

Comprehensive Annual Financial Report

Year Ended September 30, 2017

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City of Alamo, Texas
Comprehensive Annual Financial Report
For the Year Ended September 30, 2017

Prepared by: Finance Department

Independent Auditors

Oscar R. Gonzalez, C.P.A. & Associates, P.L.L.C.
Certified Public Accountants

**City of Alamo, Texas
Comprehensive Annual Financial Report
For the Year Ended September 30, 2017**

Principal Officials

MAYOR

Diana Martinez

CITY COMMISSION

Pete Morales – Mayor Pro-Tem
Trino Medina – Commissioner PL. 1
Robert De La Garza – Commissioner PL. 3
Maria Del Pilar Garza – Commissioner PL. 4

OTHER OFFICIALS

Luciano Ozuna, Jr. – City Manager
Yvette Mendoza – Finance Director

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INTRODUCTORY SECTION

CITY OF ALAMO, TEXAS

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March 14, 2017

The Honorable Mayor, City Council
City of Alamo
Alamo, Texas

The Finance Department is pleased to submit the Comprehensive Annual Financial Report (CAFR) for the City of Alamo, Texas for the fiscal year ended September 30, 2017. This report is published to provide the City Council, City staff, our citizens, our bondholders, and other interested parties with detailed information concerning the financial condition and activities of the City government. Management assumes responsibility for both the accuracy of the data and the completeness and fairness of the presentation, including all disclosures

We believe the data presented is accurate in all materials respects and is organized in a manner designed to present fairly the financial position and results of operations of the City as measured by the financial activity of its various funds.

Oscar R. Gonzalez, CPA & Associates, P.L.L.C. Certified Public Accountants, have issued an unmodified (“clean”) opinion on the City’s financial statements for the year ended September 30, 2017. The independent auditor’s report is located at the front of the financial section of this report.

Management’s Discussion and analysis (MD&A) immediately follows the independent auditors’ report and provides a narrative introduction, overview, and analysis of the basic financial statements. This letter of transmittal is designed to complement MD&A and should be read in conjunction with it. The MD&A can be found immediately following the report of the independent auditor.

PROFILE OF THE GOVERNMENT

The City of Alamo, Texas was incorporated in May 12, 1924 under the laws of State of Texas and adopted the Commission – Manager form of government with the adoption of its Charter on January 20, 1979. The City’s Home Rule Charter provides for a Board of Commissioners form of government, comprised of a Mayor and four Commissioners, along with a Municipal Judge, elected by the people. The City Council is responsible for enacting ordinances, resolutions, and regulation governing the City, appointing members of various statutory and advisory boards and the City Manager, City Attorney, City Secretary, and Court Administrator. As chief administrative officer, the City Manager is responsible for the enforcement of laws and ordinances, and appoints and supervises the heads of department of the City organization.

The City provides the following municipal government services including police and fire protection, municipal courts, highways and streets, water and sewer services, planning and zoning,

code enforcement, building inspection, parks and recreation, library, economic development and general administration services. The City of Alamo is not financially accountable for any of the other area entities within its jurisdiction such as school districts or other non-profit or for profit corporations.

Component units are legally separate organizations that a primary government must include as a part of its financial entity. The City has included financial statement for the Alamo Economic Development Corporation (4B). The 4B Funds account for the local sales tax used to stimulate local economy, development, and redevelopment.

ACCOUNTING SYSTEM AND BUDGETARY CONTROL

The City's accounting records for general governmental operations are maintained on a modified accrual basis, with the revenues being recorded when available and measurable and expenditures being recorded when the services or goods are received and the liabilities are incurred. Accounting records for the City utilities and other proprietary activities are maintained on the accrual basis.

The City Ordinance establishes the fiscal year as October 1 through September 30. The City budget will be prepared in accordance with State Law, City Charter. The annual budget serves as the foundation for the City's financial planning and control. All departments of the City are required to submit requests for appropriations to the City Manager during the annual budget process. The City Manager presents the proposed budget to the City Council for review. The City of Alamo is required to hold a public hearing on the proposed budget. The City Council formally adopts the budget by the passage of a budget ordinance. The Mayor, City Council adopts an annual budget for the General Fund, Debt Service Fund, Special Revenue Funds, and Proprietary Funds. The appropriated budget is prepared by fund, department and function. The City Manager is required to inform the City Council and obtain City Council approval for any revisions of expenditures of any fund or department.

Budgetary control has been established at the department level. The City maintains internal budgetary control at the expenditure category (i.e., Personnel Services, Supplies, Other Services and Capital Outlay.) Monthly financial reports for the City Council are provided showing budget and actual revenues and expenditures.

ECONOMIC CONDITION AND OUTLOOK

The City of Alamo has a land area of 7.10 square miles and an estimated population of approximately 20,804. The City of Alamo is located between the cities of McAllen and Harlingen, along Interstate 2, roughly five miles north of the Rio Grande. The City is an integral part of the broad-and-diverse McAllen-Edinburg-Mission area. The City is empowered to levy a property tax on both real and personal property located within its boundaries. The local economy is largely supported by retail, health care, education, tourism, agriculture, and international trade. The City draws residents from across the region for commercial retail activity. Currently, the City is developing a nursing and rehabilitation facility and a freestanding emergency health center. These facilities will increase the city's tax base growth.

The City of Alamo is also the gateway to the Santa Ana National Wildlife Refuge, which is 7 ½ miles south of Alamo, Texas. Established in 1943, it is situated along the southern stretch of the Rio Grande, the Santa Ana Wildlife Refuge is home to different species of migratory birds. The Santa Ana offers visitors an opportunity to see birds, butterflies and many other species not found anywhere else in the United States beyond deep South Texas.

The City of Alamo continues to grow with the help of the Alamo Economic Development Corporation. Over the years, the City of Alamo has acquired several retail chain stores which include (1) H.E.B. store, (1) Wal-Mart store, (1) Walgreen Pharmacy, (1) CVS Pharmacy, (1) Kautsch Lumber Co., (1) Bealls, Inc. In addition to retail chain stores, the City has obtained The Original Willie's Bar-B-Q, Willie's Sweets, Tower Burger, Burger King, McDonalds, Church's Chicken, Subway Sandwiches, Little Caesars Pizza, Dairy Queen, Stars Drive-In, Carl's Jr, Peter Piper Pizza, Pizza Hut, and Wingstop.

