

CITY OF ALPINE, TEXAS
ANNUAL FINANCIAL AND COMPLIANCE REPORTS
FOR THE YEAR ENDED SEPTEMBER 30, 2019

CITY OF ALPINE, TEXAS

Andres Ramos Mayor

Maria Curry Council Member

Lucy Escovedo Council Member

Betty Fitzgerald Council Member

Ramon Olivas Council Member

Rick Stephens Council Member

Erik Zimmer City Manager

Cynthia Salas City Secretary

Megan Antrim Director of Finance

Robert Martin City Police Chief

CITY OF ALPINE, TEXAS

Annual Financial and Compliance Reports For the Year Ended September 30, 2019

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FINANCIAL SECTION

Independent Auditor's Report

To the Honorable Mayor and
Members of the City Council
City of Alpine, Texas

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 Alpine, Texas, (City) as of and for the year ended September 30, 2019, and the related notes to the financial statements, which collectively comprise the City's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

Our responsibility is to express opinions on these financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of 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 Alpine, Texas, as of September 30, 2019, and the respective changes in financial position, and, where applicable, cash flows thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis, the budgetary comparison information, the TMRS pension, TESRS pension, and other postemployment benefits information on pages 5 through 18 and 87 through 98, 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.

Supplementary Information

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the City's basic financial statements. The combining and individual nonmajor fund financial statements are presented for purposes of additional analysis and are not a required part of the basic financial statements. The schedule of expenditures of federal awards is presented for purposes of additional analysis as required by Title 2 U.S. *Code of Federal Regulations* Part 200, *Uniform Administrative Requirements, Costs Principles, and Audit Requirements for Federal Awards*, and is also not a required part of the basic financial statements.

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

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated March 20, 2020, on our consideration of the City of Alpine, Texas' 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 solely 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 the effectiveness of the City's 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 Alpine, Texas' internal control over financial reporting and compliance.

Gibson Ruddock Patterson, LLC
El Paso, Texas
March 20, 2020

MANAGEMENT’S DISCUSSION AND ANALYSIS

CITY OF ALPINE, TEXAS
MANAGEMENT'S DISCUSSION AND ANALYSIS
SEPTEMBER 30, 2019

The Management Discussion and Analysis (MD&A) presents an overview and analysis of the financial activities of the City of Alpine (City) for the fiscal year ended September 30, 2019. This document is designed to:

- Provide a comparison of current year to prior year and identify specific economic factors contributing to changes;
- Help users of the financial statements understand the relationship between the results reported in the government-wide financial statements for governmental activities and the results reported in the governmental fund financial statements;
- Help the reader focus on the City's financial condition as a whole, describing currently known facts, decisions or conditions expected to impact the City's financial condition and the availability of fund resources for future years; and
- Identify significant variances between the adopted budget, final budget and actual expenditures, discussing the impact of these variances on future liquidity.

Since Management's Discussion and Analysis (MD&A) is designed to focus on the current year's activities and resulting changes, it should be considered in conjunction with the other sections of this audit report.

FINANCIAL HIGHLIGHTS

- On a government-wide basis, the City's total assets and deferred outflows exceeded its liabilities and deferred inflows by \$32,889,350 (net position). Within the Total Net Position, Unrestricted Net Position is \$7,011,378.
- The City of Alpine's total net position increased by \$3,538,118. Governmental activities increased net position by \$200,504 while increases from business-type activities totaled \$3,337,614. In the Statement of Activities, which reports both governmental and business-type activities, the general revenues, and transfers for governmental activities were comprised of property tax, sales taxes, gross receipts business tax, investment earnings, and other taxes, which totaled \$4,512,311. Program revenues for Governmental Activities include charges for services, operating grants & contributions, and totaled \$1,127,516. The \$5,639,827 sum of general and program revenues less total expenses of \$5,439,323 produced an overall \$200,504 increase in net position for the year ended September 30, 2019 for governmental activities. Ideally, we do not want to increase our net position at this rate, but the lack of paving activities accounted for much of the increase. We anticipate that to adjust in FY2019-2020.
- Business-type activities consists of the Water, Sewer, and Sanitation Fund, Airport Fund, and Gas Fund and earned total revenues of \$9,726,043 while accumulating operating expenses of \$6,388,429, producing a net gain of \$3,337,614.
- Total liabilities for the City as a whole equaled \$6,843,251 at fiscal year-end compared to \$6,850,093 in the prior year. Long term liabilities totaled \$5,654,005 for the current year compared to \$5,843,705 in the prior year. The decrease in liabilities is due to the decrease in bonds payable. The City continues to make their debt payments in full and in a timely manner. Landfill closure costs liability and new capital lease obligations all continue to increase in order to stay in line with requirements. Our goal is to have our long term liabilities get close to or achieve \$0 in the next five years.
- As of September 30, 2019, governmental funds reported combined ending fund balances of \$2,871,462, an increase of \$517,597. Of the current combined fund balance, \$1,277,366 is unassigned and available for the purpose of the general fund.

CITY OF ALPINE, TEXAS
MANAGEMENT'S DISCUSSION AND ANALYSIS
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Government-wide Financial Statements

The *government-wide financial statements* are designed to provide readers with a broad overview of the City's finances in a manner that resemble those of private-sector business. All governmental and business-type activities are consolidated into columns which add to a total for the City of Alpine.

The *Statement of Net Position* presents information on all of the City's assets, deferred outflows of resources, liabilities and deferred inflows of resources, with the difference being reported as net position. Over time, increases and decreases in net position may serve as a useful indicator of whether the financial position of the City is improving or deteriorating.

The *Statement of Activities* is focused on both the gross and net cost of various functions (including governmental and business-type) supported by the government's general tax and other revenues. This is intended to summarize and simplify the user's analysis of the costs of various governmental services and/or subsidies to various business-type activities.

Governmental activities of the City include general government, public safety, public works, health and welfare, culture and recreation and interest on debt. Business-type activities reflect private sector type operations (where user charges or fees for services typically cover all or most of the cost of operations, including depreciation). There are several business type activities of the City which include the airport and utility services for water, sewer, sanitation, and gas.

Fund Financial Statements

A fund is a set of self-balancing accounts that are used to maintain control over resources that have been segregated for specific activities or objectives. The City of Alpine uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements. All of the funds of the City can be divided into two categories: governmental funds and proprietary funds.

Governmental Funds

Governmental funds are used to account for essentially the functions reported as governmental activities in the government-wide financial statements. However, unlike the government-wide financial statements, governmental fund financial statements focus on how cash and other financial assets can readily be converted into available resources, as well as on the balances at the end of the fiscal year that are available for spending. Such information may be useful in determining what financial resources are available in the near future to finance the City's operations.

The focus of governmental funds financial statements is narrower than that of the government-wide financial statements; therefore, it is useful to compare the information presented for governmental funds with similar information presented for the governmental activities in the government-wide financial statements. Because governmental fund financial statements do not encompass the additional long-term focus of the government-wide financial statement, additional information is provided that explains the relationship between them.

Both, the Governmental Funds Balance Sheet and the Governmental Funds Statement of Revenues Expenditures and Changes in Fund Balances provide a reconciliation between governmental funds and governmental activities. The reconciliation will help readers better understand the long-term impact of the government's near-term financing decisions.

CITY OF ALPINE, TEXAS
MANAGEMENT'S DISCUSSION AND ANALYSIS
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The City maintains three governmental fund types for financial reporting purposes which are the general fund, the debt service fund, and the special revenue funds. For the fiscal year ended September 30, 2019, the City's General Fund and Hotel and Motel Tax Fund were presented as major governmental funds. Information is presented separately in the Governmental Funds Balance Sheet and in the Governmental Funds Statement of Revenues, Expenditures and Changes in Fund Balances for the major funds, and the remaining governmental funds are combined into a single aggregated presentation as Non-major Governmental Funds. Non-major Governmental Funds consist of Community Development Fund, Municipal Court Tech Fund, PD-FED Equity Share Fund, PD Abandon Vehicle Fund, Municipal Court Security Fund, HIDTA Grant, Local Border Security Program, Stonegarden Grant, and Debt Service Fund. Individual fund data for the non-major governmental funds is provided in the combining financial statements and schedules that follow the basic financial statements in this report.

Proprietary Funds

Proprietary funds are generally used to account for services for which the City charges customers- either outside customers or internal departments of the City. Proprietary funds provide a more detailed report of the same type of information as shown in the government-wide financial statements. The City maintains two types of proprietary funds:

- o Enterprise funds are used to report the same functions presented as business-type activities in the government-wide financial statements. The City uses enterprise funds to account for its Water, Sewer, Sanitation, Airport, and Gas operations.
- o Internal service funds are an accounting device used to accumulate and allocate costs internally among the City's various functions. The City uses its internal service funds to account for its employee health and welfare benefits. As these internal services predominantly benefit governmental rather than business-type functions, they have been included within governmental activities in the government-wide financial statements.

Notes to the Financial Statements

The Notes are an integral part of the financial statements and provide additional information that is essential to a full understanding and fair presentation of the data provided in both the government-wide and fund financial statements. The notes immediately follow the financial statements.

Other Information

In addition to the basic financial statements and accompanying notes, this report also presents certain required supplementary information of the City. Budgetary comparison schedules have been provided which demonstrate budgetary compliance. Information pertaining to the retirement benefits offered by the City through Texas Municipal Retirement System and Texas Emergency Services Retirement System are also included. In addition, GASB 75 requirements have been addressed and Other Post- Employment Benefits (OPEB) schedules are also included.

CITY OF ALPINE, TEXAS
MANAGEMENT'S DISCUSSION AND ANALYSIS
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GOVERNMENT-WIDE FINANCIAL ANALYSIS

Comparative information for the current and preceding year is presented below:

	Governmental Activities		Business-Type Activities		Total	
	2019	2018	2019	2018	2019	2018
Other Assets	\$4,449,725	\$4,108,371	\$5,064,168	\$4,648,043	\$9,513,893	\$8,756,414
Capital Assets	\$9,402,858	\$9,753,868	\$20,579,507	\$18,021,445	\$29,982,365	\$27,775,313
Total Assets	\$13,852,583	\$13,862,239	\$25,643,675	\$22,669,488	\$39,496,258	\$36,531,727
Deferred Outflows of resources	\$347,008	\$56,349	\$219,517	\$56,666	\$566,525	\$113,015
Total assets and deferred outflows	\$14,199,591	\$13,918,588	\$25,863,192	\$22,726,154	\$40,062,783	\$36,644,742
Other Liabilities	(\$295,785)	(\$247,246)	(\$893,461)	(\$759,142)	(\$1,189,246)	(\$1,006,388)
Long-Term Liabilities	(\$1,393,888)	(\$1,352,553)	(\$4,260,117)	(\$4,491,152)	(\$5,654,005)	(\$5,843,705)
Total Liabilities	(\$1,689,673)	(\$1,599,799)	(\$5,153,578)	(\$5,250,294)	(\$6,843,251)	(\$6,850,093)
Deferred Inflows	(\$243,067)	(\$252,442)	(\$87,115)	(\$190,975)	(\$330,182)	(\$443,417)
Total Liabilities and deferred inflows	(\$1,932,740)	(\$1,852,241)	(\$5,240,693)	(\$5,441,269)	(\$7,173,433)	(\$7,293,510)
Net investment in capital assets	\$8,144,322	\$8,509,502	\$16,358,446	\$13,583,906	\$24,502,768	\$22,093,408
restricted	\$1,165,446	\$1,017,087	\$209,758	\$206,049	\$1,375,204	\$1,223,136
unrestricted	\$2,957,083	\$2,539,758	\$4,054,295	\$3,494,930	\$7,011,378	\$6,034,688
Total Net Position	12,266,851	\$12,066,347	\$20,622,499	\$17,284,885	\$32,889,350	\$29,351,232

Analysis of the City's Net Position

The net position may serve over time as a useful indicator of a government's financial position. For fiscal year 2019, the City's assets and deferred outflows of resources exceeded liabilities and deferred inflows of resources by \$32,889,650.

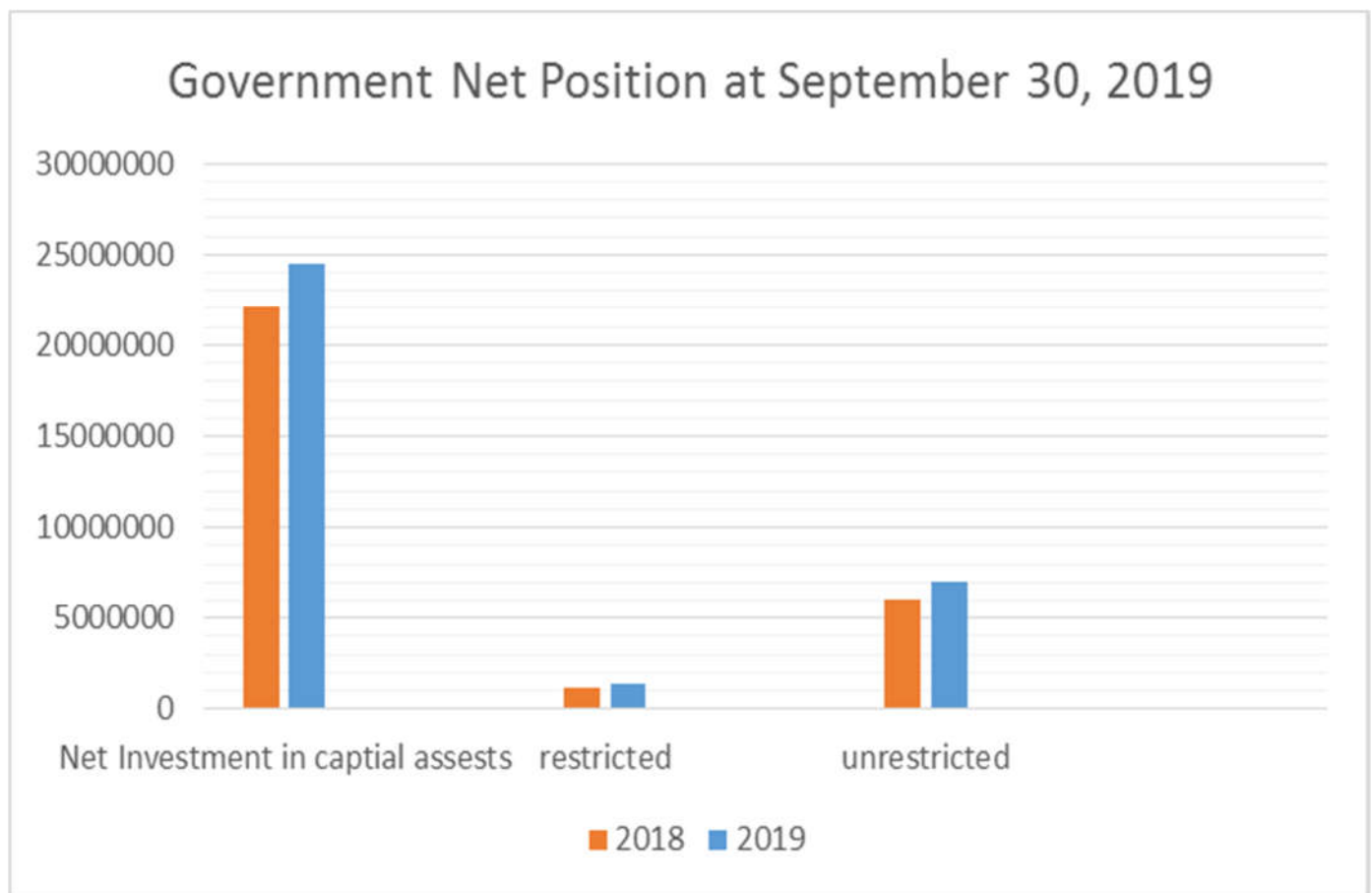
The largest portion of the City's net position, \$24,502,768, reflects its investment in capital assets (e.g. land, buildings, equipment, improvements, construction in progress and infrastructure). The City uses these capital assets to provide services to citizens; consequently, these assets are not available for future spending. Although the City's investment in its capital assets is reported net of related debt, it should be noted that the resources needed to

CITY OF ALPINE, TEXAS
MANAGEMENT'S DISCUSSION AND ANALYSIS
SEPTEMBER 30, 2019

repay this debt must be provided from other sources because the capital assets themselves cannot be used to liquidate these liabilities.

A portion of the City's net position, \$1,375,204, represents resources that are subject to external restrictions on how they may be used. This restricted net position is held for debt service and amounts restricted by other funding agencies. Restricted net position increased \$152,068 over the prior fiscal year, due mainly to a net increase in the Hotel and Motel Tax Fund net position.

There is a remaining unrestricted net position available of \$7,011,378 to meet the government's ongoing obligations to citizens and creditors at the end of the fiscal year.



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MANAGEMENT'S DISCUSSION AND ANALYSIS
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Analysis of the City's Operations

The following table provides a summary of the City's activities for the years ending September 30, 2019 and September 30, 2018. Governmental activities increased the City of Alpine's net position by \$200,504 which was in addition to an increase in the business-type activities of \$3,337,614 resulting in a net position increase of \$3,538,118.

**Statement of Activities
For the Years Ended September 30**

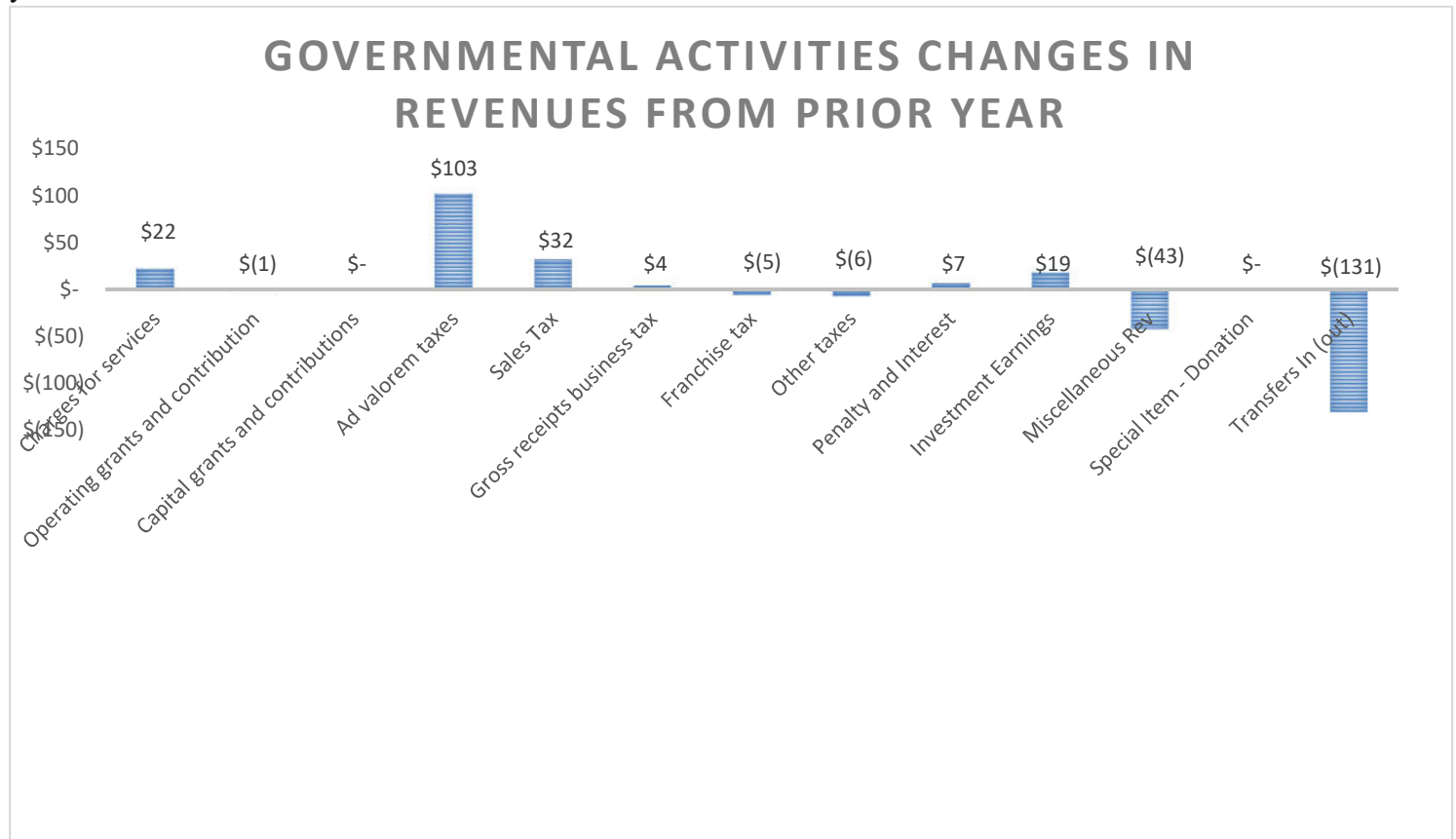
	Governmental Activities		Business-Type Activities		Total	
	2019	2018	2019	2018	2019	2018
Charges for Services	\$978,313	\$955,992	\$6,680,842	\$6,673,172	\$7,659,155	\$7,629,164
Operating Grants and Contributions	\$149,203	\$149,861	\$6,444	\$7,642	\$155,647	\$157,503
Capital Grants and Contributions	\$0	\$0	\$2,739,440	\$54,982	\$2,739,440	\$54,982
Total Program Revenues	\$1,127,516	\$1,105,853	\$9,426,726	\$6,735,796	\$10,554,242	\$7,841,649
Ad Valorem Taxes	\$1,944,454	\$1,841,783	\$0	\$0	\$1,944,454	\$1,841,783
Sales Tax	\$1,693,761	\$1,661,490	\$0	\$0	\$1,693,761	\$1,661,490
Gross Receipts Business Tax	\$652,321	\$648,011	\$0	\$0	\$652,321	\$648,011
Franchise Tax	\$101,467	\$106,776	\$0	\$0	\$101,467	\$106,776
Other Taxes	\$25,661	\$32,148	\$0	\$0	\$25,661	\$32,148
Penalty and Interest	\$35,684	\$28,659	\$0	\$0	\$35,684	\$28,659
Miscellaneous Revenue	\$34,407	\$77,117	\$182,159	\$144,469	\$216,566	\$221,586
Investment Earnings	\$47,646	\$28,834	\$94,068	\$55,821	\$141,714	\$84,655
Special - Donations	\$0	\$0	\$0	\$0	\$0	\$0
Transfers In (Out)	(\$23,090)	(\$107,505)	\$23,090	\$107,505	\$0	\$0
General Revenues	\$4,512,311	\$4,317,313	\$299,317	\$307,795	\$4,811,628	\$4,625,108
Total Revenues	\$5,639,827	\$5,423,166	\$9,726,043	\$7,043,591	\$15,365,870	\$12,466,763

