

CITY OF ALPINE, TEXAS
ANNUAL FINANCIAL AND COMPLIANCE REPORTS
FOR THE YEAR ENDED SEPTEMBER 30, 2016

CITY OF ALPINE, TEXAS

Andres Ramos Mayor

Nancy Antrim Council Member

Cynthia Salas Council Member

Jim Fitzgerald Council Member

Lucy Escovedo Council Member

Rick Stephens Council Member

Erik Zimmer City Manager

Margaret 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, 2016

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CITY OF ALPINE, TEXAS

Annual Financial and Compliance Reports
For the Year Ended September 30, 2016

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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, 2016, 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, 2016, and the respective changes in financial position, and, where applicable, cash flows thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis, the budgetary comparison information, TMRS and TESRS pension information on pages 5 through 14, 76, and 77 through 82, be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Supplementary Information

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the City's basic financial statements. The combining and individual nonmajor fund financial statements are presented for purposes of additional analysis and are not a required part of the 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 23, 2017 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.

Gibson Ruddock Patterson, LLC
El Paso, Texas
March 23, 2017

MANAGEMENT'S DISCUSSION AND ANALYSIS

City Manager
Erik Zimmer
City Secretary
Kalea Cotton



Mayor
Andre 'Andy' Ramos
City Attorney
McKamie & Krueger

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

"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, 2016.

USING THIS ANNUAL REPORT

This annual report consists of: management's discussion and analysis (this section), the basic financial statements, and other supplementary information. The basic financial statements include a series of financial statements. The Statement of Net Position and the Statement of Activities (on pages 17- 19) 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 20. 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. The Statement of Net Position includes 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.

The Statement of Activities reports the changes in the City's net position. 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 animal control. 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.

Reporting the City’s Most Significant Funds

Fund Financial Statements

The fund financial statements begin on page 20 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 has two kinds of funds—governmental and proprietary—that 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 C-2 and C-4 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 \$1,466,548 from \$24,846,190 to \$26,312,738. In comparison, last year’s net position increased by \$2,149,363. We continue to move in a positive direction year over year with this figure. Looking at the net position and net expenses of governmental and business type activities, helps us further understand how each division is contributing to this result. The following analysis 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, 2016	
		Government and Business Type Activities	
		2016	2015
ASSETS:			
Current and other assets		\$ 5,564,114	\$4,911,605
Capital assets, net		\$ 27,873,145	\$28,080,384
	Total assets	<u>\$ 33,437,259</u>	<u>\$32,991,989</u>
Deferred Outflows of Resources			
		<u>\$ 582,585</u>	<u>\$87,183</u>
LIABILITIES:			
Current Liabilities		\$ 1,027,641	\$1,760,218
Long-Term Liabilities		\$ 6,516,944	\$6,439,188
	Total Liabilities	<u>\$ 7,544,585</u>	<u>\$8,199,406</u>
Deferred Inflows of Resources			
		<u>\$ 162,521</u>	<u>\$33,577</u>
NET POSITION			
Net Investment in capital assets		\$ 22,036,740	\$20,986,836
Restricted		\$ 744,146	\$699,035
Unrestricted		\$ 3,531,852	\$3,160,318
	Total Net Position	<u>\$ 26,312,738</u>	<u>\$24,846,189</u>

Net position for the City of Alpine governmental and business-type activities increased by 5.90% (\$26,312,738 compared to \$24,856,190) last fiscal year. This is compared to an increase of 9.50% 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 \$3,194,926 at September 30, 2015 to \$3,531,852 at the end of this year.

This demonstrates a continued positive trend over the last three years – something the community should be proud of. 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

	Government & Business Type Activities	
	2016	2015
Revenue - Governmental		
Program Revenue:		
Charges for Services	\$863,097	\$893,589
Operating Grants & Contributions	\$159,056	\$181,096
Capital Grants & Contributions	\$88,372	\$99,098
General Revenues:		
Property Taxes	\$1,638,597	\$1,601,593
Sales Tax	\$2,171,988	\$1,850,779
Other & Interest	\$167,267	\$100,694
Revenue - Business-Type		
Charges for Services	\$6,222,893	\$6,451,946
Operating Grants & Contributions	\$7,225	
Capital Grants & Contributions	\$269,815	\$32,991
Other & Interest	\$128,699	\$1,674
Total Revenues	\$11,717,009	\$11,213,460
Program Expense:		
General Government	\$1,251,082	\$1,410,919
Public Works	\$769,945	\$653,547
Health and Human Services	\$215,352	\$200,104
Culture and Recreation	\$756,327	\$733,173
Public Safety	\$1,257,679	\$1,356,414
Interest on Long-Term Debt	\$66,116	\$75,402
Total Government Activities	\$4,316,501	\$4,429,559
Business-Type		
Water, Sewer & Sanitation	\$3,791,624	\$3,514,981
Natural Gas	\$1,679,975	\$1,731,684
Airport	\$534,046	\$574,111
Total Business-Type Activities	\$6,005,645	\$5,820,776
Total Expenses	\$10,322,146	\$10,250,335
Increase (Decrease) in Net Position	\$1,394,863	\$963,125
Net Position Beginning	\$24,846,190	\$22,696,826
Prior Period Adjustment	\$71,685	\$1,186,238
Ending Net Position	\$26,312,738	\$24,846,189

The City of Alpine’s total revenues increased by \$503,549. The total cost of all programs and services increased by \$71,811. Natural gas and aviation fuel pricing continue to be lower than two years ago, but we have seen sales tax revenue increases tied to increases in energy company (solar and natural gas) investments to the area. For the second year in a row, late winter and early spring rains also contributed to lower water revenues.

For the year ended September 30, 2016, net position changed as follows:

	Government Activities	Business-Type Activities	Total
Beginning Net Assets	\$8,798,355	\$16,047,835	\$24,846,190
Prior Period Adjustment	\$0	\$71,685	\$71,685
Change in Net Position	\$1,278,463	\$116,400	\$1,394,863
Ending Net Assets	\$10,076,818	\$16,235,920	\$26,312,738

The above table reflects an increase of 14.5% for governmental activities and an increase of 1.2% 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. Also includes CDBG capital improvement grant.
Public Works	Includes capital improvement grants with entities like TDA.
Public Safety	Fines and charges for services; HIDTA grants are categorized as operating grants.
Health and Welfare	Animal control and shelter fees.

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 \$264,585; before contributions and transfers. The City was able to utilize an equity transfer from the Gas Department this year to help bolster up spending on specific street improvement projects. The number one complaint from citizens is the quality of our roadways and our City Council and Administration Team were able to execute to a plan to help the remediation process.

LANDFILL

The fiscal year 2016 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 \$602,754 to \$680,038. We have accumulated funds of \$76,247 to provide for this liability. Within the next two years, the City plans on re-surveying the landfill to update our calculations based on the trending of trash collection and overall settling/compaction at our landfill.

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 \$965,004 as compared to an increase of \$273,804 in the prior year. The City has continued to focus on avoiding a tax increase by controlling expenditures. Current administration continues to focus on accountability and 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, airport, 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 continued state pressures on our school district to ensure property appraised values match the states expectation. This past year again 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 increase in revenues, even 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. There is also legislation being contemplated in 2017 at the state level to cut the roll-back percentage rate in half.

The following schedule presents a summary of general fund revenues for the fiscal year ended September 30, 2016, and the amount and percentage of increases and decreases in relation to the prior year.

	2016	% of Revenue	2015	% of Revenue	Increase (Decrease)	% Increase (Decrease)
Taxes	\$2,991,232	68.1%	\$2,798,247	76.1%	\$192,985	6.9%
Fines	\$21,979	0.5%	\$19,646	0.5%	\$2,333	11.9%
Licenses & Permits	\$31,513	0.7%	\$31,826	0.9%	(\$313)	(1.0%)
Charges for Services	\$796,413	18.1%	\$760,195	20.7%	\$36,218	4.8%
Interest	\$1,369	0.0%	\$395	0.0%	\$974	246.6%
Miscellaneous	\$133,471	3.0%	\$69,131	1.9%	\$64,340	93.1%
Transfers in (out)	\$418,000	9.5%	\$0	0.0%	\$418,000	-
Total	\$4,393,977	100.0%	\$3,679,440	100.0%	\$714,537	19.4%

The transfer-in number is primarily a reflection of the equity transfer the City conducted to work on our City streets. Tourism continues to thrive and the City's position as a gateway to the Big Bend Region helps us realize a healthy count of visitors. Sul Ross State University continues to attract students and recent recreation 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 more 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, 2016, and the amount and percentage of increases and decreases in relation to the prior year.

	2016	% of Expenditures	2015	% of Expenditures	Increase (Decrease)	% Increase (Decrease)
General Government	\$1,260,332	36.8%	\$1,253,693	37.0%	\$6,639	0.5%
Public Works	\$641,426	18.7%	\$675,336	19.9%	(\$33,910)	(5.0%)
Health & Human Services	\$179,989	5.2%	\$179,401	5.3%	\$588	0.3%
Culture & Recreation	\$235,711	6.9%	\$211,355	6.2%	\$24,356	11.5%
Public Safety	\$1,081,762	31.5%	\$1,038,656	30.7%	\$43,106	4.2%
Debt Service	\$29,753	0.9%	\$29,753	0.9%	\$0	-
Total	\$3,428,973	100.0%	\$3,388,194	100.0%	\$40,779	1.2%

GENERAL FUND BUDGETARY HIGHLIGHTS

The Council and Administrations did initiate a budget amendment this year to take the equity transfer from our Gas Department and spend those dollars on City streets. Approximately half of the 27.4% increase can be attributed to that action. Revenues exceeded expenditures in the General Fund by \$547,004 and this has been our consistent trend with the City for the past three years. We are confident that we will 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, 2016, the City had a net investment of \$27,873,145 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 \$207,239. Depreciation expense was \$538,066 in the governmental activities and \$526,135 in the enterprise fund. The City started rebuilding 27 main street/blocks towards the end of the fiscal year. In addition, capital asset additions and construction in progress included costs related to the civic center remodel, the bathrooms for Centennial Park and major repairs of the airport taxiway.

At year-end, the City had \$5,836,405 outstanding bonds and capital leases compared to \$6,490,794 last year. That is a net decrease of 10.1 % as shown in the following table.

	Government Activities		Business Activities	
	FYE 2016	FYE 2015	FYE 2016	FYE 2015
Bonds & C/O Payable	\$1,432,800	\$1,664,800	\$4,253,273	\$4,654,797
Equipment Leases	\$150,332	\$171,197	-	-
Total	\$1,583,132	\$1,835,997	\$4,253,273	\$4,654,797

ECONOMIC FACTORS AND NEXT YEAR’S BUDGETS AND RATES

The City of Alpine has now experienced three consecutive years with positive cash flow and reduction of debt obligations. There are strict controls on spending and 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). We want to target enticing more businesses to come and prosper in our community.

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 has recently shared its new Vision Plan with the community and is actively working at its implementation. We look forward to positive outcomes for the community, the residents and the businesses.

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

COUNCILWOMAN WARD 1
NANCY ANTRIM

COUNCILWOMAN WARD 2
CYNTHIA SALAS

COUNCILMAN WARD 3
JIM "FITZ"
FITZGERALD

COUNCILWOMAN WARD 4
LUCY ESCOVEDO

COUNCILMAN WARD 5
RICK STEPHENS

BASIC FINANCIAL STATEMENTS

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CITY OF ALPINE, TEXAS
STATEMENT OF NET POSITION
SEPTEMBER 30, 2016

EXHIBIT A-1

Data Control Codes	Primary Government		
	Governmental Activities	Business Type Activities	Total
ASSETS			
1010	\$ 1,117,454	\$ 2,436,851	\$ 3,554,305
1050	150,412	-	150,412
1051	(52,644)	-	(52,644)
1110	162,470	-	162,470
1150	26,533	473,283	499,816
1260	42,589	60	42,649
1300	47,234	(47,234)	-
1410	-	243,331	243,331
Restricted Assets:			
1611	1,275	188,567	189,842
Capital Assets:			
1710	806,665	336,981	1,143,646
1760	8,665,381	17,768,984	26,434,365
1780	191,680	103,454	295,134
1991	490,716	283,217	773,933
1000	<u>11,649,765</u>	<u>21,787,494</u>	<u>33,437,259</u>
DEFERRED OUTFLOW OF RESOURCES			
1997	\$ 364,140	\$ 213,521	\$ 577,661
1998	4,924	-	4,924
1500	<u>369,064</u>	<u>213,521</u>	<u>582,585</u>
LIABILITIES			
2010	106,589	286,802	393,391
2020	44,031	20,323	64,354
2030	56,170	21,583	77,753
2140	11,235	6,739	17,974
2220	-	62,480	62,480
2240	-	21,345	21,345
2270	30,624	359,720	390,344
Noncurrent Liabilities			
2501	244,950	375,000	619,950
2502	1,338,182	4,536,966	5,875,148
2580	21,846	-	21,846
2000	<u>1,853,627</u>	<u>5,690,958</u>	<u>7,544,585</u>
DEFERRED INFLOW OF RESOURCES			
2602	87,267	74,137	161,404
2603	1,117	-	1,117
2500	<u>88,384</u>	<u>74,137</u>	<u>162,521</u>
NET POSITION			
3200	8,080,594	13,956,146	22,036,740
Restricted for:			
3810	53,483	112,320	165,803
3820	-	76,247	76,247
3830	77,185	-	77,185
3890	424,911	-	424,911
3900	1,440,645	2,091,207	3,531,852
3000	<u>\$ 10,076,818</u>	<u>\$ 16,235,920</u>	<u>\$ 26,312,738</u>

