

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

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

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

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

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

Total Fund Balances - Governmental Funds	\$ 2,696,300
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.	-0-
Capital assets used in governmental activities are not financial resources and therefore are not reported in governmental funds. At the beginning of the year, the cost of these assets was \$33,538,950 and the accumulated depreciation was \$16,259,352. In addition, long-term liabilities, including bonds payable, are not due and payable in the current period, and, therefore are not reported as liabilities in the funds. The net effect of including the beginning balances for capital assets (net of depreciation) and long-term debt in the governmental activities is to increase (decrease) net position.	292,490
Current year capital outlays and long-term debt principal payments are expenditures in the fund financial statements, but they should be shown as increases in capital assets and reductions in long-term debt in the government-wide financial statements. The net effect of including the 2014 capital outlays and debt principal payments is to increase (decrease) net position.	1,287,381
The 2014 depreciation expense increases accumulated depreciation. The net effect of the current year's depreciation is to decrease net position.	(864,360)
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.	(1,208,668)
Net Position of Governmental Activities	\$ 2,203,143

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

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

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

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

		Total	
Other		Governmental	
Funds		Funds	
\$	339,301	\$	1,365,549
	326,330		652,660
	-		269,719
	-		32
	22,579		76,204
	-		148,285
	125,309		3,653,583
	14,859		289,323
	-		443,856
	85,774		85,774
	59,384		59,384
	1,040		2,138
	2,540		26,930
	17,381		17,381
	36,746		119,766
	<u>1,031,243</u>		<u>7,210,584</u>
	-		891,473
	80,228		1,862,671
	-		601,233
	-		106,515
	68,936		120,013
	254,671		326,320
	513,350		513,350
	65,820		65,820
	146,276		146,276
	74,569		74,569
	250		250
	<u>1,023,341</u>		<u>4,729,608</u>
	<u>2,227,441</u>		<u>9,438,098</u>
	(1,196,198)		(2,227,514)
	-		1,955,000
	-		660,000
	477,690		1,038,690
	(203,105)		(466,690)
	<u>274,585</u>		<u>3,187,000</u>
	472,000		472,000
	-		(4,035)
	(449,613)		1,427,451
	1,122,127		1,174,689
	-		94,160
\$	<u>672,514</u>	\$	<u>2,696,300</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, 2014

Total Net Change in Fund Balances - Governmental Funds	\$ 1,427,451
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.	-0-
Current year capital outlays and long-term debt principal payments are expenditures in the fund financial statements, but they should be shown as increases in capital assets and reductions in long-term debt in the government-wide financial statements. The net effect of removing the 2014 capital outlays and debt principal payments is to increase (decrease) the change in net position.	1,287,381
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.	(864,360)
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.	(5,079,449)
Change in Net Position of Governmental Activities	<u>\$ (3,228,977)</u>

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

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

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

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

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

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

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

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

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

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

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

EXHIBITD-3

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

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

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

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

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

CITY OF ALTON

NOTES TO THE FINANCIAL STATEMENTS

YEAR ENDED SEPTEMBER 30, 2014

I. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

CITY OF ALTON (the "City") was incorporated on April 1, 1978, under Article XI, Section 5 of the Constitution of the State of Texas. The City operates under a Home Rule (Mayor, City Commissioners) form of government and provides the following services as authorized by its charter. The services include public safety (police and fire), public works, sanitation, health and social services, culture-recreation, public improvements, planning and zoning, and general administrative services. Other services include utilities (water & sewer services and solid waste collection).

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

A. REPORTING ENTITY

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

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

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

Included in the Reporting Entity

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

B. GOVERNMENT-WIDE AND FUND FINANCIAL STATEMENTS

The Statement of Net Assets and the Statement of Activities are government-wide financial statements. They report information on all of the CITY OF ALTON nonfiduciary activities with most of the interfund activities removed. *Governmental activities* include programs supported primarily by taxes, State funds, grants and other intergovernmental revenues. *Business-type activities* include operations that rely to a significant extent on fees and charges for support.

The Statement of Activities demonstrates how other people or entities that participate in programs the City operates have shared in the payment of the direct costs. The "charges for services" column includes payments made by parties that purchase, use, or directly benefit from goods or services provided by a given function or segment of the City. The "grants and contributions" column includes amounts paid by organizations outside the City to help meet the operational or capital requirements of a given function. If a revenue is not a program revenue, it is a general revenue used to support all of the City's functions. Taxes are always general revenues.

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

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

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

C. MEASUREMENT FOCUS, BASIS OF ACCOUNTING, AND FINANCIAL STATEMENT PRESENTATION

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

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

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

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

Grant funds are considered to be earned to the extent of expenditures made under the provisions of the grant. Accordingly, when such funds are received, they are recorded as deferred revenues until related and authorized expenditures have been made. If balances have not been expended by the end of the project period, grantors some times require the City to refund all or part of the unused amount.

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

D. FUND ACCOUNTING

The City reports the following major governmental funds:

1. **The General Fund** – The general fund is the City's primary operating fund. It accounts for all financial resources except those required to be accounted for in another fund.
3. **Capital Projects Funds** – The proceeds from long-term debt financing and revenues and expenditures related to authorized construction and other capital asset acquisitions are accounted for in a capital projects fund.

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

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

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

Governmental Funds:

1. **Special Revenue Funds** – The City accounts for resources restricted to, or designated for, specific purposes by the City or a grantor in a special revenue fund. Most Federal and some State financial assistance is accounted for in a Special Revenue Fund, and sometimes unused balances must be returned to the grantor at the close of specified project periods.

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

Proprietary Funds:

4. **Enterprise Funds** – The City's activities for which outside users are charged a fee roughly equal to the cost of providing the goods or services of those activities are accounted for in an enterprise fund.

E. OTHER ACCOUNTING POLICIES

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

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

3. It is the City's policy to permit some employees to accumulate earned but unused vacation and sick pay benefits. There is a liability for unpaid accumulated sick leave since the City does have a policy to pay any amounts when employees separate from service with the City. All vacation pay is accrued when incurred in the government-wide, proprietary, and fiduciary fund financial statements. A liability for these amounts is reported in governmental funds only if they have matured, for example, as a result of employee resignations and retirements.
4. Capital assets, which include land, buildings, furniture and equipment [and infrastructure assets], are reported in the applicable governmental or business-type activities columns in the government-wide financial statements. Capital assets are defined by the City as assets with an initial, individual cost of more than \$500 and an estimated useful life in excess of two years. Such assets are recorded at historical cost or estimated historical cost if purchased or constructed. Donated capital assets are recorded at estimated fair market value at the date of donation.

