

CITY OF ALPINE, TEXAS

Annual Financial and Compliance Reports

For the Year Ended September 30, 2015

CITY OF ALPINE, TEXAS

Avinash Rangra	Mayor
Nancy Antrim	Council Member
Cynthia Salas	Council Member
Jim "Fitz" Fitzgerald	Council Member
Julian Gonzales	Council Member
Rick Stephens	Council Member
Erik Zimmer	City Manager
Margaret "Molly" Taylor	City Secretary
Megan Antrim	Director of Finance
Russell Scown	City Police Chief

CITY OF ALPINE, TEXAS

Annual Financial and Compliance Reports For the Year Ended September 30, 2015

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CITY OF ALPINE, TEXAS

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For the Year Ended September 30, 2015**

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FINANCIAL SECTION

Independent Auditor's Report

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

Report on the Financial Statements

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

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

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

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

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

Opinions

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the City of Alpine, Texas, as of September 30, 2015, 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.

Emphasis of Matter

Change in Accounting Principle

As described in Note 1 to the financial statements, in 2015, the City adopted new accounting guidance, *GASB Statement No. 68, Accounting and Financial Reporting for Pensions and GASB Statement No. 71, Pension Transition for Contributions Made Subsequent to the Measurement Date*. Our opinion is not modified with respect to this matter.

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis, the budgetary comparison information and TMRS pension information on pages 5 through 14, 62, and 63 through 65, be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Other 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 financial statements.

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

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated March 24, 2016, on our consideration of the City of Alpine, Texas' internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the City of Alpine, Texas' internal control over financial reporting and compliance.

A handwritten signature in black ink that reads "Gibson, Ruddock, Patterson LLC". The signature is written in a cursive, flowing style.

Gibson, Ruddock, Patterson LLC
El Paso, Texas
March 24, 2016

MANAGEMENT'S DISCUSSION AND ANALYSIS

City Manager
Erik Zimmer
City Secretary
Margaret "Molly" Taylor



Mayor
Avinash "Avi" Rangra
City Attorney
McKamie & Krueger

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"To provide quality service to the citizens of Alpine"

MANAGEMENT'S DISCUSSION AND ANALYSIS

Our discussion and analysis of the City of Alpine's financial performance provides an overview of the City's financial activities for the fiscal year ended September 30, 2015.

USING THIS ANNUAL REPORT

This annual report consists of two parts: management's discussion and analysis (this section) and the basic financial statements. The basic financial statements include a series of financial statements. The Statement of Net Position and the Statement of Activities (on pages 15-17) provide information about the activities of the City as a whole and present a longer-term view of the City's finances. Fund financial statements start on page 18. For governmental funds, these statements tell how these services were financed in the short term as well as what remains for future spending. Fund financial statements also report the City's operations in more detail than the government-wide statements by providing information about the City's most significant funds. For business-type activities, these statements report City charges to customers to help it cover all or most of the cost of certain services it provides.

Reporting the City as a Whole

The Statement of Net Position and the Statement of Activities

One of the most important questions asked about the City's finances is, "Is the City as a whole better off or worse off as a result of the year's activities?" The Statement of Net Position and the Statement of Activities report information about the City as a whole and about its activities in a way that helps answer this question. These statements include all assets and liabilities using the accrual basis of accounting, which is similar to the accounting used by most private-sector companies. All of the current year's revenues and expenses are taken into account regardless of when cash is received or paid.

These two statements report the City's net position and changes in them. You can think of the City's net position (the difference between assets and deferred outflows of resources and liabilities and deferred inflows of resources) as one way to measure the City's financial health, or financial position. Over time, increases or decreases in the City's net position are one indicator of whether its financial health is improving or deteriorating. You will need to consider other non-financial factors, however, such as changes in the City's property tax base, condition of the City's streets, condition of the City's buildings and the condition of the City's parks, to assess the overall health of the City.

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

- Governmental activities—Most of the City’s basic services are reported here, including the police, fire, general administration, streets, parks, and ambulance. Property taxes, sales taxes, franchise fees, fines, and state and federal grants finance most of these activities.
- Business-type activities—The City charges a fee to customers to help it cover all or most of the cost of certain services it provides. The City’s water, sewer, sanitation systems, gas enterprise and airport are reported here.

The City adopted new accounting guidance, *GASB Statement No. 68, Accounting and Financial Reporting for Pensions* and *GASB Statement No. 71, Pension Transition for Contributions Made Subsequent to the Measurement Date*, which improve accounting and financial reporting by state and local governments for pensions.

Reporting the City’s Most Significant Funds

Fund Financial Statements

The fund financial statements begin on page 18 and provide detailed information about the most significant funds, not the City as a whole. Some funds are required to be established by State law and by bond covenants. However, the City Council establishes other funds to help it control and manage money for particular purposes to show that it is meeting legal responsibilities for using certain taxes, grants, and other money (like grants received from the Texas Department of Agriculture). The City’s two kinds of funds—governmental and proprietary—use different accounting approaches.

- Governmental funds—Most of the City’s basic services are reported in governmental funds, which focus on how money flows into and out of those funds and the balances left at year-end that are available for spending. These funds are reported using an accounting method called modified accrual accounting, which only includes current assets and current liabilities and recognizes revenues and expenditures when measurable and available or incurred. The governmental fund statements provide a detailed short-term view of the City’s general government operations and the basic services it provides. Governmental fund information helps you determine whether there are more or fewer financial resources that can be spent in the near future to finance the City’s programs. We explain the differences between governmental activities (reported in the Statement of Net Position and the Statement of Activities) and governmental funds in the form of reconciliation. See Exhibits 3.1 and 4.1 in the fund financial statements.
- Proprietary funds—When the City charges customers for the services it provides, these services are generally reported in proprietary funds. Proprietary funds are reported in the same way that all activities are reported in the Statement of Net Position and the Statement of Activities which is full accrual basis of accounting. In fact, the City’s enterprise funds (a component of proprietary funds) are the same as the business-type activities we report in the government-wide statements but provide more detail and additional information, such as cash flows.

THE CITY AS A WHOLE

The City of Alpine’s combined net position increased by \$2,149,363 from \$22,696,826 to \$24,846,189. In comparison, last year’s net position increased by \$965,985. Looking at the net positions and net expenses of governmental and business type activities separately helps us further understand how each division is

contributing to this result. Our analysis below focuses on the net position (Table 1) and changes in net position (Table 2) of the City of Alpine's governmental and business-type activities.

Table 1 – Net Position

Statement of Net Position			
September 30, 2015			
		Governmental and Business Type Activities	
		2015	2014
ASSETS:			
Current and other assets		\$4,911,605	\$2,621,848
Capital assets, net		\$28,080,384	\$28,775,513
Total assets		<u>\$32,991,989</u>	<u>\$31,397,361</u>
Deferred Outflows of Resources			
		<u>\$87,183</u>	<u>-</u>
LIABILITIES:			
Current Liabilities		\$1,760,218	\$1,665,660
Long-Term Liabilities		\$6,439,188	\$7,034,875
Total Liabilities		<u>\$8,199,406</u>	<u>\$8,700,535</u>
Deferred Inflows of Resources			
		<u>\$33,577</u>	<u>-</u>
NET POSITION			
Net Investment in capital assets		\$20,986,836	\$21,740,638
Restricted		\$699,035	\$619,537
Unrestricted		<u>\$3,160,318</u>	<u>\$336,651</u>
Total Net Position		<u>\$24,856,189</u>	<u>\$22,696,826</u>

Net position for the City of Alpine governmental and business-type activities increased by 9.5% (\$24,856,189 compared to \$22,696,826) last fiscal year. This is compared to an increase of only 4.4% the prior year. Unrestricted net position – the part of net position that can be used to finance day-to-day operations without constraint established by debt covenants, enabling legislation, or other legal requirements – changed from \$336,651 at September 30, 2014 to \$3,160,318 at the end of this year.

This demonstrates a positive trend over the past two years. Prior to that, the City would transfer funds from the enterprise accounts for governmental activities for services provided with no specified logic. The updated process to include Administrative and Franchise fee payments back to the governmental funds for verifiable services makes more logical sense and has been vetted through our states GFOAT.

City Administration continues to exert sound fiscal management with the expectation that the governmental funds will fully operate on their own revenues.

Table 2 – Change in Net Position

	Governmental & Business Type Activities	
	2015	2014
Revenue - Governmental		
Program Revenue:		
Charges for Services	\$893,589	\$862,503
Operating Grants & Contributions	\$181,096	\$155,159
Capital Grants & Contributions	\$99,098	\$397,768
General Revenues:		
Property Taxes	\$1,601,593	\$1,468,364
Sales Tax	\$1,850,779	\$1,827,203
Other & Interest	\$100,694	\$116,890
Revenue - Business-Type		
Charges for Services	\$6,451,946	\$6,643,753
Operating Grants & Contributions	-	-
Capital Grants & Contributions	\$32,991	\$80,514
Other & Interest	\$1,674	\$1,518
Total Revenues	\$11,213,460	\$11,553,672
Program Expense:		
General Government	\$1,334,780	\$1,240,916
Public Works	\$653,547	\$667,301
Health and Human Services	\$200,104	\$191,584
Culture and Recreation	\$733,173	\$732,708
Public Safety	\$1,356,414	\$1,365,085
Municipal Court	\$76,139	\$103,528
Interest on Long-Term Debt	\$75,402	\$84,432
Total Governmental Activities	\$4,429,559	\$4,385,554
Business-Type		
Water, Sewer & Sanitation	\$3,514,981	\$3,489,847
Natural Gas	\$1,731,684	\$1,876,521
Airport	\$574,111	\$668,223
Total Business-Type Activities	\$5,820,776	\$6,034,591
Total Expenses	\$10,250,335	\$10,420,145
Increase (Decrease) in Net Position	\$963,125	\$1,133,527
Transfer In	17,442	
Transfer Out	(17,442)	
Net Position Beginning	\$22,696,826	\$21,730,841
Prior Period Adjustments	\$1,186,238	(\$167,542)
Ending Net Position	\$24,846,189	\$22,696,826

The City of Alpine's total revenues decreased by \$340,212. The total cost of all programs and services decreased by \$169,810. A decrease in natural gas and aviation fuel pricing contributed to a decrease in both revenues and expenses for those enterprise funds. Late winter and early spring rains also contributed to lower water revenues. Proper administration of the I&S account for our property taxes demonstrated the change in that line item year over year. For the year ended September 30, 2015, net position changed as follows:

	Governmental Activities	Business-Type Activities	Total
Beginning Net Assets	\$6,982,389	\$15,714,437	\$22,696,826
Prior Period Adjustment	\$1,536,118	(\$349,880)	\$1,186,238
Change in Net Position	\$279,848	\$683,277	\$963,125
Ending Net Assets	\$8,798,355	\$16,047,834	\$24,846,189

That reflects an increase of 26.0% for governmental activities and an increase of 2.1% for business-type activities from the previous year.

To aid in the understanding of the Statement of Activities some additional explanation is given. Of particular interest is the format that is significantly different than a typical Statement of Revenues, Expenses, and Changes in Fund Balance. You will notice that expenses are listed in the first column with revenues from that particular program reported to the right. The result is a Net (Expense)/Revenue. The reason for this kind of format is to highlight the relative financial burden of each of the functions on the City's taxpayers. It also identifies how much each function draws from the general revenues or if it is self-financing through fees and grants. Some of the individual line item revenues reported for each function are:

General government	Building permits, alley cut permits, occupational licenses, and plumbing/electric inspections.
Culture and recreation	Rent and swimming pool receipts.
Public Works	Includes capital improvement grants with entities like TDA and CDBG.
Public Safety	Fines and charges for services; HIDTA grants are categorized as operating grants.
Health and Human Services	Operating grants to improve residences of low income citizens.
Municipal Court	Court fees and fines

All other governmental revenues are reported as general. It is important to note that all taxes are classified as general revenue even if restricted for a specific purpose.

Business-type Activities

In reviewing the departmental net (expense)/revenue, there are three primary departments that can be examined more closely. The water/sewer/sanitation, gas and airport departments reported a change in net position of \$632,844; before contributions and transfers. The City had historically transferred excess revenues from the proprietary fund to the general fund to assist with general government activities. For the second year in a row, the City did not have to perform this type of transfer due to two key components: 1. Implementation of the Administrative and Franchise Fee's and 2. Continued fiscal management and additional adherence to policies and procedures.

The Operating Fund for the Gas department continues to perform positively and will give the City an opportunity to contemplate use of funds, beyond a threshold, for continued improvement in the City streets.

LANDFILL

The fiscal year 2015 annual landfill report to the TECQ includes two different types of basis adjustments. They are the volume of in-place waste and the in-place compaction rate. Based upon the latest recalculation of closure and post-closure care cost our liability has increased from approximately \$595,008 to \$602,754. We have accumulated funds of \$76,083 to provide for this liability. Within the next five years, the City will want to contemplate budgeting additional dollars to close the gap between the closure liability and accumulated funds.