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

CITY OF ALPINE, TEXAS
STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED SEPTEMBER 30, 2016

Data Control Codes	Expenses	Program Revenues		
		Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions
Primary Government:				
GOVERNMENTAL ACTIVITIES:				
10 General Government	\$ 1,251,082	\$ 762,269	\$ -	\$ -
20 Public Safety	1,257,679	38,353	159,056	-
30 Public Works	769,945	-	-	-
40 Health and Welfare	215,352	36,883	-	-
50 Culture and Recreation	756,327	25,592	-	88,372
73 Bond Interest	58,188	-	-	-
74 Other Debt Interest	7,928	-	-	-
Total Governmental Activities:	<u>4,316,501</u>	<u>863,097</u>	<u>159,056</u>	<u>88,372</u>
BUSINESS-TYPE ACTIVITIES:				
701 Water, Sewer, Sanitation Fund	3,791,624	3,952,995	7,225	-
702 Airport Fund	534,046	469,137	-	269,815
703 Gas Fund	1,679,975	1,800,761	-	-
Total Business-Type Activities:	<u>6,005,645</u>	<u>6,222,893</u>	<u>7,225</u>	<u>269,815</u>
TOTAL PRIMARY GOVERNMENT:	<u>\$ 10,322,146</u>	<u>\$ 7,085,990</u>	<u>\$ 166,281</u>	<u>\$ 358,187</u>

Data Control Codes	General Revenues:
	Taxes:
10	Property Taxes, Levied for General Purposes
11	Property Taxes, Levied for Debt Service
20	Sales Taxes
50	GrossReceipts Business Tax
70	Franchise Taxes
80	Other Taxes
90	Penalty and Interest
00	Miscellaneous Revenue
00	Investment Earnings
	Transfers In (Out)
	Total General Revenues and Transfers
	Change in Net Position
	Net Position - Beginning
	Prior Period Adjustment
	Net Position--Ending

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

Net (Expense) Revenue and Changes in Net Position		
Primary Government		
Governmental Activities	Business-type Activities	Total
\$ (488,813)	\$ -	\$ (488,813)
(1,060,270)	-	(1,060,270)
(769,945)	-	(769,945)
(178,469)	-	(178,469)
(642,363)	-	(642,363)
(58,188)	-	(58,188)
(7,928)	-	(7,928)
<u>(3,205,976)</u>	<u>-</u>	<u>(3,205,976)</u>
-	168,596	168,596
-	204,906	204,906
-	120,786	120,786
<u>-</u>	<u>494,288</u>	<u>494,288</u>
<u>(3,205,976)</u>	<u>494,288</u>	<u>(2,711,688)</u>
1,311,603	-	1,311,603
298,261	-	298,261
1,550,512	-	1,550,512
540,255	-	540,255
81,221	-	81,221
29,319	-	29,319
28,733	-	28,733
135,716	122,685	258,401
2,232	6,014	8,246
506,587	(506,587)	-
<u>4,484,439</u>	<u>(377,888)</u>	<u>4,106,551</u>
1,278,463	116,400	1,394,863
8,798,355	16,047,835	24,846,190
-	71,685	71,685
<u>\$ 10,076,818</u>	<u>\$ 16,235,920</u>	<u>\$ 26,312,738</u>

CITY OF ALPINE, TEXAS
BALANCE SHEET
GOVERNMENTAL FUNDS
SEPTEMBER 30, 2016

Data Control Codes	General Fund	Other Funds	Total Governmental Funds
ASSETS			
1010 Cash and Cash Equivalents	\$ 789,002	\$ 320,117	\$ 1,109,119
1050 Property Taxes Receivable	122,746	27,666	150,412
1051 Allowance for Uncollectible Taxes (credit)	(42,961)	(9,683)	(52,644)
1110 Other Taxes Receivable	-	162,470	162,470
1150 Receivables (Net)	26,533	-	26,533
1260 Intergovernmental Receivables	-	42,589	42,589
1300 Due from Other Funds	298,567	99,414	397,981
1611 Restricted Asset - Cash	1,275	-	1,275
1000 Total Assets	<u>\$ 1,195,162</u>	<u>\$ 642,573</u>	<u>\$ 1,837,735</u>
LIABILITIES			
2010 Accounts Payable	\$ 65,780	\$ 40,809	\$ 106,589
2020 Wages and Salaries Payable	44,031	-	44,031
2080 Due to Other Funds	571,039	36,225	607,264
2270 Other Current Liabilities	10,885	-	10,885
2000 Total Liabilities	<u>691,735</u>	<u>77,034</u>	<u>768,769</u>
DEFERRED INFLOWS OF RESOURCES			
2601 Unavailable Revenue - Property Taxes	69,795	14,537	84,332
2600 Total Deferred Inflows of Resources	<u>69,795</u>	<u>14,537</u>	<u>84,332</u>
FUND BALANCES			
3450 Federal or State Funds Grant Restriction	-	77,185	77,185
3480 Retirement of Long-Term Debt	-	50,181	50,181
3490 Other Restricted Fund Balance	1,275	423,636	424,911
3545 Other Committed Fund Balance	458,100	-	458,100
3600 Unassigned Fund Balance	(25,743)	-	(25,743)
3000 Total Fund Balances	<u>433,632</u>	<u>551,002</u>	<u>984,634</u>
4000 Total Liabilities, Deferred Inflows & Fund Balances	<u>\$ 1,195,162</u>	<u>\$ 642,573</u>	<u>\$ 1,837,735</u>

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

CITY OF ALPINE, TEXAS
 RECONCILIATION OF THE GOVERNMENTAL FUNDS BALANCE SHEET TO THE
 STATEMENT OF NET POSITION
 FOR THE YEAR ENDED SEPTEMBER 30, 2016

Total Fund Balances - Governmental Funds	\$	984,634
The City uses an internal service fund to charge the costs of certain activities, such as self-insurance, to appropriate functions in other governmental funds. The assets and liabilities of the internal service fund are included in governmental activities in the statement of net assets. The net effect of this consolidation is to increase net position.		245,113
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 \$18,887,478 and the accumulated depreciation was \$9,059,145. 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.		8,752,004
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 2016 capital outlays and debt principal payments is to increase net position.		620,012
Included in the items related to debt is the increase or decrease related to the City's net pension asset for TMRS and other components required by GASB 68. The change in the net pension asset from the previous year was (\$295,289). The change in the deferred outflow of resources related to TMRS was \$307,614, and the change in the deferred inflow of resources related to TMRS was (\$65,497). The change in the various components related to the net pension asset caused a decrease in net position of (\$53,172).		(53,172)
Included in the items related to debt is the increase or decrease related to the City's net pension liability for TESRS and other components required by GASB 68. The change in the net pension liability from the previous year was (\$21,846). The change in the deferred outflow of resources related to TESRS was \$4,924. The change in deferred inflow of resources related to TESRS was (\$1,117). The change in the various components related to the net pension liability caused a decrease in net position of (\$18,039).		(18,039)
The 2016 depreciation expense increases accumulated depreciation. The net effect of the current year's depreciation is to decrease net position.		(538,066)
Various other reclassifications and eliminations are necessary to convert from the modified accrual basis of accounting to accrual basis of accounting. These include recognizing deferred revenue as revenue, eliminating interfund transactions, 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.		84,332
Net Position of Governmental Activities	\$	10,076,818

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

CITY OF ALPINE, TEXAS
STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE
GOVERNMENTAL FUNDS
FOR THE YEAR ENDED SEPTEMBER 30, 2016

Data Control Codes	General Fund	Other Funds	Total Governmental Funds
REVENUES:			
Taxes:			
5110 Property Taxes	\$ 1,308,571	\$ 298,593	\$ 1,607,164
5120 General Sales and Use Taxes	1,550,512	-	1,550,512
5150 Gross Receipts Business Tax	-	540,255	540,255
5170 Franchise Tax	81,221	-	81,221
5180 Other Taxes	29,319	-	29,319
5190 Penalty and Interest on Taxes	21,609	7,124	28,733
5200 Licenses and Permits	31,513	-	31,513
5300 Intergovernmental Revenue and Grants	1,278	246,150	247,428
5400 Charges for Services	796,413	13,192	809,605
5510 Fines	21,979	-	21,979
5610 Investment Earnings	1,369	863	2,232
5620 Rents and Leases	3,895	-	3,895
5700 Other Revenue	128,298	2,335	130,633
5020 Total Revenues	<u>3,975,977</u>	<u>1,108,512</u>	<u>5,084,489</u>
EXPENDITURES:			
Current:			
0010 General Government	1,260,332	-	1,260,332
0020 Public Safety	1,081,762	191,015	1,272,777
0030 Public Works	641,426	-	641,426
0040 Health and Welfare	179,989	-	179,989
0050 Culture and Recreation	235,711	550,652	786,363
Debt Service:			
0071 Bond Principal	-	232,000	232,000
0072 Other Debt Principal	20,865	-	20,865
0073 Bond Interest	-	58,836	58,836
0074 Other Debt Interest	8,888	-	8,888
6030 Total Expenditures	<u>3,428,973</u>	<u>1,032,503</u>	<u>4,461,476</u>
1100 Excess of Revenues Over Expenditures	<u>547,004</u>	<u>76,009</u>	<u>623,013</u>
OTHER FINANCING SOURCES (USES):			
7915 Transfers In	457,500	-	457,500
8911 Transfers Out (Use)	(39,500)	-	(39,500)
7080 Total Other Financing Sources (Uses)	<u>418,000</u>	<u>-</u>	<u>418,000</u>
1200 Net Change in Fund Balances	965,004	76,009	1,041,013
0100 Fund Balance - October 1 (Beginning)	<u>(531,372)</u>	<u>474,993</u>	<u>(56,379)</u>
3000 Fund Balance - September 30 (Ending)	<u>\$ 433,632</u>	<u>\$ 551,002</u>	<u>\$ 984,634</u>

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

CITY OF ALPINE, TEXAS
 RECONCILIATION OF THE GOVERNMENTAL FUNDS STATEMENT OF REVENUES, EXPENDITURES,
 AND CHANGES IN FUND BALANCES TO THE STATEMENT OF ACTIVITIES
 FOR THE YEAR ENDED SEPTEMBER 30, 2016

Total Net Change in Fund Balances - Governmental Funds	\$	1,041,013
The City uses an internal service fund to charge the costs of certain activities primarily to the governmental funds. The net income of the internal service fund is reported with governmental activities. The net effect of this consolidation is to increase the change in net position.		211,172
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 2016 capital outlays and debt principal payments is to increase the change in net position.		632,855
The implementation of GASB 68 required that certain expenditures related to TMRS be de-expended and recorded as a deferred outflow of resources. The contributions made after the measurement date of December 31, 2015 caused the change in the ending net position to increase in the amount of \$8,014. Contributions made before the measurement date but during the current fiscal year were also de-expended and recorded as an increase in the net pension asset for the City. This caused an increase in the change in net position totaling \$1,184. The City's pension expense for the plan had to be recorded which decreased the change in net position by (\$62,370). The net result of this activity is to decrease the change in net position by (\$53,172).		(53,172)
The implementation of GASB 68 required that certain expenditures related to TESRS be de-expended and recorded as a deferred outflow of resources. The contributions made after the measurement date of August 31, 2016 caused the change in the ending net position to increase in the amount of \$288. Contributions made before the measurement date but during the fiscal year were also de-expended and recorded as a reduction in the net pension liability for the City. This caused an increase in the change in net position totaling \$3,456. The City's pension expense for the plan was also recorded and decreased the net position by (\$21,783). The net result of this activity is to decrease the change in net position by (\$18,039).		(18,039)
Depreciation is not recognized as an expense in governmental funds since it does not require the use of current financial resources. The net effect of the current year's depreciation is to decrease the change in net position.		(538,066)
Various other reclassifications and eliminations are necessary to convert from the modified accrual basis of accounting to accrual basis of accounting. These include recognizing deferred revenue as revenue, adjusting current year revenue to show the revenue earned from the current year's tax levy, eliminating interfund transactions, reclassifying the proceeds of bond sales, and recognizing the liabilities associated with maturing long-term debt and interest. The net effect of these reclassifications and recognitions is to increase the change in net position.		2,700
Change in Net Position of Governmental Activities	\$	1,278,463