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

Buildings, furniture and equipment of the City are depreciated using the straight line method over the following estimated useful lives. The estimated lives range from 5 to 7 years for equipment, 45 years for improvements, and 40 years for buildings.

5. Restricted Assets-Certain proceeds of enterprise fund revenue bonds, as well as certain resources set aside for their repayment, are classified as restricted assets on the balance sheet because their use is limited by applicable bond covenants.
6. Deferred revenues are those for which asset recognition criteria have been met, but for which revenue recognition criteria have not been met. Monies collected in advance from federal or state agencies are recorded as revenue in the year for which the expenditures are incurred.
7. When the City incurs an expense for which it may use either restricted or unrestricted assets, it uses the restricted assets first whenever they will have to be returned if they are not used.
8. Encumbrances-The City of Alton, Texas, employs encumbrance accounting; under which purchase order, contracts, and other commitments for the expenditure of monies are recorded in order to reserve that portion of the applicable appropriation.
9. The City has adopted GASB 54 as part of its 2010-11 fiscal year reporting. Implementation of GASB 54 is required for all cities for their fiscal year ending 2011. The intention of GASB 54 is to provide a more structured classification of fund balance and to improve the usefulness of fund balance reporting to the users of the City's financial statements. The reporting standard establishes a hierarchy for fund balance classifications and the constraints imposed on the uses of those resources. GASB 54 provides for two major types of fund balances, which are nonspendable and spendable.

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

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

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

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

II. RECONCILIATION OF GOVERNMENT-WIDE AND FUND FINANCIAL STATEMENTS

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

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

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

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

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

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

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

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

III. STEWARDSHIP, COMPLIANCE, AND ACCOUNTABILITY

A. BUDGETARY DATA

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

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

1. Prior to October 1, the City prepares a budget for the next succeeding fiscal year beginning October 1. The operating budget includes proposed expenditures and the means of financing them.
2. A meeting of the Board is then called for the purpose of adopting the proposed budget. At least ten days' public notice of the meeting must be given.
3. Prior to October 1, the budget is legally enacted through passage of an ordinance by the Board. Once a budget is approved, it can only be formally amended by approval of a majority of the members of the Board. Amendments are presented to the Board at its regular meetings. Each amendment must have Board approval. As required by law, such amendments are made before the fact, and are reflected in the official minutes of the Board, and are not made after fiscal year end. Because the City has a policy of careful budgetary control, several amendments were necessary during the year. However, none of these were deemed significant.
4. Budgeted amounts are as amended by the Board. All budget appropriations lapse at year end.

B. EXCESS OF EXPENDITURES OVER APPROPRIATIONS

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

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

IV. DETAILED NOTES ON ALL FUNDS AND ACCOUNT GROUPS

A. DEPOSITS AND INVESTMENTS

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

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

The Public Funds Investment Act (Government Code Chapter 2256) contains specific provisions in the areas of investment practices, management reports and establishment of appropriate policies. Among other things, it requires the City to adopt, implement, and publicize an investment policy. That policy must address the following areas: (1) safety of principal and liquidity, (2) portfolio diversification, (3) allowable investments, (4) acceptable risk levels, (5) expected rates of return, (6) maximum allowable stated maturity of portfolio investments, (7) maximum average dollar-weighted maturity allowed based on the stated maturity date for the portfolio, (8) investment staff quality and capabilities, (9) and bid solicitation preferences for certificates of deposit. Statutes authorize the City to invest in (1) obligations of the U.S. Treasury, certain U.S. agencies, and the State of Texas; (2) certificates of deposit, (3) certain municipal securities, (4) money market savings accounts, (5) repurchase agreements, (6) bankers acceptances, (7) Mutual Funds, (8) Investment pools, (9) guaranteed investment contracts, (10) and common trust funds. The Act also requires the City to have independent auditors perform test procedures related to investment practices as provided by the Act. The City is in substantial compliance with the requirements of the Act and with local policies.

Credit Risk To limit the risk that an issuer or other counterparty to an investment will not fulfill its obligations the City limits investments to Certificates of Deposits, Public Funds Investment Pools and Guaranteed Investment Contracts, collateralized by U.S. Government Securities. As of September 30, 2014, the city's investments were secured by FDIC Insurance and securities collateral.

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

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

Interest Rate Risk To limit the risk that changes in interest rates will adversely affect the fair value of investments, the City requires that the investments shall be monitored by using specific identification.

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

B. PROPERTY TAXES

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

C. DELINQUENT TAXES RECEIVABLE

Delinquent taxes are prorated between maintenance and debt service based on rates adopted for the year of the levy Allowances for uncollectible tax receivables within the General and Debt Service Funds are based on historical experience in collecting property taxes. Uncollectible personal property taxes are periodically reviewed and written off, but the City is prohibited from writing off real property taxes without specific statutory authority from the Texas Legislature.

D. INTERFUND BALANCES

General Fund Due to:

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

Special Revenue Fund Due to:

General Fund	<u>3,776</u>
	3,776

Debt Service Fund Due to:

Special Revenue Fund	<u>14,401</u>
	14,401

Enterprise Fund Due to:

General Fund	<u>6,564</u>
	6,564

Agency fund Due to:

General Fund	<u>1,300</u>
	1,300

Total Due To: 161,380

General Fund Due From:

Special Revenue Fund	19,477
Enterprise Fund	<u>6,564</u>
	26,041

4A Corporation Due From:

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

E. DISAGGREGATION OF RECEIVABLES AND PAYABLES

Receivables at September 30, 2014, were as follows:

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

Payables at September 30, 2014, were as follows:

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

F. TEMPORARILY RESTRICTED CASH

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

G. CAPITAL ASSET ACTIVITY

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

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

Depreciation expense was charged to governmental functions as follows:

General Government	\$186,529
Public Safety	386,628
Public Works	126,369
Health & Welfare	22,300
Culture and Recreation	20,658
Economic Development & Assistance	<u>121,876</u>
Total Depreciation Expense	<u>\$ 864,360</u>

H. BONDS AND LONG-TERM NOTES PAYABLE

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

Governmental General Long Term Debt:

\$2,568,000 Series 2007 Certificate of Obligation with annual interest rate of 4.39% to 4.47%; Original date of issuance on January 18, 2008 and maturity date on September 15, 2026. 1,853,000

\$ 2,485,000 Series 2011 General Obligation Refunding Bonds. Original Issue Date is October 14, 2011 Maturity date is September 15, 2023. Annual interest rate of 2.31%. 1,900,000

