

CITY OF ALTON, TX
ANNUAL FINANCIAL REPORT FOR THE YEAR ENDED
SEPTEMBER 30, 2019

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CITY OF ALTON, TX
ANNUAL FINANCIAL REPORT
FOR THE YEAR ENDED SEPTEMBER 30, 2019

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ADRIAN WEBB, CPA

Certified Public Accountant
Edinburg, TX

INDEPENDENT AUDITOR'S REPORT

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

Report on the Financial Statements

We have audited the accompanying financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the City of Alton, Tx, as of and for the year ended September 30, 2019, and the related notes to the financial statements, which collectively comprise the City of Alton, Tx'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, 2019, and the respective changes in financial position, the respective budgetary comparison for the general fund thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the management’s discussion and analysis information 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 combining and individual nonmajor fund financial statements 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 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 13, 2020, 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.



Adrian Webb, CPA PC

Edinburg, Tx
April 13, 2020

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, 2019. 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: decreased by \$(925,207), as a result of this year's operations. While net position of our business-type activities: increased by \$769,556 net position of our governmental activities: decreased, by \$(1,694,763). However, net position of governmental activities had a prior period adjustment that decreased net position by (\$68,693) resulting in a total decrease in net position of \$(993,900).
- During the year, the City had expenditures that were \$ 1,694,763 more than the \$6,499,707 million generated in tax and other revenues for governmental programs (before special items).
- In the City's business-type activities, revenues increased from \$3,515,116 to \$3,642,710 million (or 4 percent) while expenses also increased from \$2,624,788 to \$2,873,154 million (or 9 percent).
- The General Fund ended the year with a fund balance of \$626,610.
- The resources available for appropriation were \$94 thousand more 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. This 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 \$10.80 million to \$10.55 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 \$(14,063) at September 30, 2019.

In 2019, net position of our business-type activities decreased by \$818,129.

Table I
City of ALTON
NET POSITION

	Governmental Activities 2019	Governmental Activities 2018	Business-type Activities 2019	Business-type Activities 2018	Total 2019	Total 2018
Current and other assets	4,392,241	2,986,462	1,157,044	1,412,245	5,549,285	4,398,707
Capital assets	21,791,708	20,751,431	14,813,050	15,378,346	36,604,758	36,129,777
Total assets	26,183,949	23,737,893	15,970,094	16,790,591	42,154,043	40,528,484
Deferred Outflow, Pension Plan	513,546	458,113	66,659	30,555	580,205	488,667
Long-term liabilities	449,735	10,670,963	173,274	1,032,658	623,009	11,703,621
Other liabilities	15,697,891	2,720,469	1,379,205	410,943	17,077,096	3,206,554
Total liabilities	16,147,626	13,391,432	1,552,479	1,518,743	17,700,105	14,910,175
Net position:						
Invested in capital assets net of related debt	7,409,869	8,943,377	13,787,136	14,210,268	21,197,005	23,153,645
Restricted	3,154,063	1,705,560	0	0	3,154,063	1,705,560
Unrestricted	(14,063)	155,636	697,138	1,092,135	683,075	1,247,771
Total net position	10,549,869	10,804,574	14,484,274	15,302,403	25,034,143	26,106,977

Table II
City of ALTON

CHANGES IN NET POSITION

	Governmental Activities 2019	Governmental Activities 2018	Business-type Activities 2019	Business-type Activities 2018	Total 2019	Total 2018
Revenues:						
Program Revenues:						
Charges for Services	941,305	643,948	3,616,919	3,515,116	4,558,224	4,159,064
Operating grants and contributions	725,414	548,269	13,797	0	739,211	548,269
General Revenues:						
Maintenance and operations taxes	1,161,677	1,119,735	0	0	1,161,677	1,119,735
Debt service taxes	517,130	514,075	0	0	517,130	514,075
Sales Taxes	1,142,789	962,488	0	0	1,142,789	962,488
Franchise Taxes	330,967	308,281	0	0	330,967	308,281
Investment Earnings	69,845	39,712	0	0	69,845	39,712
Miscellaneous	1,610,580	1,295,066	11,994	0	1,622,574	2,458,327
Total Revenue	6,499,707	5,431,574	3,642,710	3,515,116	5,584,193	8,946,690
Expenses:						
General Government	1,312,681	1,544,164	0	0	1,312,681	1,544,164
Public Safety	3,764,489	3,053,139	0	0	3,764,489	3,053,139
Public Works	755,159	698,729	0	0	755,159	698,729
Health and Welfare	208,295	143,395	0	0	208,295	143,395
Culture & Recreation	806,166	474,599	0	0	806,166	474,599
Economic Development & Asst.	949,770	809,319	0	0	949,770	809,319
Debt Service	397,910	394,319	0	0	397,910	394,319
Fiscal Agent's Fees	0	800	0	0	0	800
Utility Fund Services	0	0	0	0	0	0
Solid Waste Fund Services	0	0	2,873,154	2,624,788	2,873,154	2,624,788
Utility I&S Fund	0	0	0	0	0	0
Total Expenses	8,194,470	7,118,464	2,873,154	2,624,788	11,067,624	9,743,252
Increase in net position before transfers and special items	(1,694,763)	(1,686,890)	769,556	890,328	(925,207)	(778,959)
Transfers	1,492,861	1,163,261	(1,492,861)	(1,145,658)	0	(17,603)
Special Items – Resources	0	-	0	0	0	0
Special Items-Prior Period Adjustments	26,131	(142,633)	(94,824)	(131,106)	(68,693)	(273,739)
Net position at 10/1/18	10,725,640	11,470,835	15,302,403	15,688,847	26,028,043	27,159,682
Net position at 9/30/19	10,549,869	10,804,574	14,484,274	15,302,403	25,034,143	26,106,977

The cost of all governmental activities this year was \$8.194 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 \$1,678,807 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.

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 \$3.780 million, which is more than last year's total of \$2.32 million. Included in this year's total change in fund balance is an increase of \$5,200 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 \$626 thousand reported on page 13 differs from the General Fund's budgetary fund balance of \$513 thousand reported in the General Fund budgetary comparison schedule on page 19. This is principally due revenues not meeting expectations.

CAPITAL ASSET AND DEBT ADMINISTRATION

Capital Assets

At the end of the 2018-19 year, the City had \$36.6 million invested in a broad range of capital assets, including facilities, land, infrastructure, vehicles, and equipment.

Debt

At year-end, the City had \$15.4 million in bonds and notes outstanding, increasing by \$2.43 million from \$12.97 million. The decrease is due to the payments applied to the outstanding debt.

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 2019-20 budget tax rates. One of those factors is the economy. The City's population growth during 2011–2016 averaged annual gains of percent. More recently, due to the COVID-19, the unemployment rate is considered to be unreliable as it is changing rapidly day to day across the county. 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, sewer and solid waste services.

These indicators were taken into account when adopting the General Fund budget for 2019-20. Amounts available for appropriation in the General Fund budget are \$217 thousand, higher than the final 2018-19 budget of \$5.75 million. The City will use its revenues to finance programs we currently offer. Budgeted expenditures are expected to increase to \$5.78 million.

If these estimates are realized, the City's budgetary General Fund balance is expected to increase slightly by the close of 2019-20.

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, 509 S Alton Blvd., ALTON, Texas.

CITY OF ALTON, TX
STATEMENT OF NET POSITION
SEPTEMBER 30, 2019

EXHIBIT A-1

	Primary Government		
	Governmental Activities	Business - Type Activities	Total
ASSETS			
Cash and Cash Equivalents	\$ 3,597,718	\$ 423,340	\$ 4,021,058
Taxes Receivable, Net	272,257	-	272,257
Accounts Receivable - Net	392,031	642,616	1,034,647
Due from Other Governments	71,304	-	71,304
Due from Other Funds	58,931	(58,932)	(1)
Temporarily Restricted Asset _____	-	150,020	150,020
Capital Assets:			
Land Purchase and Improvements	3,641,915	25,110	3,667,025
Infrastructure, Net	8,293,853	-	8,293,853
Buildings, Net	6,271,253	-	6,271,253
Improvements other than Buildings, Net	644,578	14,789,359	15,433,937
Furniture and Equipment, Net	1,246,986	(1,419)	1,245,567
Construction in Progress	1,693,123	-	1,693,123
Total Assets	<u>26,183,949</u>	<u>15,970,094</u>	<u>42,154,043</u>
DEFERRED OUTFLOWS OF RESOURCES			
Deferred Outflow Related to Pension Plan	506,240	63,592	569,832
Deferred Resource Outflow Related to OPEB	7,306	3,067	10,373
Total Deferred Outflows of Resources	<u>513,546</u>	<u>66,659</u>	<u>580,205</u>
LIABILITIES			
Accounts Payable	51,365	43,000	94,365
Wages and Salaries Payable	160,906	16,309	177,215
Intergovernmental Payable	105,088	9,736	114,824
Due to Others	23,969	1,958	25,927
Unearned Revenues	108,407	-	108,407
Notes Payable - Current	-	102,271	102,271
Noncurrent Liabilities:			
Debt Due Within One Year	1,335,028	35,000	1,370,028
Bonds Payable - Noncurrent	13,046,811	888,643	13,935,454
Net Pension Liability	879,998	369,486	1,249,484
Net OPEB Liability	65,887	27,665	93,552
Total Liabilities	<u>15,777,459</u>	<u>1,494,068</u>	<u>17,271,527</u>
DEFERRED INFLOWS OF RESOURCES			
Unavailable Revenue - Property Taxes	-	-	-
Deferred Inflow Related to Pension Plan	365,522	56,460	421,982
Deferred Resource Inflow Related to OPEB	4,645	1,951	6,596
Total Deferred Inflows of Resources	<u>370,167</u>	<u>58,411</u>	<u>428,578</u>
NET POSITION			
Net Investment in Capital Assets	7,285,380	13,787,136	21,072,516
Restricted for:			
Restricted for Capital Acquisition	2,114,575	-	2,114,575
Restricted for Debt Service	136,258	-	136,258
Restricted for Other Purposes	903,230	-	903,230
Unrestricted	110,426	697,138	807,564
Total Net Position	<u>\$ 10,549,869</u>	<u>\$ 14,484,274</u>	<u>\$ 25,034,143</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, 2019