In fiscal year 2016-2017 the City was awarded a grant from the Texas Parks & Wildlife, dedicating 5.0 acres to a public park to include a trail, splash pad, T-ball field, playground and other amenities.

The City along with the assistance of the Alamo Economic Development Corporation, dedicated a Veteran's Memorial Park, honoring the Texas veteran's that lost their lives serving and protecting this country's freedom.

The City continues to enjoy a stable outlook with property tax values at \$611,441,742 up to 7% over the previous year. The Hidalgo County unemployment rate was 7.8% in 2016. The top 10 taxpayers are diverse, accounting for 13.61% of market value.

The City approved a decrease of \$.0245 in property tax rate from \$0.5810 to \$.5565. The decrease is the result of the efficient use of Maintenance Funds and Operation Funds and the increase in property taxable value.

LONG-TERM FINANCIAL PLANNING

The City reviews annually the needs for capital improvements, City's infrastructure, replacement and renovation needs, and new potential projects. Capital improvement projects are funded with general governmental revenues or through the issuance of long-term debt. The City annually prepares short-term improvement plans for parks, streets, water, sewer, and water plant projects. The capital improvement plans require funding sources to be identified for each project. All projects, ongoing and proposed, are prioritized based on an analysis of current needs and resource availability.

The City's current bond rating of last issue in the following categories:

	<u>General Obligation</u>	<u>Revenue</u>
Standard & Poor's	A+	A+

FINANCIAL INFORMATION

The City's management team is responsible for establishing and maintaining internal controls designed to ensure that the assets of the City are protected from loss, theft, or misuse and to ensure that adequate accounting data is compiled to allow for the preparation of financial statements in conformity with generally accepted accounting principles. Internal controls are designed to provide reasonable but not absolute assurances that these objectives are met.

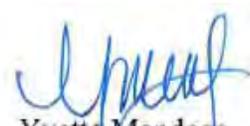
INDEPENDENT AUDIT

The Charter of the City of Alamo requires that the City Council appoint a certified public accountant who will be responsible to the City Council, to perform an independent audit of all funds of the City on an annual basis. The independent auditor's report, prepared by Oscar Gonzalez, C.P.A. & Associates, P.L.L.C, is presented as the first component of the financial section of this report.

ACKNOWLEDGEMENTS

The preparation of the CAFR would not have been possible without the efficient and dedicated service of the entire staff of the Finance Department. Appreciation is expressed to all City employees throughout the organization, especially to those instrumental in the successful completion of this report. Additionally, I would like to thank the Mayor, City Council, and City Manager for their support in planning and conducting the financial operations of the City in a responsible and progressive manner.

Respectfully submitted,



Yvette Mendoza,
Finance Director



CITY OF ALAMO ORGANIZATIONAL CHART

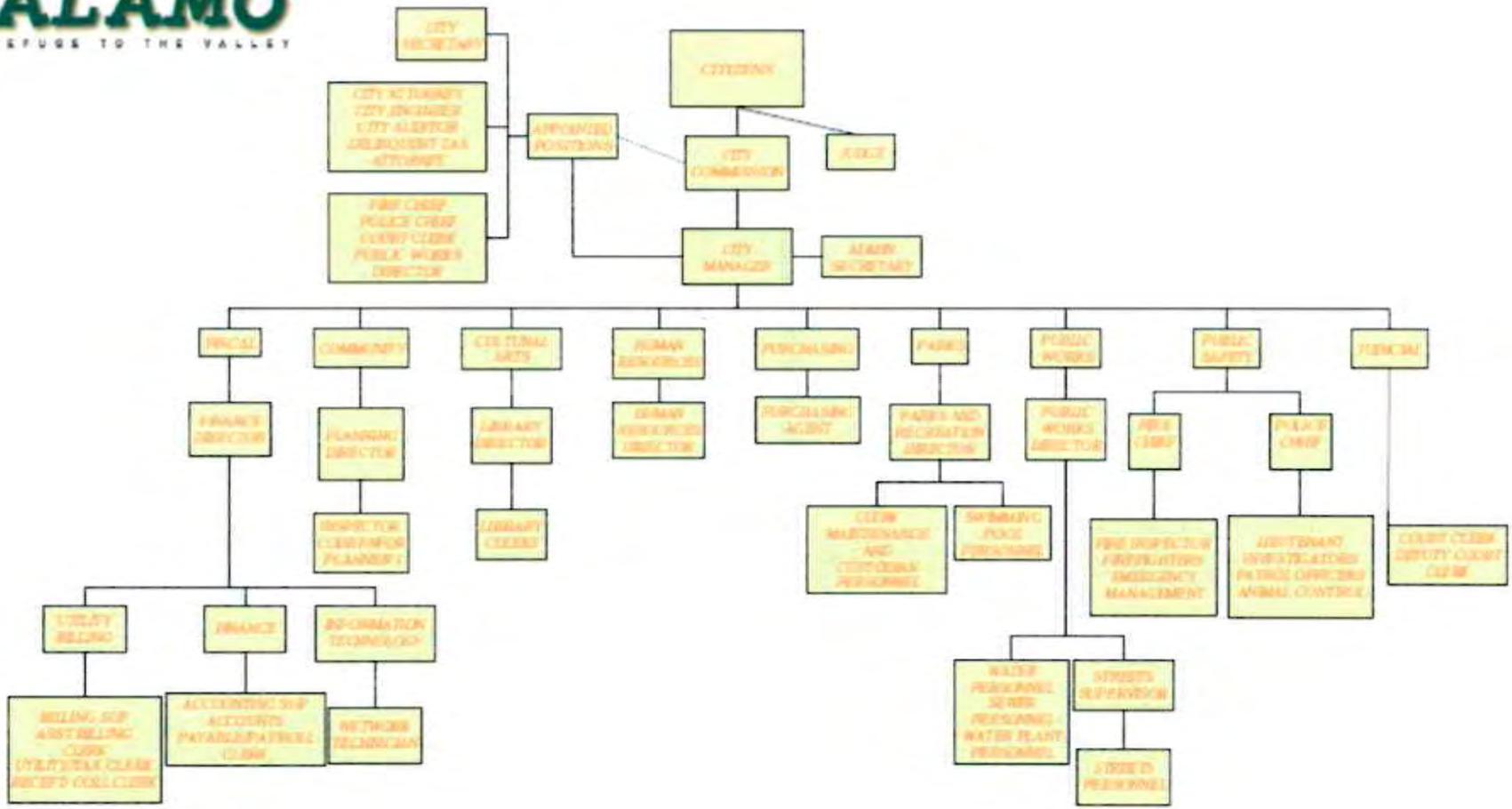


Exhibit "A"
 Approved by Commission 09/01/09

CITY OF ALAMO, TEXAS

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FINANCIAL SECTION

CITY OF ALAMO, TEXAS

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*Oscar R. González, CPA
&
Associates, P.L.L.C.*