\$1,250,000 Series 2012 Tax Increment Revenue and Limited Tax Certificates of Obligation(TIRZ). Original Issue Date is August 21, 2012 Maturity date is August 15, 2022 . Annual interest rate of 3.7%. 1,065,000

Note Payable to Happy State Bank, dated September 20, 2010 in the original amount of \$229,306.00 for the purchase of Police Vehicles; Maturity date November 15, 2015 with an interest rate of 5.82%. 73,944

During the year 2011, the City was approved financial assistance from the Texas Water Development Board in the amount of \$9,595,000, with 100% of such loan to be forgiven, all as is more specifically set forth in the application. No debt obligations are to be assumed by the City for the loan and no taxes and/or revenues are required to be pledged by the City. 9,596,104

Note Payable to The Bank of New York, dated July 22, 2013 in the original amount of \$500,000; Maturity dated August 1, 2028 with an interest rate of 3.25% 469,651

Note Payable to The Bank of New York, dated July 22, 2013 in the original amount of \$500,000; Maturity dated August 1, 2028 with an interest rate of 3.25% 469,651

Note Payable to Bank of New York Mellon in the amount of \$2,925,000 for the construction of the city recreation center funded through the Urban County CBDG Program 1,340,000

Note Payable to Ally Financial, dated March 13, 2014 in the amount of \$26,906, for the purchase of a 2014 Chevrolet Van for Senior Center; Maturity date March 13, 2016 with an interest rate of 6.84% 17,338

Note Payable to Compass Bank, dated August 1, 2014 in the original amount of \$1,955,000 for TIRZ Projects; Maturity date February 25, 2029 with an interest rate of 3.6% 1,955,000

Note Payable to USDA, dated March 4, 2014 in the original amount of \$500,000 for the Construction of the new Fire Station; Maturity date June 15, 2043 with an interest rate of 3.125% 491,000

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

Enterprise Funds General Long Term Debt:

Note Payable to Lone Star National Bank, dated October 27, 2011 in the original amount of \$175,000 for the purchase of a Cash Flow; Ten annual payments of \$10,500, interest rate of 6.0% \$ 149,174

Note Payable to Government Capital Corp, dated February 28, 2012 in the original amount of \$834,296.85 for the purchase of Solid Waste Equipment; Maturity date February 15, 2017 with an interest rate of 3.447% 508,139

Note Payable to Compass Bank, dated August 1, 2014 in the original amount of \$315,000 for SW Capacity Buy as well as SW improvement & equipment; Maturity date February 25, 2029 with an interest rate of 3.6% 315,000

Total Enterprise Fund Long Term Debt \$ 972,312

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

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

I. DEBT SERVICE REQUIREMENTS – BONDS/NOTES PAYABLE

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

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

J. CHANGES IN LONG-TERM LIABILITIES

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

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

K. DEFERRED OUTFLOWS AND INFLOWS OF RESOURCES

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

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

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

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

L. DEFERRED REVENUE

Deferred revenue at year-end consisted of the following:

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

M. TAX INCREMENT REINVESTMENT ZONE

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

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

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

N. DEFINED BENEFIT PENSION PLAN

Plan Description

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

TMRS issues a publicly available comprehensive annual financial report that includes financial statements and required supplementary information (RSI) for TMRS; the report also provides detailed explanations of the contributions, benefits and actuarial methods and assumptions used by the System. This report may be obtained by writing to TMRS, P.O. Box 149153, Austin, TX 78714-9153 or by calling 800-924-8677; in addition, the report is available on TMRS' website at www.TMRS.com.

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

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

Contributions

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

P. CONSTRUCTION AND OTHER SIGNIFICANT COMMITMENTS AND CONTINGENCIES

Projected Summary of Facilities

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

Q. LITIGATION

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

R. SUBSEQUENT EVENTS

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

S. PRIOR PERIOD ADJUSTMENT

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

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

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

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COMBINING AND INDIVIDUAL FUND
STATEMENTS AND SCHEDULES

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

FEDERAL SECTION

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Reyna & Garza, PLLC

Certified Public Accountants

2111 Jackson Creek Ave.

Edinburg, TX 78539

INDEPENDENT AUDITOR'S REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING AND ON COMPLIANCE AND OTHER MATTERS BASED ON AN AUDIT OF FINANCIAL STATEMENTS PERFORMED IN ACCORDANCE WITH *GOVERNMENT AUDITING STANDARDS*

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

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

Internal Control over Financial Reporting

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

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

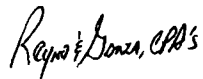
Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or, significant deficiencies. Given these limitations, during our audit we did not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

Compliance and Other Matters

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

Purpose of this Report

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



Reyna & Garza, PLLC

Edinburg, Tx

April 21, 2015

Reyna & Garza, PLLC

Certified Public Accountants

2111 Jackson Creek Ave.

Edinburg, TX 78539

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

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

Report on Compliance for Each Major Federal Program

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

Management's Responsibility

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

Auditor's Responsibility

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

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

Opinion on Each Major Federal Program

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

Report on Internal Control over Compliance

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

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

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

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

Reyna & Garza, PLLC

Reyna & Garza, PLLC

Edinburg, Tx
April 21, 2015

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

I. Summary of the Auditor's Results:

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

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

None

III. Findings Related to Federal Awards.

None

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

2013-01 Fund Balances

Status: Corrected

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

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

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

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

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

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

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

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

NOEL GARZA, CPA, PC
Certified Public Accountant

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

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Noel Garza, CPA, PC

Certified Public Accountant

4416 S. McColl Rd.

Edinburg, TX 78539

956-393-8743

INDEPENDENT AUDITOR'S REPORT

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

Report on the Financial Statements

We have audited the accompanying financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the City of Alton, Tx, as of and for the year ended September 30, 2015, and the related notes to the financial statements, which collectively comprise the City of Alton's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

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

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

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinions.

Opinions

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the City of Alton, Tx, as of September 30, 2015, and the respective changes in financial position, and the respective budgetary comparison for the General Fund and, where applicable, cash flows thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Emphasis of Matter

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

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis on pages 4-9 be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Other Information

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

The combining and individual nonmajor fund financial statements and the schedule of expenditures of federal awards are the responsibility of management and were derived from and relate directly to the underlying accounting and other records used to prepare the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the combining and individual nonmajor fund financial statements and the schedule of expenditures of federal awards are fairly stated in all material respects in relation to the basic financial statements as a whole.

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

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated April 22, 2016 on our consideration of the City of Alton, Tx's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the City of Alton, Tx's internal control over financial reporting and compliance.