	Expenses	<u>Program Revenues</u> Charges for Services
Primary Government:		
GOVERNMENTAL ACTIVITIES:		
General Government	1,312,681	941,305
Public Safety	3,643,439	-
Other Public Safety	121,050	-
Public Works	755,159	-
Health and Welfare	208,295	-
Culture and Recreation	806,166	-
Conservation and Development	949,770	-
Interest on Debt	136,653	-
Interest on Debt	195,426	-
Interest on Debt	63,800	-
Other Debt Service	2,031	-
Total Governmental Activities	8,194,470	941,305
BUSINESS-TYPE ACTIVITIES:		
	1,593,254	1,952,929
	1,279,900	1,663,990
Total Business-Type Activities	2,873,154	3,616,919
TOTAL PRIMARY GOVERNMENT	\$ 11,067,624	\$ 4,558,224

General Revenues:

Taxes:

Property Taxes, Levied for General Purposes

Property Taxes, Levied for Debt Service

General Sales and Use Taxes

Franchise Tax

Penalty and Interest on Taxes

Grants and Contributions

Miscellaneous Revenue

Investment Earnings

Transfers In (Out)

Total General Revenues and Transfers

Change in Net Position

Net Position - Beginning

Prior Period Adjustment

Net Position - Ending

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

Net (Expense) Revenue and Changes in Net Position		
Primary Government		
Governmental Activities	Business-Type Activities	Total
\$ (371,376)	\$ -	\$ (371,376)
(3,643,439)	-	(3,643,439)
(121,050)	-	(121,050)
(755,159)	-	(755,159)
(208,295)	-	(208,295)
(806,166)	-	(806,166)
(949,770)	-	(949,770)
(136,653)	-	(136,653)
(195,426)	-	(195,426)
(63,800)	-	(63,800)
(2,031)	-	(2,031)
<u>(7,253,165)</u>	<u>-</u>	<u>(7,253,165)</u>
-	359,675	359,675
-	384,090	384,090
<u>-</u>	<u>743,765</u>	<u>743,765</u>
<u>(7,253,165)</u>	<u>743,765</u>	<u>(6,509,400)</u>
1,161,677	-	1,161,677
517,130	-	517,130
1,142,789	-	1,142,789
330,967	-	330,967
89,107	-	89,107
725,414	13,797	739,211
1,521,473	11,994	1,533,467
69,845	-	69,845
1,492,861	(1,492,861)	-
<u>7,051,263</u>	<u>(1,467,070)</u>	<u>5,584,193</u>
(201,902)	(723,305)	(925,207)
10,725,640	15,302,403	26,028,043
26,131	(94,824)	(68,693)
<u>\$ 10,549,869</u>	<u>\$ 14,484,274</u>	<u>\$ 25,034,143</u>

CITY OF ALTON, TX
BALANCE SHEET
GOVERNMENTAL FUNDS
SEPTEMBER 30, 2019

	General Fund	Debt Service Fund	Capital Projects
ASSETS			
Cash and Cash Equivalents	\$ 760,962	\$ 122,966	\$ 2,042,296
Taxes Receivable	333,359	133,465	-
Allowance for Uncollectible Taxes (credit)	(142,273)	(54,311)	-
Accounts Receivable Net	99,446	-	-
Due from Other Governments	71,304	-	-
Due from Other Funds	82,080	4,372	70,057
Total Assets	<u>\$ 1,204,878</u>	<u>\$ 206,492</u>	<u>\$ 2,112,353</u>
LIABILITIES			
Accounts Payable	\$ 46,759	\$ -	\$ -
Wages and Salaries Payable	160,906	-	-
Intergovernmental Payable	105,088	-	-
Due to Other Funds	74,429	-	-
Due to Others	-	-	-
Total Liabilities	<u>387,182</u>	<u>-</u>	<u>-</u>
DEFERRED INFLOWS OF RESOURCES			
Unavailable Revenue - Property Taxes	191,086	79,154	-
Total Deferred Inflows of Resources	<u>191,086</u>	<u>79,154</u>	<u>-</u>
FUND BALANCES			
Capital Acquisition and Contractual Obligation	-	-	2,112,353
Retirement of Long-Term Debt	-	127,338	-
Other Assigned Fund Balance	-	-	-
Unassigned Fund Balance	626,610	-	-
Total Fund Balances	<u>626,610</u>	<u>127,338</u>	<u>2,112,353</u>
Total Liabilities, Deferred Inflows & Fund Balances	<u>\$ 1,204,878</u>	<u>\$ 206,492</u>	<u>\$ 2,112,353</u>

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

Other Funds	Total Governmental Funds
\$ 671,494	\$ 3,597,718
2,017	468,841
-	(196,584)
292,585	392,031
-	71,304
-	156,509
<u>\$ 966,096</u>	<u>\$ 4,489,819</u>
\$ 4,606	\$ 51,365
-	160,906
-	105,088
23,149	97,578
23,969	23,969
<u>51,724</u>	<u>438,906</u>
-	270,240
-	270,240
2,222	2,114,575
8,920	136,258
903,230	903,230
-	626,610
<u>914,372</u>	<u>3,780,673</u>
<u>\$ 966,096</u>	<u>\$ 4,489,819</u>

CITY OF ALTON, TX
 RECONCILIATION OF THE GOVERNMENTAL FUNDS BALANCE SHEET TO THE
 STATEMENT OF NET POSITION
 SEPTEMBER 30, 2019

Total Fund Balances - Governmental Funds	\$	3,780,673
<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. 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>		
		8,716,577
<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 2019 capital outlays and debt principal payments is to increase (decrease) net position.</p>		
		3,714,143
<p>This is the second year of the implementation of GASB 68 for the TMRS Pension plan. This fiscal year required that the City report their net pension liability in the Government Wide Statement of Net Position. The items reported as a result of this implementation included a net pension liability of \$3,156,303 and a Deferred Resource Outflow of \$2,069,206. The net effect of these was to decrease the ending net position by \$1,085,097.</p>		
		(802,506)
<p>The 2019 depreciation expense increases accumulated depreciation. The net effect of the current year's depreciation is to decrease net position.</p>		
		(1,282,485)
<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>		
		(3,576,533)
Net Position of Governmental Activities	\$	10,549,869

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

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CITY OF ALTON, TX
STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES
GOVERNMENTAL FUNDS
FOR THE YEAR ENDED SEPTEMBER 30, 2019

	General Fund	Debt Service Fund	Capital Projects
REVENUES:			
Taxes:			
Property Taxes	\$ 1,236,588	\$ 525,336	\$ -
General Sales and Use Taxes	571,395	-	-
Franchise Tax	330,967	-	-
Penalty and Interest on Taxes	63,599	25,508	-
Licenses and Permits	950	-	-
Intergovernmental Revenue and Grants	-	-	-
Charges for Services	941,305	-	-
Fines	485,706	-	-
Forfeits	-	-	-
Special Assessments	-	-	-
Investment Earnings	12,095	5,879	41,656
Rents and Royalties	15,006	-	-
Contributions & Donations from Private Sources	-	-	-
Other Revenue	324,484	-	-
Total Revenues	3,982,095	556,723	41,656
EXPENDITURES:			
Current:			
General Government	1,260,464	-	-
Public Safety	2,776,622	-	-
Other Public Safety	141,307	-	-
Public Works	570,170	-	-
Health and Welfare	124,804	-	-
Culture and Recreation	334,516	-	-
Conservation and Development	254,478	-	245,780
Debt Service:			
Principal on Debt	175,876	515,495	-
Interest on Debt	17,278	18,080	-
Interest on Debt	-	67,864	-
Interest on Debt	-	25,200	-
Other Debt Service	-	2,031	-
Capital Outlay:			
Capital Outlay	-	-	2,210,995
Total Expenditures	5,655,515	628,670	2,456,775
Excess (Deficiency) of Revenues Over (Under) Expenditures	(1,673,420)	(71,947)	(2,415,119)
OTHER FINANCING SOURCES (USES):			
Issuance of Bonds	-	-	3,826,890
Sale of Real and Personal Property	133,072	-	-
Transfers In	1,453,000	183,960	-
Other Resources	92,548	-	-
Transfers Out (Use)	-	(135,801)	-
Other (Uses)	-	-	-
Total Other Financing Sources (Uses)	1,678,620	48,159	3,826,890
EXTRAORDINARY ITEMS:			
Special Item - (Use)	-	-	(223,693)
Net Change in Fund Balances	5,200	(23,788)	1,188,078
Fund Balance - October 1 (Beginning)	621,410	151,126	924,275
Prior Period Adjustment	-	-	-
Fund Balance - September 30 (Ending)	\$ 626,610	\$ 127,338	\$ 2,112,353

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

Other Funds	Total Governmental Funds
\$ -	\$ 1,761,924
571,394	1,142,789
-	330,967
-	89,107
-	950
586,257	586,257
63,000	1,004,305
-	485,706
10,681	10,681
231,980	231,980
10,215	69,845
-	15,006
17,657	17,657
<u>26,972</u>	<u>351,456</u>
<u>1,518,156</u>	<u>6,098,630</u>
800	1,261,264
14,322	2,790,944
-	141,307
-	570,170
-	124,804
19,759	354,275
328,429	828,687
559,355	1,250,726
112,295	147,653
127,562	195,426
38,600	63,800
-	2,031
<u>159,400</u>	<u>2,370,395</u>
<u>1,360,522</u>	<u>10,101,482</u>
157,634	(4,002,852)
20,500	3,847,390
120,000	253,072
461,902	2,098,862
-	92,548
(470,200)	(606,001)
<u>(8,880)</u>	<u>(8,880)</u>
<u>123,322</u>	<u>5,676,991</u>
<u>-</u>	<u>(223,693)</u>
280,956	1,450,446
630,159	2,326,970
<u>3,257</u>	<u>3,257</u>
<u>\$ 914,372</u>	<u>\$ 3,780,673</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, 2019

