

CITY OF ALPINE, TEXAS
ANNUAL FINANCIAL AND COMPLIANCE REPORTS
FOR THE YEAR ENDED SEPTEMBER 30, 2022

CITY OF ALPINE, TEXAS

Catherine Eaves Mayor

Judy Stokes Council Member Ward 1

Chris Rodriguez Council Member Ward 2

Darin Nance Council Member Ward 3

Martin Sandate Council Member Ward 4

Rick Stephens Council Member Ward 5

Megan Antrim City Manager

Geoffrey Calderon City Secretary

Darrell Losoya City Police Chief

Andrew Pierce Fire Chief

CITY OF ALPINE, TEXAS

Annual Financial and Compliance Reports
For the Year Ended September 30, 2022

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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 Audit of the Financial Statements

Opinions

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, 2022, and the related notes to the financial statements, which collectively comprise the City's basic financial statements as listed in the table of contents.

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, 2022, 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.

Basis for Opinions

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. Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Financial Statements section of our report. We are required to be independent of the City of Alpine, Texas and to meet our other ethical responsibilities, in accordance with the relevant ethical requirements relating to our audit. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinions.

Responsibilities of Management for the Financial Statements

Management is responsible for the preparation and fair presentation of the financial statements in accordance with accounting principles generally accepted in the United States of America, and for 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.

In preparing the financial statements, management is required to evaluate whether there are conditions or events, considered in the aggregate, that raise substantial doubt about the City's ability to continue as a going concern for twelve months beyond the financial statement date, including any currently known information that may raise substantial doubt shortly thereafter.

Auditor's Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinions. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with generally accepted auditing standards and *Government Auditing Standards* will always detect a material misstatement when it exists. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Misstatements are considered material if there is a substantial likelihood that, individually or in the aggregate, they would influence the judgment made by a reasonable user based on the financial statements.

In performing an audit in accordance with generally accepted auditing standards and *Government Auditing Standards*, we:

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements.
- Obtain an understanding of internal control relevant to the audit 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 City's internal control. Accordingly, no such opinion is expressed.
- Evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the financial statements.
- Conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about the City's ability to continue as a going concern for a reasonable period of time.

We are required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit, significant audit findings, and certain internal control-related matters that we identified during the audit.

Emphasis of Matter

Change in Accounting Principle

As described in Note I to the financial statements, the City of Alpine, Texas adopted new accounting guidance, GASB Statement No. 87, *Leases*. Our opinion is not modified with respect to this matter.

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 93 through 108, be presented to supplement the basic financial statements. Such information is the responsibility of management and, 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. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the basic financial statements. The information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the combining and individual nonmajor fund financial statements are fairly stated, in all material respects, in relation to the basic financial statements as a whole.

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated January 31, 2024, 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 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
January 31, 2024

MANAGEMENT'S DISCUSSION AND ANALYSIS

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, 2022. 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 \$36,146,448 (net position). Within the Total Net Position, Unrestricted Net Position is \$8,587,234. An increase from the prior year of \$1,057,626.
- The City of Alpine's total net position increased by \$1,468,320. Governmental activities increased net position by \$1,258,052 while the business-type activities increased by a total of \$210,268. In the Statement of Activities, which reports both governmental and business-type activities, the general revenues for governmental activities were comprised of property tax, sales taxes, gross receipts business tax, investment earnings, and other taxes, which totaled \$5,276,552. Program revenues for Governmental Activities include charges for services and operating grants and contributions which totaled \$1,784,045. The \$7,060,597 sum of general and program revenues less total expenses of \$5,802,545 produced an overall \$1,258,052 increase in the governmental activities net position for the fiscal year. The City continues to operate below budgeted expenditures. Operations continued to return to normal as the City recovers from the impact of the Coronavirus Pandemic and limited access to needed materials and resources.
- Business-type activities consists of the Water, Sewer, and Sanitation Fund, Airport Fund, and Gas Fund and earned total revenues and capital contributions of \$8,057,987 while accumulating total expenses of \$7,847,719, producing an increase of \$210,268.
- Total liabilities for the City as a whole equaled \$7,437,976 at fiscal year-end compared to \$6,796,313 in the prior year. Long term liabilities totaled \$4,718,890 for the current year compared to \$4,852,532 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 manage our long-term liabilities in order to better respond to changes in service priorities, revenue inflows, and cost structures.
- As of September 30, 2022, governmental funds reported combined ending fund balances of \$4,309,560, an increase of \$587,929. Of the current combined fund balance, \$2,220,151 is unassigned and available for the purpose of the general fund.

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 three categories: governmental funds, proprietary funds, and fiduciary 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 fund 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.

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. The Non-major Governmental Funds or Other Funds consist of the Community Development Fund, Municipal Court Tech Fund, PD-FED Equity Share Fund, PD Abandon Vehicle Fund, Municipal Court Security Fund, Pueblo Nuevo Park, Local Border Security Program, Homeland Security Grant, HIDTA Grant, Public Safety Office Justice Assistance, TX Office of Governor Homeland, 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.

Fiduciary Funds

Custodial funds are a type of Fiduciary Fund used to report fiduciary activities that are not required to be reported in pension and other post-employment benefits trust funds, investment trust funds, or private trust funds. The City's custodial fund currently consists of funds that are collected on behalf of the State of Texas and cannot be used in the City's operations.

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. For fiscal year 2021-2022 the City of Alpine implemented GASB 87, which requires recognition of certain lease assets and liabilities for leases that were previously classified as operating leases. This GASB addresses both the City's lessee and lessor positions in the financial statements.

GOVERNMENT-WIDE FINANCIAL ANALYSIS

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

	Statement of Net Position					
	Governmental Activities		Business-Type Activities		Total	
	2022	2021	2022	2021	2022	2021
Other Assets	\$8,314,370	\$6,560,976	\$5,524,313	\$4,834,717	\$13,838,683	\$11,395,693
Capital Assets	\$10,330,472	\$9,992,678	\$20,307,548	\$20,328,015	\$30,638,020	\$30,320,693
Total Assets	\$18,644,842	\$16,553,654	\$25,831,861	\$25,162,732	\$44,476,703	\$41,716,386
Deferred Outflows of resources	\$117,839	\$100,490	\$45,220	\$59,263	\$163,059	\$159,753
Total assets and deferred outflows	\$18,762,681	\$16,654,144	\$25,877,081	\$25,221,995	\$44,639,762	\$41,876,139
Other Liabilities	\$1,780,998	\$1,035,074	\$938,088	\$908,707	\$2,719,086	\$1,943,781
Long-Term Liabilities	\$954,041	\$1,086,305	\$3,764,849	\$3,766,227	\$4,718,890	\$4,852,532
Total Liabilities	\$2,735,039	\$2,121,379	\$4,702,937	\$4,674,934	\$7,437,976	\$6,796,313
Deferred Inflows	\$475,884	\$239,059	\$579,454	\$162,639	\$1,055,338	\$401,698
Total Liabilities and deferred inflows	\$3,210,923	\$2,360,438	\$5,282,391	\$4,837,573	\$8,493,314	\$7,198,011
Net investment in capital assets	\$9,547,359	\$9,047,203	\$16,764,223	\$16,630,136	\$26,311,582	\$25,677,339
restricted	\$1,310,396	\$1,391,327	\$80,429	\$79,854	\$1,390,825	\$1,471,181
unrestricted	\$4,694,003	\$3,855,176	\$3,750,038	\$3,674,432	\$8,444,041	\$7,529,608
Total Net Position	\$15,551,758	\$14,293,706	\$20,594,690	\$20,348,422	\$36,146,448	\$34,678,128

Analysis of the City's Net Position

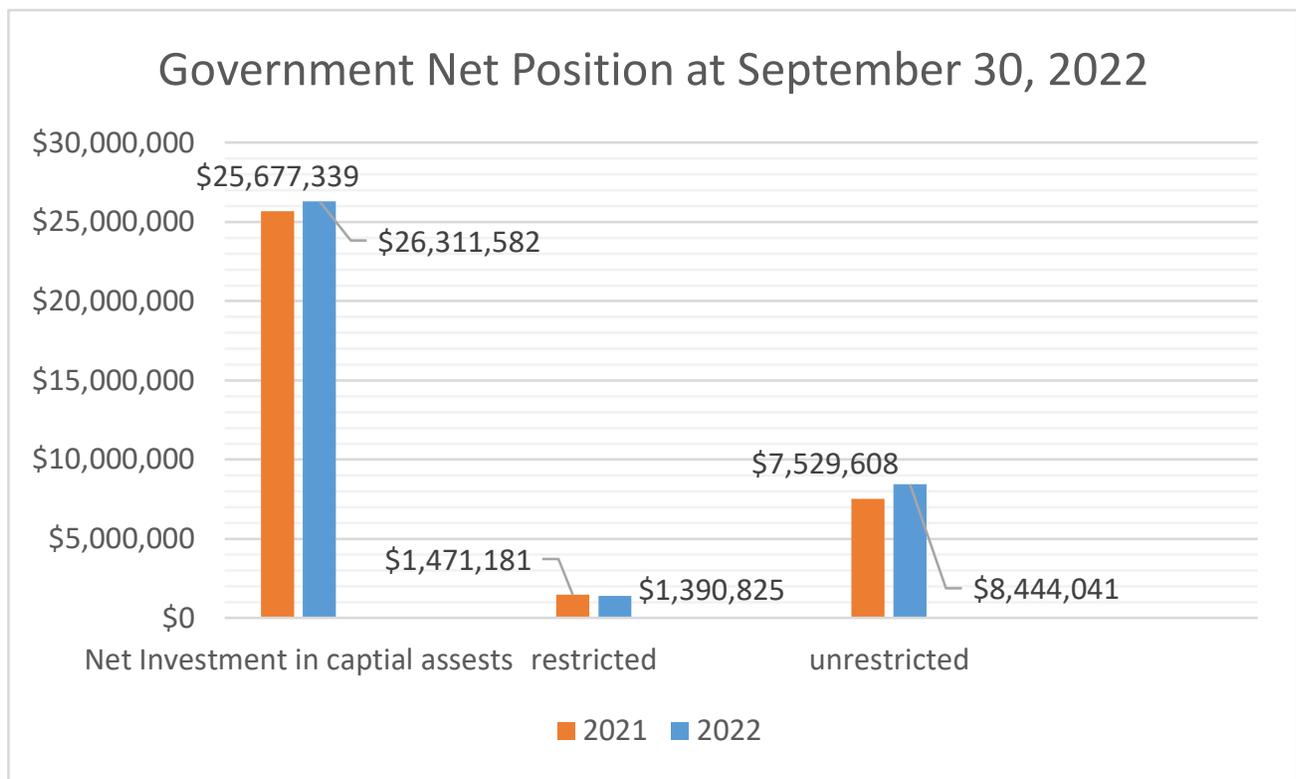
The net position may serve over time as a useful indicator of a government's financial position. For fiscal year 2022, the City's assets and deferred outflows of resources exceeded liabilities and deferred inflows of resources by \$36,146,448.

The largest portion of the City's net position, \$26,311,582, reflects its investment in capital assets (e.g. land, buildings, equipment, improvements, right-to-use lease assets, 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 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, \$1,390,825, 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 decreased \$80,356 over the prior fiscal year, due mainly to an increase in the spending of restricted funds in the Hotel and Motel fund.

There is a remaining unrestricted net position available of \$8,444,041 to meet the government's ongoing obligations to citizens and creditors at the end of the fiscal year.



Analysis of the City's Operations

The following table provides a summary of the City's activities for the years ending September 30, 2022 and September 30, 2021. Governmental activities increased the City of Alpine's net position by \$1,258,052, business-type activities increased in position by \$210,268 resulting in a total net position increase of \$1,468,320.

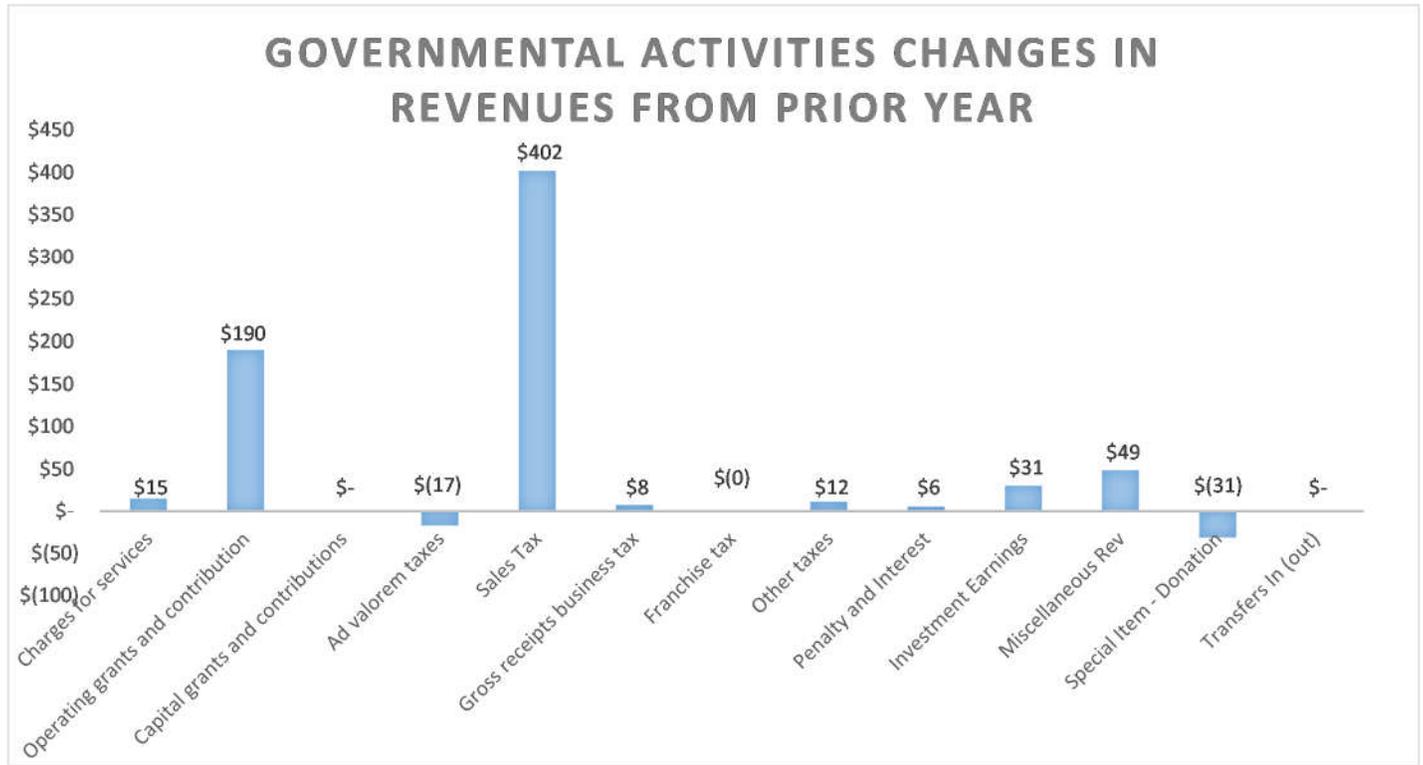
**Statement of Activities
For the Years Ended September 30**

	Governmental Activities		Business-Type Activities		Total	
	2022	2021	2022	2021	2022	2021
Charges for Services	\$1,306,773	\$1,291,413	\$7,489,370	\$7,020,469	\$8,796,143	\$8,311,882
Operating Grants and Contributions	\$477,272	\$286,924	\$67,010	\$7,661	\$544,282	\$294,585
Capital Grants and Contributions	\$0	\$0	\$224,927	\$100,392	\$224,927	\$100,392
Total Program Revenues	\$1,784,045	\$1,578,337	\$7,781,307	\$7,128,522	\$9,565,352	\$8,706,859
Ad Valorem Taxes	\$1,968,371	\$1,985,724	\$0	\$0	\$1,968,371	\$1,985,724
Sales Tax	\$2,278,723	\$1,876,666	\$0	\$0	\$2,278,723	\$1,876,666
Gross Receipts Business Tax	\$743,428	\$735,433	\$0	\$0	\$743,428	\$735,433
Franchise Tax	\$86,536	\$86,742	\$0	\$0	\$86,536	\$86,742
Other Taxes	\$26,983	\$15,181	\$0	\$0	\$26,983	\$15,181
Penalty and Interest	\$41,546	\$35,628	\$0	\$0	\$41,546	\$35,628
Miscellaneous Revenue	\$67,050	\$18,354	\$230,589	\$196,247	\$297,639	\$214,601
Investment Earnings	\$32,497	\$1,889	\$46,091	\$2,638	\$78,588	\$4,527
Gain on Sales of Assets	\$31,418	\$0	\$0	\$0	\$31,418	\$0
General Revenues	\$5,276,552	\$4,755,617	\$276,680	\$198,885	\$5,553,232	\$4,954,502
Total Revenues	\$7,060,597	\$6,333,954	\$8,057,987	\$7,327,407	\$15,118,584	\$13,661,361

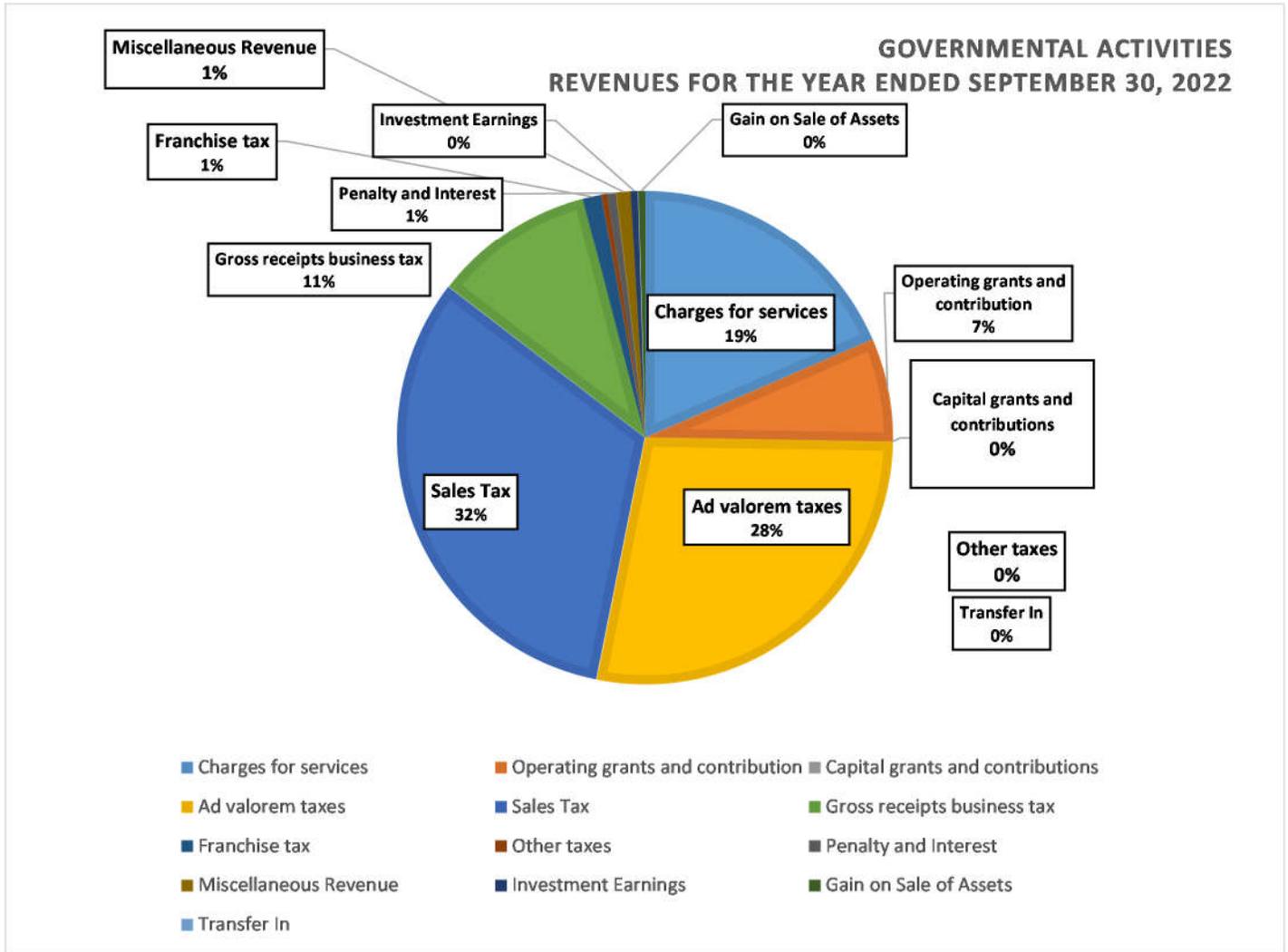
CITY OF ALPINE, TEXAS
MANAGEMENT'S DISCUSSION AND ANALYSIS
SEPTEMBER 30, 2022

	Governmental		Business-Type		Total	Total
	Activities		Activities			
	2022	2021	2022	2021	2022	2021
General Government	\$1,283,894	\$1,474,405	\$0	\$0	\$1,283,894	\$1,474,405
Public Safety	\$1,691,740	\$1,742,685	\$0	\$0	\$1,691,740	\$1,742,685
Public Works	\$1,342,759	\$1,084,887	\$0	\$0	\$1,342,759	\$1,084,887
Health & Welfare	\$336,687	\$337,672	\$0	\$0	\$336,687	\$337,672
Culture & Recreation	\$1,107,030	\$895,275	\$0	\$0	\$1,107,030	\$895,275
Bond Interest	\$40,435	\$59,863	\$0	\$0	\$40,435	\$59,863
Water, Sewer, Sanitation	\$0	\$0	\$4,887,030	\$4,886,079	\$4,887,030	\$4,886,079
Airport	\$0	\$0	\$1,053,785	\$866,257	\$1,053,785	\$866,257
Gas	\$0	\$0	\$1,906,904	\$1,647,119	\$1,906,904	\$1,647,119
Total Expenses	\$5,802,545	\$5,594,787	\$7,847,719	\$7,399,455	\$13,650,264	\$12,994,242
Change in Net Position	\$1,258,052	\$739,167	\$210,268	(\$72,048)	\$1,468,320	\$667,119
Net Position - Beginning	\$14,293,706	\$13,554,539	\$20,384,422	\$20,456,470	\$34,678,128	\$34,011,010
Net Position - Ending	\$15,551,758	\$14,293,706	\$20,594,690	\$20,384,422	\$36,146,448	\$34,678,128

