bonds Payable - Non-Current:			
Revenue Bonds Payable	285,000	-	285,000
Notes Payable - Noncurrent	120,361	490,940	611,301
Other Noncurrent Liabilities	285,121	290,633	575,754
Total Noncurrent Liabilities	<u>690,482</u>	<u>781,573</u>	<u>1,472,055</u>
Total Liabilities	<u>847,261</u>	<u>1,079,939</u>	<u>1,927,200</u>
<b>NET POSITION</b>			
Net Investment in Capital Assets	14,297,227	(138,375)	14,158,851
Unrestricted Net Position	53,716	(15,176)	38,540
Total Net Position	<u>\$ 14,350,943</u>	<u>\$ (153,551)</u>	<u>\$ 14,197,391</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, 2015

	Business-Type Activities - Enterprise Funds		
	Water & Sewer Fund	Solid Waste Fund	Total Enterprise Funds
<b>OPERATING REVENUES:</b>			
Charges for Services	\$ -	\$ 1,212,810	\$ 1,212,810
Charges for Sewerage Service	1,211,442	126,149	1,337,591
Investment Earnings	367	191	558
Contributions & Donations from Private Source	-	300	300
Other Revenue	-	6,316	6,316
Total Operating Revenues	<u>1,211,809</u>	<u>1,345,766</u>	<u>2,557,575</u>
<b>OPERATING EXPENSES:</b>			
Personnel Services - Salaries and Wages	236,009	166,008	402,017
Personnel Services - Employee Benefits	51,862	41,324	93,186
Purchased Professional & Technical Services	12,720	78,359	91,079
Purchased Property Services	-	65,588	65,588
Other Operating Expenses	609,054	274,288	883,342
Supplies	821	49,898	50,719
Depreciation	183,807	144,097	327,904
Interest Expense	19,946	15,958	35,904
Total Operating Expenses	<u>1,114,218</u>	<u>835,520</u>	<u>1,949,738</u>
Income Before Contributions & Transfers	97,591	510,246	607,837
Capital Contributions	29,393	-	29,393
Non-Operating Transfer In	35,000	-	35,000
Transfers Out	<u>(408,334)</u>	<u>(324,000)</u>	<u>(732,334)</u>
Change in Net Position	(246,350)	186,246	(60,105)
Total Net Position - October 1 (Beginning)	14,325,666	(63,941)	14,261,725
Prior Period Adjustment	271,627	(275,856)	(4,229)
Total Net Position - September 30 (Ending)	<u>\$ 14,350,943</u>	<u>\$ (153,551)</u>	<u>\$ 14,197,391</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, 2015

EXHIBIT D-3

	Business-Type Activities		
	Water & Sewer Fund	Solid Waste Fund	Total Enterprise Funds
<b>Cash Flows from Operating Activities:</b>			
Cash Received from User Charges	\$ 1,148,551	\$ 1,304,649	\$ 2,453,200
Cash Payments to Employees for Services	(280,714)	(205,219)	(485,933)
Cash Payments for Suppliers	(392,758)	(217,679)	(610,437)
Cash Payments for Other Operating Expenses	(19,946)	(208,174)	(228,120)
<b>Net Cash Provided by Operating Activities</b>	<b>455,133</b>	<b>673,577</b>	<b>1,128,710</b>
<b>Cash Flows from Non-Capital Financing Activities:</b>			
Operating Transfer Out	(408,334)	(324,000)	(732,334)
<b>Cash Flows from Capital &amp; Related Financing Activities:</b>			
Acquisition of Capital Assets	(641,623)	(380,618)	(1,022,241)
Capital Contributed by Other Funds	29,393	-	29,393
Debt Service Payments	(29,713)	(168,427)	(198,140)
Prior Period Adjustment	270,436	(275,702)	(5,266)
<b>Net Cash Provided by (Used for) Capital &amp; Related Financing Activities</b>	<b>(371,507)</b>	<b>(824,747)</b>	<b>(1,196,254)</b>
<b>Cash Flows from Investing Activities:</b>			
Purchase of Investment Securities	-	334,311	334,311
Net Pension Liability	303,102	272,305	575,407
<b>Net Cash Provided by Investing Activities</b>	<b>303,102</b>	<b>606,616</b>	<b>909,718</b>
Net Increase(Decrease) in Cash and Cash Equivalents	(21,606)	131,446	109,840
Cash and Cash Equivalents at Beginning of the Year:	313,071	124,148	437,219
<b>Cash and Cash Equivalents at the End of the Year:</b>	<b>\$ 291,465</b>	<b>\$ 255,594</b>	<b>\$ 547,059</b>
<b>Reconciliation of Operating Income to Net Cash Provided By Operating Activities:</b>			
Operating Income:	\$ 97,591	\$ 510,246	\$ 607,837
Adjustments to Reconcile Operating Income to Net Cash Provided by Operating Activities:			
Depreciation	183,807	144,097	327,904
Effect of Increases and Decreases in Current Assets and Liabilities:			
Decrease (increase) in Receivables	63,258	41,117	104,375
Increase (decrease) in Accounts Payable	2,776	(24,242)	(21,466)
Increase (decrease) in Payroll Deductions	4,381	2,113	6,494
Increase (decrease) in Due to Other Funds	103,320	246	103,566
<b>Net Cash Provided by Operating Activities</b>	<b>\$ 455,133</b>	<b>\$ 673,577</b>	<b>\$ 1,128,710</b>

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, 2015

EXHIBITE-1

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	Agency Fund
<hr/>	
ASSETS	
Cash and Cash Equivalents	\$ 2,319
Accounts Receivable-Net of Uncollectible Allowance	3,683
Total Assets	<u>\$ 6,002</u>
NET POSITION	
Restricted for Employee Benefits	\$ 6,002
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, 2015

**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. 56* of the American Institute of Certified Public Accountants and the requirements of contracts and grants of agencies from which it receives funds.

*New Accounting Standards Adopted*

In fiscal year 2015, the City adopted five new statements of financial accounting standards issued by the Governmental Accounting Standards Board:

- Statement No. 67, *Financial Reporting for Pension Plans - an amendment of GASB Statement No. 25*
- Statement No. 68, *Accounting and Financial Reporting for Pensions - an amendment of GASB Statement No. 27*
- Statement No. 69, *Government Combinations and Disposals of Government Operations*
- Statement No. 70, *Accounting and Financial Reporting for Nonexchange Financial Guarantees*
- Statement No. 71, *Pension Transition for Contributions Made Subsequent to the Measurement Date - an amendment of GASB Statement No. 68*

Statement No. 67 establishes financial reporting standards, but not funding or budgetary standards, for state and local government defined benefit pension plans and defined contribution pension plans that are administered through trusts or equivalent arrangements (Pension Trusts) in which:

1. Contributions from employers and nonemployer contributing entities to the pension plan and earnings on those contributions are irrevocable.
2. Pension plan assets are dedicated to providing pensions to plan members in accordance with the benefit terms.
3. Pension plan assets are legally protected from the creditors of employers, nonemployer contributing entities, and the pension plan administrator. If the plan is a defined benefit pension plan, plan assets also are legally protected from creditors of the plan members.

