

		Total	
Other		Governmental	
Funds		Funds	
\$	-	\$	1,548,894
	418,326		836,652
	-		287,120
	-		73,452
	-		198,125
	477,133		477,133
	32,474		820,085
	-		453,245
	2,107		2,107
	182,067		182,067
	3,503		26,232
	1,075		30,102
	24,274		24,274
	<u>22,043</u>		<u>287,458</u>
	<u>1,163,002</u>		<u>5,246,946</u>
	-		1,100,692
	4,603		2,388,828
	-		713,352
	-		126,554
	29,190		233,600
	318,379		499,278
	-		402,652
	522,514		650,912
	99,733		163,101
	123,786		174,226
	200		2,400
	<u>243,833</u>		<u>1,675,334</u>
	<u>1,342,238</u>		<u>8,130,929</u>
	<u>(179,236)</u>		<u>(2,883,983)</u>
	-		3,734,053
	311,210		311,210
	209,125		209,125
	447,843		1,610,843
	-		452,199
	(551,000)		(678,542)
	-		<u>(234,053)</u>
	<u>417,178</u>		<u>5,404,835</u>
	237,942		2,520,852
	676,249		1,505,789
	-		6,781
\$	<u>914,191</u>	\$	<u>4,033,422</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, 2017

Total Net Change in Fund Balances - Governmental Funds	\$ 2,520,852
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 2017 capital outlays and debt principal payments is to increase (decrease) the change in net position.	(878,237)
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.	(1,063,984)
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.	(248,099)
Change in Net Position of Governmental Activities	<u>\$ 330,531</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, 2017

			Actual Amounts	Variance With
Budgeted Amounts			(GAAP BASIS)	Final Budget
Original	Final			Positive or
REVENUES:				
Taxes:				
Property Taxes	\$ 1,102,944	\$ 1,089,048	\$ 1,092,422	\$ 3,374
General Sales and Use Taxes	398,000	401,246	418,326	17,080
Franchise Tax	280,000	280,000	287,120	7,120
Penalty and Interest on Taxes	52,162	52,162	52,162	-
Licenses and Permits	259,400	248,702	198,125	(50,577)
Charges for Services	525,578	658,968	787,611	128,643
Fines	508,498	435,745	453,245	17,500
Investment Earnings	-	-	6,602	6,602
Rents and Royalties	44,370	46,021	29,027	(16,994)
Other Revenue	488,228	254,422	265,415	10,993
Total Revenues	3,659,180	3,466,314	3,590,055	123,741
EXPENDITURES:				
Current:				
General Government	1,191,449	1,164,772	1,100,692	64,080
Public Safety	2,504,849	2,394,949	2,384,225	10,724
Public Works	754,645	709,265	713,352	(4,087)
Health and Welfare	115,531	116,942	126,554	(9,612)
Culture and Recreation	216,797	208,464	204,410	4,054
Conservation and Development	239,498	180,455	180,899	(444)
Debt Service:				
Other Debt Principal	-	-	48,398	(48,398)
Other Debt Interest	-	-	1,474	(1,474)
Total Expenditures	5,022,769	4,774,847	4,760,004	14,843
Excess (Deficiency) of Revenues Over (Under) Expenditures	(1,363,589)	(1,308,533)	(1,169,949)	138,584
OTHER FINANCING SOURCES (USES):				
Sale of Real and Personal Property	250,000	250,000	-	(250,000)
Transfers In	755,000	755,000	955,000	200,000
Other Resources	368,000	452,099	452,199	100
Total Other Financing Sources (Uses)	1,373,000	1,457,099	1,407,199	(49,900)
Net Change	9,411	148,566	237,250	88,684
Fund Balance - October 1 (Beginning)	662,667	662,667	662,667	-
Prior Period Adjustment	-	-	6,781	6,781
Fund Balance - September 30 (Ending)	\$ 672,078	\$ 811,233	\$ 906,698	\$ 95,465

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, 2017

Business-Type Activities - Enterprise Funds			
	Water & Sewer Fund	Solid Waste Fund	Total Enterprise Funds
ASSETS			
Current Assets:			
Cash and Cash Equivalents	\$ 406,895	\$ 149,204	\$ 556,099
Restricted Assets - Current:			
Temporarily Restricted Cash	150,020	-	150,020
Accounts Receivable-Net of Uncollectible Allowance	329,491	175,940	505,431
Total Current Assets	886,406	325,144	1,211,550
Noncurrent Assets:			
Capital Assets:			
Land Purchase and Improvements	25,110	-	25,110
Improvements other than Buildings	18,644,127	-	18,644,127
Accumulated Depreciation - Other Improvements	(2,985,681)	-	(2,985,681)
Machinery and Equipment	2,081	1,110,518	1,112,599
Accumulated Depreciation - Machinery & Equipment	-	(807,767)	(807,767)
Total Noncurrent Assets	15,685,637	302,751	15,988,388
Total Assets	16,572,043	627,895	17,199,938
DEFERRED OUTFLOWS OF RESOURCES			
Deferred Outflow Related to Pension Plan	30,946	37,823	68,769
Total Deferred Outflows of Resources	30,946	37,823	68,769
LIABILITIES			
Current Liabilities:			
Accounts Payable	8,894	55,119	64,013
Wages and Salaries Payable	17,777	18,468	36,245
Intergovernmental Payable	-	9,714	9,714
Due to Other Funds	-	10,671	10,671
Due to Others	-	918	918
Notes Payable - Current	35,228	91,711	126,939
Bonds Payable - Current	20,000	-	20,000
Total Current Liabilities	81,899	186,601	268,500
NonCurrent Liabilities:			
Bonds Payable - Non-Current:			
Revenue Bonds Payable	745,000	-	745,000
Notes Payable - Noncurrent	67,157	337,269	404,426
Other Noncurrent Liabilities	68,560	83,895	152,455
Total Noncurrent Liabilities	880,717	421,164	1,301,881
Total Liabilities	962,616	607,765	1,570,381
DEFERRED INFLOWS OF RESOURCES			
Deferred Inflow Related to Pension Plan	4,268	5,217	9,485
Total Deferred Inflows of Resources	4,268	5,217	9,485
NET POSITION			
Net Investment in Capital Assets	14,818,252	(126,229)	14,692,023
Unrestricted Net Position	817,853	178,965	996,818

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, 2017

Business-Type Activities - Enterprise Funds			
	Water & Sewer Fund	Solid Waste Fund	Total Enterprise Funds
Total Net Position	\$ 15,636,105	\$ 52,736	\$ 15,688,841

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, 2017

	Business-Type Activities - Enterprise Funds		
	Water & Sewer Fund	Solid Waste Fund	Total Enterprise Funds
OPERATING REVENUES:			
Charges for Services	\$ -	\$ 1,394,843	\$ 1,394,843
Charges for Sewerage Service	1,772,705	137,492	1,910,197
Investment Earnings	1,492	635	2,127
Contributions & Donations from Private Source	-	1,350	1,350
Other Revenue	-	260	260
Total Operating Revenues	<u>1,774,197</u>	<u>1,534,580</u>	<u>3,308,777</u>
OPERATING EXPENSES:			
Personnel Services - Salaries and Wages	215,617	238,243	453,860
Personnel Services - Employee Benefits	60,594	84,624	145,218
Purchased Professional & Technical Services	182,119	173,599	355,718
Purchased Property Services	-	161,660	161,660
Other Operating Expenses	647,457	422,933	1,070,390
Supplies	6,615	57,821	64,436
Depreciation	413,940	213,018	626,957
Interest Expense	16,736	17,983	34,719
Total Operating Expenses	<u>1,543,078</u>	<u>1,369,880</u>	<u>2,912,958</u>
Income Before Transfers	<u>231,119</u>	<u>164,700</u>	<u>395,819</u>
Transfers Out	<u>(548,301)</u>	<u>(384,000)</u>	<u>(932,301)</u>
Change in Net Position	<u>(317,182)</u>	<u>(219,300)</u>	<u>(536,482)</u>
Total Net Position - October 1 (Beginning)	<u>15,953,287</u>	<u>272,036</u>	<u>16,225,323</u>
Total Net Position - September 30 (Ending)	<u>\$ 15,636,105</u>	<u>\$ 52,736</u>	<u>\$ 15,688,841</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, 2017

EXHIBIT D-3

	Business-Type Activities		
	60 Capital Projects	60 Capital Projects	Total Enterprise Funds
<u>Cash Flows from Operating Activities:</u>			
Cash Received from User Charges	\$ 1,708,333	\$ 1,691,736	\$ 3,400,069
Cash Payments to Employees for Services	(273,894)	(318,517)	(592,411)
Cash Payments for Suppliers	(203,774)	(392,431)	(596,205)
Cash Payments for Other Operating Expenses	(581,593)	(422,933)	(1,004,526)
Net Cash Provided by Operating Activities	649,072	557,855	1,206,927
<u>Cash Flows from Non-Capital Financing Activities:</u>			
Operating Transfer Out	(548,301)	(384,000)	(932,301)
<u>Cash Flows from Capital & Related Financing Activities:</u>			
Acquisition of Capital Assets	-	(163,433)	(163,433)
Payment of Long Term Debt	(36,584)	(236,451)	(273,035)
Proceeds from Issuance of Long Term Debt	444,899	178,730	623,629
Net Cash Provided by (Used for) Capital & Related Financing Activities	408,315	(221,154)	187,161
<u>Cash Flows from Investing Activities:</u>			
Purchase of Investment Securities	(150,020)	-	(150,020)
Net Increase(Decrease) in Cash and Cash Equivalents	359,066	(47,299)	311,767
Cash and Cash Equivalents at Beginning of the Year:	47,829	196,503	244,332
Cash and Cash Equivalents at the End of the Year:	\$ 406,895	\$ 149,204	\$ 556,099
<u>Reconciliation of Operating Income to Net Cash Provided By Operating Activities:</u>			
Operating Income:	\$ 231,119	\$ 164,700	\$ 395,819
Adjustments to Reconcile Operating Income to Net Cash Provided by Operating Activities:			
Depreciation	413,940	213,018	626,958
Effect of Increases and Decreases in Current Assets and Liabilities:			
Decrease (increase) in Receivables	-	167,329	167,329
Increase (decrease) in Accounts Payable	1,696	(951)	745
Increase (decrease) in Payroll Deductions	2,317	4,350	6,667
Increase (decrease) in Due to Other Funds	-	9,409	9,409
Net Cash Provided by Operating Activities	\$ 649,072	\$ 557,855	\$ 1,206,927

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, 2017

	Agency Fund
<hr/>	
ASSETS	
Cash and Cash Equivalents	\$ 3,466
Accounts Receivable-Net of Uncollectible Allowance	4,883
Total Assets	<u>\$ 8,349</u>
NET POSITION	
Unrestricted Net Position	\$ 8,349
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, 2017

I. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

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

A. REPORTING ENTITY

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

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

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

Included in the Reporting Entity

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

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

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

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

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

Governmental Funds:

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

Proprietary Funds:

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

E. OTHER ACCOUNTING POLICIES

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

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

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

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

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

5. Restricted Assets-Certain proceeds of enterprise fund revenue bonds, as well as certain resources set aside for their repayment, are classified as restricted assets on the balance sheet because their use is limited by applicable bond covenants.
6. Deferred revenues are those for which asset recognition criteria have been met, but for which revenue recognition criteria have not been met. Monies collected in advance from federal or

state agencies are recorded as revenue in the year for which the expenditures are incurred.

7. When the City incurs an expense for which it may use either restricted or unrestricted assets, it uses the restricted assets first whenever they will have to be returned if they are not used.
8. Encumbrances-The City of Alton, Texas, employs encumbrance accounting; under which purchase order, contracts, and other commitments for the expenditure of monies are recorded in order to reserve that portion of the applicable appropriation.
9. The City has adopted GASB 54 as part of its fiscal year reporting. The intention of GASB 54 is to provide a more structured classification of fund balance and to improve the usefulness of fund balance reporting to the users of the City's financial statements. The reporting standard establishes a hierarchy for fund balance classifications and the constraints imposed on the uses of those resources. GASB 54 provides for two major types of fund balances, which are nonspendable and spendable.

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

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

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

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

II. RECONCILIATION OF GOVERNMENT-WIDE AND FUND FINANCIAL STATEMENTS

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

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

<u>Capital Assets</u> <u>at the Beginning of the year</u>	<u>Historic Cost</u>	<u>Accumulated</u> <u>Depreciation</u>	<u>Net Value at the</u> <u>Beginning of the</u> <u>Year</u>	<u>Change in Net</u> <u>Assets</u>
Land	\$3,958,542	0	\$3,958,542	
Buildings	7,429,513	(1,844,614)	5,584,899	

Furniture & Equipment	3,165,469	(2,039,651)	1,125,818
Construction In Progress	374,250	0	374,250
Infrastructure	22,472,037	(14,038,052)	8,433,985

Change in Net Assets \$ 19,477,494

<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	7,307,000
Less Deferred Charges	
Loans Payable	<u>2,424,718</u>
Change in Net Assets	<u>(9,731,718)</u>

Net Adjustment to Net Assets \$9,745,776

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>\$2,024,241</u>		
Total Capital Outlay	<u>\$2,024,241</u>	<u>\$2,024,241</u>	<u>\$2,024,241</u>
<u>Debt Principal Payments</u>			
Bond Principal	855,569		
Loan Principal	<u>217,844</u>		
Total Principal	<u>\$1,073,413</u>	<u>1,073,413</u>	<u>1,073,413</u>
Payments			
Total Adjustment to Net Assets		<u>\$3,097,654</u>	<u>\$3,097,654</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</u> <u>Change in Net</u> <u>Assets</u>	<u>Adjustments</u> <u>to Net Assets</u>
<u>Adjustments to Revenue and Deferred Revenue</u>			
Taxes Collected from Prior Year Levies	\$124,481	\$ (124,481)	
Uncollected taxes (assumed collectible) from Current Year and Prior Levy	231,997	135,245	231,997
Revision of Estimate of Uncollected Taxes	61,304	(61,304)	

<u>Reclassify Proceeds of Bonds, Loans & Capital Leases</u>			
Accrued Vacation	16,559	(16,559)	
Pension		2,467	(180,777)
Sale of Property	209,225	(209,225)	(209,225)
Other		25,758	25,788
Total		<u>\$ (248,099)</u>	<u>\$(132,217)</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	4,087
Public Works	9,612
Culture and Recreation	444
Other Debt Principal	48,398
Other Debt Interest	<u>\$1,474</u>
Total Excess of Expenditures	<u>\$64,015</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, 2017, the carrying amount of the City's deposits (cash, certificates of deposit, and interest-bearing savings accounts included in temporary investments) bank balance was \$4,513,215. The City's cash deposits at September 30, 2017 and during the year ended September 30, 2017 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 From:	
Enterprise Fund	10,671
Special Revenue	<u>11,238</u>
	21,909
Debt Service Fund Due From:	
General Fund	<u>4,898</u>
	4,898
Capital Projects Due From:	
General Fund	<u>70,057</u>
	70,057
Total Due To:	<u><u>96,864</u></u>
General Fund Due To:	
Debt Service Fund	70,057
Capital Projects Fund	<u>4,898</u>
	74,955
Special Revenue Fund Due To:	
General Fund	<u>11,238</u>
	11,238
Enterprise Fund Due From:	
General Fund	<u>10,670</u>
	10,670
Total Due From:	<u><u>96,864</u></u>

E. DISAGGREGATION OF RECEIVABLES AND PAYABLES

Receivables at September 30, 2017, were as follows:

	<u>Property Taxes</u>	<u>Sales and Franchise Taxes</u>	<u>Other Governments</u>	<u>Due From Other Funds</u>	<u>Other</u>	<u>Total Receivables</u>
General Fund	\$ 359,921	\$ 82,887	\$ -	\$ 21,909	\$ 84,800	\$ 549,517
Special Revenue Funds	-	1,539	-	-	181,798	183,337
Debt Service Fund	137,216	-	-	4,898	-	142,114
Capital Projects Fund	-	-	-	70,057	-	70,057
Enterprise Fund	-	-	-	-	535,745	535,745
Total Receivables	<u>\$ 497,137</u>	<u>\$ 84,426</u>	<u>\$ -</u>	<u>\$ 96,864</u>	<u>\$ 802,343</u>	<u>\$ 1,480,770</u>
Less: Allowance for Uncollectible	<u>\$ (160,754)</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>(30,315)</u>	<u>\$ (190,969)</u>
Net Total Receivable	<u>\$ 336,383</u>	<u>\$ 84,426</u>	<u>\$ -</u>	<u>\$ 96,864</u>	<u>\$ 772,128</u>	<u>\$ 1,289,801</u>

Payables at September 30, 2017, were as follows:

	<u>Accounts Payable</u>	<u>Loans, Leases and Bonds Payable - Current Year</u>	<u>Salaries and Benefits</u>	<u>Due To Other Funds</u>	<u>Due to Other Governments</u>	<u>Other</u>	<u>Total Payables</u>
General Fund	\$ 76,919	\$ -	\$ 102,790	\$ 74,954	\$ 63,665	\$ -	\$ 318,328
Special Revenue Funds	8,298	-	4,860	11,238	-	2,313	26,709
Capital Projects	26,546	-	-	-	-	-	26,546
Debt Service	-	1,177,460	-	-	-	-	1,177,460
Enterprise Fund	64,013	146,939	36,245	10,671	9,714	918	268,500
Total Payable	<u>\$ 175,776</u>	<u>\$ 1,324,399</u>	<u>\$ 143,895</u>	<u>\$ 96,863</u>	<u>\$ 73,379</u>	<u>\$ 3,231</u>	<u>\$ 1,817,543</u>