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, 2016

	Business-Type Activities -	
	Water, Sewer, Sanitation Fund	Airport Fund
ASSETS		
Current Assets:		
Cash and Cash Equivalents	\$ 1,577,965	\$ 167,992
Restricted Assets - Current:		
Restricted Cash	188,567	-
Accounts Receivable-Net of Uncollectible Allowance	393,428	10,948
Due from Other Governments	60	-
Due from Other Funds	220,813	-
Inventories	94,854	17,265
Total Current Assets	2,475,687	196,205
Noncurrent Assets:		
Capital Assets:		
Land	192,397	99,584
Capital Assets	23,037,629	3,599,802
Accumulated Depreciation - Capital Assets	(9,447,945)	(1,096,211)
Construction in Progress	-	103,454
Net Pension Asset	139,951	8,174
Total Noncurrent Assets	13,922,032	2,714,803
Total Assets	16,397,719	2,911,008
DEFERRED OUTFLOWS OF RESOURCES		
Deferred Resource Outflows Related to TMRS	104,787	13,538
Total Deferred Outflows of Resources	104,787	13,538

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

		Governmental Activities -	
Gas Fund	Total Enterprise Funds	Internal Service Fund	
\$ 690,894	\$ 2,436,851	\$ 8,335	
-	188,567	-	
68,907	473,283	-	
-	60	-	
-	220,813	256,517	
131,212	243,331	-	
891,013	3,562,905	264,852	
45,000	336,981	-	
1,986,345	28,623,776	-	
(310,636)	(10,854,792)	-	
-	103,454	-	
135,092	283,217	-	
1,855,801	18,492,636	-	
2,746,814	22,055,541	264,852	
95,196	213,521	-	
95,196	213,521	-	

CITY OF ALPINE, TEXAS
STATEMENT OF NET POSITION
PROPRIETARY FUNDS
SEPTEMBER 30, 2016

	Business-Type Activities -	
	Water, Sewer, Sanitation Fund	Airport Fund
LIABILITIES		
Current Liabilities:		
Accounts Payable	247,285	4,889
Wages and Salaries Payable	9,310	1,449
Compensated Absences Payable	6,821	1,591
Due to Other Funds	5,705	63,744
Accrued Interest Payable	6,739	-
Unearned Revenue	30,865	-
Notes Payable - Current	21,345	-
Bonds Payable - Current	375,000	-
Other Current Liabilities	222,970	-
Total Current Liabilities	926,040	71,673
NonCurrent Liabilities:		
Bonds Payable - Noncurrent	3,856,928	-
Other Noncurrent Liabilities-Landfill	680,038	-
Total Noncurrent Liabilities	4,536,966	-
Total Liabilities	5,463,006	71,673
DEFERRED INFLOWS OF RESOURCES		
Deferred Resource Inflow Related to TMRS	24,910	1,623
Total Deferred Inflows of Resources	24,910	1,623
NET POSITION		
Net Investment in Capital Assets	9,528,808	2,706,629
Restricted for Debt Service	112,320	-
Restricted for Landfill Closure Costs	76,247	-
Unrestricted Net Position	1,297,215	144,621
Total Net Position	\$ 11,014,590	\$ 2,851,250

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

Gas Fund	Total Enterprise Funds	Governmental Activities -	
		Internal Service Fund	
34,628	286,802	-	-
9,564	20,323	-	-
13,171	21,583	-	-
198,598	268,047	-	-
-	6,739	-	-
31,615	62,480	-	-
-	21,345	-	-
-	375,000	-	-
136,750	359,720	19,739	-
424,326	1,422,039	19,739	-
-	3,856,928	-	-
-	680,038	-	-
-	4,536,966	-	-
424,326	5,959,005	19,739	-
47,604	74,137	-	-
47,604	74,137	-	-
1,720,709	13,956,146	-	-
-	112,320	-	-
-	76,247	-	-
649,371	2,091,207	245,113	-
\$ 2,370,080	\$ 16,235,920	\$ 245,113	-

CITY OF ALPINE, TEXAS
STATEMENT OF REVENUES, EXPENSES, AND CHANGES IN FUND NET POSITION
PROPRIETARY FUNDS
FOR THE YEAR ENDED SEPTEMBER 30, 2016

	Business-Type Activities -	
	Water, Sewer, Sanitation Fund	Airport Fund
OPERATING REVENUES:		
Charges for Water Services	\$ 1,526,177	\$ -
Charges for Gas Services	-	-
Charges for Sewerage Service	706,353	-
Charges for Sanitation Service	1,720,465	-
Charges for Airport Services	-	469,137
Health - Charges for Services	-	-
Rents and Leases	100,498	-
Other Revenue	3,981	9,603
Total Operating Revenues	4,057,474	478,740
OPERATING EXPENSES:		
Proprietary Fund Function - Water		
Personnel Services - Salaries and Wages	330,351	-
Personnel Services - Employee Benefits	104,367	-
Purchased Professional & Technical Services	54,680	-
Purchased Property Services	180,236	-
Other Operating Expenses	101,659	-
Supplies	27,993	-
Total Proprietary Fund Function - Water	799,286	-
Proprietary Fund Function - Gas		
Personnel Services - Salaries and Wages	-	-
Personnel Services - Employee Benefits	-	-
Purchased Professional & Technical Services	-	-
Purchased Property Services	-	-
Other Operating Expenses	-	-
Supplies	-	-
Total Proprietary Fund Function - Gas	-	-
Proprietary Fund Function - Sanitation		
Personnel Services - Salaries and Wages	43,272	-
Personnel Services - Employee Benefits	17,664	-
Purchased Property Services	1,347,253	-
Other Operating Expenses	353,043	-
Total Proprietary Fund Function - Sanitation	1,761,232	-
Proprietary Fund Function - Sewerage		
Personnel Services - Salaries and Wages	111,263	-
Personnel Services - Employee Benefits	37,325	-
Purchased Professional & Technical Services	53,415	-
Purchased Property Services	194,301	-
Other Operating Expenses	81,592	-
Supplies	43,588	-
Total Proprietary Fund Function - Sewerage	521,484	-
Proprietary Fund Function - Airport		
Personnel Services - Salaries and Wages	-	61,688
Personnel Services - Employee Benefits	-	18,739

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

Gas Fund	Total Enterprise Funds	Governmental Activities -	
		Internal Service Fund	
\$ -	\$ 1,526,177	\$ -	-
1,800,761	1,800,761	-	-
-	706,353	-	-
-	1,720,465	-	-
-	469,137	-	-
-	-	539,354	-
-	100,498	-	-
8,603	22,187	31,576	-
<u>1,809,364</u>	<u>6,345,578</u>	<u>570,930</u>	-
-	330,351	-	-
-	104,367	-	-
-	54,680	-	-
-	180,236	-	-
-	101,659	-	-
-	27,993	-	-
-	<u>799,286</u>	-	-
386,019	386,019	-	-
113,510	113,510	-	-
33,779	33,779	-	-
95,851	95,851	-	-
355,850	355,850	-	-
650,300	650,300	-	-
<u>1,635,309</u>	<u>1,635,309</u>	-	-
-	43,272	-	-
-	17,664	-	-
-	1,347,253	-	-
-	353,043	-	-
-	<u>1,761,232</u>	-	-
-	111,263	-	-
-	37,325	-	-
-	53,415	-	-
-	194,301	-	-
-	81,592	-	-
-	43,588	-	-
-	<u>521,484</u>	-	-
-	61,688	-	-
-	18,739	-	-

CITY OF ALPINE, TEXAS
STATEMENT OF REVENUES, EXPENSES, AND CHANGES IN FUND NET POSITION
PROPRIETARY FUNDS
FOR THE YEAR ENDED SEPTEMBER 30, 2016

	Business-Type Activities -	
	Water, Sewer, Sanitation Fund	Airport Fund
Purchased Property Services	-	29,678
Other Operating Expenses	-	52,637
Supplies	-	300,712
Total Proprietary Fund Function - Airport	<u>-</u>	<u>463,454</u>
Health Insurance		
Other Operating Expenses	-	-
Proprietary Fund Function - Nondepartmental		
Purchased Professional & Technical Services	8,475	-
Other Operating Expenses	286,167	-
Supplies	26,134	-
Total Proprietary Fund Function - Nondepartmental	<u>320,776</u>	<u>-</u>
Depreciation	<u>382,086</u>	<u>70,592</u>
Total Operating Expenses	<u>3,784,864</u>	<u>534,046</u>
Operating Income (Loss)	<u>272,610</u>	<u>(55,306)</u>
NON-OPERATING REVENUES (EXPENSES):		
Grants (Not Capital grants)	7,225	-
Investment Earnings	3,287	422
Interest Expense - Non-Operating	(66,556)	-
Total Non-operating Revenue (Expenses)	<u>(56,044)</u>	<u>422</u>
Income (Loss) Before Contributions & Transfers	216,566	(54,884)
Capital Contributions	-	269,815
Non-Operating Transfer In	-	39,500
Transfers Out	-	-
Change in Net Position	216,566	254,431
Total Net Position -October 1 (Beginning)	11,266,344	2,596,819
Prior Period Adjustment	(468,320)	-
Total Net Position September 30 (Ending)	<u>\$ 11,014,590</u>	<u>\$ 2,851,250</u>

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

Gas Fund	Total Enterprise Funds	Governmental Activities -
		Internal Service Fund
-	29,678	-
-	52,637	-
-	300,712	-
-	463,454	-
-	-	359,816
-	8,475	-
-	286,167	-
-	26,134	-
-	320,776	-
73,457	526,135	-
1,708,766	6,027,676	359,816
100,598	317,902	211,114
-	7,225	-
2,305	6,014	58
-	(66,556)	-
2,305	(53,317)	58
102,903	264,585	211,172
-	269,815	-
-	39,500	-
(457,500)	(457,500)	-
(354,597)	116,400	211,172
2,184,672	16,047,835	33,941
540,005	71,685	-
<u>\$ 2,370,080</u>	<u>\$ 16,235,920</u>	<u>\$ 245,113</u>

CITY OF ALPINE, TEXAS
STATEMENT OF CASH FLOWS
PROPRIETARY FUNDS
FOR THE YEAR ENDED SEPTEMBER 30, 2016

	Business-Type Activities	
	Water, Sewer, Sanitation Fund	Airport Fund
<u>Cash Flows from Operating Activities:</u>		
Cash Received from User Charges	\$ 4,085,036	\$ 498,150
Cash Received from Assessments - Other Funds	-	-
Cash Payments to Employees for Services	(628,713)	(76,620)
Cash Payments for Insurance Claims	-	-
Cash Payments for Suppliers	(1,740,344)	(319,611)
Cash Payments for Other Operating Expenses	(822,461)	(52,637)
Net Cash Provided by (Used for) Operating Activities	<u>893,518</u>	<u>49,282</u>
<u>Cash Flows from Non-Capital Financing Activities:</u>		
Cash received from Non capital grants	7,225	-
Operating Transfer In and Out	-	-
Net Cash Provided by (Used for) Non-Capital Financing Activities	<u>7,225</u>	<u>-</u>
<u>Cash Flows from Capital & Related Financing Activities:</u>		
Acquisition of Capital Assets	(43,990)	(363,879)
Capital Contributed by Other Funds	-	39,500
Cash Received for Capital Grants	-	269,815
Principal Payments on Long Term Debt	(401,524)	-
Interest and Fees on Long Term Debt	(66,556)	-
Net Cash Provided by (Used for) Capital & Related Financing Activities	<u>(512,070)</u>	<u>(54,564)</u>
<u>Cash Flows from Investing Activities:</u>		
Interest and Dividends on Investments	3,287	422
Net Increase(Decrease) in Cash and Cash Equivalents	391,960	(4,860)
Cash and Cash Equivalents at Beginning of the Year:	<u>1,374,572</u>	<u>172,852</u>
Cash and Cash Equivalents at the End of the Year:	<u>\$ 1,766,532</u>	<u>\$ 167,992</u>

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

Gas Fund	Total Enterprise Funds	Governmental Activities -
		Internal Service Fund
\$ 1,827,708	\$ 6,410,894	\$ -
-	-	314,413
(496,328)	(1,201,661)	-
-	-	(162,907)
(652,907)	(2,712,862)	-
(355,850)	(1,230,948)	(197,170)
<u>322,623</u>	<u>1,265,423</u>	<u>(45,664)</u>
-	7,225	-
(457,500)	(457,500)	-
<u>(457,500)</u>	<u>(450,275)</u>	<u>-</u>
(75,632)	(483,501)	-
-	39,500	-
-	269,815	-
-	(401,524)	-
-	(66,556)	-
<u>(75,632)</u>	<u>(642,266)</u>	<u>-</u>
2,305	6,014	58
(208,204)	178,896	(45,606)
899,098	2,446,522	53,941
<u>\$ 690,894</u>	<u>\$ 2,625,418</u>	<u>\$ 8,335</u>