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

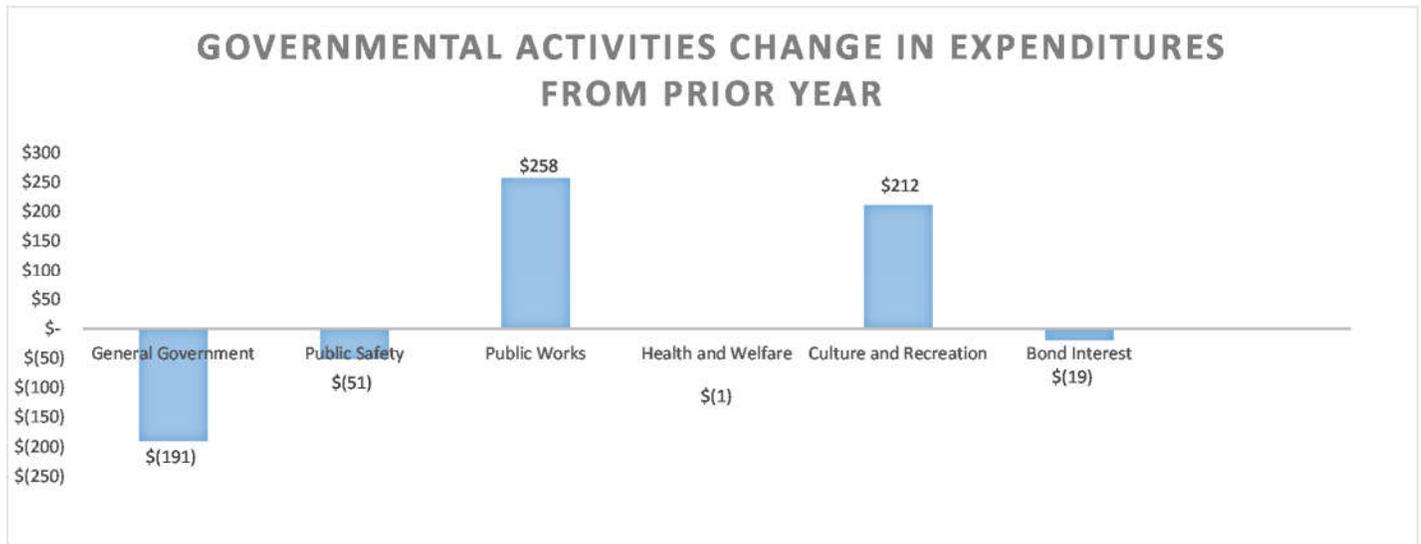


Revenues for governmental activities totaled \$7,060,597, an increase of \$726,643 or 11.4% from 2021. Sales Tax collections make up the largest portion of the increase.



The total taxable valuation increased from the prior year. The City adopted a no-new-revenue (effective tax) rate of \$0.508345. Ad valorem property tax revenues increased slightly more than 1%. The increase is contributed to the addition of new taxable property. Sales taxes increased by \$402,057 or 21%. Hotel Occupancy taxes increased by \$7,995 (1%), while franchise fees remained fairly consistent at \$86,536, a slight decrease of \$206 from the prior year.

The following chart (in thousands) shows changes in governmental activities' expenses from 2022.



General Government includes Administration, City Council, Municipal Court, Finance, Building Services, and Human Resources. During FY 2021-2022 the category decreased due to changes in personnel. Culture and Recreation continues to increase as the Federal and State agencies remove Pandemic regulations and re-opened the economy allowing traveling and increased participation in events throughout the Country and State. City facilities, such as the pool, civic center, and pavilion continued to be utilized by residents and events. Changes in staffing within Public Safety (police department, dispatch, fire, and building services) reduced overall expenses. Outsourced paving increased the overall all expenses within Public Works.

Program Revenues and Expenses - Business-type Activities

Charges for services increased \$468,901 to \$7,489,370. Operating expenses increased \$448,264 to \$7,847,719, which includes depreciation expense of \$877,027. No significant changes were made to the Water and wastewater rates. Council reviews the annual rates set for each of the utilities – water, wastewater, sanitation, and garbage. However, water consumption did increase. Gas rates are adjusted based on City Council approved contract with outside vendor and fluctuates contract to contract. The increase in operating expenses is primarily due to increased infrastructure repairs.

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 \$5,028,576, a decrease of \$150,196 from 2021.

At the end of the current fiscal year, the City's governmental funds reported a combined ending fund balance of \$4,309,560. General fund revenues totaled \$5,611,220 for the fiscal year, while expenditures were \$5,028,576. The hotel/motel tax fund and other funds reported \$1,411,444 in hotel occupancy tax and state/federal contract revenue while expenditures were recorded as \$1,515,584 for special programs and administration. To summarize, the City's total fund

balance increased by \$587,929.

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, 2022 balance sheet for proprietary funds, Water, Sewer, Sanitation, Gas, and Airport posted total net position of \$20,594,690, which is an increase of 1% from the previous year figure of \$20,384,422 mainly due to capital contributions. Regarding the statement of revenues, expenses, and changes in fund balance, total enterprise funds operating revenues were \$7,719,959 while operating expenses were \$7,814,150, producing an operating decrease of \$94,191.

GENERAL FUND BUDGETARY HIGHLIGHTS

The General Fund is the general operating fund of the City. During the 2022 fiscal year, the City adopted and amended general fund revenues of \$5,131,362. The actual revenues for the fiscal year were \$5,611,220, providing a \$479,858 favorable budget variance.

For the fiscal year ended September 30, 2022, the City anticipated that general fund expenditures would exceed revenues. Initial adopted and amended budgeted expenditures totaled \$6,350,060 and \$6,348,220, respectively. Actual expenditures were \$5,028,576, resulting in a positive variance of \$1,319,644 budget variance and an excess of revenues under expenditures of 582,644.

CAPITAL ASSETS

The City's investment in capital assets includes land, buildings & improvements, machinery & equipment, vehicles, infrastructure, and right-to-use leases. The carrying value of the governmental capital assets equaled \$10,330,472 (net of accumulated depreciation) at fiscal year-end, an increase of \$348,516 from the previous year's total of \$9,992,678.

Water and Sewer capital assets equaled \$13,494,994 (net of accumulated depreciation) at fiscal year-end, a decrease of \$40,170 from the previous year's total of \$13,535,164.

Airport capital assets equaled \$5,209,705 (net of accumulated depreciation) at fiscal year-end, an increase of \$84,072 from previous year total of \$5,125,633.

Gas capital assets equaled \$1,602,849 (net of accumulated depreciation) at fiscal year-end, a decrease \$64,369 from previous year's total of \$1,667,218.

DEBT ADMINISTRATION

At the end of the current year, the City had total principal bond debt outstanding of \$2,918,000 which consists of debt obligations in the form of CO Series 2005 – obtained March 2005, CO Series 2011 – obtained April 2011, and GO Refunding Series 2011 – obtained March 2011, for expenses related to and capital improvement projects including building renovations, new animal shelter, street improvements, water and sewer utility system improvements, and lease obligations. The debt also consists of prior debt consolidation. The City's three tax-backed debt issues are not rated. In addition to the bonds, the City also has loans for fleet vehicles used to assist in the growing need to replace a number of older and unreliable vehicles.

CURRENTLY KNOWN FACTS, DECISIONS, OR CONDITIONS

In fiscal year 2021-2022, the City continued to have one of the lowest tax rates for a city its size in Texas. The City's tax rate was \$0.508345 for fiscal year 2021-2022. The City continues to establish reserve accounts and designate funds accordingly to plan for future projects. In fiscal year 2021 - 2022 the City made all required debt payments and continued to address reserves for future projects and infrastructure needs. The 2012 Tax and Revenue Certificate of Obligation Series and Fire Department Pumper Truck Lease were both paid off during the fiscal year ending September 30, 2022.

The City continued to improve City assets by managing and repairing infrastructure. The Gas Utility Department consistently meets required infrastructure replacement set by the Railroad Commission and PHMSA. The department continues to replace steel pipe with poly and replaced an additional 3,673 feet of infrastructure in Alpine and Fort Davis combined. In addition, the department removed and replaced 37 risers in Alpine and 7 risers in Fort Davis. The Gas Utility Department is also diligent in maintaining and improving safety features of the infrastructure.

During the fiscal year 2021-2022, the Water and Waste Water Departments focused on continued maintenance of an aging infrastructure, Wastewater Treatment Plant improvements, staffing and training. City Council continued to address financial concerns by committing funds to assist with the improvements of the department's infrastructure. The work on engineering the parts for the wastewater treatment plant are being addressed as well as wastewater infrastructure issues. Improvements were initiated at the Wastewater Treatment Plant with the replacement of the bar screen to an automated bar screen and preparations for new aerators. Inventory for the departments was addressed in order to meet the demands of ongoing maintenance.

The airport completed the design phase of the runway light replacement project and received final approval from TXDOT Aviation to move forward with the construction phase. Alpine Casparis Municipal Airport has one of the oldest lighting systems in Texas. The seal coat project for Runway 1/19 was completed. The City continues to utilize grant funding to improve assets at the airport.

The City council and administration monitor the national economy, federal and state legislature and its effects on the local economy and the city's budget. The Coronavirus Pandemic continues to be a concern for the community with both health, wellness and longer-term impacts on our economy.

The City Council has been proactively working to meet the basic quality of life needs of the citizens of Alpine. The City obtained a grant for improvements to Pueblo Nuevo Park through the Texas Parks and Wildlife and dedicated funds to projects benefiting the community. The current direction continues to focus on maintaining and improving an aging utility infrastructure, street improvements, and economic development.

City Council and the administration of the City work 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 and Brewster County have worked on agreements to cover expenses for sanitation (recycling) and fire calls. Local law enforcement worked with state and federal agencies to obtain grants for safety equipment and enhanced border protection. The City received the second of two tranches from the American Rescue Plan Act, and plan to allocate these funds to improvements at the wastewater treatment plant.

CONTACTING THE CITY'S FINANCIAL MANAGEMENT

This financial report is designed to provide our citizens, taxpayers, customers, and investors and creditors with a general overview of the City's finances and to show the City's accountability for the 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, 2022

EXHIBIT A-1 (Cont'd)

Data Control Codes	Primary Government			
	Governmental Activities	Business - Type Activities	Total	
ASSETS				
1010	Cash and Cash Equivalents	\$ 5,214,751	\$ 4,063,047	\$ 9,277,798
1050	Taxes Receivable, Net	215,981	-	215,981
1150	Accounts Receivable (Net)	198,612	503,587	702,199
1260	Due from Other Governments	227,838	59,268	287,106
1290	Other Receivables	2,508	53,328	55,836
1300	Due from Other Funds	817,757	(836,136)	(18,379)
1410	Inventories	-	312,109	312,109
1430	Prepaid Items	12,088	95,000	107,088
1611	Restricted Cash	-	80,429	80,429
	Capital Assets:			
1710	Land	806,665	336,981	1,143,646
1760	Capital Assets, Net	9,387,376	19,402,859	28,790,235
1770	Right to Use Lease Assets, Net	67,993	27,145	95,138
1780	Construction in Progress	68,438	540,563	609,001
1800	Net Pension Asset-TMRS	1,578,796	914,504	2,493,300
1990	Noncurrent Lease Receivable	46,039	279,177	325,216
1000	Total Assets	<u>18,644,842</u>	<u>25,831,861</u>	<u>44,476,703</u>
DEFERRED OUTFLOWS OF RESOURCES				
1997	Deferred Outflow Related to TMRS	77,616	31,843	109,459
1998	Deferred Resource Outflow TESRS	14,523	-	14,523
1999	Deferred Resource Outflow OPEB	25,700	13,377	39,077
1500	Total Deferred Outflows of Resources	<u>117,839</u>	<u>45,220</u>	<u>163,059</u>

CITY OF ALPINE TEXAS
STATEMENT OF NET POSITION
SEPTEMBER 30, 2022

EXHIBIT A-1

Data Control Codes	Primary Government			
	Governmental Activities	Business - Type Activities	Total	
LIABILITIES				
2010	Accounts Payable	150,708	245,889	396,597
2020	Wages and Salaries Payable	64,261	37,800	102,061
2030	Compensated Absences Payable	67,386	45,065	112,451
2140	Accrued Interest Payable	2,283	1,374	3,657
2230	Unearned Revenues	1,488,535	114,855	1,603,390
2270	Other Current Liabilities	7,825	493,105	500,930
	Noncurrent Liabilities:			
2501	Debt Due Within One Year	222,072	323,101	545,173
2502	Long Term Debt - Noncurrent	561,041	2,269,223	2,830,264
2570	Landfill Closure Costs	-	1,094,194	1,094,194
2580	Net Pension Liability-TERSRS	35,696	-	35,696
2590	Total OPEB Liability	135,232	78,331	213,563
2000	Total Liabilities	<u>2,735,039</u>	<u>4,702,937</u>	<u>7,437,976</u>
DEFERRED INFLOWS OF RESOURCES				
2602	Deferred Inflow Related to TMRS	412,130	296,455	708,585
2603	Deferred Resource Inflow TERSRS	2,192	-	2,192
2604	Deferred Resource Inflow OPEB	14,447	6,290	20,737
2605	Deferred Inflows Related to Leases	47,115	276,709	323,824
2500	Total Deferred Inflows of Resources	<u>475,884</u>	<u>579,454</u>	<u>1,055,338</u>
NET POSITION				
3200	Net Investment in Capital Assets	9,547,359	16,764,223	26,311,582
	Restricted for:			
3810	Restricted for Federal and State Grants	77,967	-	77,967
3820	Restricted for Landfill Closure Costs	-	80,429	80,429
3860	Restricted for Debt Service	111,704	-	111,704
3890	Restricted for Other Purposes	1,120,725	-	1,120,725
3900	Unrestricted Net Position	4,694,003	3,750,038	8,444,041
3000	Total Net Position	<u>\$ 15,551,758</u>	<u>\$ 20,594,690</u>	<u>\$ 36,146,448</u>

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, 2022

Data Control Codes	Expenses	Program Revenues		
		Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions
Primary Government:				
GOVERNMENTAL ACTIVITIES:				
100 General Government	\$ 1,283,894	\$ 1,082,549	\$ -	\$ -
200 Public Safety	1,691,740	109,746	457,434	-
300 Public Works	1,342,759	50,248	-	-
400 Health and Welfare	336,687	42,549	-	-
500 Culture and Recreation	1,107,030	21,681	19,838	-
720 Interest on Debt	40,435	-	-	-
Total Governmental Activities	5,802,545	1,306,773	477,272	-
BUSINESS-TYPE ACTIVITIES:				
701 Water, Sewer, Sanitation Fund	4,887,030	4,798,759	7,739	-
702 Airport Fund	1,053,785	907,204	59,271	224,927
703 Gas Fund	1,906,904	1,783,407	-	-
Total Business-Type Activities	7,847,719	7,489,370	67,010	224,927
TOTAL PRIMARY GOVERNMENT	\$ 13,650,264	\$ 8,796,143	\$ 544,282	\$ 224,927
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			
S1	Gain on Sale of Assets			
	Total General Revenues and Special Items			
	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
\$ (201,345)	\$ -	\$ (201,345)
(1,124,560)	-	(1,124,560)
(1,292,511)	-	(1,292,511)
(294,138)	-	(294,138)
(1,065,511)	-	(1,065,511)
(40,435)	-	(40,435)
<u>(4,018,500)</u>	<u>-</u>	<u>(4,018,500)</u>
-	(80,532)	(80,532)
-	137,617	137,617
-	(123,497)	(123,497)
<u>-</u>	<u>(66,412)</u>	<u>(66,412)</u>
<u>(4,018,500)</u>	<u>(66,412)</u>	<u>(4,084,912)</u>
1,814,340	-	1,814,340
154,031	-	154,031
2,278,723	-	2,278,723
743,428	-	743,428
86,536	-	86,536
26,983	-	26,983
41,546	-	41,546
67,050	230,589	297,639
32,497	46,091	78,588
31,418	-	31,418
<u>5,276,552</u>	<u>276,680</u>	<u>5,553,232</u>
1,258,052	210,268	1,468,320
14,293,706	20,384,422	34,678,128
<u>\$ 15,551,758</u>	<u>\$ 20,594,690</u>	<u>\$ 36,146,448</u>

CITY OF ALPINE TEXAS
BALANCE SHEET
GOVERNMENTAL FUNDS
SEPTEMBER 30, 2022

Data Control Codes	General Fund	Hotel and Motel Fund	Other Funds	Total Governmental Funds
ASSETS				
1010	\$ 3,553,415	\$ 1,040,666	\$ 198,931	\$ 4,793,012
1050	158,166	103,842	14,089	276,097
1051	(55,358)	-	(4,758)	(60,116)
1150	198,612	-	-	198,612
1260	28,355	-	199,483	227,838
1290	48,547	-	-	48,547
1300	1,036,746	19,311	93,767	1,149,824
1430	12,088	-	-	12,088
1000	<u>\$ 4,980,571</u>	<u>\$ 1,163,819</u>	<u>\$ 501,512</u>	<u>\$ 6,645,902</u>
LIABILITIES				
2010	\$ 75,129	\$ 70,824	\$ 4,702	\$ 150,655
2020	62,256	2,005	-	64,261
2080	269,907	-	200,610	470,517
2230	1,488,535	-	-	1,488,535
2270	7,825	-	-	7,825
2000	<u>1,903,652</u>	<u>72,829</u>	<u>205,312</u>	<u>2,181,793</u>
DEFERRED INFLOWS OF RESOURCES				
2601	98,928	-	8,506	107,434
2605	47,115	-	-	47,115
2600	<u>146,043</u>	<u>-</u>	<u>8,506</u>	<u>154,549</u>
FUND BALANCES				
Restricted Fund Balance:				
3450	-	-	77,967	77,967
3480	-	-	104,966	104,966
3490	-	1,090,990	29,735	1,120,725
Committed Fund Balance:				
3545	710,825	-	75,026	785,851
3600	2,220,051	-	-	2,220,051
3000	<u>2,930,876</u>	<u>1,090,990</u>	<u>287,694</u>	<u>4,309,560</u>
4000	<u>\$ 4,980,571</u>	<u>\$ 1,163,819</u>	<u>\$ 501,512</u>	<u>\$ 6,645,902</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, 2022

Total Fund Balances - Governmental Funds	\$ 4,309,560
 The City uses an internal service fund to charge the costs of certain health insurance activities to appropriate functions in other governmental funds. The assets and liabilities of the internal service fund are included in governmental activities in the statement of net assets. The net effect of this consolidation is to increase net position.	 560,136
 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 amortization) and long-term debt in the governmental activities is to increase net position.	 8,980,617
 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 2022 capital outlays and debt principal payments is to increase net position.	 1,345,685
 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 \$77,616, a deferred resource inflow in the amount of (\$412,130), and a net pension asset in the amount of \$1,578,796. The recognition of the various components related to the net pension asset resulted in an increase in net position of \$1,244,282.	 1,244,282
 Included in the items related to debt is the recognition of the City's net pension liability and other components for TESRS required by GASB 68. The net position related to TESRS includes a deferred resource outflow in the amount of \$14,523, a deferred resource inflow in the amount of (\$2,192), and a net pension liability in the amount of (\$35,696). The recognition of the various components related to the net pension liability resulted in a decrease in net position of (\$23,365).	 (23,365)
 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 \$25,700, a deferred resource inflow in the amount of (\$14,447), and a total OPEB liability in the amount of (\$135,232). The recognition of the various components related to the OPEB liability resulted in a decrease in net position of (\$123,979).	 (123,979)
 The 2022 depreciation and amortization expense increases accumulated depreciation and accumulated amortization. The net effect of the current year's depreciation and amortization is to decrease net position.	 (848,612)
 Various other reclassifications and eliminations are necessary to convert from the	 107,434

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, 2022

modified accrual basis of accounting to accrual basis of accounting. These include recognizing deferred revenue as revenue, eliminating interfund transactions, reclassifying the proceeds from the issuance of debt as an increase in long term debt payable, 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.