THE CITY'S FUNDS

All of the City primary funds have seen an increase in fund balance this year. The general fund reported an increase in fund balance of \$273,804 as compared to an increase of \$130,950 in the prior year. The City has continued to focus on avoiding a tax increase by controlling expenditures – previous administration had taken on additional debt as a solution. Current administration continues to focus on accountability at transparency to the Elected Body and citizens of the community on a monthly basis. Appropriate processes and procedures continue to be implemented to ensure we maximize the value of the resources we are given. Current administration is now able to focus on asset management and repairing and rebuilding our streets, buildings and other core assets.

Alpine continues to have a tax rate that is among the lowest of any city its size in Texas. There are also state pressures on our school district to ensure property appraised values match the states expectation. This past year showed an increase in general assessed property values and the City was able to maintain the current tax rate percentage. This did result in an increased expectation on revenues, though we were able to refrain from raising the percentage. We anticipate to have this pattern continue until the property assessed values fall in line with the state expectations.

The following schedule presents a summary of general fund revenues for the fiscal year ended September 30, 2015, and the amount and percentage of increases and decreases in relation to the prior year.

	2015	% of Revenue	2014	% of Revenue	Increase (Decrease)	% Increase (Decrease)
Taxes	\$2,798,247	76.1%	\$2,635,206	75.3%	\$163,041	6.2%
Fees & Fines	\$685,157	18.6%	\$696,147	19.9%	(\$10,990)	(1.6%)
Licenses & Permits	\$89,017	2.4%	\$88,444	2.5%	\$573	0.6%
Interest	\$395	0.0%	\$1,757	0.1%	(\$1,362)	(77.5%)
Miscellaneous	\$106,625	2.9%	\$77,913	2.2%	\$28,711	36.9%
Total	<u>\$3,679,441</u>	<u>100.0%</u>	<u>\$3,499,467</u>	<u>100.0%</u>	<u>\$179,973</u>	<u>5.1%</u>

Sales taxes experienced a 1.8% increase this year. Tourism continues to thrive and the City was not significantly impacted by the downturn in the oil and gas state-wide. Sul Ross State University continues to attract students and recent additions are designed to encourage greater campus life for students which impacts the quantity of time they spend in the community. There have also been several new retail business starts and restaurant/food cart businesses starts during the past year.

The following schedule presents a summary of general fund expenditures for the fiscal year ended September 30, 2015, and the amount and percentage of increases and decreases in relation to the prior year.

	2015	% of Expenditures	2014	% of Expenditures	Increase (Decrease)	% Increase (Decrease)
General						
Government	\$1,186,850	35.0%	\$1,114,848	33.1%	\$73,002	6.5%
Public Works	\$675,337	19.9%	\$664,175	19.7%	\$11,161	1.7%
Health & Human Services	\$175,717	5.2%	\$170,140	5.1%	\$5,577	3.3%
Culture & Recreation	\$215,039	6.3%	\$255,721	7.6%	(\$40,682)	(15.9%)
Public Safety	\$1,038,655	30.7%	\$1,045,950	31.0%	(\$7,294)	(0.7%)
Municipal Court	\$66,844	2.0%	\$87,930	2.6%	(\$21,086)	(24.0%)
Debt Service	\$29,753	0.9%	\$29,753	0.9%	\$0	0.0%
Total	<u>\$3,388,195</u>	<u>100.0%</u>	<u>\$3,368,517</u>	<u>100.0%</u>	<u>\$19,677</u>	<u>0.6%</u>

GENERAL FUND BUDGETARY HIGHLIGHTS

The Council and Administration believed that the current expenditures would meet, or be below, the budgeted amounts and we did not initiate any budget amendments or make any significant budget adjustments during the year. Revenues exceeded budgetary expectations by 1.5% and expenses were 6.5% less than budgetary expectations which allowed for the increase in the general fund balance. We are confident that we continue to improve the visibility and expectations around budgetary spend at the Department level, which allows us to perform favorably.

CAPITAL ASSET AND DEBT ADMINISTRATION

At the end of September 30, 2015, the City had a net investment of \$28,080,384 in capital assets net of related accumulated depreciation, including police and fire equipment, buildings, park facilities, roads, and water and sewer lines. This represents a net decrease of \$695,128. Depreciation expense was \$584,290 in the governmental activities and \$512,118 in the enterprise fund. The City rebuilt the Old Marathon Highway Lift station, but no other major additions were made during this year.

At year-end, the City had \$6,490,794 outstanding bonds and capital leases compared to \$7,034,875 last year. That is a net decrease of 7.73 % as shown in the following table.

	Governmental Activities		Business Activities	
	FYE 2015	FYE 2014	FYE 2015	FYE 2014
Bonds & C/O Payable	\$1,664,800	\$1,885,004	\$4,654,797	\$4,958,844
Equipment Leases	\$171,197	\$191,031	-	-
Total	\$1,835,997	\$2,076,031	\$4,654,797	\$4,958,844

ECONOMIC FACTORS AND NEXT YEAR'S BUDGETS AND RATES

The City of Alpine is now experiencing some consistency in employment of their key administrative staff which has provided positive outcomes for the City finances. The staff will continue to challenge itself to work well with City Council and the community on initiatives to improve the assets within the City. Streets, buildings, water and sewer infrastructure need to experience a seven to ten year consistent investment cycle to restore them to proper health. The City of Alpine still has one of the lowest tax rates for any city its size in Texas (the City's tax rate is \$0.5385). City Administration has concerns about the volume of dollars needed to address the asset restoral with the current debt load burdening the City. We will continue to address the dialogue relating to the need during our annual budget cycle.

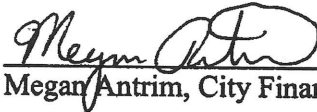
Tourism across the Region and in our community continued to increase during the fiscal year. Our Hotel Occupancy Tax numbers continue to climb year over year. Alpine offers a relaxing atmosphere for fellow Texans and others across the southwest United States. We serve as a hub for travel to the Big Bend Region. The City is also embarking on a new Vision Plan in conjunction with our Small Business Development Center and UTSA to outline opportunities for growth and redevelopment of business assets in the City. We look forward to positive outcomes from the planning and implementation process associated with this project.

CONTACTING THE CITY'S FINANCIAL MANAGEMENT

This financial report is designed to provide our citizens, taxpayers, customers, and creditors with a general overview of the City's finances and to show the City's accountability for the money it receives. If you have questions about this report or need additional financial information, contact the City Manager's Office at 100 North 13th Street, Alpine, Texas 79830.



Erik M. Zimmer, City Manager



Megan Antrim, City Finance Director

CITY OF ALPINE, TEXAS

Statement of Net Position

September 30, 2015

	Primary Government		
	Governmental Activities	Business-type Activities	Total
ASSETS:			
Current assets:			
Cash and cash equivalents	\$ 59,312	\$ 2,258,360	\$ 2,317,672
Property taxes receivable, delinquent	140,421	-	140,421
Allowance for uncollectible taxes	(49,148)	-	(49,148)
Receivables, net	138,360	457,021	595,381
Inventories	-	156,517	156,517
Internal balances	(397,341)	397,341	-
Total current assets	(108,396)	3,269,239	3,160,843
Noncurrent assets:			
Restricted cash and cash equivalents	350,310	188,162	538,472
Net pension asset	786,005	426,285	1,212,290
Capital Assets:			
Land and construction work in progress	825,806	336,981	1,162,787
Depreciable capital assets, net	9,002,527	17,915,070	26,917,597
Total noncurrent assets	10,964,648	18,866,498	29,831,146
Total assets	10,856,252	22,135,737	32,991,989
DEFERRED OUTFLOWS OF RESOURCES			
Deferred outflows related to TMRS	56,525	30,658	87,183
Total assets and deferred outflows of resources	\$ 10,912,777	\$ 22,166,395	\$ 33,079,172
LIABILITIES			
Current liabilities:			
Accounts payable	\$ 124,856	\$ 478,029	\$ 602,885
Accrued liabilities	70,706	9,030	79,736
Unearned revenue	-	29,562	29,562
Compensated absences	61,093	21,583	82,676
Current portion of long term debt	252,865	401,495	654,360
Total current liabilities	509,520	1,250,698	1,760,218
Noncurrent liabilities:			
Accrued landfill closure costs	-	602,754	602,754
Noncurrent portion of long term debt	1,583,132	4,253,302	5,836,434
Total noncurrent liabilities	1,583,132	4,856,056	6,439,188
Total liabilities	2,092,652	6,106,754	8,199,406
DEFERRED INFLOWS OF RESOURCES			
Deferred inflows related to TMRS	21,770	11,807	33,577
NET POSITION:			
Net investment in capital assets	7,992,336	12,994,500	20,986,836
Restricted for:			
Federal or state restrictions	103,577	-	103,577
Debt service	35,300	112,079	147,379
Landfill closure	-	76,083	76,083
Other	337,388	-	337,388
Unrestricted	329,754	2,865,172	3,194,926
Total net position	8,798,355	16,047,834	24,846,189
Total liabilities, deferred inflows of resources and net position	\$ 10,912,777	\$ 22,166,395	\$ 33,079,172

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, 2015

	Expenses	Program Revenues		
		Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions
Governmental Activities:				
General government	\$ 1,334,780	\$ 752,335	\$ -	\$ -
Public works	653,547	23,657	-	19,141
Health and human services	200,104	33,825	-	-
Culture and recreation	733,173	22,568	-	-
Public safety	1,356,414	41,574	181,096	79,957
Municipal court	76,139	19,630	-	-
Interest on long-term debt	75,402	-	-	-
Total governmental activities	4,429,559	893,589	181,096	99,098
Business-type Activities				
Water sewer and sanitation	3,514,981	3,846,850	-	28,293
Natural gas	1,731,684	2,035,797	-	-
Airport	574,111	569,299	-	4,698
Total business-type activities	5,820,776	6,451,946	-	32,991
Total	\$ 10,250,335	\$ 7,345,535	\$ 181,096	\$ 132,089

General Revenues:

Taxes:

Property taxes, levied for general purposes

Property taxes, levied for debt service

Sales tax

Other

Interest

Transfers

Total general revenues and transfers

Change in net position

Net position - beginning

Prior period adjustment

Net position - ending

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

Net (Expense) Revenue and Changes in Net Position		
Primary Government		
Governmental Activities	Business-type Activities	Total
\$ (582,445)	\$ -	\$ (582,445)
(610,749)	-	(610,749)
(166,279)	-	(166,279)
(710,605)	-	(710,605)
(1,053,787)	-	(1,053,787)
(56,509)	-	(56,509)
(75,402)	-	(75,402)
(3,255,776)	-	(3,255,776)

-	360,162	360,162
-	304,113	304,113
-	(114)	(114)
-	664,161	664,161
(3,255,776)	664,161	(2,591,615)

1,305,179	-	1,305,179
296,414	-	296,414
1,850,779	-	1,850,779
100,240	-	100,240
454	1,674	2,128
(17,442)	17,442	-
3,535,624	19,116	3,554,740
279,848	683,277	963,125
6,982,389	15,714,437	22,696,826
1,536,118	(349,880)	1,186,238
\$ 8,798,355	\$ 16,047,834	\$ 24,846,189

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

CITY OF ALPINE, TEXAS

Balance Sheet
Governmental Funds
September 30, 2015

	General Fund	Nonmajor Funds	Total Governmental Funds
ASSETS:			
Cash and cash equivalents	\$ 5,371	\$ -	\$ 5,371
Property taxes receivable, delinquent	114,593	25,828	140,421
Allowance for uncollectible taxes	(40,108)	(9,040)	(49,148)
Receivables from other governments	-	16,354	16,354
Due from other funds	79,157	91,603	170,760
Other receivables, net	15,837	106,169	122,006
Restricted assets:			
Cash and cash equivalents	1,272	349,038	350,310
Total assets	<u>\$ 176,122</u>	<u>\$ 579,952</u>	<u>\$ 756,074</u>
LIABILITIES:			
Accounts payable	\$ 61,468	\$ 63,388	\$ 124,856
Accrued liabilities	37,679	185	37,864
Due to other funds	541,188	26,913	568,101
Total liabilities	<u>640,335</u>	<u>90,486</u>	<u>730,821</u>
DEFERRED INFLOWS OF RESOURCES			
Unavailable revenue- property taxes	<u>67,159</u>	<u>14,473</u>	<u>81,632</u>
FUND BALANCES:			
Restricted fund balance:			
Federal or state grant restrictions	-	103,577	103,577
Debt service	-	35,300	35,300
Other	1,272	336,116	337,388
Committed fund fund balance:			
Capital improvements	88,000	-	88,000
Unassigned	(620,644)	-	(620,644)
Total fund balances	<u>(531,372)</u>	<u>474,993</u>	<u>(56,379)</u>
Total liabilities, deferred inflows of resources and fund balances	<u>\$ 176,122</u>	<u>\$ 579,952</u>	<u>\$ 756,074</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
September 30, 2015

Total Fund Balance - Governmental Funds	\$	(56,379)
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The City uses an internal service fund to charge the cost of self insurance to appropriate functions in other funds. The assets and liabilities of the internal service fund are included in the governmental activities in the statement of net position. The net effect of this consolidation is to increase net position.