Total Net Change in Fund Balances - Governmental Funds	\$	1,450,446
<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>		
		3,714,143
<p>The implementation of the requirements of GASB 68 for this fiscal year resulted in a prior period adjustment to record the retroactive impact. This is NOT included in the explanation as to why the CHANGE in net position is different on Exhibit B-1 than the change in fund balance on Exhibit C-3. The entries required by GASB 68 did require that some expenses on B-1 be adjusted. Total credits to expenses were \$245,819 and total debits to expenses were \$181,631. The net effect on the change in net position on Exhibit B-1 is an increase of \$64,188.</p>		
		(154,115)
<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>		
		(1,282,485)
<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>		
		(3,929,891)
Change in Net Position of Governmental Activities	\$	(201,902)

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, 2019

	Budgeted Amounts		Actual Amounts (GAAP BASIS)	Variance With Final Budget Positive or (Negative)
	Original	Final		
REVENUES:				
Taxes:				
Property Taxes	\$ 1,311,203	\$ 1,238,439	\$ 1,236,588	\$ (1,851)
General Sales and Use Taxes	516,000	571,249	571,395	146
Franchise Tax	287,000	318,027	330,967	12,940
Penalty and Interest on Taxes	61,000	62,362	63,599	1,237
Licenses and Permits	-	-	950	950
Charges for Services	815,726	861,954	941,305	79,351
Fines	640,000	485,544	485,706	162
Investment Earnings	-	-	12,095	12,095
Rents and Royalties	28,450	29,195	15,006	(14,189)
Other Revenue	444,019	395,278	324,484	(70,794)
Total Revenues	4,103,398	3,962,048	3,982,095	20,047
EXPENDITURES:				
Current:				
General Government	1,274,802	1,296,023	1,260,464	35,559
Public Safety	2,675,656	2,732,013	2,776,622	(44,609)
Other Public Safety	127,621	142,451	141,307	1,144
Public Works	549,871	579,718	570,170	9,548
Health and Welfare	127,467	128,489	124,804	3,685
Culture and Recreation	461,454	353,284	334,516	18,768
Conservation and Development	220,009	304,468	254,478	49,990
Debt Service:				
Principal on Debt	174,302	175,876	175,876	-
Interest on Debt	17,278	17,278	17,278	-
Total Expenditures	5,628,460	5,729,600	5,655,515	74,085
Excess (Deficiency) of Revenues Over (Under) Expenditures	(1,525,062)	(1,767,552)	(1,673,420)	94,132
OTHER FINANCING SOURCES (USES):				
Sale of Real and Personal Property	450,000	114,000	133,072	19,072
Transfers In	1,103,000	1,453,000	1,453,000	-
Other Resources	95,000	92,548	92,548	-
Total Other Financing Sources (Uses)	1,648,000	1,659,548	1,678,620	19,072
Net Change	122,938	(108,004)	5,200	113,204
Fund Balance - October 1 (Beginning)	621,410	621,410	621,410	-
Fund Balance - September 30 (Ending)	\$ 744,348	\$ 513,406	\$ 626,610	\$ 113,204

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, 2019

	Business-Type Activities - Enterprise Funds		
	Water & Sewer Fund	Solid Waste Fund	Total Enterprise Funds
ASSETS			
Current Assets:			
Cash and Cash Equivalents	\$ 255,182	\$ 168,158	\$ 423,340
Restricted Assets - Current:			
Temporarily Restricted Asset	150,020	-	150,020
Accounts Receivable Net	431,820	210,796	642,616
Total Current Assets	837,022	378,954	1,215,976
Noncurrent Assets:			
Capital Assets:			
Land Purchase and Improvements	25,110	-	25,110
Improvements other than Buildings	18,644,127	-	18,644,127
Accumulated Depreciation - Other Improvements	(3,854,768)	-	(3,854,768)
Furniture and Equipment	2,081	1,118,782	1,120,863
Accumulated Depreciation - Furniture & Equipment	-	(1,122,282)	(1,122,282)
Total Noncurrent Assets	14,816,550	(3,500)	14,813,050
Total Assets	15,653,572	375,454	16,029,026
DEFERRED OUTFLOWS OF RESOURCES			
Deferred Outflow Related to Pension Plan	29,888	33,704	63,592
Deferred Resource Outflow Related to OPEB	1,441	1,626	3,067
Total Deferred Outflows of Resources	31,329	35,330	66,659
LIABILITIES			
Current Liabilities:			
Accounts Payable	8,826	34,174	43,000
Wages and Salaries Payable	7,881	8,428	16,309
Intergovernmental Payable	-	9,736	9,736
Due to Other Funds	18,603	40,329	58,932
Due to Others	-	1,958	1,958
Notes Payable - Current	18,693	83,578	102,271
Bonds Payable - Current	35,000	-	35,000
Total Current Liabilities	89,003	178,203	267,206
Noncurrent Liabilities:			
Bonds Payable - Noncurrent	665,000	-	665,000
Loans Payable - Noncurrent	50,692	172,951	223,643
Net Pension Liability	173,658	195,828	369,486
Net OPEB Liability	13,003	14,662	27,665
Total Noncurrent Liabilities	902,353	383,441	1,285,794
Total Liabilities	991,356	561,644	1,553,000
DEFERRED INFLOWS OF RESOURCES			
Deferred Inflow Related to Pension Plan	26,538	29,922	56,460
Deferred Resource Inflow Related to OPEB	917	1,034	1,951
Total Deferred Inflows of Resources	27,455	30,956	58,411
NET POSITION			
Net Investment in Capital Assets	14,047,165	(260,029)	13,787,136

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, 2019

	Business-Type Activities - Enterprise Funds		
	Water & Sewer Fund	Solid Waste Fund	Total Enterprise Funds
Unrestricted	618,925	78,213	697,138
Total Net Position	<u>\$ 14,666,090</u>	<u>\$ (181,816)</u>	<u>\$ 14,484,274</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, 2019

	Business-Type Activities - Enterprise Funds		
	Water & Sewer Fund	Solid Waste Fund	Total Enterprise Funds
OPERATING REVENUES:			
Intergovernmental Revenue and Grants	\$ -	\$ 13,797	\$ 13,797
Charges for Services	1,952,929	1,663,990	3,616,919
Investment Earnings	7,497	4,136	11,633
Contributions & Donations from Private Sources	-	190	190
Other Revenue	-	171	171
Total Operating Revenues	<u>1,960,426</u>	<u>1,682,284</u>	<u>3,642,710</u>
OPERATING EXPENSES:			
Personnel Services - Salaries and Wages	207,997	297,975	505,972
Personnel Services - Employee Benefits	102,977	172,671	275,648
Purchased Professional & Technical Services	98,561	9,772	108,333
Purchased Property Services	-	147,416	147,416
Other Operating Costs	723,934	395,881	1,119,815
Supplies	3,940	88,566	92,506
Depreciation	434,544	157,017	591,561
Debt Service	21,301	10,602	31,903
Total Operating Expenses	<u>1,593,254</u>	<u>1,279,900</u>	<u>2,873,154</u>
Income Before Transfers	367,172	402,384	769,556
Transfers Out (Use)	(888,861)	(604,000)	(1,492,861)
Change in Net Position	(521,689)	(201,616)	(723,305)
Total Net Position - October 1 (Beginning)	15,230,430	71,973	15,302,403
Prior Period Adjustment	(42,651)	(52,173)	(94,824)
Total Net Position - September 30 (Ending)	<u>\$ 14,666,090</u>	<u>\$ (181,816)</u>	<u>\$ 14,484,274</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, 2019

	Business-Type Activities - Enterprise Funds		
	Water & Sewer Fund	Solid Waste Fund	Total Enterprise Funds
<u>Cash Flows from Operating Activities:</u>			
Cash Received from User Charges	\$ 1,927,079	\$ 1,652,190	\$ 3,579,269
Cash Received from Assessments - Other Funds	-	13,797	13,797
Cash Payments to Employees for Services	(310,974)	(383,524)	(694,498)
Cash Payments for Suppliers	(99,285)	(220,250)	(319,535)
Cash Payments for Other Operating Expenses	(732,879)	(503,632)	(1,236,511)
Net Cash Provided by Operating Activities	<u>783,941</u>	<u>558,581</u>	<u>1,342,522</u>
<u>Cash Flows from Non-Capital Financing Activities:</u>			
Operating Transfer Out	(888,861)	(604,000)	(1,492,861)
<u>Cash Flows from Capital and Related Financing Activities:</u>			
Acquisition of Capital Assets	-	(8,264)	(8,264)
Reduction of Debt	(111,129)	(81,727)	(192,856)
Net Cash Provided by (Used for) Capital and Related Financing Activities	<u>(111,129)</u>	<u>(89,991)</u>	<u>(201,120)</u>
<u>Cash Flows from Investing Activities:</u>			
Interest and Dividends on Investments	7,497	4,136	11,633
Net Increase (Decrease) in Cash and Cash Equivalents	(208,552)	(131,274)	(339,826)
Cash and Cash Equivalents at the Beginning of the Year	427,703	264,737	692,440
Prior Period Adjustment	36,031	34,695	70,726
Cash and Cash Equivalents at the End of the Year	<u>\$ 255,182</u>	<u>\$ 168,158</u>	<u>\$ 423,340</u>
<u>Reconciliation of Operating Income to Net Cash Provided By Operating Activities:</u>			
Operating Income	\$ 367,172	\$ 402,384	\$ 769,556
Adjustments to Reconcile Operating Income To Net Cash Provided by Operating Activities:			
Depreciation	434,544	157,017	591,561
Effect of Increases and Decreases in Current Assets and Liabilities:			
Decrease (Increase) in Receivables	(25,850)	(12,161)	(38,011)
Increase (Decrease) in Accounts Payable	(724)	(14,163)	(14,887)
Increase (Decrease) in Due to Other Funds	8,799	25,504	34,303
Net Cash Provided by Operating Activities	<u>\$ 783,941</u>	<u>\$ 558,581</u>	<u>\$ 1,342,522</u>

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

CITY OF ALTON, TX
 STATEMENT OF NET POSITION
 FIDUCIARY FUNDS
 SEPTEMBER 30, 2019

	Agency Fund
ASSETS	
Cash and Cash Equivalents	\$ 8,824
Accounts Receivable Net	2,580
Total Assets	<u>\$ 11,404</u>
NET POSITION	
Restricted for Employee Benefits	11,404
Total Net Position	<u>\$ 11,404</u>

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, 2019

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).