For defined benefit pension plans, this Statement establishes standards of financial reporting for separately issued

financial reports and presentation as pension trust funds in the financial statements of another government, and specifies the required approach to measuring the pension liability of employers and any nonemployer contributing entities for benefits provided through the pension plan (the net pension liability), about which certain information is required to be presented.

Distinctions are made regarding the particular presentation requirements depending upon the type pension plan administered. For defined contribution plans, the Statement provides specific note disclosure requirements. The adoption of Statement No. 67 has no impact on the City's financial statements.

Statement No. 68 establishes standards of accounting and financial reporting, but not funding or budgetary standards, for defined benefit pensions and defined contribution pensions provided to the employees of state and local government employers through pension plans that are administered through trusts or equivalent arrangements criteria detailed above in the description of Statement No. 67. This Statement replaces the requirement of Statement

No. 27, *Accounting for Pensions by State and Local Governmental Employers*, as well as the requirements of Statement No. 50, *Pension Disclosures*, as they relate to pensions that are provided through pension plans within the scope of the Statement.

The requirements of Statement No. 68 apply to the financial statements of all state and local governmental employers whose employees are provided with pensions through pension plans that are administered through trusts or equivalent arrangements as described above, and to the financial statements of state and local governmental nonemployer contributing entities that have a legal obligation to make contributions directly to such pension plans. This Statement establishes standards for measuring and recognizing liabilities, deferred outflows of resources, and deferred inflows of resources, and expense/expenditures related to pensions. Note disclosure and RSI requirements about pensions also are addressed. For defined benefit pension plans, this Statement identifies the methods and assumptions that should be used to project benefit payments, discount projected benefit payments to their actuarial present value, and attribute that present value to periods of employee service.

The adoption of Statement No. 68 has no impact on the City's governmental fund financial statements, which continue to report expenditures in the contribution amount determined legislatively for the TRS plan. The calculation of pension contributions is unaffected by the change. However, the adoption has resulted in the restatement of the City's beginning net position of the government-wide financial statements to reflect the reporting of its proportionate shares of the collective (TRS) pension expense, collective (TRS) deferred outflows of resources and deferred inflows of resources related to pensions and a net pension liability for its qualified pension plan and the recognition of pension expense in accordance with the provisions of the Statement. The Statement requires numerous new pension disclosures in the notes to the financial statements and two new 10-year, pension related charts as required supplementary information.

Statement No. 69 improves financial reporting by addressing accounting and financial reporting for government combinations and disposals of government operations. The term "government combinations" is used to refer to a variety of arrangements including mergers and acquisitions. Mergers include combinations of legally separate entities without the exchange of significant consideration. Government acquisitions are transactions in which a government acquires another entity, or its operations, in exchange for significant consideration. Government combinations also include transfers of operations that do not constitute entire legally separate entities in which no significant consideration is exchanged. Transfers of operations may be present in shared service arrangements, reorganizations, redistricting, annexations, and arrangements in which an operation is transferred to a new government created to provide those services.

There was no impact on the City's financial statements as a result of the implementation of Statement No. 69. Statement No. 70 was issued to improve accounting and financial reporting by state and local governments that extend and receive nonexchange financial guarantees.

The Statement requires a government that extends a nonexchange financial guarantee to recognize a liability when qualitative factors and historical data indicate that it is more likely than not that the government will be required to make a payment on the guarantee. The Statement requires a government that has issued an obligation guaranteed in a nonexchange transaction to recognize revenue to the extent of the reduction in its guaranteed liabilities. The Statement requires a government that is required to repay a guarantor for making a payment on a guaranteed obligation or legally assuming the guaranteed obligation to continue to recognize a liability until legally released as an obligor. When a government is released as an obligor, the government should recognize revenue as a result of being relieved of the obligation. This

Statement also provides additional guidance for intra-entity nonexchange financial guarantees involving blended component units.

There was no impact on the City's financial statements as a result of the implementation of Statement No. 70. Statement No. 71 amends Statement No. 68 to require that, at transition, a government recognize a beginning deferred outflow of resources for its pension contributions, if any, made subsequent to the measurement date of the beginning net pension liability. Since the measurement date of the pension plan was different than the City's fiscal year-end, the effect from the City's reported contributions to the plan subsequent to the respective measurement date of the plan as an increase in deferred outflow of resources.

**Pensions.** For purposes of measuring the net pension liability, deferred outflows of resources and deferred inflows of resources related to pensions, and pension expense, information about the Fiduciary Net Position of the Texas Municipal Retirement System (TMRS) and additions to/deductions from TMRS's Fiduciary Net Position have been determined on the same basis as they are reported by TMRS. For this purpose, plan contributions are recognized in the period that compensation is reported for the employee, which is when contributions are legally due. Benefit payments and refunds are recognized when due and payable in accordance with the benefit terms. Investments are reported at fair value.

#### **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.
2. **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.
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 fiscal year reporting. 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	\$3,467,659	0	\$ 3,467,659	
Buildings	5,753,663	(1,636,063)	4,117,600	
Furniture & Equipment	2,574,921	(1,885,719)	2,389,202	
Construction In Progress	899,849	0	899,849	
Infrastructure	21,539,452	(13,011,145)	8,528,307	
Change in Net Assets				<u>\$ 19,402,617</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			7,236,000	
Less Deferred Charges				
Loans Payable			<u>11,966,689</u>	
Change in Net Assets				<u>(19,202,689)</u>
Net Adjustment to Net Assets				<u>\$199,929</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>\$2,270,698</u>		
Total Capital Outlay	<u>\$2,270,698</u>	<u>\$2,270,698</u>	<u>\$2,270,698</u>
<u>Debt Principal Payments</u>			
Bond Principal	358,486		
Loan Principal	<u>268,678</u>		
Total Principal	<u>\$652,126</u>	<u>652,126</u>	<u>652,126</u>
Payments			
Total Adjustment to Net Assets		<u>\$2,922,824</u>	<u>\$2,922,824</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	\$150,361	\$ (150,361)	
Uncollected taxes(assumed collectible) from Current Year Levy	148,109	148,109	148,109
Uncollected taxes(assumed collectible) from Prior Year Levy	315,948		315,948
<u>Reclassify Proceeds of Bonds, Loans &amp; Capital Leases</u>			
Bond/Note Issuance	1,163,107,	(1,163,107)	(1,163,107)
Sale of Property	23,396	23,396	23,396
Prior Period Adjustments	2,467,853		(2,467,853)
Other		(90,203)	(90,203)
Total		<u>\$ (1,232,166)</u>	<u>\$ (3,233,710)</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 C-5.