CITY OF ALPINE, TEXAS
STATEMENT OF CASH FLOWS
PROPRIETARY FUNDS
FOR THE YEAR ENDED SEPTEMBER 30, 2016

	Business-Type Activities	
	Water, Sewer, Sanitation Fund	Airport Fund
<u>Reconciliation of Operating Income (Loss) to Net Cash</u>		
<u>Provided By (Used For) Operating Activities:</u>		
Operating Income (Loss):	\$ 272,610	\$ (55,306)
Adjustments to Reconcile Operating Income to Net Cash Provided by (Used For) Operating Activities:		
Depreciation	382,086	70,592
Effect of Increases and Decreases in Current Assets and Liabilities:		
Decrease (increase) in Receivables	(34,776)	19,410
Decrease (increase) in Inventories	(23,166)	(7,306)
Decrease (increase) in Net Pension Asset	85,439	14,708
Increase (decrease) in Accounts Payable	(100,350)	(5,026)
Increase (decrease) in Payroll Deductions	7,490	1,449
Increase (decrease) in Other Current Liabilities	31,470	-
Increase (decrease) in Unearned Revenue	30,865	-
Decrease (increase) in Deferred Outflows	(88,577)	(11,892)
Increase (decrease) in Due To and From	234,476	21,662
Increase (decrease) in Deferred Inflows	18,667	991
Increase (decrease) Accrued Landfill Closure Costs	77,284	-
Net Cash Provided by (Used for) Operating Activities	<u>\$ 893,518</u>	<u>\$ 49,282</u>
<u>Reconciliation of Total Cash and Cash Equivalents:</u>		
Cash & Cash Equivalents-Statement of Net Position	\$ 1,577,965	\$ 167,992
Restricted Cash - Statement of Net Position	188,567	-
Total Cash and Cash Equivalents	<u>\$ 1,766,532</u>	<u>\$ 167,992</u>

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

Gas Fund	Total Enterprise Funds	Governmental Activities -
		Internal Service Fund
\$ 100,598	\$ 317,902	\$ 211,114
73,457	526,135	-
(957)	(16,323)	-
15,345	(15,127)	-
42,921	143,068	-
(85,852)	(191,228)	-
9,093	18,032	-
17,248	48,718	(261)
2,053	32,918	-
(82,394)	(182,863)	-
188,437	444,575	(256,517)
42,674	62,332	-
-	77,284	-
<u>\$ 322,623</u>	<u>\$ 1,265,423</u>	<u>\$ (45,664)</u>
\$ 690,894	\$ 2,436,851	\$ 8,335
-	188,567	-
<u>\$ 690,894</u>	<u>\$ 2,625,418</u>	<u>\$ 8,335</u>

CITY OF ALPINE, TEXAS

NOTES TO THE FINANCIAL STATEMENTS

SEPTEMBER 30, 2016

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

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

B. GOVERNMENT-WIDE AND FUND FINANCIAL STATEMENTS

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

CITY OF ALPINE, TEXAS

NOTES TO THE FINANCIAL STATEMENTS

SEPTEMBER 30, 2016

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 or net pension asset 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 or an increase in the net pension asset 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 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. Also included in this column is a franchise and administrative fee that the general fund charges to the enterprise funds for the administration of activities related to these funds. The “grants and contributions” columns include amounts paid by organizations outside the City to help meet the operational or capital requirements of a given function. If a revenue is not a program revenue, it is a general revenue used to support all of the City’s functions. Taxes are always general revenues.

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

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

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

CITY OF ALPINE, TEXAS

NOTES TO THE FINANCIAL STATEMENTS

SEPTEMBER 30, 2016

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

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

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

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

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

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

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

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

CITY OF ALPINE, TEXAS

NOTES TO THE FINANCIAL STATEMENTS

SEPTEMBER 30, 2016

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

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

D. FUND ACCOUNTING

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

The City reports the following major governmental funds:

1. General Fund - The General Fund is the City's primary operating fund. It is used to account for all activities except those legally or administratively required to be accounted for in other funds.

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, 2016

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Proprietary Funds:

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

E. OTHER ACCOUNTING POLICIES

Cash and Cash Equivalents

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

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

The **Public Funds Investment Act** (Government Code Chapter 2256) contains specific provisions in the areas of investment practices, management reports and establishment of appropriate policies. Among other things, it requires the City to adopt, implement, and publicize an investment policy. That policy must address the following areas: (1) safety of principal and liquidity, (2) portfolio diversification, (3) allowable investments, (4) acceptable risk levels, (5) expected rates of return, (6) maximum allowable stated maturity of portfolio investments, (7) maximum average dollar-weighted maturity allowed based on the stated maturity date for the portfolio, (8) investment staff quality and capabilities, (9) and bid solicitation preferences for certificates of deposit.

Statutes authorize the City to invest in (1) obligations of the U.S. Treasury, certain U.S. agencies, and the State of Texas; (2) certificates of deposit, (3) certain municipal securities, (4) money market savings accounts, (5) repurchase agreements, (6) bankers’ acceptances, (7) mutual funds, (8) investment pools, (9) guaranteed investment contracts, (10) and common trust funds. The Act also requires the City to have independent auditors perform test procedures related to investment practices as provided by the Act. Management asserts that the City is in substantial compliance with the requirements of the Act and with local policies.

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

Credit Risk:

Deposits - Credit risk is not applicable to deposits.

Temporary Investments (Cash Equivalents) – To limit the risk that an issuer or other counterparty to an investment will not fulfill its obligations, the City limits investments in public funds investments pools to those that have received top ratings issued by nationally recognized statistical rating organizations (NRSROs). As of September 30, 2016, the City’s investments in Texas Class and TexStar investments pools were rated AAAM by Standard & Poor’s.

CITY OF ALPINE, TEXAS

NOTES TO THE FINANCIAL STATEMENTS

SEPTEMBER 30, 2016

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Custodial Credit Risk:

Deposits - State law requires governmental entities to contract with financial institutions in which funds will be deposited to secure those deposits with insurance or pledged securities with a fair value equaling or exceeding the amount on deposit at the end of each business day. The pledged securities must be in the name of the governmental entity and held by the entity or its agent. Since the City has a contract that complies with this law, it has minimal custodial credit risk for deposits.

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

Concentration of Credit Risk:

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

Temporary Investments (Cash Equivalents) – To limit the risk of loss attributed to the magnitude of a government's investment in a single issuer. 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. Each pool invests in different investment instruments, and each portfolio has varying maturities. In order to ensure the ability of the City to meet obligations and to minimize potential losses, the dollar-weighted average stated maturity of the investment pools shall not exceed 1.5 years.

Foreign Currency Risk:

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

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

CITY OF ALPINE, TEXAS

NOTES TO THE FINANCIAL STATEMENTS

SEPTEMBER 30, 2016

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Receivables

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

In the fund financial statements, material receivables in governmental funds include revenue accruals such as sales tax, franchise tax, and grants and other similar intergovernmental revenues since they are usually both measurable and available. Non-exchange transactions collectible but not available are unearned in the fund financial statements in accordance with modified accrual, but not unearned in the government-wide financial statements in accordance with the accrual basis. Interest and investment earnings are recorded when earned. Proprietary fund material receivables consist of all revenues earned at year-end and not yet received. Utility accounts receivable compose the majority of proprietary fund receivables. Allowances for uncollectible accounts receivable are based upon historical trends and the periodic aging of accounts receivable. As of September 30, 2016, the allowance in the Water, Sewer, and Sanitation fund was \$82,894, and the allowance in the Gas fund was \$76,230.

Interfund Receivables and Payables

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

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:

CITY OF ALPINE, TEXAS

NOTES TO THE FINANCIAL STATEMENTS

SEPTEMBER 30, 2016

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

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

Restricted Assets

Restricted assets include cash 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, 2016, the total liability for compensated absences amounted to \$77,753. The amount related to the governmental funds is included in the government wide Statement of Net Position. The amount related to enterprise funds is included in the Statement of Net Position – Proprietary Funds and the government wide Statement of Net Position.

Long-term Debt

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

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

Net Position

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

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

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.

CITY OF ALPINE, TEXAS

NOTES TO THE FINANCIAL STATEMENTS

SEPTEMBER 30, 2016

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

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

Other Restricted - this component of net position consists of restrictions due to regulations placed on the City through law.

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

Fund Balance Classification Policies and Procedures

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

- Nonspendable – Represents amounts that cannot be spent because they are either (a) not in spendable form or (b) legally or contractually required to be maintained intact, such as inventories.
- Restricted fund balance – Represents amounts with constraints placed on the use of resources which are either: (a) externally imposed by creditors (such as through debt covenants), grantors, contributors, or laws or regulations of other governments; or (b) imposed by law through constitutional provisions; or (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.
- Unassigned fund balance – Represents amounts that are available for any purpose and have not been restricted, committed, or assigned for specific purposes.

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

CITY OF ALPINE, TEXAS

NOTES TO THE FINANCIAL STATEMENTS

SEPTEMBER 30, 2016

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

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 and business type funds and premiums charged to employees. Expenses are comprised of claims incurred during the fiscal year, professional and contracted services, and other miscellaneous expenses.

Property Tax

The City’s property tax is levied each October 1 on the assessed value listed as of January 1 for all real and personal property located in the City. 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.

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

Sales Tax

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

In addition, the City receives Hotel/Motel Occupancy tax that is recorded in the Hotel and Motel special revenue fund. As of September 30, 2016, the amount due from hotels and motels was \$162,471 which is included in other taxes receivables.

CITY OF ALPINE, TEXAS

NOTES TO THE FINANCIAL STATEMENTS

SEPTEMBER 30, 2016

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Interfund Transfers

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

Budgets and Budgetary Basis

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

Encumbrances

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

Use of Estimates

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

Pensions

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

CITY OF ALPINE, TEXAS

NOTES TO THE FINANCIAL STATEMENTS

SEPTEMBER 30, 2016

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, 2016 by FDIC coverage of \$250,000 and an irrevocable letter of credit in the amount of \$3,750,000 dated February 1, 2016 and issued by Federal Home Loan Bank of Dallas expiring January 31, 2017. The following is disclosed as of September 30, 2016:

	General Fund	Non Major Funds	Internal Service Fund	Governmental Activities
Cash	\$ 330,325	\$ 239,688	\$ 8,335	\$ 578,348
Cash Equivalents - TexStar	577	-	-	577
Cash Equivalents - Texas Class	458,100	80,429	-	538,529
Total Cash and Cash Equivalents	\$ 789,002	\$ 320,117	\$ 8,335	\$ 1,117,454
Restricted Cash	\$ 1,275	\$ -	\$ -	\$ 1,275

General Fund restricted cash of \$1,275 is restricted for the Skate Park Association.

	Water, Sewer, and Sanitation	Airport Fund	Gas Fund	Total Business Type Activities
Cash	\$ 1,577,965	\$ 84,583	\$ 690,894	\$ 2,353,442
Cash Equivalents-Texas Class	-	83,409	-	83,409
Total Cash and Cash Equivalents	\$ 1,577,965	\$ 167,992	\$ 690,894	\$ 2,436,851
Restricted Cash	\$ 188,567	\$ -	\$ -	\$ 188,567

Water, Sewer and Sanitation restricted cash consists of \$112,320 restricted for bond covenants for the 2003A Bond. The remaining \$76,247 is restricted for landfill closure and post-closure costs.

The total bank balance as of September 30, 2016 was \$3,358,440. The difference between book and bank balances represent items in transit at year-end, usually outstanding checks that clear in the following month.

CITY OF ALPINE, TEXAS

NOTES TO THE FINANCIAL STATEMENTS

SEPTEMBER 30, 2016

NOTE 2 – CASH AND CASH EQUIVALENTS (continued)

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.)

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

Texas Class (Texas Cooperative Liquid Assets Securities System Trust) is a pooled investment program administered by Public Trust Advisors, LLC. Texas Class is governed by the Board of Trustees which has appointed an Advisory Board composed of Participants and other persons who are qualified to advise the Trust.

Texas Short Term Asset Reserve Program, TexStar, is a public funds investment pool created under the Interlocal Cooperative Act, and is administered by First Southwest Company, LLC, Inc. and J.P. Morgan Investment Management Inc. 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.