G. CAPITAL ASSET ACTIVITY

Capital asset activity for the City for the year ended September 30, 2017, was as follows:

	<u>Primary Government</u>				
	<u>Beginning Balance</u>	<u>Additions</u>	<u>Retirements</u>	<u>Adjustments</u>	<u>Ending Balance</u>
Governmental Activities:					
Land	\$ 3,958,542	\$ -	\$ (209,254)	\$ -	\$ 3,958,542
Buildings & Improvements	7,429,513	739,961	-	-	8,169,474
Furniture and Equipment	3,165,469	264,332	(141,416)	425	3,288,810
Construction In Progress	374,250	-	-	(5,550)	368,700
Infrastructure	22,472,037	1,019,948	-	5,550	23,497,535
Totals at Historic Cost	<u>\$ 37,399,811</u>	<u>\$ 2,024,241</u>	<u>\$ (350,670)</u>	<u>\$ 425</u>	<u>39,073,807</u>
Less Accumulated Depreciation:					
Total Accumulated Depreciation	<u>(17,922,316)</u>	<u>(1,063,984)</u>	<u>99,622</u>	<u>-</u>	<u>(18,886,679)</u>
Governmental Activities Capital Assets, Net	<u>\$ 19,477,494</u>	<u>\$ 960,257</u>	<u>\$ (251,048)</u>	<u>\$ 425</u>	<u>\$ 20,187,128</u>
Business-type Activities:					
Land	\$ 25,110	-	-	-	25,110
Furniture and Equipment	949,166	402,464	-	-	1,351,630
Infrastructure	16,749,864	377,585	-	-	17,127,449

Buildings and Improvements	<u>1,894,263</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>1,894,263</u>
Totals at Historic Cost	<u>\$ 19,618,403</u>	<u>\$ 780,049</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 20,398,452</u>
Less Accumulated Depreciation					
Total Accumulated Depreciation	<u>(3,166,490)</u>	<u>(644,958)</u>	<u>-</u>	<u>-</u>	<u>(3,811,448)</u>
Business-type Activities Capital Assets,	<u>\$ 16,451,913</u>	<u>\$ 135,091</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$16,587,004</u>
Net					

Depreciation expense was charged to governmental functions as follows:

General Government	\$269,294
Public Safety	526,566
Public Works	130,657
Health & Welfare	24,684
Culture and Recreation	16,588
Economic Development & Assistance	<u>96,195</u>
Total Depreciation Expense	<u>\$1,063,984</u>

H. BONDS AND LONG-TERM NOTES PAYABLE

At September 30, 2017, 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.	1,480,000
\$ 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%.	1,285,000
\$ 950,000 Series 2015 General Obligation Refunding Bonds. Original Issue Date is April 21, 2015 Maturity date is February 15, 2027. Annual interest rate of 3.5%.	825,000
\$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%.	720,000
Note Payable to The Bank of New York, dated July 22, 2013 in the original amount of \$500,000; Maturity dated August 1, 2028 with an interest rate of 3.25%	385,693
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%	385,693
CO Series 2016 to USDA, dated May 4, 2016 in the original amount of \$240,000 for the Construction of the Sewer System; Maturity date May 1, 2056 with an interest rate of 1.750%	240,000
Note Payable to Compass Bank, dated August 1, 2014 in the original amount of \$1,955,000 for TIRZ Projects; Maturity date February 25, 2029 with an interest rate of 3.6%.	1,650,000
Note Payable to Motorola, dated in the original amount of \$140,554 for Radios; Maturity Date November 1, 2017 of with an interest rate of 3.19%.	48,330

Note Payable to Schertz Bank and Trust, dated in the amount of \$526,467 for two vehicles; Maturity date with an interest rate of 2.95%.	418,373
Note Payable to Urban County, in the amount of \$1,150,000; Maturity Date July 21, 2021 with an interest rate of 1.5%	735,000
\$3,465,000 General Obligations Series 2016 - A; Original Issuance Date November 30, 2016. Maturity Date of August 15, 2036 with interest rate of 4%.	3,465,000
Note Payable to Frost Bank, dated October 20, 2016 in the amount of \$376,232; Maturity Date December 1, 2021 with an interest rate of 2.160% for City Vehicles	376,232
Note Payable to KS State Bank, dated August 10, 2017 in the amount of \$117,000; Maturity Date August 21, 2021 with an interest rate of 5.390% for LED signs.	90,485
Note Payable to USDA, dated March 4, 2014 in the original amount of \$500,000 for the Construction of the new Fire Station; Maturity date June 15, 2043 with an interest rate of 3.125%.	<u>462,000</u>
Total General Long Term Debt	<u>\$12,566,806</u>
Enterprise Funds General Long Term Debt:	
Note Payable to Lone Star National Bank, dated in the original amount of \$152,603 For the purchase of a; Maturity date of with an interest rate of 6.000%.	105,685
Note Payable to Frost Bank, dated October 20, 2016 in the amount of \$164,242; Maturity Date December 1, 2021 with an interest rate of 2.160% for City Vehicles	164,513
\$500,000 General Obligations Series 2017; Original Issuance Date April 1, 2017. Maturity Date of September 30, 2047 with variable interest rate.	500,000
Note Payable to Schertz Bank and Trust, dated in the original amount of \$300,377 For the purchase of a Brush Truck; Maturity date of with an interest rate of 3.748%.	254,804
Note Payable to Schertz Bank and Trust, dated in the original amount of \$33,934 For the purchase of a Brush Truck; Maturity date of with an interest rate of 5.524%.	11,879
Note Payable to Compass Bank, dated August 1, 2014 in the original amount of \$315,000 for SW Capacity Buy as well as SW improvement & equipment; Maturity date February 25, 2029 with an interest rate of 3.6%	<u>265,000</u>
Total Enterprise Fund Long Term Debt	<u>\$ 1,301,881</u>

There are a number of limitations and restrictions contained in the general obligation bond indenture. Management has indicated that the City is in compliance with all significant limitations and restrictions at September 30, 2017.

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

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

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

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
2018	1,177,460	300,759	2018	155,274	19,714
2019	1,172,681	267,591	2019	150,834	16,598
2020	1,205,757	236,736	2020	153,354	14,039
2021	971,091	195,673	2021	120,729	11,412
2022	974,177	163,218	2022	123,419	8,713
2023-2027	3,706,144	723,001	2023-2027	545,000	21,960
2028-2032	1,754,496	194,891	2028-2032	50,000	2,700
2033-2037	1,311,000	124,970			
2038-2042	157,000	71,495			
2043-2056	137,000	37,571			
Total	<u>12,566,806</u>	<u>2,315,905</u>	Total	<u>1,298,610</u>	<u>95,136</u>

J. CHANGES IN LONG-TERM LIABILITIES

Long-term activity for the year ended September 30, 2017, 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	\$ 7,307,000	\$ 3,465,000	\$ (855,569)	\$ -	\$9,916,731	\$ 911,277
Loans Payable	<u>2,379,419</u>	<u>493,231</u>	<u>(222,275)</u>	<u>-</u>	<u>2,650,375</u>	<u>266,183</u>
Total Bonds and Notes Payable	<u>\$ 9,686,418</u>	<u>\$ 3,958,231</u>	<u>\$ (1,077,844)</u>	<u>\$ -</u>	<u>\$12,566,806</u>	<u>\$ 1,177,460</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	285,000	\$ 500,000	(20,000)	-	765,000	30,000
Loans Payable	<u>625,403</u>	<u>164,513</u>	<u>(253,035)</u>	<u>-</u>	<u>536,881</u>	<u>125,273</u>
Total Bonds and Notes Payable	<u>\$ 910,403</u>	<u>\$ 664,513</u>	<u>\$ (273,035)</u>	<u>\$ -</u>	<u>\$ 1,301,881</u>	<u>\$ 155,273</u>
Total Enterprises Activities Long-term Liabilities	<u>\$ 910,403</u>	<u>\$ 664,513</u>	<u>\$ (273,035)</u>	<u>\$ -</u>	<u>\$ 1,301,881</u>	<u>\$ 155,273</u>

K. DEFERRED OUTFLOWS AND INFLOWS OF RESOURCES

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

As of September 30, 2017 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>Enterprise Fund</u>	<u>Total</u>
Deferred Inflow Related to Pension Plan	\$ 132,802	\$ 6,760	\$ 139,562

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 2017, the County of Hidalgo transferred \$123,491 for fiscal years 2017, while the City transferred \$131,709 to meet the requirements of the TIRZ agreement for the fiscal year.

M. DEFINED BENEFIT PENSION PLAN

Plan Description

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

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, 2016 valuation and measurement date, the following employees were covered by the benefit terms:

Inactive employees or beneficiaries currently receiving benefits	12
Inactive employees entitled to but not yet receiving benefits	77
Active employees	79
Total Employees	168

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 8.7% and 9.19% in calendar years 2016 and 2017, respectively. The city's contributions to TMRS for the year ended September 30, 2017, were \$282,402, and were equal to the required contributions.

Net Pension Liability

The city's Net Pension Liability (NPL) was measured as of December 31, 2015, 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, 2015 actuarial valuation was determined using the following actuarial assumptions:

Actuarial Cost Method	Entry Age Normal
Amortization Method	Level Percentage of Payroll, Closed
Remaining Amortization Period	25 years
Asset Valuation Method	10 Year smoothed market; 15% soft corridor
Inflation	2.5% per year
Overall payroll growth	3.5% to 10.50% per year
Investment Rate of Return	6.75%, net of pension plan investment expense, including inflation

Retirement Age	Experience-based table based on rates that are specific to the City's plan of benefits. Last updated for the 2015 valuation pursuant to an experience study of the period 2010-2014.
Mortality	RP2000 Combined Mortality Table with Blue Collar Adjustment with male rates multiplied by 103% and projected on a fully generational basis with scale BB.
Other Information	There were no benefit changes during the year.

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

Actuarial assumptions used in the December 31, 2016, 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 12/31/2015	4,213,334	3,465,906	747,428
Changes for the year:			
Service cost	522,560	-	522,560
Interest	298,556	-	298,556
Change of benefit terms	-	-	-
Difference between expected and actual experience	(48,081)	-	(48,061)
Changes of assumptions	-	-	-
Contributions - employer	-	249,859	(249,859)
Contributions - employee	-	192,623	(192,623)
Net investment income	-	234,353	(234,353)
Benefit payments, including refunds of employee contributions	(103,119)	(103,119)	-
Administrative expense	-	(2,645)	2,645
Other changes	-	(143)	143
Net changes	669,916	570,928	98,988
Balance at 12/31/2016	4,883,250	4,036,833	846,416

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

The following presents the net pension liability of the City, calculated using the discount rate of 6.75%, as well as what the City's net pension liability would be if it were calculated using a discount rate that is 1-percentage-point lower (5.75%) or 1-percentage-point higher (7.75%) than the current rate:

	1% Decrease in Discount Rate 5.75%	Discount Rate 7%	1% Increase in Discount Rate 8%
City's net pension liability	\$1,772,122	\$846,417	\$121,226

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, 2017, the city recognized pension expense of \$421,573.

At September 30, 2017, 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	\$ 181,565	\$ 122,994
Changes in actuarial assumptions	\$ 39,720	\$ -
Difference between projected and actual investment earnings	\$ 148,033	\$ 323
Contributions subsequent to the measurement date December 31, 2013	\$ 212,736	
Total	\$ 582,054	\$ 123,317

\$183,220 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, 2016. 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

2018	\$ 75,202
2019	\$ 75,202
2020	\$ 57,878
2021	\$ 6,844
2022	\$ 6,924
Thereafter	\$ 23,951

N. 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.

O. SUBSEQUENT EVENTS

The City considered all subsequent events through April 5, 2018. The financial statement issuance date.

P. PRIOR PERIOD ADJUSTMENT

The City recognized prior period adjustments in the Government Wide Financial Statements totaling \$51,757 and Governmental Funds totaling \$6,781. The following adjustments were made to beginning fund balances were necessary to reflect the actual balances at beginning of the year:

Government-Wide	
Adjustment to Debt Service	\$ 44,976
Property Tax Receivable	<u>6,781</u>
Total Prior Period Adjustment – Government Wide	\$ 51,757

Governmental Funds	
Property Tax Receivable	<u>\$ 6,781</u>
Total Prior Period Adjustment – Governmental Funds	\$ 6,781

CITY OF ALTON
SCHEDULE OF CHANGES IN NET PENSION LIABILITY AND RELATED RATIOS
FOR THE YEAR ENDED SEPTEMBER 30, 2017

	Plan Year Ended December 31,		
	2016	2015	2014
Total Pension Liability			
Service cost	\$ 522,560	\$ 489,728	\$ 376,918
Interest (on the total pension liability)	298,556	260,999	234,794
Changes of benefit terms	-	-	-
Difference between expected and actual experience	(48,081)	7,936	(153,570)
Change of assumptions	-	72,960	-
Benefit payments, including refunds of employee contributions	(103,119)	(203,961)	(76,411)
Net Change in Total Pension Liability	669,916	627,662	381,731
Total Pension Liability - Beginning	4,213,334	3,585,672	3,203,941
Total Pension Liability - Ending (a)	<u>\$ 4,883,250</u>	<u>\$ 4,213,334</u>	<u>\$ 3,585,672</u>
Plan Fiduciary Net Position			
Contributions - employer	\$ 249,859	\$ 229,877	\$ 194,604
Contributions - employee	192,623	187,328	158,584
Net investment income	234,353	4,798	161,110
Benefit payments, including refunds of employee contributions	(103,119)	(203,961)	(76,411)
Administrative expense	(2,645)	(2,922)	(1,681)
Other	(143)	(144)	(138)
Net Change in Plan Fiduciary Net Position	570,928	214,976	436,068
Plan Fiduciary Net Position - Beginning	3,465,905	3,250,930	2,814,862
Plan Fiduciary Net Position - Ending (b)	<u>\$ 4,036,833</u>	<u>\$ 3,465,906</u>	<u>\$ 3,250,930</u>
Net Pension Liability - Ending (a) - (b)	<u>\$ 846,417</u>	<u>\$ 747,428</u>	<u>\$ 334,742</u>
Plan Fiduciary Net Position as a Percentage of Total Pension Liability	82.67%	82.26%	90.66%
Covered Employee Payroll	\$ 2,751,763	\$ 2,676,107	\$ 2,265,479
Net Pension Liability as a Percentage of Covered Employee Payroll	30.76%	27.93%	14.78%

CITY OF ALTON
SCHEDULE OF CONTRIBUTIONS
FOR THE YEAR ENDED SEPTEMBER 30, 2017

	Fiscal Year Ended September 30,		
	2017	2016	2015
Actuarially determined contribution	\$ 282,402	\$ 246,558	\$ 220,497
Contributions in relation to actuarially determined contribution	(282,402)	(246,558)	(220,497)
Contribution deficiency (excess)	\$ -	\$ -	\$ -
Covered employee payroll	\$ 2,852,409	\$ 2,751,763	\$ 2,534,440
Contributions as a percentage of covered employee payroll	9.90%	8.96%	8.70%

CITY OF ALTON, TX
COMBINING BALANCE SHEET
NONMAJOR GOVERNMENTAL FUNDS
SEPTEMBER 30, 2017

	Development Corp 4A	Development Corp 4B	Facilities & Infrastructur Fund	Municipal Court Fund
ASSETS				
Cash and Cash Equivalents	\$ 73,932	\$ 163,277	\$ 32,274	\$ 100
Taxes Receivable	-	-	-	-
Receivables (Net)	10,899	10,899	-	-
Total Assets	<u>\$ 84,831</u>	<u>\$ 174,176</u>	<u>\$ 32,274</u>	<u>\$ 100</u>
LIABILITIES				
Accounts Payable	\$ 994	\$ 7,305	\$ -	\$ -
Wages and Salaries Payable	2,741	2,119	-	-
Due to Other Funds	-	-	-	-
Due to Others	-	-	2,313	-
Total Liabilities	<u>3,735</u>	<u>9,424</u>	<u>2,313</u>	<u>-</u>
FUND BALANCES				
Capital Acquisition and Contractual Obligation	-	-	-	-
Retirement of Long-Term Debt	-	-	-	-
Other Assigned Fund Balance	81,096	164,752	29,961	100
Total Fund Balances	<u>81,096</u>	<u>164,752</u>	<u>29,961</u>	<u>100</u>
Total Liabilities and Fund Balances	<u>\$ 84,831</u>	<u>\$ 174,176</u>	<u>\$ 32,274</u>	<u>\$ 100</u>