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>
Public Safety	<u>\$181,900</u>
Total Excess of Expenditures	<u>\$181,900</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, 2015, the carrying amount of the City's deposits (cash, certificates of deposit, and interest-bearing savings accounts included in temporary investments) was \$2,218,682 and the bank balance was \$2,324,620. The City's cash deposits at September 30, 2015 and during the year ended September 30, 2015 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:	
Urban County	(2,141)
Debt Service	4,360
Capital Projects	<u>126,039</u>
	128,258
Special Revenue Fund Due to:	
General Fund	<u>405,101</u>
	405,101
Debt Service Fund Due to:	
TIRZ Fund	<u>32,405</u>
	32,405
Enterprise Fund Due to:	
General Fund	
TX Leverage Fund	<u>103,320</u>
	103,320
Total Due To:	<u>675,894</u>
General Fund Due From:	
Special Revenue Fund	405,101
Enterprise Fund	<u>6,810</u>
	411,911
Urban County Due From:	
General Fund	<u>(2,141)</u>
	(2,141)

TIRZ Due From:	
General Fund	55,982
Debt Service Fund	<u>32,405</u>
	88,387

Special Revenue Fund Due From:	
Enterprise Fund	<u>103,320</u>
	103,320

Debt Service Fund Due From:	
General Fund	<u>4,360</u>
	4,360

Capital Projects Fund Due From:	
General Fund	<u>70,057</u>
	70,057

Total Due From:	<u>675,894</u>
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**E. DISAGGREGATION OF RECEIVABLES AND PAYABLES**

Receivables at September 30, 2015, were as follows:

	<u>Property Taxes</u>	<u>Sales and Franchise Taxes</u>	<u>Other Governments</u>	<u>Due From Other Funds</u>	<u>Other</u>	<u>Total Receivables</u>
General Fund	\$ 334,722	\$ 107,388	\$ 62,402	\$ 411,911	\$ 7,873	\$ 7,873
Special Revenue Funds	-	57,319	-	189,566	419,421	2,141
Debt Service Fund	122,553	-	-	4,360	-	126,913
Capital Projects Fund	-	-	-	70,057	-	70,057
Enterprise Fund	-	-	-	-	294,398	294,398
Total Receivables	<u>\$ 457,275</u>	<u>\$ 164,707</u>	<u>\$ 62,402</u>	<u>\$ 675,894</u>	<u>\$ 721,692</u>	<u>\$ 2,081,970</u>
Less: Allowance for Uncollectible	\$ -	\$ -	\$ -	\$ -	(20,315)	(20,315)
<b>Net Total Receivable</b>	<u>\$ 457,275</u>	<u>\$ 164,707</u>	<u>\$ 62,402</u>	<u>\$ 675,894</u>	<u>\$ 702,677</u>	<u>\$ 2,061,655</u>

Payables at September 30, 2015, were as follows:

	<u>Accounts Payable</u>	<u>Loans, Leases and Bonds Payable - Current Year</u>	<u>Salaries and Benefits</u>	<u>Due To Other Funds</u>	<u>Due to Other Governments</u>	<u>Other</u>	<u>Total Payables</u>
General Fund	\$ 43,465	\$ -	\$ 70,507	\$ 128,258	\$ 48,801	\$ 5,946	\$ 296,978
Special Revenue Funds	5,822	-	3,806	405,101	-	15,824	430,553
Debt Service	-	10,678,546	-	32,405	-	-	10,710,951
Capital Projects Fund	137,596	-	-	-	-	-	137,596
Enterprise Fund	<u>98,237</u>	<u>211,988</u>	<u>27,242</u>	<u>110,130</u>	<u>-</u>	<u>7,548</u>	<u>455,145</u>
Total Payable	<u>\$ 285,120</u>	<u>\$ 10,890,533</u>	<u>\$ 101,555</u>	<u>\$ 675,894</u>	<u>\$ 48,801</u>	<u>\$ 29,319</u>	<u>\$ 12,031,222</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 and Orchid Estates LLP. The proceeds are required to be expended towards the City's Sewer Project and the development of the City. 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 and the developer of Orchid Estates LLP. As of September 30, 2015 the temporarily restricted cash balance for this account totaled \$ 728,809.

## G. CAPITAL ASSET ACTIVITY

Capital asset activity for the City for the year ended September 30, 2015, was as follows:

	Primary Government				
	<u>Beginning Balance</u>	<u>Additions</u>	<u>Retirements</u>	<u>Adjustments</u>	<u>Ending Balance</u>
<b>Governmental Activities:</b>					
Land	\$ 3,467,659	\$ -	\$ -	\$ -	\$ 3,467,659
Buildings & Improvements	5,753,663	19,549	-	-	5,773,212
Furniture and Equipment	2,574,923	378,450	(109,336)	-	2,844,037
Construction In Progress	899,849	1,346,250	-	-	2,246,099
Infrastructure	<u>21,539,452</u>	<u>526,449</u>	<u>-</u>	<u>-</u>	<u>22,065,901</u>
Totals at Historic Cost	<u>\$ 34,235,546</u>	<u>\$ 2,270,698</u>	<u>(109,336)</u>	<u>\$ -</u>	<u>\$ 36,396,908</u>
Less Accumulated Depreciation:					
Total Accumulated Depreciation	<u>(16,532,928)</u>	<u>(881,692)</u>	<u>88,603</u>	<u>88,603</u>	<u>(17,328,680)</u>
Governmental Activities Capital Assets, Net	<u>\$17,702,618</u>	<u>\$ 1,389,006</u>	<u>\$ (20,734)</u>	<u>\$ 88,603</u>	<u>\$ 19,068,227</u>
<b>Business-type Activities:</b>					
Land	\$ 25,110	-	-	-	\$ 25,110
Construction in Progress	9,190,827	49,692	-	-	9,035,638
Furniture and Equipment	606,923	344,893	-	-	951,816
Infrastructure	5,924,606	204,880	-	-	6,129,486
Buildings and Improvements	<u>1,690,263</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>1,690,263</u>
Totals at Historic Cost	<u>\$ 17,437,729</u>	<u>\$ 599,465</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 17,832,313</u>
Less Accumulated Depreciation					
Total Accumulated Depreciation	<u>(2,299,678)</u>	<u>(327,904)</u>	<u>-</u>	<u>62,410</u>	<u>(2,565,172)</u>
Business-type Activities Capital Assets, Net	<u>\$15,138,051</u>	<u>\$ 271,561</u>	<u>\$ -</u>	<u>\$ 62,410</u>	<u>\$ 15,267,141</u>

Depreciation expense was charged to governmental functions as follows:

General Government	\$223,119
Public Safety	436,316
Public Works	108,293
Health & Welfare	20,468
Culture and Recreation	13,744
Economic Development & Assistance	<u>79,752</u>
Total Depreciation Expense	<u>\$ 881,692</u>