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, 2016

NOTE 3 – INTERFUND BALANCES AND TRANSFERS

Interfund transactions are the result of normal operations and resulted in the following amounts due from and to other funds which have been reported as assets or liabilities in the fund basis and government wide financial statements. Management intends to pay out these balances usually within one year. Following is a summary of due from and due to balances as of September 30, 2016:

	Due From Other Funds	Due to Other Funds
General Fund:		
Nonmajor Funds	\$ 36,225	\$ 93,709
Gas Fund	198,598	-
Airport Fund	63,744	-
Water, Sewer & Sanitation Fund	-	220,813
Health Internal Service Fund	-	256,517
Total General Fund	298,567	571,039
Nonmajor Funds:		
General Fund	93,709	36,225
Water, Sewer & Sanitation Fund	5,705	-
Total Nonmajor Funds	99,414	36,225
Gas Fund:		
General Fund	-	198,598
Airport Fund:		
General Fund	-	63,744
Water, Sewer, & Sanitation Fund:		
General Fund	220,813	-
Nonmajor Fund	-	5,705
Total Water, Sewer, & Sanitation Fund	220,813	5,705
Health Internal Service Fund:		
General Fund	256,517	-
	\$ 875,311	\$ 875,311

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, 2016, \$39,500 was transferred into the Airport Fund for capital improvements from the General Fund. A total of \$457,500 was transferred into the General Fund from the Gas Fund to rebuild and repair 27 street blocks within the City. In addition, a total of \$88,587 (\$59,796 from the Water Sewer and Sanitation Fund and \$28,791 from the Gas fund) was transferred from the Business Type Activities to the Governmental Activities as capital contributions for part of the street repair.

CITY OF ALPINE, TEXAS

NOTES TO THE FINANCIAL STATEMENTS

SEPTEMBER 30, 2016

NOTE 4 – 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, 2015	Additions	Transfers/ Deductions	Balance Sept. 30, 2016
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 bldgs.	2,594,788	144,983	-	2,739,771
Vehicles	2,960,514	36,767	-	2,997,281
Furniture & Equipment	898,710	19,170	-	917,880
Construction Work in Progress	19,141	172,539	-	191,680
Total Governmental Assets	\$ 18,887,478	\$ 373,459	-	\$ 19,260,937
Accumulated Depreciation:				
Landscaping	(39,938)	(3,995)	-	(43,933)
Buildings and Improvements	(1,069,188)	(84,598)	-	(1,153,786)
Infrastructure	(4,025,746)	(201,505)	-	(4,227,251)
Improvements other than bldgs.	(1,599,770)	(89,185)	-	(1,688,955)
Vehicles	(2,071,797)	(102,886)	-	(2,174,683)
Furniture & Equipment	(252,706)	(55,897)	-	(308,603)
Total Accumulated Depreciation	\$ (9,059,145)	\$ (538,066)	-	\$ (9,597,211)
Net Governmental Capital Assets	\$ 9,828,333	\$ (164,607)	-	\$ 9,663,726

Depreciation expense was charged to governmental functions as follows:

	<u>Depreciation</u>
General Government	\$ 163,700
Public Works	94,847
Health and Human Services	23,392
Culture and Recreation	90,713
Public Safety	165,414
Total Depreciation Expense	\$ 538,066

Depreciation expense totaled \$538,066 for the year ended September 30, 2016 as reported in the government wide financial statements.

CITY OF ALPINE, TEXAS

NOTES TO THE FINANCIAL STATEMENTS

SEPTEMBER 30, 2016

NOTE 4 – CAPITAL ASSETS (continued)

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

	Balance Oct. 1, 2015	Additions	Transfers/ Deductions	Balance Sept. 30, 2016
Water and Sewer				
Land	\$ 192,397	\$ -	\$ -	\$ 192,397
Buildings and Improvements	1,016,595	5,562	-	1,022,157
Furniture, Equipment, & Vehicles	1,582,403	38,430	-	1,620,833
Water System	13,768,128	-	-	13,768,128
Wastewater System	6,626,511	-	-	6,626,511
Total Water and Sewer Assets	23,186,034	43,992	-	23,230,026
Accumulated Depreciation:				
Buildings and Improvements	(424,424)	(37,455)	-	(461,879)
Furniture, Equipment, & Vehicles	(841,691)	(54,235)	-	(895,926)
Water System	(5,029,673)	(198,561)	-	(5,228,234)
Wastewater System	(2,770,071)	(91,835)	-	(2,861,906)
Total Accumulated Depreciation	(9,065,859)	(382,086)	-	(9,447,945)
Net Water and Sewer Capital Assets	\$ 14,120,175	\$ (338,094)	\$ -	\$ 13,782,081
Airport				
Land	\$ 99,584	\$ -	\$ -	\$ 99,584
Buildings	2,640	-	-	2,640
Equipment	118,903	-	-	118,903
Improvements other than bldgs.	3,217,834	260,425	-	3,478,259
Construction in Progress	-	103,454	-	103,454
Total Airport Assets	3,438,961	363,879	-	3,802,840
Accumulated Depreciation:				
Buildings	(2,640)	-	-	(2,640)
Equipment	(34,001)	(3,164)	-	(37,165)
Improvements other than bldgs.	(988,978)	(67,428)	-	(1,056,406)
Total Accumulated Depreciation	(1,025,619)	(70,592)	-	(1,096,211)
Net Airport Capital Assets	\$ 2,413,342	\$ 293,287	\$ -	\$ 2,706,629

CITY OF ALPINE, TEXAS

NOTES TO THE FINANCIAL STATEMENTS

SEPTEMBER 30, 2016

NOTE 4 – CAPITAL ASSETS (continued)

Gas	Balance Oct. 1, 2015	Additions	Transfers/ Deductions	Balance Sept. 30, 2016
Land	\$ 45,000	\$ -	\$ -	\$ 45,000
Buildings	217,000	-	-	217,000
Gas Distribution System	1,348,456	-	40,986	1,307,470
Vehicles	158,913	75,632	-	234,545
Furniture and Equipment	186,344	-	(40,986)	227,330
Total Gas Assets	1,955,713	75,632	-	2,031,345
Accumulated Depreciation:				
Buildings	(31,103)	(8,680)	-	(39,783)
Gas Distribution System	(102,278)	(30,876)	(427)	(132,727)
Vehicles	(47,455)	(13,927)	-	(61,382)
Furniture and Equipment	(56,343)	(19,974)	427	(76,744)
Total Accumulated Depreciation	(237,179)	(73,457)	-	(310,636)
Net Gas Capital Assets	\$ 1,718,534	\$ 2,175	\$ -	\$ 1,720,709

Depreciation expense for enterprise fund capital assets totaled \$526,135 for the year ended September 30, 2016 as reported in the proprietary and government wide financial statements.

NOTE 5– GOVERNMENTAL ACTIVITIES LONG-TERM DEBT

For the year ended September 30, 2016, the City had the following governmental activities debt:

A. Lease Purchase Commitment:

- 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 5.37%. The unpaid principal balance at September 30, 2016 was \$150,332. As of September 30, 2016, the accumulated depreciation related to this asset was \$77,140.

B. Certificates of Obligations and Bonds Payable:

- Tax and Revenue Certificates of Obligation – Series 2011 - 56% of the bond is reported with long-term debt in the governmental activities and the balance (44%) is reported with the Water, Sewer, and Sanitation Enterprise fund. The interest rate is 4.23%. As of September 30, 2016, the outstanding balance in the governmental activities was \$571,800.
- 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, 2016, the outstanding balance in the governmental activities was \$861,000.

CITY OF ALPINE, TEXAS

NOTES TO THE FINANCIAL STATEMENTS

SEPTEMBER 30, 2016

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

Changes in governmental activities long-term debt follows:

	Balance Oct. 1, 2015	New Issues	Payments	Balance Sept. 30, 2016	Due Within One Year
Lease obligations	\$ 171,197	\$ -	\$ 20,865	\$ 150,332	\$ 21,950
Certificates of Obligation:					
56% Series 2011	599,800	-	28,000	571,800	28,000
General Obligation Bond:					
60% Series 2011	1,065,000	-	204,000	861,000	195,000
	<u>\$ 1,835,997</u>	<u>\$ -</u>	<u>\$ 252,865</u>	<u>\$ 1,583,132</u>	<u>\$ 244,950</u>

The future principal and interest maturities of long-term debt for Governmental Activities as of September 30, 2016 are as follows:

Governmental Activities

Lease Obligation

Year Ending September 30,	Principal	Interest	Total
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	26,884	2,869	29,753
2022	28,560	1,471	30,031
Total	<u>\$ 150,332</u>	<u>\$ 28,463</u>	<u>\$ 178,795</u>

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

Year Ending September 30,	Principal	Interest	Total
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	33,600	18,240	51,840
2022-2026	184,800	68,695	253,495
2027-2031	235,800	25,109	260,909
Total	<u>\$ 571,800</u>	<u>\$ 198,032</u>	<u>\$ 769,832</u>

CITY OF ALPINE, TEXAS

NOTES TO THE FINANCIAL STATEMENTS

SEPTEMBER 30, 2016

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

General Obligation Refunding
Bonds Series 2011 (60%)

Year Ending September 30,	Principal	Interest	Total
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	84,000	11,439	95,439
2022-2024	279,000	15,128	294,128
Total	<u>\$ 861,000</u>	<u>\$ 106,537</u>	<u>\$ 967,537</u>

Total Governmental Long-Term Debt

Year Ending September 30,	Principal	Interest	Total
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	144,484	32,548	177,032
2022-2026	492,360	85,294	577,654
2027-2031	235,800	25,109	260,909
Total	<u>\$ 1,583,132</u>	<u>\$ 333,030</u>	<u>\$ 1,916,162</u>

CITY OF ALPINE, TEXAS

NOTES TO THE FINANCIAL STATEMENTS

SEPTEMBER 30, 2016

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 were used to fund improvements to the wastewater system. As of September 30, 2016, the outstanding balance was \$58,728. These bonds are equally and ratably secured by and payable from a first lien on and pledge of the net revenue of the Water, Sewer, and Sanitation Fund. The pledge of net revenue is in effect until the bonds are extinguished.

As previously discussed, in March 2011 the City issued \$1,230,000 in Tax and Revenue Certificates of Obligation Series 2011 of which 44% (\$535,000) was allocated to the Water, Sewer, and Sanitation fund and the balance 56% (\$695,000) is reported as governmental activities debt based on the use of bond proceeds. This Certificates of Obligation have an interest of 4.23% with final maturity in 2031. The proceeds were primarily used for equipment acquisitions and building and street improvements. As of September 30, 2016, the outstanding balance was \$438,200. These bonds are equally and ratably secured by and payable from a first lien on and pledge of the net revenue of the Water, Sewer, and Sanitation Fund. The pledge of net revenue is in effect until the bonds are extinguished.

The City also issued \$3,150,000 in General Obligation Refunding Bonds Series 2011 of which 40% (\$1,260,000) was allocated to the Water, Sewer, and Sanitation fund and the balance 60% (\$1,890,000) is reported as governmental activities debt based on the use of bond proceeds. These bonds have an interest of 3.5637% 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, 2016, the outstanding balance was \$574,000.

In July 2005, Series 2005 combination Tax and Revenue Certificates of Obligation were issued with no interest and final maturity in 2036. The proceeds were used for improvement to the water supply system. The City's outstanding balance as of September 30, 2016 was \$2,751,000. These bonds are equally and ratably secured by and payable from a first lien on and pledge of the net revenue of the Water, Sewer, and Sanitation Fund. The pledge of net revenue is in effect until the bonds are extinguished.

In March 2003, Series 2003A Waterworks and Sewer System Revenue Bonds were issued with an interest ranging from 3.00% to 4.45% with final 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, 2016, the outstanding balance was \$410,000. These bonds are equally and ratably secured by and payable from a first lien on and pledge of the net revenue of the Water, Sewer, and Sanitation Fund. The pledge of net revenue is in effect until the bonds are extinguished.

Management has calculated the net revenues available for the Water and Sewer debt service as of September 30, 2016 to be \$531,696 and the required principal and interest for the debt covered by the pledge to be \$286,877.

Note Payable - In 2015, the City financed \$62,666 for the purchase of two aerators for the Wastewater Treatment Plant. The interest rate is 4.292% with the final payment in 2017. As of September 30, 2016 the outstanding balance in the Water, Sewer, and Sanitation fund was \$21,345.