33,941

Capital assets used in governmental activities are not financial resources and therefore are not reported in governmental funds. At the beginning of the year, the cost of these assets was \$18,731,295 and the accumulated depreciation was \$8,574,659. In addition, long-term liabilities, including bonds payable, are not due and payable in the current period, and, therefore are not reported as liabilities in the funds. The net effect of including the beginning balances for capital assets (net of depreciation) and long-term debt in the governmental activities is to increase net position.

8,080,604

Current year capital outlays and long-term debt principal payments are expenditures in the fund financial statements, but they should be shown as increases in capital assets and reductions in long-term debt in the government-wide financial statements. The net effect of including the 2015 capital outlays and debt principal payments is to increase net position.

496,022

The 2015 depreciation expense increases accumulated depreciation. The net effect of the current year's depreciation is to decrease net position.

(584,290)

Various other reclassifications and eliminations are necessary to convert from the modified accrual basis of accounting to accrual basis of accounting. These include recognizing unavailable revenue from property taxes as revenue, eliminating interfund transactions, reclassifying the proceeds of bond sales as an increase in bonds payable, and recognizing the liabilities associated with maturing long-term debt and interest. The net effect of these reclassifications and recognitions is to increase net position.

7,697

Included in the items related to debt is the recognition of the City's net pension asset required by GASB 68 in the amount of \$786,005, a deferred outflow of resources related to TMRS of \$56,525 and a deferred inflow of resources recognized by the plan of \$21,770. This amounted to a increase in Net Position in the amount of \$820,760.

820,760

Net Position of Governmental Activities	\$	8,798,355
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	\$	8,798,355
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CITY OF ALPINE, TEXAS
Statement of Revenues, Expenditures, and Changes in Fund Balance
Governmental Funds
For the Year Ended September 30, 2015

	General Fund	Nonmajor Funds	Total Governmental Funds
Revenues:			
Taxes - property	\$ 1,301,510	\$ 296,414	\$ 1,597,924
Taxes - sales	1,396,497	454,282	1,850,779
Taxes - other	100,240	-	100,240
Licenses and permits	89,017	-	89,017
Fees and Fines	685,157	12,088	697,245
Intergovernmental	-	278,191	278,191
Interest	395	59	454
Miscellaneous	106,625	2,705	109,330
Total revenues	3,679,441	1,043,739	4,723,180
Expenditures:			
Current:			
General government	1,186,850	-	1,186,850
Public works	675,337	19,141	694,478
Health and human services	175,717	-	175,717
Culture and recreation	215,039	426,699	641,738
Public safety	1,038,655	260,649	1,299,304
Municipal court	66,844	-	66,844
Debt service:			
Principal	19,834	220,200	240,034
Interest	9,919	67,070	76,989
Total expenditures	3,388,195	993,759	4,381,954
Excess (deficiency) of revenues over expenditures	291,246	49,980	341,226
Other Financing Sources (Uses):			
Transfers in	-	-	-
Transfers out	(17,442)	-	(17,442)
Total other financing sources (uses)	(17,442)	-	(17,442)
Net change in fund balances	273,804	49,980	323,784
Fund Balances - Beginning	(902,912)	412,511	(490,401)
Prior period adjustments	97,736	12,502	110,238
Fund Balances - Ending	\$ (531,372)	\$ 474,993	\$ (56,379)

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

CITY OF ALPINE, TEXASReconciliation of the Governmental Funds Statement of Revenues, Expenditures,
and Changes in Fund Balances to the Statement of Activities

September 30, 2015

Total Net Change in Fund Balances - Governmental Funds	\$ 323,784
The City uses an internal service fund to charge the cost of certain activities, such as self-insurance, to appropriate functions in other funds. The net income (loss) of internal service funds are reported with governmental activities. The net effect of this consolidation is to decrease net position.	(10,604)
Current year capital outlays and long-term debt principal payments are expenditures in the fund financial statements, but they should be shown as increases in capital assets and reductions in long-term debt in the government-wide financial statements. The net effect of removing the 2015 capital outlays and debt principal payments is to increase net position.	496,022
Depreciation is not recognized as an expense in governmental funds since it does not require the use of current financial resources. The net effect of the current year's depreciation is to decrease net position.	(584,290)
Various other reclassifications and eliminations are necessary to convert from the modified accrual basis of accounting to accrual basis of accounting. These include recognizing unavailable revenue from property taxes as revenue, adjusting current year revenue to show the revenue earned from the current year's tax levy, eliminating interfund transactions, and recognizing the liabilities associated with maturing long-term debt and interest. The net effect of these reclassifications and recognitions is to increase net position.	20,504
The implementation of GASB 68 required that certain expenditures be de-expended and recorded as deferred resource outflows. The contributions made after the measurement date of 12/31/2014 caused the change in the ending net position to increase in the amount of \$12,759. Contributions made before the measurement date but during the 2015 fiscal year were also de-expended and recorded as an increase in the net pension asset for the City. This also caused an increase in the change in net position of \$4,604. Included in the items related to debt is the recognition of the City's net pension asset measurement period as part of the net pension asset. The amounts expensed for fiscal year 2015 were \$17,069. The impact of all of these is to increase the net position by \$34,432.	34,432
Change in Net Position of Governmental Activities	<u>\$ 279,848</u>

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, 2015

	Business-type Activities Enterprise Funds				Governmental Activities
	Water, Sewer and Sanitation Fund	Gas Fund	Airport Fund	Total Enterprise Funds	Internal Service Health Fund
ASSETS:					
Current assets:					
Cash and cash equivalents	\$ 1,186,410	\$ 899,098	\$ 172,852	\$ 2,258,360	\$ 53,941
Accounts receivable	426,702	134,794	30,358	591,854	-
Allowance for uncollectible accounts	(68,049)	(66,844)	-	(134,893)	-
Other receivables from other governments	60	-	-	60	-
Due from other funds	993,880	-	-	993,880	-
Inventories	-	146,558	9,959	156,517	-
Total current assets	2,539,003	1,113,606	213,169	3,865,778	53,941
Noncurrent assets:					
Restricted cash and cash equivalents	188,162	-	-	188,162	-
Net pension asset	225,390	178,013	22,882	426,285	-
Capital assets, net:					
Land	192,397	45,000	99,584	336,981	-
Depreciable capital assets, net	13,927,778	1,673,534	2,313,758	17,915,070	-
Total noncurrent assets	14,533,727	1,896,547	2,436,224	18,866,498	-
Total assets	17,072,730	3,010,153	2,649,393	22,732,276	53,941
DEFERRED OUTFLOWS OF RESOURCES					
Deferred outflows related to TMRS	16,210	12,802	1,646	30,658	-
Total assets and deferred outflows of resources	\$ 17,088,940	\$ 3,022,955	\$ 2,651,039	\$ 22,762,934	\$ 53,941
LIABILITIES:					
Current liabilities:					
Accounts payable	\$ 347,635	\$ 120,480	\$ 9,914	\$ 478,029	\$ -
Accrued liabilities	8,559	471	-	9,030	20,000
Due to other funds	4,290	550,167	42,082	596,539	-
Unearned revenue	-	29,562	-	29,562	-
Compensated absences	6,821	13,171	1,591	21,583	-
Current portion of long-term debt	401,495	-	-	401,495	-
Total current liabilities	768,800	713,851	53,587	1,536,238	20,000
Noncurrent liabilities:					
Customer deposits	191,497	119,502	-	310,999	-
Accrued landfill closure costs	602,754	-	-	602,754	-
Long-term debt net of current maturities	4,253,302	-	-	4,253,302	-
Total noncurrent liabilities	5,047,553	119,502	-	5,167,055	-
Total Liabilities	5,816,353	833,353	53,587	6,703,293	20,000
DEFERRED INFLOWS OF RESOURCES					
Deferred inflows related to TMRS	6,243	4,930	634	11,807	-
NET POSITION					
Net investment in capital assets	8,862,624	1,718,534	2,413,342	12,994,500	-
Restricted for:					
Debt service	112,079	-	-	112,079	-
Landfill closure	76,083	-	-	76,083	-
Unrestricted	2,215,558	466,138	183,476	2,865,172	33,941
Total net position	11,266,344	2,184,672	2,596,818	16,047,834	33,941
Total liabilities, deferred inflows of resources and net position	\$ 17,088,940	\$ 3,022,955	\$ 2,651,039	\$ 22,762,934	\$ 53,941

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

CITY OF ALPINE, TEXAS
Statement of Revenues, Expenses, and Changes in Fund Net Position
Proprietary Funds
For the Year Ended September 30, 2015

	Business-type Activities Enterprise Funds				Governmental Activities
	Water, Sewer and Sanitation Fund	Gas Fund	Airport Fund	Total Enterprise Funds	Internal Service Health Fund
Operating Revenues:					
Water services	\$ 1,462,896	\$ -	\$ -	\$ 1,462,896	\$ -
Sewer services	661,366	-	-	661,366	-
Sanitation services	1,722,588	-	-	1,722,588	-
Gas services	-	2,035,797	-	2,035,797	-
Airport services	-	-	569,299	569,299	-
Charges for services					516,102
Total operating revenues	3,846,850	2,035,797	569,299	6,451,946	516,102
Operating Expenses:					
Water operation and maintenance:					
Personnel	438,803	-	-	438,803	-
Depreciation	225,524	-	-	225,524	-
Other	348,394	-	-	348,394	-
Total water expense	1,012,721	-	-	1,012,721	-
Sewer operation and maintenance:					
Personnel	147,088	-	-	147,088	-
Depreciation	162,290	-	-	162,290	-
Other	294,684	-	-	294,684	-
Total sewer expense	604,062	-	-	604,062	-
Sanitation operation and maintenance:					
Personnel	53,970	-	-	53,970	-
Waste collection fees	1,281,602	-	-	1,281,602	-
Other	256,108	-	-	256,108	-
Total sanitation expense	1,591,680	-	-	1,591,680	-
Gas operation and maintenance:					
Personnel	-	470,572	-	470,572	-
Natural gas purchases	-	690,023	-	690,023	-
Depreciation	-	69,872	-	69,872	-
Other	-	501,217	-	501,217	-
Total Gas expense	-	1,731,684	-	1,731,684	-
Airport operation and maintenance:					
Personnel	-	-	75,971	75,971	-
Depreciation	-	-	54,432	54,432	-
Other	-	-	443,708	443,708	-
Total airport expense	-	-	574,111	574,111	-
Nondepartmental	231,768	-	-	231,768	526,781
Total operating expenses	3,440,231	1,731,684	574,111	5,746,026	526,781
Operating income (loss)	406,619	304,113	(4,812)	705,920	(10,679)
Nonoperating Revenues (Expenses)					
Interest income	1,651	-	23	1,674	75
Interest expense	(74,750)	-	-	(74,750)	-
Total nonoperating revenue (expense)	(73,099)	-	23	(73,076)	75
Increase in net position, before contributions	333,520	304,113	(4,789)	632,844	(10,604)
Grant contributions	28,293	-	4,698	32,991	-
Transfers in	-	-	82,963	82,963	-
Transfers out	-	(65,521)	-	(65,521)	-
Change in net position	361,813	238,592	82,872	683,277	(10,604)
Total net position - beginning	11,464,606	1,756,606	2,493,225	15,714,437	-
Prior period adjustment	(560,075)	189,474	20,721	(349,880)	44,545
Total net position - ending	\$ 11,266,344	\$ 2,184,672	\$ 2,596,818	\$ 16,047,834	\$ 33,941

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

CITY OF ALPINE, TEXAS
Statement of Cash Flows
Proprietary Funds
For the Year Ended September 30, 2015

	Business-type Activities Enterprise Funds				Governmental Activities
	Water, Sewer and Sanitation Fund	Gas Fund	Airport Fund	Total Enterprise Funds	Internal Service Health Fund
Cash flows from operating activities					
Cash received from customers	\$ 3,818,770	\$ 2,051,311	\$ 546,243	\$ 6,416,324	\$ 516,102
Cash paid to suppliers	(2,335,597)	(1,181,847)	(415,639)	(3,933,083)	(519,684)
Cash paid to employees, and related	(641,163)	(477,897)	(76,974)	(1,196,034)	-
Net cash provided by operating activities	842,010	391,567	53,630	1,287,207	(3,582)
Cash flows from capital and related financing activities					
Proceeds from the issuance of debt	83,551	-	-	83,551	-
Cash received for capital grants	108,807	-	4,698	113,505	-
Acquisition and construction of capital assets	(197,677)	(85,752)	(37,929)	(321,358)	-
Principal payments on long-term debt	(387,597)	-	-	(387,597)	-
Interest and fees on long-term debt	(74,749)	-	-	(74,749)	-
Landfill closure costs	7,747	-	-	(1,794)	-
Net cash provided (used) by capital and related financing activities	(459,918)	(85,752)	(33,231)	(588,442)	-
Cash flows from noncapital financing activities					
Change in due to/from other funds	206,810	40,841	20,764	268,415	44,545
Transfers to/from other funds	-	(65,521)	82,963	17,442	-
Net cash provided (used) by noncapital financing activities	206,810	(24,680)	103,727	285,857	44,545
Cash flows from investing activities					
Joint venture	-	68,730	-	68,730	-
Interest and other income received	1,651	-	23	1,674	75
Net cash provided by investing activities	1,651	68,730	23	70,404	75
Net change in cash and cash equivalents	590,553	349,865	124,149	1,055,026	41,038
Cash and cash equivalents					
Beginning of year	784,019	549,233	48,703	1,381,955	12,903
End of year	\$ 1,374,572	\$ 899,098	\$ 172,852	\$ 2,436,981	\$ 53,941
Reconciliation of operating income to net cash provided by operating activities					
Operating income	\$ 406,619	\$ 304,113	\$ (4,812)	\$ 705,920	\$ (10,679)
Depreciation	387,814	69,872	54,432	512,118	-
Amortization - Deferred outflows and inflows for pensions	(2,856)	(2,256)	(290)	(5,402)	-
(Increase) decrease in assets and deferred outflows:					
Accounts receivable	(29,874)	12,579	(23,057)	(40,352)	-
Inventories	-	(18,233)	22,706	4,473	-
Net pension asset	(7,005)	(5,540)	(712)	(13,257)	-
Increase (decrease) in liabilities and deferred inflows:					
Accounts payable and other accruals	87,312	33,797	5,363	126,472	7,097
Unearned revenue	-	(2,765)	-	(2,765)	-
Net cash provided by operating activities	\$ 842,010	\$ 391,567	\$ 53,630	\$ 1,287,207	\$ (3,582)

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

CITY OF ALPINE, TEXAS

NOTES TO THE FINANCIAL STATEMENTS

SEPTEMBER 30, 2015

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 Manager form of government. It is governed by a five member City Council elected by the registered voters of the City.