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

Noel Garza, CPA, PC

Edinburg, Tx
April 22, 2016

Management's Discussion and Analysis
CITY OF ALTON

MANAGEMENT'S DISCUSSION AND ANALYSIS

In this section of the Annual Financial and Compliance Report, we, the managers of CITY OF ALTON, discuss and analyze the City's financial performance for the fiscal year ended September 30, 2015. Please read it in conjunction with the Independent Auditors' Report on page 2, and the City's Basic Financial Statements, which begin on page 10.

FINANCIAL HIGHLIGHTS

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

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

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

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

The resources available for appropriation were \$30 thousand less than budgeted expenses for the General Fund.

USING THIS ANNUAL REPORT

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

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

The notes to the financial statements (starting on page 25) provide narrative explanations or additional data needed for full disclosure in the government-wide statements or the fund financial statements.

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

Reporting the City as a Whole

The Statement of Net position and the Statement of Activities

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

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

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

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

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

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

Reporting the City's Most Significant Funds

Fund Financial Statements

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

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

Proprietary funds—The City reports the activities for which it charges users (whether outside customers or other units of the City) in proprietary funds using the same accounting methods employed in the Statement of Net position and the Statement of Activities. In fact, the City's enterprise funds (one category of proprietary funds) are the business-type activities reported in the government-wide statements but containing more detail and additional information, such as cash flows.

GOVERNMENT-WIDE FINANCIAL ANALYSIS

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

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

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

Table I
City of ALTON

NET POSITION

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

Table II
City of ALTON

CHANGES IN NET POSITION

	Governmental Activities 2015	Governmental Activities 2014	Business-type Activities 2015	Business-type Activities 2014	Total 2015	Total 2014
Revenues:						
Program Revenues:						
Charges for Services	301,196	289,323	2,550,401	2,461,597	2,851,597	2,750,920
Operating grants and contributions	988,800	279,415	0	0	988,800	279,415
General Revenues:						
Maintenance and operations taxes	1,037,178	1,027,105	0	0	1,037,178	1,027,105
Debt service taxes	358,799	343,184	0	0	358,799	343,184
Sales Taxes	731,039	652,660	0	0	731,039	652,660
Franchise Taxes	74,457	269,719	0	0	271,199	269,719
Investment Earnings	5,269	2,137	0	0	5,269	2,137
Miscellaneous	1,793,474	1,312,183	36,565	23,560	1,830,039	1,335,743
Total Revenue	5,486,954	4,175,726	2,586,966	2,485,157	8,073,920	6,660,883
Expenses:						
General Government	1,503,434	470,095	0	0	1,503,434	470,095
Public Safety	2,529,243	2,243,449	0	0	2,529,243	2,243,449
Public Works	687,956	758,607	0	0	687,956	758,607
Health and Welfare	108,349	129,933	0	0	108,349	129,933
Culture & Recreation	83,657	140,671	0	0	83,657	140,671
Economic Development & Asst.	487,119	447,947	0	0	487,119	447,947
Debt Service	296,644	220,845	0	0	296,644	220,845
Fiscal Agent's Fees	250	250	0	0	250	250
Utility Fund Services	0	0	0	0	0	0
Solid Waste Fund Services	0	0	1,949,737	1,939,459	1,949,737	1,939,459
Utility I&S Fund	0	0	0	0	0	0
Total Expenses	5,696,652	4,411,797	1,949,737	1,939,459	7,646,389	6,351,256
Increase in net position before transfers and special items	(209,698)	(236,071)	637,229	545,698	427,531	309,627
Transfers	697,334	(2,992,907)	(697,334)	2,937,907	0	(55,000)
Special Items - Resources					0	0
Special Items-Prior Period Adjustments	(2,495,854)	94,159	(4,229)	3,605	(2,500,083)	97,764
Net position at 10/1/14	2,203,142	5,337,960	14,261,725	10,774,516	16,464,867	16,112,476
Net position at 9/30/15	194,924	2,203,142	14,197,391	14,261,725	14,392,315	16,464,868

The cost of all governmental activities this year was \$ 5.70 million. However, as shown in the Statement of Activities on pages 11 and 12, the amount that our taxpayers ultimately financed for these activities through City taxes was only \$1.4 million because some of the costs were paid by those who directly benefited from the programs or by other governments and organizations that subsidized certain programs with grants and contributions; \$1.29 thousand.

THE CITY'S FUNDS

As the City completed the year, its governmental funds (as presented in the balance sheet on pages 13 reported a combined fund balance of \$194 thousand, which is less than last year's total of \$2.2 million. Included in this year's total change in fund balance is an increase of \$470.2 thousand in the City's General Fund.

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

The City's General Fund balance of \$218,261 thousand reported on page 13 differs from the General Fund's budgetary fund balance of (\$608 thousand) reported in the General Fund budgetary comparison schedule on page 19. This is principally due unrealized revenues.

CAPITAL ASSET AND DEBT ADMINISTRATION

Capital Assets

At the end of the 2014-15 year, the City had \$19.07 million invested in a broad range of capital assets, including facilities, land, infrastructure, vehicles, and equipment.

This years' major addition included:

The continuation of the fire department building project, utilizing proceeds from the USDA loan & grant.

Debt

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

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

ECONOMIC FACTORS AND NEXT YEAR'S BUDGETS AND RATES

The City's elected and appointed officials considered many factors when setting the fiscal-year 2014-15 budget tax rates. One of those factors is the economy. The City's population growth during 2000-2010 averaged annual gains of 181.5 percent. More recently, unemployment has remained relatively constant. This compares with the State's unemployment rate of 8.2 percent and the national rate of 9.6 percent. The City also takes the number of households served by the City in developing the budget for the Enterprise fund. The City is currently serving 2,799 residents through its Enterprise fund, providing water, sewer and solid waste services.

These indicators were taken into account when adopting the General Fund budget for 2015-16. Amounts available for appropriation in the General Fund budget are \$4.194 million, lower than the final 2014-15 budget of \$ 3.747 million, due to the City's establishing of an Enterprise Solid Waste Fund. The City will use its revenues to finance programs we currently offer. Budgeted expenditures are expected to relatively increase to \$4.16 million, also as a result of the Enterprise Solid Waste Fund.

If these estimates are realized, the City's budgetary General Fund balance is expected to increase slightly by the close of 2015-16.