CITY OF ALPINE, TEXAS

NOTES TO THE FINANCIAL STATEMENTS

SEPTEMBER 30, 2016

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

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

	Oct. 1, 2015	Issues	Payments	Sept. 30, 2016	One Year
C/O 2012 Series	\$ 68,728	\$ -	\$ 10,000	\$ 58,728	\$ 10,000
44% of C/O 2011	460,200	-	22,000	438,200	22,000
40% of G/O Series 2011	710,000	-	136,000	574,000	130,000
Series 2003A	485,000	-	75,000	410,000	75,000
TWDB Series 2005	2,889,000	-	138,000	2,751,000	138,000
Aerator Financing	41,869	-	20,524	21,345	21,345
	<u>\$ 4,654,797</u>	<u>\$ -</u>	<u>\$ 401,524</u>	<u>\$ 4,253,273</u>	<u>\$ 396,345</u>

The future principal and interest maturities of long term debt for the Business Type Activities as of September 30, 2016 are as follows:

Tax and Revenue Certificates of
Obligation Series 2012

Year Ending September 30,	Principal	Interest	Total
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	11,000	486	11,486
2022	5,728	169	5,897
Total	<u>\$ 58,728</u>	<u>\$ 5,120</u>	<u>\$ 63,848</u>

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

Year Ending September 30,	Principal	Interest	Total
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	26,400	14,331	40,731
2022-2026	145,200	8,282	153,482
2027-2031	174,200	19,729	193,929
Total	<u>\$ 438,200</u>	<u>\$ 109,903</u>	<u>\$ 548,103</u>

CITY OF ALPINE, TEXAS

NOTES TO THE FINANCIAL STATEMENTS

SEPTEMBER 30, 2016

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

General Obligation Refunding
Bonds Series 2011 (40%)

Year Ending September 30,	Principal	Interest	Total
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	56,000	7,626	63,626
2022-2024	186,000	10,085	196,085
Total	<u>\$ 574,000</u>	<u>\$ 71,023</u>	<u>\$ 645,023</u>

Waterworks and Sewer System
Revenue Bonds Series 2003-A

Year Ending September 30,	Principal	Interest	Total
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>\$ 410,000</u>	<u>\$ 55,707</u>	<u>\$ 465,707</u>

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

Year Ending September 30,	Principal	Interest	Total
2017	\$ 138,000	\$ -	\$ 138,000
2018	138,000	-	138,000
2019	138,000	-	138,000
2020	138,000	-	138,000
2021	138,000	-	138,000
2022-2026	690,000	-	690,000
2027-2031	685,000	-	685,000
2032-2036	686,000	-	686,000
Total	<u>\$ 2,751,000</u>	<u>\$ -</u>	<u>\$ 2,751,000</u>

CITY OF ALPINE, TEXAS

NOTES TO THE FINANCIAL STATEMENTS

SEPTEMBER 30, 2016

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

Aerator Financing

Year Ending September 30,	Principal	Interest	Total
2017	\$ 21,345	\$ 947	\$ 22,292
Total	\$ 21,345	\$ 947	\$ 22,292

**Total Business Type Activities
Long -Term Debt**

Year Ending September 30,	Principal	Interest	Total
2017	\$ 396,345	\$ 56,709	\$ 453,054
2018	346,000	47,509	393,509
2019	305,200	40,196	345,396
2020	312,200	33,545	345,745
2021	321,400	26,448	347,848
2022-2026	1,026,928	64,229	1,091,157
2027-2031	859,200	19,729	878,929
2032-2036	686,000	-	686,000
Total	\$ 4,253,273	\$ 288,365	\$ 4,541,638

NOTE 7 – PENSION PLANS

A. Texas Municipal Retirement System

Plan Description: The City of Alpine participates as one of 866 plans in the nontraditional, joint contributory, hybrid defined benefit pension plan administered by the Texas Municipal Retirement System (TMRS). TMRS is an agency created by the State of Texas and administered in accordance with the TMRS Act, Subtitle G, Title 8, Texas Government Code (the TMRS Act) as an agent multiple-employer retirement and disability pension system for municipal employees in the State of Texas. The TMRS Act places the general administration and management of the System with a six-member Board of Trustees. Although the Governor, with the advice and consent of the Senate, appoints the Board, TMRS is not fiscally dependent on the State of Texas. TMRS’s defined benefit pension plan is a tax-qualified plan under Section 401 (a) of the Internal Revenue Code. TMRS issues a publicly available comprehensive annual financial report (CAFR) that can be obtained at www.tmr.com.

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

CITY OF ALPINE, TEXAS

NOTES TO THE FINANCIAL STATEMENTS

SEPTEMBER 30, 2016

NOTE 7 – PENSION PLANS (continued)

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

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

Employees covered by benefit terms

At the December 31, 2015 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	42
Active employees	<u>53</u>
	<u><u>127</u></u>

Contributions: The contribution rates for employees in TMRS are either 5%, 6%, or 7% of employee gross earnings and the City matching percentages are either 100%, 150%, or 200%, both as adopted by the governing body of the City. Under the state law governing TMRS, the contribution rate for each city is determined annually by the actuary, using the Entry Age Normal (EAN) actuarial cost method. This match is funded with monthly contributions by the participating municipality at an annual, actuarially determined rate. The actuarially determined rate is the estimated amount necessary to finance the cost of benefits earned by employees during the year, with an additional amount to finance any unfunded accrued liability. A municipality may elect to increase or reduce its matching ratio effective January 1 of a calendar year. The City elected a matching ratio of 2 to 1 (200%). Upon an employee's retirement, the City matches the accumulated employee contributions plus interest earned.

Employees for the City of Alpine were required to contribute 5% of their annual gross earnings during the fiscal year. The contribution rate for the City for the calendar months in 2015 was 1.06% and .58% for the calendar months in 2016. The City's employer contributions to TMRS for the year ended September 30, 2016, were \$12,952 and were equal to the required contributions.

Net Pension Asset: The City's Net Pension Asset (NPA) was measured as of December 31, 2015, and the Total Pension Liability (TPL) used to calculate the Net Pension Asset was determined by an actuarial valuation as of that date.

CITY OF ALPINE, TEXAS

NOTES TO THE FINANCIAL STATEMENTS

SEPTEMBER 30, 2016

NOTE 7 – PENSION PLANS (continued)

Actuarial Assumptions: The Total Pension Liability in the December 31, 2015 actuarial valuation was determined using the following actuarial assumptions:

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

Salary increases were based on a service-related table. Mortality rates for active members, retirees, and beneficiaries were based on the gender-distinct RP2000 Combined Healthy Mortality Tables with Blue Collar Adjustment, with male rates multiplied by 109% and female rates multiplied by 103%. Based on the size of the City, rates are multiplied by an additional factor of 100%. The rates are projected on a fully generational basis by scale BB to account for future mortality improvements. For disabled annuitants, the gender-distinct RP2000 Combined Healthy Mortality Tables with Blue Collar Adjustment are used, with male rates multiplied by 109% and female rates multiplied by 103% with a 3-year set-forward for both males and females. In addition, a 3% minimum mortality rate is applied to reflect the impairment for younger members who become disabled. The rates are projected on a fully generational basis by scale BB to account for future mortality improvements subject to the 3% floor.

Actuarial assumptions used in the December 31, 2015, valuation were based on the results of actuarial experience studies. The experience study in TMRS was for the period December 31, 2010 through December 31, 2014. 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 2015 valuation. After the Asset Allocation Study analysis and experience investigation study, the Board amended the long-term expected rate of return on pension plan investments from 7% to 6.75%. Plan assets are managed on a total return basis with an emphasis on both capital appreciation as well as the production of income, in order to satisfy the short-term and long-term funding needs of TMRS.

The long-term expected rate of return on pension plan investments 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, 2016

NOTE 7 – PENSION PLANS (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 numbers shown are for a 7-10 year investment horizon. The target allocation and best estimates of arithmetic real rates of return for each major asset class are summarized in the following table:

Asset Class	Target Allocation	Long-Term Expected Real Rate of Return (Arithmetic)
Domestic Equity	17.5%	4.55%
International Equity	17.5%	6.10%
Core Fixed Income	10.0%	1.00%
Non-Core Fixed Income	20.0%	3.65%
Real Return	10.0%	4.03%
Real Estate	10.0%	5.00%
Absolute Return	10.0%	4.00%
Private Equity	5.0%	8.00%
Total	100.0%	N/A

Discount Rate: The discount rate used to measure the Total Pension Liability was 6.75%. The long-term municipal bond rate of 3.57% was incorporated in the discount rate and was based on the Bond Buyer 20 Index of general obligation bonds as of December 31, 2015 as this is the weekly rate closest to but no later than the measurement date. 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, 2016

NOTE 7 – PENSION PLANS (continued)

Changes in the Net Pension Liability (Asset)	Increase (Decrease)		
	Total Pension Liability (a)	Plan Fiduciary Net Position (b)	Net Pension Liability (Asset) (a)-(b)
Balance at 12/31/2014	\$ 5,616,433	\$ 6,828,723	\$(1,212,290)
Changes for the year:			
Service cost	199,735	-	199,735
Interest (on the Total Pension Liability)	391,016	-	391,016
Change of benefit terms	-	-	-
Difference between expected and actual experience	(163,545)	-	(163,545)
Changes of assumptions	163,070	-	163,070
Contributions - employer	-	21,546	(21,546)
Contributions - employee	-	126,735	(126,735)
Net investment income	-	10,075	(10,075)
Benefit payments, including refunds of employee contributions	(260,720)	(260,720)	-
Administrative expense	-	(6,137)	6,137
Other changes	-	(300)	300
Net changes	329,556	(108,801)	438,357
Balance at 12/31/2015	\$ 5,945,989	\$ 6,719,922	\$ (773,933)

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

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

	1% Decrease (5.75%)	Current Single Rate Assumption (6.75%)	1% Increase (7.75%)
City’s net pension asset	\$ (12,337)	\$ (773,933)	\$ (1,405,062)

CITY OF ALPINE, TEXAS

NOTES TO THE FINANCIAL STATEMENTS

SEPTEMBER 30, 2016

NOTE 7 – PENSION PLANS (continued)

Pension Plan Fiduciary Net Position

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

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

For the year ended September 30, 2016, the City recognized pension expense of \$90,211. At September 30, 2016, 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	\$ -	\$ 137,159
Changes in actuarial assumptions	115,803	-
Difference between projected and actual investment earnings	424,974	-
Changes in Proportionate Share	24,245	24,245
Contributions subsequent to the measurement date	12,639	-
Total	\$ 577,661	\$ 161,404

The \$12,639 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, 2017. Other amounts reported as deferred outflows and inflows of resources related to pensions will be recognized in pension expense as follows:

Year Ending December 31,	
2017	\$ 97,766
2018	101,869
2019	110,399
2020	93,584
Thereafter	-
Total	\$ 403,618

CITY OF ALPINE, TEXAS

NOTES TO THE FINANCIAL STATEMENTS

SEPTEMBER 30, 2016

NOTE 7 – PENSION PLANS (continued)

Changes in Net Pension Asset

	Beginning Balance	Additions	Reductions	Ending Balance
Net Pension Asset	\$ 1,212,290	\$ 192,646	\$ 631,003	\$ 773,933

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

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

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

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

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

CITY OF ALPINE, TEXAS

NOTES TO THE FINANCIAL STATEMENTS

SEPTEMBER 30, 2016

NOTE 7 – PENSION PLANS (continued)

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

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

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

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

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

TESRS is included in the Fire Fighter's Pension Commissioner's annual financial reports as a pension trust fund. At August 31, 2016, there were 199 contributing fire or emergency services departments participating in TESRS. Eligible participants include volunteer emergency services personnel who are members in good standing of a participating department.

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

The City makes quarterly contributions to the TESRS on behalf of the Alpine Volunteer Fire Department. The City's total contribution to TESRS for fiscal year ending September 30, 2016 was \$3,456.

CITY OF ALPINE, TEXAS

NOTES TO THE FINANCIAL STATEMENTS

SEPTEMBER 30, 2016

NOTE 7 – PENSION PLANS (continued)

The pension expense for AVFD is based on their proportionate share of the collective pension expense based on TESRS’ fiscal year ended August 31, 2016, as shown in the following table:

	AVFD Pension Expense
Service Cost	\$ 1,271
Interest	6,676
Projected earnings on pension plan investments	(5,173)
Amortization of differences between projected and actual earnings on plan investments	996
Amortization of changes in assumptions	202
Amortization of differences between expected and actual experience	15
Pension plan administrative expense	125
Changes in benefit provisions	542
	\$ 4,654

Actuarial Assumptions

The total pension liability in the August 31, 2016 actuarial valuation was determined using the following actuarial assumptions, applied to all periods included in the measurement:

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

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

The long-term expected rate of return on pension plan investments was determined using a building-block method in which expected future net real rates of return (expected returns, net of pension plan investment expenses and inflation) are developed for each major asset class. These components are combined to produce the long-term expected rate of return by weighting the expected future real rates of return by the target asset allocation percentage (currently 4.97%) and by adding expected inflation (3.00%). In addition, the final 7.75% assumption was selected by “rounding down” and thereby reflects a reduction of 0.22% for adverse deviation. The target allocation and expected arithmetic real rates of return for each major asset class are summarized in the following table:

CITY OF ALPINE, TEXAS

NOTES TO THE FINANCIAL STATEMENTS

SEPTEMBER 30, 2016

NOTE 7 – PENSION PLANS (continued)

Asset Class	Target Allocation	Long-Term Expected Net Real Rate of Return
Equities		
Large cap domestic	32.0%	5.72%
Small cap domestic	10.0%	5.96%
Developed international	21.0%	6.21%
Emerging markets	6.0%	7.18%
Master limited partnership	5.0%	7.61%
Fixed income		
Domestic	21.0%	1.61%
International	5.0%	1.81%
Cash	0.0%	
Total	100.0%	
Weighted average		4.97%

Discount Rate: The discount rate used to measure the total pension liability was 7.75%. No projection of cash flows was used to determine the discount rate because the August 31, 2016 actuarial valuation showed that expected contributions would pay the normal cost and amortize the unfunded actuarial accrued liability (UAAL) in 30 years using the conservative level dollar amortization method. Because of the 30-year amortization period with the conservative amortization method, the pension plan’s fiduciary net position is expected to be available to make all projected future benefit payments of the current active and inactive members. Therefore, the long-term expected rate of return on pension plan investments was applied to all periods of projected benefit payments to determine the total pension liability.