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	Governmental Activities		Business Type Activities		Total	
	2019	2018	2019	2018	2019	2018
General Government	\$1,608,008	\$1,238,300	\$0	\$0	\$1,608,008	\$1,238,300
Public Safety	\$1,599,407	\$1,409,595	\$0	\$0	\$1,599,407	\$1,409,595
Public Works	\$950,222	\$898,864	\$0	\$0	\$950,222	\$898,864
Health & Welfare	\$276,715	\$226,811	\$0	\$0	\$276,715	\$226,811
Culture & Recreation	\$941,128	\$898,782	\$0	\$0	\$941,128	\$898,782
Bond Interest	\$63,843	\$53,140	\$0	\$0	\$63,843	\$53,140
Water, Sewer, Sanitation	\$0	\$0	\$4,129,782	\$4,050,155	\$4,129,782	\$4,050,155
Airport	\$0	\$0	\$741,616	\$717,480	\$741,616	\$717,480
Gas	\$0	\$0	\$1,517,031	\$1,545,433	\$1,517,031	\$1,545,433
Total Expenses	\$5,439,323	\$4,725,492	\$6,388,429	\$6,313,068	\$11,827,752	\$11,038,560
Change in Net Position	\$200,504	\$697,674	\$3,337,614	\$730,523	\$3,538,118	\$1,428,197
Net Position - Beginning	\$12,066,347	\$11,444,406	\$17,284,885	\$16,600,249	\$29,351,232	\$28,044,655
Prior Period Adjustment	\$0	(\$75,733)	\$0	(\$45,887)	\$0	(\$121,620)
Net Position - Ending	\$12,266,851	\$12,066,347	\$20,622,499	\$17,284,885	\$32,889,350	\$29,351,232

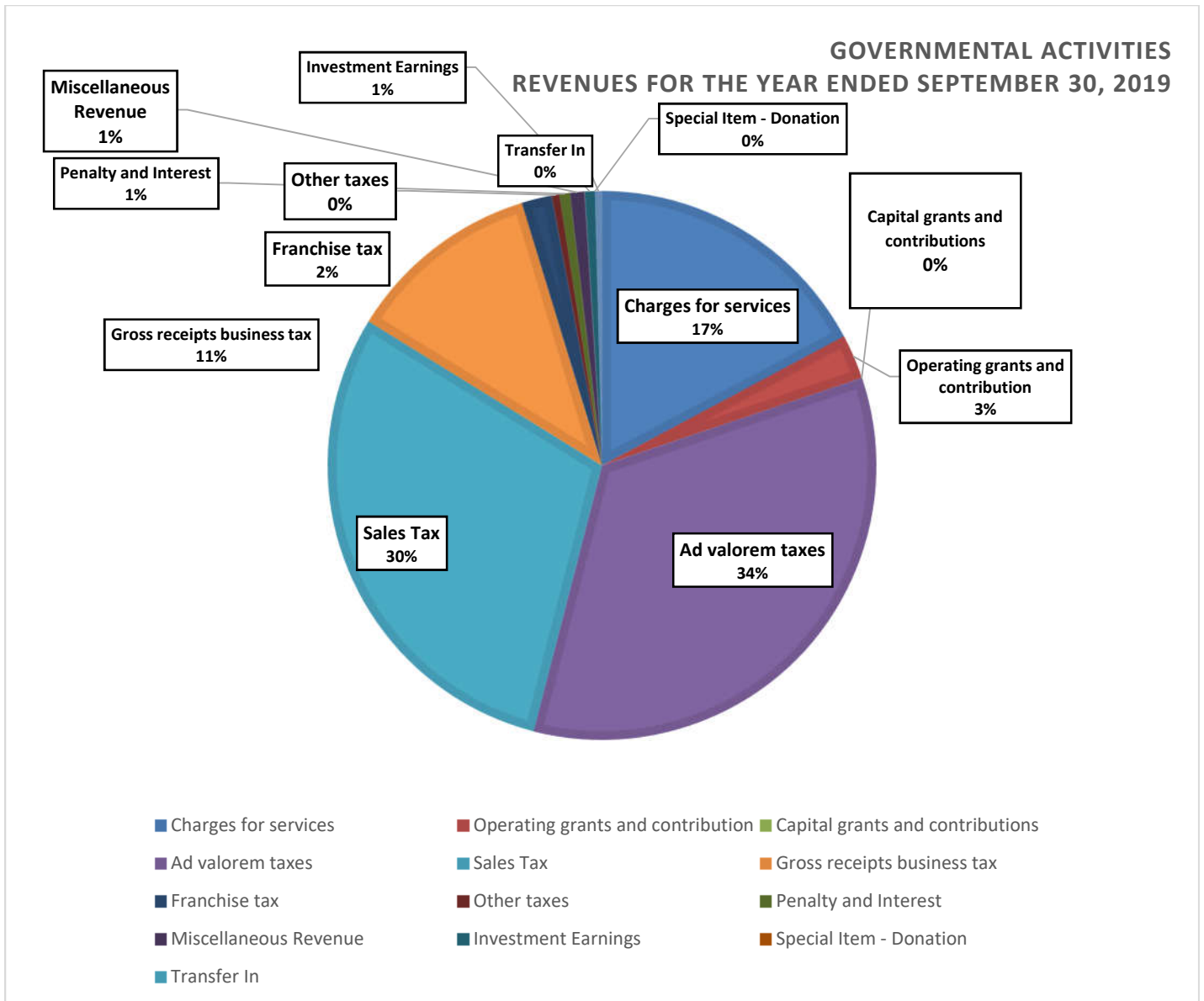
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The following chart (in thousands) shows the change in governmental activities' revenues from the previous year.



Revenues for governmental activities totaled \$5,639,827, an increase of \$216,661 or 4% from 2018.

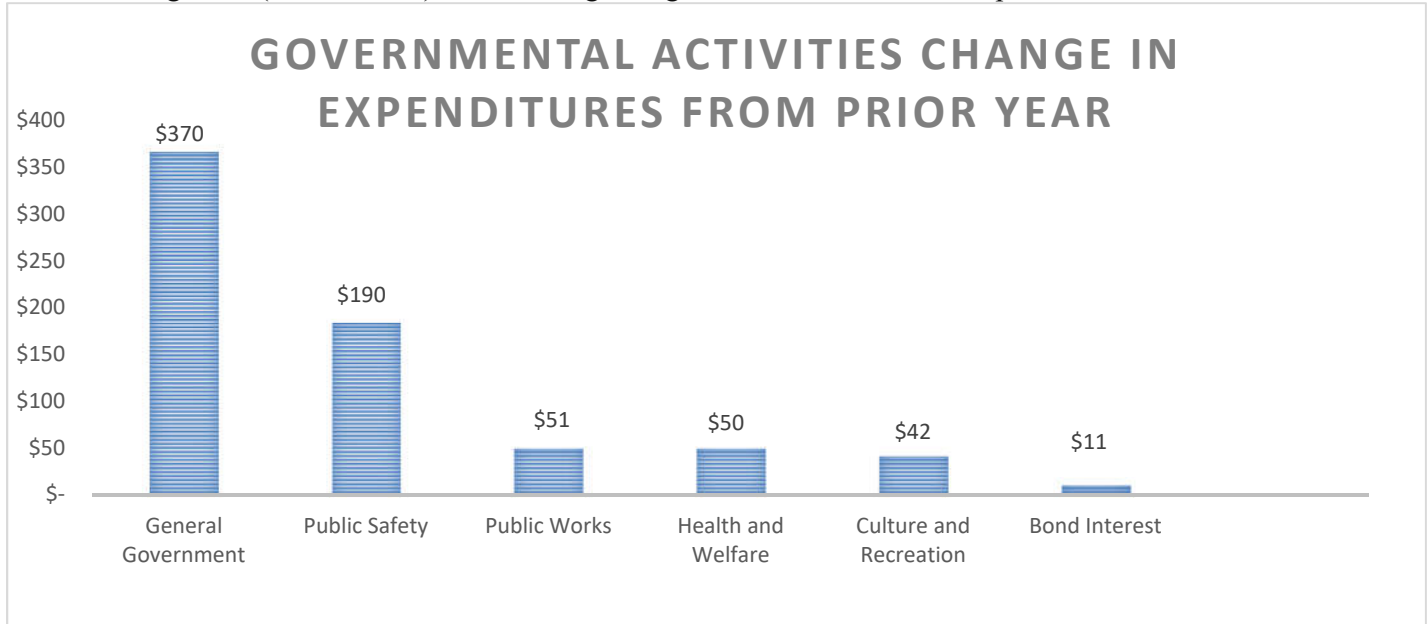
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The total taxable valuation increased 5%, while the overall tax rate remained the same .53497. Ad valorem property tax Revenues increased \$102,671 or 5.6%. Sales taxes increased \$32,271 or 2%. Gross Receipts Business Tax increased by \$4,310 (.7%). Franchise taxes decreased \$5,309 (-5%).

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MANAGEMENT'S DISCUSSION AND ANALYSIS
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The following chart (in thousands) shows changes in governmental activities' expenses from 2019.



General Government includes Administration, City Council, Municipal Court, Finance, Building Services, and Human Resources. During FY 2018-2019 the category increased due to increased employee salaries and benefits, increased number of positions, newly created departments and employee turnover.

Program Revenues and Expenses - Business-type Activities

Charges for services increased \$7,670 to \$6,680,842. Operating expenses increased \$75,361 to \$6,388,429, which includes depreciation expense of \$643,892. Charges for services increased slightly, while capital investment increased significantly due to grant improvements at the airport. Water and wastewater rates did not change this fiscal year. However, water consumption did decrease. Gas rates are adjusted based on the City Council approved contract with an outside vendor and fluctuates contract to contract. Continued monitoring and collecting of current and past due accounts continues to improve overall collection of charges. The increase in operating expenses is primarily due to increased personnel services and significant infrastructure repairs. \$23,090 was transferred from governmental funds to the Airport to assist with the taxiway/ramp project primarily being funded by Federal and State grants.

FINANCIAL ANALYSIS OF THE FUND LEVEL STATEMENTS

Governmental Funds

The focus of the City's governmental funds is to provide information on near term inflows, and balances of spendable resources. Such information is useful in assessing the City's financing requirements. In particular, unrestricted fund balance may serve as a useful measure of a government's net resources available for spending at the end of the fiscal year.

The cost of general fund programs and services was \$4,286,268, an increase of \$460,723 (12%) from 2018.

At the end of the current fiscal year, the City's governmental funds reported a combined ending fund balance of \$2,871,462. General fund revenues totaled \$4,674,101 for the fiscal year, while expenditures were \$4,286,268. The hotel and motel tax fund and other funds reported \$981,265 in revenue while expenditures were \$828,411. To summarize, the City's total fund balance increased by \$517,597.

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MANAGEMENT'S DISCUSSION AND ANALYSIS
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Proprietary Funds

The City's proprietary funds provide the same type of information found in the government wide financial statements for Business Type Activities, but in more detail. An analysis of the major proprietary funds are as follows:

Regarding the September 30, 2019 balance sheet for proprietary funds, Water, Sewer, Sanitation, Gas, and Airport posted total net position of \$20,622,499, which is a 19% increase from the previous year figure of \$17,284,885 mainly due to an increase in capital assets from the TXDOT Aviation Grant. Regarding the statement of revenues, expenses, and changes in fund balance, total proprietary funds operating revenues were \$6,858,321 while operating expenses were \$6,330,389, producing net operating gain of \$527,932. Reduced spending provided the overall positive gain.

GENERAL FUND BUDGETARY HIGHLIGHTS

The General Fund is the general operating fund of the City. During the 2019 fiscal year, the City budgeted for general fund revenues of \$4,842,863. The actual revenues for the fiscal year were \$4,674,101, providing a \$168,762 unfavorable variance.

For the fiscal year ended September 30, 2019, the City anticipated that general fund expenditures would exceed revenues. Actual expenditures were \$4,286,268, under revenue resulting in a positive variance of \$387,833. Expenses were lower than budgeted as the street department did not utilize paving funds.

City Council approved the transfer of \$23,090 from the General Fund to the Alpine Casparis Municipal Airport to assist with the reconstruction of the airport's taxiways and ramp. The total project was approximately \$3,000,000 and was completed in 2019. This project increased capital assets and provided the Airport with a safer taxiway and ramp for traveler's flying into Alpine.

The Hotel and Motel Tax fund was budgeted at \$625,000, this amount also included investment earnings. Actual revenue was \$669,851 which was \$44,851 over the budgeted amount. There was \$625,000 budgeted for expenditures, but actual expenditures totaled \$529,974. The City did not complete several of the budgeted items, including the Civic Center Remodel, contributing to a positive variance from revenues of \$139,877.

CAPITAL ASSETS

The City's investment in capital assets includes land, buildings & improvements, machinery & equipment, street improvements and flood drainage facilities. The carrying value of these capital assets for governmental activities equaled \$9,402,858 (net of accumulated depreciation) at fiscal year-end, down by \$351,010 from the previous year total of \$9,753,868.

Water and Sewer capital assets equaled \$13,526,085 (net of accumulated depreciation) at fiscal year-end, up by \$82,816 from the previous year total of \$13,443,269.

Airport capital assets equaled \$5,402,530 (net of accumulated depreciation) at fiscal year-end, up by \$2,453,697 from previous year total of \$2,948,833.

Gas capital assets equaled \$1,650,892 (net of accumulated depreciation) at fiscal year-end, up by \$21,550 from previous year total of \$1,629,342.

DEBT ADMINISTRATION

At the end of the current year, the City had total debt outstanding of \$4,628,989; which consists of debt obligations in

CITY OF ALPINE, TEXAS
MANAGEMENT'S DISCUSSION AND ANALYSIS
SEPTEMBER 30, 2019

the form of CO Series 2005 – obtained March 2005, CO Series 2011 – obtained April 2011, GO Refunding Series 2011 – obtained March 2011, CO Series 2012 – obtained December 2012, and Revenue Series 2003A – obtained March 2003 for expenses related to capital improvement projects including building renovations, new animal shelter, street improvements, water and sewer utility system improvements, and lease obligations. The debt also consist of prior debt consolidation. The City's four tax-backed debt issues are not rated. At the time of issuance, rating was not necessary because two issues were purchased by the Texas Water Development Board and the other two were direct placements. The water and sewer revenue bond is rated by Standard & Poor's at an "A" rating. In addition to the bonds, the City also has capital leases for a pumper truck and for fleet vehicles to assist in the growing need to replace a number of older and unreliable vehicles.

CURRENTLY KNOWN FACTS, DECISIONS, OR CONDITIONS

In fiscal year 2018-2019, the City continued to have one of the lowest tax rates for a city its size in Texas. The City did not change the tax rate of .53497 for fiscal year 2018-2019. The City continues to establish reserve accounts and designate funds accordingly to plan for future projects. In fiscal year 2018-2019 the City made all required debt payments and has also established reserves to address future debt payments.

The City continued to improve City assets by managing and repairing infrastructure. The Gas Utility Department continues to meet required infrastructure replacement set by the Railroad Commission. The department replaced 3083.52 feet of infrastructure in Alpine and 132 feet of infrastructure in Fort Davis. In addition, the department installed 127 valves. The Gas Utility Department continues to maintain and improve safety features of the infrastructure.

During the fiscal year 2018-2019, the Water and Waste Water Departments focused on continued maintenance of an aging infrastructure and monitoring system. City Council committed funds to assist with the improvements of the department's infrastructure, SCADA System, and needs assessment to determine future projects and maintenance.

The airport moved forward with a \$3,000,000 improvement grant with Texas Department of Transportation – Aviation Division for a complete rebuild of the airport's taxiway and ramp area. The grant provided by TxDOT-Aviation is a 90/10 grant (90% is covered by State and Federal Funds, 10% is covered by the City). City Council approved funding and the project was completed in fiscal year 2018-2019.

The City saw a 5% decrease in FY 18-19 Franchise Tax income. Franchise Tax income also includes payments made for cable, telephone, and internet. In 2019, the Public Utility Commission of Texas (PUC) allowed for an additional adjustment to rates from the 2018 year rate adjustment. The City of Alpine agreed to the new adjusted rates, which the City anticipates will provide additional franchise tax revenue in the next fiscal year.

The City council and administration continue to monitor the national economy, federal and state legislature and its effects on the local economy and the city's budget. One indicator of the condition of local business is Sales Tax Revenue, which has remained steady. In fiscal year 2018-2019 Sales Tax revenue totaled \$1,693,761, a two percent increase compared to \$1,661,490 in the prior year.

In previous fiscal years, the City Council had been proactively working to meet the basic quality of life needs of the citizens of Alpine. As with any city, changes to the council through the election process can affect the direction of the administration or slow down the rate of progress in one area over another. The City recognized the need to make changes within the organization and established a new organizational chart, new hire policies, budget policies, and financial policies.

CITY OF ALPINE, TEXAS
MANAGEMENT'S DISCUSSION AND ANALYSIS
SEPTEMBER 30, 2019

The administration of the City collaborated with other entities such as Brewster County and other state or federal agencies to reduce the future financial burden on Alpine residents in the pursuance of providing efficient services and improvements to the community. The City worked with Brewster County to enter into an intergovernmental agreement to help cover expenses for sanitation (recycling). Local law enforcement worked with state and federal agencies to obtain grants for safety equipment.

The City no longer meets eligibility for city-wide benefit and may struggle being identified as a Disadvantaged Community, making the potential of grant awards questionable. The City is resolute in its endeavor to seek cost effective solutions. This commitment is evident in its ongoing efforts to establish partnerships that provide cost free or low-cost programs in order to address the health, welfare and prosperity of its families and entrepreneurs of Alpine, Texas.

REQUEST FOR INFORMATION

This financial report is designed to provide a general overview of the City's finances and to show the City's accountability for the funds it receives. Questions concerning any of the information provided in the report or requests for additional information should be addressed to the City Secretary, 100 N. 13th St., Alpine, Texas 79830.

BASIC FINANCIAL STATEMENTS

CITY OF ALPINE, TEXAS
STATEMENT OF NET POSITION
SEPTEMBER 30, 2019

EXHIBIT A-1 (Cont'd)

Data Control Codes	Primary Government		
	Governmental Activities	Business - Type Activities	Total
ASSETS			
1010 Cash and Cash Equivalents	\$ 1,793,220	\$ 4,701,964	\$ 6,495,184
1050 Taxes Receivable, Net	229,068	-	229,068
1150 Accounts Receivable, Net	552,962	455,036	1,007,998
1260 Due from Other Governments	33,134	192,229	225,363
1300 Due from Other Funds	1,120,683	(1,120,683)	-
1390 Due from Others	-	23,044	23,044
1410 Inventories	-	298,463	298,463
Restricted Assets:			
1611 Restricted Cash	1,326	209,758	211,084
Capital Assets:			
1710 Land Purchase and Improvements	806,665	336,981	1,143,646
1760 Capital Assets, Net	8,527,754	19,921,086	28,448,840
1780 Construction in Progress	68,439	321,440	389,879
1800 Net Pension Asset	719,332	304,357	1,023,689
1000 Total Assets	<u>13,852,583</u>	<u>25,643,675</u>	<u>39,496,258</u>
DEFERRED OUTFLOW OF RESOURCES			
1997 Deferred Outflow Related to TMRS	325,117	216,453	541,570
1998 Deferred Outflow Related to TESRS	17,013	-	17,013
1999 Deferred Outflow Related to OPEB	4,878	3,064	7,942
1500 Total Deferred Outflows of Resources	<u>347,008</u>	<u>219,517</u>	<u>566,525</u>

CITY OF ALPINE, TEXAS
STATEMENT OF NET POSITION
SEPTEMBER 30, 2019

EXHIBIT A-1

Data Control Codes	Primary Government		
	Governmental Activities	Business - Type Activities	Total
LIABILITIES			
2010 Accounts Payable	131,000	432,949	563,949
2020 Wages and Salaries Payable	58,372	27,857	86,229
2030 Compensated Absences Payable	80,365	41,466	121,831
2140 Accrued Interest Payable	6,537	2,814	9,351
2230 Unearned Revenues	-	45,121	45,121
2270 Other Current Liabilities	19,511	343,254	362,765
Noncurrent Liabilities:			
2501 Debt Due Within One Year	187,722	354,450	542,172
2502 Long Term Debt - Noncurrent	1,070,814	3,016,003	4,086,817
2570 Landfill Closure Costs Liability	-	850,623	850,623
2580 Net Pension Liability	43,085	-	43,085
2590 Total OPEB Liability	92,267	39,041	131,308
2000 Total Liabilities	1,689,673	5,153,578	6,843,251
DEFERRED INFLOW OF RESOURCES			
2602 Deferred Inflow Related to TMRS	221,284	81,652	302,936
2603 Deferred Inflow Related to TESRS	8,872	-	8,872
2604 Deferred Inflow Related to OPEB	12,911	5,463	18,374
2500 Total Deferred Inflows of Resources	243,067	87,115	330,182
NET POSITION			
3200 Net Investment in Capital Assets	8,144,322	16,358,446	24,502,768
Restricted for:			
3810 Restricted for Federal and State Grants	80,530	13,750	94,280
3820 Restricted for Landfill Closure Costs	-	79,255	79,255
3860 Restricted for Debt Service	85,331	116,753	202,084
3890 Restricted for Other Purposes	999,585	-	999,585
3900 Unrestricted	2,957,083	4,054,295	7,011,378
3000 Total Net Position	\$ 12,266,851	\$ 20,622,499	\$ 32,889,350

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

CITY OF ALPINE, TEXAS
STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED SEPTEMBER 30, 2019

		Program Revenues			
Data Control Codes		Expenses	Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions
Primary Government:					
GOVERNMENTAL ACTIVITIES:					
100	General Government	\$ 1,608,008	\$ 829,567	\$ 3,109	\$ -
200	Public Safety	1,599,407	79,773	146,094	-
300	Public Works	950,222	-	-	-
400	Health and Welfare	276,715	51,730	-	-
500	Culture and Recreation	941,128	17,243	-	-
720	Interest on Debt	63,843	-	-	-
	Total Governmental Activities	5,439,323	978,313	149,203	-
BUSINESS-TYPE ACTIVITIES:					
701	Water, Sewer, and Sanitation Fund	4,129,782	4,183,154	-	157,990
702	Airport Fund	741,616	614,441	6,444	2,581,450
703	Gas Fund	1,517,031	1,883,247	-	-
	Total Business-Type Activities	6,388,429	6,680,842	6,444	2,739,440
TOTAL PRIMARY GOVERNMENT		\$ 11,827,752	\$ 7,659,155	\$ 155,647	\$ 2,739,440
Data Control Codes	General Revenues:				
	Taxes:				
010	Property Taxes, Levied for General Purposes				
011	Property Taxes, Levied for Debt Service				
120	General Sales and Use Taxes				
150	Gross Receipts Business Tax				
170	Franchise Tax				
180	Other Taxes				
190	Penalty and Interest on Taxes				
700	Miscellaneous Revenue				
800	Investment Earnings				
	Transfers In (Out)				
	Total General Revenues and Transfers				
	Change in Net Position				
	Net Position - Beginning				
	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
\$ (775,332)	\$ -	\$ (775,332)
(1,373,540)	-	(1,373,540)
(950,222)	-	(950,222)
(224,985)	-	(224,985)
(923,885)	-	(923,885)
(63,843)	-	(63,843)
(4,311,807)	-	(4,311,807)
-	211,362	211,362
-	2,460,719	2,460,719
-	366,216	366,216
-	3,038,297	3,038,297
(4,311,807)	3,038,297	(1,273,510)
1,792,668	-	1,792,668
151,786	-	151,786
1,693,761	-	1,693,761
652,321	-	652,321
101,467	-	101,467
25,661	-	25,661
35,684	-	35,684
34,407	182,159	216,566
47,646	94,068	141,714
(23,090)	23,090	-
4,512,311	299,317	4,811,628
200,504	3,337,614	3,538,118
12,066,347	17,284,885	29,351,232
\$ 12,266,851	\$ 20,622,499	\$ 32,889,350