CONTACTING THE CITY'S FINANCIAL MANAGEMENT

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

CITY OF ALTON, TX
STATEMENT OF NET POSITION
SEPTEMBER 30, 2015

EXHIBIT A-1

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

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

CITY OF ALTON, TX
STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED SEPTEMBER 30, 2015

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

General Revenues:

Taxes:

Property Taxes, Levied for General Purposes

Property Taxes, Levied for Debt Service

Sales Taxes

Franchise Taxes

Penalty and Interest

Grants and Contributions Not Restricted

Miscellaneous Revenue

Investment Earnings

Special Item - resource

Special Item (Use)

Transfers In (Out)

Total General Revenues, Special Items, and Transfers

Change in Net Position

Net Position - Beginning

Prior Period Adjustment

Net Position--Ending

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

Net (Expense) Revenue and
Changes in Net Position

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

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

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

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

EXHIBIT C-1

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

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

Total Fund Balances - Governmental Funds	\$ 2,184,026
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.	-0-
Capital assets used in governmental activities are not financial resources and therefore are not reported in governmental funds. At the beginning of the year, the cost of these assets was \$34,235,546 and the accumulated depreciation was \$16,532,928. In addition, long-term liabilities, including bonds payable, are not due and payable in the current period, and, therefore are not reported as liabilities in the funds. The net effect of including the beginning balances for capital assets (net of depreciation) and long-term debt in the governmental activities is to increase (decrease) net position.	(994,906)
Current year capital outlays and long-term debt principal payments are expenditures in the fund financial statements, but they should be shown as increases in capital assets and reductions in long-term debt in the government-wide financial statements. The net effect of including the 2015 capital outlays and debt principal payments is to increase (decrease) net position.	3,121,206
The 2015 depreciation expense increases accumulated depreciation. The net effect of the current year's depreciation is to decrease net position.	(881,692)
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.	(3,233,710)
Net Position of Governmental Activities	\$ 194,924

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

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

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

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

Capital Projects	Capital Projects	Other Funds	Total Governmental Funds
\$ -	\$ -	\$ 343,996	\$ 1,398,229
-	-	365,520	731,039
-	-	-	271,199
-	-	20,658	74,457
-	-	-	210,519
-	570,921	337,252	970,930
-	-	150,532	430,190
-	-	-	482,833
-	-	5,599	5,599
-	-	123,757	123,757
725	252	656	5,269
-	-	300	21,838
-	-	17,870	17,870
-	28,000	22,899	308,677
725	599,173	1,389,039	5,052,406
-	-	-	1,134,973
-	-	13,716	2,221,526
-	-	-	550,866
-	-	-	104,118
-	-	39,541	69,913
-	-	326,090	405,698
-	-	358,486	358,486
-	-	458,678	458,678
-	-	131,415	131,415
-	-	165,229	165,229
-	-	250	250
1,688,941	726,169	79,997	2,924,707
1,688,941	726,169	1,573,402	8,525,859
(1,688,216)	(126,996)	(184,363)	(3,473,453)
-	-	-	950,000
-	-	-	700,000
280,000	300,000	489,334	2,030,622
(335,000)	-	(248,288)	653,971
(55,000)	300,000	241,046	(1,333,288)
-	-	-	3,001,305
-	-	-	(40,125)
(1,743,216)	173,004	56,683	(512,273)
1,765,525	(30,650)	476,166	2,696,299
\$ 22,309	\$ 142,354	\$ 532,849	\$ 2,184,026

CITY OF ALTON, TX
 RECONCILIATION OF THE GOVERNMENTAL FUNDS STATEMENT OF REVENUES, EXPENDITURES,
 AND CHANGES IN FUND BALANCES TO THE STATEMENT OF ACTIVITIES
 FOR THE YEAR ENDED SEPTEMBER 30, 2015

Total Net Change in Fund Balances - Governmental Funds	\$ (512,273)
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.	-0-
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.	3,113,767
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.	(881,692)
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.	(1,232,166)
Change in Net Position of Governmental Activities	\$ 487,636

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

CITY OF ALTON, TX
 SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE
 BUDGET AND ACTUAL - GENERAL FUND
 FOR THE YEAR ENDED SEPTEMBER 30, 2015

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

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

CITY OF ALTON, TX
STATEMENT OF NET POSITION
PROPRIETARY FUNDS
SEPTEMBER 30, 2015

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

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

CITY OF ALTON, TX
STATEMENT OF REVENUES, EXPENSES, AND CHANGES IN FUND NET POSITION
PROPRIETARY FUNDS
FOR THE YEAR ENDED SEPTEMBER 30, 2015

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

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

CITY OF ALTON, TX
STATEMENT OF CASH FLOWS
PROPRIETARY FUNDS
FOR THE YEAR ENDED SEPTEMBER 30, 2015

EXHIBIT D-3

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

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

CITY OF ALTON, TX
STATEMENT OF NET POSITION
FIDUCIARY FUNDS
SEPTEMBER 30, 2015

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

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

CITY OF ALTON

NOTES TO THE FINANCIAL STATEMENTS

YEAR ENDED SEPTEMBER 30, 2015

I. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

CITY OF ALTON (the "City") was incorporated on April 1, 1978, under Article XI, Section 5 of the Constitution of the State of Texas. The City operates under a Home Rule (Mayor, City Commissioners) form of government and provides the following services as authorized by its charter. The services include public safety (police and fire), public works, sanitation, health and social services, culture-recreation, public improvements, planning and zoning, and general administrative services. Other services include utilities (water & sewer services and solid waste collection).

The City prepares its basic financial statements in conformity with generally accepted accounting principles promulgated by the Governmental Accounting Standards Board and other authoritative sources identified in *Statement on Auditing Standards No. 56* of the American Institute of Certified Public Accountants and the requirements of contracts and grants of agencies from which it receives funds.

New Accounting Standards Adopted

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

A. REPORTING ENTITY

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

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

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

Included in the Reporting Entity

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

B. GOVERNMENT-WIDE AND FUND FINANCIAL STATEMENTS

The Statement of Net Assets and the Statement of Activities are government-wide financial statements. They report information on all of the CITY OF ALTON nonfiduciary activities with most of the interfund activities removed. *Governmental activities* include programs supported primarily by taxes, State funds, grants and other intergovernmental revenues. *Business-type activities* include operations that rely to a significant extent on fees and charges for support.

The Statement of Activities demonstrates how other people or entities that participate in programs the City operates have shared in the payment of the direct costs. The "charges for services" column includes payments made by parties that purchase, use, or directly benefit from goods or services provided by a given function or segment of the City. The "grants and contributions" column includes amounts paid by organizations outside the City to help meet the operational or capital requirements of a given function. If a revenue is not a program revenue, it is a general revenue used to support all of the City's functions. Taxes are always general revenues.