Net Position of Governmental Activities

	\$ 15,551,758
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CITY OF ALPINE TEXAS
STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES
GOVERNMENTAL FUNDS
FOR THE YEAR ENDED SEPTEMBER 30, 2022

Data Control Codes	General Fund	Hotel and Motel Fund	Other Funds	Total Governmental Funds
REVENUES:				
Taxes:				
5110 Property Taxes	\$ 1,808,924	\$ -	\$ 154,031	\$ 1,962,955
5120 General Sales and Use Taxes	2,278,723	-	-	2,278,723
5150 Gross Receipts Business Tax	-	743,428	-	743,428
5170 Franchise Tax	86,536	-	-	86,536
5180 Other Taxes	26,983	-	-	26,983
5190 Penalty and Interest on Taxes	37,290	-	4,256	41,546
5200 Licenses and Permits	105,323	-	-	105,323
5300 Intergovernmental Revenue and Grants	1,368	1,645	456,065	459,078
5400 Charges for Services	1,053,251	-	10,474	1,063,725
5510 Fines	71,241	-	-	71,241
5610 Investment Earnings	22,909	8,645	943	32,497
5620 Rents and Royalties	6,665	-	-	6,665
5640 Contributions & Donations from Private Sources	-	18,194	-	18,194
5700 Other Revenue	112,007	7,500	6,263	125,770
5020 Total Revenues	<u>5,611,220</u>	<u>779,412</u>	<u>632,032</u>	<u>7,022,664</u>
EXPENDITURES:				
Current:				
0100 General Government	1,406,197	-	2,609	1,408,806
0200 Public Safety	1,397,930	-	479,046	1,876,976
0300 Public Works	1,419,573	-	-	1,419,573
0400 Health and Welfare	305,936	-	-	305,936
0500 Culture and Recreation	361,183	883,347	-	1,244,530
Debt Service:				
0710 Principal on Debt	117,050	1,426	123,600	242,076
0720 Interest on Debt	20,707	398	25,158	46,263
6030 Total Expenditures	<u>5,028,576</u>	<u>885,171</u>	<u>630,413</u>	<u>6,544,160</u>
1100 Excess (Deficiency) of Revenues Over (Under) Expenditures	<u>582,644</u>	<u>(105,759)</u>	<u>1,619</u>	<u>478,504</u>
OTHER FINANCING SOURCES (USES):				
7912 Sale of Real and Personal Property	23,260	-	22,250	45,510
7913 Right to Use Leases	63,915	-	-	63,915
7915 Transfers In	-	-	75,000	75,000
8911 Transfers Out (Use)	(75,000)	-	-	(75,000)
7080 Total Other Financing Sources (Uses)	<u>12,175</u>	<u>-</u>	<u>97,250</u>	<u>109,425</u>
1200 Net Change in Fund Balances	594,819	(105,759)	98,869	587,929
0100 Fund Balance - October 1 (Beginning)	<u>2,336,057</u>	<u>1,196,749</u>	<u>188,825</u>	<u>3,721,631</u>
3000 Fund Balance - September 30 (Ending)	<u>\$ 2,930,876</u>	<u>\$ 1,090,990</u>	<u>\$ 287,694</u>	<u>\$ 4,309,560</u>

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, 2022

Total Net Change in Fund Balances - Governmental Funds	\$	587,929
<p>The City uses an internal service fund to charge the costs of certain health insurance activities primarily to the governmental funds. The net loss of this internal service fund is reported with governmental activities. The net effect of this consolidation is to (decrease) the change in net position.</p>		
		(21,778)
<p>Current year capital outlays and long-term debt principal payments are expenditures in the fund financial statements, but they should be shown as increases in capital assets and reductions in long-term debt in the government-wide financial statements. The net effect of removing the 2022 capital outlays and debt principal payments is to increase the change in net position.</p>		
		1,353,796
<p>GASB 68 required that certain expenditures related to the TMRS pension 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 \$33,762. 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 \$10,981. 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 \$142,591. The net result is to increase the change in net pension by \$187,334.</p>		
		187,334
<p>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, 2022. 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 \$4,248. The City's pension expense for the plan had to be recorded. The net pension expense decreased the change in net position by (\$2,748). The net result of this activity is to increase the change in net position by \$1,500.</p>		
		1,500
<p>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 \$1,929. Contributions made during the measurement year and during the fiscal year were also de-expended and recorded as a reduction in the total OPEB liability. This caused an increase in the net position totaling \$2,132. Finally, the City's OPEB expense for the plan had to be recorded. This expense decreased the change in net position by (\$11,594). The net result is to decrease the change in net position by (\$7,533).</p>		
		(7,533)
<p>Depreciation and amortization are not recognized as an expense in governmental funds since it does not require the use of current financial resources. The net effect of the current year's depreciation and amortization are to decrease the change in net position.</p>		
		(848,612)

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, 2022

Various other reclassifications and eliminations are necessary to convert from the modified accrual basis of accounting to accrual basis of accounting. These include recognizing deferred revenue as revenue, adjusting current year revenue to show the revenue earned from the current year's tax levy, eliminating interfund transactions, reclassifying the proceeds of the issuance of debt, 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.	5,416
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Change in Net Position of Governmental Activities	<table style="width: 100%; border-collapse: collapse;"> <tr> <td style="border-top: 1px solid black; border-bottom: 3px double black; text-align: right;">\$</td> <td style="border-top: 1px solid black; border-bottom: 3px double black; text-align: right;">1,258,052</td> </tr> </table>	\$	1,258,052
\$	1,258,052		

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, 2022

	Business-Type Activities	
	Water, Sewer, Sanitation Fund	Airport Fund
ASSETS		
Current Assets:		
Cash and Cash Equivalents	\$ 2,469,842	\$ 185,070
Restricted Assets - Current:		
Restricted Cash	80,429	-
Accounts Receivable (Net)	395,784	27,217
Due from Other Governments	-	59,268
Other Receivables	48,205	5,123
Due from Other Funds	-	-
Inventories	117,292	49,683
Prepaid Items	-	95,000
Total Current Assets	3,111,552	421,361
Noncurrent Assets:		
Capital Assets:		
Land	192,397	99,584
Capital Assets	25,095,645	7,030,511
Accumulated Depreciation - Capital Assets	(12,249,347)	(1,998,590)
Right to Use Lease Assets	20,669	-
Accumulated Amortization-Right to Use Lease Assets	(4,068)	-
Construction in Progress	439,698	78,200
Net Pension Asset-TMRS	514,098	71,278
Long Term Lease Receivable	-	279,177
Total Noncurrent Assets	14,009,092	5,560,160
Total Assets	17,120,644	5,981,521
DEFERRED OUTFLOWS OF RESOURCES		
Deferred Outflow Related to TMRS	10,993	9,521
Deferred Resource Outflow OPEB	7,520	1,131
Total Deferred Outflows of Resources	18,513	10,652

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

- Enterprise Funds		Governmental Activities
Gas Fund	Total Enterprise Funds	Internal Service Fund
\$ 1,408,135	\$ 4,063,047	\$ 421,739
-	80,429	-
80,586	503,587	-
-	59,268	-
-	53,328	-
-	-	138,450
145,134	312,109	-
-	95,000	-
1,633,855	5,166,768	560,189
45,000	336,981	-
2,361,580	34,487,736	-
(836,940)	(15,084,877)	-
16,868	37,537	-
(6,324)	(10,392)	-
22,665	540,563	-
329,128	914,504	-
-	279,177	-
1,931,977	21,501,229	-
3,565,832	26,667,997	560,189
11,329	31,843	-
4,726	13,377	-
16,055	45,220	-

CITY OF ALPINE TEXAS
STATEMENT OF NET POSITION
PROPRIETARY FUNDS
SEPTEMBER 30, 2022

	Business-Type Activities	
	Water, Sewer, Sanitation Fund	Airport Fund
LIABILITIES		
Current Liabilities:		
Accounts Payable	209,698	1,233
Wages and Salaries Payable	18,020	3,483
Compensated Absences Payable	19,483	5,294
Due to Other Funds	224,578	131,541
Accrued Interest Payable	1,374	-
Unearned Revenues	78,816	-
Loans Payable - Current	12,416	-
Bonds Payable - Current	228,600	-
Right to Use Lease Liabilities - Current	3,755	-
Other Current Liabilities	295,496	-
Other Long Term Debt - Current	-	-
Total Current Liabilities	1,092,236	141,551
Noncurrent Liabilities:		
Bonds Payable - Noncurrent	2,113,400	-
Loans Payable - Noncurrent	23,862	-
Right to Use Lease Liabilities - Noncurrent	13,416	-
Other Long Term Debt - Noncurrent	-	-
Landfill Closure Costs	1,094,194	-
Total OPEB Liability	44,035	6,104
Total Noncurrent Liabilities	3,288,907	6,104
Total Liabilities	4,381,143	147,655
DEFERRED INFLOWS OF RESOURCES		
Deferred Inflow Related to TMRS	163,153	23,765
Deferred Resource Inflow OPEB	3,311	557
Deferred Inflows Related to Leases	-	276,709
Total Deferred Inflows of Resources	166,464	301,031
NET POSITION		
Net Investment in Capital Assets	10,005,351	5,209,705
Restricted for Landfill Closure Costs	80,429	-
Unrestricted Net Position	2,505,770	333,782
Total Net Position	\$ 12,591,550	\$ 5,543,487

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

- Enterprise Funds		Governmental Activities
Gas Fund	Total Enterprise Funds	Internal Service Fund
34,958	245,889	53
16,297	37,800	-
20,288	45,065	-
480,017	836,136	-
-	1,374	-
36,039	114,855	-
25,456	37,872	-
-	228,600	-
5,143	8,898	-
197,609	493,105	-
47,731	47,731	-
863,538	2,097,325	53
-	2,113,400	-
17,318	41,180	-
5,765	19,181	-
95,462	95,462	-
-	1,094,194	-
28,192	78,331	-
146,737	3,441,748	-
1,010,275	5,539,073	53
109,537	296,455	-
2,422	6,290	-
-	276,709	-
111,959	579,454	-
1,549,167	16,764,223	-
-	80,429	-
910,486	3,750,038	560,136
\$ 2,459,653	\$ 20,594,690	\$ 560,136

CITY OF ALPINE TEXAS
STATEMENT OF REVENUES, EXPENSES, AND CHANGES IN FUND NET POSITION
PROPRIETARY FUNDS
FOR THE YEAR ENDED SEPTEMBER 30, 2022

	Business-Type Activities	
	Water, Sewer, Sanitation Fund	Airport Fund
OPERATING REVENUES:		
Charges for Services	\$ 4,798,759	\$ 907,204
Rents and Royalties	165,724	14,341
Other Revenue	40,397	-
Total Operating Revenues	5,004,880	921,545
OPERATING EXPENSES:		
Proprietary Fund Function - Water		
Personnel Services - Salaries and Wages	386,899	-
Personnel Services - Employee Benefits	76,408	-
Purchased Professional & Technical Services	57,199	-
Purchased Property Services	268,058	-
Other Operating Costs	200,092	-
Supplies	75,118	-
Total Proprietary Fund Function - Water	1,063,774	-
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	72,770	-
Personnel Services - Employee Benefits	16,378	-
Purchased Property Services	1,728,659	-
Other Operating Costs	466,248	-
Supplies	2,200	-
Total Proprietary Fund Function - Sanitation	2,286,255	-
Proprietary Fund Function - Sewerage		
Personnel Services - Salaries and Wages	195,975	-
Personnel Services - Employee Benefits	43,509	-
Purchased Professional & Technical Services	40,360	-
Purchased Property Services	126,230	-
Other Operating Costs	131,342	-
Supplies	41,166	-
Total Proprietary Fund Function - Sewerage	578,582	-
Proprietary Fund Function - Airport		
Personnel Services - Salaries and Wages	-	99,073
Personnel Services - Employee Benefits	-	16,659
Purchased Property Services	-	21,345
Other Operating Costs	-	57,200
Supplies	-	647,517
Total Proprietary Fund Function - Airport	-	841,794

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

- Enterprise Funds		Governmental Activities
Gas Fund	Total Enterprise Funds	Internal Service Fund
\$ 1,783,407	\$ 7,489,370	\$ -
7,526	187,591	-
2,601	42,998	8,541
<u>1,793,534</u>	<u>7,719,959</u>	<u>8,541</u>
-	386,899	-
-	76,408	-
-	57,199	-
-	268,058	-
-	200,092	-
-	75,118	-
-	<u>1,063,774</u>	-
463,425	463,425	-
88,720	88,720	-
32,108	32,108	-
80,394	80,394	-
339,150	339,150	-
782,568	782,568	-
<u>1,786,365</u>	<u>1,786,365</u>	-
-	72,770	-
-	16,378	-
-	1,728,659	-
-	466,248	-
-	2,200	-
-	<u>2,286,255</u>	-
-	195,975	-
-	43,509	-
-	40,360	-
-	126,230	-
-	131,342	-
-	41,166	-
-	<u>578,582</u>	-
-	99,073	-
-	16,659	-
-	21,345	-
-	57,200	-
-	647,517	-
-	<u>841,794</u>	-

CITY OF ALPINE TEXAS
STATEMENT OF REVENUES, EXPENSES, AND CHANGES IN FUND NET POSITION
PROPRIETARY FUNDS
FOR THE YEAR ENDED SEPTEMBER 30, 2022

	Business-Type Activities	
	Water, Sewer, Sanitation Fund	Airport Fund
Health Insurance		
Other Operating Costs	-	-
Proprietary Fund Function - Nondepartmental		
Personnel Services - Salaries and Wages	46,284	-
Personnel Services - Employee Benefits	15,809	-
Purchased Professional & Technical Services	7,673	-
Purchased Property Services	7,377	-
Other Operating Costs	264,999	-
Supplies	38,211	-
Total Proprietary Fund Function - Nondepartmental	<u>380,353</u>	<u>-</u>
Depreciation and Amortization	552,214	211,991
Total Operating Expenses	<u>4,861,178</u>	<u>1,053,785</u>
Operating Income (Loss)	<u>143,702</u>	<u>(132,240)</u>
NONOPERATING REVENUES (EXPENSES):		
Grants (Not Capital Grants)	7,739	59,271
Investment Earnings	21,527	13,536
Interest Expense - Non-Operating	(25,852)	-
Total Nonoperating Revenue (Expenses)	<u>3,414</u>	<u>72,807</u>
Income (Loss) Before Contributions	147,116	(59,433)
Capital Contributions	-	224,927
Change in Net Position	147,116	165,494
Total Net Position - October 1 (Beginning)	<u>12,444,434</u>	<u>5,377,993</u>
Total Net Position - September 30 (Ending)	<u>\$ 12,591,550</u>	<u>\$ 5,543,487</u>

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

- Enterprise Funds		Governmental Activities
Gas Fund	Total Enterprise Funds	Internal Service Fund
-	-	33,424
-	46,284	-
-	15,809	-
-	7,673	-
-	7,377	-
-	264,999	-
-	38,211	-
-	380,353	-
112,822	877,027	-
1,899,187	7,814,150	33,424
(105,653)	(94,191)	(24,883)
-	67,010	-
11,028	46,091	3,105
(7,717)	(33,569)	-
3,311	79,532	3,105
(102,342)	(14,659)	(21,778)
-	224,927	-
(102,342)	210,268	(21,778)
2,561,995	20,384,422	581,914
<u>\$ 2,459,653</u>	<u>\$ 20,594,690</u>	<u>\$ 560,136</u>

CITY OF ALPINE TEXAS
STATEMENT OF CASH FLOWS
PROPRIETARY FUNDS
FOR THE YEAR ENDED SEPTEMBER 30, 2022

	Business-Type Activities	
	Water, Sewer, Sanitation Fund	Airport Fund
<u>Cash Flows from Operating Activities:</u>		
Cash Received from User Charges	\$ 5,087,093	\$ 880,484
Cash Received Other Operating	-	-
Cash Payments to Employees for Services	(938,585)	(127,348)
Cash Payments for Insurance Claims	-	-
Cash Payments for Suppliers	(2,466,208)	(741,092)
Cash Payments for Other Operating Expenses	(947,577)	(57,200)
Net Cash Provided by (Used for) Operating Activities	734,723	(45,156)
<u>Cash Flows from Non-Capital Financing Activities:</u>		
Non Capital Grants	7,739	59,271
<u>Cash Flows from Capital and Related Financing Activities:</u>		
Acquisition of Capital Assets	(491,375)	(71,136)
Principal Paid on Debt	(273,585)	-
Interest Paid on Debt	(26,095)	-
Net Cash Provided by (Used for) Capital and Related Financing Activities	(791,055)	(71,136)
<u>Cash Flows from Investing Activities:</u>		
Interest and Dividends on Investments	20,952	13,536
Net Increase (Decrease) in Cash and Cash Equivalents	(27,641)	(43,485)
Cash and Cash Equivalents at Beginning of the Year	2,497,483	228,555
Cash and Cash Equivalents at the End of the Year	\$ 2,469,842	\$ 185,070

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

- Enterprise Funds		Governmental Activities
Gas Fund	Total Enterprise Funds	Internal Service Fund
\$ 1,838,735	\$ 7,806,312	\$ -
-	-	8,541
(587,037)	(1,652,970)	-
-	-	(33,385)
(743,156)	(3,950,456)	-
<u>(339,150)</u>	<u>(1,343,927)</u>	<u>-</u>
169,392	858,959	(24,844)
-	67,010	-
(31,586)	(594,097)	-
(33,610)	(307,195)	-
<u>(7,717)</u>	<u>(33,812)</u>	<u>-</u>
(72,913)	(935,104)	-
11,028	45,516	3,105
107,507	36,381	(21,739)
<u>1,300,628</u>	<u>4,026,666</u>	<u>443,478</u>
<u>\$ 1,408,135</u>	<u>\$ 4,063,047</u>	<u>\$ 421,739</u>

CITY OF ALPINE TEXAS
STATEMENT OF CASH FLOWS
PROPRIETARY FUNDS
FOR THE YEAR ENDED SEPTEMBER 30, 2022

	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)	\$ 143,702	\$ (132,240)
Adjustments to Reconcile Operating Income To Net Cash Provided by (Used For) Operating Activities:		
Depreciation and Amortization	552,214	211,991
Effect of Increases and Decreases in Current Assets and Liabilities:		
Decrease (Increase) in Receivables	(4,768)	(317,770)
Decrease (Increase) in Inventories	(7,673)	(16,123)
Decrease (Increase) in Prepaid Expenses	-	(36,000)
Decrease (Increase) in Net Pension Assets	(159,491)	(7,995)
Increase (Decrease) in Accounts Payable	(68,634)	(20,107)
Increase (Decrease) in Payroll Deductions	(5,397)	(89)
Decrease (Increase) in Deferred Outflows	14,070	(6,858)
Increase (Decrease) in Interfund Balances	2,350	-
Increase (Decrease) in Other Current Liabilities	80,345	153
Increase (Decrease) in Deferred Inflows	67,529	280,677
Increase (Decrease) in OPEB Liability	5,372	(795)
Increase (Decrease) in Landfill Closure Costs	115,104	-
Increase (Decrease) in Other Long Term Payable	-	-
Net Cash Provided by (Used for) Operating Activities	<u>\$ 734,723</u>	<u>\$ (45,156)</u>
<u>Reconciliation of Total Cash and Cash Equivalents:</u>		
Restricted Cash - Statement of Net Assets	<u>\$ 80,429</u>	<u>\$ -</u>
<u>Noncash Investing, Capital and Financing Activities:</u>		
Contributions of Capital Assets from Others	\$ -	\$ 224,927