CITY OF ALPINE, TEXAS
BALANCE SHEET
GOVERNMENTAL FUNDS
SEPTEMBER 30, 2019

Data Control Codes		General Fund	Hotel and Motel Tax Fund	Other Funds	Total Governmental Funds
ASSETS					
1010	Cash and Cash Equivalents	\$ 483,232	\$ 959,089	\$ 189,211	\$ 1,631,532
1050	Taxes Receivable	162,335	114,906	13,299	290,540
1051	Allowance for Uncollectible Taxes (credit)	(56,817)	-	(4,655)	(61,472)
1150	Accounts Receivable, Net	302,112	-	-	302,112
1260	Due from Other Governments	19,695	-	13,439	33,134
1300	Due from Other Funds	1,275,911	-	94,116	1,370,027
1611	Restricted Cash	1,326	-	-	1,326
1000	Total Assets	<u>\$ 2,187,794</u>	<u>\$ 1,073,995</u>	<u>\$ 305,410</u>	<u>\$ 3,567,199</u>
LIABILITIES					
2010	Accounts Payable	\$ 76,103	\$ 52,577	\$ 2,320	\$ 131,000
2020	Wages and Salaries Payable	56,034	1,733	605	58,372
2080	Due to Other Funds	232,566	40,453	114,775	387,794
2270	Other Current Liabilities	16,538	-	-	16,538
2000	Total Liabilities	<u>381,241</u>	<u>94,763</u>	<u>117,700</u>	<u>593,704</u>
DEFERRED INFLOWS OF RESOURCES					
2601	Unavailable Revenue - Property Taxes	95,678	-	6,355	102,033
2600	Total Deferred Inflows of Resources	<u>95,678</u>	<u>-</u>	<u>6,355</u>	<u>102,033</u>
FUND BALANCES					
Restricted Fund Balance:					
3450	Federal or State Funds Grant Restriction	-	-	80,530	80,530
3480	Retirement of Long-Term Debt	-	-	81,798	81,798
3490	Other Restricted Fund Balance	1,326	979,232	19,027	999,585
Committed Fund Balance:					
3545	Other Committed Fund Balance	410,481	-	-	410,481
Assigned Fund Balance:					
3590	Other Assigned Fund Balance	21,702	-	-	21,702
3600	Unassigned Fund Balance	1,277,366	-	-	1,277,366
3000	Total Fund Balances	<u>1,710,875</u>	<u>979,232</u>	<u>181,355</u>	<u>2,871,462</u>
4000	Total Liabilities, Deferred Inflows & Fund Balances	<u>\$ 2,187,794</u>	<u>\$ 1,073,995</u>	<u>\$ 305,410</u>	<u>\$ 3,567,199</u>

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

CITY OF ALPINE, TEXAS
 RECONCILIATION OF THE GOVERNMENTAL FUNDS BALANCE SHEET TO THE
 STATEMENT OF NET POSITION
 FOR THE YEAR ENDED SEPTEMBER 30, 2019

Total Fund Balances - Governmental Funds	\$ 2,871,462
The City uses internal service funds to charge the costs of certain activities, such as self-insurance, 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 position. The net effect of this consolidation is to increase net position.	548,015
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 net position.	8,450,494
Current year capital outlays and long-term debt principal payments are expenditures in the fund financial statements, but they should be shown as increases in capital assets and reductions in long-term debt in the government-wide financial statements. The net effect of including the 2019 capital outlays and debt principal payments is to increase net position.	280,790
Included in the items related to debt is the recognition of the City's net pension asset and other components for TMRS required by GASB 68. The net position related to TMRS includes a deferred resource outflow in the amount of \$325,117, a deferred resource inflow in the amount of (\$221,284) and a net pension asset in the amount of \$719,332. The recognition of the various components related to the net pension asset caused an increase in net position of \$823,165.	823,165
Included in the items related to debt is the recognition of the City's net pension liability TESRS and other components for TESRS required by GASB 68. The net position related to TESRS includes a deferred resource outflow in the amount of \$17,013, a deferred resource inflow in the amount of (\$8,872), and a net pension liability in the amount of (\$43,085). The recognition of the various components related to the net pension liability caused a decrease in net position of (\$34,944).	(34,944)
Included in the items related to debt is the recognition of the City's total OPEB liability and other components required by GASB 75. The net position related to OPEB includes a deferred resource outflow in the amount of \$4,878, a deferred resource inflow in the amount of (\$12,911), and a total OPEB liability in the amount	(100,300)

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

CITY OF ALPINE, TEXAS
 RECONCILIATION OF THE GOVERNMENTAL FUNDS BALANCE SHEET TO THE
 STATEMENT OF NET POSITION
 FOR THE YEAR ENDED SEPTEMBER 30, 2019

of (\$92,267). The recognition of the various components related to the OPEB liability caused a decrease in net position of (\$100,300).

The 2019 depreciation expense increases accumulated depreciation. The net effect of the current year's depreciation is to decrease net position.	(673,864)
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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 and eliminating interfund transactions, and recognizing the liabilities associated with maturing long-term debt and interest. The net effect of these reclassifications and recognitions is to increase net position.	102,033
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Net Position of Governmental Activities

	<u>\$ 12,266,851</u>
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The notes to the financial statements are an integral part of this statement.

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

Data Control Codes	General Fund	Hotel and Motel Tax Fund	Other Funds	Total Governmental Funds
REVENUES:				
Taxes:				
5110 Property Taxes	\$ 1,787,137	\$ -	\$ 151,786	\$ 1,938,923
5120 General Sales and Use Taxes	1,693,761	-	-	1,693,761
5150 Gross Receipts Business Tax	-	652,321	-	652,321
5170 Franchise Tax	101,467	-	-	101,467
5180 Other Taxes	25,661	-	-	25,661
5190 Penalty and Interest on Taxes	30,427	-	5,257	35,684
5200 Licenses and Permits	86,769	-	-	86,769
5300 Intergovernmental Revenue and Grants	1,655	-	144,379	146,034
5400 Charges for Services	854,302	-	7,871	862,173
5510 Fines	25,477	-	-	25,477
5610 Investment Earnings	27,995	17,530	2,121	47,646
5620 Rents and Royalties	3,894	-	-	3,894
5640 Contributions & Donations from Private Sources	3,169	-	-	3,169
5700 Other Revenue	32,387	-	-	32,387
5020 Total Revenues	4,674,101	669,851	311,414	5,655,366
EXPENDITURES:				
Current:				
0100 General Government	1,584,970	-	-	1,584,970
0200 Public Safety	1,367,656	-	151,520	1,519,176
0300 Public Works	649,418	-	-	649,418
0400 Health and Welfare	253,140	-	-	253,140
0500 Culture and Recreation	346,107	529,974	-	876,081
Debt Service:				
0710 Principal on Debt	57,790	-	108,800	166,590
0720 Interest on Debt	27,187	-	38,117	65,304
6030 Total Expenditures	4,286,268	529,974	298,437	5,114,679
1100 Excess of Revenues Over Expenditures	387,833	139,877	12,977	540,687
OTHER FINANCING SOURCES (USES):				
8911 Transfers Out (Use)	(23,090)	-	-	(23,090)
7080 Total Other Financing Sources (Uses)	(23,090)	-	-	(23,090)
1200 Net Change in Fund Balances	364,743	139,877	12,977	517,597
0100 Fund Balance - October 1 (Beginning)	1,346,132	839,355	168,378	2,353,865
3000 Fund Balance - September 30 (Ending)	\$ 1,710,875	\$ 979,232	\$ 181,355	\$ 2,871,462

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

CITY OF ALPINE, TEXAS
 RECONCILIATION OF THE GOVERNMENTAL FUNDS STATEMENT OF REVENUES, EXPENDITURES,
 AND CHANGES IN FUND BALANCES TO THE STATEMENT OF ACTIVITIES
 FOR THE YEAR ENDED SEPTEMBER 30, 2019

Total Net Change in Fund Balances - Governmental Funds	\$ 517,597
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 the change in net position.	57,598
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 2019 capital outlays and debt principal payments is to increase the change in net position.	288,790
GASB 68 required that certain expenditures be de-expended and recorded as a deferred outflow of resources. The current fiscal year contributions made after the measurement date of the plan caused the change in ending net position to increase in the amount of \$18,553. Contributions made during the measurement year and during the fiscal year were also de-expended and recorded as an addition to the net pension asset for the City. This caused an increase in the net position totaling \$4,774. Finally, the City's pension expense for the plan had to be recorded. The net pension expense allocation increased the change in net position by \$11,509. The net result is to increase the change in net position by \$34,836.	34,836
GASB 68 required that certain expenditures related to TESRS be de-expended and recorded as deferred outflow of resources. There were no current fiscal year contributions made after the measurement date of August 31, 2018. Therefore there is no effect on net position for the current fiscal year. Contributions made during the measurement year and during the current fiscal year were also de-expended and recorded as a reduction in net pension liability for the City. This caused an increase in the change in net position totaling \$6,426. The City's pension expense for the plan had to be recorded. The net pension expense decreased the change in net position by (\$16,554). The net result of this activity is to decrease the change in net position by (\$10,128).	(10,128)
GASB 75 required that certain plan expenditures be de-expended and recorded as a deferred outflow of resources. These contributions made after the measurement date of the plan caused the change in ending net position to increase in the amount of \$700. Contributions made during the measurement year and during the fiscal year were also expended and recorded as a reduction in the total OPEB liability. This caused an increase in the net pension totaling \$808. Finally, the City's OPEB expense for the plan had to be recorded. This expense decreased the change in net position by (\$21,362.) The net result is to decrease the change in net position by (\$19,854).	(19,854)
Depreciation is not recognized as an expense in governmental funds since it does not	(673,864)

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

CITY OF ALPINE, TEXAS
 RECONCILIATION OF THE GOVERNMENTAL FUNDS STATEMENT OF REVENUES, EXPENDITURES,
 AND CHANGES IN FUND BALANCES TO THE STATEMENT OF ACTIVITIES
 FOR THE YEAR ENDED SEPTEMBER 30, 2019

require the use of current financial resources. The net effect of the current year's depreciation is to decrease the change in net position.

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, and recognizing the liabilities associated with maturing long-term debt and interest. The net effect of these reclassifications and recognitions is to increase the change in net position. 5,529

Change in Net Position of Governmental Activities

\$ 200,504

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

CITY OF ALPINE, TEXAS
STATEMENT OF NET POSITION
PROPRIETARY FUNDS
SEPTEMBER 30, 2019

	Business-Type Activities -	
	Water, Sewer Sanitation Fund	Airport Fund
ASSETS		
Current Assets:		
Cash and Cash Equivalents	\$ 2,912,092	\$ 143,229
Restricted Cash	209,758	-
Accounts Receivable, Net	355,051	28,415
Due from Other Governments	157,990	34,239
Due from Other Funds	-	-
Due from Others	23,044	-
Inventories	96,920	47,943
Total Current Assets	3,754,855	253,826
Noncurrent Assets:		
Capital Assets:		
Land Purchase and Improvements	192,397	99,584
Capital Assets	23,730,488	6,672,422
Accumulated Depreciation - Capital Assets	(10,718,240)	(1,369,476)
Construction in Progress	321,440	-
Net Pension Asset	158,378	26,497
Total Noncurrent Assets	13,684,463	5,429,027
Total Assets	17,439,318	5,682,853
DEFERRED OUTFLOWS OF RESOURCES		
Deferred Outflow Related to TMRS	126,757	12,578
Deferred Outflow Related to OPEB	1,787	216
Total Deferred Outflows of Resources	128,544	12,794

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

		Governmental Activities -	
Gas Fund	Total Enterprise Funds	Internal Service Fund	
\$ 1,646,643	\$ 4,701,964	\$ 161,688	
-	209,758	-	
71,570	455,036	250,850	
-	192,229	-	
-	-	138,450	
-	23,044	-	
153,600	298,463	-	
1,871,813	5,880,494	550,988	
45,000	336,981	-	
2,147,936	32,550,846	-	
(542,044)	(12,629,760)	-	
-	321,440	-	
119,482	304,357	-	
1,770,374	20,883,864	-	
3,642,187	26,764,358	550,988	
77,118	216,453	-	
1,061	3,064	-	
78,179	219,517	-	

CITY OF ALPINE, TEXAS
STATEMENT OF NET POSITION
PROPRIETARY FUNDS
SEPTEMBER 30, 2019

	Business-Type Activities -	
	Water, Sewer Sanitation Fund	Airport Fund
LIABILITIES		
Current Liabilities:		
Accounts Payable	399,202	1,121
Wages and Salaries Payable	14,100	2,225
Compensated Absences Payable	15,632	5,767
Due to Other Funds	378,593	149,030
Accrued Interest Payable	2,814	-
Unearned Revenues	24,085	-
Bonds Payable - Current	312,200	-
Capital Leases Payable - Current	26,301	-
Other Current Liabilities	203,160	-
Total Current Liabilities	1,376,087	158,143
Noncurrent Liabilities:		
Bonds Payable - Noncurrent	2,893,528	-
Capital Leases Payable - Noncurrent	62,726	-
Landfill Closure Costs Liability	850,623	-
Total OPEB Liability	20,315	3,400
Total Noncurrent Liabilities	3,827,192	3,400
Total Liabilities	5,203,279	161,543
DEFERRED INFLOWS OF RESOURCES		
Deferred Inflow Related to TMRS	40,130	7,634
Deferred Inflow Related To OPEB	2,843	476
Total Deferred Inflows of Resources	42,973	8,110
NET POSITION		
Net Investment in Capital Assets	9,380,707	5,402,530
Restricted for Federal and State Grants	13,750	-
Restricted for Landfill Closure Costs	79,255	-
Restricted for Debt Service	116,753	-
Unrestricted	2,731,145	123,464
Total Net Position	\$ 12,321,610	\$ 5,525,994

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

Governmental Activities -		
Gas Fund	Total Enterprise Funds	Internal Service Fund
32,626	432,949	-
11,532	27,857	-
20,067	41,466	-
593,060	1,120,683	-
-	2,814	-
21,036	45,121	-
-	312,200	-
15,949	42,250	-
140,094	343,254	2,973
834,364	2,368,594	2,973
-	2,893,528	-
59,749	122,475	-
-	850,623	-
15,326	39,041	-
75,075	3,905,667	-
909,439	6,274,261	2,973
33,888	81,652	-
2,144	5,463	-
36,032	87,115	-
1,575,209	16,358,446	-
-	13,750	-
-	79,255	-
-	116,753	-
1,199,686	4,054,295	548,015
\$ 2,774,895	\$ 20,622,499	\$ 548,015

CITY OF ALPINE, TEXAS
STATEMENT OF REVENUES, EXPENSES, AND CHANGES IN FUND NET POSITION
PROPRIETARY FUNDS
FOR THE YEAR ENDED SEPTEMBER 30, 2019

	Business-Type Activities -	
	Water, Sewer	Airport
	Sanitation Fund	Fund
OPERATING REVENUES:		
Charges for Services	\$ 4,183,154	\$ 614,441
Rents and Royalties	117,421	14,628
Other Revenue	39,755	12
Total Operating Revenues	4,340,330	629,081
OPERATING EXPENSES:		
Proprietary Fund Function - Water		
Personnel Services - Salaries and Wages	272,536	-
Personnel Services - Employee Benefits	90,550	-
Purchased Professional & Technical Services	8,322	-
Purchased Property Services	217,434	-
Other Operating Costs	136,196	-
Supplies	34,291	-
Total Proprietary Fund Function - Water	759,329	-
Proprietary Fund Function - Gas		
Personnel Services - Salaries and Wages	-	-
Personnel Services - Employee Benefits	-	-
Purchased Professional & Technical Services	-	-
Purchased Property Services	-	-
Other Operating Costs	-	-
Supplies	-	-
Total Proprietary Fund Function - Gas	-	-
Proprietary Fund Function - Sanitation		
Personnel Services - Salaries and Wages	54,455	-
Personnel Services - Employee Benefits	16,443	-
Purchased Property Services	1,609,601	-
Other Operating Costs	368,942	-
Supplies	1,318	-
Total Proprietary Fund Function - Sanitation	2,050,759	-
Proprietary Fund Function - Sewerage		
Personnel Services - Salaries and Wages	102,497	-
Personnel Services - Employee Benefits	44,398	-
Purchased Professional & Technical Services	6,450	-
Purchased Property Services	145,067	-
Other Operating Costs	118,724	-
Supplies	21,628	-
Total Proprietary Fund Function - Sewerage	438,764	-
Proprietary Fund Function - Airport		
Personnel Services - Salaries and Wages	-	84,867
Personnel Services - Employee Benefits	-	22,616
Purchased Property Services	-	24,970
Other Operating Costs	-	50,155
Supplies	-	453,695
Total Proprietary Fund Function - Airport	-	636,303

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

		Governmental Activities -	
Gas Fund	Total Enterprise Funds	Internal Service Fund	
\$ 1,883,247	\$ 6,680,842	\$ 597,383	
5,281	137,330	-	
382	40,149	-	
1,888,910	6,858,321	597,383	
-	272,536	-	
-	90,550	-	
-	8,322	-	
-	217,434	-	
-	136,196	-	
-	34,291	-	
-	759,329	-	
379,325	379,325	-	
110,206	110,206	-	
24,042	24,042	-	
68,277	68,277	-	
304,194	304,194	-	
539,299	539,299	-	
1,425,343	1,425,343	-	
-	54,455	-	
-	16,443	-	
-	1,609,601	-	
-	368,942	-	
-	1,318	-	
-	2,050,759	-	
-	102,497	-	
-	44,398	-	
-	6,450	-	
-	145,067	-	
-	118,724	-	
-	21,628	-	
-	438,764	-	
-	84,867	-	
-	22,616	-	
-	24,970	-	
-	50,155	-	
-	453,695	-	
-	636,303	-	

CITY OF ALPINE, TEXAS
STATEMENT OF REVENUES, EXPENSES, AND CHANGES IN FUND NET POSITION
PROPRIETARY FUNDS
FOR THE YEAR ENDED SEPTEMBER 30, 2019

	Business-Type Activities -	
	Water, Sewer Sanitation Fund	Airport Fund
Health Insurance		
Purchased Professional & Technical Services	-	-
Other Operating Costs	-	-
Total Health Insurance	-	-
Proprietary Fund Function - Nondepartmental		
Personnel Services - Salaries and Wages	74,847	-
Personnel Services - Employee Benefits	23,953	-
Purchased Property Services	818	-
Other Operating Costs	243,895	-
Supplies	32,486	-
Total Proprietary Fund Function - Nondepartmental	375,999	-
Depreciation	453,612	105,313
Total Operating Expenses	4,078,463	741,616
Operating Income (Loss)	261,867	(112,535)
NONOPERATING REVENUES (EXPENSES):		
Grants (Non Capital Grants)	-	6,444
Investment Earnings	64,038	2,636
Insurance Recovery	4,680	-
Interest Expense - Non-Operating	(51,319)	-
Total Nonoperating Revenue (Expenses)	17,399	9,080
Income (Loss) Before Contributions & Transfers	279,266	(103,455)
Capital Contributions	157,990	2,581,450
Nonoperating Transfers In	-	23,090
Change in Net Position	437,256	2,501,085
Total Net Position -October 1 (Beginning)	11,884,354	3,024,909
Total Net Position -September 30 (Ending)	\$ 12,321,610	\$ 5,525,994

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

		Governmental Activities -	
Gas Fund	Total Enterprise Funds	Internal Service Fund	
-	-	180,311	
-	-	367,624	
-	-	547,935	
-	74,847	-	
-	23,953	-	
-	818	-	
-	243,895	-	
-	32,486	-	
-	375,999	-	
84,967	643,892	-	
1,510,310	6,330,389	547,935	
378,600	527,932	49,448	
-	6,444	-	
27,394	94,068	8,150	
-	4,680	-	
(6,721)	(58,040)	-	
20,673	47,152	8,150	
399,273	575,084	57,598	
-	2,739,440	-	
-	23,090	-	
399,273	3,337,614	57,598	
2,375,622	17,284,885	490,417	
\$ 2,774,895	\$ 20,622,499	\$ 548,015	

CITY OF ALPINE, TEXAS
STATEMENT OF CASH FLOWS
PROPRIETARY FUNDS
FOR THE YEAR ENDED SEPTEMBER 30, 2019

	Business-Type Activities	
	Water, Sewer Sanitation Fund	Airport Fund
<u>Cash Flows from Operating Activities:</u>		
Cash Received from User Charges	\$ 4,414,194	\$ 634,795
Cash Payments to Employees for Services	(667,364)	(109,107)
Cash Payments for Insurance Claims	-	-
Cash Payments for Suppliers	(1,559,604)	(448,242)
Cash Payments for Other Operating Expenses	(811,485)	(32,421)
Net Cash Provided by (Used for) Operating Activities	1,375,741	45,025
<u>Cash Flows from Capital and Related Financing Activities:</u>		
Acquisition of Capital Assets	(536,428)	-
Principal Paid on Debt	(328,645)	-
Interest Paid on Debt	(52,034)	-
Insurance Recovery	4,680	-
Net Cash Provided by (Used for) Capital and Related Financing Activities	(912,427)	-
<u>Cash Flows from Investing Activities:</u>		
Interest and Dividends on Investments	60,329	2,636
Net Increase (Decrease) in Cash and Cash Equivalents	523,643	47,661
Cash and Cash Equivalents at Beginning of the Year	2,388,449	95,568
Cash and Cash Equivalents at the End of the Year	\$ 2,912,092	\$ 143,229

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

		Governmental Activities -	
Gas Fund	Total Enterprise Funds	Internal Service Fund	
\$ 1,879,970	\$ 6,928,959	\$ 522,616	
(469,497)	(1,245,968)	-	
-	-	(659,167)	
(436,441)	(2,444,287)	(180,311)	
(304,194)	(1,148,100)	-	
669,838	2,090,604	(316,862)	
(40,089)	(576,517)	-	
(10,519)	(339,164)	-	
(6,721)	(58,755)	-	
-	4,680	-	
(57,329)	(969,756)	-	
27,394	90,359	8,150	
639,903	1,211,207	(308,712)	
1,006,740	3,490,757	470,400	
\$ 1,646,643	\$ 4,701,964	\$ 161,688	

CITY OF ALPINE, TEXAS
STATEMENT OF CASH FLOWS
PROPRIETARY FUNDS
FOR THE YEAR ENDED SEPTEMBER 30, 2019

	Business-Type Activities	
	Water, Sewer Sanitation Fund	Airport Fund
<u>Reconciliation of Operating Income (Loss) to Net Cash</u>		
<u>Provided By (Used For) Operating Activities:</u>		
Operating Income (Loss)	\$ 261,867	\$ (112,535)
Adjustments to Reconcile Operating Income To Net Cash Provided by (Used For) Operating Activities:		
Depreciation	453,612	105,313
Effect of Increases and Decreases in Current Assets and Liabilities:		
Decrease (Increase) in Receivables	82,249	5,714
Decrease (Increase) in Inventories	-	(26,560)
Decrease (Increase) in Net Pension Asset	187,705	16,433
Increase (Decrease) in Accounts Payable	163,834	159
Increase (Decrease) in Payroll Deductions	1,108	225
Increase (Decrease) in Deferred Outflows	(110,040)	(7,341)
Increase (Decrease) in Interfund Balances	353,977	74,558
Increase (Decrease) in Other Current Liabilities	(755)	1,948
Increase (Decrease) in Deferred Inflows	(63,387)	(12,441)
Increase (Decrease) in OPEB	(10,701)	(448)
Increase (Decrease) in Landfill Closure Costs	56,272	-
Net Cash Provided by (Used for) Operating Activities	<u>\$ 1,375,741</u>	<u>\$ 45,025</u>
<u>Reconciliation of Total Cash and Cash Equivalents:</u>		
Cash & Cash Equivalents - Stmt. of Net Position	\$ 2,912,092	\$ 143,229
Restricted Cash - Statement of Net Position	209,758	-
Total Cash and Cash Equivalents	<u>\$ 3,121,850</u>	<u>\$ 143,229</u>
<u>Noncash Investing, Capital and Financing Activities:</u>		
Borrowing Under Capital Lease	\$ -	\$ -
Contributions of Capital Assets from Government	-	2,576,725

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

		Governmental Activities -	
Gas Fund	Total Enterprise Funds	Internal Service Fund	
\$ 378,600	\$ 527,932	\$ 49,448	
84,967	643,892	-	
(2,070)	85,893	(250,850)	
(17,551)	(44,111)	-	
89,725	293,863	-	
(31,847)	132,146	-	
1,659	2,992	-	
(45,470)	(162,851)	-	
244,575	673,110	(74,767)	
(1,295)	(102)	(40,693)	
(28,032)	(103,860)	-	
(3,423)	(14,572)	-	
-	56,272	-	
<u>\$ 669,838</u>	<u>\$ 2,090,604</u>	<u>\$ (316,862)</u>	
\$ 1,646,643	\$ 4,701,964	\$ 161,688	
-	209,758	-	
<u>\$ 1,646,643</u>	<u>\$ 4,911,722</u>	<u>\$ 161,688</u>	
\$ 66,428	\$ 66,428	\$ -	
-	2,576,725	-	

CITY OF ALPINE, TEXAS

NOTES TO THE BASIC FINANCIAL STATEMENTS

SEPTEMBER 30, 2019

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The City of Alpine, Texas (City) is a municipal corporation governed under the Home Rule City Act pursuant to the passage of the Home Rule Charter (Charter) by the citizens of Alpine at the general city election on May 1, 1993. Under the Charter, the City operates under a Council/City Manager form of government. It is governed by a five member City Council elected by the registered voters of the City.