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

A. REPORTING ENTITY

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

The decisions to include or exclude a potential component unit in the reporting entity were made by applying standards contained in GAAP. The most primary standard for including or excluding a potential component unit is whether it is financially dependent on the reporting entity. The fiscal dependency criterion also required 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 FINANCIAL STATEMENTS

SEPTEMBER 30, 2015

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, this outflow results from pension plan contributions made after the measurement date of the net pension liability and the results of differences between expected and actual actuarial experiences. The deferred outflows of resources related to pensions resulting from City contributions subsequent to the measurement date will be recognized as a reduction of the net pension liability in the next fiscal year. The other pension related deferred outflows will be amortized over a systematic and rational method over a closed period.

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

The fiduciary net position of the Texas Municipal Retirement System (TMRS) has been determined using the flow of economic resources measurement focus and full accrual basis of accounting. This includes for purposes of measuring the net pension liability, deferred outflows of resources and deferred inflows of resources related to pensions, pension expense, and information about assets, liabilities and additions to/deductions from TMRS' fiduciary net position. The Plan's fiduciary net position has been determined on the same basis as that used by the Plan. Benefit payments (including refunds of employee contributions) are recognized when due and payable in accordance with the benefit terms. Investments are reported at fair value.

The Statement of Activities demonstrates how other people or entities that participate in programs the City operates have shared in the payment of the direct costs. The "charges for services" column includes payments made by parties that purchase, use, or directly benefit from goods or services provided by a given function of the City. 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, it is a general revenue used to support all of the City's functions. Taxes are always general revenues.

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

The fund financial statements report on the financial condition and results of operations for two fund categories – governmental and proprietary. The City considers some governmental funds major and reports their financial condition and results of operations in a separate column.

CITY OF ALPINE, TEXAS

NOTES TO THE FINANCIAL STATEMENTS

SEPTEMBER 30, 2015

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

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

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

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

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

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

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

Unavailable revenue from property taxes arises only under the modified accrual basis of accounting. The governmental funds report this unavailable revenue as a deferred inflow of resources and recognize revenue in the period that the amounts become available.

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

CITY OF ALPINE, TEXAS

NOTES TO THE FINANCIAL STATEMENTS

SEPTEMBER 30, 2015

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

The proprietary fund types are accounted for on a flow of economic resources measurement focus and utilize the accrual basis of accounting. This basis of accounting recognizes revenues in the accounting period in which they are earned and become measurable and expenses in the accounting period in which they are incurred and become measurable. With this measurement focus, all assets and deferred outflows of resources and all liabilities and deferred inflows of resources associated with the operation of these funds are included on the fund Statement of Net Position. Net position is segregated into net investment in capital assets, restricted, and unrestricted.

D. FUND ACCOUNTING

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

The City reports the following major enterprise funds:

1. Water, Sewer, and Sanitation - This enterprise fund is used to account for the activity related to the management of the City's Water, Sewer, and Sanitation utility.
2. Gas Fund - This enterprise fund is used to account for the activity related to the management of the City's Natural Gas utility.
3. 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.

Additionally, the City reports the following other funds:

Governmental funds:

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

CITY OF ALPINE, TEXAS

NOTES TO THE FINANCIAL STATEMENTS

SEPTEMBER 30, 2015

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Proprietary Funds:

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

E. OTHER ACCOUNTING POLICIES

Cash, Cash Equivalents and Investments

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.

All investments with an original maturity greater than one year from date of purchase are stated at fair value based on quoted market prices as of year-end. Investments with an original maturity of less than one year are reported at amortized cost. If applicable, premiums and discounts on investments are amortized or accreted using the straight-line method, which approximates the interest method, over the terms of the related securities.

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.

CITY OF ALPINE, TEXAS

NOTES TO THE FINANCIAL STATEMENTS

SEPTEMBER 30, 2015

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

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, 2015, the City's investments in Texas Class and TexStar investments pools were rated AAAm by Standard & Poor's.

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. 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. All of the City's investment pools qualify as a 2a7-like pools and are excluded from the interest rate risk disclosure requirement.

CITY OF ALPINE, TEXAS

NOTES TO THE FINANCIAL STATEMENTS

SEPTEMBER 30, 2015

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

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

In the fund financial statements, material receivables in governmental funds include revenue accruals such as sales tax, franchise tax, and grants and other similar intergovernmental revenues since they are usually both measurable and available. Non-exchange transactions collectible but not available are unearned in the fund financial statements in accordance with modified accrual, but not unearned in the government-wide financial statements in accordance with the accrual basis. Interest and investment earnings are recorded when earned. Proprietary fund material receivables consist of all revenues earned at year-end and not yet received. Utility accounts receivable compose the majority of proprietary fund receivables. Allowances for uncollectible accounts receivable are based upon historical trends and the periodic aging of accounts receivable.

Interfund Receivables and Payables

During the course of operations, numerous transactions occur between individual funds that may result in amounts owed between funds. Those related to goods and services type transactions are classified as “due to and from other funds.” Short-term interfund loans are reported as “interfund receivables and payables.” Interfund receivables and payables between funds within governmental activities are eliminated in the Statement of Net Position. See Note 3 for details of interfund transactions, including receivables and payables at year-end.

Inventories

The City reports jet fuel inventory at weighted average cost. Supplies inventories are reported at cost.

Capital Assets

Capital assets, which include land, buildings, furniture, vehicles, and equipment, are reported in the governmental activities column in the government-wide financial statements. 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.

CITY OF ALPINE, TEXAS

NOTES TO THE FINANCIAL STATEMENTS

SEPTEMBER 30, 2015

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 estimated fair value at the date of donation. Estimated historical cost was used to value many of the infrastructure assets acquired prior to October 1, 2003. Prior to October 1, 2003, governmental funds' infrastructure assets were not capitalized. These assets (back to October 1, 1939) have been valued at estimated historical cost. 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. Major outlays for capital assets and improvements are capitalized as projects are constructed. 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	25-50
Improvements	20-50
Machinery and Equipment	3-20
Utility System	25-75
Infrastructure	25-75

Restricted Assets

Restricted assets include cash and cash equivalents of the various funds which are legally restricted as to their use. 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, 2015, the total liability for compensated absences amounted to \$82,676. The amount related to the governmental funds is included in the government wide Statement of Net Position. The amount related to enterprise funds is included in the Statement of Net Position – Proprietary Funds and the government wide Statement of Net Position.

Long-term Debt

In the government-wide financial statements and proprietary fund types in the fund financial statements, long-term debt and other long-term obligations are reported as liabilities in the applicable governmental activities or business-type activities Statement of Net Position. The long-term debt consists primarily of bonds, certificates of obligation, and capital leases.

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

CITY OF ALPINE, TEXAS

NOTES TO THE FINANCIAL STATEMENTS

SEPTEMBER 30, 2015

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

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

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

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

Fund Balance Classification Policies and Procedures

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 (c) enabling legislation.
- Committed fund balances – 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 balances – 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.

CITY OF ALPINE, TEXAS

NOTES TO THE FINANCIAL STATEMENTS

SEPTEMBER 30, 2015

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

- 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 (2) the City considered committed and assigned amounts to have been spent when an expenditure is incurred for purposes for which amounts in any of those unrestricted fund balance classifications could be used. The City has not formally adopted a minimum fund balance policy.

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

Self Insured – The City sponsors a self-insured plan to provide health care benefits to employees and their dependents. Revenues of the Internal Service Fund are received from both the City’s governmental funds and premiums charged to employees. Expenses are comprised of claims incurred during the fiscal year, professional and contracted services, and other miscellaneous expenses.

The General Fund is contingently liable for liabilities of these funds.

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. A receivable for property taxes is recognized and recorded at the levy date. 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.

CITY OF ALPINE, TEXAS

NOTES TO THE FINANCIAL STATEMENTS

SEPTEMBER 30, 2015

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

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% 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 tax special revenue fund. As of September 30, 2015, the amount due from hotels and motels was \$93,521 which is included in other receivables.

Interfund Transfers

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

Budgets and Budgetary Basis

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

Encumbrances

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

Use of Estimates

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

CITY OF ALPINE, TEXAS

NOTES TO THE FINANCIAL STATEMENTS

SEPTEMBER 30, 2015

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Pensions

The City has implemented *GASB Statement No. 68, Accounting and Financial Reporting for Pensions* which establishes standards for measuring and recognizing liabilities, deferred outflows of resources, deferred inflows of resources, and expense/expenditures. In addition, the City implemented *GASB Statement No. 71, Pension Transition for Contributions Made Subsequent to the Measurement Date* which requires, at transition, that a government recognize a beginning deferred outflow of resources for its pension contributions, if any, made subsequent to the measurement date of the beginning net pension liability. The provisions of *GASB Statement No. 71* are required to be applied simultaneously with the provisions of *GASB Statement No. 68*.

The City's financial statements as of September 30, 2015 are presented in accordance with the guidance provided by these Statements. See Note 15, Prior Period Adjustments, for more information regarding implementation of this new pronouncement.

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

CITY OF ALPINE, TEXAS

NOTES TO THE FINANCIAL STATEMENTS

SEPTEMBER 30, 2015

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, 2015 by FDIC coverage of \$250,000 and two irrevocable letters of credit in the amount of \$2,000,000 dated July 31, 2015 and in the amount of \$1,000,000 dated June 10, 2015 issued by Federal Home Loan Bank of Dallas both expiring February 1, 2016. The following is disclosed as of September 30, 2015:

	General Fund	Internal Service Fund	Non Major Funds	Governmental Activities
Cash and Cash Equivalents	\$ 4,796	\$ 53,941	\$ -	\$ 58,737
Cash Equivalents- TexStar	575	-	-	575
Restricted Cash and Cash Equivalents	1,272	-	269,017	270,289
Restricted Cash Equivalent-Texas Class	-	-	80,021	80,021
Total Cash and Cash Equivalents	<u>\$ 6,643</u>	<u>\$ 53,941</u>	<u>\$ 349,038</u>	<u>\$ 409,622</u>

	Water, Sewer, and Sanitation	Gas Fund	Airport Fund	Total Business Type Activities
Cash and Cash Equivalents	\$ 1,186,410	\$ 899,098	\$ 89,866	\$ 2,175,374
Cash Equivalents- Texas Class	-	-	82,986	82,986
Restricted Cash and Cash Equivalents	188,162	-	-	188,162
Total Cash and Cash Equivalents	<u>\$ 1,374,572</u>	<u>\$ 899,098</u>	<u>\$ 172,852</u>	<u>\$ 2,446,522</u>

The total bank balance as of September 30, 2015 was \$2,985,967. The difference between book and bank balances represent items in transit at year-end, usually outstanding checks that clear in the following month.

The cash deposits held at financial institutions can be categorized according to three levels of risk. The three levels of risk are:

Category 1 – Deposits that are insured or collateralized with securities held by the entity or by its agent in the entity's name.

Category 2 – Deposits that are collateralized with securities held by the pledging financial institution's trust department or agent in the entity's name.

Category 3 – Deposits that are not collateralized. (This includes any bank balances that are collateralized with securities held by the pledging financial institution, or its trust department or agent but no in the entity's name.)

CITY OF ALPINE, TEXAS

NOTES TO THE FINANCIAL STATEMENTS

SEPTEMBER 30, 2015

NOTE 2 – CASH AND CASH EQUIVALENTS (continued)

Based on these three levels of risk, the City's cash deposits are in Category 1.

Texas Class is a pooled investment program administered by Cutwater Asset Management. 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. TexStar has an advisory board composed of participants in TexStar and other persons who do not have a business relationship with TexStar. The TexStar board has the authority to invest deposited funds and perform other administrative activities necessary to accomplish the objectives of TexStar.