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

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

	1% Decrease 6.75%	Current Discount Rate 7.75%	1% Increase 8.75%
Net pension liability/ (asset)	\$ 36,986	\$ 21,846	\$ 12,200

CITY OF ALPINE, TEXAS

NOTES TO THE FINANCIAL STATEMENTS

SEPTEMBER 30, 2016

NOTE 7 – PENSION PLANS (continued)

The net pension liability was measured as of August 31, 2016 and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of that date. The City’s proportion of the net pension liability was based on the City’s contributions to the pension plan relative to the contributions of all employers to the plan for the period September 1, 2015 through August 31, 2016.

At August 31, 2016, the City’s proportion of the collective net pension liability was 0.075% which was a decrease of 0.07% from its proportion as of August 31, 2015.

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

For the year ended September 30, 2016, the City recognized pension expense of \$1,188 and revenue of \$1,188 for support provided by the State.

For the City’s accounting year ending September 30, 2016, the annual pension cost for the TESRS plan for its employees was \$4,654, and the actual contributions were \$3,456. As of September 30, 2016, the City had deferred inflows and outflows of resources related to the TESRS pension as follows:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual experience	\$ 34	\$ -
Changes in assumptions	465	-
Net differences between projected and actual investment earnings	4,137	-
Change in proportionate share	-	1,117
Contributions made subsequent to measurement date	288	-
	\$ 4,924	\$ 1,117

The \$288 reported as 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 year ended September 30, 2017.

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

Year Ended:	
2017	\$ 727
2018	727
2019	1,774
2020	291
Thereafter	-
Total	\$ 3,519

CITY OF ALPINE, TEXAS

NOTES TO THE FINANCIAL STATEMENTS

SEPTEMBER 30, 2016

NOTE 7 – PENSION PLANS (continued)

Changes in Net Pension Liability

	Beginning Balance	Additions	Reductions	Ending Balance
Net Pension Liability	\$ 21,888	\$ 5,269	\$ 5,311	\$ 21,846

NOTE 8 - SUPPLEMENTAL DEATH BENEFITS

The City has elected to offer certain other post-employment benefits to retirees of the municipality. The City provides a group term life insurance death benefit through the Supplemental Death Benefit Fund (SDBF) operated by TMRS to both active and retired participants, under the provisions adopted by the municipality. It is a cost sharing multiple-employer defined benefit group term life insurance plan. The City may terminate coverage under and discontinue participation in the SDBF by adopting an ordinance before November 1 of any year to be effective the following January 1. The obligations of this plan are payable only from the SDBF and are not an obligation of, or a claim against, the Pension Trust Fund. For the year ended September 30, 2016, the City paid a rate of .21% which totaled \$5,502 to the plan for this benefit.

NOTE 9 – 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, 2015 through September 2016, 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, 2016, are reflected as other current liabilities of the fund based upon information provided by the third party administrator.

Changes in the balance of claim liabilities during the year ended September 30, 2016 were as follows:

Unpaid claims, beginning of year	\$ 20,000
Incurred claims (including IBNRs)	162,384
Claims payments	<u>(162,645)</u>
Unpaid claims, end of fiscal year	<u>\$ 19,739</u>

CITY OF ALPINE, TEXAS

NOTES TO THE FINANCIAL STATEMENTS

SEPTEMBER 30, 2016

NOTE 10 – FUND BALANCE REPORTING

The following schedule discloses the details of fund balance classifications at September 30, 2016:

	General	Nonmajor	Total
Fund Balances:			
Restricted for:			
Federal or State Grants	\$ -	\$ 77,185	\$ 77,185
Other	1,275	7,109	8,384
Debt services	-	50,181	50,181
Tourism activities	-	416,527	416,527
Total restricted	1,275	551,002	552,277
Committed:			
Capital Improvements	458,100	-	458,100
Unassigned	(25,743)	-	(25,743)
Total fund balances	\$ 433,632	\$ 551,002	\$ 984,634

NOTE 11 – CONTINGENCIES

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, 2016 may be impaired. In the opinion of administration, there are no significant contingent liabilities relating to compliance with the rules and regulations governing the respective grants; therefore, no provision has been recorded in the accompanying financial statements for such contingencies. Management asserts that the City is in compliance with Texas Water Code, Chapter 16, Section 16.356 (a), and that the City has not used any revenue received from fees collected from a water supply or sewer service constructed in whole or in part from the economically distressed areas program account for purposes other than utility purposes.

CITY OF ALPINE, TEXAS

NOTES TO THE FINANCIAL STATEMENTS

SEPTEMBER 30, 2016

NOTE 12 – 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, 2016, the City received insurance proceeds of \$9,144 in the Airport fund which is included in revenue in the fund.

NOTE 13 – LANDFILL

Numerous state and federal laws and regulations require the City to place a final cover on its landfill site when no longer accepting waste and to perform certain monitoring and maintenance functions at the site for thirty years after closure. Such closure and postclosure costs will be incurred near or after the effective date that the landfill stops accepting deposits. Consequently, the City must begin reporting a portion of these costs as an operating expense when the Texas Commission on Environmental Quality (TCEQ) releases final regulations. The *Texas Administrative Code* requires landfill owners to demonstrate financial assurance that they will have sufficient financial resources to satisfy closure and post-closure care expenses at such time as these become payable. The regulations provide various means by which a municipality may demonstrate financial assurance. For the year ended September 30, 2016, the City met all of the financial tests required by the TCEQ.

At September 30, 2016, total closure and postclosure costs are estimated at \$2,114,673. The estimated closure and postclosure costs recorded as a liability are \$528,755 and \$151,283, respectively, for a total of \$680,038. 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 \$76,247, and these funds are restricted to finance the estimated closure and post-closure costs.

At September 30, 2016, the City was operating 5 cells utilizing approximately 28.2 acres of the 71.6 acres in the designated landfill area resulting in approximately 39.4% capacity used.

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

CITY OF ALPINE, TEXAS

NOTES TO THE FINANCIAL STATEMENTS

SEPTEMBER 30, 2016

NOTE 14 - LEASING ARRANGEMENTS WITH CITY AS LESSOR

Airport

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, 2016, for each of the next five years and in the aggregate are:

<u>Year Ending September 30,</u>	<u>Amount</u>
2017	\$ 13,118
2018	13,118
2019	13,118
2020	13,118
2021	13,118
2022-2026	60,592
2027-2031	60,253
2032-2036	49,991
2037-2041	28,996
2042-2046	9,367
Total minimum future rentals	<u><u>\$ 274,789</u></u>

General Fund

The City leases land to the post office under the terms of a ground lease agreement. The lease activity is accounted for under the operating method of accounting for leases. Minimum future rentals to be received on non-cancelable leases as of September 30, 2016, for each of the next five years and in the aggregate are:

<u>Year Ending September 30,</u>	<u>Amount</u>
2017	\$ 3,894
2018	3,894
2019	3,894
2020	3,894
2021	4,400
2022-2026	22,572
2027-2031	25,357
2032-2035	21,876
Total minimum future rentals	<u><u>\$ 89,781</u></u>

CITY OF ALPINE, TEXAS

NOTES TO THE FINANCIAL STATEMENTS

SEPTEMBER 30, 2016

NOTE 15 - TOP TEN TAXPAYERS

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

<u>Name</u>	<u>Taxable Value</u>
NGP VI Alpine TX LLC	\$ 3,913,872
Big Bend Telephone	3,773,130
Big Bend Regional Medical	3,199,755
McCoy Corporation	2,891,117
AEP Texas North Company	2,801,510
Big Bend Hospital Corporation	2,485,960
ANG Alpine Hospitality LLC	2,254,150
Holiday Inn Express & Suites	2,185,334
Union Pacific RR Co.	2,171,340
Horak Development II LLC	2,071,901
	<u>\$ 27,748,069</u>

NOTE 16 – 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, 2016.

NOTE 17 – PRIOR PERIOD ADJUSTMENTS

The following is a summary of prior period adjustments and the effect on net position for fiscal year ending September 30, 2016.

	<u>Water, Sewer and Sanitation Fund</u>	<u>Gas Fund</u>	<u>Total</u>
Inventory	\$ 71,685	\$ -	\$ 71,685
Due to/from	(540,005)	540,005	-
Total Increase (Decrease)	<u>\$ (468,320)</u>	<u>\$ 540,005</u>	<u>\$ 71,685</u>

CITY OF ALPINE, TEXAS

NOTES TO THE FINANCIAL STATEMENTS

SEPTEMBER 30, 2016

NOTE 18 – 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
SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE
BUDGET AND ACTUAL - GENERAL FUND
FOR THE YEAR ENDED SEPTEMBER 30, 2016

EXHIBIT G-1

Data Control Codes	Budgeted Amounts		Actual Amounts (GAAP BASIS)	Variance With Final Budget Positive or (Negative)	
	Original	Final			
REVENUES:					
Taxes:					
5110	Property Taxes	\$ 1,316,721	\$ 1,316,721	\$ 1,308,571	\$ (8,150)
5120	General Sales and Use Taxes	1,401,102	1,401,102	1,550,512	149,410
5170	Franchise Tax	86,000	86,000	81,221	(4,779)
5180	Other Taxes	30,000	30,000	29,319	(681)
5190	Penalty and Interest on Taxes	-	-	21,609	21,609
5200	Licenses and Permits	41,000	41,000	31,513	(9,487)
5300	Intergovernmental Revenue and Grants	-	-	1,278	1,278
5400	Charges for Services	787,290	787,290	796,413	9,123
5510	Fines	25,200	25,200	21,979	(3,221)
5610	Investment Earnings	510	510	1,369	859
5620	Rents and Leases	-	3,300	3,895	595
5700	Other Revenue	225,400	225,400	128,298	(97,102)
5020	Total Revenues	3,913,223	3,916,523	3,975,977	59,454
EXPENDITURES:					
Current:					
0010	General Government	1,409,058	1,409,058	1,260,332	148,726
0020	Public Safety	1,132,287	1,132,287	1,081,762	50,525
0030	Public Works	883,079	843,579	641,426	202,153
0040	Health and Welfare	191,242	191,242	179,989	11,253
0050	Culture and Recreation	265,057	271,057	235,711	35,346
Debt Service:					
0072	Other Debt Principal	20,900	20,900	20,865	35
0074	Other Debt Interest	8,900	8,900	8,888	12
6030	Total Expenditures	3,910,523	3,877,023	3,428,973	448,050
1100	Excess (Deficiency) of Revenues Over (Under) Expenditures	2,700	39,500	547,004	507,504
OTHER FINANCING SOURCES (USES):					
7915	Transfers In	-	457,500	457,500	-
8911	Transfers Out (Use)	-	(39,500)	(39,500)	-
7080	Total Other Financing Sources (Uses)	-	418,000	418,000	-
1200	Net Change in Fund Balances	2,700	457,500	965,004	507,504
0100	Fund Balance - October 1 (Beginning)	(531,372)	(531,372)	(531,372)	-
3000	Fund Balance - September 30 (Ending)	\$ (528,672)	\$ (73,872)	\$ 433,632	\$ 507,504

CITY OF ALPINE, TEXAS

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

Texas Municipal Retirement System

September 30, 2016

	Year Ended December 31, 2015	Year Ended December 31, 2014
Total Pension Liability		
Service Cost	\$ 199,735	\$ 163,942
Interest (on the Total Pension Liability)	391,016	373,884
Changes of benefit terms	-	-
Difference between expected and actual experience	(163,545)	(46,137)
Changes of assumptions	163,070	-
Benefit payments, including refunds of employee contributions	(260,720)	(268,963)
Net change in total pension liability	329,556	222,726
Total pension liability - beginning	5,616,433	5,393,707
Total pension liability - ending (a)	5,945,989	5,616,433
Plan Fiduciary Net Position		
Contributions - employer	21,546	24,096
Contributions - employee	126,735	111,448
Net investment income	10,075	376,886
Benefit payments, including refunds of employee contributions	(260,720)	(268,963)
Administrative expense	(6,137)	(3,936)
Other	(302)	(324)
Net change in plan fiduciary net position	(108,803)	239,207
Plan fiduciary net position - beginning	6,828,723	6,589,516
Plan fiduciary net position - ending (b)	6,719,920	6,828,723
Net pension liability/(asset), ending =(a-b)	(773,931)	(1,212,290)
Plan fiduciary net position as a percentage of the total pension liability	113.02%	121.58%
Covered-employee payroll	2,534,706	2,228,962
Net pension liability as a percentage of covered employee payroll	(30.53)%	(54.39)%

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

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

CITY OF ALPINE, TEXAS

SCHEDULE OF CITY CONTRIBUTIONS

Texas Municipal Retirement System

September 30, 2016

Fiscal Year Ending September 30	Actuarially Determined Contribution	Actual Employer Contribution	Contribution Deficiency (Excess)	Covered- Employee Payroll	Actual Contribution as a % of Covered Payroll
2015	\$ 21,779	\$ 21,779	\$ -	\$ 2,411,318	0.90%
2016	\$ 12,952	\$ 12,952	\$ -	\$ 2,620,637	0.49%

GASB 68, paragraph 81, requires that the data in this schedule be presented as of the City's respective fiscal year as opposed to the measurement year.