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

- Enterprise Funds		Governmental Activities
Gas Fund	Total Enterprise Funds	Internal Service Fund
\$ (105,653)	\$ (94,191)	\$ (24,883)
112,822	877,027	-
6,981	(315,557)	-
11,468	(12,328)	-
-	(36,000)	-
(120,151)	(287,637)	39
721	(88,020)	-
1,507	(3,979)	-
6,831	14,043	-
(3,468)	(1,118)	-
88,856	169,354	-
68,609	416,815	-
5,407	9,984	-
-	115,104	-
95,462	95,462	-
<u>\$ 169,392</u>	<u>\$ 858,959</u>	<u>\$ (24,844)</u>
<u>\$ -</u>	<u>\$ 80,429</u>	<u>\$ -</u>
\$ -	\$ 224,927	\$ -

CITY OF ALPINE TEXAS
STATEMENT OF FIDUCIARY NET POSITION
FIDUCIARY FUNDS
SEPTEMBER 30, 2022

	Custodial Fund
<hr/>	
ASSETS	
Due from Other Funds	\$ 18,379
Total Assets	<u>18,379</u>
LIABILITIES	
Accounts Payable	<u>18,379</u>
Total Liabilities	<u>18,379</u>

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

CITY OF ALPINE TEXAS
 STATEMENT OF CHANGES IN FIDUCIARY FUND NET POSITION
 FIDUCIARY FUNDS
 FOR THE YEAR ENDED SEPTEMBER 30, 2022

	Custodial Fund
<hr/>	
ADDITIONS:	
Fines	\$ 59,098
Total Additions	<u>59,098</u>
DEDUCTIONS:	
Other Operating Costs	<u>59,098</u>
Total Deductions	<u>59,098</u>
Net Change in Fiduciary Net Position	-
Total Net Position - October 1 (Beginning)	<u>-</u>
Total Net Position - September 30 (Ending)	<u><u>\$ -</u></u>

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

CITY OF ALPINE, TEXAS

NOTES TO THE BASIC FINANCIAL STATEMENTS

SEPTEMBER 30, 2022

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. In addition to general administrative services such as court services, the City also provides public safety services which includes police, fire, and code enforcement. The public works services include maintaining the city streets and the health and welfare services include expenses for animal control. The City's culture and recreation expenses are related to tourism, parks, and other recreational services. The City provides utility services such as water, sewer, sanitation and gas. The City also maintains an airport.

The City prepares its basic financial statements in conformity with U.S. generally accepted accounting principles promulgated by the Governmental Accounting Standards Board (GASB) 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.

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, 2022

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 may 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 and OPEB, these deferred inflows may result from 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. These amounts will be amortized over a systematic and rational method over a closed period. For leases with the City as lessor, the deferred inflow of resources occurs at the time the value of the leases receivable is measured plus any payment received at or before the commencement of the lease term that relates to future periods. This deferred inflow will be amortized in a systematic and rational manner over the term of the lease.

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.

The City reports all direct expenses by function in the Statement of Activities. Direct expenses are those that are clearly identifiable with a function. The City does not currently employ indirect cost allocation systems.

Depreciation expense is specifically identified by function and is included in the direct expense of each function. Interest on general long-term debt is considered an indirect expense and is reported separately on the Statement of Activities.

Interfund activities between governmental funds and between governmental and proprietary funds and between governmental and fiduciary funds appear as due to/due from on the Governmental Fund Balance Sheet, the Proprietary Fund Statement of Net Position, and the Statement of Fiduciary Net Position or as other financing sources and uses on the Statement of Revenues, Expenditures/Expenses and Changes in Fund Balances/Position. All interfund transactions between governmental funds are eliminated on the government-wide statements. Interfund activities between governmental funds and enterprise funds and between governmental funds and fiduciary funds remain as due to/due from on the government-wide Statement of Net Position.

CITY OF ALPINE, TEXAS

NOTES TO THE BASIC FINANCIAL STATEMENTS

SEPTEMBER 30, 2022

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

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

Proprietary funds distinguish operating revenues and expenses from nonoperating items. Operating revenues result from providing goods and services in connection with a proprietary fund's principal ongoing operations; they usually come from exchange or exchange-like transactions. All other revenues are nonoperating. Operating expenses can be tied specifically to the production of goods and services, such as materials and labor and direct overhead. Operating expenses include activities that have the characteristics of an exchange transaction, such as a) employee salaries, benefits, and related expenses; b) utilities, supplies, and other services; c) professional fees; d) repairs and maintenance; and e) depreciation expenses related to City's capital assets and long-term debt. Nonoperating expenses include activities that have the characteristics of nonexchange transactions, such as interest on capital asset related debt that are defined as nonoperating expenses. All revenues and expenses not meeting this definition are reported as nonoperating revenues and expenses.

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 and leases, 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.

CITY OF ALPINE, TEXAS

NOTES TO THE BASIC FINANCIAL STATEMENTS

SEPTEMBER 30, 2022

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Revenues from local sources consist primarily of property and sales taxes and charges for services. 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. Sales taxes are recognized when earned based upon the reporting date from the Texas Comptroller of Public Accounts reports. Charges for services are primarily from franchise and administrative fees charged. Miscellaneous revenues are recorded as revenue when received in cash because they are generally not measurable until actually received. Investment earnings and interest income from leases 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. The governmental funds also report a deferred inflow of resources from leases, which is recognized as revenue over the term of the lease.

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.

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.

The Fiduciary Funds are accounted for on a flow of economic resources measurement focus and utilize the accrual basis of accounting. This basis of accounting recognizes revenues in the accounting period in which they are earned and become measurable and expenses in the accounting period in which they are incurred and become measurable. With this measurement focus, assets and liabilities associated with the operation of these funds are included on the fund Statement of Fiduciary Net Position.

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.

CITY OF ALPINE, TEXAS

NOTES TO THE BASIC FINANCIAL STATEMENTS

SEPTEMBER 30, 2022

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

2. Hotel and Motel Fund - This special revenue fund is used to account for the taxes collected from hotels and motels and the related expenditures to promote tourism paid for from those funds that meet the legally established requirements of the State for allowable expenditures.

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.

Proprietary Funds:

3. Internal Service Fund - This fund was established to manage the City's partially self-funded insurance plan. However, effective October 1, 2020, the City switched to a fully funded health insurance plan and a Health Reimbursement Arrangement (HRA) program. This fund continued to pay out the remaining claims during the fiscal year ending September 30, 2022, and the fund continues to be utilized to cover City contributions for employee health benefits towards the HRA program and COBRA.

Fiduciary Funds:

4. Custodial Fund - This fund is used to report fiduciary activities that are not required to be reported in pension (and other employee benefit) trust funds, investment trust funds, or private trust funds. The City's custodial fund is used to account for various fees charged through the court for which a portion is collected on behalf of the State of Texas and cannot be used in the City's in operations.

CITY OF ALPINE, TEXAS

NOTES TO THE BASIC FINANCIAL STATEMENTS

SEPTEMBER 30, 2022

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

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. Restricted cash represents cash set aside to be in compliance with legal restrictions related to the landfill.

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, 2022, 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, 2022

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.

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.

CITY OF ALPINE, TEXAS

NOTES TO THE BASIC FINANCIAL STATEMENTS

SEPTEMBER 30, 2022

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

In the fund financial statements, 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 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, 2022, the allowance in the Water, Sewer, and Sanitation fund was \$217,540, and the allowance in the Gas fund was \$107,578. There is no allowance for the receivables in the Airport Fund or the General Fund as management believes the balances to be fully collectible.

Lease Receivables

The City's receivables from leases as a lessor are measured at the present value of the lease payments expected to be received during the lease term. Under the lease agreements, the City has agreements with lease payments that include periodic fixed increases and some agreements have variable lease payments that are dependent on changes in the consumer price index. The variable payments are recorded as revenue in the period the payment is received. The current portion of the lease receivable is included in Other Receivables and the noncurrent portion is listed as such.

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. Services provided, deemed to be at market or near market rates, are treated as revenues and expenditures/expenses. Reimbursements are when one fund incurs a cost, charges the appropriate benefitting funds and reduces its related cost as a reimbursement. All other interfund transactions are treated as transfers. Transfers between governmental funds are netted as part of the reconciliation to the government-wide financial statements. See Note 6 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, equipment, and right-to-use lease assets 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. All individual federally funded assets shall be capitalized in accordance with the aforementioned policies.

CITY OF ALPINE, TEXAS

NOTES TO THE BASIC FINANCIAL STATEMENTS

SEPTEMBER 30, 2022

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

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. Assets acquired through contributions, such as from developers, are capitalized and recorded at acquisition value as of 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:

<u>Assets</u>	<u>Years</u>
Buildings and Improvements	10-50
Improvements	05-50
Machinery and Equipment	03-75
Utility Systems	25-75
Infrastructure	10-75
Vehicles	05-20

Right-to-Use lease assets are defined by the City as asset agreements with a present value of \$4,000 or more with the asset having an estimated useful life in excess of one year. Right-to-use lease assets are amortized in a systematic and rational manner over the shorter of the lease term or the useful life of the underlying asset. When a lease contains a purchase option the City chooses to exercise, the leased asset is amortized over the useful life of the underlying asset. The amortization expense is combined with depreciation expense for financial reporting purposes.

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, 2022, the total liability for compensated absences amounted to \$112,451. 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.

CITY OF ALPINE, TEXAS

NOTES TO THE BASIC FINANCIAL STATEMENTS

SEPTEMBER 30, 2022

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Long-term Debt

In the government-wide financial statements and proprietary fund types in the fund financial statements, long-term debt, right-to-use lease liabilities 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. Premiums and discounts are presented as a component of liabilities while deferred losses on refundings are presented as deferred outflows of resources and deferred gain on refunding as deferred inflows of resources. These items are deferred and amortized over the life of the related debt using the straight line method. Long-term debt is reported net of the applicable premium or discount. The right-to-use lease liability is calculated as the present value of the reasonably certain expected payments to be made over the term of the lease and the interest included in the lease payment is recorded as an expense.

In the fund financial statements, governmental fund types recognize debt issuance and the costs associated with the issuance of debt and new right-to-use lease arrangements, during the current period. The face amount of debt issued is reported as other financing sources. If applicable, premiums received on debt issuances are reported as other financing sources while discounts on debt issuances are reported as other financing uses. Issuance costs, whether or not withheld from the actual debt proceeds received, are reported as debt service expenditures. For new right-to-use leases, the initial measurement is reported in governmental fund types as an other financing source during the current period. Monthly or quarterly payments are reported as principal and interest payments during the reporting period in the fund financial statements. 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.

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 Landfill Closure Costs – This component of net position consists of restricted assets that have been set aside due to regulations for the closure of the landfill.

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.

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

CITY OF ALPINE, TEXAS

NOTES TO THE BASIC FINANCIAL STATEMENTS

SEPTEMBER 30, 2022

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Unrestricted – 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.

When an expense is incurred for purposes for which both restricted and unrestricted net position are available, the City considers restricted resources to have been spent first.

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.

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 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.

CITY OF ALPINE, TEXAS

NOTES TO THE BASIC FINANCIAL STATEMENTS

SEPTEMBER 30, 2022

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

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.

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, 2022, the amount due from hotels and motels was \$103,842, which is included in taxes receivable.

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.

CITY OF ALPINE, TEXAS

NOTES TO THE BASIC FINANCIAL STATEMENTS

SEPTEMBER 30, 2022

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

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. All budgets are prepared on the modified accrual basis of accounting which is required by Texas Law.

Encumbrances

Encumbrances represent commitments related to unperformed contracts for goods or services. There were no significant 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

The fiduciary net position of the Texas Municipal Retirement System (TMRS) and the Texas Emergency Services Retirement System (TESRS) has been determined using the flow of economic resources measurement focus and full accrual of accounting. 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 TMRS and 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.

Newly Implemented GASB

The City implemented GASB Statement No. 87, *Leases*, which requires recognition of certain lease assets and liabilities for leases that previously were classified as operating leases. The standard introduces new terminology for lease arrangements, calling them a right-to-use lease and is defined as a contract that conveys control of another entity's nonfinancial asset as specified in the contract for a period of time in an exchange or exchange-like transaction. See Note 5 for information regarding the District as lessor and Notes 7, 10, and 11 for information regarding the District's right-to-use lease assets and the related liabilities. In addition, Note 23 provides information on how the restatement impacted the financial statements.

CITY OF ALPINE, TEXAS

NOTES TO THE BASIC FINANCIAL STATEMENTS

SEPTEMBER 30, 2022

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 secured at September 30, 2022 by FDIC coverage of \$250,000 and two irrevocable letters of credit in the amount of \$7,500,000 and \$500,000, issued by Federal Home Loan Bank of Dallas, expiring February 1, 2023 and December 31, 2022, respectively. The total bank balance as of September 30, 2022 was \$6,123,028. The difference between book and bank balances represent items in transit at year-end, usually outstanding checks that clear in the following month. The following is disclosed as of September 30, 2022:

<u>Governmental Activities:</u>	<u>General Fund</u>	<u>Hotel and Motel Fund</u>	<u>Non-Major Funds</u>	<u>Internal Service Fund</u>	<u>Total Governmental Activities</u>
Cash	\$ 850,273	\$ 954,026	\$ 123,905	\$ 421,739	\$ 2,349,943
Cash Equivalents - Texas Class	710,825	86,640	75,026	-	872,491
Cash Equivalents - TexStar	1,992,317	-	-	-	1,992,317
Total Cash and Cash Equivalents	\$ 3,553,415	\$ 1,040,666	\$ 198,931	\$ 421,739	\$ 5,214,751
<u>Business-Type Activities:</u>	<u>Water, Sewer, and Sanitation Fund</u>	<u>Airport Fund</u>	<u>Gas Fund</u>	<u>Total Business-Type Activities</u>	
Cash	\$ 1,564,301	\$ 156,588	\$ 1,408,135	\$ 3,129,024	
Cash Equivalents-Texas Class	905,541	28,482	-	934,023	
Total Cash and Cash Equivalents	\$ 2,469,842	\$ 185,070	\$ 1,408,135	\$ 4,063,047	
Restricted Cash	\$ 80,429	\$ -	\$ -	\$ 80,429	

Water, Sewer and Sanitation restricted cash of \$80,429 is restricted for landfill closure and post-closure costs.

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.

CITY OF ALPINE, TEXAS

NOTES TO THE BASIC FINANCIAL STATEMENTS

SEPTEMBER 30, 2022

NOTE 3 - ACCOUNTS RECEIVABLE

Receivable balances for the various funds as of September 30, 2022 are summarized below:

	General Fund	Total Governmental Activities
Administrative and Franchise Fee	\$ 148,612	\$ 148,612
Road Repair Fees	50,000	50,000
Total	\$ 198,612	\$ 198,612

	Water, Sewer, and Sanitation Fund	Airport Fund	Gas Fund	Total Business- Type Activities
Water, Sewer, Sanitation Sales, net	\$ 389,054	\$ -	\$ -	\$ 389,054
AV fuel	-	22,588	-	22,588
Gas Sales, net	-	-	62,836	62,836
Miscellaneous	6,730	4,629	17,750	29,109
Total	\$ 395,784	\$ 27,217	\$ 80,586	\$ 503,587

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, 2022 are summarized as follows:

Description	General Fund	Non-Major Funds	Total Government Activities
Miscellaneous Taxes	\$ 21,680	\$ -	\$ 21,680
HIDTA	-	21,140	21,140
Local Border Security	-	39,432	39,432
Homeland Security	-	72,611	72,611
Texas Office of Governor	-	56,754	56,754
Other Miscellaneous	6,675	9,546	16,221
Total	\$ 28,355	\$ 199,483	\$ 227,838

CITY OF ALPINE, TEXAS

NOTES TO THE BASIC FINANCIAL STATEMENTS

SEPTEMBER 30, 2022

NOTE 5 - OTHER RECEIVABLES AND LEASE RECEIVABLES

For the governmental funds, the City reports the current portion of leases receivable as part of other receivables. At the beginning of the year, the City as lessor had an existing lease agreements for a ground lease with the local post office. The remaining lease term at October 1, 2021 was for approximately 13 years and monthly payments varied from \$367 to \$456. In accordance with the agreements, the monthly payments are subject to periodic fixed increases of 13% per every five years and 10% for the last five years. The lease receivable is measured at the present value of the future minimum rent payments expected to be received during the lease term using a discount rate of 4.0%. During fiscal year 2022, the City recognized \$3,840 in lease revenue and \$1,992 in interest revenue related to leases. At September 30, 2022, the City reports a total receivable of \$48,547 with a current portion of \$2,508 and a noncurrent portion of \$46,039 and a related deferred inflow of resources of \$47,115, which will be recognized as revenue over the lease term.

For the Airport enterprise fund, the City also reports the current portion of leases receivable as part of other receivables. At the beginning of the fiscal year, the Airport Fund as lessor had thirty previously existing ground lease agreements for City owned land and one new ground lease that was effective October 1, 2021 in the amount of \$10,276. The remaining lease terms at October 1, 2021 vary from 13 to 54 years and yearly payments varied from \$136 to \$2,340. In accordance with the agreements, the yearly payments for some leases are subject to periodic fixed increases of 1 cent per square foot while other leases are increased based on the consumer price index. The increases related to the consumer price index are considered variable payments. The leases receivable are measured at the present value of the future minimum rent payments expected to be received during the lease term using the rate of 4%. During fiscal year 2022, the City recognized \$12,055 in lease revenue and \$11,460 in interest revenue related to leases. At September 30, 2022, the City reports a total receivable of \$284,300 with a current portion of \$5,123 and a noncurrent portion of \$279,177 and a related deferred inflow of resources of \$276,709, which will be recognized as revenue over the lease terms.

Other Receivable balances for the various funds as of September 30, 2022 are summarized below:

	General Fund	Total Governmental Activities	
Lease Receivable - current	\$ 2,508	\$ 2,508	
Total	\$ 2,508	\$ 2,508	
	Water, Sewer, and Sanitation Fund	Airport Fund	Total Business- Type Activities
Landfill dumping charges	\$ 48,205	\$ -	\$ 48,205
Leases Receivable - current	-	5,123	5,123
Total	\$ 48,205	\$ 5,123	\$ 53,328

CITY OF ALPINE, TEXAS

NOTES TO THE BASIC FINANCIAL STATEMENTS

SEPTEMBER 30, 2022

NOTE 6 – 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, 2022:

	Due From Other Funds	Due to Other Funds
General Fund:		
Hotel and Motel Fund	\$ -	\$ 19,311
Non-Major Funds	200,610	93,767
Water, Sewer & Sanitation Fund	224,578	-
Airport Fund	131,541	-
Gas Fund	480,017	-
Health Internal Service Fund	-	138,450
Custodial Fund	-	18,379
Total General Fund	1,036,746	269,907
Hotel and Motel Fund:		
General Fund	19,311	-
Non-Major Funds:		
General Fund	93,767	200,610
Water, Sewer, & Sanitation Fund:		
General Fund	-	224,578
Airport Fund:		
General Fund	-	131,541
Gas Fund:		
General Fund	-	480,017
Health Internal Service Fund:		
General Fund	138,450	-
Custodial Fund:		
General Fund	18,379	-
Total	\$ 1,306,653	\$ 1,306,653

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 \$75,000 was transferred to the Pueblo Nuevo Park Fund for park improvements.

The general fund charged for administration and franchise costs to the Water, Sewer, and Sanitation Fund, the Airport Fund, and the Gas Fund, and charged indirect costs to the Hotel and Motel Fund in the following amounts: \$654,659, \$48,558, \$232,704, and \$38,618, respectively.