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

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

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

C. MEASUREMENT FOCUS, BASIS OF ACCOUNTING, AND FINANCIAL STATEMENT PRESENTATION

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

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

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

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

Grant funds are considered to be earned to the extent of expenditures made under the provisions of the grant. Accordingly, when such funds are received, they are recorded as deferred revenues until related and authorized expenditures have been made. If balances have not been expended by the end of the project period, grantors some times require the City to refund all or part of the unused amount.

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

D. FUND ACCOUNTING

The City reports the following major governmental funds:

1. **The General Fund** – The general fund is the City's primary operating fund. It accounts for all financial resources except those required to be accounted for in another fund.
2. **Special Revenue Funds** – The City accounts for resources restricted to, or designated for, specific purposes by the City or a grantor in a special revenue fund. Most Federal and some State financial assistance is accounted for in a Special Revenue Fund, and sometimes unused balances must be returned to the grantor at the close of specified project periods.
3. **Capital Projects Funds** – The proceeds from long-term debt financing and revenues and expenditures related to authorized construction and other capital asset acquisitions are accounted for in a capital projects fund.

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

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

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

Governmental Funds:

1. **Special Revenue Funds** – The City accounts for resources restricted to, or designated for, specific purposes by the City or a grantor in a special revenue fund. Most Federal and some State financial assistance is accounted for in a Special Revenue Fund, and sometimes unused balances must be returned to the grantor at the close of specified project periods.
2. **The Debt Service Fund** – The debt service fund is used to account for the accumulation of resources for and payment of, general long term debt principal, interest, and related costs.
3. **Capital Projects Funds** – The proceeds from long-term debt financing and revenues and expenditures related to authorized construction and other capital asset acquisitions are accounted for in a capital projects fund.

Proprietary Funds:

4. **Enterprise Funds** – The City's activities for which outside users are charged a fee roughly equal to the cost of providing the goods or services of those activities are accounted for in an enterprise fund.

E. OTHER ACCOUNTING POLICIES

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

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

3. It is the City's policy to permit some employees to accumulate earned but unused vacation and sick pay benefits. There is a liability for unpaid accumulated sick leave since the City does have a policy to pay any amounts when employees separate from service with the City. All vacation pay is accrued when incurred in the government-wide, proprietary, and fiduciary fund financial statements. A liability for these amounts is reported in governmental funds only if they have matured, for example, as a result of employee resignations and retirements.
4. Capital assets, which include land, buildings, furniture and equipment [and infrastructure assets], are reported in the applicable governmental or business-type activities columns in the government-wide financial statements. Capital assets are defined by the City as assets with an initial, individual cost of more than \$500 and an estimated useful life in excess of two years. Such assets are recorded at historical cost or estimated historical cost if purchased or constructed. Donated capital assets are recorded at estimated fair market value at the date of donation.

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

Buildings, furniture and equipment of the City are depreciated using the straight line method over the following estimated useful lives. The estimated lives range from 5 to 7 years for equipment, 45 years for improvements, and 40 years for buildings.

5. Restricted Assets-Certain proceeds of enterprise fund revenue bonds, as well as certain resources set aside for their repayment, are classified as restricted assets on the balance sheet because their use is limited by applicable bond covenants.
6. Deferred revenues are those for which asset recognition criteria have been met, but for which revenue recognition criteria have not been met. Monies collected in advance from federal or state agencies are recorded as revenue in the year for which the expenditures are incurred.
7. When the City incurs an expense for which it may use either restricted or unrestricted assets, it uses the restricted assets first whenever they will have to be returned if they are not used.
8. Encumbrances-The City of Alton, Texas, employs encumbrance accounting; under which purchase order, contracts, and other commitments for the expenditure of monies are recorded in order to reserve that portion of the applicable appropriation.
9. The City has adopted GASB 54 as part of its fiscal year reporting. The intention of GASB 54 is to provide a more structured classification of fund balance and to improve the usefulness of fund balance reporting to the users of the City's financial statements. The reporting standard establishes a hierarchy for fund balance classifications and the constraints imposed on the uses of those resources. GASB 54 provides for two major types of fund balances, which are nonspendable and spendable.

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

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

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

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

II. RECONCILIATION OF GOVERNMENT-WIDE AND FUND FINANCIAL STATEMENTS

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

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

<u>Capital Assets</u> <u>at the Beginning of the year</u>	<u>Historic Cost</u>	<u>Accumulated</u> <u>Depreciation</u>	<u>Net Value at the</u> <u>Beginning of the</u> <u>Year</u>	<u>Change in Net</u> <u>Assets</u>
Land	\$3,467,659	0	\$ 3,467,659	
Buildings	5,753,663	(1,636,063)	4,117,600	
Furniture & Equipment	2,574,921	(1,885,719)	2,389,202	
Construction In Progress	899,849	0	899,849	
Infrastructure	21,539,452	(13,011,145)	8,528,307	
Change in Net Assets				<u>\$ 19,402,617</u>
<u>Long-term Liabilities</u> <u>at the Beginning of the year</u>			<u>Payable at the</u> <u>Beginning of the</u> <u>Year</u>	
Bonds Payable			7,236,000	
Less Deferred Charges				
Loans Payable			11,966,689	
Change in Net Assets				<u>(19,202,689)</u>
Net Adjustment to Net Assets				<u>\$199,929</u>

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

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

	<u>Amount</u>	<u>Adjustments to</u> <u>Changes in Net</u> <u>Assets</u>	<u>Adjustments to</u> <u>Net Assets</u>
<u>Current Year Capital Outlay</u>			
Various Categories	<u>\$2,270,698</u>		
Total Capital Outlay	<u>\$2,270,698</u>	<u>\$2,270,698</u>	<u>\$2,270,698</u>
<u>Debt Principal Payments</u>			
Bond Principal	358,486		
Loan Principal	<u>268,678</u>		
Total Principal	<u>\$652,126</u>	<u>652,126</u>	<u>652,126</u>
Payments			
Total Adjustment to Net Assets		<u>\$2,922,824</u>	<u>\$2,922,824</u>

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

	<u>Amount</u>	<u>Adjustments to Change in Net Assets</u>	<u>Adjustments to Net Assets</u>
<u>Adjustments to Revenue and Deferred Revenue</u>			
Taxes Collected from Prior Year Levies	\$150,361	\$ (150,361)	
Uncollected taxes(assumed collectible) from Current Year Levy	148,109	148,109	148,109
Uncollected taxes(assumed collectible) from Prior Year Levy	315,948		315,948
<u>Reclassify Proceeds of Bonds, Loans & Capital Leases</u>			
Bond/Note Issuance	1,163,107,	(1,163,107)	(1,163,107)
Sale of Property	23,396	23,396	23,396
Prior Period Adjustments	2,467,853		(2,467,853)
Other		(90,203)	(90,203)
Total		<u>\$ (1,232,166)</u>	<u>\$ (3,233,710)</u>

III. STEWARDSHIP, COMPLIANCE, AND ACCOUNTABILITY

A. BUDGETARY DATA

The Board of Commissioners adopts an "appropriated budget" for the General Fund and Debt Service Fund. In accordance with Government Accounting Standards Board (GASB) Statement#34, a City is required to present the adopted and final amended budgeted revenues and expenditures for the General Fund. The City compares the final amended budget to actual revenues and expenditures. The General Fund Budget report appears in Exhibit C-5.