The City prepares its basic financial statements in conformity with U.S. generally accepted accounting principles promulgated by the Governmental Accounting Standards Board and it complies with the requirements of contracts and grants of agencies from which it receives funds.

A. REPORTING ENTITY

Because the City Council (the "Council") is elected by the public; has the authority to make decisions, appoint administrators and managers, and significantly influence operations; and has the primary accountability for fiscal matters; the City is not included in any other governmental "reporting entity" as defined by the Governmental Accounting Standards Board ("GASB").

The decisions to include or exclude a potential component unit in the reporting entity were made by applying standards contained in GAAP. The most primary standard for including or excluding a potential component unit is whether it is financially dependent on the reporting entity. The fiscal dependency criterion also requires that a financial benefit or burden relationship be present in order for a potential component unit to be included in the financial reporting entity. Other manifestations of the ability to exercise oversight responsibility include, but certainly are not limited to, the selection of the governing authority, the designation of management, the ability to materially influence operations and accountability for fiscal matters. The second standard used to evaluate potential component units is the scope of public services. Application of this standard entails considering whether the activity benefits the City, or whether the activity is conducted within the geographic boundaries of the City and is generally available to its citizens. The third standard involved in evaluating whether potential component units are included or excluded from the reporting entity is the existence of special financing relationships, regardless of whether the City is able to exercise oversight responsibilities.

Based upon the above standards, the City does not have any component units.

B. GOVERNMENT-WIDE AND FUND FINANCIAL STATEMENTS

The Statement of Net Position and Statement of Activities are government-wide financial statements. They report information on all of the City's nonfiduciary activities with most of the interfund activities removed. Governmental activities, which normally are supported by taxes and intergovernmental revenues and grants, are reported separately from business-type activities, which rely to a significant extent on fees and charges for support. All activities, both governmental and business-type, are reported in the government-wide financial statements using the economic resources measurement focus and the accrual basis of accounting, which includes long-term assets and receivables as well as long-term liabilities and obligations. The government-wide financial statements focus more on the sustainability of the City as an entity and the change in aggregate financial position resulting from the activities in the fiscal period.

CITY OF ALPINE, TEXAS

NOTES TO THE BASIC FINANCIAL STATEMENTS

SEPTEMBER 30, 2019

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

In addition to assets, the statement of net position reports a separate section for deferred outflows of resources, if applicable. This separate financial statement category represents a consumption of net position that applies to a future period(s) and so will not be recognized as an outflow of resources (expense/expenditure) until that time. For pensions and OPEB, these outflows result from pension plan and OPEB contributions made after the measurement date of the net pension and total OPEB liabilities or net pension asset and the results of differences between expected and actual actuarial experiences, changes in actuarial assumptions, changes in proportionate share, and the difference between actual and projected investment earnings. The deferred outflows of resources related to pensions and OPEB resulting from City contributions subsequent to the measurement date will be recognized as a reduction of the net pension and total OPEB liabilities or an increase in the net pension asset in the next fiscal year. The pension and OPEB related deferred outflows will be amortized over a systematic and rational method over a closed period.

In addition to liabilities, the statement of net position reports a separate section for deferred inflows of resources, if applicable. This separate financial statement category represents an acquisition of net position that applies to a future period(s) and so will not be recognized as an inflow of resources (revenue) until that time. For pensions, these deferred inflows result primarily from changes in actuarial assumptions, changes in proportionate share, and the difference between actual and projected investment earnings. These amounts will be amortized over a systematic and rational method over a closed period.

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. Interest on long-term debt is not allocated to the various functions. 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 of the City. Also included in this column is a franchise and administrative fee that the general fund charges to the enterprise funds for the administration of activities related to these funds. The “grants and contributions” columns include 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 (charges for services or grants and contributions), 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 and proprietary funds appear as due to/due from on the Governmental Fund Balance Sheet and Proprietary Fund Statement of Net Position or as other financing sources and uses on the Governmental Fund Statement of Revenues, Expenditures and Changes in Fund Balance. All interfund transactions between governmental funds are eliminated on the government-wide statements. Interfund activities between governmental funds and enterprise funds remain as due to/due from on the government-wide Statement of Net Position.

The fund financial statements report on the financial condition and results of operations for two fund categories – governmental and proprietary. 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 goods and services, such as materials and labor and direct overhead. Other expenses are nonoperating.

CITY OF ALPINE, TEXAS

NOTES TO THE BASIC FINANCIAL STATEMENTS

SEPTEMBER 30, 2019

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

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 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. Other taxes and fees are recognized as revenue in the year they are earned. 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, deferred outflows of resources, current liabilities, deferred inflows of resources 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 unmatured 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, other than property tax revenues, available if they are collectible within one year after year end.

Revenues from local sources consist primarily of property and sales taxes. Property tax revenues 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.

Unavailable revenue from property taxes arises only under the modified accrual basis of accounting. The governmental funds report this unavailable revenue as a deferred inflow of resources and recognize revenue in the period that the amounts become 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 unearned revenues until related and authorized expenditures have been made. If balances have not been expended by the end of the project period, grantors sometimes require the City to refund all or part of the unused amount.

CITY OF ALPINE, TEXAS

NOTES TO THE BASIC FINANCIAL STATEMENTS

SEPTEMBER 30, 2019

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

The proprietary fund types 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. With this measurement focus, all assets and deferred outflows of resources and all liabilities and deferred inflows of resources associated with the operation of these funds are included on the fund Statement of Net Position. Net position is segregated into net investment in capital assets, restricted, and unrestricted.

D. FUND ACCOUNTING

The City uses funds to report its financial position and activities. Fund accounting segregates funds according to their intended purpose and is designed to demonstrate legal compliance and to aid financial management by segregating transactions related to certain governmental functions or activities. A fund is a separate accounting entity with a self-balancing set of accounts, which includes assets, deferred outflows, liabilities, deferred inflows, fund balances, revenues and expenditures.

The City reports the following major governmental funds:

1. General Fund - The General Fund is the City's primary operating fund. It is used to account for all activities except those legally or administratively required to be accounted for in other funds.
2. Hotel and Motel Tax Fund - This fund is used to account for the hotel and motel occupancy tax and tourism promotion activities.

The City reports the following major enterprise funds:

1. Water, Sewer, and Sanitation Fund - This enterprise fund is used to account for the activity related to the management of the City's Water, Sewer, and Sanitation utility.
2. Airport Fund - This enterprise fund is used to account for the activity related to operation of the City's Airport including aviation operations and leasing activities on Airport properties.
3. Gas Fund - This enterprise fund is used to account for the activity related to the management of the City's Natural Gas utility.

Additionally, the City reports the following other funds:

Governmental funds:

1. Special Revenue Funds - Special revenue funds are used to account for the proceeds of specific revenue sources that are legally restricted for expenditures for certain purposes. Most Federal and some State financial assistance is accounted for in a Special Revenue Fund.
2. Debt Service Fund - The Debt Service Fund is used to account for the property taxes which have been levied to fund the City's long-term debt obligations.

CITY OF ALPINE, TEXAS

NOTES TO THE BASIC FINANCIAL STATEMENTS

SEPTEMBER 30, 2019

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Proprietary Funds:

3. Internal Service Fund – This fund accounts for all financial activity associated with the City's contributions and payments to outside entities for Health Insurance.

E. OTHER ACCOUNTING POLICIES

Cash and Cash Equivalents

For the purpose of the proprietary fund Statement of Cash Flows, the City considers all highly liquid investments to be cash equivalents if they have a maturity of three months or less when purchased. Cash and cash equivalents also includes all demand and savings accounts.

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.

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. Management asserts that the City is in substantial compliance with the requirements of the Act and with local policies.

Additional policies and contractual provisions governing deposits and investments for the City are specified below:

Credit Risk:

Deposits - Credit risk is not applicable to deposits.

Temporary Investments (Cash Equivalents) – To limit the risk that an issuer or other counterparty to an investment will not fulfill its obligations, the City limits investments in public funds investments pools to those that have received top ratings issued by nationally recognized statistical rating organizations (NRSROs). As of September 30, 2019, the City's investments in the Texas Class and TexStar investment pools were rated AAAM by Standard & Poor's.

CITY OF ALPINE, TEXAS

NOTES TO THE BASIC FINANCIAL STATEMENTS

SEPTEMBER 30, 2019

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Custodial Credit Risk:

Deposits - 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 has a contract that complies with this law, it has minimal custodial credit risk for deposits.

Temporary Investments (Cash Equivalents) – To limit the risk that, in the event of the failure of the counterparty to a transaction, the City will not be able to recover the value of investment or collateral securities that are in possession of an outside party, the City requires counterparties to register the securities in the name of the City and hand them over to the City or its designated agent. Investment pools are not categorized or exposed to custodial risk because they are not evidenced by securities that exist in physical or book entry form.

Concentration of Credit Risk:

Deposits - Concentration of credit risk is not applicable to the deposits.

Temporary Investments (Cash Equivalents) – To limit the risk of loss attributed to the magnitude of a government's investment in a single issuer, the City's policy states that the portfolio must be diversified. Concentration of Credit Risk is not applicable to investment pools since the purpose of these pools is to diversify the City's investment portfolio.

Interest Rate Risk:

Deposits - Interest rate risk is not applicable to deposits.

Temporary Investments (Cash Equivalents) – To limit the risk that changes in interest rates will adversely affect the fair value of the investments, the City requires its investment portfolio to have maturities of less than 1.5 years on a weighted average maturity (WAM) basis. Each pool invests in different investment instruments, and each portfolio has varying maturities.

Foreign Currency Risk:

Deposits - The City limits the risk that changes in exchange rates will adversely affect a deposit by not having any deposits denominated in a foreign currency.

Temporary Investments (Cash Equivalents) - The City attempts to limit the risk that changes in exchange rates will adversely affect the fair value of an investment by avoiding investment pools or securities which are denominated in a foreign currency.

CITY OF ALPINE, TEXAS

NOTES TO THE BASIC FINANCIAL STATEMENTS

SEPTEMBER 30, 2019

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Receivables

In the government-wide statements and enterprise funds, receivables consist of all revenues earned at year-end and not yet received. Allowances for uncollectible accounts receivable are based upon historical trends and the periodic aging of accounts receivable. Major receivable balances for the governmental activities include sales and use taxes, franchise taxes, grants, police fines, and ambulance fees. Business-type activities major receivables are related to services rendered to customers.

In the fund financial statements, material receivables in governmental funds include revenue accruals such as sales tax, franchise tax, and grants and other similar intergovernmental revenues since they are usually both measurable and available. Non-exchange transactions collectible but not available are unearned in the fund financial statements in accordance with modified accrual, but not unearned in the government-wide financial statements in accordance with the accrual basis. Interest and investment earnings are recorded when earned. Proprietary fund material receivables consist of all revenues earned at year-end and not yet received. Utility accounts receivable compose the majority of proprietary fund receivables. Allowances for uncollectible accounts receivable are based upon historical trends and the periodic aging of accounts receivable. As of September 30, 2019, the allowance in the Water, Sewer, and Sanitation fund was \$144,857, and the allowance in the Gas fund was \$94,521. There is no allowance for the receivables in the Airport as management believes the balances to be fully collectible.

Interfund Receivables and Payables

During the course of operations, numerous transactions occur between individual funds for goods provided or services rendered. The resulting receivables and payables from these transactions are classified as “due from other funds” or “due to other funds.” Interfund receivables and payables between funds within governmental activities are eliminated in the Statement of Net Position. See Note 5 for details of interfund transactions, including receivables and payables at year-end.

Inventories

Inventories of materials and supplies consist primarily of expendable items held for consumption. The City reports jet fuel inventory at weighted average cost. Supplies inventories are reported at cost.

Capital Assets

Capital assets, which include land, infrastructure, buildings, furniture, vehicles, and equipment, are reported in the governmental activities and business type activities columns in the government-wide financial statements, and assets are also reported in the proprietary fund financial statements for the enterprise funds. Capital assets are defined by the City as assets with an initial, individual cost of more than \$2,500 and an estimated useful life in excess of one year.

Such assets are valued at historical cost or estimated historical cost if actual is unavailable, except for donated capital assets, which are recorded at their acquisition value at the date of donation. Estimated historical cost was used to value many of the infrastructure assets acquired prior to October 1, 2003. The cost of normal maintenance and repairs that do not add to the value of the asset or materially extend asset lives are not capitalized. Additions, improvements, and major outlays that significantly extend the useful life of an asset are capitalized. Capital assets of the City are depreciated using the straight line method over the following estimated useful lives:

CITY OF ALPINE, TEXAS

NOTES TO THE BASIC FINANCIAL STATEMENTS

SEPTEMBER 30, 2019

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

<u>Assets</u>	<u>Years</u>
Buildings and Improvements	10-50
Improvements	5-50
Machinery and Equipment	3-75
Utility Systems	25-75
Infrastructure	10-75
Vehicles	5-20

Restricted Assets

Restricted assets are held for a specific purpose and therefore not available for immediate or general business use. Restricted assets include cash and cash equivalents of the various funds which are restricted as to their use generally by contractual agreements or regulatory requirements. 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.

Compensated Absences

The City's policies regarding vacation time permit employees to accumulate earned but unused vacation leave. Employees may carry over a maximum of 120 hours from the end of one fiscal year to the beginning of the next fiscal year. Any vacation time accrued but not taken in excess of 120 hours is forfeited at the end of each fiscal year. As of September 30, 2019, the total liability for compensated absences amounted to \$121,831. The amount related to the governmental funds is included in the government wide Statement of Net Position. The amount related to enterprise funds is included in the Statement of Net Position – Proprietary Funds and the government wide Statement of Net Position.

Long-term Debt

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 or business-type activities Statement of Net Position. The long-term debt consists primarily of bonds, certificates of obligation, and capital leases.

Long-term debt for governmental funds is not reported as liabilities in the fund financial statements. The debt proceeds are reported as other financing sources in the year received and payment of principal and interest are reported as expenditures in the year they are paid. Bond issue costs are recognized during the current period. The accounting for long-term debt in the proprietary funds is the same in the fund statements as it is in the government-wide statements.

Net Position

Net Position on the Statement of Net Position includes the following:

Net investment in capital assets – This component of net position consists of capital assets, net accumulated depreciation, reduced by the outstanding balances of bonds or other borrowings that are attributable to the acquisition, construction or improvement of those assets. Deferred outflows of resources and deferred inflows of resources that are attributable to the acquisition, construction, or improvement of those assets or related debt will be included in this component of net position.

CITY OF ALPINE, TEXAS

NOTES TO THE BASIC FINANCIAL STATEMENTS

SEPTEMBER 30, 2019

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Restricted for federal and state grants – This component of net position consists of restricted assets reduced by liabilities and deferred inflows of resources related to those assets, which are restricted by federal and state granting agencies.

Restricted for Debt Service – This component of net position consists of restricted assets reduced by liabilities and deferred inflows of resources related to those assets. The assets arise from bond issuances which have constraints placed on them by the bond covenants for the purpose of future debt service payments.

Other Restricted - This component of net position consists of constraints by contributors or restrictions due to laws or regulations placed on the City.

Unrestricted net position – This component of net position is the net amount of assets, liabilities, deferred outflows of resources, and deferred inflows of resources that are not included in the determination of net investment in capital assets or the restricted components of net position.

Fund Balance Classification Policies and Procedures

If applicable, the City reports the following fund balance categories to make the nature and extent of the constraints placed on a government's fund balances more transparent. The following classifications describe the relative strength of the spending constraints:

- Nonspendable – Represents amounts that cannot be spent because they are either (a) not in spendable form or (b) legally or contractually required to be maintained intact, such as inventories.
- Restricted fund balance – Represents amounts with constraints placed on the use of resources which are either: (a) externally imposed by creditors (such as through debt covenants), grantors, contributors, or laws or regulations of other governments; or (b) imposed by law through constitutional provisions; or © enabling legislation.
- Committed fund balance – Represents amounts that can only be used for specific purposes pursuant to constraints imposed by council resolution or formal action of the City Council which is the government's highest level of decision-making authority. These amounts can only be re-allocated by the same formal action that was taken to originally commit those funds. The City Council shall take action to commit funds for a specific purpose prior to the end of the fiscal year.
- Assigned fund balance – Represents amounts that are constrained by the government's intent to be used for specific purposes, but are neither restricted nor committed. Intent is expressed by (a) the City Council action or (b) by the City Manager who is the official delegated by the City Council with the authority to assign amounts to be used for specific purposes.
- Unassigned fund balance – Represents amounts that are available for any purpose and have not been restricted, committed, or assigned for specific purposes.

CITY OF ALPINE, TEXAS

NOTES TO THE BASIC FINANCIAL STATEMENTS

SEPTEMBER 30, 2019

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

For the classification of fund balances the City considers restricted amounts to have been spent when an expenditure is incurred for purposes for which both restricted and unrestricted fund balance or net position is available and the City considers committed and assigned amounts to have been spent when an expenditure is incurred for purposes for which amounts in any of those unrestricted fund balance classifications could be used. The City has not formally adopted a minimum fund balance policy.

Internal Service Funds

Since Internal Service Funds support the operations of governmental funds, they are consolidated with the governmental funds in the government-wide financial statements. The expenditures of governmental funds that create the revenues of internal service funds are eliminated to avoid “grossing up” the revenues and expenses of the City as a whole.

Self Insured

The City participates in the Texas Municipal League Intergovernmental Employee Benefits Pool which is a public entity risk sharing pool for their self-insurance program to provide health care benefits to employees and their dependents. Revenues of the Internal Service Fund are received from both the City’s governmental and business type funds and premiums charged to employees. Expenses are comprised of claims incurred during the fiscal year, professional and contracted services, and other miscellaneous expenses.

Property Tax

The City’s property tax is levied each October 1 on the assessed value listed as of January 1 for all real and personal property located in the City. Taxes are due by January 31 following the October 1 levy date.

The methods of property assessment and tax collection are determined by Texas statute. The statutes provide for a property tax code, countywide appraisal districts and certain exemptions from taxation, such as intangible personal property, household goods and family-owned automobiles.

The City is authorized to set tax rates on property within the City limits. However, if the adopted tax rate for operations exceeds the effective operating rate as calculated pursuant to the property tax code for the previous year by more than 8%, qualified voters of the City may petition for an election to determine whether to limit the tax rate increase to no more than 8%.

The Brewster County Tax Collector bills and collects the property taxes and remits to the City its portion. In the fund financial statements, property taxes are recorded as revenue in the period levied to the extent they are collected within 60 days of year-end. 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 31, of each year, a tax lien attaches to the property to secure the payment of all taxes, penalties, and interest ultimately imposed.

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 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.

CITY OF ALPINE, TEXAS

NOTES TO THE BASIC FINANCIAL STATEMENTS

SEPTEMBER 30, 2019

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Sales Tax

The City presently levies a 1.5% sales tax on taxable sales within the City. The sales tax is collected by the Texas Comptroller of Public Accounts and remitted to the City in the month following receipt by the Comptroller. The Comptroller receives the sales tax approximately one month after collection by vendors. The sales tax is recorded entirely in the General Fund.

In addition, the City receives Hotel/Motel Occupancy tax that is recorded in the Hotel and Motel special revenue fund. As of September 30, 2019, the amount due from hotels and motels was \$114,906 which is included in taxes receivables.

Interfund Transfers

Permanent reallocation of resources between funds of the reporting entity is classified as interfund transfers. For the purposes of the government-wide Statement of Activities, all interfund transfers between individual governmental funds have been eliminated.

Budgets and Budgetary Basis

As set forth in the city charter, the City Council adopts an annual budget for all funds at the department level. The annual budget is prepared on the modified accrual basis of accounting. The City Manager is authorized to transfer budgeted amounts within and among departments, offices, or agencies, but no amounts may be transferred to increase a salary appropriation without the approval of the Council. Upon written request by the City Manager, the Council may, by ordinance, transfer part or all of any unencumbered appropriation from one department, office or agency to another. Budgeted amounts shown in the financial statements represent the final budget after any amendments.

Encumbrances

Encumbrances represent commitments related to unperformed contracts for goods or services. There were no encumbrances outstanding at fiscal year-end.

Use of Estimates

The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities, if any, at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results may differ from those estimates.

Pensions

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

CITY OF ALPINE, TEXAS

NOTES TO THE BASIC FINANCIAL STATEMENTS

SEPTEMBER 30, 2019

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

GASB Statement No. 88

The City implemented GASB Statement No. 88, *Certain Disclosures Related to Debt, including Direct Borrowings and Direct Placements*, which improves disclosures related to debt, including direct borrowings and direct placements. The City's financial statements as of September 30, 2019 are presented in accordance with the guidance provided by this statement.

NOTE 2 – CASH AND CASH EQUIVALENTS

The City's total cash deposits were held with the contracted depository institution West Texas National Bank in interest bearing accounts. The accounts were partially secured at September 30, 2019 by FDIC coverage of \$250,000 and two irrevocable letters of credit in the amount of \$4,500,000 dated February 1, 2017 and \$1,000,000 dated April 27, 2018, both issued by Federal Home Loan Bank of Dallas expiring January 31, 2022. The total amount of the City's deposits unsecured at September 30, 2019 was \$363,357. The following is disclosed as of September 30, 2019:

<u>Governmental Activities:</u>	General Fund	Hotel and Motel Tax Fund	Non-Major Funds	Internal Service Fund	Total Governmental Activities
Cash	\$ 50,445	\$ 874,265	\$ 189,211	\$ 161,688	\$ 1,275,609
Cash Equivalents - Texas Class	432,183	84,824	-	-	517,007
Cash Equivalents - TexStar	604	-	-	-	604
Total Cash and Cash Equivalents	<u>\$ 483,232</u>	<u>\$ 959,089</u>	<u>\$ 189,211</u>	<u>\$ 161,688</u>	<u>\$ 1,793,220</u>
Restricted Cash	<u>\$ 1,326</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 1,326</u>

General Fund restricted cash of \$1,326 is restricted for the Skate Park Association.