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

Urban County Fund	Seizures & Foreitures Fund	Alton Youth Club Activity	TIRZ Fund	PEG Fund	TXLeverage Relief Fund	Volunteer Firefighter Fund	Alton Chamber of Commerce Fund
\$ (919)	\$ 7,346	\$ 50	\$ 69,315	\$ 29,249	\$ 361,351	\$ 8,035	\$ 1,471
-	-	-	-	1,539	-	-	-
-	-	-	-	-	160,000	-	-
<u>\$ (919)</u>	<u>\$ 7,346</u>	<u>\$ 50</u>	<u>\$ 69,315</u>	<u>\$ 30,788</u>	<u>\$ 521,351</u>	<u>\$ 8,035</u>	<u>\$ 1,471</u>
\$ -	\$ -	\$ -	\$ -	\$ (1)	\$ -	\$ -	\$ -
-	-	-	-	-	-	-	-
-	-	11,238	-	-	-	-	-
-	-	-	-	-	-	-	-
<u>-</u>	<u>-</u>	<u>11,238</u>	<u>-</u>	<u>(1)</u>	<u>-</u>	<u>-</u>	<u>-</u>
-	-	-	-	-	-	-	-
-	-	-	-	-	-	-	-
(919)	7,346	(11,188)	69,315	30,789	521,351	8,035	1,471
(919)	7,346	(11,188)	69,315	30,789	521,351	8,035	1,471
<u>\$ (919)</u>	<u>\$ 7,346</u>	<u>\$ 50</u>	<u>\$ 69,315</u>	<u>\$ 30,788</u>	<u>\$ 521,351</u>	<u>\$ 8,035</u>	<u>\$ 1,471</u>

CITY OF ALTON, TX
COMBINING BALANCE SHEET
NONMAJOR GOVERNMENTAL FUNDS
SEPTEMBER 30, 2017

	Total Nonmajor Special Revenue Funds	Debt Service TIRZ Fund	Debt Service 2016 I & S Fund	Debt Service 2016 Reserve Fund
ASSETS				
Cash and Cash Equivalents	\$ 745,481	\$ 549	\$ 100	\$ 905
Taxes Receivable	1,539	-	-	-
Receivables (Net)	181,798	-	-	-
Total Assets	<u>\$ 928,818</u>	<u>\$ 549</u>	<u>\$ 100</u>	<u>\$ 905</u>
LIABILITIES				
Accounts Payable	\$ 8,298	\$ -	\$ -	\$ -
Wages and Salaries Payable	4,860	-	-	-
Due to Other Funds	11,238	-	-	-
Due to Others	2,313	-	-	-
Total Liabilities	<u>26,709</u>	<u>-</u>	<u>-</u>	<u>-</u>
FUND BALANCES				
Capital Acquisition and Contractual Obligation	-	-	-	-
Retirement of Long-Term Debt	-	549	100	905
Other Assigned Fund Balance	902,109	-	-	-
Total Fund Balances	<u>902,109</u>	<u>549</u>	<u>100</u>	<u>905</u>
Total Liabilities and Fund Balances	<u>\$ 928,818</u>	<u>\$ 549</u>	<u>\$ 100</u>	<u>\$ 905</u>

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

Debt Service 2016-A Fund	Debt Service 2017 Fund	Total Nonmajor Debt Service Funds	Capital Projects Fund	Capital Projects USDA Fund	USDA Sewer Connection Fund	Total Nonmajor Capital Project Funds	Total Nonmajor Governmental Funds
\$ 1,903	\$ 3,402	\$ 6,859	\$ -	\$ 2,195	\$ 3,028	\$ 5,223	\$ 757,563
-	-	-	-	-	-	-	1,539
-	-	-	-	-	-	-	181,798
<u>\$ 1,903</u>	<u>\$ 3,402</u>	<u>\$ 6,859</u>	<u>\$ -</u>	<u>\$ 2,195</u>	<u>\$ 3,028</u>	<u>\$ 5,223</u>	<u>\$ 940,900</u>
\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 8,298
-	-	-	-	-	-	-	4,860
-	-	-	-	-	-	-	11,238
-	-	-	-	-	-	-	2,313
<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>26,709</u>
-	-	-	-	2,195	3,028	5,223	5,223
1,903	3,402	6,859	-	-	-	-	6,859
-	-	-	-	-	-	-	902,109
<u>1,903</u>	<u>3,402</u>	<u>6,859</u>	<u>-</u>	<u>2,195</u>	<u>3,028</u>	<u>5,223</u>	<u>914,191</u>
<u>\$ 1,903</u>	<u>\$ 3,402</u>	<u>\$ 6,859</u>	<u>\$ -</u>	<u>\$ 2,195</u>	<u>\$ 3,028</u>	<u>\$ 5,223</u>	<u>\$ 940,900</u>

CITY OF ALTON, TX
 COMBINING STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN
 FUND BALANCES - NONMAJOR GOVERNMENTAL FUNDS
 FOR THE YEAR ENDED SEPTEMBER 30, 2017

	Development Corp 4A	Development Corp 4B	Facilities & Infrastructur Fund	Municipal Court Fund
REVENUES:				
Taxes:				
General Sales and Use Taxes	\$ 209,163	\$ 209,163	\$ -	\$ -
Intergovernmental Revenue and Grants	-	-	-	-
Charges for Services	-	-	30,400	-
Forfeits	-	-	-	-
Special Assessments	-	-	182,067	-
Investment Earnings	374	320	269	-
Rents and Royalties	-	-	-	-
Contributions & Donations from Private Sources	-	-	-	-
Other Revenue	-	-	-	100
Total Revenues	<u>209,537</u>	<u>209,483</u>	<u>212,736</u>	<u>100</u>
EXPENDITURES:				
Current:				
Public Safety	-	-	-	-
Culture and Recreation	-	-	-	-
Conservation and Development	149,830	168,549	-	-
Debt Service:				
Other Debt Principal	41,257	41,257	-	-
Bond Interest	-	-	-	-
Other Debt Interest	15,708	15,708	-	-
Fiscal Agent's Fees	-	-	-	-
Capital Outlay:				
Capital Outlay	-	-	60,120	-
Total Expenditures	<u>206,795</u>	<u>225,514</u>	<u>60,120</u>	<u>-</u>
Excess (Deficiency) of Revenues Over (Under) Expenditures	<u>2,742</u>	<u>(16,031)</u>	<u>152,616</u>	<u>100</u>
OTHER FINANCING SOURCES (USES):				
Sale of Real and Personal Property	-	-	-	-
Non-Current Loans	-	117,000	-	-
Transfers In	-	-	-	-
Transfers Out (Use)	-	-	(135,000)	-
Total Other Financing Sources (Uses)	<u>-</u>	<u>117,000</u>	<u>(135,000)</u>	<u>-</u>
Net Change in Fund Balance	2,742	100,969	17,616	100
Fund Balance - October 1 (Beginning)	<u>78,354</u>	<u>63,783</u>	<u>12,345</u>	<u>-</u>
Fund Balance - September 30 (Ending)	<u>\$ 81,096</u>	<u>\$ 164,752</u>	<u>\$ 29,961</u>	<u>\$ 100</u>

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

Urban County Fund	Seizures & Foreitures Fund	Alton Youth Club Activity	TIRZ Fund	PEG Fund	TXLeverage Relief Fund	Volunteer Firefighter Fund	Alton Chamber of Commerce Fund
\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
221,934	-	-	255,199	-	-	-	-
-	-	2,074	-	-	-	-	-
-	2,107	-	-	-	-	-	-
-	-	-	-	-	-	-	-
-	36	3	194	138	1,704	40	2
-	-	1,075	-	-	-	-	-
-	-	-	-	-	-	8,874	15,400
-	-	1,572	-	5,987	8,511	58	5,815
<u>221,934</u>	<u>2,143</u>	<u>4,724</u>	<u>255,393</u>	<u>6,125</u>	<u>10,215</u>	<u>8,972</u>	<u>21,217</u>
-	742	-	-	-	-	3,861	-
-	-	12,191	-	-	-	-	16,999
-	-	-	-	-	-	-	-
215,000	-	-	-	-	-	-	-
6,934	-	-	-	-	-	-	-
-	-	-	-	-	-	-	-
-	-	-	-	-	-	-	-
-	-	-	-	-	178,867	-	-
<u>221,934</u>	<u>742</u>	<u>12,191</u>	<u>-</u>	<u>-</u>	<u>178,867</u>	<u>3,861</u>	<u>16,999</u>
-	1,401	(7,467)	255,393	6,125	(168,652)	5,111	4,218
-	-	-	-	-	311,210	-	-
-	-	-	-	-	-	-	-
-	-	-	-	-	125,000	-	-
-	-	-	(216,000)	-	(200,000)	-	-
-	-	-	(216,000)	-	236,210	-	-
-	1,401	(7,467)	39,393	6,125	67,558	5,111	4,218
<u>(919)</u>	<u>5,945</u>	<u>(3,721)</u>	<u>29,922</u>	<u>24,664</u>	<u>453,793</u>	<u>2,924</u>	<u>(2,747)</u>
<u>\$ (919)</u>	<u>\$ 7,346</u>	<u>\$ (11,188)</u>	<u>\$ 69,315</u>	<u>\$ 30,789</u>	<u>\$ 521,351</u>	<u>\$ 8,035</u>	<u>\$ 1,471</u>

CITY OF ALTON, TX
 COMBINING STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN
 FUND BALANCES - NONMAJOR GOVERNMENTAL FUNDS
 FOR THE YEAR ENDED SEPTEMBER 30, 2017

	Total Nonmajor Special Revenue Funds	Debt Service TIRZ Fund	Debt Service 2016 I & S Fund	Debt Service 2016 Reserve Fund
REVENUES:				
Taxes:				
General Sales and Use Taxes	\$ 418,326	\$ -	\$ -	\$ -
Intergovernmental Revenue and Grants	477,133	-	-	-
Charges for Services	32,474	-	-	-
Forfeits	2,107	-	-	-
Special Assessments	182,067	-	-	-
Investment Earnings	3,080	49	-	4
Rents and Royalties	1,075	-	-	-
Contributions & Donations from Private Sources	24,274	-	-	-
Other Revenue	22,043	-	-	-
Total Revenues	1,162,579	49	-	4
EXPENDITURES:				
Current:				
Public Safety	4,603	-	-	-
Culture and Recreation	29,190	-	-	-
Conservation and Development	318,379	-	-	-
Debt Service:				
Other Debt Principal	297,514	225,000	-	-
Bond Interest	6,934	-	2,442	-
Other Debt Interest	31,416	92,370	-	-
Fiscal Agent's Fees	-	-	-	-
Capital Outlay:				
Capital Outlay	238,987	-	-	-
Total Expenditures	927,023	317,370	2,442	-
Excess (Deficiency) of Revenues Over (Under) Expenditures	235,556	(317,321)	(2,442)	4
OTHER FINANCING SOURCES (USES):				
Sale of Real and Personal Property	311,210	-	-	-
Non-Current Loans	117,000	-	-	-
Transfers In	125,000	316,000	2,542	901
Transfers Out (Use)	(551,000)	-	-	-
Total Other Financing Sources (Uses)	2,210	316,000	2,542	901
Net Change in Fund Balance	237,766	(1,321)	100	905
Fund Balance - October 1 (Beginning)	664,343	1,870	-	-
Fund Balance - September 30 (Ending)	<u>\$ 902,109</u>	<u>\$ 549</u>	<u>\$ 100</u>	<u>\$ 905</u>

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

Debt Service 2016-A Fund	Debt Service 2017 Fund	Total Nonmajor Debt Service Funds	Capital Projects Fund	Capital Projects USDA Fund	USDA Sewer Connection Fund	Total Nonmajor Capital Project Funds	Total Nonmajor Governmental Funds
\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 418,326
-	-	-	-	-	-	-	477,133
-	-	-	-	-	-	-	32,474
-	-	-	-	-	-	-	2,107
-	-	-	-	-	-	-	182,067
335	2	390	-	17	16	33	3,503
-	-	-	-	-	-	-	1,075
-	-	-	-	-	-	-	24,274
-	-	-	-	-	-	-	22,043
<u>335</u>	<u>2</u>	<u>390</u>	<u>-</u>	<u>17</u>	<u>16</u>	<u>33</u>	<u>1,163,002</u>
-	-	-	-	-	-	-	4,603
-	-	-	-	-	-	-	29,190
-	-	-	-	-	-	-	318,379
-	-	225,000	-	-	-	-	522,514
90,357	-	92,799	-	-	-	-	99,733
-	-	92,370	-	-	-	-	123,786
200	-	200	-	-	-	-	200
-	-	-	-	4,846	-	4,846	243,833
<u>90,557</u>	<u>-</u>	<u>410,369</u>	<u>-</u>	<u>4,846</u>	<u>-</u>	<u>4,846</u>	<u>1,342,238</u>
<u>(90,222)</u>	<u>2</u>	<u>(409,979)</u>	<u>-</u>	<u>(4,829)</u>	<u>16</u>	<u>(4,813)</u>	<u>(179,236)</u>
-	-	-	-	-	-	-	311,210
92,125	-	92,125	-	-	-	-	209,125
-	3,400	322,843	-	-	-	-	447,843
-	-	-	-	-	-	-	(551,000)
<u>92,125</u>	<u>3,400</u>	<u>414,968</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>417,178</u>
1,903	3,402	4,989	-	(4,829)	16	(4,813)	237,942
-	-	1,870	-	7,024	3,012	10,036	676,249
<u>\$ 1,903</u>	<u>\$ 3,402</u>	<u>\$ 6,859</u>	<u>\$ -</u>	<u>\$ 2,195</u>	<u>\$ 3,028</u>	<u>\$ 5,223</u>	<u>\$ 914,191</u>

Noel Garza, CPA, PC

Certified Public Accountant

4418 S. McColl Rd.

Edinburg, TX 78539

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

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

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the City of Alton, Tx, as of and for the year ended September 30, 2017, and the related notes to the financial statements, which collectively comprise the City of Alton, Tx's basic financial statements, and have issued our report thereon dated April 5, 2018.

Internal Control over Financial Reporting

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

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

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

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the City of Alton, Tx's financial statements are free from material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards* and which are described in the accompanying schedule of findings and questioned costs as items 2017-01 & 2017-02.

City of Alton, Tx's Response to Findings

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

Purpose of this Report

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

Noel Garza, CPA PC

Edinburg, Tx
April 5, 2018

CITY OF ALTON
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
FOR THE YEAR ENDED SEPTEMBER 30, 2017

I. Summary of the Auditor's Results:

- A. The type of report issued: Unmodified opinion.
- B. Internal control over financial statements:
- | | |
|---|-----|
| Material Weakness(es) indentified? | No |
| Significant Deficiency(ies) identified which were not considered material weaknesses? | Yes |
- C. Noncompliance material to the financial statements noted? No
- D. The Corporation did not qualify for a Single Audit as defined by the Uniform Guidance (2 CFR section 200.516(a)) .

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

2017-01 Bid Law Compliance

Criteria: The State of Texas Procurement laws require all purchases from a vendor that exceed \$50,000 during a fiscal year, be obtained using a prescribed competitive manner.

Condition: While testing the City's compliance with the applicable State of Texas bid laws, we noted an instance where purchases from vendors exceeded the maximum \$50,000 and no competitive bids or the allowable alternative methods for the procurement of construction services were utilized in the securing of the services.

Cause: The City did not monitor the total purchases from the vendors in question, which therefore allowed the total purchased from these vendors to exceed the State Bid law restrictions.

Effect: The City is in possible violation of State Bid laws.

Recommendation: The City should review and improve the procedures used to monitor the compliance with all applicable State Bid laws.

Auditee: The City shall review, monitor and improve procedures to ensure compliance with all applicable State Bid laws. Contact name: Jorge Arcaute, phone number (956)432-0760.

2017-02 Expenditures over Appropriations

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

Condition: The City's General Fund had excess expenditures over appropriations totaling \$64,015, for the year ended September 30, 2017.

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

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

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

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

III. Findings Related to Federal Awards.

None

CITY OF ALTON
SCHEDULE OF PRIOR FINDINGS
FOR THE YEAR ENDED SEPTEMBER 30, 2017

2016-01 Expenditures over Appropriations

Status: See Current Finding

CITY OF ALTON, TX
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
FOR THE YEAR ENDED SEPTEMBER 30, 2017

(1)	(2)	(3)	(4)
FEDERAL GRANTOR/ PASS-THROUGH GRANTOR/ PROGRAM or CLUSTER TITLE	Federal CFDA Number	Pass-Through Entity Identifying Number	Federal Expenditures
DEPARTMENT OF HOUSING & URBAN DEVELOPMENT			
<u>Passed through US Department of Hidalgo County Urb</u>			
Community Development Block Grant	14.218		\$ 221,934
Total Passed through US Department of Hidalgo County Urb			<u>221,934</u>
TOTAL DEPARTMENT OF HOUSING & URBAN DEVELOPMENT			<u>221,934</u>
TOTAL EXPENDITURES OF FEDERAL AWARDS			<u><u>\$ 221,934</u></u>

CITY OF ALTON, TX
NOTES ON ACCOUNTING POLICIES FOR FEDERAL AWARDS
YEAR ENDED SEPTEMBER 30, 2017

- 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, Uniform Guidance.

City of Alton, Tx
Corrective Action Plan
09/30/2017

Finding: 2017-01 Bid Compliance

Corrective Action: The City will review and update internal procedures to ensure full compliance with all applicable Government Code Bid Compliance requirements. The City will monitor vendor contract and purchases throughout the fiscal year to ensure that the City is in compliance with the Government Code. Contact name: Rosie Tello, Finance Director (956)432-0760.