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

1. Prior to October 1, the City prepares a budget for the next succeeding fiscal year beginning October 1. The operating budget includes proposed expenditures and the means of financing them.
2. A meeting of the Board is then called for the purpose of adopting the proposed budget. At least ten days' public notice of the meeting must be given.
3. Prior to October 1, the budget is legally enacted through passage of an ordinance by the Board. Once a budget is approved, it can only be formally amended by approval of a majority of the members of the Board. Amendments are presented to the Board at its regular meetings. Each amendment must have Board approval. As required by law, such amendments are made before the fact, and are reflected in the official minutes of the Board, and are not made after fiscal year end. Because the City has a policy of careful budgetary control, several amendments were necessary during the year. However, none of these were deemed significant.
4. Budgeted amounts are as amended by the Board. All budget appropriations lapse at year end.

B. EXCESS OF EXPENDITURES OVER APPROPRIATIONS

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

<u>Functional Category</u>	<u>Amount</u>
Public Safety	<u>\$181,900</u>
Total Excess of Expenditures	<u>\$181,900</u>

IV. DETAILED NOTES ON ALL FUNDS AND ACCOUNT GROUPS

A. DEPOSITS AND INVESTMENTS

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

At September 30, 2015, the carrying amount of the City's deposits (cash, certificates of deposit, and interest-bearing savings accounts included in temporary investments) was \$2,218,682 and the bank balance was \$2,324,620. The City's cash deposits at September 30, 2015 and during the year ended September 30, 2015 were entirely covered by FDIC Insurance and securities collateral.

The Public Funds Investment Act (Government Code Chapter 2256) contains specific provisions in the areas of investment practices, management reports and establishment of appropriate policies. Among other things, it requires the City to adopt, implement, and publicize an investment policy. That policy must address the following areas: (1) safety of principal and liquidity, (2) portfolio diversification, (3) allowable investments, (4) acceptable risk levels, (5) expected rates of return, (6) maximum allowable stated maturity of portfolio investments, (7) maximum average dollar-weighted maturity allowed based on the stated maturity date for the portfolio, (8) investment staff quality and capabilities, (9) and bid solicitation preferences for certificates of deposit. Statutes authorize the City to invest in (1) obligations of the U.S. Treasury, certain U.S. agencies, and the State of Texas; (2) certificates of deposit, (3) certain municipal securities, (4) money market savings accounts, (5) repurchase agreements, (6) bankers acceptances, (7) Mutual Funds, (8) Investment pools, (9) guaranteed investment contracts, (10) and common trust funds. The Act also requires the City to have independent auditors perform test procedures related to investment practices as provided by the Act. The City is in substantial compliance with the requirements of the Act and with local policies.

Credit Risk To limit the risk that an issuer or other counterparty to an investment will not fulfill its obligations the City limits investments to Certificates of Deposits, Public Funds Investment Pools and Guaranteed Investment Contracts, collateralized by U.S. Government Securities. As of September 30, 2014, the city's investments were secured by FDIC Insurance and securities collateral.

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

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

Interest Rate Risk To limit the risk that changes in interest rates will adversely affect the fair value of investments, the City requires that the investments shall be monitored by using specific identification.

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

B. PROPERTY TAXES

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

C. DELINQUENT TAXES RECEIVABLE

Delinquent taxes are prorated between maintenance and debt service based on rates adopted for the year of the levy Allowances for uncollectible tax receivables within the General and Debt Service Funds are based on historical experience in collecting property taxes. Uncollectible personal property taxes are periodically reviewed and written off, but the City is prohibited from writing off real property taxes without specific statutory authority from the Texas Legislature.

D. INTERFUND BALANCES

General Fund Due to:	
Urban County	(2,141)
Debt Service	4,360
Capital Projects	<u>126,039</u>
	128,258

Special Revenue Fund Due to:	
General Fund	<u>405,101</u>
	405,101

Debt Service Fund Due to:	
TIRZ Fund	<u>32,405</u>
	32,405

Enterprise Fund Due to:	
General Fund	
TX Leverage Fund	<u>103,320</u>
	103,320

Total Due To:	<u>675,894</u>
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General Fund Due From:	
Special Revenue Fund	405,101
Enterprise Fund	<u>6,810</u>
	411,911

Urban County Due From:	
General Fund	<u>(2,141)</u>
	(2,141)

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

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

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

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

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

Receivables at September 30, 2015, were as follows:

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

Payables at September 30, 2015, were as follows:

	Accounts Payable	Loans, Leases and Bonds Payable - Current Year	Salaries and Benefits	Due To Other Funds	Due to Other Governments	Other	Total Payables
General Fund	\$ 43,465	\$ -	\$ 70,507	\$ 128,258	\$ 48,801	\$ 5,946	\$ 296,978
Special Revenue Funds	5,822	-	3,806	405,101	-	15,824	430,553
Debt Service	-	10,678,546	-	32,405	-	-	10,710,951
Capital Projects Fund	137,596	-	-	-	-	-	137,596
Enterprise Fund	98,237	211,988	27,242	110,130	-	7,548	455,145
Total Payable	<u>\$ 285,120</u>	<u>\$ 10,890,533</u>	<u>\$ 101,555</u>	<u>\$ 675,894</u>	<u>\$ 48,801</u>	<u>\$ 29,319</u>	<u>\$ 12,031,222</u>

F. TEMPORARILY RESTRICTED CASH

Temporarily restricted cash consists of loan proceeds that were deposited into an escrow account by the Texas Water Development Board and Orchid Estates LLP. The proceeds are required to be expended towards the City's Sewer Project and the development of the City. The expenditures must be approved by the Texas Development Water Board in order for the funds to be authorized for release from the escrow account and the developer of Orchid Estates LLP. As of September 30, 2015 the temporarily restricted cash balance for this account totaled \$ 728,809.