<u>Business Type Activities:</u>	Water, Sewer, and Sanitation Fund	Airport Fund	Gas Fund	Total Business Type Activities
Cash	\$ 2,141,603	\$ 142,868	\$ 1,646,643	\$ 3,931,114
Cash Equivalents-Texas Class	770,489	361	-	770,850
Total Cash and Cash Equivalents	<u>\$ 2,912,092</u>	<u>\$ 143,229</u>	<u>\$ 1,646,643</u>	<u>\$ 4,701,964</u>
Restricted Cash	<u>\$ 209,758</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 209,758</u>

CITY OF ALPINE, TEXAS

NOTES TO THE BASIC FINANCIAL STATEMENTS

SEPTEMBER 30, 2019

NOTE 2 – CASH AND CASH EQUIVALENTS (continued)

Water, Sewer and Sanitation restricted cash consists of \$116,753 restricted for bond covenants for the 2003A Bond, and \$79,255 is restricted for landfill closure and post-closure costs. The remaining \$13,750 is restricted for a TxDOT grant.

The total bank balance as of September 30, 2019 was \$6,113,356. The difference between book and bank balances represent items in transit at year-end, usually outstanding checks that clear in the following month.

Texas Class (Texas Cooperative Liquid Assets Securities System Trust) is a pooled investment program administered by Public Trust Advisors, LLC. Texas Class is governed by the Board of Trustees which has appointed an Advisory Board composed of Participants and other persons who are qualified to advise the Trust. The fair value of the City's position in Texas Class is the same as the value of Texas Class shares. Texas Class issues publicly available financial reports that include financial statements and required supplementary information. The report may be obtained by calling Texas Class at 1-800-707-6242 or online at www.texasclass.com. TexStar is an investment pool created under the Inter-local Cooperation Act and is administered by First Southwest and JP Morgan Asset Management. TexStar is measured at amortized cost which approximates the value of pool shares.

NOTE 3 - RECEIVABLES

Receivable balances for the various funds as of September 30, 2019 are summarized below:

	General Fund	Internal Service Fund	Total Government Activities	
Franchise and Administrative Fee	\$ 302,112	\$ -	\$ 302,112	
Stop Loss	-	250,850	250,850	
Total	<u>\$ 302,112</u>	<u>\$ 250,850</u>	<u>\$ 552,962</u>	

	Water, Sewer, and Sanitation Fund	Airport Fund	Gas Fund	Total Business Type Activities
Water, Sewer, Sanitation Sales, net	\$ 355,051	\$ -	\$ -	\$ 355,051
Fuel Sales	-	27,154	-	27,154
Gas Sales, net	-	-	65,840	65,840
Other Miscellaneous	-	1,261	5,730	6,991
Total	<u>\$ 355,051</u>	<u>\$ 28,415</u>	<u>\$ 71,570</u>	<u>\$ 455,036</u>

CITY OF ALPINE, TEXAS

NOTES TO THE BASIC FINANCIAL STATEMENTS

SEPTEMBER 30, 2019

NOTE 4 - DUE FROM OTHER GOVERNMENTS

The City participates in a variety of federal and state programs from which it receives grants to partially or fully finance certain activities. Management has deemed no allowance for doubtful accounts is necessary for fair presentation as there is usually no risk of uncollectibility. Amounts due from federal and state governments as of September 30, 2019 are summarized as follows:

Description	General Fund	Non-Major Funds	Total Government Activities
Miscellaneous Taxes and Other	\$ 19,695	\$ -	\$ 19,695
HIDTA	-	13,439	13,439
Total	<u>\$ 19,695</u>	<u>\$ 13,439</u>	<u>\$ 33,134</u>

	Water, Sewer, and Sanitation Fund	Airport Fund	Total Business Type Activities
TX Community Dev. Block Grant	\$ 157,990	\$ -	\$ 157,990
TXDOT	-	34,239	34,239
Total	<u>\$ 157,990</u>	<u>\$ 34,239</u>	<u>\$ 192,229</u>

CITY OF ALPINE, TEXAS

NOTES TO THE BASIC FINANCIAL STATEMENTS

SEPTEMBER 30, 2019

NOTE 5 – INTERFUND BALANCES, TRANSFERS, AND CHARGES

Interfund transactions are the result of normal operations and resulted in the following amounts due from and to other funds which have been reported as assets or liabilities in the fund basis and government wide financial statements. Management intends to pay out these balances usually within one year. Following is a summary of due from and due to balances as of September 30, 2019:

	<u>Due From Other Funds</u>	<u>Due to Other Funds</u>
General Fund:		
Hotel and Motel Fund	\$ 40,453	\$ -
Non-Major Funds	114,775	94,116
Gas Fund	593,060	-
Airport Fund	149,030	-
Water, Sewer & Sanitation Fund	378,593	-
Health Internal Service Fund	-	138,450
	<u>1,275,911</u>	<u>232,566</u>
Hotel and Motel Fund:		
General Fund	<u>-</u>	<u>40,453</u>
Non-Major Funds:		
General Fund	<u>94,116</u>	<u>114,775</u>
Gas Fund:		
General Fund	<u>-</u>	<u>593,060</u>
Airport Fund:		
General Fund	<u>-</u>	<u>149,030</u>
Water, Sewer, & Sanitation Fund:		
General Fund	<u>-</u>	<u>378,593</u>
Health Internal Service Fund:		
General Fund	<u>138,450</u>	<u>-</u>
Total	<u><u>\$ 1,508,477</u></u>	<u><u>\$ 1,508,477</u></u>

Interfund transfers generally fall within two categories: (1) transfers to cover debt service payments to comply with debt covenants, and (2) transfers to charge other funds fees or a permanent reallocation of resources. During the year, a total of \$23,090 was transferred from the General Fund to the Airport Fund. The transfer was for the taxiway grant project.

The general fund charged for administration, franchise, and/or indirect costs to the Water, Sewer, and Sanitation Fund, the Airport Fund, the Gas Fund, and the Hotel and Motel Fund in the following amounts: \$499,948, \$41,786, \$193,045, and \$45,440, respectively.

CITY OF ALPINE, TEXAS

NOTES TO THE BASIC FINANCIAL STATEMENTS

SEPTEMBER 30, 2019

NOTE 6 – CAPITAL ASSETS

The following is a summary of changes to capital assets in the government wide financial statements relative to governmental fund activities:

	Balance Oct. 1, 2018	Additions	Transfers/ Deductions	Balance Sept. 30, 2019
Land	\$ 806,665	\$ -	\$ -	\$ 806,665
Landscaping	56,383	-	-	56,383
Buildings and Improvements	2,991,217	8,500	(15,114)	2,984,603
Infrastructure	8,853,121	-	-	8,853,121
Improvements other than bldgs.	3,625,869	24,316	-	3,650,185
Vehicles	3,012,077	219,282	-	3,231,359
Furniture & Equipment	1,064,301	17,431	-	1,081,732
Construction in Progress		68,439	-	68,439
Total Governmental Assets	\$ 20,409,633	\$ 337,968	\$ (15,114)	\$ 20,732,487
Accumulated Depreciation:				
Landscaping	(51,921)	(2,898)	-	(54,819)
Buildings and Improvements	(1,331,442)	(90,375)	-	(1,421,817)
Infrastructure	(4,626,649)	(199,355)	-	(4,826,004)
Improvements other than bldgs.	(1,998,086)	(174,328)	-	(2,172,414)
Vehicles	(2,217,239)	(134,754)	-	(2,351,993)
Furniture & Equipment	(430,428)	(72,154)	-	(502,582)
Total Accumulated Depreciation	\$ (10,655,765)	\$ (673,864)	\$ -	\$ (11,329,629)
Net Governmental Capital Assets	\$ 9,753,868	\$ (335,896)	\$ (15,114)	\$ 9,402,858

CITY OF ALPINE, TEXAS

NOTES TO THE BASIC FINANCIAL STATEMENTS

SEPTEMBER 30, 2019

NOTE 6 – CAPITAL ASSETS (continued)

Depreciation expense was charged to governmental functions as follows:

	<u>Depreciation</u>
General Government	\$ 33,594
Public Works	395,564
Health and Human Services	48,774
Culture and Recreation	88,695
Public Safety	<u>107,237</u>
Total Depreciation Expense	<u><u>\$ 673,864</u></u>

Depreciation expense totaled \$673,864 for the year ended September 30, 2019 as reported in the government wide financial statements.

The following is a summary of changes to capital assets in the proprietary fund financials:

Water, Sewer, and Sanitation	Balance Oct. 1, 2018	Additions	Transfers/ Deductions	Balance Sept. 30, 2019
Land	\$ 192,397	\$ -	\$ -	\$ 192,397
Construction in Progress	75,899	282,065	(36,524)	321,440
Buildings and Improvements	1,022,157	100,012	15,895	1,138,064
Furniture, Equipment, & Vehicles	1,901,639	105,035	20,629	2,027,303
Water System	13,843,283	49,316	-	13,892,599
Wastewater System	<u>6,672,522</u>	<u>-</u>	<u>-</u>	<u>6,672,522</u>
Total Water and Sewer Assets	<u>23,707,897</u>	<u>536,428</u>	<u>-</u>	<u>24,244,325</u>
Accumulated Depreciation:				
Buildings and Improvements	(537,159)	(40,511)	-	(577,670)
Furniture, Equipment, & Vehicles	(1,051,433)	(108,121)	-	(1,159,554)
Water System	(5,632,512)	(208,675)	-	(5,841,187)
Wastewater System	<u>(3,043,524)</u>	<u>(96,305)</u>	<u>-</u>	<u>(3,139,829)</u>
Total Accumulated Depreciation	<u>(10,264,628)</u>	<u>(453,612)</u>	<u>-</u>	<u>(10,718,240)</u>
Net Water, Sewer, and Sanitation Capital Assets	<u><u>\$ 13,443,269</u></u>	<u><u>\$ 82,816</u></u>	<u><u>\$ -</u></u>	<u><u>\$ 13,526,085</u></u>

CITY OF ALPINE, TEXAS

NOTES TO THE BASIC FINANCIAL STATEMENTS

SEPTEMBER 30, 2019

NOTE 6 – CAPITAL ASSETS (continued)

Airport	Balance Oct. 1, 2018	Additions	Transfers/ Deductions	Balance Sept. 30, 2019
Land	\$ 99,584	\$ -	\$ -	\$ 99,584
Buildings	18,253	-	-	18,253
Equipment	118,903	-	-	118,903
Improvements other than bldgs.	3,482,557	14,970	3,037,739	6,535,266
Construction in Progress	493,699	2,561,775	(3,055,474)	-
Total Airport Assets	4,212,996	2,576,745	(17,735)	6,772,006
Accumulated Depreciation:				
Buildings	(3,030)	(391)	-	(3,421)
Equipment	(41,999)	(2,665)	-	(44,664)
Improvements other than bldgs.	(1,219,134)	(102,257)	-	(1,321,391)
Total Accumulated Depreciation	(1,264,163)	(105,313)	-	(1,369,476)
Net Airport Capital Assets	\$ 2,948,833	\$ 2,471,432	\$ (17,735)	\$ 5,402,530

Gas	Balance Oct. 1, 2018	Additions	Transfers/ Deductions	Balance Sept. 30, 2019
Land	\$ 45,000	\$ -	\$ -	\$ 45,000
Buildings	217,000	-	-	217,000
Gas Distribution System	1,389,442	-	-	1,389,442
Vehicles	283,912	98,818	-	382,730
Furniture and Equipment	151,065	7,699	-	158,764
Total Gas Assets	2,086,419	106,517	-	2,192,936
Accumulated Depreciation:				
Buildings	(57,143)	(8,680)	-	(65,823)
Gas Distribution System	(195,332)	(30,876)	-	(226,208)
Vehicles	(107,644)	(37,084)	-	(144,728)
Furniture and Equipment	(96,958)	(8,327)	-	(105,285)
Total Accumulated Depreciation	(457,077)	(84,967)	-	(542,044)
Net Gas Capital Assets	\$ 1,629,342	\$ 21,550	\$ -	\$ 1,650,892

Depreciation expense for enterprise fund capitals assets totaled \$643,892 for the year ended September 30, 2019 as reported in the proprietary and government wide financial statements.

CITY OF ALPINE, TEXAS

NOTES TO THE BASIC FINANCIAL STATEMENTS

SEPTEMBER 30, 2019

NOTE 7 – OTHER CURRENT LIABILITIES

As of September 30, 2019, other current liabilities consisted of the following:

	General Fund	Internal Service	Total Governmental Activities
Court Fees	\$ 1,418	\$ -	\$ 1,418
Customer Deposits	13,455	-	13,455
Claims Payable	-	2,973	2,973
Other	1,665	-	1,665
Total	\$ 16,538	\$ 2,973	\$ 19,511

	Water, Sewer, and Sanitation Fund	Gas Fund	Total Business Type Activities
Customer Deposits	\$ 201,357	\$ 139,526	\$ 340,883
Other	1,803	568	2,371
Total	\$ 203,160	\$ 140,094	\$ 343,254

NOTE 8– GOVERNMENTAL ACTIVITIES LONG-TERM DEBT

For the year ended September 30, 2019, the City had the following governmental activities long-term debt:

A. Lease Purchase Commitment:

- In 2010, the City acquired a fire truck in the amount of \$260,756. The lease term requires 12 annual payments of \$29,753 including interest at 5.37% with final payment due November 11, 2021. The unpaid principal balance at September 30, 2019 was \$81,000. As of September 30, 2019, the accumulated depreciation related to this asset was \$116,254.
- In 2018, the City acquired five vehicles totaling \$108,085. The lease terms require 12 different annual payments for each vehicle including interest ranging from 9.43% to 12.96% with final payments due in 2023. The unpaid principal balance at September 30, 2019 was \$83,172. As of September 30, 2019, the accumulated depreciation related to these assets was \$30,725.
- In 2019, the City acquired eight vehicles totaling \$180,760. The lease terms require 12 different annual payments for each vehicle including interest ranging from 9.91% to 12.92% with final payments due in 2024. The unpaid principal balance at September 30, 2019 was \$165,364. As of September 30, 2019, the accumulated depreciation related to these assets was \$16,859.

CITY OF ALPINE, TEXAS

NOTES TO THE BASIC FINANCIAL STATEMENTS

SEPTEMBER 30, 2019

NOTE 8– GOVERNMENTAL ACTIVITIES LONG-TERM DEBT (continued)

B. Certificates of Obligations and Bonds Payable:

- Tax and Revenue Certificates of Obligation – Series 2011 - 56% of the bond is reported with long-term debt in the governmental activities and the balance (44%) is reported with the Water, Sewer, and Sanitation Enterprise fund. The interest rate is 4.23% with final payment due September 30, 2031. As of September 30, 2019, the outstanding balance in the governmental activities was \$485,000.
- General Obligation Refunding Bonds – Series 2011 - 60% of the bond is reported with long-term debt in the governmental activities and the balance (40%) is reported with the Water, Sewer, and Sanitation Enterprise fund. The interest rate is 3.56% with final payment due March 1, 2024. As of September 30, 2019, the outstanding balance in the governmental activities was \$444,000.

Changes in governmental activities long-term debt follows:

	Balance Oct. 1, 2018	New Issues	Payments	Balance Sept. 30, 2019	Due Within One Year
<u>General Fund</u>					
Lease obligations	\$ 206,566	\$ 180,760	\$ 57,790	\$ 329,536	\$ 75,922
<u>Debt Service Fund</u>					
Certificates of Obligation:					
56% Series 2011	515,800	-	30,800	485,000	30,800
General Obligation Bond:					
60% Series 2011	522,000	-	78,000	444,000	81,000
	<u>\$ 1,244,366</u>	<u>\$ 180,760</u>	<u>\$ 166,590</u>	<u>\$ 1,258,536</u>	<u>\$ 187,722</u>

The future principal and interest maturities of long-term debt for Governmental Activities as of September 30, 2019 are as follows:

GOVERNMENTAL ACTIVITIES

Lease Obligations

Year Ending September 30,	Principal	Interest	Total
2020	\$ 75,922	\$ 30,088	\$ 106,010
2021	83,281	22,729	106,010
2022	91,721	14,567	106,288
2023	58,959	5,731	64,690
2024	19,653	629	20,282
Total	<u>\$ 329,536</u>	<u>\$ 73,744</u>	<u>\$ 403,280</u>

CITY OF ALPINE, TEXAS

NOTES TO THE BASIC FINANCIAL STATEMENTS

SEPTEMBER 30, 2019

NOTE 8 – GOVERNMENTAL ACTIVITIES LONG-TERM DEBT (continued)

Tax and Revenue Certificates of Obligation Series 2011 (56%)

Year Ending September 30,	Principal	Interest	Total
2020	\$ 30,800	\$ 19,602	\$ 50,402
2021	33,600	18,240	51,840
2022	33,600	16,818	50,418
2023	36,400	15,338	51,738
2024	36,400	13,798	50,198
2025-2029	210,000	43,645	253,645
2030-2031	104,200	4,205	108,405
Total	<u>\$ 485,000</u>	<u>\$ 131,646</u>	<u>\$ 616,646</u>

General Obligation Refunding Bonds Series 2011 (60%)

Year Ending September 30,	Principal	Interest	Total
2020	\$ 81,000	\$ 14,380	\$ 95,380
2021	84,000	11,439	95,439
2022	90,000	8,339	98,339
2023	93,000	5,078	98,078
2024	96,000	1,711	97,711
Total	<u>\$ 444,000</u>	<u>\$ 40,947</u>	<u>\$ 484,947</u>

TOTAL GOVERNMENTAL LONG-TERM DEBT

Year Ending September 30,	Principal	Interest	Total
2020	\$ 187,722	\$ 64,070	\$ 251,792
2021	200,881	52,408	253,289
2022	215,324	39,725	255,049
2023	187,605	26,147	213,752
2024	152,804	16,139	168,943
2025-2029	210,000	43,645	253,645
2030-2031	104,200	4,205	108,405
Total	<u>\$ 1,258,536</u>	<u>\$ 246,339</u>	<u>\$ 1,504,875</u>

CITY OF ALPINE, TEXAS

NOTES TO THE BASIC FINANCIAL STATEMENTS

SEPTEMBER 30, 2019

NOTE 9 – BUSINESS TYPE ACTIVITIES LONG-TERM DEBT

Bonds Payable - The greatest portion of the long-term indebtedness of the City is reflected in the Water, Sewer, and Sanitation fund and is described as follows:

In December 2012, the City issued combination Tax and Revenue Certificates of Obligation Series 2012 for up to \$95,728 with interest ranging from .27% to 2.82% with final payment due March 1, 2012. The proceeds were used to fund improvements to the wastewater system. As of September 30, 2019, the outstanding balance was \$27,728. These bonds are equally and ratably secured by and payable from a first lien on and pledge of the net revenue of the Water, Sewer, and Sanitation Fund. The pledge of net revenue is in effect until the bonds are extinguished.

As previously discussed, in March 2011 the City issued \$1,230,000 in Tax and Revenue Certificates of Obligation Series 2011 of which 44% (\$535,000) was allocated to the Water, Sewer, and Sanitation fund and the balance 56% (\$695,000) is reported as governmental activities debt based on the use of bond proceeds. This Certificates of Obligation have an interest of 4.23% with final payment due September 30, 2031. The proceeds were primarily used for equipment acquisitions and building and street improvements. As of September 30, 2019, the outstanding balance was \$370,000. These bonds are equally and ratably secured by and payable from a first lien on and pledge of the net revenue of the Water, Sewer, and Sanitation Fund. The pledge of net revenue is in effect until the bonds are extinguished.

The City also issued \$3,150,000 in General Obligation Refunding Bonds Series 2011 of which 40% (\$1,260,000) was allocated to the Water, Sewer, and Sanitation fund and the balance 60% (\$1,890,000) is reported as governmental activities debt based on the use of bond proceeds. These bonds have an interest of 3.56% with final payment due March 1, 2024. The bond proceeds were used to pay off Certificates of Obligation Series 1997, 1999, 2001 and 2009 and General Obligation Refunding Bonds Series 2001. As of September 30, 2019, the outstanding balance was \$296,000.

In July 2005, Series 2005 combination Tax and Revenue Certificates of Obligation were issued with no interest and final payment due March 1, 2036. The proceeds were used for improvement to the water supply system. The City's outstanding balance as of September 30, 2019 was \$2,337,000. These bonds are equally and ratably secured by and payable from a first lien on and pledge of the net revenue of the Water, Sewer, and Sanitation Fund. The pledge of net revenue is in effect until the bonds are extinguished.

In March 2003, Series 2003A Waterworks and Sewer System Revenue Bonds were issued with an interest ranging from 3.00% to 4.45% with final payment due September 1, 2021. The bond proceeds were to fund improvements and extensions to the City's combined waterworks and sewer system and to fund reserve funds and pay bond issuance costs. As of September 30, 2019, the outstanding balance was \$175,000. These bonds are equally and ratably secured by and payable from a first lien on and pledge of the net revenue of the Water, Sewer, and Sanitation Fund. The pledge of net revenue is in effect until the bonds are extinguished.

Management has calculated the net revenues available for the Water and Sewer debt service as of September 30, 2019 to be \$638,696 and the required principal and interest for the debt covered by the pledge to be \$391,197.

CITY OF ALPINE, TEXAS

NOTES TO THE BASIC FINANCIAL STATEMENTS

SEPTEMBER 30, 2019

NOTE 9 – BUSINESS TYPE ACTIVITIES LONG-TERM DEBT (continued)

Capital Leases

- In 2017, the City acquired one vehicle for the Gas Fund in the amount of \$24,377 and five vehicles for the Water, Sewer, and Sanitation Fund in the amount of \$114,038. The lease terms require monthly payments of \$527 including interest at 10.72% for the Gas Fund and \$2,499 with interest rates ranging from 10.26% to 12.39% with final payments due in 2022 for the Water, Sewer, and Sanitation Fund. The unpaid principal balance at September 30, 2019 was \$15,393 for the Gas Fund and \$74,277 for the Water, Sewer, and Sanitation Fund. As of September 30, 2019, the accumulated depreciation related to these assets was \$10,563 for the Gas Fund and \$47,374 for the Water, Sewer, and Sanitation Fund.
- In 2018, the City acquired one vehicle for the Water, Sewer, and Sanitation Fund in the amount of \$19,342. The lease term requires monthly payments of \$443 with interest rate of 12.96% for five years with final payment due in March 29, 2023. The unpaid principal balance at September 30, 2019 was \$14,750. As of September 30, 2019, the accumulated depreciation related to this asset was \$5,803.
- In 2019, the City acquired three vehicles for the Gas Fund in the amount of \$66,428. The lease terms require 12 different annual payments for each vehicle including interest ranging from 12.01% to 12.92% with final payments due in 2024. The unpaid principal balance at September 30, 2019 was \$60,305. As of September 30, 2019, the accumulated depreciation related to these assets was \$6,765.