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.

Governmental Accounting Standards Board has issued the following pronouncements, which are relevant to the City, and became effective this fiscal year and have been implemented:

GASB Statement No. 75, Accounting and Financial Reporting for Postemployment Benefits Other Than Pensions.

This statement changes the focus of accounting of postemployment benefits other than pensions from whether they are responsibly funding the benefits over time to a point-in-time liability that is relected on the employer's financial statements for any actuarially unfunded portion of benefits earned to date. The requirements of this statement took effect for financial statements starting with the fiscal year that ended

CITY OF ALTON
NOTES TO THE FINANCIAL STATEMENTS
YEAR ENDED SEPTEMBER 30, 2019

June 30, 2019, which are located under Note C. As a result, net position of the governmental activities at September 30, 2019 was restated by \$78,934.

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 from on the Governmental Fund Balance Sheet and Proprietary Fund Statement of Net Assets and as other resources and other uses on the governmental fund Statement of Revenues, Expenditures and Changes in Fund 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).

CITY OF ALTON
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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. **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.

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.

CITY OF ALTON
NOTES TO THE FINANCIAL STATEMENTS
YEAR ENDED SEPTEMBER 30, 2019

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 \$ 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.

CITY OF ALTON
NOTES TO THE FINANCIAL STATEMENTS
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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 non-spendable and spendable.

Non-spendable fund balances are balances that cannot be spent because they are not expected to be converted to cash or they are legally or contractually required to remain intact. Examples of these classifications are prepaid items and inventories.

In addition to the non-spendable fund balance, GASB 54 has provided a hierarchy of spendable fund balances, based on hierarchy of spending constraints.

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

**CITY OF ALTON
NOTES TO THE FINANCIAL STATEMENTS
YEAR ENDED SEPTEMBER 30, 2019**

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	\$3,749,287	\$ -	\$ 3,749,287	
Buildings	9,726,453	(2,613,868)	7,112,585	
Furniture & Equipment	3,288,810	(2,208,838)	1,079,972	
Construction In Progress	368,700	-	368,700	
Infrastructure	23,622,795	(15,181,907)	8,440,888	
Change in Net Assets				<u>\$20,751,432</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			10,807,000	
Less Deferred Charges			-	
Loans Payable			<u>1,227,855</u>	
Change in Net Assets				<u>(12,034,855)</u>
Net Adjustment to Net Assets				<u>\$8,716,577</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>2,452,417</u>	
Total Capital Outlay	<u>\$2,452,417</u>	<u>\$2,452,417</u>

CITY OF ALTON
NOTES TO THE FINANCIAL STATEMENTS
YEAR ENDED SEPTEMBER 30, 2019

<u>Debt Principal Payments</u>			
Bond Principal	703,000		
Lease Payment	11,000		
Loan Principal	547,726		
Total Principal Payments	<u>\$1,261,726</u>	<u>1,261,726</u>	<u>1,261,726</u>
Total Adjustment to Net Assets		<u>\$ 3,714,143</u>	<u>\$ 3,714,143</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	\$161,472	\$ (161,472)	
Uncollected taxes (assumed collectible) from Current Year and Prior Levy	270,240	130,459	270,240
Revision of Estimate of Uncollected Taxes	52,104	(52,104)	-
<u>Reclassify Proceeds of Bonds, Loans & Capital Leases</u>			
Accrued Vacation	5,494	(5,494)	-
Unearned Revenue	3,375	(3,375)	3,375
Proceeds from Bond	3,847,390	3,847,390	(3,715,000)
Sale of Property	253,072	253,072	(203,278)
Other	78,585	(78,585)	68,130
Total		<u>\$ 3,929,891</u>	<u>\$ (3,576,533)</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.

CITY OF ALTON
NOTES TO THE FINANCIAL STATEMENTS
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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 noted below;

<u>Functional Category</u>	<u>Amount</u>
Public Safety	\$44,609

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, 2019, the carrying amount of the City's deposits (cash, certificates of deposit, and interest-bearing savings accounts included in temporary investments) bank balance was \$3,978,863. The City's cash deposits at September 30, 2019 and during the year ended September 30, 2019 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

CITY OF ALTON
NOTES TO THE FINANCIAL STATEMENTS
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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 City 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 From:	
Enterprise Fund	58,932
Special Revenue	<u>23,148</u>
	82,080

Debt Service Fund Due From:	
General Fund	<u>4,372</u>
	4,372

Capital Projects Due From:	
General Fund	<u>70,057</u>
	<u>70,057</u>
Total Due To:	<u>156,509</u>

General Fund Due To:	
Debt Service Fund	4,372
Capital Projects Fund	<u>70,057</u>
	74,429

Special Revenue Fund Due To:	
General Fund	<u>23,148</u>
	23,148

CITY OF ALTON
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Enterprise Fund Due From:	
General Fund	<u>58,932</u>
	<u>58,932</u>
Total Due From:	<u>156,509</u>

E. DISAGGREGATION OF RECEIVABLES AND PAYABLES

Receivables at September 30, 2019, 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	\$ 333,358	\$ 99,446	\$ 71,304	\$ 82,080	\$ -	\$ 586,188
Special Revenue Funds	-	30,316	-	-	264,287	294,603
Debt Service Fund	133,465	-	-	4,372	-	133,837
Capital Projects Fund	-	-	-	70,056	-	70,057
Enterprise Fund	-	-	-	-	681,931	681,931
Total Receivables	<u>466,823</u>	<u>129,762</u>	<u>71,304</u>	<u>156,509</u>	<u>906,903</u>	<u>1,770,616</u>
Less: Allowance for Uncollectible	<u>(196,548)</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>(39,315)</u>	<u>(235,899)</u>
Net Total Receivable	<u>\$ 270,239</u>	<u>\$ 129,762</u>	<u>\$ 71,304</u>	<u>\$ 156,509</u>	<u>\$ 906,903</u>	<u>\$ 1,534,717</u>

Payables at September 30, 2019, 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	\$ 46,759	\$ -	\$ 160,906	\$ 74,430	\$ 105,088	\$ -	\$ 387,184
Special Revenue Funds	4,605	-	-	23,147	-	23,490	51,721
Debt Service	-	1,335,028	-	-	-	-	1,335,028
Enterprise Fund	<u>43,000</u>	<u>137,271</u>	<u>16,309</u>	<u>58,932</u>	<u>9,736</u>	<u>1,958</u>	<u>267,206</u>
Total Payable	<u>\$ 94,365</u>	<u>\$ 1,472,299</u>	<u>\$ 177,215</u>	<u>\$ 156,509</u>	<u>\$ 114,824</u>	<u>\$ 25,927</u>	<u>\$ 2,041,139</u>

G. CAPITAL ASSET ACTIVITY

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

	<u>Primary Government</u>				
	<u>Beginning Balance</u>	<u>Additions</u>	<u>Retirements</u>	<u>Adjustments</u>	<u>Ending Balance</u>
Governmental Activities:					
Land	\$ 3,749,288	\$ 12,000	\$ (119,372)	\$ -	\$ 3,641,916
Buildings & Improvements	8,731,331	54,396	-	-	8,785,727
Furniture and Equipment	3,288,810	593,855	(83,906)	-	3,798,759
Improvements	995,122	-	-	-	995,122
Construction In Progress	368,700	1,324,423	-	-	1,693,123
Infrastructure	<u>23,622,794</u>	<u>467,743</u>	<u>-</u>	<u>-</u>	<u>24,090,537</u>
Totals at Historic Cost	<u>40,756,045</u>	<u>2,452,417</u>	<u>(203,278)</u>	<u>\$ -</u>	<u>43,005,184</u>
Less Accumulated Depreciation:					
Total Accumulated Depreciation	<u>(18,844,886)</u>	<u>(1,282,485)</u>	<u>73,622</u>	<u>-</u>	<u>(21,213,476)</u>
Governmental Activities Capital Assets, Net	<u>\$ 20,438,176</u>	<u>\$ 1,169,932</u>	<u>\$ (129,656)</u>	<u>\$ -</u>	<u>\$ 21,791,708</u>

CITY OF ALTON
NOTES TO THE FINANCIAL STATEMENTS
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Business-type Activities:

Land	\$ 25,110	\$ -	\$ -	\$ -	\$ 25,110
Furniture and Equipment	1,351,630	2,269	-	162,779	1,516,678
Infrastructure	17,127,449	-	-	-	17,129,718
Buildings and Improvements	<u>1,894,263</u>	-	-	<u>(773,400)</u>	<u>1,120,863</u>
Totals at Historic Cost	<u>20,398,452</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ (610,621)</u>	<u>19,790,100</u>
Less Accumulated Depreciation					
Total Accumulated Depreciation	<u>(4,403,490)</u>	<u>(573,560)</u>	<u>-</u>	<u>-</u>	<u>(4,977,050)</u>
Business-type Activities Capital Assets, Net	<u>\$ 15,994,962</u>	<u>(571,291)</u>	<u>\$ -</u>	<u>\$ (610,621)</u>	<u>\$ 14,813,050</u>

Depreciation expense was charged to governmental functions as follows:

General Government	320,564
Public Safety	668,773
Public Works	150,318
Health & Welfare	29,093
Culture and Recreation	75,454
Economic Development & Assistance	<u>38,323</u>
Total Depreciation Expense	<u>\$1,282,485</u>

H. BONDS AND LONG-TERM NOTES PAYABLE

At September 30, 2019, 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.	1,201,000
\$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%.	840,000
\$950,000 Series 2015 General Obligation Refunding Bonds. Original Issue Date is April 21, 2015 Maturity date is February 15, 2027. Annual interest rate of 3.5%.	685,000
\$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%.	455,000
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%	347,226
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%	347,225
CO Series 2016 to USDA, dated May 4, 2016 in the original amount of \$240,000 for the Construction of the Sewer System; Maturity date May 1, 2056 with an interest rate of 1.750%	232,000
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%.	1,425,000