G. CAPITAL ASSET ACTIVITY

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

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

Depreciation expense was charged to governmental functions as follows:

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

H. BONDS AND LONG-TERM NOTES PAYABLE

At September 30, 2015, long-term debt consisted of the following:

Governmental General Long Term Debt:

\$2,568,000 Series 2007 Certificate of Obligation with annual interest rate of 4.39% to 4.47%; Original date of issuance on January 18, 2008 and maturity date on September 15, 2026. 1,734,000

\$ 2,485,000 Series 2011 General Obligation Refunding Bonds. Original Issue Date is October 14, 2011 Maturity date is September 15, 2023. Annual interest rate of 2.31%. 1,700,000

\$1,250,000 Series 2012 Tax Increment Revenue and Limited Tax Certificates of Obligation(TIRZ). Original Issue Date is August 21, 2012 Maturity date is August 15, 2022 . Annual interest rate of 3.7%. 950,000

Note Payable to Happy State Bank, dated September 20, 2010 in the original amount of \$229,306.00 for the purchase of Police Vehicles; Maturity date November 15, 2015 with an interest rate of 5.82%. 34,458

During the year 2011, the City was approved financial assistance from the Texas Water Development Board in the amount of \$9,595,000, with 100% of such loan to be forgiven, all as is more specifically set forth in the application. No debt obligations are to be assumed by the City for the loan and no taxes and/or revenues are required to be pledged by the City. 9,596,104

Note Payable to The Bank of New York, dated July 22, 2013 in the original amount of \$500,000; Maturity dated August 1, 2028 with an interest rate of 3.25% 442,313

Note Payable to The Bank of New York, dated July 22, 2013 in the original amount of \$500,000; Maturity dated August 1, 2028 with an interest rate of 3.25% 442,313

Note Payable to Bank of New York Mellon in the amount of \$2,925,000 for the construction of the city recreation center funded through the Urban County CBDG Program 1,150,000

Note Payable to Ally Financial, dated March 13, 2014 in the amount of \$26,906, for the purchase of a 2014 Chevrolet Van for Senior Center; Maturity date March 13, 2016 with an interest rate of 6.84% 8,956

Note Payable to Compass Bank, dated August 1, 2014 in the original amount of \$1,955,000 for TIRZ Projects; Maturity date February 25, 2029 with an interest rate of 3.6%. 1,860,000

Note Payable to Motorola, dated November 1, 2014 in the original amount of \$140,554 for Radios; Maturity date November 1, 2017 with an interest rate of 3.19%. 140,554

Note Payable to Compass Bank, dated in the original amount of \$1,250,000 for TIRZ Projects; Maturity date with an interest rate of 3.7%. 955,000

Note Payable to Schertz Bank and Trust, dated January 21, 2015 in the amount of \$72,553 for two vehicles; Maturity date March 1, 2017 with an interest rate of 4.153%. 47,591

Note Payable to USDA, dated March 4, 2014 in the original amount of \$500,000 for the Construction of the new Fire Station; Maturity date June 15, 2043 with an interest rate of 3.125%.

482,000

Total General Long Term Debt

\$19,543,289

Enterprise Funds General Long Term Debt:

Note Payable to Lone Star National Bank, dated October 27, 2011 in the original amount of \$175,000 for the purchase of a Cash Flow; Ten annual payments of \$10,500, interest rate of 6.0%

\$ 134,266

Note Payable to Government Capital Corp, dated February 28, 2012 in the original amount of \$834,296.85 for the purchase of Solid Waste Equipment; Maturity date February 15, 2017 with an interest rate of 3.447%

339,713

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

300,377

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

33,934

Note Payable to Compass Bank, dated August 1, 2014 in the original amount of \$315,000 for SW Capacity Buy as well as SW improvement & equipment; Maturity date February 25, 2029 with an interest rate of 3.6%

300,000

Total Enterprise Fund Long Term Debt

\$ 1,108,290

There are a number of limitations and restrictions contained in the general obligation bond indenture. Management has indicated that the City is in compliance with all significant limitations and restrictions at September 30, 2015.

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

I. DEBT SERVICE REQUIREMENTS – BONDS/NOTES PAYABLE

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

GOVERNMENTAL FUNDS			ENTERPRISE FUNDS		
Year Ending			Year Ending		
September 30	Principal	Interest	September 30	Principal	Interest
2016	10,578,546	303,321	2016	211,988	35,352
2017	989,303	282,133	2017	368,242	29,472
2018	1,014,437	256,529	2018	79,160	19,714

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

J. CHANGES IN LONG-TERM LIABILITIES

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

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

K. DEFERRED OUTFLOWS AND INFLOWS OF RESOURCES

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

As of August 31, 2015 the various components of deferred outflows and inflows of resources are as follows:

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

	<u>General Fund</u>	<u>Debt Service Fund</u>	<u>Total</u>
Property Tax, unavailable	\$341,504	\$122,553	\$464,057

L. TAX INCREMENT REINVESTMENT ZONE

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

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

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

M. DEFINED BENEFIT PENSION PLAN

Plan Description

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

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

Benefits Provided

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

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

Employees covered by benefit terms.

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

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

Contributions

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

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

Net Pension Liability

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

Actuarial assumptions:

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

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

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

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

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

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

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

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

Discount Rate

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

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

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

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

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

Pension Plan Fiduciary Net Position

Detailed information about the pension plan's Fiduciary Net Position is available in a separately-issued TMRS financial report. That report may be obtained on the Internet at www.tmrs.com.

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

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

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

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

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

YEAR ENDED DECEMBER 31

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

N. CONSTRUCTION AND OTHER SIGNIFICANT COMMITMENTS AND CONTINGENCIES

Projected Summary of Facilities			
<u>Project</u>	<u>Architect</u>	<u>Projected Completion Date</u>	<u>Negotiated Contract Amount</u>
FM 676 Project	L&G Engineering	August, 2017	\$ 375,000

O. LITIGATION

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

P. SUBSEQUENT EVENTS

The City considered all subsequent events through April 22, 2016

Q. PRIOR PERIOD ADJUSTMENT

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

FUND	TOTAL
Utility Fund	\$271,627
Solid Waste Fund	(\$275,856)

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

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

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

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

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

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

EXHIBIT G-7

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

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

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

COMBINING AND INDIVIDUAL FUND
STATEMENTS AND SCHEDULES