## H. BONDS AND LONG-TERM NOTES PAYABLE

At September 30, 2015, 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.	1,734,000
\$ 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%.	1,700,000
\$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%.	950,000
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%.	34,458
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%	442,313
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%	442,313
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	1,150,000
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%	8,956
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%.	1,860,000
Note Payable to Motorola, dated November 1, 2014 in the original amount of \$140,554 for Radios; Maturity date November 1, 2017 with an interest rate of 3.19%.	140,554
Note Payable to Compass Bank, dated in the original amount of \$1,250,000 for TIRZ Projects; Maturity date with an interest rate of 3.7%.	955,000
Note Payable to Schertz Bank and Trust, dated January 21, 2015 in the amount of \$72,553 for two vehicles; Maturity date March 1, 2017 with an interest rate of 4.153%.	47,591

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% 482,000

Total General Long Term Debt \$19,543,289

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% \$ 134,266

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% 339,713

Note Payable to Schertz Bank and Trust, dated September 10, 2015 in the original amount of \$300,377 For the purchase of a Brush Truck; Maturity date October 1, 2022 of with an interest rate of 3.748%. 300,377

Note Payable to Schertz Bank and Trust, dated September 10, 2015 in the original amount of \$33,934 For the purchase of a Brush Truck; Maturity date October 1, 2022of with an interest rate of 5.524%. 33,934

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% 300,000

Total Enterprise Fund Long Term Debt \$ 1,108,290

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, 2015.

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
2016	10,578,546	303,321	2016	211,988	35,352
2017	989,303	282,133	2017	368,242	29,472
2018	1,014,437	256,529	2018	79,160	19,714

2019	1,006,089	230,770	2019	69,053	16,598
2020	1,034,138	205,684	2020	70,892	14,039
2021-2025	3,308,856	594,425	2021-2025	213,665	35,785
2026-2030	1,322,920	129,192	2026-2030	100,000	9,000
2031-2035	93,000	39,563			
2036-2040	115,000	23,750			
2041-2043	81,000	5,125			
Total	19,543,289	2,070,491	Total	1,108,290	159,961

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

Long-term activity for the year ended September 30, 2015, was as follows:

	<u>Beginning Balance</u>	<u>Additions</u>	<u>Reductions</u>	<u>Adjustments</u>	<u>Ending Balance</u>	<u>Due Within One Year</u>
<b>Governmental Activities:</b>						
Bonds and Notes Payable:						
General Obligation Bonds	\$ 7,236,000	\$ 950,000	\$ (533,000)	\$ 28,000	\$7,681,000	\$ 499,000
Loans Payable	11,966,688	213,107	(317,507)	-	11,862,288	10,179,546
Total Bonds and Notes Payable	\$19,202,688	\$ 1,163,107	\$ (850,507)	\$ 28,000	\$19,543,288	\$ 10,678,546
	<u>Beginning Balance</u>	<u>Additions</u>	<u>Reductions</u>	<u>Adjustments</u>	<u>Ending Balance</u>	<u>Due Within One Year</u>
<b>Enterprise Activities:</b>						
Notes Payable:						
Combination Tax & Rev. Bonds	315,000	\$ -	(15,000)	-	300,000	15,000
Loans Payable	657,312	334,311	(198,140)	-	807,203	196,988
Total Bonds and Notes Payable	\$ 972,312	\$ 334,311	\$ (213,140)	\$ -	\$ 1,108,290	\$ 211,988
Total Enterprises Activities Long-term Liabilities	\$ 972,312	\$ 334,311	\$ (213,140)	\$ -	\$ 1,108,290	\$ 211,988

**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, 2015 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	\$341,504	\$122,553	\$464,057

**L. 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 2015, the County of Hidalgo transferred \$57,635 for fiscal years 2014, while the City transferred \$73,986 to meet the requirements of the TIRZ agreement for the fiscal year.

## **M. DEFINED BENEFIT PENSION PLAN**

### **Plan Description**

The City of Alton participates as one of 860 plans in the nontraditional, joint contributory, hybrid defined benefit pension plan administered by the Texas Municipal Retirement System (TMRS). TMRS is an agency created by the State of Texas and administered in accordance with the TMRS Act, Subtitle G, Title 8, Texas Government Code (the TMRS Act) as an agent multiple-employer retirement system for municipal employees in the State of Texas. The TMRS Act places the general administration and management of the System with a six-member Board of Trustees. Although the Governor, with the advice and consent of the Senate, appoints the Board, TMRS is not fiscally dependent on the State of Texas. TMRS's defined benefit pension plan is a tax-qualified plan under Section 401 (a) of the Internal Revenue Code. TMRS issues a publicly available comprehensive annual financial report (CAFR) that can be obtained at [www.tmr.com](http://www.tmr.com).

All eligible employees of the city are required to participate in TMRS.

### **Benefits Provided**

TMRS provides retirement, disability, and death benefits. Benefit provisions are adopted by the governing body of the city, within the options available in the state statutes governing TMRS.

At retirement, the benefit is calculated as if the sum of the employee's contributions, with interest, and the city-financed monetary credits with interest were used to purchase an annuity. Members may choose to receive their retirement benefit in one of seven payments options. Members may also choose to receive a portion of their benefit as a Partial Lump Sum Distribution in an amount equal to 12, 24, or 36 monthly payments, which cannot exceed 75% of the member's deposits and interest.

### ***Employees covered by benefit terms.***

At the December 31, 2014 valuation and measurement date, the following employees were covered by the benefit terms:

Inactive employees or beneficiaries currently receiving benefits	9
Inactive employees entitled to but not yet receiving benefits	63
Active employees	74
Total Employees	146

## **Contributions**

The contribution rates for employees in TMRS are either 5%, 6%, or 7% of employee gross earnings, and the city matching percentages are either 100%, 150%, or 200%, both as adopted by the governing body of the city. Under the state law governing TMRS, the contribution rate for each city is determined annually by the actuary, using the Entry Age Normal (EAN) actuarial cost method. The actuarially determined rate is the estimated amount necessary to finance the cost of benefits earned by employees during the year, with an additional amount to finance any unfunded accrued liability.

Employees for the City of Alton were required to contribute 7% of their annual gross earnings during the fiscal year. The contribution rates for the City of Alton were 8.70% and 8.69% in calendar years 2014 and 2015, respectively. The city's contributions to TMRS for the year ended September 30, 2015, were \$127,868, and were equal to the required contributions.

## **Net Pension Liability**

The city's Net Pension Liability (NPL) was measured as of December 31, 2014, and the Total Pension Liability (TPL) used to calculate the Net Pension Liability was determined by an actuarial valuation as of that date.

### ***Actuarial assumptions:***

The Total Pension Liability in the December 31, 2014 actuarial valuation was determined using the following actuarial assumptions:

Inflation	3.0% per year
Overall payroll growth	3.5% to 12.00% per year
Investment Rate of Return	7.0%, net of pension plan investment expense, including inflation

Salary increases were based on a service-related table. Mortality rates for active members, retirees, and beneficiaries were based on the gender-distinct RP2000 Combined Healthy Mortality Table, with male rates multiplied by 109% and female rates multiplied by 103%. The rates are projected on a fully generational basis by scale BB to account for future mortality improvements. For disabled annuitants, the gender-distinct RP2000 Disabled Retiree Mortality Table is used, with slight adjustments.