CITY OF ALPINE, TEXAS

NOTES TO THE BASIC FINANCIAL STATEMENTS

SEPTEMBER 30, 2022

NOTE 7 – CAPITAL ASSETS

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

	Restated Balance Oct. 1, 2021	Additions	Transfers/ Deductions	Balance Sept. 30, 2022
Land	\$ 806,665	\$ -	\$ -	\$ 806,665
Construction in Progress	465,070	854,541	(1,251,173)	68,438
Landscaping	56,383	-	-	56,383
Buildings and Improvements	3,015,203	17,800	508,359	3,541,362
Infrastructure	8,853,121	-	-	8,853,121
Improvements other than bldgs.	5,113,970	-	742,814	5,856,784
Vehicles	3,292,124	14,950	(168,686)	3,138,388
Furniture & Equipment	1,117,328	234,492	(6,412)	1,345,408
	<u>22,719,864</u>	<u>1,121,783</u>	<u>(175,098)</u>	<u>23,666,549</u>
Right-to-Use Lease assets:				
Vehicles	-	33,713	-	33,713
Furniture and equipment	14,800	30,202	-	45,002
Total Right-to-Use Lease assets	<u>14,800</u>	<u>63,915</u>	<u>-</u>	<u>78,715</u>
Total Governmental Assets	<u>\$ 22,734,664</u>	<u>\$ 1,185,698</u>	<u>\$ (175,098)</u>	<u>\$ 23,745,264</u>
Accumulated Depreciation:				
Landscaping	\$ (56,383)	-	-	\$ (56,383)
Buildings and Improvements	(1,601,151)	(108,451)	-	(1,709,602)
Infrastructure	(5,224,026)	(199,011)	-	(5,423,037)
Improvements other than bldgs.	(2,622,093)	(307,270)	-	(2,929,363)
Vehicles	(2,587,053)	(153,618)	155,770	(2,584,901)
Furniture & Equipment	(636,480)	(69,540)	5,236	(700,784)
Total Accumulated Depreciation	<u>(12,727,186)</u>	<u>(837,890)</u>	<u>161,006</u>	<u>(13,404,070)</u>
Less accumulated amortization for:				
Right-to-Use Lease assets:				
Vehicles	-	-	-	-
Furniture and equipment	-	(10,722)	-	(10,722)
Total accumulated amortization	<u>-</u>	<u>(10,722)</u>	<u>-</u>	<u>(10,722)</u>
Net Governmental Capital Assets	<u>\$ 10,007,478</u>	<u>\$ 337,086</u>	<u>\$ (14,092)</u>	<u>\$ 10,330,472</u>

CITY OF ALPINE, TEXAS

NOTES TO THE BASIC FINANCIAL STATEMENTS

SEPTEMBER 30, 2022

NOTE 7 – CAPITAL ASSETS (continued)

Depreciation and amortization expense was charged to governmental functions as follows:

	<u>Depreciation</u>	<u>Amortization</u>
General Government	\$ 39,674	\$ 9,138
Public Works	520,048	-
Health and Human Services	57,160	-
Culture and Recreation	101,065	1,584
Public Safety	119,943	-
	<hr/>	<hr/>
Total Depreciation Expense	<u>\$ 837,890</u>	<u>\$ 10,722</u>

Depreciation and amortization expense totaled \$848,612 for the year ended September 30, 2022 as reported in the government wide financial statements.

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

	Restated Balance Oct. 1, 2021	Additions	Transfers/ Deductions	Balance Sept. 30, 2022
Water, Sewer, and Sanitation				
Land	\$ 192,397	\$ -	\$ -	\$ 192,397
Construction in Progress	48,518	391,180	-	439,698
Buildings and Improvements	1,160,965	-	-	1,160,965
Furniture, Equipment, & Vehicles	2,579,614	-	-	2,579,614
Water System	14,453,819	84,007	-	14,537,826
Wastewater System	6,801,052	16,188	-	6,817,240
	<hr/>	<hr/>	<hr/>	<hr/>
	25,236,365	491,375	-	25,727,740
Right-to-Use Lease assets:				
Furniture and equipment	20,669	-	-	20,669
	<hr/>	<hr/>	<hr/>	<hr/>
Total Right-to-Use Lease assets	20,669	-	-	20,669
	<hr/>	<hr/>	<hr/>	<hr/>
Total Water, Sewer, and Sanitation Assets	25,257,034	491,375	-	25,748,409
	<hr/>	<hr/>	<hr/>	<hr/>
Accumulated Depreciation:				
Buildings and Improvements	(653,597)	(36,577)	-	(690,174)
Furniture, Equipment, & Vehicles	(1,436,434)	(152,909)	-	(1,589,343)
Water System	(6,277,466)	(249,510)	-	(6,526,976)
Wastewater System	(3,333,704)	(109,150)	-	(3,442,854)
	<hr/>	<hr/>	<hr/>	<hr/>
Total Accumulated Depreciation	(11,701,201)	(548,146)	-	(12,249,347)
	<hr/>	<hr/>	<hr/>	<hr/>
Accumulated Amortization:				
Right-to-Use Lease assets:				
Furniture and equipment	-	(4,068)	-	(4,068)
	<hr/>	<hr/>	<hr/>	<hr/>
Total Accumulated Amortization	-	(4,068)	-	(4,068)
	<hr/>	<hr/>	<hr/>	<hr/>
Net Water, Sewer, and Sanitation Capital Assets	<u>\$ 13,555,833</u>	<u>\$ (60,839)</u>	<u>\$ -</u>	<u>\$ 13,494,994</u>

CITY OF ALPINE, TEXAS

NOTES TO THE BASIC FINANCIAL STATEMENTS

SEPTEMBER 30, 2022

NOTE 7 – CAPITAL ASSETS (continued)

Airport	Balance Oct. 1, 2021	Additions	Transfers/ Deductions	Balance Sept. 30, 2022
Land	\$ 99,584	\$ -	\$ -	\$ 99,584
Construction in Progress	96,302	251,931	(270,033)	78,200
Buildings	18,253	-	-	18,253
Equipment	162,827	-	-	162,827
Improvements other than bldgs.	6,535,266	44,132	270,033	6,849,431
Total Airport Assets	6,912,232	296,063	-	7,208,295
Accumulated Depreciation:				
Buildings	(4,202)	(390)	-	(4,592)
Equipment	(52,229)	(4,962)	-	(57,191)
Improvements other than bldgs.	(1,730,168)	(206,639)	-	(1,936,807)
Total Accumulated Depreciation	(1,786,599)	(211,991)	-	(1,998,590)
Net Airport Capital Assets	\$ 5,125,633	\$ 84,072	\$ -	\$ 5,209,705

CITY OF ALPINE, TEXAS

NOTES TO THE BASIC FINANCIAL STATEMENTS

SEPTEMBER 30, 2022

NOTE 7 – CAPITAL ASSETS (continued)

Gas	Restated		Transfers/ Deductions	Balance Sept. 30, 2022
	Balance Oct. 1, 2021	Additions		
Land	\$ 45,000	\$ -	\$ -	\$ 45,000
Construction in Progress	-	22,665	-	22,665
Buildings	217,000	-	-	217,000
Vehicles	486,150	-	(3,500)	482,650
Furniture and Equipment	210,452	8,921	-	219,373
Gas Distribution System	1,442,557	-	-	1,442,557
	<u>2,401,159</u>	<u>31,586</u>	<u>(3,500)</u>	<u>2,429,245</u>
Right-to-Use Lease assets:				
Furniture and equipment	16,868	-	-	16,868
	<u>16,868</u>	<u>-</u>	<u>-</u>	<u>16,868</u>
Total Gas Assets	<u>2,418,027</u>	<u>31,586</u>	<u>(3,500)</u>	<u>2,446,113</u>
Accumulated Depreciation:				
Buildings	(83,183)	(8,680)	-	(91,863)
Vehicles	(240,949)	(48,435)	3,500	(285,884)
Furniture and Equipment	(121,851)	(15,852)	-	(137,703)
Gas Distribution System	(287,959)	(33,531)	-	(321,490)
Total Accumulated Depreciation	<u>(733,942)</u>	<u>(106,498)</u>	<u>3,500</u>	<u>(836,940)</u>
Less accumulated amortization for:				
Right-to-Use Lease assets:				
Furniture and equipment	-	(6,324)	-	(6,324)
Total Accumulated Amortization	<u>-</u>	<u>(6,324)</u>	<u>-</u>	<u>(6,324)</u>
Net Gas Capital Assets	<u>\$ 1,684,085</u>	<u>\$ (81,236)</u>	<u>-</u>	<u>\$ 1,602,849</u>

Depreciation and amortization expense for the enterprise funds' capitals assets totaled \$877,027 for the year ended September 30, 2022 as reported in the proprietary and government wide financial statements.

CITY OF ALPINE, TEXAS

NOTES TO THE BASIC FINANCIAL STATEMENTS

SEPTEMBER 30, 2022

NOTE 8 - UNEARNED REVENUES

Unearned revenue balances for the various funds as of September 30, 2022 are summarized below:

	General Fund	Total Governmental Activities	
Coronavirus Local Fiscal Recovery Fund-Emergency Protective Measures	\$ 1,488,535	\$ 1,488,535	
Total	\$ 1,488,535	\$ 1,488,535	
	Water, Sewer, and Sanitation Fund	Gas Fund	Total Business- Type Activities
Prepaid Utility payments	\$ 78,816	\$ 36,039	\$ 114,855
Total	\$ 78,816	\$ 36,039	\$ 114,855

NOTE 9 – OTHER CURRENT LIABILITIES

As of September 30, 2022, other current liabilities consisted of the following:

	General Fund	Total Government Activities	
Rental Deposits	\$ 6,160	\$ 6,160	
Other	1,665	1,665	
Total	\$ 7,825	\$ 7,825	
	Water, Sewer, and Sanitation Fund	Gas Fund	Total Business-Type Activities
Customer Deposits	\$ 293,693	\$ 197,040	\$ 490,733
Other	1,803	569	2,372
Total	\$ 295,496	\$ 197,609	\$ 493,105

CITY OF ALPINE, TEXAS

NOTES TO THE BASIC FINANCIAL STATEMENTS

SEPTEMBER 30, 2022

NOTE 10– GOVERNMENTAL ACTIVITIES LONG-TERM DEBT

For the year ended September 30, 2022, the City had the following governmental activities long-term debt:

Loans from Direct Borrowing:

- In fiscal year 2010, the City acquired a fire truck in the amount of \$260,756. The term requires annual payments of \$29,753 which includes interest at 5.37% with final payment made November 11, 2021. The unpaid principal balance at September 30, 2022 was zero.
- In fiscal year 2018, the City acquired five vehicles totaling \$108,085. The terms require monthly payments of differing amounts 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, 2022 was \$15,428.
- In fiscal year 2019, the City acquired eight vehicles totaling \$180,760. The terms require monthly payments of differing amounts 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, 2022 was \$63,183.
- In fiscal year 2020, the City acquired a truck in the amount of \$28,051. The term requires monthly payments of \$616 which includes interest at 11.44% with final payment due December 26, 2024. The unpaid principal balance at September 30, 2022 was \$14,604.
- In fiscal year 2021, the City acquired two vehicles totaling \$63,809. The term requires monthly payments of \$634 per vehicle which includes interest at 7.14% with final payments due January 21, 2026. The unpaid principal balance at September 30, 2022 was \$45,006.

Certificates of Obligations and Bonds Payable:

- Tax and Revenue Certificates of Obligation – Series 2011 - 56% (\$695,000) of the bond was allocated to governmental activities and is reported with long-term debt in the governmental activities and 44% (\$535,000) was allocated and to the Water, Sewer, and Sanitation Fund and 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, 2022, the outstanding balance in the governmental activities was \$387,000. See Note 11 for the outstanding balance for the Water, Sewer, and Sanitation Fund.
- General Obligation Refunding Bonds – Series 2011 - 60% (\$1,890,000) of the bond was allocated to governmental activities and is reported with long-term debt in the governmental activities and 40% (\$1,260,000) was allocated to the Water, Sewer, and Sanitation Fund and 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, 2022, the outstanding balance in the governmental activities was \$189,000. See Note 11 for the outstanding balance for the Water, Sewer, and Sanitation Fund.

CITY OF ALPINE, TEXAS

NOTES TO THE BASIC FINANCIAL STATEMENTS

SEPTEMBER 30, 2022

NOTE 10 – GOVERNMENTAL ACTIVITIES LONG-TERM DEBT (continued)

Right-to-Use Lease Liabilities:

The City has entered into multiple lease agreements as lessee to lease office equipment for governmental funds with lease terms of five years. In addition, during fiscal year 2022, the City entered into a lease agreement as lessee for a vehicle with a term of five years. A right-to-use lease liability of \$14,800 for existing leases at October 1, 2021 has been established based upon the present value calculations of future minimum lease payments and an interest rate of 7.14%. In addition, an initial liability of \$63,915 for the new lease entered into during fiscal year 2022 has been recorded based on present value calculations of future minimum lease payments and an interest rate of 12.23%. The City is required to make monthly or quarterly payments, during the lease terms. During fiscal year 2022, the City made principal payments of \$9,823 for governmental funds and interest payments of \$2,294.

Changes in governmental activities long-term debt follows:

	Funded by	Restated Balance 10/01/21	New Issues	Payments	Balance 9/30/22	Due Within One Year	Due in More Than One Year
Loans	General	\$ 246,874	\$ -	\$ 108,653	\$ 138,221	\$ 76,638	\$ 61,583
Certificates of Obligation:	Debt						
56% Series 2011	Service	420,600	-	33,600	387,000	36,400	350,600
General Obligation Bond:	Debt						
60% Series 2011	Service	279,000	-	90,000	189,000	93,000	96,000
Right-to-Use leases liability	General	8,584	63,915	8,397	64,102	14,502	49,600
	Hotel &						
Right-to-Use leases liability	Motel	6,216	-	1,426	4,790	1,532	3,258
		<u>\$ 961,274</u>	<u>\$ 63,915</u>	<u>\$ 242,076</u>	<u>\$ 783,113</u>	<u>\$ 222,072</u>	<u>\$ 561,041</u>

CITY OF ALPINE, TEXAS

NOTES TO THE BASIC FINANCIAL STATEMENTS

SEPTEMBER 30, 2022

NOTE 10 – GOVERNMENTAL ACTIVITIES LONG-TERM DEBT (continued)

The future principal and interest maturities of long-term debt for Governmental Activities as of September 30, 2022 are as follows:

GOVERNMENTAL ACTIVITIES

Loans

Year Ending September 30,	Principal	Interest	Total
2023	\$ 76,638	\$ 9,904	\$ 86,542
2024	40,438	3,160	43,598
2025	16,103	950	17,053
2026	5,042	75	5,117
Total	<u>\$ 138,221</u>	<u>\$ 14,089</u>	<u>\$ 152,310</u>

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

Year Ending September 30,	Principal	Interest	Total
2023	\$ 36,400	\$ 15,338	\$ 51,738
2024	36,400	13,798	50,198
2025	39,200	12,199	51,399
2026	39,200	10,541	49,741
2027	42,000	8,824	50,824
2028-2031	193,800	16,286	210,086
Total	<u>\$ 387,000</u>	<u>\$ 76,986</u>	<u>\$ 463,986</u>

General Obligation Refunding Bonds Series 2011 (60%)

Year Ending September 30,	Principal	Interest	Total
2023	\$ 93,000	\$ 5,078	\$ 98,078
2024	96,000	1,711	97,711
Total	<u>\$ 189,000</u>	<u>\$ 6,789</u>	<u>\$ 195,789</u>

Right-to-Use Lease Liability

Year Ending September 30,	Principal	Interest	Total
2023	\$ 16,034	\$ 6,065	\$ 22,099
2024	13,413	4,656	18,069
2025	14,575	3,342	17,917
2026	14,288	1,957	16,245
2027	10,582	600	11,182
Total	<u>\$ 68,892</u>	<u>\$ 16,620</u>	<u>\$ 85,512</u>

CITY OF ALPINE, TEXAS

NOTES TO THE BASIC FINANCIAL STATEMENTS

SEPTEMBER 30, 2022

NOTE 10 – GOVERNMENTAL ACTIVITIES LONG-TERM DEBT (continued)

TOTAL GOVERNMENTAL LONG-TERM DEBT

Year Ending September 30,	Principal	Interest	Total
2023	\$ 222,072	\$ 36,385	\$ 258,457
2024	186,251	23,325	209,576
2025	69,878	16,491	86,369
2026	58,530	12,573	71,103
2027	52,582	9,424	62,006
2028-2031	193,800	16,286	210,086
Total	<u>\$ 783,113</u>	<u>\$ 114,484</u>	<u>\$ 897,597</u>

NOTE 11 – 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 July 2005, Series 2005 combination Tax and Revenue Certificates of Obligation were issued as direct placement with Texas Water Development Board (TWDB) 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, 2022 was \$1,923,000. 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.

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 56% (\$695,000) was allocated to the governmental activities and 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, 2022, the outstanding balance was \$293,000 for the Water, Sewer, and Sanitation Fund. See Note 10 for the outstanding balance for the governmental activities. 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 60% (\$1,890,000) was allocated to the governmental activities and 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, 2022, the outstanding balance was \$126,000 for the Water, Sewer, and Sanitation Fund. See Note 10 for the outstanding balance for the governmental activities.

CITY OF ALPINE, TEXAS

NOTES TO THE BASIC FINANCIAL STATEMENTS

SEPTEMBER 30, 2022

NOTE 11 – BUSINESS-TYPE ACTIVITIES LONG-TERM DEBT (continued)

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, 2022. The proceeds were used to fund improvements to the wastewater system. As of September 30, 2022, the bonds were paid in full.

The City has pledged future water and sewer customer revenue, net of specified operating expenses, to repay water and sewer system revenue bonds. Management has calculated the net revenues available for the Water and Sewer debt service as of September 30, 2022 to be \$621,192 and the required principal and interest for the debt covered by the pledge to be \$313,151. Management calculates the debt service ratio to be 1.98 for the year ending September 30, 2022.

Loans from Direct Borrowing

- In fiscal year 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 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% for the Water, Sewer, and Sanitation Fund with the final payments made in 2022.
- In fiscal year 2018, the City acquired one vehicle for the Water, Sewer, and Sanitation Fund in the amount of \$19,342. The term requires monthly payments of \$443 with interest rate of 12.96% for five years with final payment due March 2023. The unpaid principal balance at September 30, 2022 was \$2,556.
- In fiscal year 2019, the City acquired three vehicles for the Gas Fund in the amount of \$66,428. The terms require payments of differing amounts 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, 2022 was \$22,664.
- In fiscal year 2020, the City acquired one vehicle for the Gas Fund in the amount of \$43,161. The term requires monthly payments of \$936 with interest rate of 10.91% for five years with final payment due in September 18, 2024. The unpaid principal balance at September 30, 2022 was \$20,110.
- In fiscal year 2021, the City acquired two vehicles for the Water, Sewer, and Sanitation Fund in the amount of \$50,746. The terms require monthly payments of \$1,048 with interest rate of 8.75% for five years with final payment due in October 2025. The unpaid principal balance at September 30, 2022 was \$33,722.

Right-to-Use Lease Liabilities:

The City has entered into multiple lease agreements as lessee to lease office equipment for the enterprise funds with lease terms of five to six years for both the Water, Sewer, and Sanitation Fund and the Gas Fund.

For the Water, Sewer, and Sanitation fund a right-to-use lease liability of \$20,669 for existing leases at September 30, 2021 has been established based upon the present value calculations of future minimum lease payments and an interest rate of 7.14%. The City is required to make monthly payments, during the lease term. During fiscal year 2022, the City made principal payments of \$3,498 and interest payments of \$1,362 for the Water, Sewer, and Sanitation Fund.

CITY OF ALPINE, TEXAS

NOTES TO THE BASIC FINANCIAL STATEMENTS

SEPTEMBER 30, 2022

NOTE 11 – BUSINESS-TYPE ACTIVITIES LONG-TERM DEBT (continued)

For the Gas fund a right-to-use lease liability of \$16,868 for existing leases at September 30, 2021 has been established based upon the present value calculations of future minimum lease payments and an interest rate of 7.14%. The City is required to make monthly payments, during the lease term. During fiscal year 2022, the City made principal payments of \$5,960 and interest payments of \$1,012 for the Water, Sewer, and Sanitation Fund.