Finding: 2017-02 Expenditures over Appropriations

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

CITY OF ALTON, TX
ANNUAL FINANCIAL REPORT
FOR THE YEAR ENDED SEPTEMBER 30, 2018

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Noel Garza, CPA, PC

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INDEPENDENT AUDITOR'S REPORT

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

Report on the Financial Statements

We have audited the accompanying financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the City of Alton, Tx, as of and for the year ended September 30, 2018, and the related notes to the financial statements, which collectively comprise the City of Alton, Tx's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

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

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

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

Opinions

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the City of Alton, Tx, as of September 30, 2018, and the respective changes in financial position, the respective budgetary comparison for the general fund thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Emphasis of Matter

As discussed in Note I to the basic financial statements, the City implemented Governmental Accounting Standards Board (GASB) Statement No. 75, Accounting and Financial Reporting for Postemployment Benefits Other than Pensions. Beginning net position has been restated to reflect the change in accounting principle resulting from this statement. Our opinions are not modified with respect to this matter.

Other Matters

Required Supplementary Information

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

Other Information

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the City of Alton, Tx's basic financial statements. The introductory section, combining and individual nonmajor fund financial statements, are presented for purposes of additional analysis and are not a required part of the basic financial statements.

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

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

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated April 5, 2019, 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, CPA PC

Edinburg, Tx
April 5, 2019

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, 2018. Please read it in conjunction with the Independent Auditors' Report on page 2, and the City's Basic Financial Statements, which begin on page 10.

FINANCIAL HIGHLIGHTS

- The City's net position: decreased by \$1,052,698, as a result of this year's operations. While net position of our business-type activities: decreased by \$386,436 net position of our governmental activities: decreased, by \$523,629. However, net position of governmental activities had a prior period adjustment that decreased net position by \$142,633, resulting in a total decrease in net position of \$666,262.
- During the year, the City had expenditures that were \$523,629 more than the \$6.59 million generated in tax and other revenues for governmental programs (before special items).
- In the City's business-type activities, revenues increased from \$3.31 to \$3.51 million (or 6 percent) while expenses also decreased from \$2.91 to \$2.62 million (or 9 percent).
- The General Fund ended the year with a fund balance of \$621,410.
- The resources available for appropriation were \$49 thousand more than budgeted expenses for the General Fund.

USING THIS ANNUAL REPORT

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

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

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

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

Reporting the City as a Whole

The Statement of Net position and the Statement of Activities

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

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

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

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

- **Governmental activities**—Most of the City's basic services are reported here, including public safety, public works, culture and recreation, economic development and assistance, and general administration. Property taxes, sales taxes, franchise taxes, charges for services, and state and federal grants finance most of these activities.
- **Business-type activities**—The City charges a fee to “customers” to help it cover all or most of the cost of providing services such as water, sewer, and solid waste services.

Reporting the City's Most Significant Funds

Fund Financial Statements

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

Governmental funds—Most of the City's basic services are reported in governmental funds. 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 \$ 11.47 million to \$10.80 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 \$155,636 at September 30, 2018.

In 2018, net position of our business-type activities decreased by \$386,436.

Table I
City of ALTON

NET POSITION

	Governmental Activities 2018	Governmental Activities 2017	Business-type Activities 2018	Business-type Activities 2017	Total 2018	Total 2017
Current and other assets	2,986,462	4,665,196	1,412,245	1,211,550	4,398,707	5,866,746
Capital assets	20,751,431	20,228,495	15,378,346	15,988,388	36,129,777	36,216,883
Total assets	23,737,893	24,883,691	16,790,591	17,199,938	40,528,484	42,083,629
Deferred Outflow, Pension Plan	458,113	513,285	30,555	68,769	488,667	582,054
Long-term liabilities	10,670,963	13,392,791	1,032,658	1,311,366	11,703,621	14,704,157
Other liabilities	2,720,469	533,350	410,943	268,500	3,206,554	801,850
Total liabilities	13,391,432	13,926,141	1,518,743	1,579,866	14,910,175	15,506,007
Net position:						
Invested in capital assets net of related debt	8,943,377	7,661,689	14,210,268	14,692,023	23,153,645	22,353,712
Restricted	1,705,560	3,126,724	0	0	1,705,560	3,126,724
Unrestricted	155,636	682,422	1,092,135	996,818	1,247,771	1,679,240
Total net position	10,804,574	11,470,835	15,302,403	15,688,841	26,106,977	27,159,676

Table II
City of ALTON

CHANGES IN NET POSITION

	Governmental Activities 2018	Governmental Activities 2017	Business-type Activities 2018	Business-type Activities 2017	Total 2018	Total 2017
Revenues:						
Program Revenues:						
Charges for Services	643,948	816,638	3,515,116	3,308,777	4,159,064	4,125,415
Operating grants and contributions	548,269	501,407	0	0	548,269	501,407
General Revenues:						
Maintenance and operations taxes	1,119,735	1,030,457	0	0	1,119,735	1,030,457
Debt service taxes	514,075	467,897	0	0	514,075	467,897
Sales Taxes	962,488	836,652	0	0	962,488	836,652
Franchise Taxes	308,281	287,120	0	0	308,281	287,120
Investment Earnings	39,712	26,232	0	0	39,712	26,232
Miscellaneous	1,295,066	1,563,028	0	0	2,458,327	1,563,028
Total Revenue	5,431,574	5,529,431	3,515,116	3,308,777	8,946,690	8,838,208
Expenses:						
General Government	1,544,164	1,403,453	0	0	1,544,164	1,403,453
Public Safety	3,053,139	2,789,589	0	0	3,053,139	2,789,589
Public Works	698,729	601,284	0	0	698,729	601,284
Health and Welfare	143,395	151,850	0	0	143,395	151,850
Culture & Recreation	474,599	250,188	0	0	474,599	250,188
Economic Development & Asst.	809,319	595,111	0	0	809,319	595,111
Debt Service	394,319	337,327	0	0	394,319	337,327
Fiscal Agent's Fees	800	2,400	0	0	800	2,400
Utility Fund Services	0	0	0	0	0	0
Solid Waste Fund Services	0	0	2,624,788	2,912,958	2,624,788	2,912,958
Utility I&S Fund	0	0	0	0	0	0
Total Expenses	7,118,464	6,131,201	2,624,788	2,912,958	9,743,252	9,044,159
Increase in net position before transfers and special items	(1,686,890)	(601,770)	890,328	395,819	(778,959)	(205,951)
Transfers	1,163,261	932,301	(1,145,658)	(932,301)	(17,603)	-
Special Items – Resources	-	-	0	0	0	0
Special Items-Prior Period Adjustments	(142,633)	51,757	(131,106)	-	(273,739)	51,757
Net position at 10/1/17	11,470,835	11,088,547	15,688,847	16,225,332	27,159,682	2,731,879
Net position at 9/30/18	10,804,574	11,470,835	15,302,403	15,688,847	26,106,977	27,159,682

The cost of all governmental activities this year was \$7.12 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 \$1.63 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; \$.5 million.

THE CITY'S FUNDS

As the City completed the year, its governmental funds (as presented in the balance sheet on pages 13 reported a combined fund balance of \$2.32 million, which is less than last year's total of \$4.0 million. Included in this year's total change in fund balance is a decrease of \$285 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 \$621 thousand reported on page 13 differs from the General Fund's budgetary fund balance of \$956 thousand reported in the General Fund budgetary comparison schedule on page 19. This is principally due revenues not meeting expectations.

CAPITAL ASSET AND DEBT ADMINISTRATION

Capital Assets

At the end of the 2017-18 year, the City had \$32.73 million invested in a broad range of capital assets, including facilities, land, infrastructure, vehicles, and equipment.

Debt

At year-end, the City had \$12.98 million in bonds and notes outstanding, decreasing by \$.89 million from \$13.87 million. The decrease is due to the payments applied to the outstanding debt.

More detailed information about the City's long-term liabilities is presented in the notes to the financial statements.

ECONOMIC FACTORS AND NEXT YEAR'S BUDGETS AND RATES

The City's elected and appointed officials considered many factors when setting the fiscal-year 2017-18 budget tax rates. One of those factors is the economy. The City's population growth during 2011–2016 averaged annual gains of 24.2 percent. More recently, unemployment has remained relatively constant. This compares with the State's unemployment rate of 3.9 percent and the national rate of 3.8 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 2018-19. Amounts available for appropriation in the General Fund budget are \$250 thousand, higher than the final 2017-18 budget of \$5.50 million. The City will use its revenues to finance programs we currently offer. Budgeted expenditures are expected to increase to \$5.63 million.

If these estimates are realized, the City's budgetary General Fund balance is expected to increase slightly by the close of 2018-19.

CONTACTING THE CITY'S FINANCIAL MANAGEMENT

This financial report is designed to provide our citizens, taxpayers, customers, and investors and creditors with a general overview of the City's finances and to show the City's accountability for the money it receives. If you have questions about this report or need additional financial information, contact the City's administration office, at CITY OF ALTON, 509 S Main Blvd., ALTON, Texas.

CITY OF ALTON, TX
STATEMENT OF NET POSITION
SEPTEMBER 30, 2018

EXHIBIT A-1

	Primary Government		
	Governmental	Business -	
	Activities	Type	Total
		Activities	
ASSETS			
Cash and Cash Equivalents	\$ 2,192,557	\$ 692,440	\$ 2,884,997
Taxes Receivable, Net	292,474	-	292,474
Accounts Receivable Net	408,712	604,605	1,013,317
Due from Other Governments	57,897	-	57,897
Due from Other Funds	34,822	(34,820)	2
Restricted Assets:			
Temporarily Restricted Asset	-	150,020	150,020
Capital Assets:			
Land Purchase and Improvements	3,749,287	25,110	3,774,397
Infrastructure, Net	8,440,888	-	8,440,888
Buildings, Net	6,468,006	-	6,468,006
Improvements other than Buildings, Net	644,578	15,205,902	15,850,480
Furniture and Equipment, Net	1,079,972	147,334	1,227,306
Construction in Progress	368,700	-	368,700
Total Assets	<u>23,737,893</u>	<u>16,790,591</u>	<u>40,528,484</u>
DEFERRED OUTFLOW OF RESOURCES			
Deferred Outflow Related to Pension Plan	448,382	27,678	476,060
Deferred Resource Outflow Related to OPEB	9,730	2,877	12,607
Total Deferred Outflows of Resources	<u>458,112</u>	<u>30,555</u>	<u>488,667</u>
LIABILITIES			
Accounts Payable	99,329	57,887	157,216
Wages and Salaries Payable	148,343	16,309	164,652
Intergovernmental Payable	70,376	9,323	79,699
Due to Others	48,970	1,503	50,473
Unearned Revenues	111,782	-	111,782
	-	100,420	100,420
Noncurrent Liabilities:			
Debt Due Within One Year	1,252,108	35,000	1,287,108
Bonds Payable - Noncurrent	10,670,963	1,032,658	11,703,621
Net Pension Liability	557,132	164,750	721,882
Net OPEB Liability	-	25,751	25,751
Total Liabilities	<u>12,959,003</u>	<u>1,443,601</u>	<u>14,402,604</u>
DEFERRED INFLOW OF RESOURCES			
Deferred Inflow Related to Pension Plan	345,349	33,814	379,163
Deferred Resource Inflow Related to OPEB	87,080	41,328	128,408
Total Deferred Inflows of Resources	<u>432,429</u>	<u>75,142</u>	<u>507,571</u>
NET POSITION			
Net Investment in Capital Assets	8,943,377	14,210,268	23,153,645
Restricted for:			
Restricted for Capital Acquisition	929,562	-	929,562
Restricted for Other Purposes	775,998	-	775,998
Unrestricted	155,636	1,092,135	1,247,771
Total Net Position	<u>\$ 10,804,574</u>	<u>\$ 15,302,403</u>	<u>\$ 26,106,977</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, 2018

		Program Revenues
	Expenses	Charges for Services
Primary Government:		
GOVERNMENTAL ACTIVITIES:		
General Government	1,544,164	643,948
Public Safety	3,012,450	-
Fire Protection	40,689	-
Public Works	698,729	-
Health and Welfare	143,395	-
Culture and Recreation	474,599	-
Conservation and Development	809,319	-
Interest on Debt	313,738	-
Interest on Debt	52,931	-
Interest on Debt	27,650	-
Other Debt Service	800	-
Total Governmental Activities	<u>7,118,464</u>	<u>643,948</u>
BUSINESS-TYPE ACTIVITIES:		
	1,575,310	1,933,094
	<u>1,049,478</u>	<u>1,582,022</u>
Total Business-Type Activities	<u>2,624,788</u>	<u>3,515,116</u>
TOTAL PRIMARY GOVERNMENT	<u>\$ 9,743,252</u>	<u>\$ 4,159,064</u>

General Revenues:

Taxes:

Property Taxes, Levied for General Purposes

Property Taxes, Levied for Debt Service

General Sales and Use Taxes

Franchise Tax

Penalty and Interest on Taxes

Grants and Contributions

Miscellaneous Revenue

Investment Earnings

Transfers In (Out)

Total General Revenues and Transfers

Change in Net Position

Net Position - Beginning

Prior Period Adjustment

Net Position--Ending

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

Net (Expense) Revenue and Changes in Net Position		
Primary Government		
Governmental Activities	Business-Type Activities	Total
\$ (900,216)	\$ -	\$ (900,216)
(3,012,450)	-	(3,012,450)
(40,689)	-	(40,689)
(698,729)	-	(698,729)
(143,395)	-	(143,395)
(474,599)	-	(474,599)
(809,319)	-	(809,319)
(313,738)	-	(313,738)
(52,931)	-	(52,931)
(27,650)	-	(27,650)
(800)	-	(800)
(6,474,516)	-	(6,474,516)
-	357,784	357,784
-	532,544	532,544
-	890,328	890,328
(6,474,516)	890,328	(5,584,188)
1,119,735	-	1,119,735
514,075	-	514,075
962,488	-	962,488
308,281	-	308,281
93,667	-	93,667
548,269	-	548,269
1,201,399	27,603	1,229,002
39,712	-	39,712
1,163,261	(1,173,261)	(10,000)
5,950,887	(1,145,658)	4,805,229
(523,629)	(255,330)	(778,959)
11,470,835	15,688,839	27,159,674
(142,633)	(131,106)	(273,739)
<u>\$ 10,804,574</u>	<u>\$ 15,302,403</u>	<u>\$ 26,106,977</u>

CITY OF ALTON, TX
BALANCE SHEET
GOVERNMENTAL FUNDS
SEPTEMBER 30, 2018

	General Fund	Debt Service Fund	Capital Projects
ASSETS			
Cash and Cash Equivalents	\$ 791,689	\$ 144,238	\$ 856,018
Taxes Receivable	349,410	139,648	-
Allowance for Uncollectible Taxes (credit)	(142,273)	(54,311)	-
Accounts Receivable Net	100,026	-	-
Due from Other Governments	57,897	-	-
Due from Other Funds	52,075	6,888	70,057
Total Assets	<u>\$ 1,208,824</u>	<u>\$ 236,463</u>	<u>\$ 926,075</u>
LIABILITIES			
Accounts Payable	\$ 84,614	\$ -	\$ 1,800
Wages and Salaries Payable	148,343	-	-
Intergovernmental Payable	70,376	-	-
Due to Other Funds	76,944	-	-
Due to Others	-	-	-
Total Liabilities	<u>380,277</u>	<u>-</u>	<u>1,800</u>
DEFERRED INFLOWS OF RESOURCES			
Unavailable Revenue - Property Taxes	207,137	85,337	-
Total Deferred Inflows of Resources	<u>207,137</u>	<u>85,337</u>	<u>-</u>
FUND BALANCES			
Capital Acquisition and Contractual Obligation	-	-	924,275
Other Assigned Fund Balance	-	151,126	-
Unassigned Fund Balance	621,410	-	-
Total Fund Balances	<u>621,410</u>	<u>151,126</u>	<u>924,275</u>
Total Liabilities, Deferred Inflows & Fund Balances	<u>\$ 1,208,824</u>	<u>\$ 236,463</u>	<u>\$ 926,075</u>

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

Other Funds	Total Governmental Funds
\$ 400,612	\$ 2,192,557
-	489,058
-	(196,584)
308,686	408,712
-	57,897
-	129,020
<u>\$ 709,298</u>	<u>\$ 3,080,660</u>
\$ 12,915	\$ 99,329
-	148,343
-	70,376
17,254	94,198
48,970	48,970
<u>79,139</u>	<u>461,216</u>
-	292,474
-	292,474
5,287	929,562
624,872	775,998
-	621,410
<u>630,159</u>	<u>2,326,970</u>
<u>\$ 709,298</u>	<u>\$ 3,080,660</u>

CITY OF ALTON, TX
 RECONCILIATION OF THE GOVERNMENTAL FUNDS BALANCE SHEET TO THE
 STATEMENT OF NET POSITION
 SEPTEMBER 30, 2018