Although Texas Class and TexStar are not registered with the SEC as investment companies, they operate in a manner consistent with the SEC's Rule 2a7 of the Investment Company Act of 1940. GASB allows 2a7-like pools to use amortized cost (which excludes unrealized gains and losses) rather than market value to report net assets to compute share price. The fair value of the City's positions in TexStar and Texas Class is the same as the value of TexStar and 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.

CITY OF ALPINE, TEXAS

NOTES TO THE FINANCIAL STATEMENTS

SEPTEMBER 30, 2015

NOTE 3 – INTERFUND BALANCES AND TRANSFERS

Interfund transactions are the result of normal operations and resulted in the following amounts due (to) and from 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 (to) and from balances as of September 30, 2015:

	<u>Due from Other Funds</u>	<u>Due to Other Funds</u>
General Fund:		
Nonmajor Funds	\$ 26,913	\$ 87,313
Gas Fund	10,162	-
Airport Fund	42,082	-
Water, Sewer & Sanitation Fund	-	453,875
Total General Fund	<u>79,157</u>	<u>541,188</u>
Nonmajor Funds:		
General Fund	87,313	26,913
Water, Sewer & Sanitation Fund	4,290	-
Total Nonmajor Funds	<u>91,603</u>	<u>26,913</u>
Gas Fund:		
General Fund	-	10,162
Water, Sewer, & Sanitation Fund	-	540,005
Total Gas Fund	<u>-</u>	<u>550,167</u>
Airport Fund:		
General Fund	-	42,082
Water, Sewer, & Sanitation Fund		
General Fund	453,875	-
Gas Fund	540,005	
Nonmajor Fund	-	4,290
Total Water, Sewer, & Sanitation Fund	<u>993,880</u>	<u>4,290</u>
	<u>\$ 1,164,640</u>	<u>\$ 1,164,640</u>

Interfund transfers generally fall within two categories: (1) transfers to cover debt service payments to comply with debt covenants, and (2) transfers to charge other funds fees or a permanent reallocation of resources. During the year ending September 30, 2015, \$82,963 was transferred into the Airport Fund for capital improvements of which \$65,521 was from the Gas Fund and \$17,442 was from the General Fund.

CITY OF ALPINE, TEXAS

NOTES TO THE FINANCIAL STATEMENTS

SEPTEMBER 30, 2015

NOTE 4 – CHANGES IN CAPITAL ASSETS

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

	Balance Oct. 1, 2014	Additions	Transfers/ Deductions	Balance Sept. 30, 2015
Land	\$ 806,665	\$ -	\$ -	806,665
Landscaping	56,383	-	-	56,383
Buildings and Improvements	2,698,156	-	-	2,698,156
Infrastructure	8,853,121	-	-	8,853,121
Improvements Other than buildings	2,188,637	102,382	303,769	2,594,788
Vehicles	3,032,132	28,187	(99,805)	2,960,514
Furniture & Equip.	792,432	106,278	-	898,710
Construction Work in Progress	303,769	19,141	(303,769)	19,141
	<u>18,731,295</u>	<u>255,988</u>	<u>(99,805)</u>	<u>18,887,478</u>
Less: Accumulated				
Landscaping	(36,082)	(3,856)	-	(39,938)
Buildings & Improvements	(986,874)	(82,314)	-	(1,069,188)
Infrastructure	(3,766,818)	(258,928)	-	(4,025,746)
Improvements Other than buildings	(1,525,215)	(74,555)	-	(1,599,770)
Vehicles	(2,064,567)	(107,035)	99,805	(2,071,797)
Furniture & Equip.	(195,104)	(57,602)	-	(252,706)
	<u>\$ (8,574,660)</u>	<u>\$ (584,290)</u>	<u>\$ 99,805</u>	<u>\$ (9,059,145)</u>
Net governmental assets	<u>\$ 10,156,635</u>	<u>\$ (328,302)</u>	<u>\$ -</u>	<u>\$ 9,828,333</u>

CITY OF ALPINE, TEXAS

NOTES TO THE FINANCIAL STATEMENTS

SEPTEMBER 30, 2015

NOTE 4 – CHANGES IN CAPITAL ASSETS (continued)

Governmental Fund depreciation by function:

	<u>Depreciation</u>
General Government	\$ 170,983
Public Works	99,780
Health and Human Services	25,203
Culture and Recreation	92,197
Public Safety	186,523
Municipal Court	9,604
	<u>\$ 584,290</u>

Depreciation expense totaled \$584,290 for the year ended September 30, 2015 as reported in the government wide financial statements.

CITY OF ALPINE, TEXAS

NOTES TO THE FINANCIAL STATEMENTS

SEPTEMBER 30, 2015

NOTE 4 – CHANGES IN CAPITAL ASSETS (continued)

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

Airport

	Balance Oct. 1, 2014	Additions	Transfers/ Deductions	Balance Sept. 30, 2015
Land	\$ 99,584	\$ -	\$ -	\$ 99,584
Buildings	2,640	-	-	2,640
Equipment	-	29,904	88,999	118,903
Improvements other than Buildings	3,302,067	10,119	(94,352)	3,217,834
Total Assets	3,404,291	40,023	(5,353)	3,438,961
Less: Accumulated Depreciation				
Buildings	(2,640)	-	-	(2,640)
Equipment	-	(1,295)	(32,706)	(34,001)
Improvements other than Buildings	(971,806)	(53,137)	35,965	(988,978)
Total Depreciation	(974,446)	(54,432)	3,259	(1,025,619)
Net Airport Assets	\$ 2,429,845	\$ (14,409)	\$ (8,612)	\$ 2,413,342

Gas

	Balance Oct. 1, 2014	Additions	Transfers/ Deductions	Balance Sept. 30, 2015
Land	\$ 45,000	\$ -	\$ -	\$ 45,000
Buildings	217,000	-	-	217,000
Gas Distribution Sytem	1,348,456	-	-	1,348,456
Vehicles	158,913	-	-	158,913
Furniture and Equipment	103,344	85,752	(2,752)	186,344
Total Assets	1,872,713	85,752	(2,752)	1,955,713
Less: Accumulated Depreciation				
Buildings	(22,423)	(8,680)	-	(31,103)
Gas Distribution Sytem	(73,013)	(29,265)	-	(102,278)
Vehicles	(33,528)	(13,927)	-	(47,455)
Furniture and Equipment	(38,343)	(18,000)	-	(56,343)
Total Depreciation	(167,307)	(69,872)	-	(237,179)
Net Gas Assets	\$ 1,705,406	\$ 15,880	\$ (2,752)	\$ 1,718,534

CITY OF ALPINE, TEXAS

NOTES TO THE FINANCIAL STATEMENTS

SEPTEMBER 30, 2015

NOTE 4 – CHANGES IN CAPITAL ASSETS (continued)

Water and Sewer

	Balance Oct. 1, 2014	Additions	Transfers/ Deductions	Balance Sept. 30, 2015
Land	\$ 192,397	\$ -	\$ -	\$ 192,397
WIP	170,650	-	(170,650)	-
Buildings and Improvements	1,019,207	20,097	(22,709)	1,016,595
Furniture, Equipment, and Vehicles	1,384,808	177,580	20,015	1,582,403
Water System	13,768,128	-	-	13,768,128
Wastewater System	6,626,511	-	-	6,626,511
Total Assets	23,161,701	197,677	(173,344)	23,186,034
Less: Accumulated Depreciation				
Buildings and Improvements	(395,959)	(38,303)	9,838	(424,424)
Furniture, Equipment, and Vehicles	(770,861)	(61,022)	(9,808)	(841,691)
Water System	(4,840,176)	(189,497)	-	(5,029,673)
Wastewater System	(2,671,079)	(98,992)	-	(2,770,071)
Total Depreciation	(8,678,075)	(387,814)	30	(9,065,859)
Net Water & Wastewater Assets	\$ 14,483,626	\$ (190,137)	\$ (173,374)	\$ 14,120,175

Depreciation expense for enterprise fund capital assets totaled \$512,118 for the year ended September 30, 2015 as reported in the proprietary and government wide financial statements.

NOTE 5– GOVERNMENTAL ACTIVITIES LONG-TERM DEBT

For the year ended September 30, 2015, the City had the following governmental activities debt:

A. Lease Purchase Commitments:

- In 2010, the City acquired a fire truck in the amount of \$260,756. The lease terms require 12 annual payments of \$29,753 including interest at 5.2%. The unpaid principal balance at September 30, 2015 was \$171,197.

CITY OF ALPINE, TEXAS

NOTES TO THE FINANCIAL STATEMENTS

SEPTEMBER 30, 2015

NOTE 5 – GOVERNMENTAL ACTIVITIES LONG-TERM DEBT (continued)

B. Certificates of Obligations and Bonds Payable:

- Certificates of Obligation – Series 2011 - 56% of the bond is reported with long-term debt in the governmental activities and the balance (44%) is reported with the Water, Sewer, and Sanitation Enterprise fund. The interest rate is 4.23%. As of September 30, 2015, the outstanding balance in the governmental activities was \$599,800.
- General Obligation Refunding Bonds – Series 2011 - 60% of the bond is reported with long-term debt in the governmental activities and the balance (40%) is reported with the Water, Sewer, and Sanitation Enterprise fund. The interest rate is 3.5637%. As of September 30, 2015, the outstanding balance in the governmental activities was \$1,065,000.

Changes in governmental activities long-term debt follows:

	Balance Oct. 1, 2014	New Issues	Payments	Balance Sept. 30, 2015	Due Within One Year
Lease obligations	\$ 191,031	\$ -	\$ 19,834	\$ 171,197	20,865
Certificates of Obligation:					
56% series 2011	625,000	-	25,200	599,800	28,000
General Obligation Bond:					
60% Series 2011	1,260,000	-	195,000	1,065,000	204,000
	<u>\$ 2,076,031</u>	<u>\$ -</u>	<u>240,034</u>	<u>\$ 1,835,997</u>	<u>\$ 252,865</u>

The future principal and interest maturities of long-term debt for Governmental Activities as of September 30, 2015 are as follows:

Governmental Activities

A. Lease Obligations

Year Ending September 30,	Principal	Interest	Total
2016	20,865	8,888	29,753
2017	21,950	7,803	29,753
2018	23,091	6,661	29,752
2019	24,292	5,461	29,753
2020	25,555	4,198	29,753
2021-2022	55,444	4,339	59,783
Total	<u>\$ 171,197</u>	<u>37,350</u>	<u>\$ 208,547</u>

CITY OF ALPINE, TEXAS

NOTES TO THE FINANCIAL STATEMENTS

SEPTEMBER 30, 2015

NOTE 5 – GOVERNMENTAL ACTIVITIES LONG-TERM DEBT (continued)

B. Certificates of Obligation <u>C/O Series 2011(56%)</u>			
Year Ending September 30,	Principal	Interest	Total
2016	28,000	24,517	52,517
2017	28,000	23,333	51,333
2018	28,000	22,148	50,148
2019	30,800	20,905	51,705
2020	30,800	19,602	50,402
2021-2025	179,200	76,394	255,594
2026-2030	218,400	34,584	252,984
2031	56,600	1,066	57,666
Total	<u>\$ 599,800</u>	<u>222,549</u>	<u>\$ 822,349</u>

CITY OF ALPINE, TEXAS

NOTES TO THE FINANCIAL STATEMENTS

SEPTEMBER 30, 2015

NOTE 5 – GOVERNMENTAL ACTIVITIES LONG-TERM DEBT (continued)

B. General Obligation Bond
General Obligation Refunding
G/O Series 2011(60%)

Year Ending September 30,	Principal	Interest	Total
2016	204,000	34,318	238,318
2017	195,000	27,209	222,209
2018	144,000	21,168	165,168
2019	78,000	17,213	95,213
2020	81,000	14,380	95,380
2021-2024	<u>363,000</u>	<u>26,567</u>	<u>389,567</u>
Total	<u>\$ 1,065,000</u>	<u>140,855</u>	<u>\$ 1,205,855</u>

Total Governmental Long-Term Debt

Year Ending Period Ended	Principal	Interest	Total
2016	252,865	67,723	320,588
2017	244,950	58,344	303,294
2018	195,091	49,978	245,069
2019	133,092	43,578	176,670
2020	137,355	38,179	175,534
2021 - 2025	597,644	107,300	704,944
2026 - 2030	218,400	34,584	252,984
2031	<u>56,600</u>	<u>1,066</u>	<u>57,666</u>
Total	<u>\$ 1,835,997</u>	<u>400,752</u>	<u>\$ 2,236,749</u>

NOTE 6 –BUSINESS TYPE ACTIVITIES LONG-TERM DEBT

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

In December 2012, the City issued combination Tax and Revenue Certificates of Obligation Series 2012 for up to \$102,000 with interest ranging from .27% to 2.82%. The proceeds are being used to fund improvements to the wastewater system. As of September 30, 2015, only \$95,728 of the certificates had been spent. A principal payment of \$9,000 is required each fiscal year leaving the remaining balance owed of \$68,728 as of September 30, 2015.

CITY OF ALPINE, TEXAS

NOTES TO THE FINANCIAL STATEMENTS

SEPTEMBER 30, 2015

NOTE 6 – BUSINESS TYPE ACTIVITIES LONG-TERM DEBT (continued)

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 Enterprise fund and the balance 56% (\$695,000) is reported as governmental activities debt based on the use of bond proceeds. This Certificate of Obligation has an interest of 4.23% with final maturity in 2031. The proceeds were primarily used for equipment acquisitions and building and street improvements. As of September 30, 2015, the outstanding balance was \$460,200.