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

	Funded by	Restated Balance 10/01/2021	Issues	Payments	Balance 09/30/2022	One Year	Due in More Than One Year
Water Sewer & Sanitation Fund (WSS):							
<u>Tax and Revenue Certificates of Obligation:</u>							
2012 Series -							
Private Placement	WSS	\$ 5,728	\$ -	\$ 5,728	\$ -	\$ -	\$ -
44% of 2011 Series	WSS	319,400	-	26,400	293,000	28,600	264,400
TWDB Series 2005 - Direct Placement	WSS	2,061,000	-	138,000	1,923,000	138,000	1,785,000
<u>General Obligation Refunding Bonds:</u>							
40% of Series 2011	WSS	186,000	-	60,000	126,000	62,000	64,000
<u>Other liabilities:</u>							
Loans	WSS	76,237	-	39,959	36,278	12,416	23,862
Right-to-Use Lease Liability	WSS	20,669	-	3,498	17,171	3,755	13,416
Gas Fund:							
Loans	Gas Fund	70,425	-	27,651	42,774	25,456	17,318
Vendor Settlement	Gas Fund	-	143,193	-	143,193	47,731	95,462
Right-to-Use Lease Liability	Gas Fund	16,868	-	5,960	10,908	5,143	5,765
Total Business-type Activities		<u>\$2,756,327</u>	<u>\$ 143,193</u>	<u>\$ 307,196</u>	<u>\$2,592,324</u>	<u>\$ 323,101</u>	<u>\$2,269,223</u>

The future principal and interest maturities of long term debt for the Business-type Activities as of September 30, 2022 are as follows:

BUSINESS-TYPE ACTIVITIES
WSS Tax and Revenue Certificates of Obligation Series 2011 (44%)

Year Ending September 30,	Principal	Interest	Total
2023	\$ 28,600	\$ 12,051	\$ 40,651
2024	28,600	10,841	39,441
2025	30,800	9,585	40,385
2026	30,800	8,282	39,082
2027	33,000	6,933	39,933
2028-2031	141,200	12,796	153,996
Total	<u>\$ 293,000</u>	<u>\$ 60,488</u>	<u>\$ 353,488</u>

CITY OF ALPINE, TEXAS

NOTES TO THE BASIC FINANCIAL STATEMENTS

SEPTEMBER 30, 2022

NOTE11 – BUSINESS-TYPE ACTIVITIES LONG-TERM DEBT (continued)

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

<u>Year Ending September 30,</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2023	\$ 138,000	\$ -	\$ 138,000
2024	138,000	-	138,000
2025	138,000	-	138,000
2026	138,000	-	138,000
2027	137,000	-	137,000
2028-2032	685,000	-	685,000
2033-2036	549,000	-	549,000
Total	\$ 1,923,000	\$ -	\$ 1,923,000

WSS General Obligation Refunding Bonds Series 2011 (40%)

<u>Year Ending September 30,</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2023	\$ 62,000	\$ 3,386	\$ 65,386
2024	64,000	1,140	65,140
Total	\$ 126,000	\$ 4,526	\$ 130,526

WSS Loans

<u>Year Ending September 30,</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2023	\$ 12,416	\$ 2,665	\$ 15,081
2024	10,910	1,656	12,566
2025	11,983	664	12,647
2026	962	8	970
Total	\$ 36,271	\$ 4,993	\$ 41,264

WSS Right-to-Use Lease Liability

<u>Year Ending September 30,</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2023	\$ 3,755	\$ 1,105	\$ 4,860
2024	4,032	828	4,860
2025	4,330	530	4,860
2026	4,649	211	4,860
2027	405	-	405
Total	\$ 17,171	2,674	\$ 19,845

CITY OF ALPINE, TEXAS

NOTES TO THE BASIC FINANCIAL STATEMENTS

SEPTEMBER 30, 2022

NOTE 11 – BUSINESS-TYPE ACTIVITIES LONG-TERM DEBT (continued)

Gas Loans

Year Ending September 30,	Principal	Interest	Total
2023	\$ 25,456	\$ 3,636	\$ 29,092
2024	17,318	849	18,167
Total	<u>\$ 42,774</u>	<u>4,485</u>	<u>\$ 47,259</u>

Gas Right-to-Use Lease Liability

Year Ending September 30,	Principal	Interest	Total
2023	\$ 5,143	\$ 581	\$ 5,724
2024	2,912	316	3,228
2025	2,853	106	2,959
Total	<u>\$ 10,908</u>	<u>1,003</u>	<u>\$ 11,911</u>

TOTAL BUSINESS-TYPE ACTIVITIES - LONG -TERM DEBT

Year Ending September 30,	Principal	Interest	Total
2023	\$ 275,370	\$ 23,424	\$ 298,794
2024	265,772	15,630	281,402
2025	187,966	10,885	198,851
2026	174,411	8,501	182,912
2027	170,405	6,933	177,338
2028-2032	826,200	12,796	838,996
2033-2036	549,000	-	549,000
Total	<u>\$ 2,449,124</u>	<u>\$ 78,169</u>	<u>\$ 2,527,293</u>

NOTE 12 – PENSION PLANS

A. Texas Municipal Retirement System

Plan Description: The City of Alpine participates as one of 892 plans in the defined benefit cash-balance plan administered by the Texas Municipal Retirement System (TMRS). TMRS is a statewide public retirement plan created by the State of Texas and administered in accordance with the Texas Government Code, Title 8, Subtitle G (the TMRS Act) as an agent multiple-employer retirement for employees of Texas participating cities. The TMRS Act places the general administration and management of TMRS with a six-member, Governor-appointed Board of Trustees; however, TMRS does not receive any funding from 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 Annual Comprehensive Financial Report (Annual Report) that can be obtained at tmrs.com.

CITY OF ALPINE, TEXAS

NOTES TO THE BASIC FINANCIAL STATEMENTS

SEPTEMBER 30, 2022

NOTE 12 – PENSION PLANS (continued)

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. Pension benefits are provided to all of the City's full-time Members, 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 Member's benefit is calculated based on the sum of the Member's contributions, with interest, and the city-financed monetary credits with interest and their age requirement and other actuarial factors. The retiring Member may select one of seven monthly benefit payment options. Members may also choose to receive a portion of their benefit as a lump sum distribution in an amount equal to 12, 24, or 36 monthly payments, which cannot exceed 75% of the Member contributions and interest.

Employees covered by benefit terms

At the December 31, 2021 valuation and measurement date, the following employees were covered by the benefit terms:

Inactive employees or beneficiaries currently receiving benefits	36
Inactive employees entitled to but not yet receiving benefits	98
Active employees	<u>82</u>
Total	<u><u>216</u></u>

Contributions: Member contribution rates in TMRS are either 5%, 6%, or 7% of the Member's total compensation, and the City matching percentages are either 100%, 150%, or 200%, both as adopted by the governing body of the City. Under the state law governing TMRS, the contribution rate for each city is determined annually by the actuary, using the Entry Age Normal (EAN) actuarial cost method. The City's contribution rate is based on the liabilities created from the benefit plan options selected by the City and any changes in benefits or actual experience over time. 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 compensation during the fiscal year. The contribution rates for the City for the calendar months in 2021 was 2.01% and 2.13% for the calendar months in 2022. The City's contributions to TMRS for the year ended September 30, 2022, were \$72,178 and were equal to the required contributions.

Net Pension Asset: The City's Net Pension Asset (NPA) was measured as of December 31, 2021, and the Total Pension Liability (TPL) used to calculate the Net Pension Asset was determined by an actuarial valuation as of that date.

CITY OF ALPINE, TEXAS

NOTES TO THE BASIC FINANCIAL STATEMENTS

SEPTEMBER 30, 2022

NOTE 12 – PENSION PLANS (continued)

Actuarial Assumptions: The Total Pension Liability in the December 31, 2021 actuarial valuation was determined using the following actuarial assumptions:

Inflation	2.5% per year
Overall payroll growth	2.75% per year, adjusted down for population declines, if any
Investment Rate of Return	6.75%, net of pension plan investment expense, including inflation

Salary increases were based on a service-related table. Mortality rates for active members are based on the PUB(10) mortality tables with the Public Safety table used for males and the General Employee table used for females. Mortality rates for healthy retirees and beneficiaries are based on the Gender-distinct 2019 Municipal Retirees of Texas mortality tables. The rates for actives, healthy retirees and beneficiaries are projected on a fully generational basis by Scale UMP to account for future mortality improvements. For disabled annuitants, the same mortality tables for healthy retirees is used with a 4-year set-forward for males and a 3-year set-forward for females. In addition, a 3.5% and 3.0% minimum mortality rate is applied, for males and females respectively, to reflect the impairment for younger members who become disabled. The rates are projected on a fully generational basis by Scale UMP to account for future mortality improvements subject to the floor.

The actuarial assumptions were developed primarily from the actuarial investigation of the experience of the TMRS over the four-year period from December 31, 2014 to December 31, 2018. They were adopted in 2019 and first used in the December 31, 2019 actuarial valuation. The post-retirement mortality assumption for Annuity Purchase Rates (APRs) is based on the Mortality Experience Investigation Study covering 2009 through 2011, and dated December 31, 2013.

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 of 2.5%. The target allocation and best estimates of 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, 2022

NOTE 12 – PENSION PLANS (continued)

Asset Class	Target Allocation	Long-Term Expected Real Rate of Return (Arithmetic)
Global Public Equity	35.0%	7.55%
Core Fixed Income	6.0%	2.00%
Non-Core Fixed Income	20.0%	5.68%
Other Public and Private Markets	12.0%	7.22%
Real Estate	12.0%	6.85%
Hedge Funds	5.0%	5.35%
Private Equity	10.0%	10.00%
Total	100.0%	

Discount Rate: The discount rate used to measure the Total Pension Liability was 6.75%. The long-term municipal bond rate is 1.84% (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 member 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 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.

CITY OF ALPINE, TEXAS

NOTES TO THE BASIC FINANCIAL STATEMENTS

SEPTEMBER 30, 2022

NOTE 12– PENSION PLANS (continued)

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 12/31/2020	\$ 7,077,053	\$ 8,897,956	\$ (1,820,903)
Changes for the year:			
Service cost	322,710	-	322,710
Interest (on the Total Pension Liability)	472,985	-	472,985
Change of benefit terms	-	-	-
Difference between expected and actual experience	(57,187)	-	(57,187)
Changes of assumptions	-	-	-
Contributions - employer		74,046	(74,046)
Contributions - employee		184,195	(184,195)
Net investment income		1,157,994	(1,157,994)
Benefit payments, including refunds of employee contributions	(462,448)	(462,448)	-
Administrative expense	-	(5,367)	5,367
Other changes	-	37	(37)
Net changes	276,060	948,457	(672,397)
Balance at 12/31/2021	\$ 7,353,113	\$ 9,846,413	\$ (2,493,300)

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 Discount Rate Assumption (6.75%)	1% Increase (7.75%)
City’s net pension asset	\$ (1,530,751)	\$ (2,493,300)	\$ (3,289,245)

CITY OF ALPINE, TEXAS

NOTES TO THE BASIC FINANCIAL STATEMENTS

SEPTEMBER 30, 2022

NOTE 12 – PENSION PLANS (continued)

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

Pension Expense and Deferred Outflows of Resources and Deferred Inflows of Resources Related to TMRS: For the year ended September 30, 2022, the City recognized pension expense (income) of (\$251,569). At September 30, 2022, 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	\$ -	\$ 57,753
Changes in actuarial assumptions	-	853
Difference between projected and actual investment earnings	-	593,836
Changes in Proportionate Share	56,142	56,143
Contributions subsequent to the measurement date	53,317	-
Total	\$ 109,459	\$ 708,585

The \$53,317 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, 2023. 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,	
2023	\$ (137,606)
2024	(274,818)
2025	(128,545)
2026	(111,474)
2027	-
Thereafter	-
Total	\$ (652,443)

Changes in Net Pension Asset

	Beginning Balance	Additions	Reductions	Ending Balance
Net Pension Asset	\$ 1,820,903	\$ 688,615	\$ (16,218)	\$ 2,493,300

CITY OF ALPINE, TEXAS

NOTES TO THE BASIC FINANCIAL STATEMENTS

SEPTEMBER 30, 2022

NOTE 12 – PENSION PLANS (continued)

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.

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.

CITY OF ALPINE, TEXAS

NOTES TO THE BASIC FINANCIAL STATEMENTS

SEPTEMBER 30, 2022

NOTE 12 – PENSION PLANS (continued)

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 in 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 August 31, 2022 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 15 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.

At August 31, 2022, there were 239 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.

Contributions: 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.

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, 2022 was \$4,248.

CITY OF ALPINE, TEXAS

NOTES TO THE BASIC FINANCIAL STATEMENTS

SEPTEMBER 30, 2022

NOTE 12 – PENSION PLANS (continued)

The pension expense for AVFD is based on their proportionate share of the collective pension expense based on TERSRS’ fiscal year ended August 31, 2022, as shown in the following table:

	AVFD Pension Expense
Service Cost	\$ 1,354
Interest	10,001
Changes in benefit provisions	
Projected earnings on pension plan investments	(9,328)
Amortization of differences between projected and actual earnings on plan investments	2,872
Amortization of changes in assumptions	(120)
Amortization of differences between expected and actual experience	440
Pension plan administrative expense	210
Change in Benefit Provisions	2,114
	\$ 7,543

Actuarial Assumptions: The total pension liability in the August 31, 2022 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	7.5%, net of pension plan investment expense, including inflation

Mortality rates were based on the PubS-2010 (public safety) below-median income mortality tables for employees and for retirees, projected for mortality improvement generationally using projection scale MP-2019.

The actuarial assumptions were based on the results of an actuarial experience study of the System for the six plan years ending August 31, 2018.

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 expense 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 4.61%) and by adding expected inflation (3.0%). In addition, the final 7.5% assumption was selected by rounding down. 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, 2022

NOTE 12 – PENSION PLANS (continued)

Asset Class	Target Allocation	Long-Term Expected Net Real Rate of Return
Equities		
Large cap domestic	20.0%	5.83%
Small/mid cap domestic	10.0%	5.94%
Developed international	15.0%	6.17%
Emerging markets	5.0%	7.36%
Global infrastructure	5.0%	6.61%
Real estate	10.0%	4.48%
Multi asset income	5.0%	3.86%
Fixed income	30.0%	1.95%
Cash	0.0%	0.00%
Total	100.0%	-
Weighted average	-	4.61%

Discount Rate: The discount rate used to measure the total pension liability was 7.5%. No projection of cash flows was used to determine the discount rate because the August 31, 2022 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 7.5%, in comparison to what the City’s net pension liability would be if it were calculated using a discount rate that is 1 percentage point lower (6.5%) or 1 percentage point higher (8.5%) than the current rate.

	1% Decrease 6.5%	Current Discount Rate 7.5%	1% Increase 8.5%
Net pension liability/ (asset)	\$ 55,998	\$ 35,696	\$ 19,256

The System’s net pension liability was measured as of August 31, 2022, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of August 31, 2022. 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, 2021 through August 31, 2022.

At August 31, 2022, the City’s proportion of the collective net pension liability was 0.087% which was a decrease of 0.003% from its proportion as of August 31, 2021.

CITY OF ALPINE, TEXAS

NOTES TO THE BASIC FINANCIAL STATEMENTS

SEPTEMBER 30, 2022

NOTE 12 – PENSION PLANS (continued)

Pension Expense and Deferred Outflows/Inflows of Resources Related to TESRS: For the year ended September 30, 2022, the City recognized pension expense of \$1,099 and revenue of \$1,099 for support provided by the State.

For the City’s accounting year ending September 30, 2022, the annual pension cost for the TESRS plan for its members was \$4,422, and the actual contributions were \$4,248. As of September 30, 2022, 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	\$ 1,360	\$ -
Changes in assumptions	-	179
Net differences between projected and actual investment earnings	13,163	-
Change in proportionate share	-	2,013
Contributions made subsequent to measurement date	-	-
	\$ 14,523	\$ 2,192

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, 2023.

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:	
2023	\$ 2,276
2024	2,419
2025	2,683
2026	4,953
Thereafter	-
Total	\$ 12,331

Changes in Net Pension Liability

	Beginning Balance	Additions	Reductions	Ending Balance
Net Pension Liability	\$ 9,643	\$ 30,998	\$ (4,945)	\$ 35,696

CITY OF ALPINE, TEXAS

NOTES TO THE BASIC FINANCIAL STATEMENTS

SEPTEMBER 30, 2022

NOTE 13 - OTHER POST EMPLOYMENT BENEFITS

Plan Description: The City is one of 783 participating cities of the plan and provides a defined benefit group term life insurance death benefit through the Supplemental Death Benefits Fund (SDBF) administered the by Texas Municipal Retirement System (“TMRS”). This is a voluntary program in which participating member cities may elect, by ordinance, to provide supplemental death benefits for their active members, with optional coverage for their 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: Benefits payments 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 members provides a lump-sum payment approximately equal to the member’s annual salary (calculated based on the member’s actual earnings 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 SDBF and are not an obligation 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, 2021 actuarial valuation and measurement date, the following employees were covered by the benefit terms:

Inactive employees currently receiving benefits	25
Inactive employees entitled to but not yet receiving benefits	5
Active employees	<u>82</u>
Total	<u><u>112</u></u>

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.).

Contributions: The City contributes to the SDBF at a contractually required rate as determined by an annual actuarial valuation. The rate is based on the mortality and service experience of all employees covered by the benefit 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 City’s 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. As such, contributions fund the covered active member and retiree deaths on a pay-as-you-go basis.

The City’s contribution rates are certified annually by the Board of Trustees which is responsible for establishing and maintaining the funding policy. These rates are actuarially determined and are based upon the plan provisions in effect as of April 1, 2021 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.

CITY OF ALPINE, TEXAS

NOTES TO THE BASIC FINANCIAL STATEMENTS

SEPTEMBER 30, 2022

NOTE 13 - OTHER POST EMPLOYMENT BENEFITS (continued)

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

Plan/Calendar Year	Total SDB Contribution Rate	Retiree Portion of SDB Contribution Rate
2021	0.23%	0.12%
2022	0.20%	0.11%

The City’s contributions to the SDBF for the year ended September 30, 2022 were \$8,470.

Total OPEB Liability: The total OPEB liability (TOL) shown in this report is based on an actuarial valuation performed as of December 31, 2021 and a measurement date of December 31, 2021; as such, no roll-forward is required.

Actuarial Assumptions: The total OPEB liability in the December 31, 2021 actuarial valuation was determined using the following actuarial assumptions:

Inflation	2.5% per year
Salary increases	3.5% to 11.50% including inflation
Discount rate*	1.84%
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” rate as of December 31, 2021.*

The actuarial assumptions were developed primarily from the actuarial investigation of the experience of TMRS over the four year period from December 31, 2014 to December 31, 2018. They were adopted in 2019 and first used in the December 31, 2019 actuarial 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.

Changes in Actuarial Assumptions and Methods: Generally, changes in assumptions will only be the annual change in the municipal bond index rate.

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, each 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.

CITY OF ALPINE, TEXAS

NOTES TO THE BASIC FINANCIAL STATEMENTS

SEPTEMBER 30, 2022

NOTE 13 - OTHER POST EMPLOYMENT BENEFITS (continued)

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 or higher. As of December 31, 2021, the discount rate used in the development of the Total OPEB Liability was 1.84% compared to 2.00% as of December 31, 2020.