Total Fund Balances - Governmental Funds	\$	2,326,970
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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-
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Capital assets used in governmental activities are not financial resources and therefore are not reported in governmental funds. In addition, long-term liabilities, including bonds payable, are not due and payable in the current period, and, therefore are not reported as liabilities in the funds. The net effect of including the beginning balances for capital assets (net of depreciation) and long-term debt in the governmental activities is to increase (decrease) net position.		7,415,035
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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 2018 capital outlays and debt principal payments is to increase (decrease) net position.		2,910,817
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This is the second year of the implementation of GASB 68 for the TMRS Pension plan. This fiscal year required that the City report their net pension liability in the Government Wide Statement of Net Position. The items reported as a result of this implementation included a net pension liability of \$3,156,303 and a Deferred Resource Outflow of \$2,069,206. The net effect of these was to decrease the ending net position by \$1,085,097.		(531,449)
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The 2018 depreciation expense increases accumulated depreciation. The net effect of the current year's depreciation is to decrease net position.		(1,207,662)
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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.		(109,137)
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Net Position of Governmental Activities	\$	10,804,574
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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 BALANCES
GOVERNMENTAL FUNDS
FOR THE YEAR ENDED SEPTEMBER 30, 2018

	General Fund	Debt Service Fund	Capital Projects
REVENUES:			
Taxes:			
Property Taxes	\$ 1,152,622	\$ 516,581	\$ -
General Sales and Use Taxes	481,244	-	-
Franchise Tax	308,281	-	-
Penalty and Interest on Taxes	66,920	26,747	-
Licenses and Permits	297,839	-	-
Intergovernmental Revenue and Grants	-	-	-
Charges for Services	643,948	-	-
Fines	358,368	-	-
Forfeits	-	-	-
Special Assessments	-	-	-
Investment Earnings	12,860	4,594	16,151
Rents and Royalties	20,300	-	-
Contributions & Donations from Private Sources	-	-	-
Other Revenue	323,041	-	-
Total Revenues	3,665,423	547,922	16,151
EXPENDITURES:			
Current:			
General Government	1,334,633	-	-
Public Safety	2,784,197	-	-
Fire Protection	-	-	-
Public Works	625,832	-	-
Health and Welfare	121,126	-	-
Culture and Recreation	314,142	-	-
Conservation and Development	159,553	-	42,482
Debt Service:			
Principal on Debt	70,264	500,480	-
Interest on Debt	8,059	31,542	-
Interest on Debt	-	52,931	-
Interest on Debt	-	27,650	-
Other Debt Service	-	-	-
Capital Outlay:			
Capital Outlay	-	-	1,085,913
Total Expenditures	5,417,806	612,603	1,128,395
Excess (Deficiency) of Revenues Over (Under) Expenditures	(1,752,383)	(64,681)	(1,112,244)
OTHER FINANCING SOURCES (USES):			
Transfers In	1,048,000	183,960	-
Other Resources	419,095	-	-
Transfers Out (Use)	-	(135,881)	-
Other (Uses)	-	-	(8,286)
Total Other Financing Sources (Uses)	1,467,095	48,079	(8,286)
Net Change in Fund Balances	(285,288)	(16,602)	(1,120,530)
Fund Balance - October 1 (Beginning)	906,698	167,728	2,044,805
Prior Period Adjustment	-	-	-
Fund Balance - September 30 (Ending)	\$ 621,410	\$ 151,126	\$ 924,275

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

Other Funds	Total Governmental Funds
\$ -	\$ 1,669,203
481,244	962,488
-	308,281
-	93,667
-	297,839
530,814	530,814
46,460	690,408
-	358,368
4,800	4,800
127,032	127,032
6,107	39,712
1,050	21,350
17,455	17,455
19,134	342,175
<u>1,234,096</u>	<u>5,463,592</u>
-	1,334,633
12,095	2,796,292
40,689	40,689
4,475	630,307
-	121,126
26,470	340,612
477,143	679,178
560,488	1,131,232
274,137	313,738
-	52,931
-	27,650
800	800
<u>196,932</u>	<u>1,282,845</u>
<u>1,593,229</u>	<u>8,752,033</u>
<u>(359,133)</u>	<u>(3,288,441)</u>
481,242	1,713,202
-	419,095
(404,060)	(539,941)
<u>(3,000)</u>	<u>(11,286)</u>
<u>74,182</u>	<u>1,581,070</u>
<u>(284,951)</u>	<u>(1,707,371)</u>
914,191	4,033,422
919	919
<u>\$ 630,159</u>	<u>\$ 2,326,970</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, 2018

Total Net Change in Fund Balances - Governmental Funds	\$ (1,707,371)
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 2018 capital outlays and debt principal payments is to increase (decrease) the change in net position.	2,910,817
The implementation of the requirements of GASB 68 for this fiscal year resulted in a prior period adjustment to record the retroactive impact. This is NOT included in the explanation as to why the CHANGE in net position is different on Exhibit B-1 than the change in fund balance on Exhibit C-3. The entries required by GASB 68 did require that some expenses on B-1 be adjusted. Total credits to expenses were \$245,819 and total debits to expenses were \$181,631. The net effect on the change in net position on Exhibit B-1 is an increase of \$64,188.	(82,409)
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.	(1,207,662)
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.	(437,004)
Change in Net Position of Governmental Activities	<u>\$ (523,629)</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, 2018

	Budgeted Amounts		Actual Amounts (GAAP BASIS)	Variance With Final Budget Positive or (Negative)
	Original	Final		
REVENUES:				
Taxes:				
Property Taxes	\$ 1,150,549	\$ 1,213,864	\$ 1,152,622	\$ (61,242)
General Sales and Use Taxes	420,000	472,946	481,244	8,298
Franchise Tax	280,000	292,524	308,281	15,757
Penalty and Interest on Taxes	-	-	66,920	66,920
Licenses and Permits	182,650	298,321	297,839	(482)
Charges for Services	711,636	633,880	643,948	10,068
Fines	500,000	360,729	358,368	(2,361)
Investment Earnings	-	-	12,860	12,860
Rents and Royalties	28,450	29,230	20,300	(8,930)
Other Revenue	643,252	337,084	323,041	(14,043)
Total Revenues	3,916,537	3,638,578	3,665,423	26,845
EXPENDITURES:				
Current:				
General Government	1,252,584	1,349,815	1,334,633	15,182
Public Safety	2,674,502	2,797,377	2,784,197	13,180
Public Works	579,903	631,802	625,832	5,970
Health and Welfare	121,482	121,236	121,126	110
Culture and Recreation	420,732	314,445	314,142	303
Conservation and Development	156,187	162,957	159,553	3,404
Debt Service:				
Principal on Debt	70,284	70,264	70,264	-
Interest on Debt	8,059	8,059	8,059	-
Total Expenditures	5,283,733	5,455,955	5,417,806	38,149
Excess (Deficiency) of Revenues Over (Under) Expenditures	(1,367,196)	(1,817,377)	(1,752,383)	64,994
OTHER FINANCING SOURCES (USES):				
Sale of Real and Personal Property	350,000	400,000	-	(400,000)
Transfers In	803,000	1,048,000	1,048,000	-
Other Resources	414,188	419,131	419,095	(36)
Total Other Financing Sources (Uses)	1,567,188	1,867,131	1,467,095	(400,036)
Net Change	199,992	49,754	(285,288)	(335,042)
Fund Balance - October 1 (Beginning)	906,698	906,698	906,698	-
Fund Balance - September 30 (Ending)	\$ 1,106,690	\$ 956,452	\$ 621,410	\$ (335,042)

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, 2018

	Business-Type Activities - Enterprise Funds		
	Water & Sewer Fund	Solid Waste Fund	Total Enterprise Funds
ASSETS			
Current Assets:			
Cash and Cash Equivalents	\$ 427,703	\$ 264,737	\$ 692,440
Restricted Assets - Current:			
Temporarily Restricted Asset	150,020	-	150,020
Accounts Receivable Net	405,970	198,635	604,605
Total Current Assets	983,693	463,372	1,447,065
Noncurrent Assets:			
Capital Assets:			
Land Purchase and Improvements	25,110	-	25,110
Improvements other than Buildings	18,644,127	-	18,644,127
Accumulated Depreciation - Other Improvements	(3,438,225)	-	(3,438,225)
Furniture and Equipment	2,081	1,110,518	1,112,599
Accumulated Depreciation - Furniture & Equipment	-	(965,265)	(965,265)
Total Noncurrent Assets	15,233,093	145,253	15,378,346
Total Assets	16,216,786	608,625	16,825,411
DEFERRED OUTFLOWS OF RESOURCES			
Deferred Outflow Related to Pension Plan	15,223	12,455	27,678
Deferred Resource Outflow Related to OPEB	1,582	1,295	2,877
Total Deferred Outflows of Resources	16,805	13,750	30,555
LIABILITIES			
Current Liabilities:			
Accounts Payable	9,550	48,337	57,887
Wages and Salaries Payable	7,881	8,428	16,309
Intergovernmental Payable	-	9,323	9,323
Due to Other Funds	9,804	25,016	34,820
Due to Others	-	1,503	1,503
Notes Payable - Current	18,693	81,727	100,420
Bonds Payable - Current	35,000	-	35,000
Total Current Liabilities	80,928	174,334	255,262
Noncurrent Liabilities:			
Bonds Payable - Noncurrent	710,000	-	710,000
Loans Payable - Noncurrent	66,129	256,529	322,658
Net Pension Liability	90,613	74,137	164,750
Net OPEB Liability	14,163	11,588	25,751
Total Noncurrent Liabilities	880,905	342,254	1,223,159
Total Liabilities	961,833	516,588	1,478,421
DEFERRED INFLOWS OF RESOURCES			
Deferred Inflow Related to Pension Plan	-	33,814	33,814
Deferred Resource Inflow Related to OPEB	41,328	-	41,328
Total Deferred Inflows of Resources	41,328	33,814	75,142
NET POSITION			

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, 2018

	Business-Type Activities - Enterprise Funds		
	Water & Sewer Fund	Solid Waste Fund	Total Enterprise Funds
Net Investment in Capital Assets	14,403,271	(193,003)	14,210,268
Unrestricted	827,159	264,976	1,092,135
Total Net Position	<u>\$ 15,230,430</u>	<u>\$ 71,973</u>	<u>\$ 15,302,403</u>

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

CITY OF ALTON, TX
 STATEMENT OF REVENUES, EXPENSES, AND CHANGES IN FUND NET POSITION
 PROPRIETARY FUNDS
 FOR THE YEAR ENDED SEPTEMBER 30, 2018

	Business-Type Activities - Enterprise Funds		
	Water & Sewer Fund	Solid Waste Fund	Total Enterprise Funds
OPERATING REVENUES:			
Charges for Services	\$ 1,933,094	\$ 1,582,022	\$ 3,515,116
Investment Earnings	6,207	2,786	8,993
Other Revenue	18,610	-	18,610
Total Operating Revenues	<u>1,957,911</u>	<u>1,584,808</u>	<u>3,542,719</u>
OPERATING EXPENSES:			
Personnel Services - Salaries and Wages	210,429	262,775	473,204
Personnel Services - Employee Benefits	66,483	89,248	155,731
Purchased Professional & Technical Services	163,582	1,645	165,227
Purchased Property Services	-	136,716	136,716
Other Operating Costs	664,978	312,783	977,761
Supplies	2,347	75,109	77,456
Depreciation	452,544	157,498	610,042
Debt Service	14,947	13,704	28,651
Total Operating Expenses	<u>1,575,310</u>	<u>1,049,478</u>	<u>2,624,788</u>
Income Before Transfers	<u>382,601</u>	<u>535,330</u>	<u>917,931</u>
Transfers Out (Use)	<u>(714,261)</u>	<u>(459,000)</u>	<u>(1,173,261)</u>
Change in Net Position	<u>(331,660)</u>	<u>76,330</u>	<u>(255,330)</u>
Total Net Position - October 1 (Beginning)	15,636,103	52,736	15,688,839
Prior Period Adjustment	<u>(74,013)</u>	<u>(57,093)</u>	<u>(131,106)</u>
Total Net Position - September 30 (Ending)	<u>\$ 15,230,430</u>	<u>\$ 71,973</u>	<u>\$ 15,302,403</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, 2018

	Business-Type Activities		
	Water & Sewer Fund	Solid Waste Fund	Total Enterprise Funds
<u>Cash Flows from Operating Activities:</u>			
Cash Received from User Charges	\$ 1,875,225	\$ 1,562,327	\$ 3,437,552
Cash Payments to Employees for Services	(273,406)	(351,096)	(624,502)
Cash Payments for Suppliers	(155,469)	(215,036)	(370,505)
Cash Payments for Other Operating Expenses	(687,120)	(328,345)	(1,015,465)
Net Cash Provided by Operating Activities	<u>759,230</u>	<u>667,850</u>	<u>1,427,080</u>
<u>Cash Flows from Non-Capital Financing Activities:</u>			
Operating Transfer Out	<u>(714,261)</u>	<u>(459,000)</u>	<u>(1,173,261)</u>
<u>Cash Flows from Capital and Related Financing Activities:</u>			
Payment of Long Term Debt	<u>(30,368)</u>	<u>(96,103)</u>	<u>(126,471)</u>
<u>Cash Flows from Investing Activities:</u>			
Interest and Dividends on Investments	<u>6,207</u>	<u>2,786</u>	<u>8,993</u>
Net Increase in Cash and Cash Equivalents	20,808	115,533	136,341
Cash and Cash Equivalents at the Beginning of the Year	<u>406,895</u>	<u>149,204</u>	<u>556,099</u>
Cash and Cash Equivalents at the End of the Year	<u>\$ 427,703</u>	<u>\$ 264,737</u>	<u>\$ 692,440</u>
<u>Reconciliation of Operating Income to Net Cash</u>			
<u>Provided By Operating Activities:</u>			
Operating Income	\$ 382,601	\$ 535,330	\$ 917,931
Adjustments to Reconcile Operating Income			
To Net Cash Provided by Operating Activities:			
Depreciation	452,544	157,498	610,042
Effect of Increases and Decreases in Current Assets and Liabilities:			
Decrease (Increase) in Receivables	(76,479)	(22,695)	(99,174)
Increase (Decrease) in Accounts Payable	656	(6,782)	(6,126)
Increase (Decrease) in Payroll Deductions	(9,896)	(10,040)	(19,936)
Increase (Decrease) in Due to Others	9,804	5,216	15,020
Increase (Decrease) in Intergovernmental Payable	-	9,323	9,323
Net Cash Provided by Operating Activities	<u>\$ 759,230</u>	<u>\$ 667,850</u>	<u>\$ 1,427,080</u>

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

CITY OF ALTON, TX
 STATEMENT OF NET POSITION
 FIDUCIARY FUNDS
 SEPTEMBER 30, 2018

	Agency Fund
<hr/>	
ASSETS	
Cash and Cash Equivalents	\$ 7,213
Accounts Receivable Net	4,072
Total Assets	<u>\$ 11,285</u>
NET POSITION	
Restricted for Other Purposes	<u>\$ 11,285</u>
Total Net Position	<u>\$ 11,285</u>

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

CITY OF ALTON

NOTES TO THE FINANCIAL STATEMENTS

YEAR ENDED SEPTEMBER 30, 2018

I. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

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

A. REPORTING ENTITY

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

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

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

Included in the Reporting Entity

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

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

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

This statement changes the focus of accounting of postemployment benefits other than pensions from whether they are responsibly funding the benefits over time to a point-in-time liability that is selected on

CITY OF ALTON

NOTES TO THE FINANCIAL STATEMENTS

YEAR ENDED SEPTEMBER 30, 2018

the employer's financial statements for any actuarially unfunded portion of benefits earned to date. The requirements of this statement took effect for financial statements starting with the fiscal year that ended June 30, 2018, which are located under Note C. As a result, net position of the governmental activities at September 30, 2017 was restated by \$66,242.

B. GOVERNMENT-WIDE AND FUND FINANCIAL STATEMENTS

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

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

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

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

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

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

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

CITY OF ALTON

NOTES TO THE FINANCIAL STATEMENTS

YEAR ENDED SEPTEMBER 30, 2018

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

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

CITY OF ALTON

NOTES TO THE FINANCIAL STATEMENTS

YEAR ENDED SEPTEMBER 30, 2018

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.

CITY OF ALTON

NOTES TO THE FINANCIAL STATEMENTS

YEAR ENDED SEPTEMBER 30, 2018

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

CITY OF ALTON

NOTES TO THE FINANCIAL STATEMENTS

YEAR ENDED SEPTEMBER 30, 2018

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	\$3,749,288	0	\$3,749,288	
Buildings	8,169,474	(2,031,775)	6,137,699	
Furniture & Equipment	3,288,810	(2,208,838)	1,079,972	
Construction In Progress	368,700	0	368,700	
Infrastructure	23,497,535	(14,604,273)	8,893,262	
Change in Net Assets				<u>\$ 20,228,921</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			11,480,000	
Less Deferred Charges				
Loans Payable			<u>1,086,808</u>	
Change in Net Assets				<u>(12,566,808)</u>
Net Adjustment to Net Assets				<u>\$7,662,113</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:

CITY OF ALTON

NOTES TO THE FINANCIAL STATEMENTS

YEAR ENDED SEPTEMBER 30, 2018

	<u>Amount</u>	<u>Adjustments to Changes in Net Assets</u>	<u>Adjustments to Net Assets</u>
<u>Current Year Capital Outlay</u>			
Various Categories	\$1,732,969		
Total Capital Outlay	<u>\$1,732,969</u>	<u>\$1,732,969</u>	<u>\$1,732,969</u>
<u>Debt Principal Payments</u>			
Bond Principal	673,000		
Lease Payment	8,282		
Loan Principal	<u>496,566</u>		
Total Principal Payments	<u>\$1,177,848</u>	<u>1,177,848</u>	<u>1,169,566</u>
Total Adjustment to Net Assets		<u>\$ 2,910,817</u>	<u>\$ 2,910,817</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	\$158,821	\$ 158,821	
Uncollected taxes(assumed collectible) from Current Year and Prior Levy	304,296	(99,778)	304,296
Revision of Estimate of Uncollected Taxes	11,822	11,822	(11,822)
<u>Reclassify Proceeds of Bonds, Loans & Capital Leases</u>			
Accrued Vacation	131,922	(131,922)	131,922
Proceeds from Loan	419,095	419,095	(419,095)
Sale of Property	2,796	2,796	(2,796)
Other	76,170	76,170	(111,642)
Total		<u>\$ 437,004</u>	<u>\$ 109,137</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.