Actuarial assumptions used in the December 31, 2014, valuation were based on the results of actuarial experience studies. The experience study in TMRS was for the period January 1, 2006 through December 31, 2009, first used in the December 31, 2010 valuation. Healthy post-retirement mortality rates and annuity purchase rates were updated based on a Mortality Experience Investigation Study covering 2009 through 2011, and dated December 31, 2013. These assumptions were first used in the December 31, 2013 valuation, along with a change to the Entry Age Normal (EAN) actuarial cost method. Assumptions are reviewed annually. No additional changes were made for the 2014 valuation.

The long-term expected rate of return on pension plan investments is 7.0%. The pension plan's policy in regard to the allocation of invested assets is established and may be amended by the TMRS Board of Trustees. Plan assets are managed on a total return basis with an emphasis on both capital appreciation as well as the production of income, in order to satisfy the short-term and long-term funding needs of TMRS.

The long-term expected rate of return on pension plan investments was determined using a building-block method in which best estimate ranges of expected future real rates of return (expected returns, net of

pension plan investment expense and inflation) are developed for each major asset class. These ranges are combined to produce the long-term expected rate of return by weighting the expected future real rates of return by the target asset allocation percentage and by adding expected inflation. The target allocation and best estimates of arithmetic real rates of return for each major asset class are summarized in the following table:

ASSET CLASS	TARGET ALLOCATION	LONG TERM EXPECTED RATE OF RETURN
Domestic Equity	17.5%	4.80%
International Equity	17.5%	6.05%
Core Fixed Income	30.0%	1.50%
Non-Core Fixed Income	10.0%	3.50%
Real Return	5.0%	1.75%
Real Estate	10.0%	5.25%
Absolute Return	5.0%	4.25%
Private Equity	5.0%	8.50%
Total	100.0%	

**Discount Rate**

The discount rate used to measure the Total Pension Liability was 7.0%. The projection of cash flows used to determine the discount rate assumed that employee and employer contributions will be made at the rates specified in statute. Based on that assumption, the pension plan's Fiduciary Net Position was projected to be available to make all projected future benefit payments of current active and inactive employees. Therefore, the long-term expected rate of return on pension plan investments was applied to all periods of projected benefit payments to determine the Total Pension Liability.

	Total Pension Liability (a)	Plan Fiduciary Net Position (b)	Net Pension Liability (a)-(b)
<b>Balance at 12/31/2013</b>	3,203,941	2,814,862	389,079
Changes for the year:			
Service cost	376,918	-	376,918
Interest	234,794	-	234,794
Change of benefit terms	-	-	-
Difference between expected and actual experience	(153,570)	-	(153,570)
Changes of assumptions	-	-	-
Contributions - employer	-	194,604	194,604
Contributions - employee	-	158,584	158,584
Net investment income	-	161,110	161,110
Benefit payments, including refunds of employee contributions	(76,411)	(76,411)	-
Administrative expense	-	(1,681)	(1,681)
Other changes	-	(138)	(138)
Net changes	381,731	436,068	(54,337)
<b>Balance at 12/31/2014</b>	3,585,672	3,250,930	334,742

Sensitivity of the net pension liability to changes in the discount rate

The following presents the net pension liability of the City, calculated using the discount rate of 7.0%, as well as what the City's net pension liability would be if it were calculated using a discount rate that is 1-percentage-point lower (6.0%) or 1-percentage-point higher (8.0%) than the current rate:

	1% Decrease in Discount Rate 6%	Discount Rate 7%	1% Increase in Discount Rate 8%
City's net pension liability	\$1,020,690	\$334,742	\$(203,148)

***Pension Plan Fiduciary Net Position***

Detailed information about the pension plan's Fiduciary Net Position is available in a separately-issued TMRS financial report. That report may be obtained on the Internet at [www.tmr.com](http://www.tmr.com).

**Pension Expense and Deferred Outflows of Resources and Deferred Inflows of Resources Related to Pensions**

For the year ended September 30, 2015, the city recognized pension expense of \$218,353.

At September 30, 2015, the city reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual economic experience	(\$153,570)	(\$118,512)
Changes in actuarial assumptions	\$ -	\$ -
Difference between projected and actual investment earnings	\$ 35,930	\$ 28,744
Contributions subsequent to the measurement date December 31, 2013	\$	
<b>Total</b>	<b>\$117,640</b>	<b>(\$89,768)</b>

\$190,720 reported as deferred outflows of resources related to pensions resulting from contributions subsequent to the measurement date will be recognized as a reduction of the net pension liability for the year ending September 30, 2015. Other amounts reported as deferred outflows and inflows of resources related to pensions will be recognized in pension expense as follows:

**YEAR ENDED DECEMBER 31**

2016	(\$27,872)
2017	(\$27,872)
2018	(\$27,872)
2019	\$-
2020	-
Thereafter	(\$89,768)

**N. 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>
FM 676 Project	L&G Engineering	August, 2017	\$ 375,000

**O. 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.

**P. SUBSEQUENT EVENTS**

The City considered all subsequent events through April 22, 2016

**Q. PRIOR PERIOD ADJUSTMENT**

The City recognized prior period adjustments in the Government Wide Financial Statements totaling (\$2,495,854). The adjustment corrected the beginning Net Assets due to the implementation of GASB Statement number 68, recognizing the prior Net Pension Liability. The City also recognized prior period adjustments in the Enterprise Funds totaling (\$4,229). The following adjustments were made to beginning fund balances were necessary to reflect the actual balances at beginning of the year:

<u>FUND</u>	<u>TOTAL</u>
Utility Fund	\$271,627
Solid Waste Fund	(\$275,856)

During fiscal year 2015, the City adopted GASB Statement No. 68 for Accounting and Reporting for Pensions. With GASB 68, the City must assume their proportionate share of the Net Pension Liability of the Texas Municipal Retirement System. Adoption of GASB 68 required a prior period adjustment to report the effect of GASB 68, retroactively. The amount of the prior period adjustment is a reduction of (\$2,495,894) to our September 30, 2014 Net Position. The restated beginning Net Position is (\$292,712).