CITY OF ALTON
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YEAR ENDED SEPTEMBER 30, 2019

Note Payable to KS State Bank, dated in the amount of \$526,467 for two vehicles; Maturity date with an interest rate of 2.950%.	287,396
Note Payable to Urban County, in the amount of \$1,150,000; Maturity Date July 21, 2021.	260,000
\$3,465,000 General Obligations Series 2016 - A; Original Issuance Date November 30, 2016. Maturity Date of August 15, 2036 with interest rate of 4%.	3,465,000
Note Payable to Frost Bank, dated October 20, 2016 in the amount of \$376,232; Maturity Date December 1, 2021 with an interest rate of 2.160% for City Vehicles	231,290
Note Payable to KS State Bank, dated August 10, 2017 in the amount of \$117,000; Maturity Date August 21, 2021 with an interest rate of 5.390% for LED signs.	48,159
Note Payable to Frost Bank, dated November 16, 2017 in the amount of \$231,409; Maturity Date November 1, 2022 with an interest rate of 2.740% for City Vehicles.	187,595
Note Payable to Frost Bank, dated March 19, 2019 in the amount of \$82,859; Maturity Date March 19, 2020 with an interest rate of 3.580% for City Vehicles.	37,942
Note Payable to First State Bank, dated May 8, 2019 in the amount of \$104,828; Maturity Date October 30, 2022 with an interest rate of 4.150% for City Equipment.	83,458
\$3,715,000 General Obligations Series 2019; Original Issuance Date January 8, 2019. Maturity Date of August 15, 2040 with variable interest rate of up to 4%.	3,715,000
Note Payable to Frost Bank, dated November 29, 2018 in the amount of \$92,548; Maturity Date December 1, 2023 with an interest rate of 3.930% for City Vehicles.	92,548
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%.	441,000
Total General Long Term Debt	<u>\$ 14,381,839</u>
Enterprise Funds General Long Term Debt:	
Note Payable to Lone Star National Bank, dated in the original amount of \$152,603 For the purchase of equipment; Maturity date of with an interest rate of 6.000%.	69,385
Note Payable to Frost Bank, dated October 20, 2016 in the amount of \$164,242; Maturity Date December 1, 2021 with an interest rate of 2.160% for City Vehicles	98,059
\$500,000 General Obligations Series 2017; Original Issuance Date April 1, 2017. Maturity Date of September 30, 2047 with variable interest rate.	475,000
Note Payable to Schertz Bank and Trust, dated in the original amount of \$300,377 For the purchase of a Brush Truck; Maturity date of with an interest rate of 3.748%.	158,470
Note Payable to Compass Bank, dated August 1, 2014 in the original amount of \$315,000 for SW Capacity Buy as well as SW improvement & equipment; Maturity date February 25, 2029 with an interest rate of 3.6%.	<u>225,000</u>
Total Enterprise Fund Long Term Debt	<u>\$ 1,025,914</u>

**CITY OF ALTON
NOTES TO THE FINANCIAL STATEMENTS
YEAR ENDED SEPTEMBER 30, 2019**

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, 2017.

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 City’s financial statements.

The city issued \$3,465,000 in General Obligation Bonds – Series 2016 A to provide resources for improvements to Street, Fire Protection, Parks, and Facilities.

The city issued \$500,000 in General Obligation Bonds – Series 2017 to provide resources for TWDB professional services in the planning of wastewater system improvements project.

The city issued \$3,715,000 in General Obligation Bonds – Series 2019 to provide resources for property and equipment purchases.

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
2020	\$ 1,335,028	\$ 463,237	2020	\$ 141,706	\$ 23,308
2021	1,129,222	429,573	2021	143,614	19,953
2022	1,022,157	401,194	2022	145,594	17,206
2023	1,010,588	384,323	2023	35,000	13,650
2024	788,439	334,143	2024	35,000	12,824
2025-2029	3,785,406	1,308,615	2025-2029	200,000	48,525
2030-2034	2,637,000	758,097	2030-2034	75,000	31,283
2035-2039	2,150,000	276,795	2035-2039	90,000	23,573
2040-2044	429,000	29,562	2040-2044	100,000	13,220
2045-2056	95,000	24,108	2045-2047	60,000	2,668
Total	\$14,381,839	\$ 4,416,710	Total	\$ 1,025,914	\$ 206,208

J. CHANGES IN LONG-TERM LIABILITIES

Long-term activity for the year ended September 30, 2019, was as follows:

	<u>Beginning</u> <u>Balance</u>	<u>Additions</u>	<u>Reductions</u>	<u>Adjustments</u>	<u>Ending</u> <u>Balance</u>	<u>Due Within</u> <u>One Year</u>
Governmental Activities:						
Bonds and Notes Payable:						
General Obligation Bonds	\$ 10,807,000	\$ 3,715,000	\$ (703,000)	\$ -	13,819,000	\$ 1,099,000
Loans Payable	<u>1,001,052</u>	<u>92,548</u>	<u>(530,761)</u>	<u>-</u>	<u>562,839</u>	<u>236,028</u>
Total Bonds and Notes Payable	<u>\$ 11,808,052</u>	<u>\$ 3,807,548</u>	<u>\$ (1,233,761)</u>	<u>\$ -</u>	<u>\$14,381,839</u>	<u>\$ 1,335,028</u>

CITY OF ALTON
NOTES TO THE FINANCIAL STATEMENTS
YEAR ENDED SEPTEMBER 30, 2019

	<u>Beginning</u> <u>Balance</u>	<u>Additions</u>	<u>Reductions</u>	<u>Adjustments</u>	<u>Ending</u> <u>Balance</u>	<u>Due Within</u> <u>One Year</u>
Enterprise Activities:						
Notes Payable:						
Combination Tax & Rev. Bonds	\$ 735,000	\$ -	\$ (35,000)	-	\$ 700,000	\$ 35,000
Loans Payable	<u>433,078</u>	<u>-</u>	<u>(107,164)</u>	<u>-</u>	<u>325,914</u>	<u>102,271</u>
Total Bonds and Notes Payable	<u>\$ 1,168,078</u>	<u>\$ -</u>	<u>\$ (142,164)</u>	<u>\$ -</u>	<u>\$ 1,025,914</u>	<u>\$ 137,271</u>
Total Enterprises Activities Long-term Liabilities	<u>\$ 1,168,078</u>	<u>\$ -</u>	<u>\$ (142,164)</u>	<u>\$ -</u>	<u>\$ 1,025,914</u>	<u>\$ 137,271</u>

K. DEFERRED OUTFLOWS AND INFLOWS OF RESOURCES

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

As of September 30, 2019 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 Outflows of Resources:

	<u>General Fund</u>	<u>Enterprise Fund</u>	<u>Total</u>
Deferred Outflow Related to Pension Plan	\$ 29,888	\$ 33,704	\$ 63,592
Deferred Resource Outflow Related to OPEB	<u>1,441</u>	<u>1,626</u>	<u>3,067</u>
Total Deferred Outflows of Resources	\$ 31,329	\$ 35,330	\$ 66,659

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

	<u>General Fund</u>	<u>Enterprise Fund</u>	<u>Total</u>
Deferred Inflow Related to Pension Plan	\$ 26,538	\$ 29,922	\$56,460
Deferred Resource Inflow Related to OPEB	<u>917</u>	<u>1,034</u>	<u>1,951</u>
Total Deferred Inflows of Resources	\$ 27,455	\$ 30,956	\$58,411

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 2019, the County of Hidalgo transferred \$171,565 for fiscal years 2019, while the City transferred \$153,635 to meet the requirements of the TIRZ agreement for the fiscal year.

CITY OF ALTON
NOTES TO THE FINANCIAL STATEMENTS
YEAR ENDED SEPTEMBER 30, 2019

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.

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, 2018 valuation and measurement date, the following employees were covered by the benefit terms:

Inactive employees or beneficiaries currently receiving benefits	13
Inactive employees entitled to but not yet receiving benefits	81
Active employees	<u>78</u>
Total Employees	172

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 11.58% and 0.00% in calendar years 2018

**CITY OF ALTON
NOTES TO THE FINANCIAL STATEMENTS
YEAR ENDED SEPTEMBER 30, 2019**

and 2019, respectively. The city's contributions to TMRS for the year ended September 30, 2019, were \$418,941, and were equal to the required contributions.

Net Pension Liability

The city's Net Pension Liability (NPL) was measured as of December 31, 2018, 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, 2018 actuarial valuation was determined using the following actuarial assumptions:

Actuarial Cost Method	Entry Age Normal
Amortization Method	Level Percentage of Payroll, Closed
Remaining Amortization Period	28 years
Asset Valuation Method	10 Year smoothed market; 15% soft corridor
Inflation	2.5% per year
Overall payroll growth	3.5% to 10.50% per year
Investment Rate of Return	6.75%, net of pension plan investment expense, including inflation
Retirement Age	Experience-based table based on rates that are specific to the City's plan of benefits. Last updated for the 2015 valuation pursuant to an experience study of the period 2010-2014.
Mortality	RP2000 Combined Mortality Table with Blue Collar Adjustment with male rates multiplied by 103% and projected on a fully generational basis with scale BB.
Other Information	There were no benefit changes during the year.

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, 2018, 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.

CITY OF ALTON
NOTES TO THE FINANCIAL STATEMENTS
YEAR ENDED SEPTEMBER 30, 2019

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)
Balance at 12/31/2017	5,466,500	4,909,368	557,132
Changes for the year:			
Service cost	628,618	-	628,618
Interest	382,064	-	382,064
Change of benefit terms	-	-	-
Difference between expected and actual experience	136,442	-	136,442
Changes of assumptions	-	-	-
Contributions – employer	-	377,753	(377,753)
Contributions – employee	-	227,172	(227,172)
Net investment income	-	(147,163)	147,163

CITY OF ALTON
NOTES TO THE FINANCIAL STATEMENTS
YEAR ENDED SEPTEMBER 30, 2019

Benefit payments, including refunds of employee contributions	(241,192)	(241,192)	-
Administrative expense	-	(2,842)	2,842
Other changes	-	(148)	148
Net changes	905,932	213,580	692,352
Balance at 12/31/2018	6,372,432	5,122,948	1,249,484

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 6.75%, 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 (5.75%) or 1-percentage-point higher (7.75%) than the current rate:

	1% Decrease in Discount Rate 5.75%	Discount Rate 6.75%	1% Increase in Discount Rate 7.75%
City's net pension liability	\$ 1,806,795	\$1,249,484	(47,183)

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.