CITY OF ALTON

NOTES TO THE FINANCIAL STATEMENTS

YEAR ENDED SEPTEMBER 30, 2018

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.

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, 2018, the carrying amount of the City's deposits (cash, certificates of deposit, and interest-bearing savings accounts included in temporary investments) bank balance was \$3,025,934. The City's cash deposits at September 30, 2018 and during the year ended September 30, 2018 were entirely covered by FDIC Insurance and securities collateral.

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

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

Custodial Credit Risk for Investments State law requires governmental entities to contract with financial institutions in which funds will be deposited to secure those deposits with insurance or pledged securities

CITY OF ALTON

NOTES TO THE FINANCIAL STATEMENTS

YEAR ENDED SEPTEMBER 30, 2018

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 From:	
Enterprise Fund	34,821
Special Revenue	<u>17,254</u>
	52,075
Debt Service Fund Due From:	
General Fund	<u>6,888</u>
	6,888
Capital Projects Due From:	
General Fund	<u>70,057</u>
	129,020
Total Due To:	<u><u>129,020</u></u>

CITY OF ALTON

NOTES TO THE FINANCIAL STATEMENTS

YEAR ENDED SEPTEMBER 30, 2018

General Fund Due To:	
Debt Service Fund	6,888
Capital Projects Fund	<u>70,057</u>
	76,945

Special Revenue Fund Due To:	
General Fund	<u>17,254</u>
	17,254

Enterprise Fund Due From:	
General Fund	<u>34,821</u>
	34,821
Total Due From:	<u>129,020</u>

E. DISAGGREGATION OF RECEIVABLES AND PAYABLES

Receivables at September 30, 2018, were as follows:

	<u>Property Taxes</u>	<u>Sales and Franchise Taxes</u>	<u>Other Governments</u>	<u>Due From Other Funds</u>	<u>Other</u>	<u>Total Receivables</u>
General Fund	\$ 349,410	\$ 100,026	\$ 57,897	\$ 52,075	\$ -	\$ 559,408
Special Revenue Funds	-	308,686	-	-	-	308,686
Debt Service Fund	139,648	-	-	6,888	-	146,536
Capital Projects Fund	-	-	-	70,057	-	70,057
Enterprise Fund	-	-	-	-	643,920	643,920
Total Receivables	<u>\$ 489,058</u>	<u>\$ 408,712</u>	<u>\$ 57,897</u>	<u>\$ 129,020</u>	<u>\$ 643,920</u>	<u>\$ 1,728,607</u>
Less: Allowance for Uncollectible	<u>\$ (196,584)</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>(39,315)</u>	<u>\$ (235,899)</u>
Net Total Receivable	<u><u>\$ 292,474</u></u>	<u><u>\$ 408,712</u></u>	<u><u>\$ 57,897</u></u>	<u><u>\$ 129,020</u></u>	<u><u>\$ 604,605</u></u>	<u><u>\$ 1,492,708</u></u>

Payables at September 30, 2018, were as follows:

	<u>Accounts Payable</u>	<u>Loans, Leases and Bonds Payable - Current Year</u>	<u>Salaries and Benefits</u>	<u>Due To Other Funds</u>	<u>Due to Other Governments</u>	<u>Other</u>	<u>Total Payables</u>
General Fund	\$ 84,614	\$ -	\$ 148,343	\$ 76,945	\$ 70,376	\$ -	\$ 380,277
Special Revenue Funds	12,915	-	-	17,255	-	48,970	79,139
Capital Projects	1,800	-	-	-	-	-	1,800
Debt Service	-	1,252,496	-	-	-	-	1,252,496
Enterprise Fund	<u>57,888</u>	<u>135,420</u>	<u>16,309</u>	<u>34,820</u>	<u>9,323</u>	<u>1,503</u>	<u>255,263</u>
Total Payable	<u><u>\$ 157,217</u></u>	<u><u>\$ 1,387,916</u></u>	<u><u>\$ 164,652</u></u>	<u><u>\$ 129,020</u></u>	<u><u>\$ 79,699</u></u>	<u><u>\$ 50,473</u></u>	<u><u>\$ 1,968,977</u></u>

G. CAPITAL ASSET ACTIVITY

Capital asset activity for the City for the year ended September 30, 2018, was as follows:

CITY OF ALTON

NOTES TO THE FINANCIAL STATEMENTS

YEAR ENDED SEPTEMBER 30, 2018

	Primary Government				
	<u>Beginning</u> <u>Balance</u>	<u>Additions</u>	<u>Retirements</u>	<u>Adjustments</u>	<u>Ending</u> <u>Balance</u>
Governmental Activities:					
Land	\$ 3,749,288	\$ -	\$ -	\$ -	\$ 3,749,288
Buildings & Improvements	8,169,475	561,856	-	-	8,731,331
Furniture and Equipment	3,288,810	-	-	-	3,288,810
Improvements	-	1,045,853	(50,731)	-	995,122
Construction In Progress	368,700	-	-	-	368,700
Infrastructure	<u>23,497,535</u>	<u>125,259</u>	<u>-</u>	<u>-</u>	<u>23,622,794</u>
Totals at Historic Cost	<u>39,073,807</u>	<u>\$ 1,732,968</u>	<u>\$ (50,731)</u>	<u>\$ -</u>	<u>40,756,045</u>
Less Accumulated Depreciation:					
Total Accumulated Depreciation	<u>(18,844,886)</u>	<u>(1,207,662)</u>	<u>47,935</u>	<u>-</u>	<u>(20,004,613)</u>
Governmental Activities Capital Assets, Net	<u>\$20,438,176</u>	<u>\$ 525,306</u>	<u>\$ (2,796)</u>	<u>\$ -</u>	<u>\$20,751,432</u>
Business-type Activities:					
Land	25,110	-	-	-	25,110
Furniture and Equipment	1,351,630	-	-	-	1,351,630
Infrastructure	17,127,449	-	-	-	17,127,449
Buildings and Improvements	<u>1,894,263</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>1,894,263</u>
Totals at Historic Cost	<u>\$ 20,398,452</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 20,398,452</u>
Less Accumulated Depreciation					
Total Accumulated Depreciation	<u>(3,811,448)</u>	<u>(592,042)</u>	<u>-</u>	<u>-</u>	<u>(4,403,490)</u>
Business-type Activities Capital Assets, Net	<u>\$16,587,004</u>	<u>\$ (592,042)</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$15,994,962</u>

Depreciation expense was charged to governmental functions as follows:

General Government	\$265,686
Public Safety	555,525
Public Works	120,766
Health & Welfare	24,153
Culture and Recreation	120,766
Economic Development & Assistance	<u>120,766</u>
Total Depreciation Expense	<u>\$1,207,662</u>

H. BONDS AND LONG-TERM NOTES PAYABLE

At September 30, 2018, 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. 1,344,000

\$ 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%. 1,065,000

\$ 950,000 Series 2015 General Obligation Refunding Bonds. Original Issue Date is April 21, 2015 Maturity date is February 15, 2027. Annual interest rate of 3.5%. 755,000

CITY OF ALTON

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\$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%.	590,000
Note Payable to The Bank of New York, dated July 22, 2013 in the original amount of \$500,000; Maturity dated August 1, 2028 with an interest rate of 3.25%	357,561
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%	357,561
CO Series 2016 to USDA, dated May 4, 2016 in the original amount of \$240,000 for the Construction of the Sewer System; Maturity date May 1, 2056 with an interest rate of 1.750%	236,000
Note Payable to Compass Bank, dated August 1, 2014 in the original amount of \$1,955,000 for TIRZ Projects; Maturity date February 25, 2029 with an interest rate of 3.6%.	1,540,000
Note Payable to KS State Bank, dated in the amount of \$526,467 for two vehicles; Maturity date with an interest rate of 2.950%.	353,891
Note Payable to Urban County, in the amount of \$1,150,000; Maturity Date July 21, 2021 with an interest rate of %	505,000
\$3,465,000 General Obligations Series 2016 - A; Original Issuance Date November 30, 2016. Maturity Date of August 15, 2036 with interest rate of 4%.	3,465,000
Note Payable to Frost Bank, dated October 20, 2016 in the amount of \$376,232; Maturity Date December 1, 2021 with an interest rate of 2.160% for City Vehicles	306,226
Note Payable to KS State Bank, dated August 10, 2017 in the amount of \$117,000; Maturity Date August 21, 2021 with an interest rate of 5.390% for LED signs.	70,005
Note Payable to Frost Bank, dated November 16, 2017 in the amount of \$231,409;; Maturity Date November 1, 2022 with an interest rate of 2.740% for City Vehicles.	231,409
Note Payable to Frost Bank, dated March 19, 2018 in the amount of \$82,859; Maturity Date March 19, 2020 with an interest rate of 3.580% for City Vehicles.	74,573
Note Payable to First State Bank, dated May 8, 2018 in the amount of \$104,828; Maturity Date October 30, 2022 with an interest rate of 4.150% for City Equipment.	104,828
Note Payable to USDA, dated March 4, 2014 in the original amount of \$500,000 for the Construction of the new Fire Station; Maturity date June 15, 2043 with an interest rate of 3.125%.	<u>452,000</u>
Total General Long Term Debt	<u>\$11,808,054</u>
Enterprise Funds General Long Term Debt:	
Note Payable to Lone Star National Bank, dated in the original amount of \$152,603 For the purchase of a; Maturity date of with an interest rate of 6.000%.	88,078

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Note Payable to Frost Bank, dated October 20, 2016 in the amount of \$164,242; Maturity Date December 1, 2021 with an interest rate of 2.160% for City Vehicles 137,477

\$500,000 General Obligations Series 2017; Original Issuance Date April 1, 2017. Maturity Date of September 30, 2047 with variable interest rate. 490,000

Note Payable to Schertz Bank and Trust, dated in the original amount of \$300,377 For the purchase of a Brush Truck; Maturity date of with an interest rate of 3.748%. 207,523

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% 245,000

Total Enterprise Fund Long Term Debt \$ 1,168,078

There are a number of limitations and restrictions contained in the general obligation bond indenture. Management has indicated that the City is in compliance with all significant limitations and restrictions at September 30, 2017.

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

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

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

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
2019	1,252,496	266,199	2019	135,420	16,598
2020	1,286,488	235,552	2020	155,274	14,039
2021	1,037,343	191,817	2021	150,834	11,412
2022	1,044,714	157,034	2022	153,354	8,713
2023	1,039,998	208,123	2023	123,196	7,315
2024-2028	3,226,389	524,272	2024-2028	400,000	23,455
2029-2033	1,578,000	134,019	2029-2032	50,000	2,700
2034-2038	1,035,000	89,878			
2039-2043	163,000	44,052			
2044-2056	102,000	26,229			
Total	<u>11,808,052</u>	<u>1,877,175</u>	Total	<u>1,168,078</u>	<u>84,232</u>

CITY OF ALTON

NOTES TO THE FINANCIAL STATEMENTS

YEAR ENDED SEPTEMBER 30, 2018

J. CHANGES IN LONG-TERM LIABILITIES

Long-term activity for the year ended September 30, 2018, 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	\$11,480,000	\$ -	\$ (673,000)	\$ -	\$10,807,000	\$ 842,544
Loans Payable	<u>1,086,808</u>	<u>410,810</u>	<u>(496,566)</u>	<u>-</u>	<u>1,001,052</u>	<u>409,952</u>
Total Bonds and Notes Payable	<u>\$12,566,808</u>	<u>\$ 410,810</u>	<u>\$ (1,169,566)</u>	<u>\$ -</u>	<u>\$11,808,052</u>	<u>\$ 1,252,496</u>
Enterprise Activities:						
Notes Payable:						
Combination Tax & Rev. Bonds	765,000	\$ -	(30,000)	-	735,000	35,000
Loans Payable	<u>536,881</u>	<u>-</u>	<u>(103,803)</u>	<u>-</u>	<u>433,078</u>	<u>100,420</u>
Total Bonds and Notes Payable	<u>\$ 1,301,881</u>	<u>\$ -</u>	<u>\$ (133,803)</u>	<u>\$ -</u>	<u>\$ 1,168,078</u>	<u>\$ 135,420</u>
Total Enterprises Activities Long-term Liabilities	<u>\$ 1,301,881</u>	<u>\$ -</u>	<u>\$ (133,803)</u>	<u>\$ -</u>	<u>\$ 1,168,078</u>	<u>\$ 135,420</u>

K. DEFERRED OUTFLOWS AND INFLOWS OF RESOURCES

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

As of September 30, 2018 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>Enterprise Fund</u>	<u>Total</u>
Deferred Inflow Related to Pension Plan	\$ 345,349	\$ 33,814	\$ 379,163
Deferred Resource Inflow Related to OPEB	<u>\$ 87,080</u>	<u>\$ 41,328</u>	<u>\$ 128,408</u>
Total Deferred Inflows of Resources	<u>\$ 432,429</u>	<u>\$ 75,142</u>	<u>\$ 507,571</u>

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

	<u>General Fund</u>	<u>Enterprise Fund</u>	<u>Total</u>
Deferred Outflow Related to Pension Plan	\$ 448,382	\$ 27,678	\$ 476,060
Deferred Resource Outflow Related to OPEB	<u>\$ 9,730</u>	<u>\$ 2,877</u>	<u>\$ 12,607</u>
Total Deferred Outflows of Resources	<u>\$ 458,112</u>	<u>\$ 30,555</u>	<u>\$ 488,667</u>

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:

CITY OF ALTON

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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 2018, the County of Hidalgo transferred \$155,489 for fiscal years 2018, while the City transferred \$137,594 to meet the requirements of the TIRZ agreement for the fiscal year.

M. DEFINED BENEFIT PENSION PLAN

Plan Description

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

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, 2017 valuation and measurement date, the following employees were covered by the benefit terms:

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

Contributions

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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 10.53% and 11.58% in calendar years 2017 and 2018, respectively. The city's contributions to TMRS for the year ended September 30, 2018, were \$350,515, and were equal to the required contributions.

Net Pension Liability

The city's Net Pension Liability (NPL) was measured as of December 31, 2017, 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, 2017 actuarial valuation was determined using the following actuarial assumptions:

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

Salary increases were based on a service-related table. Mortality rates for active members, retirees, and beneficiaries were based on the gender-distinct RP2000 Combined Healthy Mortality Table, with male rates multiplied by 109% and female rates multiplied by 103%. The rates are projected on a fully

CITY OF ALTON

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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, 2017, 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)
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CITY OF ALTON

NOTES TO THE FINANCIAL STATEMENTS

YEAR ENDED SEPTEMBER 30, 2018

Balance at 12/31/2016	4,883,654	4,036,833	846,821
Changes for the year:			
Service cost	564,796	-	564,796
Interest	342,457	-	342,457
Change of benefit terms	-	-	-
Difference between expected and actual experience	(139,186)	-	(139,186)
Changes of assumptions	-	-	-
Contributions – employer	-	300,020	(300,020)
Contributions – employee	-	202,126	(202,126)
Net investment income	-	558,657	(558,657)
Benefit payments, including refunds of employee contributions	(185,221)	(185,221)	-
Administrative expense	-	(2,900)	2,900
Other changes	-	(147)	147
Net changes	582,846	872,535	(289,689)
Balance at 12/31/2017	5,466,500	4,909,368	557,132

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

The following presents the net pension liability of the City, calculated using the discount rate of 6.75%, as well as what the City's net pension liability would be if it were calculated using a discount rate that is 1-percentage-point lower (5.75%) or 1-percentage-point higher (7.75%) than the current rate:

	1% Decrease in Discount Rate 5.75%	Discount Rate 6.75%	1% Increase in Discount Rate 7.75%
City's net pension liability	\$1,576,916	\$557,132	(\$244,252)

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, 2018, the city recognized pension expense of \$370,624.

CITY OF ALTON

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YEAR ENDED SEPTEMBER 30, 2018

At September 30, 2018, 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	\$ 156,996	\$ 212,464
Changes in actuarial assumptions	\$ 23,100	\$ -
Difference between projected and actual investment earnings	\$ -	\$ 132,885
Contributions subsequent to the measurement date December 31, 2017	\$ 268,286	
Total	\$ 448,382	\$ 345,349

\$268,286 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, 2019. Other amounts reported as deferred outflows and inflows of resources related to pensions will be recognized in pension expense as follows:

YEAR ENDED SEPTEMBER 30,	
2019	\$ (14,103)
2020	\$ (31,427)
2021	\$ (82,461)
2022	\$ (61,213)
2023	\$ 6,924
Thereafter	\$ 17,027

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

For the year ended September 30, 2018, the City recognized OPEB expense in the amount of \$12,111.