Changes in the Business Type Activities long-term debt is as follows:

	Balance Oct. 1, 2018	Issues	Payments	Balance Sept. 30, 2019	One Year
<u>Water, Sewer, and Sanitation</u>					
Tax and Revenue					
Certificates of Obligation:					
2012 Series - Private					
Placement	\$ 38,728	\$ -	\$ 11,000	\$ 27,728	\$ 11,000
44% of 2011 Series	394,200	-	24,200	370,000	24,200
TWDB Series 2005	2,475,000	-	138,000	2,337,000	138,000
General Obligation					
Refunding Bonds:					
40% of Series 2011	348,000	-	52,000	296,000	54,000
Revenue Bonds:					
Series 2003A	255,000	-	80,000	175,000	85,000
Other liabilities:					
Lease Obligations	112,472	-	23,445	89,027	26,301
<u>Gas Fund</u>					
Lease Obligations	19,788	66,428	10,518	75,698	15,949
Total Business Type Activities	\$ 3,643,188	\$ 66,428	\$ 339,163	\$ 3,370,453	\$ 354,450

CITY OF ALPINE, TEXAS

NOTES TO THE BASIC FINANCIAL STATEMENTS

SEPTEMBER 30, 2019

NOTE 9 – BUSINESS TYPE ACTIVITIES LONG-TERM DEBT (continued)

The future principal and interest maturities of long term debt for the Business Type Activities as of September 30, 2019 are as follows:

Tax and Revenue Certificates of Obligation Series 2012 - Private Placement

Year Ending September 30,	Principal	Interest	Total
2020	\$ 11,000	\$ 769	\$ 11,769
2021	11,000	486	11,486
2022	5,728	169	5,897
Total	<u>\$ 27,728</u>	<u>\$ 1,424</u>	<u>\$ 29,152</u>

Tax and Revenue Certificates of Obligation Series 2011 (44%)

Year Ending September 30,	Principal	Interest	Total
2020	\$ 24,200	\$ 15,401	\$ 39,601
2021	26,400	14,331	40,731
2022	26,400	13,215	39,615
2023	28,600	12,051	40,651
2024	28,600	10,841	39,441
2025-2029	165,000	34,293	199,293
2030-2031	70,800	3,304	74,104
Total	<u>\$ 370,000</u>	<u>\$ 103,436</u>	<u>\$ 473,436</u>

General Obligation Refunding Bonds Series 2011 (40%)

Year Ending September 30,	Principal	Interest	Total
2020	\$ 54,000	\$ 9,586	\$ 63,586
2021	56,000	7,626	63,626
2022	60,000	5,559	65,559
2023	62,000	3,386	65,386
2024	64,000	1,140	65,140
Total	<u>\$ 296,000</u>	<u>\$ 27,297</u>	<u>\$ 323,297</u>

Waterworks and Sewer System Revenue Bonds Series 2003-A

Year Ending September 30,	Principal	Interest	Total
2020	\$ 85,000	\$ 7,788	\$ 92,788
2021	90,000	4,005	94,005
Total	<u>\$ 175,000</u>	<u>\$ 11,793</u>	<u>\$ 186,793</u>

CITY OF ALPINE, TEXAS

NOTES TO THE BASIC FINANCIAL STATEMENTS

SEPTEMBER 30, 2019

NOTE 9 – BUSINESS TYPE ACTIVITIES LONG-TERM DEBT (continued)

Tax and Revenue Certificates of Obligation Series 2005 Texas Water Development Board

Year Ending September 30,	Principal	Interest	Total
2020	\$ 138,000	\$ -	\$ 138,000
2021	138,000	-	138,000
2022	138,000	-	138,000
2023	138,000	-	138,000
2024	138,000	-	138,000
2025-2029	687,000	-	687,000
2030-2034	685,000	-	685,000
2035-2036	275,000	-	275,000
Total	<u>\$ 2,337,000</u>	<u>\$ -</u>	<u>\$ 2,337,000</u>

Water, Sewer, and Sanitation Lease Obligations

Year Ending September 30,	Principal	Interest	Total
2020	\$ 26,301	\$ 9,003	\$ 35,304
2021	29,508	5,796	35,304
2022	30,794	2,201	32,995
2023	2,424	98	2,522
Total	<u>\$ 89,027</u>	<u>17,098</u>	<u>\$ 106,125</u>

Gas Lease Obligation

Year Ending September 30,	Principal	Interest	Total
2020	\$ 15,949	\$ 8,228	\$ 24,177
2021	17,941	6,237	24,178
2022	19,120	4,000	23,120
2023	15,947	1,911	17,858
2024	6,741	198	6,939
Total	<u>\$ 75,698</u>	<u>20,574</u>	<u>\$ 96,272</u>

CITY OF ALPINE, TEXAS

NOTES TO THE BASIC FINANCIAL STATEMENTS

SEPTEMBER 30, 2019

NOTE 9 – BUSINESS TYPE ACTIVITIES LONG-TERM DEBT (continued)

Total Business Type Activities - Long -Term Debt

Year Ending September 30,	Principal	Interest	Total
2020	\$ 354,450	\$ 50,777	\$ 405,227
2021	368,849	38,481	407,330
2022	280,042	25,144	305,186
2023	246,971	17,446	264,417
2024	237,341	12,179	249,520
2025-2029	852,000	34,293	886,293
2030-2034	755,800	3,304	759,104
2035-2036	275,000	-	275,000
Total	<u>\$ 3,370,453</u>	<u>\$ 181,624</u>	<u>\$ 3,552,077</u>

NOTE 10 – PENSION PLANS

A. Texas Municipal Retirement System

Plan Description: The City of Alpine participates as one of 887 plans, 879 being active 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 and disability pension 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. The plan provisions are adopted by the governing body of the City, within the options available in the state statutes governing TMRS and within the actuarial constraints also in the statutes. Pension benefits are provided to all of the City's full-time employees, with the exception of firefighters. The matching ratio (City to Employee) is 2-1 and a member is considered vested after 5 years of service. Members can retire at certain ages, based on years of service with the City. The City allows members to retire at age 60 and above with 5 or more years of service or with 20 years of service regardless of age.

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.

CITY OF ALPINE, TEXAS

NOTES TO THE BASIC FINANCIAL STATEMENTS

SEPTEMBER 30, 2019

NOTE 10 – PENSION PLANS (continued)

Employees covered by benefit terms

At the December 31, 2018 valuation and measurement date, the following employees were covered by the benefit terms:

Inactive employees or beneficiaries currently receiving benefits	31
Inactive employees entitled to but not yet receiving benefits	75
Active employees	<u>79</u>
Total	<u><u>185</u></u>

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. This match is funded with monthly contributions by the participating municipality at an annual, actuarially determined rate. 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. A municipality may elect to increase or reduce its matching ratio effective January 1 of a calendar year. The City elected a matching ratio of 2 to 1 (200%). Upon an employee's retirement, the City matches the accumulated employee contributions plus interest earned.

Employees for the City of Alpine were required to contribute 5% of their annual gross earnings during the fiscal year. The contribution rate for the City for the calendar months in 2018 was 0.97% and 1.06% for the calendar months in 2019. The City's employer contributions to TMRS for the year ended September 30, 2019, were \$33,230 and were equal to the required contributions.

Net Pension Asset: The City's Net Pension Asset (NPA) was measured as of December 31, 2018, and the Total Pension Liability (TPL) used to calculate the Net Pension Asset was determined by an actuarial valuation as of that date.

Actuarial Assumptions: The Total Pension Liability in the December 31, 2018 actuarial valuation was determined using the following actuarial assumptions:

Inflation	2.5% per year
Overall payroll growth	3.0% per year
Investment Rate of Return	6.75%, net of pension plan investment expense, including inflation

CITY OF ALPINE, TEXAS

NOTES TO THE BASIC FINANCIAL STATEMENTS

SEPTEMBER 30, 2019

NOTE 10 – PENSION PLANS (continued)

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 Tables with Blue Collar Adjustment, with male rates multiplied by 109% and female rates multiplied by 103%. Based on the size of the City, rates are multiplied by an additional factor of 100%. 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 Combined Healthy Mortality Tables with Blue Collar Adjustment are used, with male rates multiplied by 109% and female rates multiplied by 103% with a 3-year set-forward for both males and females. In addition, a 3% minimum mortality rate is applied to reflect the impairment for younger members who become disabled. The rates are projected on a fully generational basis by scale BB to account for future mortality improvements subject to the 3% floor.

Actuarial assumptions used in the December 31, 2018, valuation were based on the results of actuarial experience studies. The experience study in TMRS was for the period December 31, 2010 through December 31, 2014. They were adopted in 2015 and first used in the December 31, 2015 actuarial valuation. The 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. In conjunction with these changes first used in the December 31, 2013 valuation, the System adopted the Early Age Normal actuarial cost method and a one-time change to the amortization policy.

The long-term expected rate of return on pension plan investments is 6.75%. 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 numbers shown are for a 7-10 year investment horizon. 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 Real Rate of Return (Arithmetic)
Domestic Equity	17.5%	4.30%
International Equity	17.5%	6.10%
Core Fixed Income	10.0%	1.00%
Non-Core Fixed Income	20.0%	3.39%
Real Return	10.0%	3.78%
Real Estate	10.0%	4.44%
Absolute Return	10.0%	3.56%
Private Equity	5.0%	7.75%
Total	100.0%	N/A

CITY OF ALPINE, TEXAS

NOTES TO THE BASIC FINANCIAL STATEMENTS

SEPTEMBER 30, 2019

NOTE 10 – PENSION PLANS (continued)

Discount Rate: The discount rate used to measure the Total Pension Liability was 6.75%. The long-term municipal bond rate of 3.71% based on the daily rate closest to but not later than the measurement date of the Fidelity 20-year Municipal GO AA Index). 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.

Changes in the Net Pension Liability (Asset)	Increase (Decrease)		
	Total Pension Liability (a)	Plan Fiduciary Net Position (b)	Net Pension Liability (Asset) (a)-(b)
Balance at 12/31/2017	\$ 6,234,248	\$ 7,819,815	\$(1,585,567)
Changes for the year:			
Service cost	247,620	-	247,620
Interest (on the Total Pension Liability)	418,092	-	418,092
Change of benefit terms	-	-	-
Difference between expected and actual experience	(171,036)	-	(171,036)
Changes of assumptions	-	-	-
Contributions - employer	-	27,865	(27,865)
Contributions - employee	-	143,798	(143,798)
Net investment income	-	(234,101)	234,101
Benefit payments, including refunds of employee contributions	(328,205)	(328,205)	-
Administrative expense	-	(4,527)	4,527
Other changes	-	(237)	237
Net changes	166,471	(395,407)	561,878
Balance at 12/31/2018	\$ 6,400,719	\$ 7,424,408	\$(1,023,689)

CITY OF ALPINE, TEXAS

NOTES TO THE BASIC FINANCIAL STATEMENTS

SEPTEMBER 30, 2019

NOTE 10 – PENSION PLANS (continued)

Sensitivity of the net pension asset to changes in the discount rate: The following presents the net pension asset of the City, calculated using the discount rate of 6.75%, as well as what the City's net pension asset 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 (5.75%)	Current Single Rate Assumption (6.75%)	1% Increase (7.75%)
City's net pension asset	\$ (201,460)	\$ (1,023,689)	\$ (1,705,216)

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 TMRS: For the year ended September 30, 2019, the City recognized pension expense of \$18,242. At September 30, 2019, the City reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual economic experience	\$ -	\$ 192,971
Changes in actuarial assumptions	-	-
Difference between projected and actual investment earnings	405,201	-
Changes in Proportionate Share	109,965	109,965
Contributions subsequent to the measurement date	26,404	-
Total	\$ 541,570	\$ 302,936

The \$26,404 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 or increase in net pension asset for the year ending September 30, 2020. Other amounts reported as deferred outflows and inflows of resources related to pensions will be recognized in pension expense as follows:

Year Ending September 30,	
2020	\$ 37,660
2021	(8,642)
2022	30,825
2023	152,387
2024	-
Thereafter	-
Total	\$ 212,230

CITY OF ALPINE, TEXAS

NOTES TO THE BASIC FINANCIAL STATEMENTS

SEPTEMBER 30, 2019

NOTE 10 – PENSION PLANS (continued)

Changes in Net Pension Asset

	Beginning Balance	Additions	Reductions	Ending Balance
Net Pension Asset	\$ 1,585,567	\$ (761,939)	\$ 200,061	\$ 1,023,689

Payable to the Pension Plan: At September 30, 2019 the City reported a payable of employer contributions of \$2,605 to the pension plan for the outstanding amount of contractually required contributions related to past service costs. Employee contributions payable totaled \$12,289.

B. Texas Emergency Services Retirement System - Alpine Volunteer Fire Department

Plan Description: Alpine Volunteer Fire Department (AVFD) offers a retirement plan to eligible employees through the Texas Emergency Services Retirement System (TESRS). TESRS administers a cost-sharing multiple employer pension system (the System) established and administered by the State of Texas to provide pension benefits for emergency services personnel who serve without significant monetary remuneration. TESRS is an agency of the State of Texas and its financial records comply with state statutes and regulations. The nine member Board of Trustees, appointed by the Governor, establishes policy for the administration of the Texas Emergency Services Retirement System.

The TESRS was created as a standalone agency by the 83rd Legislature via the passage of SB 220, effective September 1, 2013, to assume the related functions of the abolished Office of the Fire Fighters' Pension Commissioner. The System has been in existence since 1977. TESRS, which is under the authority of Title 8, Subtitle H, Chapters 861-865 of the Texas Government Code, provides death and disability benefits to active volunteer fire fighters and first responders, and a pension to members with vested service, as well as to their survivor/beneficiaries. For financial reporting purposes, the State of Texas is considered the primary reporting government. TESRS' financial statements are included in the State's Comprehensive Annual Financial Report. TESRS issues a publicly available Annual Financial Report, which includes financial statements, notes, and required supplementary information, which can be obtained at www.tesrs.org. The separately issued actuarial valuations which may be of interest are also available at the same link.

Benefits Provided: Senate Bill 411, 65th Legislature, Regular Session (1977), created TESRS and established the applicable benefit provisions. The 79th Legislature, Regular Session (2005), re-codified the provisions and gave the TESRS Board of Trustees authority to establish vesting requirements, contribution levels, benefit formulas, and eligibility requirements by board rule. The benefit provisions include retirement benefits as well as death and disability benefits. Members are 50% vested after the tenth year of service, with the vesting percent increasing 10% for each of the next five years of service so that a member becomes 100% vested with 15 years of service.

Upon reaching age 55, each vested member may retire and receive a monthly pension equal to his vested percent multiplied by six times the governing body's average monthly contribution over the member's years of qualified service. For years of service in excess of 15 years, this monthly benefit is increased at the rate of 6.2% compounded annually. There is no provision for automatic post-retirement benefit increases.

CITY OF ALPINE, TEXAS

NOTES TO THE BASIC FINANCIAL STATEMENTS

SEPTEMBER 30, 2019

NOTE 10 – PENSION PLANS (continued)

On and off-duty death benefits and on-duty disability benefits are dependent on whether or not the member was engaged in the performance of duties at the time of death or disability. Death benefits include a lump sum amount or continuing monthly payments to a member's surviving spouse and dependent children.

Funding Policy: Contributions are made by governing bodies for the participating departments. No contributions are required from the individuals who are members of the System, nor are they allowed. The governing bodies of each participating department are required to make contributions for each month a member performs emergency services for a department (this minimum contributions is \$36 per member and the department may make a higher monthly contribution for its members). This is referred to as a Part One contribution, which is the legacy portion of the System contribution that directly impacts future retiree annuities.

The state is required to contribute an amount necessary to make the System "actuarially sound" each year, which may not exceed one-third of the total of all contributions made by participating governing bodies in a particular year.

The board rule defining contributions was amended effective July 27, 2014 to add the potential for actuarially determined Part Two contributions that would be required only if the expected future annual contributions from the state are not enough with the Part One contributions to provide an adequate contribution arrangement as determined by the most recent actuarial valuation. This Part Two portion, which is actuarially determined as a percent of the Part One portion (not to exceed 15%), is to be actuarially adjusted every two years based on the most recent actuarial valuation. Based on the actuarial valuation as of August 31, 2016, the Part Two contributions were established by the board to be 2% of the Part One contributions beginning September 1, 2017. Based on the August 31, 2018 actuarial valuation, the Part Two contributions are not required for an adequate contribution arrangement.

Additional contributions may be made by governing bodies within two years of joining the System, to grant up to ten years of credit for service per member. Prior service purchased must have occurred before the department began participation in the System.

A small subset of participating departments have a different contribution arrangement which is being phased out over time. In this arrangement, contributions made in addition to the monthly contributions for active members, are made by local governing bodies on a pay-as-you-go basis for members who were pensioners when their respective departments merged into the System. There is no actuarial impact associated with this arrangement as the pay-as-you-go contributions made by these governing bodies are always equal to benefit payments paid by the System.

TESRS is included in the Fire Fighter's Pension Commissioner's annual financial reports as a pension trust fund. At August 31, 2019, there were 237 contributing fire or emergency services departments participating in TESRS. Eligible participants include volunteer emergency services personnel who are members in good standing of a participating department.

The contribution requirement per active emergency services personnel member per month is not actuarially determined. Rather, the minimum contribution provisions were set by board rule, and there is no maximum contribution rate.

CITY OF ALPINE, TEXAS

NOTES TO THE BASIC FINANCIAL STATEMENTS

SEPTEMBER 30, 2019

NOTE 10 – PENSION PLANS (continued)

The City makes biannual contributions to the TESRS on behalf of the Alpine Volunteer Fire Department. The City's total contribution to TESRS for fiscal year ending September 30, 2019 was \$6,790.

The pension expense for AVFD is based on their proportionate share of the collective pension expense based on TESRS' fiscal year ended August 31, 2019, as shown in the following table:

	<u>AVFD Pension Expense</u>
Service Cost	\$ 2,836
Interest	16,040
Projected earnings on pension plan investments	(13,482)
Amortization of differences between projected and actual earnings on plan investments	4,381
Amortization of changes in assumptions	123
Amortization of differences between expected and actual experience	(34)
Pension plan administrative expense	<u>345</u>
	<u><u>\$ 10,209</u></u>

Actuarial Assumptions

The total pension liability in the August 31, 2018 actuarial valuation was determined using the following actuarial assumptions, applied to all periods included in the measurement:

Inflation	3.00%
Salary increases	N/A
Investment rate of return	7.75%, net of pension plan investment expense, including inflation

Mortality rates were based on the RP-2000 Combined Healthy Lives Mortality Tables for males and for females projected to 2024 by scale AA.

The long-term expected rate of return on pension plan investments was determined using a building-block method in which expected future net real rates of return (expected returns, net of pension plan investment expenses and inflation) are developed for each major asset class. These components 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 (currently 5.01%) and by adding expected inflation (3.00%). In addition, the final 7.75% assumption was selected by "rounding down" and thereby reflects a reduction of 0.26% for adverse deviation. The target allocation and expected arithmetic real rates of return for each major asset class are summarized in the following table:

CITY OF ALPINE, TEXAS

NOTES TO THE BASIC FINANCIAL STATEMENTS

SEPTEMBER 30, 2019

NOTE 10 – PENSION PLANS (continued)

Asset Class	Target Allocation	Long-Term Expected Net Real Rate of Return
Equities		
Large cap domestic	32.0%	5.81%
Small cap domestic	15.0%	5.92%
Developed international	15.0%	6.21%
Emerging markets	5.0%	7.18%
Master limited partnership	5.0%	7.61%
Real Estate	5.0%	4.46%
Fixed income	23.0%	1.61%
Cash	0.0%	0.00%
Total	100.0%	-
Weighted average	-	5.01%

Discount Rate: The discount rate used to measure the total pension liability was 7.75%. No projection of cash flows was used to determine the discount rate because the August 31, 2018 actuarial valuation showed that expected contributions would pay the normal cost and amortize the unfunded actuarial accrued liability (UAAL) in 30 years using the conservative level dollar amortization method. Because of the 30-year amortization period with the conservative amortization method, the pension plan's fiduciary net position is expected to be available to make all projected future benefit payments of the current active and inactive members. 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.

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

The following presents the net pension liability of the City, calculated using the discount rate of 7.75%, as well as what the City net pension liability would be if it were calculated using a discount rate that is 1 percentage point lower (6.75%) or 1 percentage point higher (8.75%) than the current rate.

	1% Decrease 6.75%	Current Discount Rate 7.75%	1% Increase 8.75%
Net pension liability/ (asset)	\$ 76,577	\$ 43,085	\$ 20,666

CITY OF ALPINE, TEXAS

NOTES TO THE BASIC FINANCIAL STATEMENTS

SEPTEMBER 30, 2019

NOTE 10 – PENSION PLANS (continued)

The System's net pension liability was measured as of August 31, 2019 and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of August 31, 2018 rolled forward to August 31, 2019. The City's proportion of the net pension liability was based on the City's contributions to the pension plan relative to the contributions of all employers to the plan for the period September 1, 2018 through August 31, 2019.

At August 31, 2019, the City's proportion of the collective net pension liability was 0.152% which was an increase of 0.061 % from its proportion as of August 31, 2018.

Pension Expense and Deferred Outflows/Inflows of Resources Related to TESRS

For the year ended September 30, 2019, the City recognized pension expense of \$2,020 revenue of \$2,020_ for support provided by the State.

For the City's accounting year ending September 30, 2019, the annual pension cost for the TESRS plan for its members was \$18,574, and the actual contributions were \$6,790. As of September 30, 2019, the City had deferred inflows and outflows of resources related to the TESRS pension as follows:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual experience	\$ -	\$ 52
Changes in assumptions	-	-
Net differences between projected and actual investment earnings	5,548	-
Change in proportionate share	11,465	8,820
Contributions made subsequent to measurement date	-	-
	<u>\$ 17,013</u>	<u>\$ 8,872</u>

As there were no deferred outflows of resources related to pensions resulting from City contributions subsequent to the measurement date, there will be no reduction of the net pension liability in the year ended September 30, 2020.

Amounts currently reported as deferred outflows of resources related to pensions, excluding contributions made subsequent to the measurement date, will be recognized in pension expense as follows:

Year Ended:	
2020	\$ 599
2021	2,963
2022	2,230
2023	2,349
2024	-
Thereafter	<u>-</u>
Total	<u>\$ 8,141</u>

CITY OF ALPINE, TEXAS

NOTES TO THE BASIC FINANCIAL STATEMENTS

SEPTEMBER 30, 2019

NOTE 10 – PENSION PLANS (continued)

Changes in Net Pension Liability

	Beginning Balance		Additions		Reductions		Ending Balance
Net Pension Liability	\$ 19,702	\$	30,173	\$	(6,790)	\$	43,085

NOTE 11 - OTHER POST EMPLOYMENT BENEFITS

Plan Description: The City provides a defined benefit group term life insurance death benefit through the Supplemental Death Benefit Fund (SDBF) operated by the Texas Municipal Retirement System (“TMRS”). This is a voluntary program in which participating member cities may elect, by ordinance, to provide group-term life insurance coverage for their active members including or not including retirees. The City has elected to offer these benefits to retirees of the municipality. As the SDBF covers both active and retiree participants, with no segregation of assets, the SDBF is considered to be an unfunded OPEB plan (i.e. no assets are accumulated). As such, the SDBF is considered to be a single-employer unfunded OPEB plan, with benefit payments treated as being equal to the employer’s yearly contributions for retirees.

Benefits: Payments from this fund are similar to group-term life insurance benefits, and are paid to the designated beneficiaries upon the receipt of an approved application for payment. The death benefit for active employees provides a lump-sum payment approximately equal to the employee’s annual salary (calculated based on the employee’s actual earnings on which TMRS deposits are made, for the 12-month period preceding the month of death). The death benefit for retirees is considered an other postemployment benefit (“OPEB”) and is a fixed amount of \$7,500. The obligations of this plan are payable only from the SDBG and are not an obligations of, or a claim against, the Pension Trust Fund. There was no sharing of benefit-related costs with inactive employees for the plan year.

Employees Covered by benefit terms

At the December 31, 2018 actuarial valuation and measurement date, the following employees were covered by the benefit terms:

Inactive employees currently receiving benefits	21
Inactive employees entitled to but not yet receiving benefits	3
Active employees	79
Total	103

Membership counts for inactive employees currently receiving or entitled to but not yet receiving benefits will differ from those eligible under the TMRS pension plan as they include only those eligible for a SDBF benefit (i.e. excludes beneficiaries, non-vested terminations due a refund, etc.).