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

For the year ended September 30, 2019, the city recognized pension expense of \$ 424,246

At September 30, 2019, 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	\$ 253,892	\$ 421,979
Changes in actuarial assumptions	\$ 6,480	\$ -
Difference between projected and actual investment earnings	\$ -	\$ -
Contributions subsequent to the measurement date December 31, 2018	\$ 309,460	-
Total	\$ 569,832	\$ 421,979

\$309,460 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

CITY OF ALTON
NOTES TO THE FINANCIAL STATEMENTS
YEAR ENDED SEPTEMBER 30, 2019

year ending September 30, 2019. Other amounts reported as deferred outflows and inflows of resources related to pensions will be recognized in pension expense as follows:

YEAR ENDED SEPTEMBER 30,	
2020	\$ (17,160)
2021	\$ (23,640)
2022	\$ (23,640)
2023	\$ (23,640)
2024	\$ (15,870)
Thereafter	\$ (57,657)

OPEB Expense and Deferred Outflows of Resources and Deferred Inflows of Resources Related to OPEBs

For the year ended September 30, 2019, the City recognized OPEB expense in the amount of \$13,885.

At September 30, 2019, the City reported deferred outflows of resources and deferred inflows of resources related to OPEBs from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual economic experience (net of current year amortization)	\$ 830	\$ -
Changes in actuarial assumptions	\$ 5,518	\$ 6,595
Differences between projected and actual investment earnings (net of current year amortization)	\$ -	\$ -
Contributions subsequent to the measurement date	\$ 4,025	\$ -
Total	\$ 10,373	\$ 6,595

\$4,025 reported as deferred outflows of resources related to OPEBs resulting from contributions subsequent to the measurement date will be recognized as a reduction of the net OPEB liability for the year ending September 30, 2020. Other amounts reported as deferred outflows and inflows of resources related to OPEB's will be recognized in OPEB expense as follows:

Fiscal Year Ending September 30,	
2020	\$ 112
2021	\$ 112
2022	\$ 112
2023	\$ 112
2024	\$ 112
Thereafter	\$(807)

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.

CITY OF ALTON
NOTES TO THE FINANCIAL STATEMENTS
YEAR ENDED SEPTEMBER 30, 2019

P. SUBSEQUENT EVENTS

The City considered all subsequent events through April 13, 2020. The financial statement issuance date.

The 2020 COVID-19 (Coronavirus) pandemic has caused extensive disruptions to businesses in America and the entire World. In the face of these disruptions, the fluid situation has become difficult to assess the likely impact to not only the economy in America but also the local economy. The City is striving to be highly attuned and is maintaining a heightened state of readiness for the principal risks and increased uncertainties ahead. Given the potential for rapid spreading of the virus, management will be evaluating the current and potential effects on its operations and financial reporting.

Q. PROR PERIOD ADJUSTMENT

The City recognized prior period adjustments in the Government Wide Financial Statements totaling \$26,131. Governmental Funds totaling \$3,257 and Enterprise Funds totaling \$(94,824). The following adjustments were made to beginning fund balances were necessary to reflect the actual balances at beginning of the year:

Government-Wide	
Adjustment to Deferred Revenue	\$ 3,257
To record GASB 75 beginning deferred outflow	<u>22,874</u>
Total Prior Period Adjustment – Government Wide	<u>\$ 26,131</u>
Governmental Funds	
Adjustment to Deferred Revenue	<u>\$ 3,257</u>
Total Prior Period Adjustment – Governmental Funds	<u>\$ 3,257</u>
Enterprise Funds	
To Record GASB 68 and GASB 75	<u>\$ (94,824)</u>
Total Prior Period Adjustment – Enterprise Funds	<u>\$ (94,824)</u>

REQUIRED SUPPLEMENTARY INFORMATION

CITY OF ALTON, TX
SCHEDULE OF CHANGES IN NET PENSION LIABILITY AND RELATED RATIOS
TEXAS MUNICIPAL RETIREMENT SYSTEM
FOR THE YEAR ENDED SEPTEMBER 30, 2019

	FY 2019 Plan Year 2018	FY 2018 Plan Year 2017
A. Total Pension Liability		
Service Cost	\$ 628,618	\$ 564,796
Interest (on the Total Pension Liability)	382,064	342,457
Changes of Benefit Terms	-	-
Difference between Expected and Actual Experience	136,442	(139,186)
Changes of Assumptions	-	-
Benefit Payments, Including Refunds of Employee Contributions	(241,192)	(185,221)
Net Change in Total Pension Liability	\$ 905,932	\$ 582,846
Total Pension Liability - Beginning	5,466,500	4,883,654
Total Pension Liability - Ending	\$ 6,372,432	\$ 5,466,500
B. Total Fiduciary Net Position		
Contributions - Employer	\$ 377,753	\$ 300,020
Contributions - Employee	227,172	202,126
Net Investment Income	(147,163)	558,657
Benefit Payments, Including Refunds of Employee Contributions	(241,192)	(185,221)
Administrative Expense	(2,842)	(2,900)
Other	(148)	(147)
Net Change in Plan Fiduciary Net Position	\$ 213,580	\$ 872,535
Plan Fiduciary Net Position - Beginning	4,909,368	4,036,833
Plan Fiduciary Net Position - Ending	\$ 5,122,948	\$ 4,909,368
C. Net Pension Liability	\$ 1,249,484	\$ 557,132
D. Plan Fiduciary Net Position as a Percentage of Total Pension Liability	80.39%	89.81%
E. Covered Payroll	\$ 3,245,318	\$ 3,094,764
F. Net Pension Liability as a Percentage of Covered Payroll	38.50%	18.00%

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 five years of data are 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."

	FY 2017 Plan Year 2016	FY 2016 Plan Year 2015	FY 2015 Plan Year 2014
\$	522,560	\$ 489,728	\$ 376,918
	298,556	260,999	234,794
	-	-	-
	(48,081)	7,936	(153,570)
	-	-	-
	(103,119)	(203,961)	(76,411)
\$	669,916	\$ 554,702	\$ 381,731
	4,213,334	3,585,672	3,203,941
\$	4,883,250	\$ 4,140,374	\$ 3,585,672
\$	249,859	\$ 229,877	\$ 194,604
	192,623	187,328	158,584
	234,353	4,798	161,110
	(103,119)	(203,961)	(76,411)
	(2,645)	(2,922)	(1,681)
	(143)	(144)	(138)
\$	570,928	\$ 214,976	\$ 436,068
	3,465,905	3,250,930	2,814,862
\$	4,036,833	\$ 3,465,906	\$ 3,250,930
\$	846,417	\$ 674,468	\$ 334,742
	82.67%	83.71%	90.66%
\$	2,887,507	\$ 2,751,763	\$ 2,534,440
	29.31%	24.51%	13.21%

CITY OF ALTON, TX
SCHEDULE OF CONTRIBUTIONS
TEXAS MUNICIPAL RETIREMENT SYSTEM
FOR THE FISCAL YEAR 2019

	2018	2017	2016	2015
Actuarially Determined Contribution	\$ 418,941	\$ 382,298	\$ 300,020	\$ 246,558
Contributions in Relation to the Actuarially Determined Contributions	(418,941)	(382,298)	(300,020)	(246,558)
Contribution Deficiency (Excess)	\$ -	\$ -	\$ -	\$ -
Covered Payroll	\$ 3,456,489	\$ 3,245,318	\$ 2,887,507	\$ 2,751,763
Contributions as a Percentage of Covered Payroll	12.12%	11.78%	10.39%	8.96%

Note: GASB 68, Paragraph 81 requires that the data in this schedule be presented as of the governmental entity's respective fiscal years as opposed to the time periods covered by the measurement dates ending December 31 for the respective fiscal years.

Note: In accordance with GASB 68, Paragraph 138, the years of data presented this reporting period are those for which data is available. "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 CHANGES IN THE TOTAL OPEB LIABILITY AND RELATED RATIOS
 TEXAS MUNICIPAL RETIREMENT SYSTEM
 FOR THE YEAR ENDED SEPTEMBER 30, 2019

	FY 2019 Plan Year 2018	FY 2018 Plan Year 2017
Total OPEB Liability		
Service Cost	\$ 10,710	\$ 8,374
Interest on the Total OPEB Liability	3,049	2,752
Changes of Benefit Terms	-	-
Difference between Expected and Actual Experience	956	-
Changes of Assumptions	(7,594)	7,488
Benefit Payments*	(649)	(289)
Net Change in Total OPEB Liability	6,472	18,325
Total OPEB Liability - Beginning	87,080	68,755
Total OPEB Liability - Ending	\$ 93,552	\$ 87,080
Covered Payroll	\$ 3,245,318	\$ 2,887,507
Total OPEB Liability as a Percentage of Covered Payroll	2.88%	3.01%

*The Supplemental Death Benefit Fund is considered to be an unfunded OPEB plan under GASB 75. Because of this benefit payments are treated as being equal to the employer's yearly contributions for retirees.

Note: GASB Codification, Vol. 2, P52.139 states that the information on this schedule should be determined as of the measurement date of the plan.

As required by GASB 75, this schedule will be built prospectively as the information becomes available until 10 years of information is presented.