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 Enterprise fund and the balance 60% (\$1,890,000) is reported as governmental activities debt based on the use of bond proceeds. These bonds have an interest of 3.5637% with final maturity in 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, 2015, the outstanding balance was \$710,000.

In March 2003, Series 2003A Waterworks and Sewer System Revenue Bonds were issued with an interest ranging from 3.00% to 4.45% with final maturity in 2021. The bond proceeds were to fund improvements and extensions to the City's combined waterworks and sewer system and to fund reserve funds and pay bond issuance costs. As of September 30, 2015, the outstanding balance was \$485,000.

In 2010 the Texas Water Development Board completed funding its \$4,131,000 loan commitment to the City for the purpose of funding water system improvements. The City's outstanding balance as of September 30, 2015 was \$2,889,000.

In 2015, the City financed \$62,666 for the purchase of two aerators for the Waste Water Treatment Plant. The interest rate is 4.292% with the final payment in 2017. As of September 30, 2015 the outstanding balance in the Water, Sewer, and Sanitation fund was \$41,869.

Changes in the Water, Sewer, and Sanitation enterprise fund long-term debt follows:

	Oct. 1, 2014	Issues	Payments	Sept. 30, 2015	One Year
C/O 2012 Series	\$ 56,844	\$ 20,884	\$ 9,000	\$ 68,728	\$ 10,000
44% of C/O 2011	480,000	-	19,800	460,200	22,000
40% of G/O Series 2011	840,000	-	130,000	710,000	136,000
Series 2003A	555,000	-	70,000	485,000	75,000
TWDB Series 2005	3,027,000	-	138,000	2,889,000	138,000
Aerator Financing	-	62,666	20,797	41,869	20,495
	<u>\$ 4,958,844</u>	<u>\$ 83,550</u>	<u>387,597</u>	<u>\$ 4,654,797</u>	<u>\$ 401,495</u>

CITY OF ALPINE, TEXAS

NOTES TO THE FINANCIAL STATEMENTS

SEPTEMBER 30, 2015

NOTE 6 – BUSINESS TYPE ACTIVITIES LONG-TERM DEBT (continued)

Bonds payable for the Water, Sewer and Sanitation Fund are equally and ratably secured by and payable from a 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 future principal and interest maturities of long term debt for the Business Type Activities as of September 30, 2015 are as follows:

Tax and Revenue Certificates of Obligation

C/O Series 2012

Year Ending September 30,	Principal	Interest	Total
2016	10,000	1,564	11,564
2017	10,000	1,421	11,421
2018	10,000	1,247	11,247
2019	11,000	1,028	12,028
2020	11,000	769	11,769
2021 - 2022	16,728	655	17,383
Total	<u>\$ 68,728</u>	<u>6,684</u>	<u>\$ 75,412</u>

Certificates of Obligation

C/O Series 2011(44%)

Year Ending September 30,	Principal	Interest	Total
2016	22,000	19,263	41,263
2017	22,000	18,333	40,333
2018	22,000	17,402	39,402
2019	24,200	16,425	40,625
2020	24,200	15,401	39,601
2021 - 2025	140,800	60,024	200,824
2026 - 2030	171,600	27,174	198,774
2031	33,400	838	34,238
Total	<u>\$ 460,200</u>	<u>174,860</u>	<u>\$ 635,060</u>

CITY OF ALPINE, TEXAS

NOTES TO THE FINANCIAL STATEMENTS

SEPTEMBER 30, 2015

NOTE 6 – BUSINESS TYPE ACTIVITIES LONG-TERM DEBT (continued)

<p align="center">Certificates of Obligation G/O Series 2011 (40%)</p>			
Year Ending September 30,	Principal	Interest	Total
2016	136,000	22,879	158,879
2017	130,000	18,139	148,139
2018	96,000	14,112	110,112
2019	52,000	11,475	63,475
2020	54,000	9,586	63,586
2021 - 2024	242,000	17,712	259,712
Total	<u>\$ 710,000</u>	<u>93,903</u>	<u>\$ 803,903</u>

<p align="center">Certificates of Obligation Series 2003-A</p>			
Year Ending September 30,	Principal	Interest	Total
2016	75,000	21,048	96,048
2017	75,000	17,898	92,898
2018	80,000	14,748	94,748
2019	80,000	11,268	91,268
2020	85,000	7,788	92,788
2021	90,000	4,005	94,005
Total	<u>\$ 485,000</u>	<u>76,755</u>	<u>\$ 561,755</u>

CITY OF ALPINE, TEXAS

NOTES TO THE FINANCIAL STATEMENTS

SEPTEMBER 30, 2015

NOTE 6 –BUSINESS TYPE ACTIVITIES LONG-TERM DEBT (continued)

Certificates of Obligation <u>Texas Water Development Board</u>			
Year Ending September 30,	Principal	Interest	Total
2016	138,000	-	138,000
2017	138,000	-	138,000
2018	138,000	-	138,000
2019	138,000	-	138,000
2020	138,000	-	138,000
2021 - 2025	690,000	-	690,000
2026 - 2030	686,000	-	686,000
2031 - 2035	685,000	-	685,000
2036	138,000	-	138,000
Total	<u>\$ 2,889,000</u>	<u>-</u>	<u>\$ 2,889,000</u>

CITY OF ALPINE, TEXAS

NOTES TO THE FINANCIAL STATEMENTS

SEPTEMBER 30, 2015

NOTE 6 –BUSINESS TYPE ACTIVITIES LONG-TERM DEBT (continued)

Aerator Financing

Year Ending September 30,	Principal	Interest	Total
2016	20,495	1,797	22,292
2017	21,374	917	22,291
Total	<u>\$ 41,869</u>	<u>2,714</u>	<u>\$ 44,583</u>

**Total Business Type Activities
Long Term Debt**

Year Ending September 30,	Principal	Interest	Total
2016	401,495	66,552	468,047
2017	396,374	56,709	453,083
2018	346,000	47,509	393,509
2019	305,200	40,196	345,396
2020	312,200	33,545	345,745
2021 - 2025	1,179,528	82,395	1,261,923
2026 - 2030	857,600	27,174	884,774
2031 - 2035	718,400	838	719,238
2036	138,000	-	138,000
Total	<u>\$ 4,654,797</u>	<u>\$ 354,918</u>	<u>\$ 5,009,715</u>

CITY OF ALPINE, TEXAS

NOTES TO THE FINANCIAL STATEMENTS

SEPTEMBER 30, 2015

NOTE 7 – PENSION PLAN

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

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

Benefits Provided: TMRS provides retirement, disability, and death benefits. The plan provisions are adopted by the governing body of the City, within the options available in the state statutes governing TMRS and within the actuarial constraints also in the statutes. Pension benefits are provided to all of the City's full-time employees, with the exception of firefighters. The matching ratio (City to Employee) is 2-1 and a member is considered vested after 5 years of service. Members can retire at certain ages, based on years of service with the City. The Service Retirement Eligibilities for the City are as follows: 5 years/age 60, 20 years/any age.

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

Employees covered by benefit terms.

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

Inactive employees or beneficiaries currently receiving benefits	32
Inactive employees entitled to but not yet receiving benefits	37
Active employees	<u>52</u>
	<u>121</u>

CITY OF ALPINE, TEXAS

NOTES TO THE FINANCIAL STATEMENTS

SEPTEMBER 30, 2015

NOTE 7 – PENSION PLAN (continued)

Contributions: The contribution rates for employees in TMRS are either 5%, 6%, or 7% of employee gross earnings. Upon an employee's retirement, the City matches the accumulated employee contributions plus interest earned. The City elected a matching ratio of 2 to 1 (200%). This match is funded with monthly contributions by the participating municipality at an annual, actuarially determined rate. A municipality may elect to increase or reduce its matching ratio effective January 1 of a calendar year. Under the state law governing TMRS, the contribution rate for each city is determined annually by the actuary, using the Entry Age Normal (EAN) actuarial cost method. The actuarially determined rate is the estimated amount necessary to finance the cost of benefits earned by employees during the year, with an additional amount to finance any unfunded accrued liability.

Employees for the City of Alpine were required to contribute 5% of their annual gross earnings during the fiscal year. The contribution rate for the City for the calendar months in 2014 was 1.28% and 1.06% for the calendar months in 2015. The City's contributions to TMRS for the year ended September 30, 2015, were \$26,780 and were equal to the required contributions.

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

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

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

Salary increases were based on a service-related table. Mortality rates for active members, retirees, and beneficiaries were based on the gender-distinct RP2000 Combined Healthy Mortality Table, with male rates multiplied by 109% and female rates multiplied by 103%. The rates are projected on a fully generational basis by scale BB to account for future mortality improvements. For disabled annuitants, the gender-distinct RP2000 Disabled Retiree Mortality Table is used, with slight adjustments. Actuarial assumptions used in the December 31, 2014, valuation were based on the results of actuarial experience studies. The experience study in TMRS was for the period January 1, 2006 through December 31, 2009, first used in the December 31, 2010 valuation. Healthy post-retirement mortality rates and annuity purchase rates were updated based on a Mortality Experience Investigation Study covering 2009 through 2011, and dated December 31, 2013. These assumptions were first used in the December 31, 2013 valuation, along with a change to the Entry Age Normal (EAN) actuarial cost method. Assumptions are reviewed annually. No additional changes were made for the 2014 valuation.

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

CITY OF ALPINE, TEXAS

NOTES TO THE FINANCIAL STATEMENTS

SEPTEMBER 30, 2015

NOTE 7 – PENSION PLAN (continued)

The long-term expected rate of return on pension plan investments was determined using a building-block method in which best estimate ranges of expected future real rates of return (expected returns, net of pension plan investment expense and inflation) are developed for each major asset class. These ranges are combined to produce the long-term expected rate of return by weighting the expected future real rates of return by the target asset allocation percentage and by adding expected inflation. The target allocation and best estimates of arithmetic real rates of return for each major asset class are summarized in the following table:

Asset Class	Target Allocation	Long-Term Expected Real Rate of Return (Arithmetic)
Domestic Equity	17.5%	4.80%
International Equity	17.5%	6.05%
Core Fixed Income	30.0%	1.50%
Non-Core Fixed Income	10.0%	3.50%
Real Return	5.0%	1.75%
Real Estate	10.0%	5.25%
Absolute Return	5.0%	4.25%
Private Equity	5.0%	8.50%
Total	100.0%	NA

Discount Rate:

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

CITY OF ALPINE, TEXAS

NOTES TO THE FINANCIAL STATEMENTS

SEPTEMBER 30, 2015

NOTE 7 – PENSION PLAN (continued)

Changes in the Net Pension Liability	Increase (Decrease)		
	Total Pension Liability (a)	Plan Fiduciary Net Position (b)	Net Pension Liability (Assets) (a)-(b)
Balance at 12/31/2013	\$ 5,393,707	\$ 6,589,516	\$ (1,195,809)
Changes for the year:			
Service cost	163,942	-	163,942
Interest	373,884	-	373,884
Change of benefit terms	-	-	-
Difference between expected and actual experience	(46,137)	-	(46,137)
Changes of assumptions	-	-	-
Contributions - employer	-	24,096	(24,096)
Contributions - employee	-	111,448	(111,448)
Net investment income	-	376,886	(376,886)
Benefit payments, including refunds of employee contributions	(268,963)	(268,963)	-
Administrative expense	-	(3,936)	3,936
Other changes	-	(324)	324
Net changes	\$222,726	\$239,207	(16,481)
Balance at 12/31/2014	\$5,616,433	\$6,828,723	\$ (1,212,290)

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

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

	1% Decrease in Discount Rate (6.0%)	Current Single Rate Assumption (7.0%)	1% Increase (8.0%)
City's net pension liability (asset)	\$(517,065)	\$(1,212,290)	\$(1,790,888)

CITY OF ALPINE, TEXAS

NOTES TO THE FINANCIAL STATEMENTS

SEPTEMBER 30, 2015

NOTE 7 – PENSION PLAN (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.tmrs.com.

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

For the year ended September 30, 2015, the City recognized pension expense of \$(26,312). At September 30, 2015, the City reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual economic experience	\$-0-	\$33,577
Changes in actuarial assumptions	\$-0-	\$-0-
Difference between projected and actual investment earnings	\$67,504	\$-0-
Contributions subsequent to the measurement date	\$19,679	\$-0-
Total	\$87,183	\$33,577

The \$19,679 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, 2016. Other amounts reported as deferred outflows and inflows of resources related to pensions will be recognized in pension expense as follows:

<u>Year ended December 31:</u>	
2016	\$4,316
2017	\$4,316
2018	\$8,419
2019	\$16,876
2020	-0-
Thereafter	-0-
	<u>\$33,927</u>

CITY OF ALPINE, TEXAS

NOTES TO THE FINANCIAL STATEMENTS

SEPTEMBER 30, 2015

NOTE 8 – SELF INSURANCE-HEALTHCARE COVERAGE

The City has a self-insured health plan covering substantially all employees. The plan covers major medical expenses, dental and vision. The City contributed \$346 from October 1, 2014 through September 2015, per employee to the plan. After expenses on a single covered member reach \$35,000 the City has purchased stop loss insurance policy for the excess. Estimates of claims payable and of claims incurred but not paid at September 30, 2015, are reflected as accrued liabilities of the fund based upon information provided by the third party administrator.