Certified Public Accountants

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*Oscar R. González
Melissa González*

INDEPENDENT AUDITOR'S REPORT

To the City Commission of
City of Alamo, Texas

Report on the Financial Statements

We have audited the accompanying financial statements of the governmental activities, the business-type activities, the blended component unit, each major fund, and the aggregate remaining fund information of City of Alamo, Texas, as of and for the year ended September 30, 2017, and the related notes to the financial statements, which collectively comprise the City of Alamo, Texas's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

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

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

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

Opinions

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, the blended component units, each major fund, and the aggregate remaining fund information of the City of Alamo, Texas, as of September 30, 2017, 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, schedule of funding progress, and schedule of net pension liability and related ratios (last 10 years), as listed in the table of contents, be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Other Information

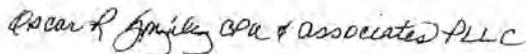
Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the City of Alamo, Texas's basic financial statements. The schedule of delinquent taxes receivable and combining and individual nonmajor fund financial statement are presented for purposes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

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

The schedule of delinquent taxes receivable has not been subjected to the auditing procedures applied in the audit of the basic financial statements and, accordingly, we do not express an opinion or provide any assurance on them.

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated March 14, 2018 on our consideration of the City of Alamo, Texas's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the City of Alamo, Texas's internal control over financial reporting and compliance.

 Oscar R. Gonzalez, CPA & Associates PLLC

Oscar R. Gonzalez, CPA & Associates, PLLC
Certified Public Accountants
Parr, Texas

March 14, 2018

MANAGEMENT'S DISCUSSION AND ANALYSIS

Management's Discussion and Analysis

As management of the City of Alamo, Texas (the City), we offer readers of the City's financial statements this narrative overview and analysis of the financial activities of the City of Alamo, Texas for the fiscal year ended September 30, 2017. We encourage readers to consider the information presented here in conjunction with the City's financial statements, which follow this section.

Financial Highlights

- The City's combined assets from governmental and business-type activities exceeded its liabilities at the close of the most recent fiscal year by over \$47,260,002, compared to \$45,202,420, in the prior year.
- The City's total net position increased by \$2,057,582, caused by an increase of \$ 1,923,982 in the City's net position related to governmental activities and an increase of \$133,600 in relation to business-type activities net position.
- The City's governmental activities' assets exceeded its liabilities at the close of the most recent fiscal year by \$22,011,749 (net position) and \$ 20,087,767 in the prior year.
- The assets of the City's business-type activities exceeded its liabilities at the close of the most recent fiscal year by \$25,248,253 (net position) and \$25,114,653 (net position) in the prior year. of this amount, \$4,106,337 (unrestricted net position), may be used to meet the water and sewer systems ongoing obligations to citizens and creditors.
- Unreserved fund balance for the general fund was \$4,437,711 for 2017 and \$4,657,972 for 2016 respectively, or 39.75 percent of total general fund expenditures.
- The City's governmental activities debt decreased by \$363,149; and business-type activities debt increased by \$1,027,217 in the current fiscal year.

Overview of the Financial Statements

This discussion and analysis is intended to serve as an introduction to the City's basic financial statements. The City's basic financial statements are comprised of three components: 1) government-wide financial statements, 2) fund financial statements, and 3) notes to the financial statements. This report also contains other supplementary information in addition to the basic financial statements themselves.

Government-wide Financial Statements

The government-wide financial statements are designed to provide readers with a broad overview of the City's finances, in a manner similar to a private-sector business.

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

The statement of activities presents information showing how the City's net position changed during the most recent fiscal year. All changes in net position are reported as soon as the underlying event giving rise to the change occurs, regardless of the timing of related cash flows. Thus, revenues and expenses are reported in this statement for some items that will only result in cash flows in future fiscal periods (e.g., uncollected taxes and earned but unused vacation leave).

Both of the government-wide financial statements distinguish functions of the City that are principally supported by taxes and intergovernmental revenues (governmental activities) from other functions that are intended to recover all or a significant portion of their costs through user fees and charges (business-type activities). The governmental activities of the City include general government, public safety, highways and streets, sanitation, drainage, health and welfare, culture and recreation, and economic development. The business-type activities of the City include the water and sewer fund activities. The government-wide financial statements include itself (known as primary government). The government-wide financial statements can be found on pages 22 through 24 of this report.

Management's Discussion and Analysis

Fund Financial Statements

A fund is a grouping of related accounts that is used to maintain control over resources that have been segregated for specific activities or objectives. The City, like other state and local governments, uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements. All of the funds of the City can be divided into three categories: governmental funds, proprietary funds, fiduciary funds.

Governmental Funds

Governmental funds are used to account for essentially the same functions reported as governmental activities in the government-wide financial statements. However, unlike the government-wide financial statements, governmental fund financial statements focus on near-term inflows and outflows of spendable resources, as well as on balances of spendable resources available at the end of the fiscal year. Such information may be useful in evaluating a government's near-term financing requirements.

Because the focus of governmental funds is narrower than that of the government-wide financial statements, it is useful to compare the information presented for governmental funds with similar information presented for governmental activities in the government-wide financial statements. By doing so, readers may better understand the long-term impact of the government's near-term financing decisions. Both the governmental fund balance sheet and the governmental fund statement of revenues, expenditures, and changes in fund balances provide a reconciliation to facilitate this comparison between governmental funds and governmental activities.

The City maintains multiple governmental funds. Information for the major funds is presented separately in the governmental fund balance sheet and in the governmental fund statement of revenues, expenditures, and changes in fund balances for the general fund. The General Fund is the only major governmental fund. Data from the other governmental funds are combined into a single, aggregated presentation. Individual fund data for each of these non-major funds is provided in the form of combining statements elsewhere in this report.