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COMBINING AND INDIVIDUAL FUND
STATEMENTS AND SCHEDULES

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CITY OF ALTON, TX
 COMBINING BALANCE SHEET
 NONMAJOR GOVERNMENTAL FUNDS
 SEPTEMBER 30, 2019

	Development Corp A	Development Corp B	Facilities & Infrastructur Fund
ASSETS			
Cash and Cash Equivalents	\$ 170,536	\$ 104,387	\$ 183,601
Taxes Receivable	-	-	-
Accounts Receivable Net	14,149	14,149	-
Total Assets	<u>\$ 184,685</u>	<u>\$ 118,536</u>	<u>\$ 183,601</u>
LIABILITIES			
Accounts Payable	\$ 518	\$ 4,088	\$ -
Due to Other Funds	6,722	5,189	-
Due to Others	-	-	23,491
Total Liabilities	<u>7,240</u>	<u>9,277</u>	<u>23,491</u>
FUND BALANCES			
Capital Acquisiion and Contractural Obligation	-	-	-
Retirement of Long-Term Debt	-	-	-
Other Assigned Fund Balance	177,445	109,259	160,110
Total Fund Balances	<u>177,445</u>	<u>109,259</u>	<u>160,110</u>
Total Liabilities and Fund Balances	<u>\$ 184,685</u>	<u>\$ 118,536</u>	<u>\$ 183,601</u>

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

Municipal Court Fund	Federal Asset Forfeiture	Urban County Fund	Seizure & Forfeiture Fund	Alton Youth Club Activity Fund	TIRZ Fund	PEG Fund	Texas Leverage Fund
\$ 110	\$ 102	\$ -	\$ 1,848	\$ 446	\$ 44,174	\$ 45,134	\$ 95,010
-	-	-	-	-	-	2,017	-
-	-	-	300	-	-	-	263,987
<u>\$ 110</u>	<u>\$ 102</u>	<u>\$ -</u>	<u>\$ 2,148</u>	<u>\$ 446</u>	<u>\$ 44,174</u>	<u>\$ 47,151</u>	<u>\$ 358,997</u>
\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
-	-	-	-	11,238	-	-	-
-	-	-	478	-	-	-	-
-	-	-	478	11,238	-	-	-
-	-	-	-	-	-	-	-
-	-	-	-	-	-	-	-
110	102	-	1,670	(10,792)	44,174	47,151	358,997
<u>110</u>	<u>102</u>	<u>-</u>	<u>1,670</u>	<u>(10,792)</u>	<u>44,174</u>	<u>47,151</u>	<u>358,997</u>
<u>\$ 110</u>	<u>\$ 102</u>	<u>\$ -</u>	<u>\$ 2,148</u>	<u>\$ 446</u>	<u>\$ 44,174</u>	<u>\$ 47,151</u>	<u>\$ 358,997</u>

CITY OF ALTON, TX
 COMBINING BALANCE SHEET
 NONMAJOR GOVERNMENTAL FUNDS
 SEPTEMBER 30, 2019

	Volunteer Firefighter Fund	Alton Chamber of Commerce	Total Nonmajor Special Revenue Funds	Debt Service TIRZ Fund
ASSETS				
Cash and Cash Equivalents	\$ 4,493	\$ 7,353	\$ 657,194	\$ 631
Taxes Receivable	-	-	2,017	-
Accounts Receivable Net	-	-	292,585	-
Total Assets	<u>\$ 4,493</u>	<u>\$ 7,353</u>	<u>\$ 951,796</u>	<u>\$ 631</u>
LIABILITIES				
Accounts Payable	\$ -	\$ -	\$ 4,606	\$ -
Due to Other Funds	-	-	23,149	-
Due to Others	-	-	23,969	-
Total Liabilities	<u>-</u>	<u>-</u>	<u>51,724</u>	<u>-</u>
FUND BALANCES				
Capital Acquisition and Contractual Obligation	-	-	-	-
Retirement of Long-Term Debt	-	-	-	631
Other Assigned Fund Balance	4,493	7,353	900,072	-
Total Fund Balances	<u>\$ 4,493</u>	<u>\$ 7,353</u>	<u>\$ 900,072</u>	<u>\$ 631</u>
Total Liabilities and Fund Balances	<u>\$ 4,493</u>	<u>\$ 7,353</u>	<u>\$ 951,796</u>	<u>\$ 631</u>

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

Debt Service 2016 I&S Fund	Debt Service 2016 Reserve Fund	Debt Service 2016-A Fund	Debt Service 2017 Fund	Total Nonmajor Debt Service Funds	Capital Projects TIRZ Fund	Capital Projects USDA Fund	USDA Sewer Connection Fund
\$ 113	\$ 2,777	\$ 2,189	\$ 3,210	\$ 8,920	\$ 2,261	\$ -	\$ 3,119
-	-	-	-	-	-	-	-
-	-	-	-	-	-	-	-
<u>\$ 113</u>	<u>\$ 2,777</u>	<u>\$ 2,189</u>	<u>\$ 3,210</u>	<u>\$ 8,920</u>	<u>\$ 2,261</u>	<u>\$ -</u>	<u>\$ 3,119</u>
\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
-	-	-	-	-	-	-	-
-	-	-	-	-	-	-	-
-	-	-	-	-	-	-	-
-	-	-	-	-	2,222	-	-
113	2,777	2,189	3,210	8,920	-	-	-
-	-	-	-	-	39	-	3,119
<u>113</u>	<u>2,777</u>	<u>2,189</u>	<u>3,210</u>	<u>8,920</u>	<u>2,261</u>	<u>-</u>	<u>3,119</u>
<u>\$ 113</u>	<u>\$ 2,777</u>	<u>\$ 2,189</u>	<u>\$ 3,210</u>	<u>\$ 8,920</u>	<u>\$ 2,261</u>	<u>\$ -</u>	<u>\$ 3,119</u>

CITY OF ALTON, TX
 COMBINING BALANCE SHEET
 NONMAJOR GOVERNMENTAL FUNDS
 SEPTEMBER 30, 2019

	Total Nonmajor Capital Project Funds	Total Nonmajor Governmental Funds
ASSETS		
Cash and Cash Equivalents	\$ 5,380	\$ 671,494
Taxes Receivable	-	2,017
Accounts Receivable Net	-	292,585
	<u>5,380</u>	<u>966,096</u>
Total Assets	<u>\$ 5,380</u>	<u>\$ 966,096</u>
LIABILITIES		
Accounts Payable	\$ -	\$ 4,606
Due to Other Funds	-	23,149
Due to Others	-	23,969
	<u>-</u>	<u>51,724</u>
Total Liabilities	<u>-</u>	<u>51,724</u>
FUND BALANCES		
Capital Acquisition and Contractual Obligation	2,222	2,222
Retirement of Long-Term Debt	-	8,920
Other Assigned Fund Balance	3,158	903,230
	<u>5,380</u>	<u>914,372</u>
Total Fund Balances	<u>5,380</u>	<u>914,372</u>
Total Liabilities and Fund Balances	<u>\$ 5,380</u>	<u>\$ 966,096</u>

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

CITY OF ALTON, TX
 COMBINING STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN
 FUND BALANCES - NONMAJOR GOVERNMENTAL FUNDS
 FOR THE YEAR ENDED SEPTEMBER 30, 2019

	Development Corp A	Development Corp B	Facilities & Infrastructur Fund
REVENUES:			
Taxes:			
General Sales and Use Taxes	\$ 285,697	\$ 285,697	\$ -
Intergovernmental Revenue and Grants	-	-	-
Charges for Services	-	-	62,400
Forfeits	-	-	-
Special Assessments	-	-	231,980
Investment Earnings	2,303	1,402	2,745
Contributions & Donations from Private Sources	-	-	-
Other Revenue	-	-	-
Total Revenues	<u>288,000</u>	<u>287,099</u>	<u>297,125</u>
EXPENDITURES:			
Current:			
General Government	-	-	-
Public Safety	-	-	-
Culture and Recreation	-	-	-
Conservation and Development	144,174	157,782	-
Debt Service:			
Principal on Debt	30,631	29,724	-
Interest on Debt	10,923	10,923	-
Interest on Debt	-	-	-
Interest on Debt	18,847	19,753	-
Capital Outlay:			
Capital Outlay	-	-	43,900
Total Expenditures	<u>204,575</u>	<u>218,182</u>	<u>43,900</u>
Excess (Deficiency) of Revenues Over (Under) Expenditures	<u>83,425</u>	<u>68,917</u>	<u>253,225</u>
OTHER FINANCING SOURCES (USES):			
Issuance of Bonds	-	-	-
Sale of Real and Personal Property	-	-	-
Transfers In	-	-	-
Transfers Out (Use)	-	-	(145,000)
Other (Uses)	-	-	-
Total Other Financing Sources (Uses)	<u>-</u>	<u>-</u>	<u>(145,000)</u>
Net Change in Fund Balance	83,425	68,917	108,225
Fund Balance - October 1 (Beginning)	94,020	40,342	51,885
Prior Period Adjustment	-	-	-
Fund Balance - September 30 (Ending)	<u>\$ 177,445</u>	<u>\$ 109,259</u>	<u>\$ 160,110</u>

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

Municipal Court Fund	Federal Asset Forfeiture	Urban County Fund	Seizure & Forfeiture Fund	Alton Youth Club Activity Fund	TIRZ Fund	PEG Fund	Texas Leverage Fund
\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
-	-	256,393	-	-	329,864	-	-
-	-	-	-	600	-	-	-
-	-	-	10,681	-	-	-	-
-	-	-	-	-	-	-	-
8	2	-	66	9	571	704	1,697
-	-	-	-	-	-	-	-
-	-	-	-	-	-	8,221	8,451
<u>8</u>	<u>2</u>	<u>256,393</u>	<u>10,747</u>	<u>609</u>	<u>330,435</u>	<u>8,925</u>	<u>10,148</u>
-	-	-	-	-	-	-	-
-	-	-	9,095	-	-	-	-
-	-	-	-	600	-	-	-
-	-	-	-	-	-	-	26,473
-	-	245,000	-	-	-	-	-
-	-	11,393	-	-	-	-	-
-	-	-	-	-	-	-	-
-	-	-	-	-	-	-	-
-	-	-	-	-	-	-	115,500
-	-	256,393	9,095	600	-	-	141,973
<u>8</u>	<u>2</u>	<u>-</u>	<u>1,652</u>	<u>9</u>	<u>330,435</u>	<u>8,925</u>	<u>(131,825)</u>
-	-	-	-	-	-	-	20,500
-	-	-	-	-	-	-	120,000
-	-	-	-	-	-	-	-
-	-	-	-	-	(325,200)	-	-
-	-	-	-	-	-	-	(8,880)
-	-	-	-	-	(325,200)	-	131,620
8	2	-	1,652	9	5,235	8,925	(205)
102	100	-	18	(10,801)	38,939	34,969	359,202
-	-	-	-	-	-	3,257	-
<u>\$ 110</u>	<u>\$ 102</u>	<u>\$ -</u>	<u>\$ 1,670</u>	<u>\$ (10,792)</u>	<u>\$ 44,174</u>	<u>\$ 47,151</u>	<u>\$ 358,997</u>