CITY OF ALPINE, TEXAS

NOTES TO THE BASIC FINANCIAL STATEMENTS

SEPTEMBER 30, 2019

NOTE 11 - OTHER POST EMPLOYMENT BENEFITS (continued)

Contributions: The City contributes to the SDBF at a contractually required rate as determined by an annual actuarial valuation. The contribution rate is determined annually for each participating municipality as a percentage of covered payroll. The rate is equal to the cost of providing one-year term life insurance. The rate is based on the mortality and service experience of all employees covered by the SDBF and the demographics specific to the workforce of the City. There is a one-year delay between the actuarial valuation that serves as the basis for the employer contribution rate and the calendar year when the rate goes into effect. The contributions to the SDBF are pooled for investment purposes with those of the Pension Trust Fund. The TMRS Act requires the Pension Trust Fund to allocate investment income to the SDBF on an annual basis. The funding policy of this plan is to assure that adequate resources are available to meet all death benefit payments for the upcoming year; the intent is not to pre-fund retiree term life insurance during the employees' entire career. As such, contributions are utilized to fund active member deaths on a pay-as-you-go basis; any excess contributions and investment income over payments then become net position available for benefits.

The employer contribution rates for the municipalities participating in the SDBG are certified annually by the Board of Trustees which is responsible for establishing and maintaining the funding policy. These rates are determined actuarially, based on the plan provisions in effect as of April 1, 2019 and the actuarial assumptions and methodology adopted by the Board. The Board's current policy is that the contribution rates determined by a given actuarial valuation become effective one (1) year after the valuation date. The City may terminate coverage under and discontinue participation in the SDBF by adopting an ordinance before November 1 of any year to be effective the following January.

Schedule of Contributions - (Retiree-only portion of the rate, for OPEB):

<u>Plan/Calendar Year</u>	<u>Total SDB Contribution Rate</u>	<u>Retiree Portion of SDB Contribution Rate</u>
2018	0.19%	0.04%
2019	0.19%	0.04%

The City's contributions to the SDBF for the year ended September 30, 2019 were \$6,070.

Total OPEB Liability: The total OPEB liability (TOL) shown in this report is based on an actuarial valuation performed as of December 31, 2018 and a measurement date of December 31, 2018; as such, no roll-forward is required.

CITY OF ALPINE, TEXAS

NOTES TO THE BASIC FINANCIAL STATEMENTS

SEPTEMBER 30, 2019

NOTE 11- OTHER POST EMPLOYMENT BENEFITS (continued)

Actuarial Assumptions: The total OPEB liability in the December 31, 2018 actuarial valuation was determined using the following actuarial assumptions:

Inflation	2.5% per year
Salary increases	3.5% to 10.5% including inflation
Discount rate*	3.71%
Retirees' share of benefit-related costs	\$0
Administrative Expenses	All administrative expenses are paid through the Pension Trust and accounted for under reporting requirements under GASB Statement No. 68

**The discount rate was based on the Fidelity Index's "20-year Municipal GO AA Index" as of December 31, 2018.*

The actuarial assumptions were developed primarily from the actuarial investigation of the experience of TMRS over the four year period from December 31, 2010 to December 31, 2014. They were adopted in 2015 and first used in the December 31, 2015 actuarial valuation. The post-retirement mortality assumption for healthy annuitants and Annuity Purchase Rate (APRs) are based on the Mortality Experience Investigation Study covering the 2009 through 2011, and dated December 31, 2013. These assumptions were first used in the December 31, 2013 valuation. For purposes of developing the SDBF contribution rates, no other demographic assumptions are applicable. Mortality rates for the SDBF were the same as those used for the pension trust fund. See the TMRS pension plan note for mortality rate information. For purposes of calculating an employer's actuarially determined contribution rate, the one-year term cost is used. The actuarial cost method being used is known as the Entry Age Normal Actuarial Cost Method. There were no changes in actuarial assumptions and methods since the prior valuation.

Investment Return and Valuation of Assets: The TMRS Act requires the Pension Trust Fund to allocate investment income to the SDBF on an annual basis, every December 31 based on the mean balance in the SDBF during the year. Thus, the SDBF receives a statutory interest credit of 5% allocated annually and is not dependent on investment earnings. Assets in the SDBF are valued at fund value (or fund balance); however, since the contribution rates are based just on the one-year term costs, assets are not included in developing the rate.

Discount Rate: The applicable discount rate for an unfunded OPEB is based on an index of tax exempt 20-year municipal bond rates rated as AA/Aa or higher. As of December 31, 2018, the discount rate used in the development of the Total OPEB liability was 3.71%.

CITY OF ALPINE, TEXAS

NOTES TO THE BASIC FINANCIAL STATEMENTS

SEPTEMBER 30, 2019

NOTE 11 - OTHER POST EMPLOYMENT BENEFITS (continued)

Changes in the Total OPEB Liability

Total OPEB Liability beginning of year	\$ 142,098
Change for the year:	
Service Cost	7,765
Interest on Total OPEB Liability	4,813
Changes of benefit terms	
Differences between expected and actual experience	(13,437)
Changes in assumptions or other inputs	(8,780)
Benefit payments	<u>(1,151)</u>
Net Changes	<u>(10,790)</u>
Total OPEB Liability - end of year	<u><u>\$ 131,308</u></u>

Sensitivity Analysis of the Total OPEB liability to Changes in the Discount Rate:

The following presents the total OPEB liability of the City, calculated using the discount rate of 3.71%, as well as what the City total OPEB liability would be if it were calculated using a discount rate that is 1 percentage point lower (2.71%) or 1 percentage point higher (4.71%) than the current rate:

	1% Decrease 2.71%	Current Discount Rate 3.71%	1% Increase 4.71%
Total OPEB liability/ (asset)	<u>\$ 154,994</u>	<u>\$ 131,308</u>	<u>\$ 112,298</u>

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

For the year ended September 30, 2019, the City recognized OPEB expense of \$10,571 . At September 30, 2019, the City reported deferred outflows of resources and deferred inflows of resources related to OPEB from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual economic experience	\$ -	\$ 11,112
Changes in actuarial assumptions	6,946	7,262
Contributions subsequent to the measurement date	<u>996</u>	<u>-</u>
Total	<u><u>\$ 7,942</u></u>	<u><u>\$ 18,374</u></u>

CITY OF ALPINE, TEXAS

NOTES TO THE BASIC FINANCIAL STATEMENTS

SEPTEMBER 30, 2019

NOTE 11 - OTHER POST EMPLOYMENT BENEFITS (continued)

The \$996 reported as deferred outflows of resources related to OPEB resulting from contributions subsequent to the measurement date will be recognized as a reduction of the total OPEB liability for the year ending September 30, 2020. Other amounts reported as deferred outflows and inflows of resources related to OPEB will be recognized in pension expense as follows:

<u>Year Ending September 30,</u>	
2020	\$ (2,007)
2021	(2,007)
2022	(2,007)
2023	(2,409)
2024	(2,998)
Thereafter	<u>-</u>
Total	<u><u>\$ (11,428)</u></u>

Changes in Total OPEB Liability:

	Beginning Balance	Additions	Reductions	Ending Balance
Total OPEB Liability	<u>\$ 142,098</u>	<u>\$ 12,578</u>	<u>\$ (23,368)</u>	<u>\$ 131,308</u>

Payable to the OPEB Plan: At September 30, 2019, the City reported a payable of \$467 to the OPEB plan for the outstanding amount of contractually required contributions related to past service costs.

NOTE 12 – SELF INSURANCE-HEALTHCARE COVERAGE

The City has a self-insured health plan through the Texas Municipal League Intergovernmental Employee Benefits Pool covering substantially all employees. The plan covers major medical expenses, dental and vision. The City contributed \$346 from October 1, 2018 through September 2019, per employee to the plan. After expenses on a single covered member reach \$35,000 the City has purchased stop loss insurance policy for the excess. Estimates of claims payable and of claims incurred but not paid at September 30, 2019, are reflected as other current liabilities of the fund based upon information provided by the third party administrator.

Changes in the balance of claim liabilities during the year ended September 30, 2019 and 2018 were as follows:

	<u>2019</u>	<u>2018</u>
Unpaid claims, beginning of year	\$ 43,666	\$ 44,240
Incurred claims (including IBNRs)	1,004,769	626,535
Claims payments	<u>(1,045,462)</u>	<u>(627,109)</u>
Unpaid claims, end of fiscal year	<u><u>\$ 2,973</u></u>	<u><u>\$ 43,666</u></u>

CITY OF ALPINE, TEXAS

NOTES TO THE BASIC FINANCIAL STATEMENTS

SEPTEMBER 30, 2019

NOTE 13 – FUND BALANCE REPORTING

The following schedule discloses the details of fund balance classifications at September 30, 2019:

	General Fund	Hotel and Motel Tax Fund	Non-Major Funds	Total
Fund Balances:				
Restricted for:				
Federal or State Grants	\$ -	\$ -	\$ 80,530	\$ 80,530
Other	1,326	-	19,027	20,353
Debt services	-	-	81,798	81,798
Tourism activities	-	979,232	-	979,232
Total restricted	1,326	979,232	181,355	1,161,913
Committed:				
Capital Improvements	10,481	-	-	10,481
Creek Trail Reserve	215,000	-	-	215,000
Fire Department	185,000	-	-	185,000
Assigned-Capital Improvements	21,702	-	-	21,702
Unassigned	1,277,366	-	-	1,277,366
Total fund balances	\$ 1,710,875	\$ 979,232	\$ 181,355	\$ 2,871,462

NOTE 14 – COMMITMENTS AND CONTINGENCIES

During the normal course of business, the City is subject to various legal claims. As of September 30, 2019, management is not aware of any such claim which would have a material adverse effect on the financial statements, and accordingly no provision has been accrued.

Federal and State Funding

The City participates in numerous state and federal grant programs which are governed by various rules and regulations of the grantor agencies; therefore, to the extent that the City has not complied with the rules and regulations governing the grants, refunds of any money received may be required and the collectibility of any related receivable at September 30, 2019 may be impaired. In the opinion of administration, there are no significant contingent liabilities relating to compliance with the rules and regulations governing the respective grants; therefore, no provision has been recorded in the accompanying financial statements for such contingencies. Management asserts that the City is in compliance with Texas Water Code, Chapter 16, Section 16.356 (a), and that the City has not used any revenue received from fees collected from a water supply or sewer service constructed in whole or in part from the economically distressed areas program account for purposes other than utility purposes.

CITY OF ALPINE, TEXAS

NOTES TO THE BASIC FINANCIAL STATEMENTS

SEPTEMBER 30, 2019

NOTE 15 – RISK MANAGEMENT

The City is exposed to various risks of loss related to torts; theft of, damage to, and destruction of assets; errors and omissions; workers compensation; environmental claims; and natural disasters. The Council maintains insurance policies through Texas Municipal League Intergovernmental Risk Pool covering all structural property, automobiles, dishonesty, legal liability errors and omissions, machinery, personal property, and general liability to mitigate the effect of potential risks. There have been no significant reductions to insurance coverage from prior years and settlements have not exceeded insurance coverage.

The City has joined the Texas Municipal League Intergovernmental Risk Pool Workers' Compensation Joint Insurance Fund. The interlocal agreement with the pool provides that the pool will be self-sustaining through member premiums. The Texas Municipal League Intergovernmental Risk Pool publishes its own financial reports for the year ended September 2019 which can be obtained from the Texas Municipal League Intergovernmental Risk Pool, Austin, Texas.

NOTE 16 – LANDFILL

Numerous state and federal laws and regulations require the City to place a final cover on its landfill site when no longer accepting waste and to perform certain monitoring and maintenance functions at the site for thirty years after closure. Such closure and postclosure costs will be incurred near or after the effective date that the landfill stops accepting deposits. Consequently, the City must begin reporting a portion of these costs as an operating expense when the Texas Commission on Environmental Quality (TCEQ) releases final regulations. The *Texas Administrative Code* requires landfill owners to demonstrate financial assurance that they will have sufficient financial resources to satisfy closure and post-closure care expenses at such time as these become payable. The regulations provide various means by which a municipality may demonstrate financial assurance. For the year ended September 30, 2019, the City met all of the financial tests required by the TCEQ.

At September 30, 2019, total closure and postclosure costs are estimated at \$2,241,890. The estimated closure and postclosure costs recorded as a liability are \$661,391 and \$189,232, respectively, for a total of \$850,623. The liability for closure and postclosure care costs is based on landfill capacity used to date. The cost components are based on federal, state, or local laws or regulations concerning closure and post-closure care that have been approved as of the balance sheet date. Actual cost may be higher due to inflation, changes in technology, or changes in regulations. As of September 30, 2019, the City has \$79,255 to finance the estimated closure and post-closure costs.

At September 30, 2019, the City was operating 5 cells utilizing approximately 32.4 acres of the 71.5 acres in the designated landfill area resulting in approximately 45.3% capacity used.

There are 12 cells in this landfill and the remaining estimated life is approximately 39 years.

CITY OF ALPINE, TEXAS

NOTES TO THE BASIC FINANCIAL STATEMENTS

SEPTEMBER 30, 2019

NOTE 17 - LEASING ARRANGEMENTS WITH CITY AS LESSOR

Airport

The City leases land for hangers under various long-term lease agreements under the operating method of accounting for leases. Minimum future rentals to be received on non-cancelable leases as of September 30, 2019, for each of the next five years and in the aggregate are:

<u>Year Ending September 30,</u>	<u>Amount</u>
2020	\$ 14,628
2021	13,628
2022	13,628
2023	13,628
2024	13,628
2025-2029	68,025
2030-2034	65,517
2035-2039	38,122
2040-2044	27,123
2045-2047	6,324
Total minimum future rentals	<u><u>\$ 274,251</u></u>

General Fund

The City leases land to the post office under the terms of a ground lease agreement. The lease activity is accounted for under the operating method of accounting for leases. Minimum future rentals to be received on non-cancelable leases as of September 30, 2019, for each of the next five years and in the aggregate are:

<u>Year Ending September 30,</u>	<u>Amount</u>
2020	\$ 4,400
2021	4,400
2022	4,400
2023	4,400
2024	4,400
2025-2029	24,860
2030-2034	27,345
Total minimum future rentals	<u><u>\$ 74,205</u></u>

CITY OF ALPINE, TEXAS

NOTES TO THE BASIC FINANCIAL STATEMENTS

SEPTEMBER 30, 2019

NOTE 18 - TOP TEN TAXPAYERS

The following businesses represent the top ten taxpayers for the City:

<u>Name</u>	<u>Taxable Value</u>
Holiday Inn Express & Suites	\$ 5,000,000
AEP Texas North Company	4,326,880
NGP VI Alpine TX LLC	3,913,872
S3 Hospitality LLC	3,908,600
ANG Alpine Hospitality LLC	3,900,000
Big Bend Regional Medical	3,068,377
WTG Fuels Inc.	3,020,727
McCoy Corporation	2,788,384
Union Pacific RR Co.	2,606,140
Holland Investors LLC	2,334,370
	<u>\$ 34,867,350</u>

NOTE 19 – RELATED PARTY TRANSACTIONS

From time to time, the City may enter into transactions with related parties through the normal course of business. If a council member has a conflict of interest, proper documentation is completed and he/she is required to abstain from any discussion or voting regarding the matter. Management is not aware of any material related party transactions that occurred during the year ending September 30, 2019.

NOTE 20 – NEW ACCOUNTING PRONOUNCEMENTS

The City has not completed the process of evaluating the impact on its financial position that will result from adopting the following Governmental Accounting Standards Board (GASB) Statements:

- GASB No. 84, *Fiduciary Activities*, effective for fiscal years beginning after December 15, 2018. GASB No. 84 establishes criteria for identifying fiduciary activities of all state and local governments.
- GASB No. 87, *Leases*, effective for fiscal years beginning after December 15, 2019. GASB No. 87 requires recognition of certain lease assets and liabilities for leases that previously were classified as operating leases.
- GASB No. 89, *Accounting for Interest Costs Incurred before the End of a Construction Period*, effective for fiscal years beginning after December 15, 2019. GASB No. 89 establishes accounting requirements for interest cost incurred before the end of a construction period.

CITY OF ALPINE, TEXAS

NOTES TO THE BASIC FINANCIAL STATEMENTS

SEPTEMBER 30, 2019

NOTE 20 – NEW ACCOUNTING PRONOUNCEMENTS (continued)

- GASB No. 90, *Majority Equity Interests - an Amendment of GASB Statements No. 14 and No. 61*, effective for fiscal years beginning after December 15, 2018. GASB No. 90 modifies previous guidance for reporting a government's majority equity interest in legally separate organizations. This statement also provides guidance for reporting a component unit if a government acquires a 100 percent equity interest in that component unit.
- GASB No. 91, *Conduit Debt Obligations*, effective for periods beginning after December 15, 2019. GASB No. 91 requires issuers to disclose information about their conduit obligations.

REQUIRED SUPPLEMENTARY INFORMATION

CITY OF ALPINE, TEXAS
SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE -
BUDGET AND ACTUAL - GENERAL FUND
FOR THE YEAR ENDED SEPTEMBER 30, 2019

Data Control Codes	Budgeted Amounts		Actual Amounts (GAAP BASIS)	Variance With Final Budget Positive or (Negative)	
	Original	Final			
REVENUES:					
Taxes:					
5110	Property Taxes	\$ 1,791,026	\$ 1,791,026	\$ 1,787,137	\$ (3,889)
5120	General Sales and Use Taxes	1,700,000	1,700,000	1,693,761	(6,239)
5170	Franchise Tax	100,000	100,000	101,467	1,467
5180	Other Taxes	32,000	32,000	25,661	(6,339)
5190	Penalty and Interest on Taxes	30,000	30,000	30,427	427
5200	Licenses and Permits	53,350	53,350	86,769	33,419
5300	Intergovernmental Revenue and Grants	76,300	76,300	1,655	(74,645)
5400	Charges for Services	813,043	813,043	854,302	41,259
5510	Fines	47,200	47,200	25,477	(21,723)
5610	Investment Earnings	20,650	20,650	27,995	7,345
5620	Rents and Royalties	3,894	3,894	3,894	-
5640	Contributions & Donations from Private Sources	1,000	1,000	3,169	2,169
5700	Other Revenue	174,400	174,400	32,387	(142,013)
5020	Total Revenues	4,842,863	4,842,863	4,674,101	(168,762)
EXPENDITURES:					
Current:					
0100	General Government	1,746,061	1,746,061	1,584,970	161,091
0200	Public Safety	1,588,278	1,588,278	1,367,656	220,622
0300	Public Works	1,102,980	1,102,980	649,418	453,562
0400	Health and Welfare	278,514	278,514	253,140	25,374
0500	Culture and Recreation	333,621	333,621	346,107	(12,486)
Debt Service:					
0710	Principal on Debt	57,900	57,900	57,790	110
0720	Interest on Debt	27,400	27,400	27,187	213
6030	Total Expenditures	5,134,754	5,134,754	4,286,268	848,486
1100	Excess (Deficiency) of Revenues Over (Under) Expenditures	(291,891)	(291,891)	387,833	679,724
OTHER FINANCING SOURCES (USES):					
7915	Transfers In	291,891	291,891	-	(291,891)
8911	Transfers Out (Use)	-	-	(23,090)	(23,090)
7080	Total Other Financing Sources (Uses)	291,891	291,891	(23,090)	(314,981)
1200	Net Change in Fund Balances	-	-	364,743	364,743
0100	Fund Balance - October 1 (Beginning)	1,346,132	1,346,132	1,346,132	-
3000	Fund Balance - September 30 (Ending)	\$ 1,346,132	\$ 1,346,132	\$ 1,710,875	\$ 364,743

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

CITY OF ALPINE, TEXAS
 STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE
 BUDGET AND ACTUAL - HOTEL AND MOTEL TAX FUND
 FOR THE YEAR ENDED SEPTEMBER 30, 2019

Data Control Codes	Budgeted Amounts		Actual	Variance With
	Original	Final	GAAP BASIS (See Note)	Final Budget Positive or (Negative)
REVENUES:				
5150 Gross Receipts Business Tax	\$ 625,000	\$ 625,000	\$ 652,321	\$ 27,321
5610 Investment Earnings	-	-	17,530	17,530
5020 Total Revenues	625,000	625,000	669,851	44,851
EXPENDITURES:				
0560 Hotel and Motel	625,000	625,000	529,974	95,026
6030 Total Expenditures	625,000	625,000	529,974	95,026
1200 Change in Fund Balance	-	-	139,877	139,877
0100 Fund Balance - October 1 (Beginning)	839,355	839,355	839,355	-
3000 Fund Balance - September 30 (Ending)	\$ 839,355	\$ 839,355	\$ 979,232	\$ 139,877

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

CITY OF ALPINE, TEXAS

NOTES TO REQUIRED SUPPLEMENTARY INFORMATION

BUDGET

September 30, 2019

BUDGETARY DATA

The City Council follows these procedures in establishing the annual budget:

1. Prior to the beginning of each fiscal year, the City Manager submits to the City Council a proposed budget for the fiscal year beginning on the following October 1. The operating budget includes proposed expenditures and the means of financing them.
2. Public hearings are conducted at which all interested persons' comments concerning the budget are heard.
3. The budget is legally enacted by the City Council through passage of an ordinance.
4. Expenditures may not legally exceed appropriations at the division level for legally adopted annual operating budgets. The City Manager has the authority to transfer budgeted amounts within and among departments but no amounts may be transferred to increase a salary appropriation without Council approval.
5. Supplemental appropriations during the year must be approved and adopted by the City Council through passage of resolution.
6. At the close of each fiscal year, unexpended budgetary appropriations lapse or revert to the appropriate fund balance category.

The Budgetary Comparison Schedules, included in the required supplementary information, present a comparison of the original and final amended budgets for the period to actual results of operations for the General Fund and the Hotel and Motel Tax fund which is a major special revenue fund for the year ending September 30, 2019. The total expenditures for the General fund and Hotel and Motel Tax fund remained within the total budgeted amount.

CITY OF ALPINE, TEXAS

**SCHEDULE OF CHANGES IN THE CITY'S NET PENSION LIABILITY (ASSET)
AND RELATED RATIOS**

Texas Municipal Retirement System
September 30, 2019

	Plan Year Ended December 31, 2018	Plan Year Ended December 31, 2017	Plan Year Ended December 31, 2016	Plan Year Ended December 31, 2015
Total Pension Liability				
Service Cost	\$ 247,620	\$ 246,502	\$ 221,124	\$ 199,735
Interest (on the Total Pension Liability)	418,092	400,602	397,450	391,016
Changes of benefit terms	-	-	-	-
Difference between expected and actual experience	(171,036)	(71,671)	(263,394)	(163,545)
Changes of assumptions	-	-	-	163,070
Benefit payments, including refunds of employee contributions	(328,205)	(305,543)	(336,811)	(260,720)
Net change in total pension liability	166,471	269,890	18,369	329,556
Total pension liability - beginning	6,234,248	5,964,358	5,945,989	5,616,433
Total pension liability - ending (a)	6,400,719	6,234,248	5,964,358	5,945,989
Plan Fiduciary Net Position				
Contributions - employer	27,865	34,856	10,493	21,546
Contributions - employee	143,798	144,045	141,810	126,735
Net investment income	(234,101)	967,690	454,032	10,075
Benefit payments, including refunds of employee contributions	(328,205)	(305,543)	(336,811)	(260,720)
Administrative expense	(4,527)	(5,018)	(5,129)	(6,137)
Other	(237)	(254)	(279)	(300)
Net change in plan fiduciary net position	(395,407)	835,776	264,116	(108,801)
Plan fiduciary net position - beginning	7,819,815	6,984,039	6,719,922	6,828,723
Plan fiduciary net position - ending (b)	7,424,408	7,819,815	6,984,038	6,719,922
Net pension liability/(asset), ending =(a-b)	\$ (1,023,689)	\$ (1,585,567)	\$ (1,019,680)	\$ (773,933)
Plan fiduciary net position as a percentage of the total pension liability	115.99%	125.43%	117.10%	113.02%
Covered-employee payroll	\$ 2,875,963	\$ 2,869,638	\$ 2,610,670	\$ 2,534,706
Net pension liability (asset) as a percentage of covered employee payroll	(35.59)%	(55.25)%	(39.06)%	(30.53)%

GASB 68, paragraph 46 requires that the information on this schedule be presented for the Plan's measurement year (January 1st - December 31st) as opposed to the City's fiscal year.