The City adopts an annual appropriated budget for all of its governmental funds with the exception of grant funded special revenue funds and capital projects funds, if any.

The basic governmental fund financial statements can be found on pages 26 through 28 of this report.

Proprietary Funds

The City maintains one type of proprietary fund, an enterprise fund. Enterprise funds are used to report the same functions presented as business-type activities in the government-wide financial statements. The City uses one enterprise funds to account for its collection of water and sewer services provided for residents. There are no internal service funds being used by the City at this time.

Proprietary funds provide the same type of information as the government-wide financial statements, only in more detail. The enterprise fund is presented in a single, aggregates presentation in the proprietary fund financial statements. Individual fund data for the enterprise fund is provided in this report on pages 32 through 34.

Notes to the Financial Statements

The notes provide additional information that is essential to a full understanding of the data provided in the government-wide and fund financial statements. The notes to the financial statements can be found on pages 36 through 62 of this report.

Management's Discussion and Analysis

Other Information

The City's progress in funding its obligations to provide pension benefits to its employees can be found at the end of the notes to the financial statements. In addition to the basic financial statements and accompanying notes, this report also presents certain required supplementary information concerning the result of activities comparing the budget versus actual. The combining statements referred to earlier in connection with non-major governmental funds are presented immediately following the required supplementary information.

Government-wide Financial Analysis

As noted earlier, net position may serve over time as a useful indicator of a government's financial position. In the case of the City, assets exceeded liabilities by \$47,260,002 and \$45,202,420 for 2017 and 2016 as adjusted, respectively, for governmental activities. The City's condensed statement of net position along with last fiscal year's numbers is presented for comparison in the table is located below:

City of Alamo, Texas							
Net Position							
	Governmental Activities		Business-Type Activities		Totals		Increase (Decrease)
	2017	2016	2017	2016	2017	2016	
Assets							
Current Assets	\$ 10,826,972	\$ 11,025,399	\$ 4,680,019	\$ 3,624,252	\$ 15,506,991	\$ 14,649,651	\$ 857,340
Non-Current Assets	26,173,045	24,398,876	27,268,209	27,223,253	53,441,254	51,622,129	1,819,125
Total Assets	<u>37,000,017</u>	<u>35,424,275</u>	<u>31,948,228</u>	<u>30,847,505</u>	<u>68,948,245</u>	<u>66,271,780</u>	<u>2,676,465</u>
Aggregate Deferred							
Outflows of Resources	621,996	788,173	40,494	44,670	662,490	832,843	(170,353)
Liabilities							
Current Liabilities	2,218,783	1,759,151	946,238	753,042	3,165,021	2,512,193	652,828
Non-Current Liabilities	12,854,789	13,886,355	5,769,070	5,021,713	18,623,859	18,908,068	(284,209)
Total Liabilities	<u>15,073,572</u>	<u>15,645,506</u>	<u>6,715,308</u>	<u>5,774,755</u>	<u>21,788,880</u>	<u>21,420,261</u>	<u>368,619</u>
Aggregate Deferred							
Inflows of Resources	536,693	479,556	25,161	2,769	561,854	482,325	79,529
Net Position							
Net Invested in capital assets, net of related debt	14,002,698	12,385,226	21,141,916	22,101,236	35,144,614	34,486,462	658,152
Restricted	4,579,468	4,375,112	-	-	4,579,468	4,375,112	204,356
Unrestricted	3,429,583	3,327,429	4,106,337	3,013,417	7,535,920	6,340,846	1,195,074
Total net position	<u>\$ 22,011,749</u>	<u>\$ 20,087,767</u>	<u>\$ 25,248,253</u>	<u>\$ 25,114,653</u>	<u>\$ 47,260,002</u>	<u>\$ 45,202,420</u>	<u>\$ 2,057,582</u>

The excess of liabilities/deferred inflows of resources over assets/deferred outflows of resources reported on the government-wide statement of net position of \$120,636 at September 30, 2017 results from several factors. The most significant items include certain long-term liabilities that do not require current funding such as net pension liabilities of \$1,797,804 as of September 30, 2017, and other unfunded long-term liabilities which include compensated claims and compensated absences.

Management's Discussion and Analysis

One of the largest portions of the City's net position (44 percent) reflects its investment in capital assets (e.g., land building, machinery, and equipment), less any related debt used to acquire those assets that are still outstanding. The City uses these capital assets to provide citizens; consequently, these assets are not available for future spending. Although, the City's investments in its capital assets is reported net of related debt, it should be noted that the resources needed to repay this debt must be provided from other sources, since the capital assets themselves cannot be used to liquidate these liabilities.

A portion of the City's net position (\$4,579,468) represent resources that are subject to external restrictions on how they may be used. The remaining balance of unrestricted net position (\$7,535,920) may be used to meet the government's ongoing obligations to citizens and creditors.

At the end of the current fiscal year, the City is able to report positive balances in all three categories of net assets for the government as a whole.

The City's condensed Changes in Net Position along with last fiscal year's numbers are presented for comparison in the following table below:

City of Alamo, Texas							
Changes in Net Position							
	Governmental		Business-Type		Totals		Increase (Decrease)
	Activities		Activities		Totals		
	2017	2016	2017	2016	2017	2016	
Revenues							
<u>Program Revenues</u>							
Charges for services	\$ 2,919,033	\$ 2,986,181	\$ 4,053,730	\$ 3,759,170	\$ 6,972,763	\$ 6,745,351	\$ 227,412
Operating grants and contributions	1,239,115	314,057	-	-	1,239,115	314,057	925,058
Capital grants and contributions	-	-	-	-	-	-	-
<u>General Revenues</u>							
Property Tax	3,355,089	3,281,010	-	-	3,355,089	3,281,010	74,079
Sales Tax	3,435,440	3,457,159	-	-	3,435,440	3,457,159	(21,719)
Other Tax	633,175	646,608	-	-	633,175	646,608	(13,433)
Other Revenues	273,371	152,558	18,361	5,554	291,732	158,112	133,620
Total Revenues	\$ 11,855,223	\$ 10,837,573	\$ 4,072,091	\$ 3,764,724	\$ 15,927,314	\$ 14,602,297	\$ 1,325,017
Expenses							
General Government	\$ 5,174,598	\$ 5,174,598	\$ -	\$ -	\$ 5,174,598	\$ 5,174,598	\$ -
Public Safety	3,850,703	3,850,703	-	-	3,850,703	3,850,703	-
Highways/Streets	742,394	742,394	-	-	742,394	742,394	-
Health & Welfare	317,566	317,566	-	-	317,566	317,566	-
Culture & Recreation	840,164	840,164	-	-	840,164	840,164	-
Economic Development	396,258	396,258	-	-	396,258	396,258	-
Interest - Long-Term Debt	363,387	363,387	-	-	363,387	363,387	-
Waterworks/Sewer Systems	-	-	3,469,082	3,194,302	3,469,082	3,194,302	274,780
Total expenses	11,685,070	11,685,070	3,469,082	3,194,302	15,154,152	14,879,372	274,780
Non-Operating Transfer (Net)	549,300	549,300	(549,300)	(549,300)	-	1,098,600	(1,098,600)
Change in net position	1,469,242	(298,197)	53,709	21,122	1,522,951	(277,075)	1,245,876
Prior Period Adjustment	454,740	(393,410)	79,891	(30,535)	534,631	(423,945)	110,686
Net position - beginning	<u>20,087,767</u>	<u>20,779,374</u>	<u>25,114,653</u>	<u>25,124,066</u>	<u>45,202,420</u>	<u>45,903,440</u>	<u>91,105,860</u>
Net position - ending	<u>\$ 22,011,749</u>	<u>\$ 20,087,767</u>	<u>\$ 25,248,253</u>	<u>\$ 25,114,653</u>	<u>\$ 47,260,002</u>	<u>\$ 45,202,420</u>	<u>\$ 2,057,582</u>

Management's Discussion and Analysis

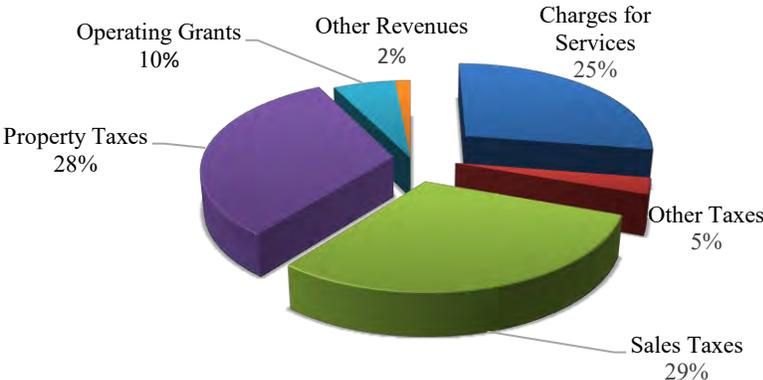
Governmental Activities.

Governmental activities increased the City's net position by \$1,923,982. The key changes this fiscal year along with element of decrease is described as follows:

- Higher than expected revenue collections from Property and Sales Taxes
- Lower than projected expenses throughout the year.
- Higher than expected revenue from operating grants and contributions.

The City's governmental activities' revenue source distribution is presented below.

Revenues by Source – Governmental Activities



Business-Type Activities

The business-type activities increased net position by \$133,600. One key change this fiscal year for this decrease:

- Water and Sewer rate increase.

Revenues by Source – Business-Type Activities



Management's Discussion and Analysis

Financial Analysis of the City's Funds

As noted earlier, the City uses fund accounting to ensure and demonstrate compliance with finance related legal requirements.

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

The general fund is the chief operating fund of the City. At the end of the current fiscal year, the unreserved fund balance of the General Fund had a balance of \$4,437,711 and the Special Revenue Fund (Alamo Economic Development Corporation) had \$2,036,638. The Debt Service Fund had a fund balance of \$1,120,955 of which all is restricted for debt service payments.

Proprietary funds. Since the City has only one proprietary fund, the Water and Sewer Fund, an individual financial statement is presented to provide more detail information for the statement of revenues, expenses and changes in net position.

The Water & Sewer Fund consist of operating expenses of \$3,469,082 for 2017 and \$3,194,302 for 2016 with revenues of \$4,053,730 for 2017 and \$3,759,170 for 2016, resulting in an increase in net position of \$133,600 for 2017 and \$15,568 for 2016.

Unrestricted net position of the Water and Sewer Fund at the end of the year amounted to \$7,664,324, and total net position of \$25,248,707. By far the largest portion of the City's net position reflects its investment in capital assets (e.g., land, buildings, machinery, and equipment); less any related debt used to acquire those assets that are still outstanding which amount to \$17,584,383. The City uses these capital assets to provide water and sewer service to citizens. Although the City's investment in its capital assets is reported net of related debt, it should be noted that the resources needed to repay this debt come from revenues generated from the sale of water and providing sewer collection services.

General Fund Budgetary Highlights

The original budget was amended during the year. Expenditures did not exceed appropriations of the general government functions. Actual revenues for the year exceeded actual expenditures by \$238,546. Actual revenues exceeded budgeted revenues by \$31,335, while actual expenditures did not exceed appropriations by \$21,631.

Capital Assets and Debt Administration

Capital Assets

The City of Alamo's investments in capital assets for its governmental and business-type activities amount to \$53,441,252 and \$51,622,505 (net of accumulated depreciation) for 2017 and 2016. This investment in capital assets includes land, buildings, and systems improvements, machinery and equipment.