CITY OF ALTON, TX
 COMBINING STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN
 FUND BALANCES - NONMAJOR GOVERNMENTAL FUNDS
 FOR THE YEAR ENDED SEPTEMBER 30, 2019

	Volunteer Firefighter Fund	Alton Chamber of Commerce	Total Nonmajor Special Revenue Funds	Debt Service TIRZ Fund
REVENUES:				
Taxes:				
General Sales and Use Taxes	\$ -	\$ -	\$ 571,394	\$ -
Intergovernmental Revenue and Grants	-	-	586,257	-
Charges for Services	-	-	63,000	-
Forfeits	-	-	10,681	-
Special Assessments	-	-	231,980	-
Investment Earnings	87	5	9,599	63
Contributions & Donations from Private Sources	1,307	16,350	17,657	-
Other Revenue	4,185	6,115	26,972	-
Total Revenues	<u>5,579</u>	<u>22,470</u>	<u>1,517,540</u>	<u>63</u>
EXPENDITURES:				
Current:				
General Government	-	-	-	-
Public Safety	5,227	-	14,322	-
Culture and Recreation	-	19,159	19,759	-
Conservation and Development	-	-	328,429	-
Debt Service:				
Principal on Debt	-	-	305,355	250,000
Interest on Debt	-	-	33,239	75,200
Interest on Debt	-	-	-	-
Interest on Debt	-	-	38,600	-
Capital Outlay:				
Capital Outlay	-	-	159,400	-
Total Expenditures	<u>5,227</u>	<u>19,159</u>	<u>899,104</u>	<u>325,200</u>
Excess (Deficiency) of Revenues Over (Under) Expenditures	<u>352</u>	<u>3,311</u>	<u>618,436</u>	<u>(325,137)</u>
OTHER FINANCING SOURCES (USES):				
Issuance of Bonds	-	-	20,500	-
Sale of Real and Personal Property	-	-	120,000	-
Transfers In	-	-	-	325,200
Transfers Out (Use)	-	-	(470,200)	-
Other (Uses)	-	-	(8,880)	-
Total Other Financing Sources (Uses)	<u>-</u>	<u>-</u>	<u>(338,580)</u>	<u>325,200</u>
Net Change in Fund Balance	352	3,311	279,856	63
Fund Balance - October 1 (Beginning)	4,141	4,042	616,959	568
Prior Period Adjustment	-	-	3,257	-
Fund Balance - September 30 (Ending)	<u>\$ 4,493</u>	<u>\$ 7,353</u>	<u>\$ 900,072</u>	<u>\$ 631</u>

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

Debt Service 2016 I&S Fund	Debt Service 2016 Reserve Fund	Debt Service 2016-A Fund	Debt Service 2017 Fund	Total Nonmajor Debt Service Funds	Capital Projects TIRZ Fund	Capital Projects USDA Fund	USDA Sewer Connection Fund
\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
-	-	-	-	-	-	-	-
-	-	-	-	-	-	-	-
-	-	-	-	-	-	-	-
-	-	-	-	-	-	-	-
7	48	239	166	523	39	-	54
-	-	-	-	-	-	-	-
-	-	-	-	-	-	-	-
<u>7</u>	<u>48</u>	<u>239</u>	<u>166</u>	<u>523</u>	<u>39</u>	<u>-</u>	<u>54</u>
-	-	400	400	800	-	-	-
-	-	-	-	-	-	-	-
-	-	-	-	-	-	-	-
-	-	-	-	-	-	-	-
4,000	-	-	-	254,000	-	-	-
3,839	-	-	17	79,056	-	-	-
-	-	127,562	-	127,562	-	-	-
-	-	-	-	-	-	-	-
-	-	-	-	-	-	-	-
<u>7,839</u>	<u>-</u>	<u>127,962</u>	<u>417</u>	<u>461,418</u>	<u>-</u>	<u>-</u>	<u>-</u>
<u>(7,832)</u>	<u>48</u>	<u>(127,723)</u>	<u>(251)</u>	<u>(460,895)</u>	<u>39</u>	<u>-</u>	<u>54</u>
-	-	-	-	-	-	-	-
-	-	-	-	-	-	-	-
7,839	901	127,962	-	461,902	-	-	-
-	-	-	-	-	-	-	-
-	-	-	-	-	-	-	-
<u>7,839</u>	<u>901</u>	<u>127,962</u>	<u>-</u>	<u>461,902</u>	<u>-</u>	<u>-</u>	<u>-</u>
7	949	239	(251)	1,007	39	-	54
106	1,828	1,950	3,461	7,913	2,222	-	3,065
-	-	-	-	-	-	-	-
<u>\$ 113</u>	<u>\$ 2,777</u>	<u>\$ 2,189</u>	<u>\$ 3,210</u>	<u>\$ 8,920</u>	<u>\$ 2,261</u>	<u>\$ -</u>	<u>\$ 3,119</u>

CITY OF ALTON, TX
 COMBINING STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN
 FUND BALANCES - NONMAJOR GOVERNMENTAL FUNDS
 FOR THE YEAR ENDED SEPTEMBER 30, 2019

	Total Nonmajor Capital Project Funds	Total Nonmajor Governmental Funds
REVENUES:		
Taxes:		
General Sales and Use Taxes	\$ -	\$ 571,394
Intergovernmental Revenue and Grants	-	586,257
Charges for Services	-	63,000
Forfeits	-	10,681
Special Assessments	-	231,980
Investment Earnings	93	10,215
Contributions & Donations from Private Sources	-	17,657
Other Revenue	-	26,972
Total Revenues	<u>93</u>	<u>1,518,156</u>
EXPENDITURES:		
Current:		
General Government	-	800
Public Safety	-	14,322
Culture and Recreation	-	19,759
Conservation and Development	-	328,429
Debt Service:		
Principal on Debt	-	559,355
Interest on Debt	-	112,295
Interest on Debt	-	127,562
Interest on Debt	-	38,600
Capital Outlay:		
Capital Outlay	-	159,400
Total Expenditures	<u>-</u>	<u>1,360,522</u>
Excess (Deficiency) of Revenues Over (Under) Expenditures	<u>93</u>	<u>157,634</u>
OTHER FINANCING SOURCES (USES):		
Issuance of Bonds	-	20,500
Sale of Real and Personal Property	-	120,000
Transfers In	-	461,902
Transfers Out (Use)	-	(470,200)
Other (Uses)	-	(8,880)
Total Other Financing Sources (Uses)	<u>-</u>	<u>123,322</u>
Net Change in Fund Balance	93	280,956
Fund Balance - October 1 (Beginning)	5,287	630,159
Prior Period Adjustment	-	3,257
Fund Balance - September 30 (Ending)	<u>\$ 5,380</u>	<u>\$ 914,372</u>

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

FEDERAL SECTION

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ADRIAN WEBB, CPA

Certified Public Accountant

Edinburg, TX

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, 2019, 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 13, 2020.

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. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the City of 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 instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards* and which are described in the accompanying schedule of findings and questioned costs as items 2019-01.

City of Alton, Tx's Response to Findings

City of Alton, Tx's response to the findings identified in our audit is described in the accompanying schedule of findings and questioned costs. City of Alton, Tx's response was not subjected to the auditing procedures applied in the audit of the financial statements and, accordingly, we express no opinion on it.

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.

A handwritten signature in black ink that reads "Adrian Webb CPA". The signature is written in a cursive style with a large initial "A".

Adrian Webb, CPA

Edinburg, Tx
April 13, 2020

CITY OF ALTON
SCHEDULE OF FINDINGS AND RESPONSES
FOR THE YEAR ENDED SEPTEMBER 30, 2019

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? | Yes |
| C. Noncompliance material to the financial statements noted? | No |
| D. The Corporation did not qualify for a Single Audit as defined by the Uniform Guidance (2 CFR section 200.516(a)) . | |

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

2019-01 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 \$44,609 for the year ended September 30, 2019.

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.

III. Findings Related to Federal Awards.

None

CITY OF ALTON
SCHEDULE OF PRIOR FINDINGS
FOR THE YEAR ENDED SEPTEMBER 30, 2019

2018-01 Bid Law Compliance

Status: Corrected

City of Alton, Tx
Corrective Action Plan
09/30/2019

Finding: 2019-01 Expenditures over Appropriations

Corrective Action: The City will review and update internal procedures to ensure full compliance with all applicable Government Code requirements. The City will review the City's budget on a monthly basis and prepare the necessary budget amendments to ensure that the City is in compliance with the Government Code. Contact name: Rosie Tello, Finance Director (956)432-0760.

CITY OF ALTON, TX
 SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
 FOR THE YEAR ENDED SEPTEMBER 30, 2019

(1)	(2)	(3)	(4)
FEDERAL GRANTOR/ PASS-THROUGH GRANTOR/ PROGRAM or CLUSTER TITLE	Federal CFDA Number	Pass-Through Entity Identifying Number	Federal Expenditures
<u>DEPARTMENT OF HOUSING & URBAN DEVELOPMENT</u>			
<u>Passed Through State Department of Education</u>			
Urban County Grant	14.218		\$ 256,392
Total Passed Through State Department of Education			<u>256,392</u>
TOTAL DEPARTMENT OF HOUSING & URBAN DEVELOPMENT			<u>256,392</u>
TOTAL EXPENDITURES OF FEDERAL AWARDS			<u>\$ 256,392</u>

CITY OF ALTON, TX
NOTES ON ACCOUNTING POLICIES FOR FEDERAL AWARDS
YEAR ENDED SEPTEMBER 30, 2019

- 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.