CITY OF ALTON, TX  
 SCHEDULE OF CHANGES IN NET PENSION LIABILITY AND RELATED RATIOS  
 TEXAS MUNICIPAL RETIREMENT SYSTEM  
 SEPTEMBER 30, 2015

EXHIBIT G-6

	2015
<b>A. Total Pension Liability</b>	
Service Cost	\$ 376,918
Interest (on the Total Pension Liability)	234,794
Changes of Benefit Terms	-0-
Difference between Expected and Actual Experience	(153,570)
Changes of Assumptions	-0-
Benefit Payments, including refunds of employee contributions	(76,411)
Net change in Total Pension Liability	\$ 381,731
Total Pension Liability - Beginning	3,203,941
Total Pension Liability - Ending	\$ 3,585,672
<b>B. Total Fiduciary Net Position</b>	
Contributions - Employer	\$ 194,604
Contributions - Employee	158,584
Net Investment Income	161,110
Benefit Payments, including refunds of employee contributions	(76,411)
Administrative Expense	(1,681)
Other	(138)
Net Change in Plan Fiduciary Net Position	\$ 436,068
Plan Fiduciary Net Position - Beginning	2,814,862
Plan Fiduciary Net Position - Ending	\$ 3,250,930
<b>C. Net Pension Liability</b>	\$ 334,742
<b>D. Plan Fiduciary Net Position as a Percentage of the Total Pension Liability</b>	90.66%
<b>E. Covered Employee Payroll</b>	\$ 2,265,479
<b>F. Net Pension Liability as a Percentage of Covered Employee Payroll</b>	14.78%

Note: GASB 68, Paragraph 46, a and b requires that the data in this schedule be presented for the time period covered by the measurement date rather than the governmental entity's current fiscal year.

Note: Only one year of data is presented in accordance with GASBS #68, paragraph 138. "The information for all periods for the 10-year schedules that are required to be presented as required supplementary information may not be available initially. In these cases, during the transition period, that information should be presented for as many years as are available. The schedules should not include information that is not measured in accordance with the requirements of this Statement."

CITY OF ALTON, TX  
SCHEDULE OF CONTRIBUTIONS  
TEXAS MUNICIPAL RETIREMENT SYSTEM  
SEPTEMBER 30, 2015

EXHIBIT G-7

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	<u>2015</u>
Actuarially Determined Contribution	\$ 218,353
Contributions in Relation to the Actuarially Determined Contributions	218,353
Contribution Deficiency (Excess)	<u>\$ -0-</u>
Covered Employee Payroll	\$ 2,534,439
Contributions as a Percentage of Covered Employee Payroll	8.62%

Note: GASB 68, Paragraph 81 requires that the data in this schedule be presented as of the governmental entity's current fiscal year as opposed to the time period covered by the measurement date.

Note: Only one year of data is presented in accordance with GASB 68, Paragraph 138. "The information for all periods for the 10-year schedules that are required to be presented as required supplementary information may not be available initially. In these cases, during the transition period, that information should be presented for as many years as are available. The schedules should not include information that is not measured in accordance with the requirements of this Statement."

**COMBINING AND INDIVIDUAL FUND  
STATEMENTS AND SCHEDULES**

CITY OF ALTON, TX  
 COMBINING BALANCE SHEET  
 NONMAJOR GOVERNMENTAL FUNDS  
 SEPTEMBER 30, 2015

	Development Corporation 4A	Development Corporation 4B	Facilities & Infrastructur Fund	Urban County Grant Fund
<b>ASSETS</b>				
Cash and Cash Equivalents	\$ 77,019	\$ 76,816	\$ 184,069	\$ -
Taxes Receivable	-	-	-	-
Receivables (Net)	27,962	27,962	-	2,141
Due from Other Funds	-	-	-	(2,141)
<b>Total Assets</b>	<b>\$ 104,981</b>	<b>\$ 104,778</b>	<b>\$ 184,069</b>	<b>\$ -</b>
<b>LIABILITIES</b>				
Accounts Payable	\$ 817	\$ 4,770	\$ -	\$ -
Wages and Salaries Payable	2,131	1,675	-	-
Due to Other Funds	-	-	-	-
Due to Others	-	-	8,681	-
<b>Total Liabilities</b>	<b>2,948</b>	<b>6,445</b>	<b>8,681</b>	<b>-</b>
<b>DEFERRED INFLOWS OF RESOURCES</b>				
Unavailable Revenue - Property Taxes	-	-	-	-
<b>Total Deferred Inflows of Resources</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>
<b>FUND BALANCES</b>				
Retirement of Long-Term Debt	-	-	-	-
Other Assigned Fund Balance	102,033	98,333	175,388	-
<b>Total Fund Balances</b>	<b>102,033</b>	<b>98,333</b>	<b>175,388</b>	<b>-</b>
<b>Total Liabilities, Deferred Inflows &amp; Fund Balances</b>	<b>\$ 104,981</b>	<b>\$ 104,778</b>	<b>\$ 184,069</b>	<b>\$ -</b>

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

EXHIBITH-1 (Cont'd)

Siezes & Forfeitures Fund	Alton Youth Club Activity Fund	TIRZ Fund	PEG Fund	Volunteer Firefighter Fund	Alton Chamber of Commerce	Total Nonmajor Special Revenue Funds	Debt Service Fund
\$ 41,913	\$ 1,353	\$ 1,004	\$ 17,580	\$ 2,678	\$ 871	\$ 403,303	\$ 41,241
-	-	-	1,395	-	-	1,395	122,553
-	-	-	-	-	-	58,065	-
-	-	88,387	-	-	-	86,246	4,360
<u>\$ 41,913</u>	<u>\$ 1,353</u>	<u>\$ 89,391</u>	<u>\$ 18,975</u>	<u>\$ 2,678</u>	<u>\$ 871</u>	<u>\$ 549,009</u>	<u>\$ 168,154</u>
\$ 236	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 5,823	\$ -
-	-	-	-	-	-	3,806	-
-	3,777	-	-	-	1,325	5,102	32,404
7,143	-	-	-	-	-	15,824	-
<u>7,379</u>	<u>3,777</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>1,325</u>	<u>30,555</u>	<u>32,404</u>
-	-	-	-	-	-	-	122,553
-	-	-	-	-	-	-	122,553
-	-	-	-	-	-	-	13,197
34,534	(2,424)	89,391	18,975	2,678	(454)	518,454	-
<u>34,534</u>	<u>(2,424)</u>	<u>89,391</u>	<u>18,975</u>	<u>2,678</u>	<u>(454)</u>	<u>518,454</u>	<u>13,197</u>
<u>\$ 41,913</u>	<u>\$ 1,353</u>	<u>\$ 89,391</u>	<u>\$ 18,975</u>	<u>\$ 2,678</u>	<u>\$ 871</u>	<u>\$ 549,009</u>	<u>\$ 168,154</u>