Management's Discussion and Analysis

City of Alamo, Texas Capital Assets

	Governmental		Business-Type		Totals		Increase (Decrease)
	Activities		Activities				
	2017	2016	2017	2016	2017	2016	
Capital Assets, not being depreciated:							
Land	\$ 1,731,590	\$ 1,731,590	\$ 2,943,078	\$ 2,943,078	\$ 4,674,668	\$ 4,674,668	\$ -
Construction-in-progress	1,722,530	1,832,650	112,561	142,995	1,835,091	1,975,645	(140,554)
	<u>3,454,120</u>	<u>3,564,240</u>	<u>3,055,639</u>	<u>3,086,073</u>	<u>6,509,759</u>	<u>6,650,313</u>	<u>(140,554)</u>
Capital Assets, being depreciated:							
Buildings	13,034,989	13,022,298	4,838,176	4,838,176	17,873,165	17,860,474	12,691
Vehicles	2,826,631	2,820,861	233,117	227,078	3,059,748	3,047,939	11,809
Machinery & Equipment	2,532,116	2,266,168	1,634,585	1,447,909	4,166,701	3,714,077	452,624
Infrastructure	14,838,887	12,524,166	25,428,782	25,243,332	40,267,669	37,767,498	2,500,171
	<u>33,232,623</u>	<u>30,633,493</u>	<u>32,134,660</u>	<u>31,756,495</u>	<u>65,367,283</u>	<u>62,389,988</u>	<u>2,977,295</u>
Accumulated Depreciation	<u>(10,513,697)</u>	<u>(9,798,480)</u>	<u>(7,922,090)</u>	<u>(7,619,316)</u>	<u>(18,435,787)</u>	<u>(17,417,796)</u>	<u>(1,017,991)</u>
Total Capital Assets, being Depreciated, net	<u>22,718,926</u>	<u>20,835,013</u>	<u>24,212,570</u>	<u>24,137,179</u>	<u>46,931,496</u>	<u>44,972,192</u>	<u>1,959,304</u>
Capital Assets, Net	<u>\$ 26,173,046</u>	<u>\$ 24,399,253</u>	<u>\$ 27,268,209</u>	<u>\$ 27,223,252</u>	<u>\$ 53,441,255</u>	<u>\$ 51,622,505</u>	<u>\$ 1,818,750</u>

Notes continue on next page

Management's Discussion and Analysis

Long-Term Debt

State statutes limit the amount general obligation debt that the City may issue to 10% of its total assessed valuation (\$611,441,742). The City's general obligation debt maximum is \$61,144,174, compared to the City's debt of \$16,176,000. The City's governmental activities debt decreased by \$366,149; and business-type activities debt increased by \$1,027,217 in the current fiscal year.

City of Alamo, Texas							
Long-Term Obligations							
	Governmental		Business-Type		Totals		Increase (Decrease)
	Activities		Activities				
	2017	2016	2017	2016	2017	2016	
Long-Term Obligations							
General Obligation Bonds	\$ 10,345,000	\$ 11,190,000	\$ 5,831,000	\$ 5,114,000	\$ 16,176,000	\$ 16,304,000	\$ (128,000)
Capital Leases	812,657	336,788	313,457	8,017	1,126,114	344,805	781,309
Loan Payables	653,254	677,654	-	-	653,254	677,654	(24,400)
Compensated Absences	357,962	330,580	41,403	36,626	399,365	367,206	32,159
Total Long-Term Obligations	\$ 12,168,873	\$ 12,535,022	\$ 6,185,860	\$ 5,158,643	\$ 18,354,733	\$ 17,693,665	\$ 661,068

Additional information on the City's debt service can be found in the notes to the financial statements.

Pension

The adoption of Statement No. 68 resulted in the City's reporting of net pension liabilities and deferred inflows of resources and deferred outflows of resources for each of its qualified pension plans and the recognition of pension expense in accordance with the provisions of the Statement. The decrease in the City's net pension liability (NPL) to \$ 1,797,804 at September 30, 2017 from \$2,502,204 at September 30, 2016 was the result of a significant increase in net investment income in the TMRS plan during 2016.

The table below provides the City's key pension statistics related to the TMRS plan as of and for the fiscal year ended September 30, 2016.

PENSION Key Pension Statistics

Net Pension Liability (NPL)	\$1,797,804
Pension Expense	\$ 436,579

Additional information on the City's net pension liability can be found in the notes to the financial statements as indicated in the table of contents of this report.

Management's Discussion and Analysis

Economic Factors and Next Year's Budget And Rates

During the budget process for the fiscal year 2017-2018, the Mayor, City Commissioners and staff considered many factors.

- Appraisal values used in preparing 2017-2018 budget increased \$42,307,982 over the prior year, or 7 percent higher than the prior year.
- The ad valorem property tax rate was set at \$0.5565. The City is relying on the increase of the tax base to increase revenues.
- The property tax rate should generate \$255,060 of additional tax revenues; an increase of 8% over the previous year.
- The 2017-2018 General Fund operating budget was prepared using \$4,510,950 as the estimated fund balance at September 30, 2018. The actual unassigned fund balance for the General Fund was \$4,437,711.

All of these factors were considered in preparing the City's budget for fiscal year 2017-2018.

Requests for Information

This financial report is designed to provide a general overview of the City's finances for all those with an interest in the City's finances. Questions concerning any of the information provided in this report or requests for additional financial information should be addressed to the Office of the City of Alamo, Texas, Finance Director: 420 N. Tower Road, Alamo, Texas 78516.

BASIC FINANCIAL STATEMENTS

City of Alamo, Texas
Statement of Net Position
September 30, 2017

	Primary Government		
	Governmental Activities	Business-type Activities	Total
ASSETS			
<i>Current Assets</i>			
Cash and Cash Equivalents	\$ 3,623,138	\$ 2,269,879	\$ 5,893,017
Investments	4,011,599	1,900,228	5,911,827
Accounts Receivable (Net of Allowance)			
Property Taxes	441,480	-	441,480
Court	294,033	-	294,033
Customers	228,309	380,836	609,145
Sales Tax	583,643	-	583,643
Franchise Tax	59,787	-	59,787
Other	995,138	3,062	998,200
Note Receivables	598,874	-	598,874
Prepaid and Other Assets	20,985	96,000	116,985
Internal Balances	(30,014)	30,014	-
Total Current Assets	10,826,972	4,680,019	15,506,991
<i>Non-Current Assets</i>			
Land	1,731,590	2,943,078	4,674,668
Construction In Progress	1,722,529	112,561	1,835,090
Building and Improvements (Net)	9,415,282	3,306,418	12,721,700
Vehicles (Net)	817,483	116,414	933,897
Furniture and Equipment (Net)	1,381,580	944,484	2,326,064
Infrastructure (Net)	11,104,581	19,845,254	30,949,835
Total Non-Current Assets	26,173,045	27,268,209	53,441,254
Total Assets	37,000,017	31,948,228	68,948,245
DEFERRED OUTFLOWS OF RESOURCES			
Unamortized Discount on Bonds	-	17,710	17,710
Unamortized Loss on Refunding of Debt	79,512	-	79,512
Related from Pension	542,484	22,784	565,268
Total Deferred Outflows of Resources	621,996	40,494	662,490

The notes to these statements are an integral part of these statements.