At September 30, 2018, the City reported deferred outflows of resources and deferred inflows of resources related to OPEBs from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual economic experience (net of current year amortization)	\$ -	\$ -
Changes in actuarial assumptions	\$ 6,503	\$ -
Differences between projected and actual investment earnings (net of current year amortization)	\$ -	\$ -
Contributions subsequent to the measurement date	\$ 3,227	\$ -
Total	\$ 9,730	\$ -

CITY OF ALTON

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YEAR ENDED SEPTEMBER 30, 2018

\$3,227 reported as deferred outflows of resources related to OPEBs resulting from contributions subsequent to the measurement date will be recognized as a reduction of the net OPEB liability for the year ending September 30, 2019. Other amounts reported as deferred outflows and inflows of resources related to OPEB's will be recognized in OPEB expense as follows:

Fiscal Year Ending September 30,	
2019	\$ 985
2020	\$ 985
2021	\$ 985
2022	\$ 985
2023	\$ 985
Thereafter	\$1,578

Governmental Funds Balance Sheet/Statement of Net Position Reconciliation

Included in the noncurrent assets/liabilities is the recognition of the City's net pension asset/(liability) required by GASB 68 in the amount of \$(392,382), a deferred resource inflow in the amount of \$(270,207), and a deferred resource outflow in the amount of \$420,704. This resulted in an increase/(decrease) in net position by \$(241,885).

Included in the noncurrent assets/(liabilities) is the recognition of the City's net OPEB asset/(liability) required by GASB 75 in the amount of \$(61,329), a deferred resource inflow in the amount of \$0, and a deferred resource outflow in the amount of \$6,853. This resulted in an increase/(decrease) in net position by \$(54,476).

Governmental Funds Statement of Changes in Fund Balance/Statement of Activities Reconciliation

The implementation of GASB 68 required that certain expenditures be de-expended and recorded as deferred resource outflows. These contributions made after the measurement date of 12/31/2017 caused the change in the ending net position to increase in the amount of \$188,953. Contributions made before the measurement date but after the previous measurement date were reversed from deferred resource outflows and recorded as a current year expense. This caused a decrease in the net position totaling \$(153,552). The City's reported TMRS net pension expense had to be recorded. The net pension expense increased/(decreased) the change in net position by \$(85,618). The result of these changes is to increase/(decrease) the change in net position by \$(50,217).

The implementation of GASB 75 required that certain expenditures be de-expended and recorded as deferred resource outflows. These contributions made after the measurement date of 12/31/2017 caused the change in the ending net position to increase in the amount of \$2,273. Contributions made before the measurement date but after the previous measurement date were reversed from deferred resource outflows and recorded as a current year expense. This caused a decrease in the change in net position totaling \$(1,770). The City's reported TMRS net OPEB expense had to be recorded. The net OPEB expense increased/(decreased) the change in net position by \$(8,326). The result of these changes is to increase/(decrease) the change in net position by \$(7,823).

O. LITIGATION

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

CITY OF ALTON

NOTES TO THE FINANCIAL STATEMENTS

YEAR ENDED SEPTEMBER 30, 2018

P. SUBSEQUENT EVENTS

The City considered all subsequent events through April 5, 2019. The financial statement issuance date.

Q. PRIOR PERIOD ADJUSTMENT

The City recognized prior period adjustments in the Government Wide Financial Statements totaling \$142,633, Governmental Funds totaling (\$919), and Enterprise Funds totaling \$131,106. The following adjustments were made to beginning fund balances were necessary to reflect the actual balances at beginning of the year:

Government-Wide	
Adjustment to Property Tax Receivable	\$ 8,091
Correction of Due To/Due From	(919)
To record GASB 68 Beginning Net Pension Liability	152,759
To record GASB 68 beginning deferred outflows and inflows	134,482
To record GASB 68 deferred outflow contributions	(218,022)
To record GASB 75 beginning deferred outflow	(2,513)
To record GASB 75 beginning OPEB Net Liability	<u>68,755</u>
Total Prior Period Adjustment – Government Wide	<u>\$ 142,633</u>
Governmental Funds	
Correction of Due To/Due From	\$ (919)
Total Prior Period Adjustment – Governmental Funds	<u>\$ (919)</u>
Enterprise Funds	
To Record GASB 68 Water and Sewer Fund	\$ 63,240
To Record GASB 75 Water and Sewer Fund	10,773
To Record GASB 68 Solid Waste Fund	43,634
To Record GASB 75 Solid Waste Fund	<u>13,459</u>
Total Prior Period Adjustment – Enterprise Funds	<u>\$131,106</u>

SCHEDULE OF CHANGES IN NET PENSION LIABILITY AND RELATED RATIOS
TEXAS MUNICIPAL RETIREMENT SYSTEM
FOR THE YEAR ENDED SEPTEMBER 30, 2018

	FY 2018 Plan Year 2017	FY 2017 Plan Year 2016	FY 2016 Plan Year 2015	FY 2015 Plan Year 2014
A. Total Pension Liability				
Service Cost	\$ 564,796	\$ 522,560	\$ 489,728	\$ 376,918
Interest (on the Total Pension Liability)	342,457	298,556	260,999	234,794
Changes of Benefit Terms	-0-	-0-	-0-	-0-
Difference between Expected and Actual Experience	(139,186)	(48,081)	7,936	(153,570)
Changes of Assumptions	-0-	-0-	72,960	-0-
Benefit Payments, including refunds of employee contributions	(185,221)	(103,119)	(203,961)	(76,411)
Net change in Total Pension Liability	\$ 582,846	\$ 669,916	\$ 627,662	\$ 381,731
Total Pension Liability - Beginning	4,883,654	4,213,334	3,585,672	3,203,941
Total Pension Liability - Ending	\$ 5,466,500	\$ 4,883,250	\$ 4,213,334	\$ 3,585,672
B. Total Fiduciary Net Position				
Contributions - Employer	\$ 300,020	\$ 249,859	\$ 229,877	\$ 194,604
Contributions - Employee	202,126	192,623	187,328	158,584
Net Investment Income	558,657	234,353	4,798	161,110
Benefit Payments, including refunds of employee contributions	(185,221)	(103,119)	(203,961)	(76,411)
Administrative Expense	(2,900)	(2,645)	(2,922)	(1,681)
Other	(147)	(143)	(144)	(138)
Net Change in Plan Fiduciary Net Position	\$ 872,535	\$ 570,928	\$ 214,976	\$ 436,068
Plan Fiduciary Net Position - Beginning	4,036,833	3,465,905	3,250,930	2,814,862
Plan Fiduciary Net Position - Ending	\$ 4,909,368	\$ 4,036,833	\$ 3,465,906	\$ 3,250,930
C. Net Pension Liability	\$ 557,132	\$ 846,417	\$ 747,428	\$ 334,742
D. Plan Fiduciary Net Position as a Percentage of Total Pension Liability	89.81%	82.67%	82.26%	90.66%
E. Covered Payroll	\$ 2,887,507	\$ 2,751,763	\$ 2,676,107	\$ 2,265,479
F. Net Pension Liability as a Percentage of Covered Payroll	19.29%	30.76%	27.93%	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 four years of data are presented in accordance with GASBS #68, paragraph 138. "The information for all periods for the 10-year schedules that are required to be presented as required supplementary information may not be available initially. In these cases, during the transition period, that information should be presented for as many years as are available. The schedules should not include information that is not measured in accordance with the requirements of this Statement."

CITY OF ALTON, TX
SCHEDULE OF CONTRIBUTIONS
TEXAS MUNICIPAL RETIREMENT SYSTEM
FOR THE FISCAL YEAR 2018

	2018	2017	2016	2015
Actuarially Determined Contribution	\$ 350,515	\$ 300,020	\$ 246,558	\$ 220,497
Contributions in Relation to the Actuarially Determined Contributions	(350,515)	300,020	246,558	(220,497)
Contribution Deficiency (Excess)	\$ -0-	\$ -0-	\$ -0-	\$ -0-
Covered Payroll	\$ 3,094,764	\$ 2,887,507	\$ 2,751,763	\$ 2,534,440
Contributions as a Percentage of Covered Payroll	11.33%	(10.39%)	(8.96%)	8.70%

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

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

CITY OF ALTON, TX
SCHEDULE OF CHANGES IN THE TOTAL OPEB LIABILITY AND RELATED RATIOS
TEXAS MUNICIPAL RETIREMENT SYSTEM
FOR THE YEAR ENDED SEPTEMBER 30, 2018

	FY 2018 Plan Year 2017
Total OPEB Liability	
Service Cost	\$ 8,374
Interest on the Total OPEB Liability	2,752
Changes of Benefit Terms	-0-
Difference between Expected and Actual Experience	-0-
Changes of Assumptions	7,488
Benefit Payments*	(289)
Net change in Total OPEB Liability	18,325
Total OPEB Liability - Beginning	68,755
Total OPEB Liability - Ending	\$ 87,080
Covered Payroll	\$ 2,887,507
Total OPEB Liability as a Percentage of Covered Payroll	3.02%

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

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

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

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COMBINING AND INDIVIDUAL FUND
STATEMENTS AND SCHEDULES

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CITY OF ALTON, TX
COMBINING BALANCE SHEET
NONMAJOR GOVERNMENTAL FUNDS
SEPTEMBER 30, 2018

	Development Corp 4A	Development Corp 4B	Facilities & Infrastructur Fund
ASSETS			
Cash and Cash Equivalents	\$ 83,834	\$ 36,185	\$ 100,855
Accounts Receivable Net	14,149	14,149	-
Total Assets	<u>\$ 97,983</u>	<u>\$ 50,334</u>	<u>\$ 100,855</u>
LIABILITIES			
Accounts Payable	\$ 589	\$ 7,349	\$ -
Due to Other Funds	3,374	2,643	-
Due to Others	-	-	48,970
Total Liabilities	<u>3,963</u>	<u>9,992</u>	<u>48,970</u>
FUND BALANCES			
Capital Acquisiion and Contractural Obligation	-	-	-
Other Assigned Fund Balance	94,020	40,342	51,885
Total Fund Balances	<u>94,020</u>	<u>40,342</u>	<u>51,885</u>
Total Liabilities and Fund Balances	<u>\$ 97,983</u>	<u>\$ 50,334</u>	<u>\$ 100,855</u>

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

Municipal Court Fund	Federal Asset Forfeiture	Urban County Fund	Seizure & Forfeiture Fund	Alton Youth Club Activity Fund	TIRZ Fund	Peg Fund	Texas Leverage Fund
\$ 102	\$ 100	\$ -	\$ 18	\$ 436	\$ 38,939	\$ 36,286	\$ 81,497
-	-	-	-	-	-	(1,317)	281,705
<u>\$ 102</u>	<u>\$ 100</u>	<u>\$ -</u>	<u>\$ 18</u>	<u>\$ 436</u>	<u>\$ 38,939</u>	<u>\$ 34,969</u>	<u>\$ 363,202</u>
\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 4,000
-	-	-	-	11,237	-	-	-
-	-	-	-	-	-	-	-
<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>11,237</u>	<u>-</u>	<u>-</u>	<u>4,000</u>
-	-	-	-	-	-	-	-
102	100	-	18	(10,801)	38,939	34,969	359,202
<u>102</u>	<u>100</u>	<u>-</u>	<u>18</u>	<u>(10,801)</u>	<u>38,939</u>	<u>34,969</u>	<u>359,202</u>
<u>\$ 102</u>	<u>\$ 100</u>	<u>\$ -</u>	<u>\$ 18</u>	<u>\$ 436</u>	<u>\$ 38,939</u>	<u>\$ 34,969</u>	<u>\$ 363,202</u>

CITY OF ALTON, TX
COMBINING BALANCE SHEET
NONMAJOR GOVERNMENTAL FUNDS
SEPTEMBER 30, 2018

	Volunteer Firefighter Fund	Alton Chamber of Commerce	Total Nonmajor Special Revenue Funds	Debt Service TIRZ Fund
ASSETS				
Cash and Cash Equivalents	\$ 5,118	\$ 4,042	\$ 387,412	\$ 568
Accounts Receivable Net	-	-	308,686	-
Total Assets	<u>\$ 5,118</u>	<u>\$ 4,042</u>	<u>\$ 696,098</u>	<u>\$ 568</u>
LIABILITIES				
Accounts Payable	\$ 977	\$ -	\$ 12,915	\$ -
Due to Other Funds	-	-	17,254	-
Due to Others	-	-	48,970	-
Total Liabilities	<u>977</u>	<u>-</u>	<u>79,139</u>	<u>-</u>
FUND BALANCES				
Capital Acquisition and Contractual Obligation	-	-	-	-
Other Assigned Fund Balance	4,141	4,042	616,959	568
Total Fund Balances	<u>\$ 4,141</u>	<u>\$ 4,042</u>	<u>\$ 616,959</u>	<u>\$ 568</u>
Total Liabilities and Fund Balances	<u>\$ 5,118</u>	<u>\$ 4,042</u>	<u>\$ 696,098</u>	<u>\$ 568</u>

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

Debt Service 2016 I&S Fund	Debt Service 2016 Reserve Fund	Debt Service 2016-A Fund	Debt Service 2017 Fund	Total Nonmajor Debt Service Funds	Capital Projects TIRZ Fund	Capital Projects USDA Fund	USDA Sewer Connection Fund
\$ 106	\$ 1,828	\$ 1,950	\$ 3,461	\$ 7,913	\$ 2,222	\$ -	\$ 3,065
-	-	-	-	-	-	-	-
<u>\$ 106</u>	<u>\$ 1,828</u>	<u>\$ 1,950</u>	<u>\$ 3,461</u>	<u>\$ 7,913</u>	<u>\$ 2,222</u>	<u>\$ -</u>	<u>\$ 3,065</u>
\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
-	-	-	-	-	-	-	-
-	-	-	-	-	-	-	-
<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
-	-	-	-	-	2,222	-	3,065
106	1,828	1,950	3,461	7,913	-	-	-
<u>106</u>	<u>1,828</u>	<u>1,950</u>	<u>3,461</u>	<u>7,913</u>	<u>2,222</u>	<u>-</u>	<u>3,065</u>
<u>\$ 106</u>	<u>\$ 1,828</u>	<u>\$ 1,950</u>	<u>\$ 3,461</u>	<u>\$ 7,913</u>	<u>\$ 2,222</u>	<u>\$ -</u>	<u>\$ 3,065</u>

CITY OF ALTON, TX
 COMBINING BALANCE SHEET
 NONMAJOR GOVERNMENTAL FUNDS
 SEPTEMBER 30, 2018

	Total Nonmajor Capital Project Funds	Total Nonmajor Governmental Funds
ASSETS		
Cash and Cash Equivalents	\$ 5,287	\$ 400,612
Accounts Receivable Net	-	308,686
Total Assets	<u>\$ 5,287</u>	<u>\$ 709,298</u>
LIABILITIES		
Accounts Payable	\$ -	\$ 12,915
Due to Other Funds	-	17,254
Due to Others	-	48,970
Total Liabilities	<u>-</u>	<u>79,139</u>
FUND BALANCES		
Capital Acquisition and Contractual Obligation	5,287	5,287
Other Assigned Fund Balance	-	624,872
Total Fund Balances	<u>5,287</u>	<u>630,159</u>
Total Liabilities and Fund Balances	<u>\$ 5,287</u>	<u>\$ 709,298</u>

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

CITY OF ALTON, TX
COMBINING STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN
FUND BALANCES - NONMAJOR GOVERNMENTAL FUNDS
FOR THE YEAR ENDED SEPTEMBER 30, 2018

	Development Corp 4A	Development Corp 4B	Facilities & Infrastructur Fund
REVENUES:			
Taxes:			
General Sales and Use Taxes	\$ 240,622	\$ 240,622	\$ -
Intergovernmental Revenue and Grants	-	-	-
Charges for Services	-	-	45,610
Forfeits	-	-	-
Special Assessments	-	-	127,032
Investment Earnings	1,072	669	1,214
Rents and Royalties	-	-	-
Contributions & Donations from Private Sources	-	-	-
Other Revenue	-	-	-
Total Revenues	<u>241,694</u>	<u>241,291</u>	<u>173,856</u>
EXPENDITURES:			
Public Safety	-	-	-
Fire Protection	-	-	-
Public Works	-	-	-
Culture and Recreation	-	-	-
Conservation and Development	170,106	307,037	-
Debt Service:			
Principal on Debt	38,244	38,244	-
Interest on Debt	20,420	20,420	-
Other Debt Service	-	-	-
Capital Outlay:			
Capital Outlay	-	-	71,932
Total Expenditures	<u>228,770</u>	<u>365,701</u>	<u>71,932</u>
Excess (Deficiency) of Revenues Over (Under) Expenditures	<u>12,924</u>	<u>(124,410)</u>	<u>101,924</u>
OTHER FINANCING SOURCES (USES):			
Transfers In	-	-	-
Transfers Out (Use)	-	-	(80,000)
Other (Uses)	-	-	-
Total Other Financing Sources (Uses)	<u>-</u>	<u>-</u>	<u>(80,000)</u>
Net Change in Fund Balance	12,924	(124,410)	21,924
Fund Balance - October 1 (Beginning)	81,096	164,752	29,961
Prior Period Adjustment	-	-	-
Fund Balance - September 30 (Ending)	<u>\$ 94,020</u>	<u>\$ 40,342</u>	<u>\$ 51,885</u>