Changes in the balance of claim liabilities during the year ended September 30, 2015 were as follows:

Unpaid claims, beginning of year	\$ 12,903
Incurred claims (including IBNRs)	366,776
Claims payments	<u>(359,679)</u>
Unpaid claims, end of fiscal year	<u>\$ 20,000</u>

NOTE 9 – FUND BALANCE REPORTING

The following schedule discloses the details of fund balance classifications at September 30, 2015:

	<u>General</u>	<u>Nonmajor</u>	<u>Total</u>
Fund Balances:			
Restricted for:			
Federal or State Grants	\$ -	\$ 103,577	\$ 103,577
Other	1,272	707	1,979
Debt service	-	35,300	35,300
Tourism activities	-	335,409	335,409
Total restricted	1,272	474,993	476,265
Committed:			
Capital Improvements	88,000	-	88,000
Unassigned	<u>(620,644)</u>	<u>-</u>	<u>(620,644)</u>
Total fund balances	<u>\$ (531,372)</u>	<u>\$ 474,993</u>	<u>\$ (56,379)</u>

CITY OF ALPINE, TEXAS

NOTES TO THE FINANCIAL STATEMENTS

SEPTEMBER 30, 2015

NOTE 10 – CONTINGENCIES

From time-to-time the City is party to various legal claims in the ordinary course of governmental operations. The ultimate outcome of these matters cannot be determined. The City was part of an ongoing investigation related to previous members of management and activities that occurred while they were employed at the City. Management believes the outcome will not have a material adverse effect on the City.

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, 2015 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.

NOTE 11 – 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; injuries to employees 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.

During the year ended September 30, 2015, the City received insurance proceeds of \$25,760 in the Airport fund and \$30,062 in the Water, Sewer and Sanitation fund, which are included in revenue in the respective funds.

NOTE 12 – 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 releases final regulations.

At September 30, 2015, total closure and postclosure costs were estimated to be approximately \$468,664 and \$134,090, respectively. The liability for closure and postclosure care costs is based on landfill capacity used to date. The cost components are based on federal, state, or local laws or regulations concerning closure and post-closure care that have been approved as of the balance sheet date. Actual cost may be higher due to inflation, changes in technology, or changes in regulations. The City has set aside \$76,083 and these funds are restricted to finance the estimated closure and post-closure costs.

CITY OF ALPINE, TEXAS

NOTES TO THE FINANCIAL STATEMENTS

SEPTEMBER 30, 2015

NOTE 12 – LANDFILL (continued)

At September 30, 2015, the City was operating 5 cells utilizing approximately 25 acres of the 71 acres in the designated landfill area as follows:

Cell #1, 2, and 3	approximately 84% full
Cell #7 and 8	approximately 84% full

There are 12 cells in this landfill and the remaining estimated life is approximately 42 years.

NOTE 13 - LEASING ARRANGEMENTS WITH CITY AS LESSOR

The City leases hangers under various long-term lease agreements under the operating method of accounting for leases. Minimum future rentals to be received on non-cancelable leases as of September 30, 2015, for each of the next five years and in the aggregate are:

Water and Wastewater Utility

<u>Year ended September</u>	<u>Amount</u>
2016	\$ 11,157
2017	11,157
2018	11,157
2019	11,157
2020	11,157
2021 - 2025	50,786
2026 - 2030	50,589
2031 - 2035	45,061
2036 - 2040	25,828
2041 - 2045	5,940
2046	533
Total minimum future rentals	<u>\$ 217,131</u>

CITY OF ALPINE, TEXAS

NOTES TO THE FINANCIAL STATEMENTS

SEPTEMBER 30, 2015

NOTE 14 – 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, 2015.

NOTE 15 – PRIOR PERIOD ADJUSTMENTS

The following is a summary of prior period adjustments and the effect on fund balance and net position for fiscal year ending September 30, 2015.

	General Fund	Nonmajor Funds	Internal Service Fund	Governmental Activities
GASB 68 Pension	-	-	-	786,328
Accrual Adjustments	142,281	12,502	-	154,783
Landfill Closure Costs	-	-	-	595,007
Set up Self-Insurance Fund	(44,545)	-	44,545	-
Total Increase (Decrease)	97,736	12,502	44,545	1,536,118

	Water, Sewer and Sanitation Fund	Gas Fund	Airport Fund	Business-Type Activities
GASB 68 Pension	225,495	178,089	22,891	426,475
Capital Assets	(170,650)	-	-	(170,650)
Accrual Adjustments	(19,913)	(38,558)	(2,170)	(60,641)
Inventory	-	49,943	-	49,943
Landfill Closure Costs	(595,007)	-	-	(595,007)
Total Increase (Decrease)	(560,075)	189,474	20,721	(349,880)

NOTE 16 – NEW ACCOUNTING PRONOUNCEMENTS

The City has not completed the process of evaluating the impact on its financial position that will result from adopting Governmental Accounting Standards Board (GASB) Statements No. 75, *Accounting and Financial Reporting for Postemployment Benefits Other than Pensions*, effective for fiscal years beginning after June 15, 2017. GASB No. 75 addresses accounting and financial reporting for OPEB that is provided to the employees of state and local governmental employers.

REQUIRED SUPPLEMENTARY INFORMATION

CITY OF ALPINE, TEXAS

Statement of Revenues, Expenditures, and Changes in Fund Balance- Budget and Actual
General Fund

For the Year Ended September 30, 2015

	Budgeted Amounts		Actual	Variance
	Original	Final		
Revenues:				
Taxes - property	\$ 1,296,623	\$ 1,296,623	\$ 1,301,510	\$ 4,887
Taxes - sales	1,360,293	\$ 1,360,293	1,396,497	36,204
Taxes - other	117,000	\$ 117,000	100,240	(16,760)
Licenses and permits	72,420	\$ 72,420	89,017	16,597
Fees, fines and forfeitures	707,157	\$ 707,157	685,157	(22,000)
Interest	2,300	\$ 2,300	395	(1,905)
Miscellaneous	69,360	\$ 69,360	106,625	37,265
Total revenues	3,625,153	3,625,153	3,679,441	54,288
Expenditures:				
Current:				
General government				
Personnel	602,983	618,562	570,907	47,655
Operating	302,070	294,070	285,660	8,410
Nondepartmental	424,731	424,731	330,283	94,448
Total general government	1,329,784	1,337,363	1,186,850	150,513
Public works				
Personnel	419,302	419,302	367,918	51,384
Operating	264,975	264,975	307,419	(42,444)
Total public works	684,277	684,277	675,337	8,940
Health and human services				
Personnel	129,586	129,586	130,901	(1,315)
Operating	45,400	45,400	44,816	584
Total health and human services	174,986	174,986	175,717	(731)
Culture and recreation				
Personnel	169,312	169,312	142,866	26,446
Operating	119,800	119,800	72,173	47,627
Total culture and recreation	289,112	289,112	215,039	74,073
Public safety				
Personnel	824,205	824,205	852,407	(28,202)
Operating	212,722	212,722	186,248	26,474
Total public safety	1,036,927	1,036,927	1,038,655	(1,728)
Municipal court				
Personnel	63,717	63,717	61,930	1,787
Operating	6,550	6,550	4,914	1,636
Total municipal court	70,267	70,267	66,844	3,423
Debt service:				
Principal	19,877	19,877	19,834	43
Interest	9,923	9,923	9,919	4
Total expenditures	3,615,153	3,622,732	3,388,195	234,537
Excess (deficiency) of revenues over expenditures	10,000	2,421	291,246	288,825
Other Financing Sources (Uses):				
Transfers in	-	-	-	-
Transfers out	-	-	(17,442)	(17,442)
Proceeds from debt	-	-	-	-
Total other financing sources (uses)	-	-	(17,442)	(17,442)
Net change in fund balances	10,000	2,421	273,804	271,383
Fund Balances - Beginning	(902,912)	(902,912)	(902,912)	
Prior period adjustment	-	-	97,736	
Fund Balances - Ending	\$ (892,912)	\$ (900,491)	\$ (531,372)	

CITY OF ALPINE, TEXAS

SCHEDULE OF CHANGES IN NET PENSION LIABILITY AND RELATED RATIOS

Texas Municipal Retirement System

September 30, 2015

	Year Ended December 31, 2014
Total Pension Liability	
Service Cost	\$ 163,942
Interest (on the Total Pension Liability)	373,884
Changes of benefit terms	0
Difference between expected and actual experience	(46,137)
Changes of assumptions	0
Benefit payments, including refunds of employee contributions	(268,963)
Net change in total pension liability	\$ 222,726
Total pension liability - beginning	5,393,707
Total pension liability – ending (a)	5,616,433
Plan Fiduciary Net Position	
Contributions – employer	\$ 24,096
Contributions – employee	111,448
Net investment income	376,886
Benefit payments, including refunds of employee Contributions	(268,963)
Administrative Expense	(3,936)
Other	(324)
Net change in plan fiduciary net position	\$ 239,207
Plan fiduciary net position - beginning	6,589,516
Plan fiduciary net position – ending (b)	6,828,723
Net pension liability/(asset), ending =(a-b)	(1,212,290)
Plan fiduciary net position as a percentage of the total pension liability	121.58%
Covered-employee payroll	2,228,962
Net pension liability as a percentage of covered employee payroll	(54.39%)

Note: In accordance with GASB 68, paragraph 138, this schedule is presented to illustrate the requirement to show information for 10 years. However, recalculations of prior years are not required, and if prior years are not reported in accordance with the standards of GASB 67/68, they should not be shown here. Therefore, we have shown only years for which the new GASB statements have been implemented.

CITY OF ALPINE, TEXAS
SCHEDULE OF CONTRIBUTIONS

Texas Municipal Retirement System

September 30, 2015

Fiscal Year Ending September 30	Actuarially Determined Contribution	Actual Employer Contribution	Contribution Deficiency (Excess)	Pensionable Covered Payroll	Actual Contribution as a % of Covered Payroll
2015	\$26,780	\$26,780	\$-0-	\$2,411,310	1.11%

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

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

September 30, 2015

Valuation Date:

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

Methods and Assumptions Used to Determine Contribution Rates:

Actuarial Cost Method	Entry Age Normal
Amortization Method	Level Percentage of Payroll, Closed
Remaining Amortization Period	25 years
Asset Valuation Method	10 Year smoothed market; 15% soft corridor
Inflation	3.0%
Salary Increases	3.50% to 12.00% including inflation
Investment Rate of Return	7.00%
Retirement Age	Experience-based table of rates that are specific to the City's plan of benefits. Last updated for the 2010 valuation pursuant to an experience study of the period 2005 - 2009
Mortality	RP2000 Combined Mortality Table with Blue Collar Adjustment with male rates multiplied by 109% and female rates multiplied by 103% and projected on a fully generational basis with scale BB

Other Information:

Notes There were no benefit changes during the year.

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OTHER SUPPLEMENTARY INFORMATION

CITY OF ALPINE, TEXAS
Combining Balance Sheet
Nonmajor Governmental Funds
September 30, 2015

	Hotel and Motel Tax Fund	Community Development Fund	Community Development Block Fund	Municipal Court Technology Fund	HIDTA Grant Fund
ASSETS:					
Cash and cash equivalents	\$ -	\$ -	\$ -	\$ -	\$ -
Property taxes receivable	-	-	-	-	-
Allowance for uncollectible taxes	-	-	-	-	-
Receivables from other governments	-	-	-	-	9,065
Due from other funds	2,448	66,202	-	-	-
Other receivables	93,521	-	12,648	-	-
Restricted assets:					
Cash and cash equivalents	286,698	3,303	-	3,098	9,141
Total assets	<u>\$ 382,667</u>	<u>\$ 69,505</u>	<u>\$ 12,648</u>	<u>\$ 3,098</u>	<u>\$ 18,206</u>
LIABILITIES:					
Accounts payable	\$ 47,258	\$ -	\$ 12,648	\$ -	\$ 850
Accrued liabilities	-	-	-	-	185
Due to other funds	-	-	-	2,391	17,171
Unearned revenue	-	-	-	-	-
Total Liabilities	<u>47,258</u>	<u>-</u>	<u>12,648</u>	<u>2,391</u>	<u>18,206</u>
DEFERRED INFLOWS OF RESOURCES					
Unavailable revenue- property taxes				-	-
Total Deferred Inflows of Resources				<u>-</u>	<u>-</u>
FUND BALANCES:					
Restricted fund balance:					
Federal or state grant restrictions	-	69,505	-	-	-
Debt service	-	-	-	-	-
Other	335,409	-	-	707	-
Committed fund fund balance:		-	-	-	-
Capital improvements	-	-	-	-	-
Assigned fund balance	-	-	-	-	-
Unassigned	-	-	-	-	-
Total fund balances	<u>335,409</u>	<u>69,505</u>	<u>-</u>	<u>707</u>	<u>-</u>
Total liabilities and fund balances	<u>\$ 382,667</u>	<u>\$ 69,505</u>	<u>\$ 12,648</u>	<u>\$ 3,098</u>	<u>\$ 18,206</u>