	Primary Government		
	Governmental Activities	Business-type Activities	Total
LIABILITIES			
<i>Current Liabilities</i>			
Accounts Payable	334,441	-	334,441
Payroll Withholding and Deductions	9,473	3,996	13,469
Other Current Liabilities	194,233	9,216	203,449
Unearned Revenues - Property Taxes	5,181	-	5,181
Unearned Revenues - CDBG	555,212	-	555,212
Accrued Interest	51,827	27,227	79,054
Customers Deposits	-	444,537	444,537
Matured Debt Payable Within One Year	1,068,416	461,262	1,529,678
Total Current Liabilities	2,218,783	946,238	3,165,021
<i>Non-Current Liabilities</i>			
Bonds Payable More than One Year	9,475,000	5,494,000	14,969,000
Loans Payable More than One Year	628,700	-	628,700
Leases Payable More than One Year	639,795	189,195	828,990
Compensated Absences	357,962	41,403	399,365
Net Pension Liability	1,753,332	44,472	1,797,804
Total Non-Current Liabilities	12,854,789	5,769,070	18,623,859
Total Liabilities	15,073,572	6,715,308	21,788,880
DEFERRED INFLOWS OF RESOURCES			
Unamortized Premium on Bonds	437,948		437,948
Related to Pension	98,745	25,161	123,906
Total Deferred Inflows of Resources	536,693	25,161	561,854
NET POSITION			
Net Invested in Capital Assets	14,002,698	21,141,916	35,144,614
<i>Restricted for:</i>			
Capital Projects	-	-	-
Debt Service	1,229,423	-	1,229,423
Economic Development	2,036,638	-	2,036,638
Special Revenue	1,313,407	-	1,313,407
<i>Unrestricted</i>	3,429,583	4,106,337	7,535,920
Total Net Position	\$ 22,011,749	\$ 25,248,253	\$ 47,260,002

City of Alamo, Texas
Statement of Activities
For the Year Ended September 30, 2017

Functions/Programs	Expenses	Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	Primary Government		
					Governmental Activities	Business-type Activities	Total
Primary Government							
Governmental Activities:							
General Government	\$ 4,054,005	\$ 216,257	\$ 502,890	\$ -	\$ (3,334,858)	\$ -	\$ (3,334,858)
Public Safety	3,815,052	623,525	279,904	-	(2,911,623)	-	(2,911,623)
Highways and Streets	1,107,940	1,925,077	-	-	817,137	-	817,137
Health and Welfare	298,817	14,732	-	-	(284,085)	-	(284,085)
Culture and Recreation	930,782	139,442	-	-	(791,340)	-	(791,340)
Economic Development	416,229	-	456,321	-	40,092	-	40,092
Debt Interest	312,456	-	-	-	(312,456)	-	(312,456)
Total Governmental Activities	10,935,281	2,919,033	1,239,115	-	(6,777,133)	-	(6,777,133)
Business-type Activities:							
Water & Sewer	3,469,082	4,037,090	-	-	-	568,008	568,008
2007 Reserve	-	16,640	-	-	-	16,640	16,640
Total Business-type Activities	3,469,082	4,053,730	-	-	-	584,648	584,648
Total Primary Government	\$ 14,404,363	\$ 6,972,763	\$ 1,239,115	\$ -	\$ (6,777,133)	\$ 584,648	\$ (6,192,485)
General Purpose Revenues and Transfers:							
Revenues							
Property Taxes					\$ 3,355,089	\$ -	\$ 3,355,089
Sales Taxes					3,435,440	-	3,435,440
Franchise Taxes					537,167	-	537,167
Other Taxes					96,008	-	96,008
Gain (Loss) on Sale of Assets					13,208	1,650	14,858
Miscellaneous General Revenues					194,739	-	194,739
Interest Revenue					65,424	16,711	82,135
Transfers					549,300	(549,300)	-
Total General Revenues and Transfers					8,246,375	(530,939)	7,715,436
Change in Net Position					1,469,242	53,709	1,522,951
<i>Net Position at Beginning of Period</i>					20,087,767	25,114,653	45,202,420
<i>Prior Period Adjustments</i>					454,740	79,891	534,631
<i>Net Position at Beginning of Period (Restated)</i>					20,542,507	25,194,544	45,737,051
End of Period					\$ 22,011,749	\$ 25,248,253	\$ 47,260,002

The notes to these statements are an integral part of these statements.

GOVERNMENTAL FUNDS

**City of Alamo, Texas
Balance Sheet
Governmental Funds
September 30, 2017**

	General	Alamo Economic Development Corporation	Capital Projects	Non-Major Governmental Funds	Total Governmental Funds
ASSETS					
Cash and Cash Equivalents	\$ 1,619,298	\$ 614,004	\$ -	\$ 1,389,831	\$ 3,623,133
Investments	2,376,118	665,375	-	970,106	4,011,599
Accounts Receivable					-
Property Taxes	362,322	-	-	79,158	441,480
Court	294,033	-	-	-	294,033
Customers	228,309	-	-	-	228,309
Other	736,924	160,329	-	741,315	1,638,568
Note Receivables	-	598,874	-	-	598,874
Prepaid and Other Assets	20,985	-	-	-	20,985
Due From Other Funds	395,742	10,129	-	(498)	405,373
<i>Total Assets</i>	<u>6,033,731</u>	<u>2,048,711</u>	<u>-</u>	<u>3,179,912</u>	<u>11,262,354</u>
DEFERRED OUTFLOWS OF RESOURCES					
Aggregated Deferred Outflows	-	-	-	-	-
<i>Total Deferred Outflows of Resources</i>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Total Assets and Deferred Outflows of Resources	<u>\$ 6,033,731</u>	<u>\$ 2,048,711</u>	<u>\$ -</u>	<u>\$ 3,179,912</u>	<u>\$ 11,262,354</u>
LIABILITIES					
Accounts Payable	\$ 333,685	\$ 756	\$ -	\$ -	\$ 334,441
Payroll Withholding and Deductions	9,473	-	-	-	9,473
Other Current Liabilities	194,281	-	-	-	194,281
Unearned Revenues	-	-	-	560,393	560,393
Due To Other Funds	421,773	11,317	-	2,297	435,387
<i>Total Liabilities</i>	<u>959,212</u>	<u>12,073</u>	<u>-</u>	<u>562,690</u>	<u>1,533,975</u>
DEFERRED INFLOWS OF RESOURCES					
Deferred Property Taxes	342,776	-	-	74,392	417,168
Deferred Court Fines	294,032	-	-	-	294,032
<i>Total Deferred Inflows of Resources</i>	<u>636,808</u>	<u>-</u>	<u>-</u>	<u>74,392</u>	<u>711,200</u>
FUND BALANCE					
Restricted for:					
Debt Service	-	-	-	1,229,423	1,229,423
Capital Projects	-	-	-	-	-
Special Projects	-	-	-	1,313,407	1,313,407
Economic Development & Tourism	-	2,036,638	-	-	2,036,638
Unassigned	4,437,711	-	-	-	4,437,711
<i>Total Fund Balance</i>	<u>4,437,711</u>	<u>2,036,638</u>	<u>-</u>	<u>2,542,830</u>	<u>9,017,179</u>
Total Liabilities, Deferred Inflows of Resources and Fund Balance	<u>\$ 6,033,731</u>	<u>\$ 2,048,711</u>	<u>\$ -</u>	<u>\$ 3,179,912</u>	<u>\$ 11,262,354</u>