Changes in the Total OPEB Liability

Total OPEB Liability beginning of year	\$	198,535
Change for the year:		
Service Cost		16,947
Interest on Total OPEB Liability		4,096
Changes of benefit terms including TMRS plan participation		-
Differences between expected and actual experience		(7,660)
Changes in assumptions or other inputs		6,066
Benefit payments		<u>(4,421)</u>
Net changes		<u>15,028</u>
Total OPEB Liability - end of year	\$	<u><u>213,563</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 1.84%, as well as what the City's total OPEB liability would be if it were calculated using a discount rate that is 1 percentage point lower (1.00%) or 1 percentage point higher (3.00%) than the current rate:

	1% Decrease 0.84%	Current Discount Rate 1.84%	1% Increase 2.84%
Total OPEB liability	<u>\$ 257,545</u>	<u>\$ 213,563</u>	<u>\$ 178,745</u>

OPEB Expense and Deferred Outflows of Resources and Deferred Inflows of Resources Related to TMRS OPEB: For the year ended September 30, 2022, the City recognized OPEB expense of \$26,919. At September 30, 2022, 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	\$ -	\$ 18,033
Changes in actuarial assumptions	36,031	2,704
Contributions subsequent to the measurement date	<u>3,046</u>	<u>-</u>
Total	<u>\$ 39,077</u>	<u>\$ 20,737</u>

CITY OF ALPINE, TEXAS

NOTES TO THE BASIC FINANCIAL STATEMENTS

SEPTEMBER 30, 2022

NOTE 13 - OTHER POST EMPLOYMENT BENEFITS (continued)

The \$3,046 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, 2023. Other amounts reported as deferred outflows and inflows of resources related to OPEB will be recognized in OPEB expense as follows:

Year Ending September 30,	
2023	\$ 3,891
2024	3,303
2025	5,752
2026	2,605
2027	(257)
Thereafter	-
Total	\$ 15,294

Changes in Total OPEB Liability:

	Beginning Balance	Additions	Reductions	Ending Balance
Total OPEB Liability	\$ 198,535	\$ 27,109	\$ (12,081)	\$ 213,563

NOTE 14 – HEALTHCARE COVERAGE

The City had a self-insured health plan through the Texas Municipal League Intergovernmental Employee Benefits Pool covering substantially all employees through September 30, 2020. The plan covered major medical expenses, dental and vision. Effective October 1, 2020, the City had a fully funded health insurance plan through Blue Cross Blue Shield. As a fully funded plan, the City no longer funds claims. In addition, the City offers Vision and Dental insurance through Humana for employees and dependents. The City pays the premiums for the covered employees for all three plans. The employee premiums for health, vision, and dental are \$573, \$5, and \$31, respectively. Employees have the option to also add their dependents to the plans. The City also contributes a portion of the health premium for employee dependents to encourage employees to insure their family members as well. The amount the City contributes for employee dependents and/or family is forty to fifty percent of the premium.

In addition, the City provided a Health Reimbursement Arrangement program card to employees. Each card is pre-loaded with a prorated amount and is only available for the plan year which coincides with the fiscal year of the City. This provides additional resources for employees to cover medical costs. Management and Council will re-evaluate each year in order to determine whether or not to renew the program; and if renewed, how much will be provided to the employees.

CITY OF ALPINE, TEXAS

NOTES TO THE BASIC FINANCIAL STATEMENTS

SEPTEMBER 30, 2022

NOTE 15 – OTHER REVENUE

During the year ending September 30, 2022, other revenues from various sources consisted of the following:

	General Fund	Hotel and Motel Fund	NonMajor Funds	Total Governmental Funds
Road repair fees	\$ 50,000	\$ -	\$ -	\$ 50,000
Easement revenue	15,815	-	-	15,815
Insurance recovery	6,607	-	6,263	12,870
Accident report fees	1,530	-	-	1,530
Settlement	11,526	-	-	11,526
Permit fees	-	7,500	-	7,500
Court seized funds	9,437	-	-	9,437
Other miscellaneous	17,092	-	-	17,092
Total other revenue	\$ 112,007	\$ 7,500	\$ 6,263	\$ 125,770

NOTE 16 – FUND BALANCE REPORTING

The following schedule discloses the details of fund balance classifications at September 30, 2022:

	General Fund	Hotel and Motel Fund	Non-Major Funds	Total
Fund Balances:				
Restricted for:				
Federal or State Grants	\$ -	\$ -	\$ 77,967	\$ 77,967
Debt services	-	-	104,966	104,966
Tourism activities	-	1,090,990	-	1,090,990
Police Department				
Abandon Vehicle Funds	-	-	24,471	24,471
Other	-	-	5,264	5,264
Total restricted	-	1,090,990	212,668	1,303,658
Committed:				
Capital Improvements	229,813	-	-	229,813
Creek Trail Reserve	198,050	-	-	198,050
Fire Department	282,962	-	-	282,962
Pueblo Nuevo Park	-	-	75,026	75,026
Total committed	710,825	-	75,026	785,851
Unassigned	2,220,051	-	-	2,220,051
Total fund balances	\$ 2,930,876	\$ 1,090,990	\$ 287,694	\$ 4,309,560

CITY OF ALPINE, TEXAS

NOTES TO THE BASIC FINANCIAL STATEMENTS

SEPTEMBER 30, 2022

NOTE 17 – COMMITMENTS AND CONTINGENCIES

During the normal course of business, the City is subject to various legal claims. As of September 30, 2022, 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, 2022 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.

NOTE 18 – 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 2022 which can be obtained from the Texas Municipal League Intergovernmental Risk Pool, Austin, Texas.

NOTE 19 – 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, 2022, the City met all of the financial tests required by the TCEQ.

CITY OF ALPINE, TEXAS

NOTES TO THE BASIC FINANCIAL STATEMENTS

SEPTEMBER 30, 2022

NOTE 19 – LANDFILL (continued)

At September 30, 2022, total closure and postclosure costs are estimated at \$2,527,140. The estimated closure and postclosure costs recorded as a liability are \$850,777 and \$243,417, respectively, for a total of \$1,094,194. 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. Actual cost may be higher due to inflation, changes in technology, or changes in regulations. As of September 30, 2022, the City has \$80,429 to finance the estimated closure and post-closure costs.

At September 30, 2022, 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 38 years.

NOTE 20 - TOP TEN TAXPAYERS

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

<u>Name</u>	<u>Taxable Value</u>
AEP Texas North Company	\$ 5,393,800
WTG Fuels Inc	4,875,622
C & K Partnership LLC	4,712,328
Holiday Inn Express & Suites	4,706,345
Hampton Inn Alpine, LLC	4,100,000
NGP VI Alpine TX LLC	3,508,356
Union Pacific RR Co	3,069,270
S3 Hospitality LLC	3,034,028
McCoy Corporation	2,953,689
Big Bend Regional Medical	2,880,000
	<u>\$ 39,233,438</u>

NOTE 21 – 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, 2022.

CITY OF ALPINE, TEXAS

NOTES TO THE BASIC FINANCIAL STATEMENTS

SEPTEMBER 30, 2022

NOTE 22 - SIGNIFICANT EVENTS

Beginning March 2020, the COVID-19 virus was declared a global pandemic. Business continuity, including supply chains and consumer demand across a broad range of industries and countries have been severely impacted as governments and their citizens take significant and unprecedented measures to mitigate the consequences of the pandemic. In March 2021, the American Rescue Plan Act was signed by the President providing additional federal stimulus to aid public health and economic recovery from the Covid-19 Pandemic. As part of this Act, \$350 billion was set aside as Coronavirus State and Local Fiscal Recovery Funds, emergency funding for state, local, territorial and tribal governments. The City of Alpine has been designated as a Non-Entitlement Unit of Local Government (population under 50,000) and receives funding directly from the Texas Department of Emergency Management (TDEM). The City has received \$1,488,535 as part of the Coronavirus State and Local Fiscal Recovery Funds in two separate tranches and is included in the unearned revenue in the General Fund as of September 30, 2022.

NOTE 23 - RESTATEMENT

As part of the City's implementation of GASB 87, a restatement was necessary to establish the opening balances as of October 1, 2021 for the right-to-use lease assets and the right-to-use lease liability in the amount of \$14,800, \$20,669, and \$16,868 for the governmental activities, Water, Sewer, and Sanitation Fund, and the Gas Fund, respectively. Similarly, for leases with the City as lessor, opening balances had to be established for the leases receivables and the deferred inflow of resources related to leases in the amount of \$50,955 and \$278,488 for the General Fund and Airport Fund, respectively. The restatement had no impact on net position.

NOTE 24 – 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. 91, *Conduit Debt Obligations*, effective for periods beginning after December 15, 2021. GASB No. 91 requires issuers to disclose information about their conduit debt obligations. Management will be analyzing the effects of this pronouncement and plans to adopt it, if applicable, by the effective date.
- GASB No. 94, *Public-Private and Public-Public Partnerships and Availability Arrangements*, effective for periods beginning after June 15, 2022. GASB No. 94 improves financial reporting by addressing issues related to public private and public-public partnerships arrangements (PPPs) as well as availability payment arrangements (APAs). Management will be analyzing the effects of this pronouncement and plans to adopt it, if applicable, by the effective date.
- GASB No. 96, *Subscription-Based Information Technology Arrangements (SBITA)*, effective for fiscal years beginning after June 15, 2022. GASB No. 96 defines a subscription-based information technology arrangement, establishes that a SBITA results in a right-to-use subscription asset and a corresponding subscription liability, and provides the capitalization criteria for outlays other than subscription payments. Management will be analyzing the effects of this pronouncement and plans to adopt it, if applicable, by the effective date.

CITY OF ALPINE, TEXAS

NOTES TO THE BASIC FINANCIAL STATEMENTS

SEPTEMBER 30, 2022

NOTE 24 – NEW ACCOUNTING PRONOUNCEMENTS (continued)

- GASB No. 99, *Omnibus 2022*, effective for fiscal years beginning after June 15, 2022 and 2023, depending on the topic. GASB No. 99 enhances comparability in accounting and financial reporting and improves the consistency of authoritative literature by addressing practice issues and adding guidance on accounting and financial reporting for financial guarantees. Management will be analyzing the effects of this pronouncement and plans to adopt it, if applicable, by the effective date.

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, 2022

Data Control Codes	Budgeted Amounts		Actual Amounts (GAAP BASIS)	Variance With Final Budget Positive or (Negative)	
	Original	Final			
REVENUES:					
Taxes:					
5110	Property Taxes	\$ 1,992,874	\$ 1,992,874	\$ 1,808,924	\$ (183,950)
5120	General Sales and Use Taxes	1,850,000	1,850,000	2,278,723	428,723
5170	Franchise Tax	100,000	100,000	86,536	(13,464)
5180	Other Taxes	32,000	32,000	26,983	(5,017)
5190	Penalty and Interest on Taxes	-	-	37,290	37,290
5200	Licenses and Permits	104,500	104,500	105,323	823
5300	Intergovernmental Revenue and Grants	1,700	1,700	1,368	(332)
5400	Charges for Services	874,844	874,844	1,053,251	178,407
5510	Fines	42,400	42,400	71,241	28,841
5610	Investment Earnings	3,100	3,100	22,909	19,809
5620	Rents and Royalties	12,894	12,894	6,665	(6,229)
5640	Contributions & Donations from Private Sources	2,100	2,100	-	(2,100)
5700	Other Revenue	114,950	114,950	112,007	(2,943)
5020	Total Revenues	<u>5,131,362</u>	<u>5,131,362</u>	<u>5,611,220</u>	<u>479,858</u>
EXPENDITURES:					
Current:					
0100	General Government	1,708,163	1,705,313	1,406,197	299,116
0200	Public Safety	1,759,248	1,784,258	1,397,930	386,328
0300	Public Works	1,828,726	1,828,726	1,419,573	409,153
0400	Health and Welfare	379,553	367,053	305,936	61,117
0500	Culture and Recreation	437,220	437,220	361,183	76,037
Debt Service:					
0710	Principal on Debt	162,150	150,650	117,050	33,600
0720	Interest on Debt	-	-	20,707	(20,707)
6030	Total Expenditures	<u>6,275,060</u>	<u>6,273,220</u>	<u>5,028,576</u>	<u>1,244,644</u>
1100	Excess (Deficiency) of Revenues Over (Under) Expenditures	<u>(1,143,698)</u>	<u>(1,141,858)</u>	<u>582,644</u>	<u>1,724,502</u>
OTHER FINANCING SOURCES (USES):					
7912	Sale of Real and Personal Property	40,000	40,000	23,260	(16,740)
7913	Right to Use Leases	-	-	63,915	63,915
7915	Transfers In	1,178,698	1,178,698	-	(1,178,698)
8911	Transfers Out (Use)	(75,000)	(75,000)	(75,000)	-
7080	Total Other Financing Sources (Uses)	<u>1,143,698</u>	<u>1,143,698</u>	<u>12,175</u>	<u>(1,131,523)</u>
1200	Net Change in Fund Balances	-	1,840	594,819	592,979
0100	Fund Balance - October 1 (Beginning)	<u>2,336,057</u>	<u>2,336,057</u>	<u>2,336,057</u>	<u>-</u>
3000	Fund Balance - September 30 (Ending)	<u>\$ 2,336,057</u>	<u>\$ 2,337,897</u>	<u>\$ 2,930,876</u>	<u>\$ 592,979</u>

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, 2022

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	\$ 600,000	\$ 675,000	\$ 743,428	\$ 68,428
5300 Intergovernmental Revenue and Grants	-	-	1,645	1,645
5610 Investment Earnings	-	-	8,645	8,645
5640 Contributions & Donations from Private	-	-	18,194	18,194
5700 Other Revenue	-	-	7,500	7,500
5020 Total Revenues	<u>600,000</u>	<u>675,000</u>	<u>779,412</u>	<u>104,412</u>
EXPENDITURES:				
0500 Culture and Recreation	879,859	879,859	883,347	(3,488)
Debt Service:				
0710 Principal on Debt	-	-	1,426	(1,426)
0720 Interest on Debt	-	-	398	(398)
6030 Total Expenditures	<u>879,859</u>	<u>879,859</u>	<u>885,171</u>	<u>(5,312)</u>
1200 Change in Fund Balance	(279,859)	(204,859)	(105,759)	99,100
0100 Fund Balance - October 1 (Beginning)	<u>1,196,749</u>	<u>1,196,749</u>	<u>1,196,749</u>	<u>-</u>
3000 Fund Balance - September 30 (Ending)	<u>\$ 916,890</u>	<u>\$ 991,890</u>	<u>\$ 1,090,990</u>	<u>\$ 99,100</u>

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, 2022

Budgeting and Budgetary Control

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

Not later than forty-five (45) days prior to the close of the fiscal year, the City Manager shall submit to the City Council a budget for the ensuing fiscal year beginning on the following October 1. The operating budget includes proposed expenditures and the means of financing them. The budget shall provide a complete financial plan of all City funds and activities for the ensuing fiscal year. The total of proposed expenditures shall not exceed the total of estimated income plus any accumulated surplus. Public hearings are conducted at which all interested persons' comments concerning the budget are heard. The budget is legally enacted by the City Council through passage of an ordinance. The Council may adopt the budget with or without amendment. In amending the budget, it may add or increase programs or amounts and may delete or decrease any programs or amounts, except expenditures required by law or for debt service, provided that no amendment to the budget shall increase the authorized expenditures to an amount greater than the total of estimated income plus any accumulated surplus. The Council shall adopt the budget on or before the fifteenth day of the twelfth month of the fiscal year currently ending. If it fails to adopt the budget by this date, the amounts appropriated for current operation for the current fiscal year shall be deemed adopted for the ensuing fiscal year on a month-to-month basis, with all items in it prorated accordingly, until such time as the Council adopts a budget for the ensuing fiscal year. Adoption of the budget shall constitute appropriations of the amounts specified therein as expenditures from the funds indicated and shall constitute a levy of the property tax therein proposed, provided that in no event shall such levy exceed the legal limit provided by the Jaws and Constitution of the State of Texas.

If during the fiscal year the City Manager certifies that there are available for appropriation revenues in excess of those estimated in the budget, the Council by ordinance may make supplemental appropriations for the year up to the amount of the excess. At any time during the fiscal year the City Manager may transfer part or all of any unencumbered appropriation balance among programs within a department, office, or agency, up to a limit set by the City Council. The City Manager may make written request to the Council to transfer balances in excess of said limit with Council Approval. No funds 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 balance from one department, office, or agency to another.

Every appropriation, except an appropriation for a capital expenditure, shall lapse at the close of the fiscal year to the extent that it has not been expended or encumbered. An appropriation for a capital expenditure shall continue until the purpose of any such appropriation shall be deemed abandoned if three years pass without any disbursement from or encumbrance of the appropriation.

Budgetary Basis of Accounting

The City's budget is prepared on a modified accrual basis of accounting.

CITY OF ALPINE, TEXAS

NOTES TO REQUIRED SUPPLEMENTARY INFORMATION
BUDGET (Continued)

September 30, 2022

Expenditures in Excess of Appropriations

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 Fund for the year ending September 30, 2022. In the General Fund, the City budgeted both the principal and interest for debt in one line item, thus the line item for interest is not reflecting a specified budgeted amount. However, it was budgeted as part of the principal line item and the total expended was within the total budgeted amount for those two categories. In addition, the total expenditures for the General fund remained within the total budgeted amounts. The Hotel and Motel Fund had a few small negative variances in expenditures due to several factors. The principal and interest variance is related to the implementation of GASB 87 as lease payments are now being shown as principal and interest and not rental expense. In addition, due to revenue being higher than anticipated, there was a push at the end of the fiscal year to spend the required 50% of revenue on advertising which caused the small negative variance in the Culture and Recreation function. Even though total expenditures for the Hotel and Motel fund exceeded the budget, the revenue exceeded the budget as well which resulted in a positive budget variance overall for this fund.

CITY OF ALPINE, TEXAS

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

Texas Municipal Retirement System
September 30, 2022

	Plan Year Ended December 31, 2021	Plan Year Ended December 31, 2020	Plan Year Ended December 31, 2019
Total Pension Liability			
Service Cost	\$ 322,710	\$ 308,081	\$ 278,959
Interest (on the Total Pension Liability)	472,985	452,990	430,680
Changes of benefit terms		-	-
Difference between expected and actual experience	(57,187)	(45,009)	(27,277)
Changes of assumptions	-	-	(10,700)
Benefit payments, including refunds of employee contributions	(462,448)	(391,873)	(319,517)
Net change in total pension liability	276,060	324,189	352,145
Total pension liability - beginning	7,077,053	6,752,864	6,400,719
Total pension liability - ending (a)	7,353,113	7,077,053	6,752,864
Plan Fiduciary Net Position			
Contributions - employer	74,046	31,487	34,746
Contributions - employee	184,195	178,909	163,900
Net investment income	1,157,994	639,971	1,146,915
Benefit payments, including refunds of employee contributions	(462,448)	(391,873)	(319,517)
Administrative expense	(5,367)	(4,147)	(6,486)
Other	37	(162)	(195)
Net change in plan fiduciary net position	948,457	454,185	1,019,363
Plan fiduciary net position - beginning	8,897,956	8,443,771	7,424,408
Plan fiduciary net position - ending (b)	9,846,413	8,897,956	8,443,771
Net pension liability/(asset), ending =(a-b)	\$ (2,493,300)	\$ (1,820,903)	\$ (1,690,907)
Plan fiduciary net position as a percentage of the total pension liability	133.91%	125.73%	125.04%
Covered-employee payroll	\$ 3,683,899	\$ 3,578,180	\$ 3,278,009
Net pension liability (asset) as a percentage of covered employee payroll	(67.68)%	(50.89)%	(51.58)%

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."

Plan Year Ended December 31, 2018	Plan Year Ended December 31, 2017	Plan Year Ended December 31, 2016	Plan Year Ended December 31, 2015
\$ 247,620	\$ 246,502	\$ 221,124	\$ 199,735
418,092	400,602	397,450	391,016
-	-	-	-
(171,036)	(71,671)	(263,394)	(163,545)
-	-	-	163,070
(328,205)	(305,543)	(336,811)	(260,720)
166,471	269,890	18,369	329,556
6,234,248	5,964,358	5,945,989	5,616,433
6,400,719	6,234,248	5,964,358	5,945,989
27,865	34,856	10,493	21,546
143,798	144,045	141,810	126,735
(234,101)	967,691	454,032	10,075
(328,205)	(305,543)	(336,811)	(260,720)
(4,527)	(5,018)	(5,129)	(6,137)
(237)	(254)	(279)	(300)
(395,407)	835,777	264,116	(108,801)
7,819,815	6,984,038	6,719,922	6,828,723
7,424,408	7,819,815	6,984,038	6,719,922
\$ (1,023,689)	\$ (1,585,567)	\$ (1,019,680)	\$ (773,933)
115.99%	125.43%	117.10%	113.02%
\$ 2,875,963	\$ 2,869,638	\$ 2,610,670	\$ 2,534,706
(35.59)%	(55.25)%	(39.06)%	(30.53)%

CITY OF ALPINE, TEXAS

SCHEDULE OF CITY CONTRIBUTIONS

Texas Municipal Retirement System

September 30, 2022

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%
2020	\$ 30,990	\$ 30,990	\$ -	\$ 3,360,556	0.92%
2021	\$ 65,546	\$ 65,546	\$ -	\$ 3,639,377	1.80%
2022	\$ 72,178	\$ 72,178	\$ -	\$ 3,477,274	2.08%

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, 2022

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	N/A
Asset Valuation Method	10 Year smoothed marked; 12% soft corridor
Inflation	2.50%
Salary Increases	3.50% to 11.50% 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 2019 valuation pursuant to an experience study of the period 2014 - 2018.
Mortality	Post-retirement: 2019 Municipal Retirees of Texas Mortality Tables. The rates are projected on a fully generational basis with scale UMP. Pre-retirement: PUB(10) mortality tables, with the Public Safety table used for males and the General Employee table used for females. The rates are projected on a fully generational basis with scale UMP.
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, 2022

	Plan Year Ended August 31, 2022	Plan Year Ended August 31, 2021	Plan Year Ended August 31, 2020	Plan Year Ended August 31, 2019
City's Proportion of the net pension liability	0.087%	0.090%	0.118%	0.152%
City's proportionate share of the net pension liability	\$ 35,696	\$ 9,643	\$ 29,749	\$ 43,085
City's number of active members*	17	15	10	15
City's net pension liability per active member	\$ 2,100	\$ 643	\$ 2,975	\$ 2,872
Plan fiduciary net position as a percentage of the total pension liability	75.20%	93.10%	83.20%	80.20%

* 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."