PD Fed Equity Share Fund	PD Abandon Vehicle Fund	Municipal Court Security Fund	Stonegarden Grant Fund	Debt Service Fund	Total Nonmajor Governmental Funds
\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
-	-	-	-	25,828	25,828
-	-	-	-	(9,040)	(9,040)
-	-	-	7,289	-	16,354
-	-	1,010	-	21,943	91,603
-	-	-	-	-	106,169
-	-	-	-	-	-
21,415	14,341	-	-	11,042	349,038
<u>\$ 21,415</u>	<u>\$ 14,341</u>	<u>\$ 1,010</u>	<u>\$ 7,289</u>	<u>\$ 49,773</u>	<u>\$ 579,952</u>
\$ 2,082	\$ 550	\$ -	\$ -	\$ -	\$ 63,388
-	-	-	-	-	185
-	62	-	7,289	-	26,913
-	-	-	-	-	-
2,082	612	-	7,289	-	90,486
-	-	-	-	14,473	14,473
-	-	-	-	14,473	14,473
-	-	-	-	-	-
19,333	13,729	1,010	-	-	103,577
-	-	-	-	35,300	35,300
-	-	-	-	-	336,116
-	-	-	-	-	-
-	-	-	-	-	-
-	-	-	-	-	-
19,333	13,729	1,010	-	35,300	474,993
<u>\$ 21,415</u>	<u>\$ 14,341</u>	<u>\$ 1,010</u>	<u>\$ 7,289</u>	<u>\$ 49,773</u>	<u>\$ 579,952</u>

CITY OF ALPINE, TEXAS
Combining Statement of Revenues, Expenditures, and Changes in Fund Balance
Nonmajor Governmental Funds
For the Year Ended September 30, 2015

	Hotel and Motel Tax Fund	Community Development Fund	Community Development Block Grant	Municipal Court Technology Fund	HIDTA Grant Fund
Revenues:					
Taxes - property	\$ -	\$ -	\$ -	\$ -	\$ -
Taxes - sales	454,282	-	-	-	-
Taxes - other	-	-	-	-	-
Licenses and permits	-	-	-	-	-
Fees, fines and forfeitures	-	-	-	-	-
Intergovernmental	-	-	19,141	702	114,922
Interest	-	6	-	5	-
Miscellaneous	-	-	-	-	-
Total revenues	454,282	6	19,141	707	114,922
Expenditures:					
Current:					
General government	-	-	-	-	-
Public works	-	-	19,141	-	-
Health and human services	-	-	-	-	-
Culture and recreation	426,699	-	-	-	-
Public safety	-	-	-	-	114,922
Debt service:					
Principal	-	-	-	-	-
Interest	-	-	-	-	-
Total expenditures	426,699	-	19,141	-	114,922
Excess (deficiency) of revenues over expenditures	27,583	6	-	707	-
Other Financing Sources (Uses):					
Transfers in	-	-	-	-	-
Transfers out	-	-	-	-	-
Total other financing sources (uses)	-	-	-	-	-
Net change in fund balances	27,583	6	-	707	-
Fund Balances - Beginning	295,324	69,499	-	-	-
Prior period adjustment	12,502	-	-	-	-
Fund Balances - Ending	\$ 335,409	\$ 69,505	\$ -	\$ 707	\$ -

PD Fed Equity Share Fund	PD Abandon Vehicle Funds	Municipal Court Security Fund	Stonegarden Fund	Homeland Security Fund	Debt Service Fund	Total Nonmajor Governmental Funds
\$ -	\$ -	\$ -	\$ -	\$ -	296,414	\$ 296,414
-	-	-	-	-	-	454,282
-	-	-	-	-	-	-
-	-	-	-	-	-	-
-	12,088	-	-	-	-	12,088
48,542	-	-	14,927	79,957	-	278,191
36	12	-	-	-	-	59
-	2,705	-	-	-	-	2,705
48,578	14,805	-	14,927	79,957	296,414	1,043,739
-	-	-	-	-	-	-
-	-	-	-	-	-	19,141
-	-	-	-	-	-	-
-	-	-	-	-	-	426,699
44,099	6,744	-	14,927	79,957	-	260,649
-	-	-	-	-	-	-
-	-	-	-	-	220,200	220,200
-	-	-	-	-	67,070	67,070
44,099	6,744	-	14,927	79,957	287,270	993,759
4,479	8,061	-	-	-	9,144	49,980
-	-	-	-	-	-	-
-	-	-	-	-	-	-
-	-	-	-	-	-	-
4,479	8,061	-	-	-	9,144	49,980
14,854	5,668	1,010	-	-	26,156	412,511
-	-	-	-	-	-	12,502
\$ 19,333	\$ 13,729	\$ 1,010	\$ -	\$ -	\$ 35,300	\$ 474,993

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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 of
The 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 City of Alpine, Texas, as of and for the year ended September 30, 2015, and the related notes to the financial statements, which collectively comprise the City of Alpine, Texas' basic financial statements and have issued our report thereon dated March 24, 2016.

Internal Control Over Financial Reporting

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

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

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies and therefore, material weaknesses or significant deficiencies may exist that were not identified. We did identify certain deficiencies in internal control, described in the accompanying schedule of findings and responses, that we consider to be material weaknesses. See 2015-001, 2015-002, 2015-003, and 2015-004.

Compliance and Other Matters

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

The City of Alpine, Texas' Response to Findings

The City of Alpine, Texas' responses to the findings identified in our audit are described in the accompanying schedule of findings and responses. The City of Alpine, Texas' responses were not subjected to the auditing procedures applied in the audit of the financial statements and, accordingly, we express no opinion on them.

Purpose of this Report

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

A handwritten signature in black ink, appearing to read "Gibson, Ruddock, Patterson LLC". The signature is stylized and cursive.

Gibson, Ruddock, Patterson LLC
El Paso, Texas
March 24, 2016

CITY OF ALPINE, TEXAS

SCHEDULE OF FINDINGS AND RESPONSES

For Fiscal Year Ended September 30, 2015

Summary of Auditor's Results

Financial Statements

Type of auditor's report issued:

Unmodified

Internal control of financial reporting:

- Material Weaknesses identified?

Yes – Finding 2015-001, 2015-002, 2015-003, and 2015-004

- Significant deficiencies identified that are not considered to be material weaknesses

None reported

Noncompliance material to financial statements noted?

No material noncompliance was noted

CITY OF ALPINE, TEXAS

SCHEDULE OF FINDINGS AND RESPONSES

For Fiscal Year Ended September 30, 2015

Financial Statement Findings

2015-001 – Internal Control Over Financial Reporting

Criteria: The City is required to maintain internal controls over financial reporting to provide a high level of assurance that the financial records are recorded properly and that related financial activity is presented properly.

Condition Found: The City did not properly reconcile numerous funds and accounts throughout the year including various grant activity.

Effect: The City operated with inadequate controls over several aspects of the financial operation which resulted in several accounts not being reconciled properly. As a result, numerous adjustments were needed to correct the balance of general ledger accounts, thus potentially inappropriate financial decisions and overspending could have occurred. These issues caused a significant delay in the preparation of accurate year-end financial information.

Cause: Employee duties were modified to address these issues but have not been fully documented, and all necessary training has not been completed which led to oversight and a misunderstanding of responsibilities.

Recommendation: The City should implement procedures and assign staff to prepare monthly reconciliations of general ledger accounts to supporting documentation. This will help ensure that the data is recorded correctly and is properly reported for all funds, including grants. This will also help reduce the number of year-end adjustments.

View of responsible official and planned corrective action: The Finance Department will continue to work at implementing procedures and policies in order to properly record all financial activity. Training will be provided internally and outside sources will also be contracted to provide training. In addition, an internal checklist will be established to ensure all steps are completed on a monthly basis.

2015-002 – Ineffective Accounting for Due To/From Other Funds

Criteria: The City's internally generated financial statements should be representative of the financial activities of each fund. The *due to/from other funds* accounts encompass the activity which occurs between two or more funds, and the balances represent receivables and payables between the funds. These due to/from accounts should always net to zero across all funds.

Condition: The City's monthly procedures do not include verification and balancing of the balances in the due from/to other funds accounts.

Effect: Inappropriate posting of interfund activity can allow financial reports to present incomplete activity which could result in reporting an over/understated performance in the individual funds.

Cause: The initial settings in the City's accounting system may have been setup incorrectly on how to treat and record interfund activity in accordance with generally accepted accounting principles.

CITY OF ALPINE, TEXAS

SCHEDULE OF FINDINGS AND RESPONSES

For Fiscal Year Ended September 30, 2015

Recommendation: We recommend a review of the accounting system setup should be conducted immediately and modifications be made to address this issue. In addition, the appropriate financial staff should reconcile the due to/from other fund accounts on a monthly basis to verify that they net to zero and all activity is properly classified.

View of responsible official and planned corrective action: The Finance Department will research and obtain training in order to correct the settings and properly record interfund activity.

2015-003 – Ineffective Year-End Cut-Off Procedures

Criteria: Financial transactions should be recorded and reported in the appropriate fund and reporting period in accordance with the accrual and modified accrual basis of accounting.

Condition: The City did not perform effective procedures at year-end to properly identify and record accounting transactions in the proper fund and accounting period in accordance with the accrual and modified accrual basis of accounting. Specifically, the audit identified unrecorded liabilities and grant receivables. In addition, ineffective year end cut-off procedures resulted in incorrect balances in the various revenue and expense accounts. As a result of this, numerous adjustments were needed to properly report grant receivables, accounts payable and related revenues and expenses in accordance with generally accepted accounting principles.

Effect: Inadequate performance of cut-off procedures and a lack of a thorough analysis of the year-end general ledger accounts increases the risk of material errors being undetected and unresolved.

Cause: The Finance Department did not work directly with the various department heads to ensure all necessary information was provided. In addition, monthly reconciliations and entries were not maintained to enable efficient and effective year end cut-off procedures.

Recommendation: We recommend the City Finance Director conduct a training meeting with appropriate city personnel to reemphasize the procedures related to year-end cut-off procedures. The importance of recording revenue and expenses in the proper fund and accounting period, as well as using the modified accrual or accrual basis of accounting, should be emphasized.

View of responsible official and planned corrective action: The Finance Department will conduct meetings toward the end of the year with the department heads to emphasize the importance of year-end procedures in relation to inventory, receivables, accruals, revenue and expenses. In addition, monthly reconciliations will be prepared and maintained which should also streamline year-end procedures.

2015-004 – Improper Closing of Prior Fiscal Year and Roll-Forward

Criteria: The accounting system should be closed out at the end of each year and the resulting balance sheet accounts should be rolled over intact as the beginning balances to the subsequent year.

Condition: The beginning balances for several accounts of the 2015 general ledger were different than the pre-audit balances that were provided for the 2014 audit.

CITY OF ALPINE, TEXAS

SCHEDULE OF FINDINGS AND RESPONSES

For Fiscal Year Ended September 30, 2015

Effect: A proper flow of account balances is a required element of every internal control structure. This lack of a complete and proper closing and inaccurate roll-forward caused delays in the reconciling of the general ledger accounts and caused significant additional work to attempt to identify the elements of the differences. This additional work caused a delay in the completion of the current audit.

Cause: Due to time and staffing constraints, research and consulting with the software company did not occur after the discrepancies were noted. As a result a solution was not determined and the correction of this situation was not made during the fiscal year.

Recommendation: The City should adopt procedures to ensure that a proper closing and roll-forward occurs without exception. In addition, no activity should be posted to the general ledger after a final version has been provided to the auditors.

View of responsible official and planned corrective action: The Finance Department will obtain the necessary training and information in order have a step by step process to properly close one fiscal year prior to beginning another. Specific duties have been assigned to employees to ensure each account is reviewed and any necessary corrections are made.

CITY OF ALPINE, TEXAS

SCHEDULE OF FINDINGS AND RESPONSES

For Fiscal Year Ended September 30, 2015

Federal Award Findings

There are no current year findings.

CITY OF ALPINE, TEXAS

SCHEDULE OF FINDINGS AND RESPONSES

For Fiscal Year Ended September 30, 2015

Summary Schedule of Prior Year Findings

Financial Statement Findings

2014-001 Condition: The City did not properly reconcile numerous funds and accounts throughout the year including grant activity.

Status: A similar finding is repeated in the current year. See finding 2015-001.

2014-002 Condition: The City's year-end closing procedures did not result in a verification and balancing of the due from/to other funds, and interfund transfers were not always used appropriately.

Status: A similar finding is repeated in current year. See finding 2015-002.

2014-003 Condition: The City did not perform effective procedures to properly identified and record accounting transactions in the proper fund and reporting period in accordance with the accrual and modified accrual basis of accounting.

Status: A similar finding is repeated in the current year. See finding 2015-003.

2014-004 Condition: The beginning balance for several accounts of the 2014 general ledger was different than the pre-audit balances that were provided to us for the 2013 audit.

Status: A similar finding is repeated in the current year. See finding 2015-004.