CITY OF ALTON, TX  
 COMBINING BALANCE SHEET  
 NONMAJOR GOVERNMENTAL FUNDS  
 SEPTEMBER 30, 2015

EXHIBITH-1

	TIRZ Debt Service Fund	Total Nonmajor Debt Service Funds	Total Nonmajor Governmental Funds
<b>ASSETS</b>			
Cash and Cash Equivalents	\$ 1,198	\$ 42,439	\$ 445,742
Taxes Receivable	-	122,553	123,948
Receivables (Net)	-	-	58,065
Due from Other Funds	-	4,360	90,606
Total Assets	<u>\$ 1,198</u>	<u>\$ 169,352</u>	<u>\$ 718,361</u>
<b>LIABILITIES</b>			
Accounts Payable	\$ -	\$ -	\$ 5,823
Wages and Salaries Payable	-	-	3,806
Due to Other Funds	-	32,404	37,506
Due to Others	-	-	15,824
Total Liabilities	<u>-</u>	<u>32,404</u>	<u>62,959</u>
<b>DEFERRED INFLOWS OF RESOURCES</b>			
Unavailable Revenue - Property Taxes	-	122,553	122,553
Total Deferred Inflows of Resources	<u>-</u>	<u>122,553</u>	<u>122,553</u>
<b>FUND BALANCES</b>			
Retirement of Long-Term Debt	1,198	14,395	14,395
Other Assigned Fund Balance	-	-	518,454
Total Fund Balances	<u>1,198</u>	<u>14,395</u>	<u>532,849</u>
Total Liabilities, Deferred Inflows & Fund Balances	<u>\$ 1,198</u>	<u>\$ 169,352</u>	<u>\$ 718,361</u>

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

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CITY OF ALTON, TX  
 COMBINING STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN  
 FUND BALANCES - NONMAJOR GOVERNMENTAL FUNDS  
 FOR THE YEAR ENDED SEPTEMBER 30, 2015

	Development Corporation 4A	Development Corporation 4B	Facilities & Infrastructur Fund	Urban County Grant Fund
<b>REVENUES:</b>				
Taxes:				
Property Taxes	\$ -	\$ -	\$ -	\$ -
General Sales and Use Taxes	182,760	182,760	-	-
Penalty and Interest on Taxes	-	-	-	-
Intergovernmental Revenue and Grants	-	-	-	205,632
Charges for Services	-	-	144,725	-
Forfeits	-	-	-	-
Special Assessments	-	-	123,757	-
Investment Earnings	103	104	146	-
Rents and Royalties	-	-	-	-
Contributions & Donations from Private Sources	-	-	-	-
Other Revenue	-	-	-	-
Total Revenues	<u>182,863</u>	<u>182,864</u>	<u>268,628</u>	<u>205,632</u>
<b>EXPENDITURES:</b>				
Current:				
Public Safety	-	-	-	-
Culture and Recreation	-	-	-	-
Conservation and Development	166,602	149,794	-	9,694
Debt Service:				
Bond Principal	-	-	-	-
Other Debt Principal	27,339	27,339	-	190,000
Bond Interest	-	-	-	-
Other Debt Interest	14,859	14,859	-	5,938
Fiscal Agent's Fees	-	-	-	-
Capital Outlay:				
Capital Outlay	-	-	79,997	-
Total Expenditures	<u>208,800</u>	<u>191,992</u>	<u>79,997</u>	<u>205,632</u>
Excess (Deficiency) of Revenues Over (Under) Expenditures	<u>(25,937)</u>	<u>(9,128)</u>	<u>188,631</u>	<u>-</u>
<b>OTHER FINANCING SOURCES (USES):</b>				
Transfers In	-	-	-	-
Transfers Out (Use)	-	-	(125,000)	-
Total Other Financing Sources (Uses)	<u>-</u>	<u>-</u>	<u>(125,000)</u>	<u>-</u>
Net Change in Fund Balance	(25,937)	(9,128)	63,631	-
Fund Balance - October 1 (Beginning)	<u>127,970</u>	<u>107,461</u>	<u>111,757</u>	<u>-</u>
Fund Balance - September 30 (Ending)	<u>\$ 102,033</u>	<u>\$ 98,333</u>	<u>\$ 175,388</u>	<u>\$ -</u>

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

EXHIBIT H-2 (Cont'd)

Siezes & Forfeitures Fund	Alton Youth Club Activity Fund	TIRZ Fund	PEG Fund	Volunteer Firefighter Fund	Alton Chamber of Commerce	Total Nonmajor Special Revenue Funds	Debt Service Fund
\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 343,996
-	-	-	-	-	-	365,520	-
-	-	-	-	-	-	-	20,658
-	-	131,620	-	-	-	337,252	-
5,599	5,807	-	-	-	-	150,532	-
-	-	-	-	-	-	5,599	-
-	-	-	-	-	-	123,757	-
53	2	18	15	3	2	446	201
-	300	-	-	-	-	300	-
-	-	-	-	2,170	15,700	17,870	-
-	11,318	-	5,556	-	6,025	22,899	-
<u>5,652</u>	<u>17,427</u>	<u>131,638</u>	<u>5,571</u>	<u>2,173</u>	<u>21,727</u>	<u>1,024,175</u>	<u>364,855</u>
11,652	-	-	-	2,064	-	13,716	-
-	17,085	-	-	-	22,456	39,541	-
-	-	-	-	-	-	326,090	-
-	-	-	-	-	-	-	358,486
-	-	-	-	-	-	244,678	9,000
-	-	-	-	-	-	-	131,415
-	-	-	-	-	-	35,656	18,761
-	-	-	-	-	-	-	250
-	-	-	-	-	-	79,997	-
<u>11,652</u>	<u>17,085</u>	<u>-</u>	<u>-</u>	<u>2,064</u>	<u>22,456</u>	<u>739,678</u>	<u>517,912</u>
<u>(6,000)</u>	<u>342</u>	<u>131,638</u>	<u>5,571</u>	<u>109</u>	<u>(729)</u>	<u>284,497</u>	<u>(153,057)</u>
-	-	-	-	-	-	-	172,334
<u>(25,288)</u>	<u>-</u>	<u>(98,000)</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>(248,288)</u>	<u>-</u>
<u>(25,288)</u>	<u>-</u>	<u>(98,000)</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>(248,288)</u>	<u>172,334</u>
<u>(31,288)</u>	<u>342</u>	<u>33,638</u>	<u>5,571</u>	<u>109</u>	<u>(729)</u>	<u>36,209</u>	<u>19,277</u>
<u>65,822</u>	<u>(2,766)</u>	<u>55,753</u>	<u>13,404</u>	<u>2,569</u>	<u>275</u>	<u>482,245</u>	<u>(6,080)</u>
<u>\$ 34,534</u>	<u>\$ (2,424)</u>	<u>\$ 89,391</u>	<u>\$ 18,975</u>	<u>\$ 2,678</u>	<u>\$ (454)</u>	<u>\$ 518,454</u>	<u>\$ 13,197</u>

CITY OF ALTON, TX  
 COMBINING STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN  
 FUND BALANCES - NONMAJOR GOVERNMENTAL FUNDS  
 FOR THE YEAR ENDED SEPTEMBER 30, 2015