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

Municipal Court Fund	Federal Asset Forfeiture	Urban County Fund	Seizure & Forfeiture Fund	Alton Youth Club Activity Fund	TIRZ Fund	Peg Fund	Texas Leverage Fund
\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
-	-	237,732	-	-	293,082	-	-
-	-	-	-	850	-	-	-
-	-	-	4,800	-	-	-	-
-	-	-	-	-	-	-	-
2	-	-	67	20	602	396	1,740
-	-	-	-	1,050	-	-	-
-	-	-	-	-	-	-	-
-	-	-	-	5,850	-	3,784	4,800
<u>2</u>	<u>-</u>	<u>237,732</u>	<u>4,867</u>	<u>7,770</u>	<u>293,684</u>	<u>4,180</u>	<u>6,540</u>
-	-	-	12,095	-	-	-	-
-	-	-	-	-	-	-	40,689
-	-	-	-	-	-	-	-
-	-	-	-	7,383	-	-	-
-	-	-	-	-	-	-	-
-	-	230,000	-	-	-	-	-
-	-	7,732	-	-	-	-	-
-	-	-	-	-	-	-	-
-	-	-	-	-	-	-	125,000
-	-	237,732	12,095	7,383	-	-	165,689
<u>2</u>	<u>-</u>	<u>-</u>	<u>(7,228)</u>	<u>387</u>	<u>293,684</u>	<u>4,180</u>	<u>(159,149)</u>
-	-	-	-	-	-	-	-
-	100	-	(100)	-	(324,060)	-	-
-	-	-	-	-	-	-	(3,000)
-	100	-	(100)	-	(324,060)	-	(3,000)
<u>2</u>	<u>100</u>	<u>-</u>	<u>(7,328)</u>	<u>387</u>	<u>(30,376)</u>	<u>4,180</u>	<u>(162,149)</u>
100	-	(919)	7,346	(11,188)	69,315	30,789	521,351
-	-	919	-	-	-	-	-
<u>\$ 102</u>	<u>\$ 100</u>	<u>\$ -</u>	<u>\$ 18</u>	<u>\$ (10,801)</u>	<u>\$ 38,939</u>	<u>\$ 34,969</u>	<u>\$ 359,202</u>

CITY OF ALTON, TX
COMBINING STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN
FUND BALANCES - NONMAJOR GOVERNMENTAL FUNDS
FOR THE YEAR ENDED SEPTEMBER 30, 2018

	Volunteer Firefighter Fund	Alton Chamber of Commerce	Total Nonmajor Special Revenue Funds	Debt Service TIRZ Fund
REVENUES:				
Taxes:				
General Sales and Use Taxes	\$ -	\$ -	\$ 481,244	\$ -
Intergovernmental Revenue and Grants	-	-	530,814	-
Charges for Services	-	-	46,460	-
Forfeits	-	-	4,800	-
Special Assessments	-	-	127,032	-
Investment Earnings	81	3	5,866	19
Rents and Royalties	-	-	1,050	-
Contributions & Donations from Private Sources	500	16,955	17,455	-
Other Revenue	-	4,700	19,134	-
Total Revenues	<u>581</u>	<u>21,658</u>	<u>1,233,855</u>	<u>19</u>
EXPENDITURES:				
Public Safety	-	-	12,095	-
Fire Protection	-	-	40,689	-
Public Works	4,475	-	4,475	-
Culture and Recreation	-	19,087	26,470	-
Conservation and Development	-	-	477,143	-
Debt Service:				
Principal on Debt	-	-	306,488	240,000
Interest on Debt	-	-	48,572	84,060
Other Debt Service	-	-	-	-
Capital Outlay:				
Capital Outlay	-	-	196,932	-
Total Expenditures	<u>4,475</u>	<u>19,087</u>	<u>1,112,864</u>	<u>324,060</u>
Excess (Deficiency) of Revenues Over (Under) Expenditures	<u>(3,894)</u>	<u>2,571</u>	<u>120,991</u>	<u>(324,041)</u>
OTHER FINANCING SOURCES (USES):				
Transfers In	-	-	-	324,060
Transfers Out (Use)	-	-	(404,060)	-
Other (Uses)	-	-	(3,000)	-
Total Other Financing Sources (Uses)	<u>-</u>	<u>-</u>	<u>(407,060)</u>	<u>324,060</u>
Net Change in Fund Balance	(3,894)	2,571	(286,069)	19
Fund Balance - October 1 (Beginning)	8,035	1,471	902,109	549
Prior Period Adjustment	-	-	919	-
Fund Balance - September 30 (Ending)	<u>\$ 4,141</u>	<u>\$ 4,042</u>	<u>\$ 616,959</u>	<u>\$ 568</u>

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

Debt Service 2016 I&S Fund	Debt Service 2016 Reserve Fund	Debt Service 2016-A Fund	Debt Service 2017 Fund	Total Nonmajor Debt Service Funds	Capital Projects TIRZ Fund	Capital Projects USDA Fund	USDA Sewer Connection Fund
\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
-	-	-	-	-	-	-	-
-	-	-	-	-	-	-	-
-	-	-	-	-	-	-	-
6	22	28	102	177	27	-	37
-	-	-	-	-	-	-	-
-	-	-	-	-	-	-	-
-	-	-	-	-	-	-	-
<u>6</u>	<u>22</u>	<u>28</u>	<u>102</u>	<u>177</u>	<u>27</u>	<u>-</u>	<u>37</u>
-	-	-	-	-	-	-	-
-	-	-	-	-	-	-	-
-	-	-	-	-	-	-	-
-	-	-	-	-	-	-	-
4,000	-	-	10,000	254,000	-	-	-
3,900	-	127,562	10,043	225,565	-	-	-
-	-	400	400	800	-	-	-
-	-	-	-	-	-	-	-
<u>7,900</u>	<u>-</u>	<u>127,962</u>	<u>20,443</u>	<u>480,365</u>	<u>-</u>	<u>-</u>	<u>-</u>
<u>(7,894)</u>	<u>22</u>	<u>(127,934)</u>	<u>(20,341)</u>	<u>(480,188)</u>	<u>27</u>	<u>-</u>	<u>37</u>
7,900	901	127,981	20,400	481,242	-	-	-
-	-	-	-	-	-	-	-
-	-	-	-	-	-	-	-
<u>7,900</u>	<u>901</u>	<u>127,981</u>	<u>20,400</u>	<u>481,242</u>	<u>-</u>	<u>-</u>	<u>-</u>
6	923	47	59	1,054	27	-	37
100	905	1,903	3,402	6,859	2,195	-	3,028
-	-	-	-	-	-	-	-
<u>\$ 106</u>	<u>\$ 1,828</u>	<u>\$ 1,950</u>	<u>\$ 3,461</u>	<u>\$ 7,913</u>	<u>\$ 2,222</u>	<u>\$ -</u>	<u>\$ 3,065</u>

CITY OF ALTON, TX
 COMBINING STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN
 FUND BALANCES - NONMAJOR GOVERNMENTAL FUNDS
 FOR THE YEAR ENDED SEPTEMBER 30, 2018

	Total Nonmajor Capital Project Funds	Total Nonmajor Governmental Funds
REVENUES:		
Taxes:		
General Sales and Use Taxes	\$ -	\$ 481,244
Intergovernmental Revenue and Grants	-	530,814
Charges for Services	-	46,460
Forfeits	-	4,800
Special Assessments	-	127,032
Investment Earnings	64	6,107
Rents and Royalties	-	1,050
Contributions & Donations from Private Sources	-	17,455
Other Revenue	-	19,134
Total Revenues	<u>64</u>	<u>1,234,096</u>
EXPENDITURES:		
Public Safety	-	12,095
Fire Protection	-	40,689
Public Works	-	4,475
Culture and Recreation	-	26,470
Conservation and Development	-	477,143
Debt Service:		
Principal on Debt	-	560,488
Interest on Debt	-	274,137
Other Debt Service	-	800
Capital Outlay:		
Capital Outlay	-	196,932
Total Expenditures	<u>-</u>	<u>1,593,229</u>
Excess (Deficiency) of Revenues Over (Under) Expenditures	<u>64</u>	<u>(359,133)</u>
OTHER FINANCING SOURCES (USES):		
Transfers In	-	481,242
Transfers Out (Use)	-	(404,060)
Other (Uses)	-	(3,000)
Total Other Financing Sources (Uses)	<u>-</u>	<u>74,182</u>
Net Change in Fund Balance	64	(284,951)
Fund Balance - October 1 (Beginning)	5,223	914,191
Prior Period Adjustment	-	919
Fund Balance - September 30 (Ending)	<u>\$ 5,287</u>	<u>\$ 630,159</u>

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

FEDERAL SECTION

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Noel Garza, CPA, PC

Certified Public Accountant

2111 Jackson Creek Ave.

Edinburg, TX 78539

956-393-8743

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

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

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the City of Alton, Tx, as of and for the year ended September 30, 2017, and the related notes to the financial statements, which collectively comprise the City of Alton, Tx's basic financial statements, and have issued our report thereon dated April 5, 2019.

Internal Control over Financial Reporting

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

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

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

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the City of Alton, Tx's financial statements are free from material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards* and which are described in the accompanying schedule of findings and questioned costs as items 2018-01.

City of Alton, Tx's Response to Findings

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

Purpose of this Report

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

Noel Garza, CPA PC

Edinburg, Tx
April 5, 2019

CITY OF ALTON
SCHEDULE OF FINDINGS AND RESPONSES
FOR THE YEAR ENDED SEPTEMBER 30, 2018

I. Summary of the Auditor's Results:

- A. The type of report issued: Unmodified opinion.
- B. Internal control over financial statements:
- Material Weakness(es) indentified? No
- Significant Deficiency(ies) identified which were not considered material weaknesses? Yes
- C. Noncompliance material to the financial statements noted? No
- D. The Corporation did not qualify for a Single Audit as defined by the Uniform Guidance (2 CFR section 200.516(a)) .

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

2018-01 Bid Law Compliance

Criteria: The State of Texas Procurement laws require all purchases from a vendor that exceed \$50,000 during a fiscal year, be obtained using a prescribed competitive manner.

Condition: While testing the City's compliance with the applicable State of Texas bid laws, we noted an instance where purchases from vendors exceeded the maximum \$50,000 and no competitive bids or the allowable alternative methods for the procurement of construction services were utilized in the securing of the services.

Cause: The City did not monitor the total purchases from the vendors in question, which therefore allowed the total purchased from these vendors to exceed the State Bid law restrictions.

Effect: The City is in possible violation of State Bid laws.

Recommendation: The City should review and improve the procedures used to monitor the compliance with all applicable State Bid laws.

Auditee: The City shall review, monitor and improve procedures to ensure compliance with all applicable State Bid laws. Contact name: Jeff Underwood, phone number (956)432-0760.

III. Findings Related to Federal Awards.

None

CITY OF ALTON
SCHEDULE OF PRIOR FINDINGS
FOR THE YEAR ENDED SEPTEMBER 30, 2018

2017-01 Bid Law Compliance

Status: See Current Finding

2017-02 Expenditures over Appropriations

Status: Corrected

City of Alton, Tx
Corrective Action Plan
09/30/2018

Finding: 2018-01 Bid Compliance

Corrective Action: The City will review and update internal procedures to ensure full compliance with all applicable Government Code Bid Compliance requirements. The City will monitor vendor contract and purchases throughout the fiscal year to ensure that the City is in compliance with the Government Code. Contact name: Rosie Tello, Finance Director (956)432-0760.

CITY OF ALTON, TX
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
FOR THE YEAR ENDED SEPTEMBER 30, 2018

(1)	(2)	(3)	(4)
FEDERAL GRANTOR/ PASS-THROUGH GRANTOR/ PROGRAM or CLUSTER TITLE	Federal CFDA Number	Pass-Through Entity Identifying Number	Federal Expenditures
<u>DEPARTMENT OF HOUSING & URBAN DEVELOPMENT</u>			
<u>Passed Through Urban County Department of Hidalgo</u>			
	14.218		\$ 237,732
Total Passed Through Urban County Department of Hidalgo			<u>237,732</u>
TOTAL DEPARTMENT OF HOUSING & URBAN DEVELOPMENT			<u>237,732</u>
TOTAL EXPENDITURES OF FEDERAL AWARDS			<u><u>\$ 237,732</u></u>

CITY OF ALTON, TX
NOTES ON ACCOUNTING POLICIES FOR FEDERAL AWARDS
YEAR ENDED SEPTEMBER 30, 2018

- 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.

PROJECTED NET INCOME INFORMATION

	CURRENT	YR 1	YR 2	YR 3	YR 4	YR 5
YEAR END	9/30/2019	9/30/2020	9/30/2021	9/30/2022	9/30/2023	9/30/2024
Existing Number of Taps	3,998	3,998	4,138	4,278	4,418	4,558
New Taps p/year		140	140	140	140	140
Total Meters at Year End	3,998	4,138	4,278	4,418	4,558	4,698

GROSS REVENUE

Revenues- Base Rate & Gall Fees	1,738,328	1,958,160	2,023,494	2,089,714	2,155,934	2,222,154
Other (Tap, reconnect, etc)	41,205	38,300	39,066	39,847	40,644	41,457
Gross Income	1,779,533	1,996,460	2,062,560	2,129,561	2,196,578	2,263,611

EXPENSES

Gral & Admin	1,294,850	1,213,597	1,215,277	1,223,533	1,225,213	1,233,601
Operating	624,870	778,901	804,609	830,759	856,923	883,104
Interest	12,790	7,740	7,020	6,300	5,580	4,860
NET INCOME	(152,977)	(3,778)	35,654	68,969	108,862	142,046

PROJECTED EXPENSES DETAIL	YR 1	YR 2	YR 3	YR 4	YR 5
GENERAL/ ADMIN EXPENSES					
Salaries	328,822	328,822	335,398	335,398	342,106
Professional fees	79,656	81,336	83,016	84,696	86,376
Transf out	805,119	805,119	805,119	805,119	805,119
TOTAL	1,213,597	1,215,277	1,223,533	1,225,213	1,233,601
% Increase per projected year		0.14%	0.68%	0.14%	0.68%


OPERATIONAL EXPENSES

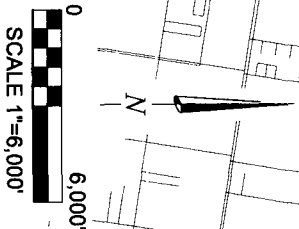
SW treatm charges	757,680	782,874	808,494	834,114	859,734
Energy/ water	18,221	18,585	18,957	19,336	19,723
Utilities	775,901	801,459	827,451	853,450	879,457
Supplies	3,000	3,150	3,308	3,473	3,647
TOTAL	778,901	804,609	830,759	856,923	883,104

PROJECTED SOURCES AND USES OF CASH STATEMENTS

	YR 1 9/30/2020	YR 2 9/30/2021	YR 3 9/30/2022	YR 4 9/30/2023	YR 5 9/30/2024
SOURCES OF CASH					
Net Income		35,654	68,969	108,862	142,046
Depreciation					
Loan Proceeds					
Other (Cash balance @ 10/01)	351,000	268,778	234,432	233,401	272,263
Total Sources	351,000	304,432	303,401	342,263	414,309
USES OF CASH					
Net Loss	(3,778)				
Principle Portion of Pmts	20,000	20,000	20,000	20,000	20,000
Fixed Asset Purchase	66,000	50,000	50,000	50,000	50,000
Reserve					
Other					
Total Uses	82,222	70,000	70,000	70,000	70,000
NET CASH FLOW	268,778	234,432	233,401	272,263	344,309
DEBT SERVICE COVERAGE					
Cash Available for Debts (CADS)					
A: Net Income (Loss)	(3,778)	35,654	68,969	108,862	142,046
B: Depreciation or Reserve Interest					
C: Total CADS (A+B=C)	(3,778)	35,654	68,969	108,862	142,046
D: DEBT SERVICE					
Annual Princ plus Interest	27,740	27,020	26,300	25,580	24,860
E: DEBT SERVICE COVERAGE RATIO					
CADS Divided by DS (E=C/D)	-0.14	1.32	2.62	4.26	5.71



LEMC PROJECT NO. P263	 <div>CIVIL & ENVIRONMENTAL RGV I DFW P.O. BOX 728 MISSION, TEXAS 78573 956.687.5363 956.627.3688 WWW.LEMC-LLC.COM</div> <p>Texas Registered Engineering Firm F-21173</p>	LARGE SCALE (DETAILED) MAP	No.	Date	Revision Description
SHEET NO. 1 OF 1		CITY OF ALTON SEWER CCN EXPANSION			



LEMC PROJECT NO. P263	<div><div><div>LEMC</div><div>CIVIL & ENVIRONMENTAL RGV I DFW</div><div>P.O. BOX 729 MISSION, TEXAS 78573 956.667.5363 956.627.3688 WWW.LEMC-LLC.COM</div><div>Texas Registered Engineering Firm F-21173</div></div></div>	SMALL SCALE (GENERAL LOCATION) MAP	No.	Date	Revision Description
SHEET NO. 1 OF 1		CITY OF ALTON SEWER CCN EXPANSION			