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

CITY OF ALPINE, TEXAS

NOTES TO REQUIRED SUPPLEMENTARY INFORMATION

Texas Municipal Retirement System

September 30, 2016

Valuation Date:

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

Methods and Assumptions Used to Determine Contribution Rates:

Actuarial Cost Method	Entry Age Normal
Amortization Method	Level Percentage of Payroll, Closed
Remaining Amortization Period	25 years
Asset Valuation Method	10 Year smoothed marked; 15% soft corridor
Inflation	2.5%
Salary Increases	3.50% to 10.5% including inflation
Investment Rate of Return	6.75%
Retirement Age	Experience-based table of rates that are specific to the City's plan of benefits. Last updated for the 2015 valuation pursuant to an experience study of the period 2010 - 2014
Mortality	RP2000 Combined Mortality Table with Blue Collar Adjustment with male rates multiplied by 109% and female rates multiplied by 103% and projected on a fully generational basis with scale BB

CITY OF ALPINE, TEXAS

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

Texas Emergency Services Retirement System

September 30, 2016

	Year Ended August 31, 2016	Year Ended August 31, 2015	Year Ended August 31, 2014
City's Proportion of the net pension liability	0.075%	0.082%	0.119%
City's proportionate share of the net pension liability	\$ 21,846	\$ 21,888	\$ 21,624
City's number of active members*	8	8	8
City's net pension liability per active member	\$ 2,731	\$ 2,736	\$ 2,703
Plan fiduciary net position as a percentage of the total pension liability	76.30%	76.90%	83.50%

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

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

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

CITY OF ALPINE, TEXAS

SCHEDULE OF CITY CONTRIBUTIONS

Texas Emergency Services Retirement System

September 30, 2016

	Fiscal Year 2016	Fiscal Year 2015	Fiscal Year 2014
Contractually required contribution	\$ 3,456	\$ 3,888	\$ 5,400
Contributions in relation to the contractually Required contribution	(3,456)	(3,888)	(5,400)
Contribution deficiency (excess)	-	-	-
Number of active members *	8	8	8
Contributions per active member *	432	486	675

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

GASB 68, Paragraph 81, requires that the data in this schedule be presented for the City's respective fiscal year as opposed to measurement year of September 1, 2015-August 31, 2016.

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

CITY OF ALPINE

NOTES TO REQUIRED SUPPLEMENTARY INFORMATION

Texas Emergency Services Retirement System

September 30, 2016

Changes of benefit terms

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

Actuarial Assumptions

The total pension liability in the August 31, 2016 actuarial valuation was determined using the following actuarial assumptions, applied to all periods included in the measurement:

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

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

The long-term expected rate of return on pension plan investments was determined using a building-block method in which expected future net real rates of return (expected returns, net of pension plan investment expenses and inflation) are developed for each major asset class. These components are combined to produce the long-term expected rate of return by weighting the expected future real rates of return by the target asset allocation percentage (currently 4.97%) and by adding expected inflation (3.00%). In addition, the final 7.75% assumption was selected by “rounding down” and thereby reflects a reduction of 0.22% for adverse deviation.

SUPPLEMENTARY INFORMATION

CITY OF ALPINE, TEXAS
 COMBINING BALANCE SHEET
 NONMAJOR GOVERNMENTAL FUNDS
 SEPTEMBER 30, 2016

Data Control Codes	206 Hotel and Motel Tax Fund	207 Community Development Fund	210 Municipal Court Tech Fund	211 PD Fed Equity Share Fund	
ASSETS					
1010	Cash and Cash Equivalents	\$ 254,359	\$ 3,309	\$ 3,779	\$ 7,674
1050	Property Taxes Receivable	-	-	-	-
1051	Allowance for Uncollectible Taxes (credit)	-	-	-	-
1110	Other Taxes Receivable	162,470	-	-	-
1260	Intergovernmental Receivables	-	-	-	-
1300	Due from Other Funds	8,442	66,202	315	-
1000	Total Assets	<u>\$ 425,271</u>	<u>\$ 69,511</u>	<u>\$ 4,094</u>	<u>\$ 7,674</u>
LIABILITIES					
2010	Accounts Payable	\$ 8,744	\$ -	\$ -	\$ -
2080	Due to Other Funds	-	-	2,391	-
2000	Total Liabilities	<u>8,744</u>	<u>-</u>	<u>2,391</u>	<u>-</u>
DEFERRED INFLOWS OF RESOURCES					
2601	Unavailable Revenue - Property Taxes	-	-	-	-
2600	Total Deferred Inflows of Resources	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
FUND BALANCES					
3450	Federal or State Funds Grant Restriction	-	69,511	-	7,674
3480	Retirement of Long-Term Debt	-	-	-	-
3490	Other Restricted Fund Balance	416,527	-	1,703	-
3000	Total Fund Balances	<u>416,527</u>	<u>69,511</u>	<u>1,703</u>	<u>7,674</u>
4000	Total Liabilities, Deferred Inflows & Fund Balances	<u>\$ 425,271</u>	<u>\$ 69,511</u>	<u>\$ 4,094</u>	<u>\$ 7,674</u>

212 PD Abandon Vehicle Fund	213 Municipal Court Security Fund	243 HIDTA Grant Fund	245 CDBG Fund	257 Stonegarden Grant Fund	Total Nonmajor Special Revenue Funds	575 Debt Service Fund	Total Nonmajor Governmental Funds
\$ 3,721	\$ -	\$ 23,248	\$ -	\$ -	\$ 296,090	\$ 24,027	\$ 320,117
-	-	-	-	-	-	27,666	27,666
-	-	-	-	-	-	(9,683)	(9,683)
-	-	-	-	-	162,470	-	162,470
-	-	10,249	31,888	452	42,589	-	42,589
-	1,747	-	-	-	76,706	22,708	99,414
<u>\$ 3,721</u>	<u>\$ 1,747</u>	<u>\$ 33,497</u>	<u>\$ 31,888</u>	<u>\$ 452</u>	<u>\$ 577,855</u>	<u>\$ 64,718</u>	<u>\$ 642,573</u>
\$ -	\$ -	\$ 177	\$ 31,888	\$ -	\$ 40,809	\$ -	\$ 40,809
62	-	33,320	-	452	36,225	-	36,225
<u>62</u>	<u>-</u>	<u>33,497</u>	<u>31,888</u>	<u>452</u>	<u>77,034</u>	<u>-</u>	<u>77,034</u>
-	-	-	-	-	-	14,537	14,537
-	-	-	-	-	-	14,537	14,537
-	-	-	-	-	77,185	-	77,185
-	-	-	-	-	-	50,181	50,181
3,659	1,747	-	-	-	423,636	-	423,636
<u>3,659</u>	<u>1,747</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>500,821</u>	<u>50,181</u>	<u>551,002</u>
<u>\$ 3,721</u>	<u>\$ 1,747</u>	<u>\$ 33,497</u>	<u>\$ 31,888</u>	<u>\$ 452</u>	<u>\$ 577,855</u>	<u>\$ 64,718</u>	<u>\$ 642,573</u>

CITY OF ALPINE, TEXAS
 COMBINING STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN
 FUND BALANCES - NONMAJOR GOVERNMENTAL FUNDS
 FOR THE YEAR ENDED SEPTEMBER 30, 2016

Data Control Codes	206 Hotel and Motel Tax Fund	207 Community Development Fund	210 Municipal Court Tech Fund	211 PD Fed Equity Share Fund
REVENUES:				
Taxes:				
5110 Property Taxes	\$ -	\$ -	\$ -	\$ -
5150 Gross Receipts Business Tax	540,255	-	-	-
5190 Penalty and Interest on Taxes	-	-	-	-
5300 Intergovernmental Revenue and Grants	-	-	-	31,896
5400 Charges for Services	-	-	989	-
5610 Investment Earnings	808	6	7	30
5700 Other Revenue	2,335	-	-	-
5020 Total Revenues	<u>543,398</u>	<u>6</u>	<u>996</u>	<u>31,926</u>
EXPENDITURES:				
Current:				
0020 Public Safety	-	-	-	43,585
0050 Culture and Recreation	462,280	-	-	-
Debt Service:				
0071 Bond Principal	-	-	-	-
0073 Bond Interest	-	-	-	-
6030 Total Expenditures	<u>462,280</u>	<u>-</u>	<u>-</u>	<u>43,585</u>
1200 Net Change in Fund Balance	81,118	6	996	(11,659)
0100 Fund Balance - October 1 (Beginning)	<u>335,409</u>	<u>69,505</u>	<u>707</u>	<u>19,333</u>
3000 Fund Balance - September 30 (Ending)	<u>\$ 416,527</u>	<u>\$ 69,511</u>	<u>\$ 1,703</u>	<u>\$ 7,674</u>

212 PD Abandon Vehicle Fund	213 Municipal Court Security Fund	243 HIDTA Grant Fund	245 CDBG Fund	257 Stonegarden Grant Fund	Total Nonmajor Special Revenue Funds	575 Debt Service Fund	Total Nonmajor Governmental Funds
\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 298,593	\$ 298,593
-	-	-	-	-	540,255	-	540,255
-	-	-	-	-	-	7,124	7,124
-	-	121,783	88,372	4,099	246,150	-	246,150
11,466	737	-	-	-	13,192	-	13,192
12	-	-	-	-	863	-	863
-	-	-	-	-	2,335	-	2,335
<u>11,478</u>	<u>737</u>	<u>121,783</u>	<u>88,372</u>	<u>4,099</u>	<u>802,795</u>	<u>305,717</u>	<u>1,108,512</u>
21,548	-	121,783	-	4,099	191,015	-	191,015
-	-	-	88,372	-	550,652	-	550,652
-	-	-	-	-	-	232,000	232,000
-	-	-	-	-	-	58,836	58,836
<u>21,548</u>	<u>-</u>	<u>121,783</u>	<u>88,372</u>	<u>4,099</u>	<u>741,667</u>	<u>290,836</u>	<u>1,032,503</u>
(10,070)	737	-	-	-	61,128	14,881	76,009
<u>13,729</u>	<u>1,010</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>439,693</u>	<u>35,300</u>	<u>474,993</u>
<u>\$ 3,659</u>	<u>\$ 1,747</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 500,821</u>	<u>\$ 50,181</u>	<u>\$ 551,002</u>

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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
City of Alpine, Texas

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the City of Alpine, Texas, as of and for the year ended September 30, 2016, 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 23, 2017.

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. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

Compliance and Other Matters

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

Purpose of this Report

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

Gibson Ruddock Patterson, LLC
El Paso, Texas
March 23, 2017

CITY OF ALPINE, TEXAS

SCHEDULE OF FINDINGS AND RESPONSES

FOR THE YEAR ENDED SEPTEMBER 30, 2016

Summary of Auditor's Results

Financial Statements

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

Unmodified

Internal control over financial reporting:

- Were significant deficiencies in internal control disclosed?
- Were material weaknesses in internal control disclosed?

None reported

No

Was any noncompliance disclosed that is material to the financial statements of the auditee, which would be required to be reported in accordance with Government Auditing Standards?

No material noncompliance was noted

CITY OF ALPINE, TEXAS

SCHEDULE OF FINDINGS AND RESPONSES

FOR THE YEAR ENDED SEPTEMBER 30, 2016

Financial Statement Findings

There are no current year financial statement findings.

Federal Award Findings

There are no current year federal award findings.

CITY OF ALPINE, TEXAS

SCHEDULE OF FINDINGS AND RESPONSES

FOR THE YEAR ENDED SEPTEMBER 30, 2016

Summary Schedule of Prior Year Findings

Financial Statement Findings

- 2015-001** Condition: The City did not properly reconcile numerous funds and accounts throughout the year including grant activity.
- Status: Management has implemented procedures to reconcile general ledger accounts, and management performs reviews of the general ledger to identify any unusual or misposted items.
- 2015-002** Condition: The City's monthly procedures do not include verification and balancing of the balances in the due from/to other funds accounts and interfund transfers were not always used appropriately.
- Status: Management is now monitoring and posting correcting entries throughout the year in order to ensure the due to from accounts and the transfer accounts are used properly.
- 2015-003** Condition: The City did not perform effective procedures 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.
- Status: Procedures have been implemented and reconciliations are maintained in order to help in recording the necessary year-end adjustments.
- 2015-004** Condition: The beginning balances for several accounts of the 2015 general ledger were different than the pre-audit balances that were provided to us for the 2014 audit.
- Status: Management performed a review and adjusted any opening balances that did not roll forward properly from the closing of fiscal year 2015.