	TIRZ Debt Service Fund	Total Nonmajor Debt Service Funds	Total Nonmajor Governmental Funds
<b>REVENUES:</b>			
Taxes:			
Property Taxes	\$ -	\$ 343,996	\$ 343,996
General Sales and Use Taxes	-	-	365,520
Penalty and Interest on Taxes	-	20,658	20,658
Intergovernmental Revenue and Grants	-	-	337,252
Charges for Services	-	-	150,532
Forfeits	-	-	5,599
Special Assessments	-	-	123,757
Investment Earnings	9	210	656
Rents and Royalties	-	-	300
Contributions & Donations from Private Sources	-	-	17,870
Other Revenue	-	-	22,899
Total Revenues	<u>9</u>	<u>364,864</u>	<u>1,389,039</u>
<b>EXPENDITURES:</b>			
Current:			
Public Safety	-	-	13,716
Culture and Recreation	-	-	39,541
Conservation and Development	-	-	326,090
Debt Service:			
Bond Principal	-	358,486	358,486
Other Debt Principal	205,000	214,000	458,678
Bond Interest	-	131,415	131,415
Other Debt Interest	110,812	129,573	165,229
Fiscal Agent's Fees	-	250	250
Capital Outlay:			
Capital Outlay	-	-	79,997
Total Expenditures	<u>315,812</u>	<u>833,724</u>	<u>1,573,402</u>
Excess (Deficiency) of Revenues Over (Under) Expenditures	<u>(315,803)</u>	<u>(468,860)</u>	<u>(184,363)</u>
<b>OTHER FINANCING SOURCES (USES):</b>			
Transfers In	317,000	489,334	489,334
Transfers Out (Use)	-	-	(248,288)
Total Other Financing Sources (Uses)	<u>317,000</u>	<u>489,334</u>	<u>241,046</u>
Net Change in Fund Balance	1,197	20,474	56,683
Fund Balance - October 1 (Beginning)	<u>1</u>	<u>(6,079)</u>	<u>476,166</u>
Fund Balance - September 30 (Ending)	<u>\$ 1,198</u>	<u>\$ 14,395</u>	<u>\$ 532,849</u>

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

FEDERAL SECTION

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# Noel Garza, CPA, PC

Certified Public Accountant

4416 S. McColl Rd.

Edinburg, TX 78539

956-393-8743

## 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, each major fund, and the aggregate remaining fund information of the City of Alton, Tx, as of and for the year ended September 30, 2015, and the related notes to the financial statements, which collectively comprise the City of Alton, Tx's basic financial statements and have issued our report thereon dated April 22, 2016.

### **Internal Control over Financial Reporting**

In planning and performing our audit of the financial statements, we considered the 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 the City of Alton, Tx's internal control. Accordingly, we do not express an opinion on the effectiveness of the 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 and therefore, material weaknesses or significant deficiencies may exist that were not identified. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses.

### **Compliance and Other Matters**

As part of obtaining reasonable assurance about whether the 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 an instance of noncompliance or other matters that is required to be reported under *Government Auditing Standard* and which is described in the accompanying schedule of findings and questioned costs as item #2015-01.

We noted certain matters that we reported to management of City of Alton, Tx, in a separate letter dated April 22, 2016.

**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.

*Noel Garza CPA, PC.*

Noel Garza, CPA, PC

Edinburg, Tx  
April 22, 2016

# Noel Garza, CPA, PC

Certified Public Accountant

4416 S. McColl Rd.

Edinburg, TX 78539

956-393-8743

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

To the Superintendent and Board of Trustees of the  
City of Alton, Tx  
Alton, Tx

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

We have audited the 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 the City of Alton, Tx's major federal programs for the year ended September 30, 2015. 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 the 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 the 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 the City of Alton, Tx's compliance.

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

In our opinion, the 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, 2015.

### ***Report on Internal Control over Compliance***

Management of the 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 the 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 the 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.

*Noel Garza C.P.A., P.C.*

Noel Garza, CPA, PC

Edinburg, Tx  
September 22, 2016

CITY OF ALTON  
 SCHEDULE OF FINDINGS AND QUESTIONED COSTS  
 FOR THE YEAR ENDED SEPTEMBER 30, 2015

**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) indentified?  | 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?   | Yes  |
| H. Major Federal Program(s)   | American Recovery and Reinvestment Act<br>C.F.D.A # 10.780 |

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

**2015-01 Expenditures over Appropriations**

**Criteria:** Texas Local Government Code, Title 4, Subtitle A., Chapter 102 Municipal Budget establishes the law governing the annual General Fund budget requirements for the City.

**Condition:** The City's General Fund had excess expenditures over appropriations totaling \$181,900, for the year ended September 30, 2015.

**Cause:** The City did not properly amend the budget to allow for the expenditures.

**Effect:** The City was not in compliance with the Texas Local Government Code.

**Recommendation:** The City should review their budget throughout the year and propose amendments to ensure compliance with State Law.

Auditee's Response: The City will review and update internal procedures to ensure full compliance with all applicable Local Government Code requirements. Contact: Mrs. Rosie Tello, Finance Director, (956)432-0760.

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

None

CITY OF ALTON  
SCHEDULE OF PRIOR FINDINGS  
FOR THE YEAR ENDED SEPTEMBER 30, 2015

None

CITY OF ALTON, TX  
 SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS  
 FOR THE YEAR ENDED SEPTEMBER 30, 2015

(1)	(2)	(3)	(4)
FEDERAL GRANTOR/ PASS-THROUGH GRANTOR/ PROGRAM or CLUSTER TITLE	Federal CFDA Number	Pass-Through Entity Identifying Number	Federal Expenditures
<b><u>ENVIRONMENTAL PROTECTION AGENCY</u></b>			
<u>Passed through Texas Water Development Board</u>			
Clean Water State Revolving Fund	66.458	G11016	\$ 237
Total Passed through Texas Water Development Board			<u>237</u>
<b>TOTAL ENVIRONMENTAL PROTECTION AGENCY</b>			<u>237</u>
<b><u>ECONOMIC DEVELOPMENT ASSISTANCE</u></b>			
<u>Direct Programs</u>			
EDA Grant	11.300		29,363
Total Direct Programs			<u>29,363</u>
<b>TOTAL ECONOMIC DEVELOPMENT ASSISTANCE</b>			<u>29,363</u>
<b><u>U.S. DEPARTMENT OF AGRICULTURE</u></b>			
<u>Direct Programs</u>			
A.R.R.A Grant	10.780	TX-00-04	500,000
Total Direct Programs			<u>500,000</u>
<b>TOTAL U.S. DEPARTMENT OF AGRICULTURE</b>			<u>500,000</u>
<b><u>DEPARTMENT OF HOUSING &amp; URBAN DEVELOPMENT</u></b>			
<u>Passed Through Hidalgo County Urban Development De</u>			
Community Development Block Grant	14.218		205,631
Total Passed Through Hidalgo County Urban Development De			<u>205,631</u>
<b>TOTAL DEPARTMENT OF HOUSING &amp; URBAN DEVELOPMENT</b>			<u>205,631</u>
<b>TOTAL EXPENDITURES OF FEDERAL AWARDS</b>			<u>\$ 735,231</u>

CITY OF ALTON, TX  
NOTES ON ACCOUNTING POLICIES FOR FEDERAL AWARDS  
YEAR ENDED SEPTEMBER 30, 2015

- 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.