Plan Year Ended August 31, 2018	Plan Year Ended August 31, 2017	Plan Year Ended August 31, 2016	Plan Year Ended August 31, 2015
0.091%	0.188%	0.075%	0.082%
\$ 19,702 9	\$ 45,123 11	\$ 21,846 8	\$ 21,888 8
\$ 2,189	\$ 4,102	\$ 2,731	\$ 2,736
84.30%	81.40%	76.30%	76.90%

CITY OF ALPINE, TEXAS

SCHEDULE OF CITY CONTRIBUTIONS

Texas Emergency Services Retirement System

September 30, 2022

	Fiscal Year 2022	Fiscal Year 2021	Fiscal Year 2020	Fiscal Year 2019
Contractually required contribution	\$ 4,248	\$ 4,320	\$ 5,508	\$ 6,790
Contributions in relation to the contractually required contribution	\$ (4,248)	\$ (4,320)	\$ (5,508)	\$ (6,790)
Contribution deficiency (excess)		-	-	-
Number of active members *	17	15	10	15
Contributions per active member *	\$ 250	\$ 288	\$ 551	\$ 453

* 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".

Fiscal Year 2018	Fiscal Year 2017	Fiscal Year 2016	Fiscal Year 2015
\$ 4,370	\$ 9,108	\$ 3,456	\$ 3,888
\$ (4,370)	\$ (9,108)	\$ (3,456)	\$ (3,888)
-	-	-	-
9	11	8	8
\$ 486	\$ 828	\$ 432	\$ 486

CITY OF ALPINE, TEXAS

NOTES TO REQUIRED SUPPLEMENTARY INFORMATION

Texas Emergency Services Retirement System for Pension

September 30, 2022

Actuarial Assumptions

The total pension liability in the August 31, 2022 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	7.5%, net of pension plan investment expense, including inflation

Mortality rates were based on the PubS-2010 (public safety) below-median income mortality tables for employees and for retirees, projected for mortality improvement generationally using projection scale MP-2019.

The actuarial assumptions were based on the results of an actuarial experience study of the System for the six plan years ending August 31, 2018.

Changes in Methods and Assumptions Since the August 31, 2020 Valuation:

There was only one change in the entry age actuarial cost method. The span over which each of the normal cost components is spread was adjusted to go from entry age to the last assumed age at retirement. Previously, the span was to the last assumed age for each benefit. This change is more consistent with GASB guidance. This change only affected the termination and disability benefit allocations, and while the normal cost increased somewhat, the actuarial accrued liability decreased by a small amount. Over this change decreased the number of years of required state contributions by 0.2 of a year.

There were no changes in assumptions.

CITY OF ALPINE, TEXAS

**SCHEDULE OF CHANGES IN THE TOTAL OPEB LIABILITY
AND RELATED RATIOS**

Texas Municipal Retirement System for OPEB

September 30, 2022

	Plan Year Ended December 31, 2021	Plan Year Ended December 31, 2020	Plan Year Ended December 31, 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	\$ 198,535	\$ 164,310	\$ 131,308	\$ 142,098	\$ 121,618
Changes for the year					
Service Cost	16,947	13,597	7,867	7,765	6,600
Interest on Total OPEB Liability	4,096	4,686	4,993	4,813	4,695
Changes of benefit terms	-	-	-	-	-
Differences between expected and actual experience	(7,660)	(8,052)	(4,428)	(13,437)	-
Changes in assumptions or other inputs *	6,067	25,424	25,880	(8,780)	10,620
Benefit payments **	(4,421)	(1,430)	(1,310)	(1,151)	(1,435)
Net changes	15,029	34,225	33,002	(10,790)	20,480
Total OPEB Liability - end of year	\$ 213,564	\$ 198,535	\$ 164,310	\$ 131,308	\$ 142,098
Total OPEB Liability as a Percentage of Covered Payroll	5.80%	5.55%	5.01%	4.57%	4.95%
Covered payroll	\$ 3,683,899	\$ 3,578,180	\$ 3,278,009	\$ 2,875,963	\$ 2,869,638

* Changes in assumptions and other inputs reflect the effects of changes in the discount rate each period. The following are the discount rates used as of December 31,

2021	1.84%
2020	2.00%
2019	2.75%
2018	3.71%
2017	3.31%
2016	3.78%

** 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 for 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, 2022

Valuation Date:

Notes: The actuarial assumptions used in the December 31, 2021 valuation were based on the results of an actuarial experience study for the period December 31, 2014 to December 31, 2018.

Summary of Actuarial Assumptions:

Inflation	2.5%
Salary increases	3.50% to 11.5% including inflation
Discount rate*	1.84%
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	2019 Municipal Retirees of Texas Mortality Tables. The rates are projected on a fully generational basis with scale UMP.
Mortality rates - disabled retirees	2019 Municipal Retirees of Texas Mortality Tables with a 4 year set-forward for males and a 3 year set-forward for females. In addition, a 3.5% and 3% minimum mortality rate will be applied to reflect the impairment for younger members who become disabled for males and females, respectively. The rates are projected on a fully generational basis by Scale UMP to account for future mortality improvements subject to the floor.

* The discount rate was based on the Fidelity Index's "20-Year Municipal GO AA Index" rate as of December 31, 2021.

Changes in Actuarial Assumptions and Methods: Generally, this will only be the annual change in the municipal bond index rate.

SUPPLEMENTARY INFORMATION

CITY OF ALPINE TEXAS
 COMBINING BALANCE SHEET
 NONMAJOR GOVERNMENTAL FUNDS
 SEPTEMBER 30, 2022

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	\$ -	\$ 1,816	\$ 14,939	\$ 22,326
1050	Taxes Receivable	-	-	-	-
1051	Allowance for Uncollectible Taxes (credit)	-	-	-	-
1260	Due from Other Governments	-	-	-	-
1300	Due from Other Funds	66,202	-	-	3,018
1000	Total Assets	<u>\$ 66,202</u>	<u>\$ 1,816</u>	<u>\$ 14,939</u>	<u>\$ 25,344</u>
LIABILITIES					
2010	Accounts Payable	\$ -	\$ -	\$ -	\$ 873
2080	Due to Other Funds	-	1,782	3,174	-
2000	Total Liabilities	<u>-</u>	<u>1,782</u>	<u>3,174</u>	<u>873</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	66,202	-	11,765	-
3480	Retirement of Long-Term Debt	-	-	-	-
3490	Other Restricted Fund Balance	-	34	-	24,471
Committed Fund Balance:					
3545	Other Committed Fund Balance	-	-	-	-
3000	Total Fund Balances	<u>66,202</u>	<u>34</u>	<u>11,765</u>	<u>24,471</u>
4000	Total Liabilities, Deferred Inflows & Fund Balances	<u>\$ 66,202</u>	<u>\$ 1,816</u>	<u>\$ 14,939</u>	<u>\$ 25,344</u>

213 Municipal Court Security Fund	224 Pueblo Nuevo Park	241 Local Border Security Program	242 Homeland Security Grant	243 HIDTA Grant Fund	244 Public Safety Office Justice Asst	257 TX Office of Governor Homeland	Total Nonmajor Special Revenue Funds
\$ -	\$ 75,026	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 114,107
-	-	-	-	-	-	-	-
-	-	-	-	-	-	-	-
-	-	39,432	72,611	21,140	9,546	56,754	199,483
5,230	-	-	-	-	-	-	74,450
<u>\$ 5,230</u>	<u>\$ 75,026</u>	<u>\$ 39,432</u>	<u>\$ 72,611</u>	<u>\$ 21,140</u>	<u>\$ 9,546</u>	<u>\$ 56,754</u>	<u>\$ 388,040</u>
\$ -	\$ -	\$ -	\$ -	\$ 2,745	\$ 1,084	\$ -	\$ 4,702
-	-	39,432	72,611	18,395	8,462	56,754	200,610
-	-	39,432	72,611	21,140	9,546	56,754	205,312
-	-	-	-	-	-	-	-
-	-	-	-	-	-	-	-
-	-	-	-	-	-	-	77,967
-	-	-	-	-	-	-	-
5,230	-	-	-	-	-	-	29,735
-	75,026	-	-	-	-	-	75,026
<u>5,230</u>	<u>75,026</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>182,728</u>
<u>\$ 5,230</u>	<u>\$ 75,026</u>	<u>\$ 39,432</u>	<u>\$ 72,611</u>	<u>\$ 21,140</u>	<u>\$ 9,546</u>	<u>\$ 56,754</u>	<u>\$ 388,040</u>

CITY OF ALPINE TEXAS
 COMBINING BALANCE SHEET
 NONMAJOR GOVERNMENTAL FUNDS
 SEPTEMBER 30, 2022

Data Control Codes	575 Debt Service Fund	Total Nonmajor Governmental Funds
ASSETS		
1010 Cash and Cash Equivalents	\$ 84,824	\$ 198,931
1050 Taxes Receivable	14,089	14,089
1051 Allowance for Uncollectible Taxes (credit)	(4,758)	(4,758)
1260 Due from Other Governments	-	199,483
1300 Due from Other Funds	19,317	93,767
1000 Total Assets	<u>\$ 113,472</u>	<u>\$ 501,512</u>
LIABILITIES		
2010 Accounts Payable	\$ -	\$ 4,702
2080 Due to Other Funds	-	200,610
2000 Total Liabilities	<u>-</u>	<u>205,312</u>
DEFERRED INFLOWS OF RESOURCES		
2601 Unavailable Revenue - Property Taxes	8,506	8,506
2600 Total Deferred Inflows of Resources	<u>8,506</u>	<u>8,506</u>
FUND BALANCES		
Restricted Fund Balance:		
3250 Federal or State Funds Grant Restriction	-	77,967
3280 Retirement of Long-Term Debt	104,966	104,966
3290 Other Restricted Fund Balance	-	29,735
Committed Fund Balance:		
3445 Other Committed Fund Balance	-	75,026
3000 Total Fund Balances	<u>104,966</u>	<u>287,694</u>
4000 Total Liabilities, Deferred Inflows & Fund Balances	<u>\$ 113,472</u>	<u>\$ 501,512</u>

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CITY OF ALPINE TEXAS
 COMBINING STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN
 FUND BALANCES - NONMAJOR GOVERNMENTAL FUNDS
 FOR THE YEAR ENDED SEPTEMBER 30, 2022

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	-	-	486	-
5400 Charges for Services	-	69	-	10,333
5610 Investment Earnings	-	43	57	163
5700 Other Revenue	-	-	6,263	-
5020 Total Revenues	<u>-</u>	<u>112</u>	<u>6,806</u>	<u>10,496</u>
EXPENDITURES:				
Current:				
0100 General Government	-	2,609	-	-
0200 Public Safety	-	-	8,947	14,520
Debt Service:				
0710 Principal on Debt	-	-	-	-
0720 Interest on Debt	-	-	-	-
6030 Total Expenditures	<u>-</u>	<u>2,609</u>	<u>8,947</u>	<u>14,520</u>
1100 Excess (Deficiency) of Revenues Over (Under) Expenditures	<u>-</u>	<u>(2,497)</u>	<u>(2,141)</u>	<u>(4,024)</u>
OTHER FINANCING SOURCES (USES):				
7912 Sale of Real and Personal Property	-	-	-	22,250
7915 Transfers In	-	-	-	-
7080 Total Other Financing Sources (Uses)	<u>-</u>	<u>-</u>	<u>-</u>	<u>22,250</u>
1200 Net Change in Fund Balance	-	(2,497)	(2,141)	18,226
0100 Fund Balance - October 1 (Beginning)	<u>66,202</u>	<u>2,531</u>	<u>13,906</u>	<u>6,245</u>
3000 Fund Balance - September 30 (Ending)	<u>\$ 66,202</u>	<u>\$ 34</u>	<u>\$ 11,765</u>	<u>\$ 24,471</u>

213 Municipal Court Security Fund	224 Pueblo Nuevo Park	241 Local Border Security Program	242 Homeland Security Grant	243 HIDTA Grant Fund	244 Public Safety Office Justice Asst	257 TX Office of Governor Homeland	Total Nonmajor Special Revenue Funds
\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
-	-	-	-	-	-	-	-
-	-	45,466	129,410	210,690	13,259	56,754	456,065
72	-	-	-	-	-	-	10,474
-	26	-	-	-	-	-	289
-	-	-	-	-	-	-	6,263
<u>72</u>	<u>26</u>	<u>45,466</u>	<u>129,410</u>	<u>210,690</u>	<u>13,259</u>	<u>56,754</u>	<u>473,091</u>
-	-	-	-	-	-	-	2,609
-	-	45,466	129,410	210,690	13,259	56,754	479,046
-	-	-	-	-	-	-	-
-	-	-	-	-	-	-	-
-	-	<u>45,466</u>	<u>129,410</u>	<u>210,690</u>	<u>13,259</u>	<u>56,754</u>	<u>481,655</u>
<u>72</u>	<u>26</u>	-	-	-	-	-	<u>(8,564)</u>
-	-	-	-	-	-	-	22,250
-	<u>75,000</u>	-	-	-	-	-	<u>75,000</u>
-	<u>75,000</u>	-	-	-	-	-	<u>97,250</u>
72	75,026	-	-	-	-	-	88,686
<u>5,158</u>	-	-	-	-	-	-	<u>94,042</u>
<u>\$ 5,230</u>	<u>\$ 75,026</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 182,728</u>

CITY OF ALPINE TEXAS
 COMBINING STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN
 FUND BALANCES - NONMAJOR GOVERNMENTAL FUNDS
 FOR THE YEAR ENDED SEPTEMBER 30, 2022

Data Control Codes	575 Debt Service Fund	Total Nonmajor Governmental Funds
REVENUES:		
Taxes:		
5110 Property Taxes	\$ 154,031	\$ 154,031
5190 Penalty and Interest on Taxes	4,256	4,256
5300 Intergovernmental Revenue and Grants	-	456,065
5400 Charges for Services	-	10,474
5610 Investment Earnings	654	943
5700 Other Revenue	-	6,263
5020 Total Revenues	<u>158,941</u>	<u>632,032</u>
EXPENDITURES:		
Current:		
0100 General Government	-	2,609
0200 Public Safety	-	479,046
Debt Service:		
0710 Principal on Debt	123,600	123,600
0720 Interest on Debt	25,158	25,158
6030 Total Expenditures	<u>148,758</u>	<u>630,413</u>
1100 Excess (Deficiency) of Revenues Over (Under) Expenditures	<u>10,183</u>	<u>1,619</u>
OTHER FINANCING SOURCES (USES):		
7912 Sale of Real and Personal Property	-	22,250
7915 Transfers In	-	75,000
7080 Total Other Financing Sources (Uses)	<u>-</u>	<u>97,250</u>
1200 Net Change in Fund Balance	10,183	98,869
0100 Fund Balance - October 1 (Beginning)	<u>94,783</u>	<u>188,825</u>
3000 Fund Balance - September 30 (Ending)	<u>\$ 104,966</u>	<u>\$ 287,694</u>

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, 2022, 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 January 31, 2024.

Report on 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) as a basis for designing 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 were not identified. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses. We identified certain deficiencies in internal control, described in the accompanying schedule of findings and responses as item 2022-001 that we consider to be a significant deficiency.

Report on Compliance and Other Matters

As part of obtaining reasonable assurance about whether the 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 financial statements. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

City of Alpine, Texas' Response to Finding

Government Auditing Standards requires the auditor to perform limited procedures on the City of Alpine, Texas' response to the finding identified in our audit and described in the accompanying schedule of findings and responses. The City of Alpine, Texas' response was not subjected to the other auditing procedures applied in the audit of the financial statements and, accordingly, we express no opinion on the response.

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

Gibson Ruddock Patterson LLC
El Paso, Texas
January 31, 2024

CITY OF ALPINE, TEXAS

SCHEDULE OF FINDINGS AND RESPONSES

FOR THE YEAR ENDED SEPTEMBER 30, 2022

Summary of Auditor's Results

Financial Statements

Type of Auditor's report issued on whether the financial statements audited were prepared in accordance with GAAP: Unmodified

Internal control over financial reporting:

- Were significant deficiencies in internal control disclosed? Yes, see Finding 2022-001
- Were material weaknesses in internal control disclosed? No

Was any noncompliance disclosed that is material to the financial statement of the auditee, which would be required to be reported in accordance with Government Auditing Standards? No

CITY OF ALPINE, TEXAS

SCHEDULE OF FINDINGS AND RESPONSES

FOR THE YEAR ENDED SEPTEMBER 30, 2022

Financial Statement Findings

2022-001 - Internal Control Over Financial Reporting - Utility Accounts Receivable Reconciliations (Significant Deficiency)

Criteria: The City is required to maintain internal controls over financial reporting to provide a high level of assurance that the financial transactions are recorded properly, and that related financial reports are presented accurately. Periodic timely reconciliations of the accounts receivable for utilities is an example of an internal control over financial reporting.

Condition Found: The City has a utility billing system that is separate from the general ledger accounting system. Monthly entries are made to the general ledger to record the activity from the utility billing system and monthly reconciliations of the utility system reports and general ledger should be completed to ensure the amounts reported in the general ledger agree to the utility system reports. During the fiscal year under audit, the City's reconciliation process of the accounts receivable and other system reports was not implemented. Consequently, when the balances were being reconciled at year end, there were unreconciled differences

Cause: The City has had ongoing software issues and has not adopted procedures to systematically reconcile the billing system reports and data to the general ledger.

Effect: Failure to reconcile general ledger accounts to the utility system generated reports in a timely manner increases the risk of misappropriation of assets and potential misreporting of financial statement amounts due to error or fraud.

Recommendation: To safeguard the assets of the City and to improve the accuracy of the general ledger balances throughout the year, we recommend that the monthly system accounts receivable reports, customer deposit reports, and adjustment reports be generated and the balances from those reports be reconciled to what is recorded in the general ledger. Any discrepancies between the balances should be researched and reconciled and any necessary adjustments be posted to the general ledger in a timely manner. We also recommend obtaining clarification on how the billing system is accounting for the adjustment debits and credits to ensure the appropriate general ledger adjustments are made to either the accounts receivable and/or revenue accounts if applicable.

Repeat Finding: No

View of Responsible Officials: See Corrective Action Plan

City Manager
Megan Antrim

City Secretary
Geoffrey R. Calderon



Mayor
Catherine Eaves

City Attorney
Bojorquez Law Firm, PC

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"To provide quality service to the citizens of Alpine"

FINANCIAL STATEMENT FINDINGS

2022-001 – Internal Control Over Financial Reporting – Utility Accounts Receivable Reconciliations (Significant Deficiency)

Corrective Action Plan:

1. Utility Billing Customer Service Clerks will work with billing software company to obtain and understand report processes for:
 - a. Customer deposit reports
 - b. Adjustment reports
 - c. Accounts receivable reports
2. Utility Billing Customer Service Clerks will work with billing software to address all possible software issues; including
 - a. Posting date errors
 - b. Double payment postings
 - c. Adjustment Errors
 - d. Systematic adjustment postings
3. Finance Director will work with the Utility Billing Customer Service clerks to
 - a. Assist with adjustments made to accounts
 - b. Research and reconcile accounts – if necessary
4. Management will work to adopt procedures to reconcile both billing system reports and financial general ledger reports.

Responsible Party:

1. Utility Billing Customer Service Clerks
2. Director of Finance
3. City Manager

Estimated Date of Completion: 09/30/2024

CITY OF ALPINE, TEXAS

AUDITOR SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS

FOR THE YEAR ENDED SEPTEMBER 30, 2022

Summary Schedule of Prior Year Findings

Financial Statement Findings

There were no prior year financial statement findings.