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

CITY OF ALPINE, TEXAS

SCHEDULE OF CITY CONTRIBUTIONS

Texas Municipal Retirement System

September 30, 2019

Fiscal Year Ending September 30	Actuarially Determined Contribution	Actual Employer Contribution	Contribution Deficiency (Excess)	Covered- Employee Payroll	Actual Contribution as a % of Covered Payroll
2015	\$ 26,780	\$ 26,780	\$ -	\$ 2,411,318	1.11%
2016	\$ 12,952	\$ 12,952	\$ -	\$ 2,620,637	0.49%
2017	\$ 25,883	\$ 25,883	\$ -	\$ 3,765,608	0.69%
2018	\$ 30,756	\$ 30,756	\$ -	\$ 2,972,667	1.03%
2019	\$ 33,230	\$ 33,230	\$ -	\$ 3,194,571	1.04%

GASB 68, paragraph 46, requires that the data in this schedule be presented as of the City's respective fiscal year as opposed to the measurement year (January 1 - December 31).

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

CITY OF ALPINE, TEXAS

NOTES TO REQUIRED SUPPLEMENTARY INFORMATION

Texas Municipal Retirement System for Pension

September 30, 2019

Valuation Date:

Notes: Actuarially determined contribution rates are calculated as of December 31 and become effective in January 13 months later.

Methods and Assumptions Used to Determine Contribution Rates:

Actuarial Cost Method	Entry Age Normal
Amortization Method	Level Percentage of Payroll, Closed
Remaining Amortization Period	25 years
Asset Valuation Method	10 Year smoothed marked; 15% soft corridor
Inflation	2.5%
Salary Increases	3.50% to 10.5% including inflation
Investment Rate of Return	6.75%
Retirement Age	Experience-based table of 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 109% and female rates multiplied by 103% and projected on a fully generational basis with scale BB.
Other Information:	There were no benefit changes during the year.

CITY OF ALPINE, TEXAS

SCHEDULE OF THE CITY'S PROPORTIONATE SHARE OF THE NET PENSION LIABILITY

Texas Emergency Services Retirement System

September 30, 2019

	Plan Year Ended August 31, 2019	Plan Year Ended August 31, 2018	Plan Year Ended August 31, 2017	Plan Year Ended August 31, 2016	Plan Year Ended August 31, 2015
City's Proportion of the net pension liability	0.152%	0.091%	0.188%	0.075%	0.082%
City's proportionate share of the net pension liability	\$ 43,085	\$ 19,702	\$ 45,123	\$ 21,846	\$ 21,888
City's number of active members*	15	9	11	8	8
City's net pension liability per active member	\$ 2,872	\$ 2,189	\$ 4,102	\$ 2,731	\$ 2,736
Plan fiduciary net position as a percentage of the total pension liability	80.20%	84.30%	81.40%	76.30%	76.90%

* There is no compensation for active members, so the number of active members is used instead. The members are volunteer firefighters.

GASB 68, paragraph 81 requires that the information on this schedule be presented for the Plan's measurement year (September 1 - August 31) as opposed to the City's fiscal year.

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

CITY OF ALPINE, TEXAS

SCHEDULE OF CITY CONTRIBUTIONS

Texas Emergency Services Retirement System

September 30, 2019

	Fiscal Year 2019	Fiscal Year 2018	Fiscal Year 2017	Fiscal Year 2016	Fiscal Year 2015
Contractually required contribution	\$ 6,790	\$ 4,370	\$ 9,108	\$ 3,456	\$ 3,888
Contributions in relation to the contractually required contribution	\$ (6,790)	\$ (4,370)	\$ (9,108)	\$ (3,456)	\$ (3,888)
Contribution deficiency (excess)	-	-	-	-	-
Number of active members *	15	9	11	8	8
Contributions per active member *	\$ 453	\$ 486	\$ 828	\$ 432	\$ 486

* There is no compensation for active members, so the number of active members is used instead. The members are volunteer firefighters.

GASB 68, Paragraph 81, requires that the data in this schedule be presented for the City's respective fiscal year as opposed to measurement year (September 1 - August 31).

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

CITY OF ALPINE, TEXAS

NOTES TO REQUIRED SUPPLEMENTARY INFORMATION

Texas Emergency Services Retirement System for Pension

September 30, 2019

Changes of benefit terms

There were no changes of benefit terms that affected measurement of the total pension liability during the measurement period.

Actuarial Assumptions

The System's net pension liability was measured as of August 31, 2019 and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of August 31, 2018 rolled forward to August 31, 2019.

The total pension liability in the August 31, 2018 actuarial valuation was determined using the following actuarial assumptions, applied to all periods included in the measurement:

Inflation	3.00%
Salary increases	N/A
Investment rate of return	7.75%, net of pension plan investment expense, including inflation

Mortality rates were based on the RP-2000 Combined Healthy Lives Mortality Tables for males and for females projected to 2024 by scale AA.

CITY OF ALPINE, TEXAS

SCHEDULE OF CHANGES IN THE TOTAL OPEB LIABILITY
AND RELATED RATIOS

Texas Municipal Retirement System

September 30, 2019

	Plan Year Ended December 31, 2018	Plan Year Ended December 31, 2017
Changes in the Total OPEB Liability		
Total OPEB Liability - beginning of year	\$ 142,098	\$ 121,618
Changes for the year		
Service Cost	7,765	6,600
Interest on Total OPEB Liability	4,813	4,695
Changes of benefit terms	-	-
Differences between expected and actual experience	(13,437)	-
Changes in assumptions or other inputs *	(8,780)	10,620
Benefit payments **	(1,151)	(1,435)
Net changes	(10,790)	20,480
Total OPEB Liability - end of year	\$ 131,308	\$ 142,098
Total OPEB Liability as a Percentage of Covered Payroll	4.57%	4.95%
Covered payroll	\$ 2,875,963	\$ 2,972,667

* Changes of assumptions and other inputs reflect a change in the discount rate from 3.31% at December 31, 2017 to 3.71% at December 31, 2018.

** Due to the SDBF being considered an unfunded OPEB plan under GASB 75, benefit payments are treated as being equal to the employer's yearly contributions for retirees.

GASB 75, paragraph 170 requires that the information on this schedule be presented for the Plan's measurement year (January 1st - December 31st) as opposed to the City's fiscal year.

Pursuant to GASB 75, paragraph 171, no assets are accumulated in a trust that meets the criteria in paragraph 4 of GASB 75 to pay related benefits.

Pursuant to GASB 75, this schedule should show information 10 years. However, until a full 10-year trend is compiled, governments should present information for those years for which information is available.

CITY OF ALPINE, TEXAS

NOTES TO REQUIRED SUPPLEMENTARY INFORMATION

Texas Municipal Retirement System for OPEB

September 30, 2019

Valuation Date:

Notes: The actuarial assumptions used in the December 31, 2018 valuation were based on the results of an actuarial experience study for the period December 31, 2010 to December 31, 2014.

Summary of Actuarial Assumptions:

Inflation	2.5%
Salary Increases	3.50% to 10.5% including inflation
Discount Rate*	3.71%
Retirees' share of benefit-related costs	\$0
Administrative expenses	All administrative expenses are paid through the Pension Trust and accounted for under reporting requirements under GASB Statement No. 68.
Mortality rates - service retirees	RP2000 Combined Mortality Table with Blue Collar Adjustment with male rates multiplied by 109% and female rates multiplied by 103% and projected on a fully generational basis with scale BB.
Mortality rates - disabled retirees	RP2000 Combined Mortality Table with Blue Collar Adjustment with male rates multiplied by 109% and female rates multiplied by 103% with a 3 year set-forward for both males and females. The rates are projected on a fully generational basis with scale BB to account for future mortality improvements subject to the 3% floor.

*The discount rate was based on the Fidelity Index's "20-Year Municipal GO AA Index" rate as of December 31, 2018.

SUPPLEMENTARY INFORMATION

CITY OF ALPINE, TEXAS
COMBINING BALANCE SHEET
NONMAJOR GOVERNMENTAL FUNDS
SEPTEMBER 30, 2019

Data Control Codes		207 Community Development Fund	210 Municipal Court Tech Fund	211 PD Fed Equity Share Fund	212 PD Abandon Vehicle Fund
ASSETS					
1010	Cash and Cash Equivalents	\$ 3,441	\$ 7,215	\$ 10,887	\$ 5,037
1050	Taxes Receivable	-	-	-	-
1051	Allowance for Uncollectible Taxes (credit)	-	-	-	-
1260	Due from Other Governments	-	-	-	-
1300	Due from Other Funds	66,202	-	-	3,408
1000	Total Assets	<u>\$ 69,643</u>	<u>\$ 7,215</u>	<u>\$ 10,887</u>	<u>\$ 8,445</u>
LIABILITIES					
2010	Accounts Payable	\$ -	\$ -	\$ -	\$ 125
2020	Wages and Salaries Payable	-	-	-	-
2080	Due to Other Funds	-	1,093	-	-
2000	Total Liabilities	<u>-</u>	<u>1,093</u>	<u>-</u>	<u>125</u>
DEFERRED INFLOWS OF RESOURCES					
2601	Unavailable Revenue - Property Taxes	-	-	-	-
2600	Total Deferred Inflows of Resources	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
FUND BALANCES					
Restricted Fund Balance:					
3450	Federal or State Funds Grant Restriction	69,643	-	10,887	-
3480	Retirement of Long-Term Debt	-	-	-	-
3490	Other Restricted Fund Balance	-	6,122	-	8,320
3000	Total Fund Balances	<u>69,643</u>	<u>6,122</u>	<u>10,887</u>	<u>8,320</u>
4000	Total Liabilities, Deferred Inflows & Fund Balances	<u>\$ 69,643</u>	<u>\$ 7,215</u>	<u>\$ 10,887</u>	<u>\$ 8,445</u>

213 Municipal Court Security Fund	229 Local Border Security Prog Grant Fund	243 HIDTA Grant Fund	257 Stonegarden Grant Fund	Total Nonmajor Special Revenue Funds	575 Debt Service Fund	Total Nonmajor Governmental Funds
\$ -	\$ -	\$ 103,043	\$ -	\$ 129,623	\$ 59,588	\$ 189,211
-	-	-	-	-	13,299	13,299
-	-	-	-	-	(4,655)	(4,655)
-	-	13,439	-	13,439	-	13,439
4,585	-	-	-	74,195	19,921	94,116
\$ 4,585	\$ -	\$ 116,482	\$ -	\$ 217,257	\$ 88,153	\$ 305,410
\$ -	\$ -	\$ 2,195	\$ -	\$ 2,320	\$ -	\$ 2,320
-	-	605	-	605	-	605
-	-	113,682	-	114,775	-	114,775
-	-	116,482	-	117,700	-	117,700
-	-	-	-	-	6,355	6,355
-	-	-	-	-	6,355	6,355
-	-	-	-	80,530	-	80,530
-	-	-	-	-	81,798	81,798
4,585	-	-	-	19,027	-	19,027
4,585	-	-	-	99,557	81,798	181,355
\$ 4,585	\$ -	\$ 116,482	\$ -	\$ 217,257	\$ 88,153	\$ 305,410

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

Data Control Codes	207 Community Development Fund	210 Municipal Court Tech Fund	211 PD Fed Equity Share Fund	212 PD Abandon Vehicle Fund
REVENUES:				
Taxes:				
5110 Property Taxes	\$ -	\$ -	\$ -	\$ -
5190 Penalty and Interest on Taxes	-	-	-	-
5300 Intergovernmental Revenue and Grants	-	-	-	-
5400 Charges for Services	-	983	-	6,170
5610 Investment Earnings	65	135	229	123
5020 Total Revenues	65	1,118	229	6,293
EXPENDITURES:				
0200 Public Safety	-	-	1,741	5,400
Debt Service:				
0710 Principal on Debt	-	-	-	-
0720 Interest on Debt	-	-	-	-
6030 Total Expenditures	-	-	1,741	5,400
1200 Net Change in Fund Balance	65	1,118	(1,512)	893
0100 Fund Balance - October 1 (Beginning)	69,578	5,004	12,399	7,427
3000 Fund Balance - September 30 (Ending)	\$ 69,643	\$ 6,122	\$ 10,887	\$ 8,320

213 Municipal Court Security Fund	229 Local Border Security Prog Grant Fund	243 HIDTA Grant Fund	257 Stonegarden Grant Fund	Total Nonmajor Special Revenue Funds	575 Debt Service Fund	Total Nonmajor Governmental Funds
\$ -	\$ -	\$ -	\$ -	\$ -	\$ 151,786	\$ 151,786
-	-	-	-	-	5,257	5,257
-	10,500	106,312	27,567	144,379	-	144,379
718	-	-	-	7,871	-	7,871
-	-	-	-	552	1,569	2,121
718	10,500	106,312	27,567	152,802	158,612	311,414
-	10,500	106,312	27,567	151,520	-	151,520
-	-	-	-	-	108,800	108,800
-	-	-	-	-	38,117	38,117
-	10,500	106,312	27,567	151,520	146,917	298,437
718	-	-	-	1,282	11,695	12,977
3,867	-	-	-	98,275	70,103	168,378
\$ 4,585	\$ -	\$ -	\$ -	\$ 99,557	\$ 81,798	\$ 181,355

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FEDERAL AWARDS AND COMPLIANCE SECTION

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
Members of the City Council
City of Alpine, Texas

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 Alpine, Texas, as of and for the year ended September 30, 2019, and the related notes to the financial statements, which collectively comprise the City of Alpine, Texas' basic financial statements, and have issued our report thereon dated March 20, 2020.

Internal Control Over Financial Reporting

In planning and performing our audit of the financial statements, we considered the City of Alpine, Texas' 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 Alpine, Texas' internal control. Accordingly, we do not express an opinion on the effectiveness of the City of Alpine, Texas' internal control.

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

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

Compliance and Other Matters

As part of obtaining reasonable assurance about whether City of Alpine, Texas' 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 item 2019-001.

City of Alpine, Texas' Response to Findings

City of Alpine, Texas' response to the findings identified in our audit is described in the accompanying schedule of findings and questioned costs. City of Alpine, Texas' 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.

Gibson Ruddock Patterson, LLC
El Paso, Texas
March 20, 2020

INDEPENDENT AUDITOR'S REPORT ON COMPLIANCE FOR
EACH MAJOR PROGRAM AND ON INTERNAL CONTROL OVER
COMPLIANCE REQUIRED BY THE UNIFORM GUIDANCE

To the Honorable Mayor and
Members of the City Council
City of Alpine, Texas

Report on Compliance for Each Major Federal Program

We have audited the City of Alpine, Texas' compliance with the types of compliance requirements described in the *OMB Compliance Supplement* that could have a direct and material effect on each of the City of Alpine, Texas' major federal programs for the year ended September 30, 2019. City of Alpine, Texas' major federal programs are identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs.

Management's Responsibility

Management is responsible for compliance with federal statutes, regulations, and the terms and conditions of its federal awards applicable to its federal programs.

Auditor's Responsibility

Our responsibility is to express an opinion on compliance for each of the City of Alpine, Texas' major federal programs based on our audit of the types of compliance requirements referred to above. We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and the audit requirements of Title 2 U.S. *Code of Federal Regulations* Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance). Those standards and the Uniform Guidance require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about the City of Alpine, Texas' compliance with those requirements and performing such other procedures as we considered necessary in the circumstances.

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

Opinion on Each Major Federal Program

In our opinion, the City of Alpine, Texas,, complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on each of its major federal programs for the year ended September 30, 2019.

Report on Internal Control over Compliance

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

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

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

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

Gibson Ruddock Patterson LLC
El Paso, Texas
March 20, 2020

CITY OF ALPINE, TEXAS

SCHEDULE OF FINDINGS AND QUESTIONED COSTS

FOR THE YEAR ENDED SEPTEMBER 30, 2019

Summary of Auditor's Results

Financial Statements

Type of report the auditor issued on whether the financial statements audited were prepared in accordance with GAAP:

Unmodified

Internal control over financial reporting:

- Material weaknesses identified?
- Significant deficiencies identified?

No

None reported

Noncompliance material to financial statements noted?

Yes, see Finding 2019-001

Federal Awards

Internal Control over major federal programs:

- Material weaknesses identified?
- Significant deficiencies identified?

No

None reported

Type of auditor's report issued on compliance for the major federal programs:

Unmodified

- Any audit findings disclosed that are required to be reported in accordance with Title 2 CFR 200.516(a)?

No

Dollar threshold used to distinguish between Type A and Type B Programs:

\$750,000

Auditee qualified as low-risk auditee?

No

Major Federal Programs:

CFDA 20.106 - Airport Improvement Program

CITY OF ALPINE, TEXAS

SCHEDULE OF FINDINGS AND QUESTIONED COSTS

FOR THE YEAR ENDED SEPTEMBER 30, 2019

Financial Statement Findings

2019-001 - State Compliance - Collateralizing Public Funds Deposits

Criteria: The Public Funds Collateral Act, Texas Government Code, Section 2257.022 requires that deposits of public funds be collateralized at an amount not less than the amount of the deposit that is uninsured.

Condition Found: A portion of the City's deposits as noted below were neither insured nor collateralized in the month of May 2019, the month with the largest amount of deposits held, and at September 30, 2019.

Uninsured and under collateralized:

May 2019	\$	1,184,895
September 30, 2019	\$	363,357

Cause: The excess funds were not transferred to the investment pools and the collateralization was not requested to be increased thus causing the uninsured and under collateralized deposits.

Effect: The City was exposed to a potential loss of public funds equal to the amount of the uninsured and under collateralized funds.

Recommendation: The City should implement monitoring procedures to ensure all of its deposits are completely collateralized at all times. In addition, as monitoring is done throughout the year, the City has the option to transfer excess monies to one of its investment pools.

Repeat Finding: No

Management Response: See Corrective Action Plan

Federal Award Findings and Questioned Costs

There are no current year findings or questioned costs.

City Manager
Erik Zimmer
City Secretary
Cynthia Salas



Mayor
Andres "Andy" Ramos
City Attorney
Rod Ponton

100 North 13th Street Phone 432-837-3301 Fax 432-837-2044

"To provide quality service to the citizens of Alpine"

FINANCIAL STATEMENT FINDINGS

2019-001 – State Compliance – Collateralizing Public Funds Deposits

Corrective Action Plan:

1. City deposits will be monitored on a monthly basis and recommendations will be made to City Manager.
2. Finance Director will work with the City Manager and Council to move under collateralized deposits to reserve accounts or invest in allowable investments under the City's Investment Policy.
3. Finance Director will reach out to West Texas National Bank about collateralization of deposits and the process, if any, the City is taking to move funds out. If needed the Letter of Credit issued by Federal Home Loan Bank will be increased. The Finance Director will make the City Manager aware and move forward with WTNB to ensure proper coverage.

Responsible Party:

1. Director of Finance or
2. City Manager

Estimated Date of Completion: April 30, 2020

Megan Antrim
Director of Finance

COUNCIL.WOMAN WARD 1
Maria Curry

COUNCIL.WOMAN
WARD 2
Ramon Olivas

COUNCIL.MAN WARD 3
BETTY
ITTZGERALD

COUNCIL.WOMAN
WARD 4
LUCY ESCOBEDO

COUNCIL.MAN WARD 5
RICK STEPHENS

CITY OF ALPINE, TEXAS

SCHEDULE OF STATUS OF PRIOR FINDINGS

FOR THE YEAR ENDED SEPTEMBER 30, 2019

Summary Schedule of Prior Year Findings

Financial Statement Findings

There were no prior year findings.

Federal Award Findings and Questioned Costs

There were no prior year findings as a Single Audit was not required in the prior year.

CITY OF ALPINE, TEXAS
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
FOR THE YEAR ENDED SEPTEMBER 30, 2019

(1)	(2)	(3)	(4)
FEDERAL GRANTOR/ PASS-THROUGH GRANTOR/ PROGRAM or CLUSTER TITLE	Federal CFDA Number	Pass-Through Entity Identifying Number	Federal Expenditures
<u>DEPARTMENT OF TRANSPORTATION</u>			
<u>Passed Through Texas Department of Transportation</u>			
Airport Improvement Program - Capital Contribution	20.106	1824ALPIN	\$ 2,565,095
Airport Improvement Program - Taxiway	20.106	1624ALPIN	1,384
Total CFDA Number 20.106			2,566,479
Total Passed Through Texas Department of Transportation			2,566,479
TOTAL DEPARTMENT OF TRANSPORTATION			2,566,479
<u>EXECUTIVE OFFICE OF THE PRESIDENT</u>			
<u>Passed Through Office of National. Drug Control</u>			
High Intensity Drug Trafficking Program-West TX	95.001	G17SW0009A	19,382
High Intensity Drug Trafficking Program-West TX	95.001	G18SW0009A	86,930
Total CFDA Number 95.001			106,312
Total Passed Through Office of National. Drug Control			106,312
TOTAL EXECUTIVE OFFICE OF THE PRESIDENT			106,312
<u>HOMELAND SECURITY</u>			
<u>Passed Through Texas Office of the Governor</u>			
Homeland Security Grant Program	97.067	3711701 71236.3	27,567
Total Passed Through Texas Office of the Governor			27,567
TOTAL HOMELAND SECURITY			27,567
<u>DEPARTMENT OF HOUSING & URBAN DEVELOPMENT</u>			
<u>Passed Through TX Department of Agriculture</u>			
TX Community Dev. Block Grant-Capital Contribution	14.228	7217000	157,990
Total Passed Through TX Department of Agriculture			157,990
TOTAL DEPARTMENT OF HOUSING & URBAN DEVELOPMENT			157,990
TOTAL EXPENDITURES OF FEDERAL AWARDS			\$ 2,858,348

CITY OF ALPINE, TEXAS

NOTES TO SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS

FOR THE YEAR ENDED SEPTEMBER 30, 2019

1. GENERAL

The accompanying schedule of expenditures of federal awards includes the federal award activity of the City of Alpine, Texas (City) under programs of the federal government for the year ended September 30, 2019. The information in this schedule is presented in accordance with the requirements of Title 2 U.S. Code of Federal Regulations Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance). Because the schedule presents only a selected portion of the operations of the City, it is not intended to and does not present the financial position, changes in net position, or cash flows of the City.

2. BASIS OF ACCOUNTING

Expenditures reported on the schedule are recognized on the modified accrual basis when they become a demand on current available federal resources and eligibility requirements are met, or on the accrual basis at the time liabilities are incurred and all eligibility requirements are met, depending on the basis of accounting used by the respective fund.

Such expenditures are recognized following, as applicable, either the cost principles in Office of Management and Budget Circular A-87, *Cost Principles for State, Local, and Indian Tribal Governments*, or cost principles contained in Title 2 U.S. Code of Federal Regulations Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* wherein certain types of expenditures are not allowable or are limited as to reimbursement.

3. INDIRECT COST RATE

The City did not elect to use the 10% de minimus indirect cost rate allowed under the Uniform Guidance.