The notes to these statements are an integral part of these statements.

City of Alamo, Texas
Reconciliation of Governmental Funds Balance Sheet to the Statement of Net Position
September 30, 2017

Total Fund Balance - Governmental Funds	\$	9,017,179
Fixed assets are capitalized in the Statement of Net Assets and depreciated in the Statement of Activities. These are expensed when acquired in the Statement of Revenues, Expenditures, and Changes in Fund Balance.		26,173,046
Long-term liabilities applicable to the city's governmental activities are not due in the current period and accordingly are not reported as fund liabilities. All liabilities, both current and long-term, are reported in the Statement of Net Position.		-
Because some court fines will not be collected for some time after the city's fiscal year ends, they are not considered as "available" revenues in the governmental funds and are considered deferred in the funds, but recognized in the Statement of Net Position.		36,101
Revenue deferred in governmental fund statements if not received within sixty days.		257,887
Compensated absences expensed as paid in governmental fund statements, expensed as incurred in entity wide statements, and reflected as liability on Statement of Net Assets.		(357,962)
Interest expense in the Statement of Activities differs from the amount reported in the governmental funds due to accrued interest calculated for bonds and note payables.		(51,779)
The difference between the reacquisition price and the net carrying amount of a refunded bond is recorded as other financing uses - payments to refunded bond escrow agent in the funds as it is received by the escrow agent, but is recorded as a deferred outflow of resources - loss on refunding of debt and expensed over the shorter of the life of the old debt or the life of the new debt, whichever is shorter.		79,512
Proceeds from resulting from premiums received on the issuance of long term debt appear as other financing sources and netted to fund balance on the governmental funds, but it is recorded as a deferred inflow of resources and amortized over the life of the debt on the government-wide statements.		(437,947)
Principal payments on long-term expensed in governmental fund statements, treated as reductions of outstanding debt in entity wide statements.		1,289,056
Long term liabilities applicable to the city's governmental activities are not due in the current period and accordingly are not reported as fund liabilities. GASB 68 is recorded in the Statement of Net Position.		(14,410,559)
Because property tax will not be collected for several months after the city's fiscal year end, they are not considered as "available" revenues in the governmental funds and are considered deferred, but recognized as revenues in the Statement of Net Position		417,213
Rounding		2
Total Net Position of Governmental Activities - Statement of Net Position	\$	22,011,749

The notes to these statements are an integral part of these statements.

City of Alamo, Texas
Statement of Revenues, Expenditures, and Changes in Fund Balance
Governmental Funds
For the Year Ended September 30, 2017

	General Fund	Alamo Economic Development Corporation	Capital Projects	Non-Major Governmental Funds	Total Governmental Funds
Revenues					
Property Taxes	\$ 2,804,861	\$ -	\$ -	\$ 585,343	\$ 3,390,204
Sales Taxes	2,576,580	858,860	-	-	3,435,440
Franchise Taxes	537,167	-	-	-	537,167
Other Taxes	137	-	-	95,871	96,008
Court Fines and Fees	475,042	-	-	-	475,042
Licenses and Permits	141,026	-	-	-	141,026
Charges for Services	2,227,264	-	-	-	2,227,264
Local Events and Contributions	69,225	-	-	-	69,225
Other Revenues	152,768	1,975	-	79,596	234,339
State Grants	435,000	-	-	-	435,000
Federal Grants	232,000	-	-	-	232,000
Other Governmental Grants	-	-	-	502,890	502,890
Interest Revenue	23,081	32,087	295	9,961	65,424
Total Revenues	9,674,151	892,922	295	1,273,661	11,841,029
Expenditures					
General Government	4,500,547	-	-	98,450	4,598,997
Public Safety	4,162,158	-	-	472,890	4,635,048
Highways and Streets	633,853	-	-	-	633,853
Health and Welfare	245,589	-	-	-	245,589
Culture and Recreation	846,669	-	-	-	846,669
Economic Development	-	379,598	-	-	379,598
Capital Outlay	337,986	-	576,649	29,158	943,793
Debt Principal	419,746	24,310	-	845,000	1,289,056
Debt Interest	18,874	6,537	-	315,613	341,024
Total Expenditures	11,165,422	410,445	576,649	1,761,111	13,913,627
Excess of Revenues Over (Under) Expenditures	(1,491,271)	482,477	(576,354)	(487,450)	(2,072,598)
Other Financing Sources (Uses)					
Loan Proceeds	896,614	-	-	-	896,614
Proceeds on Sale of Assets	16,110	-	-	-	16,110
Transfers From Other Funds	390,001	-	-	745,163	1,135,164
Transfers To Other Funds	(50,000)	(535,863)	-	-	(585,863)
Net Other Financing Sources (Uses)	1,252,725	(535,863)	-	745,163	1,462,025
Net Change in Fund Balance	(238,546)	(53,386)	(576,354)	257,713	(610,573)
<i>Fund Balance at Beginning of Period</i>	4,657,972	2,090,024	576,354	2,285,088	9,609,438
<i>Prior Period Adjustments</i>	18,285	-	-	29	18,314
Fund Balance at End of Period	\$ 4,437,711	\$ 2,036,638	\$ -	\$ 2,542,830	\$ 9,017,179

The notes to these statements are an integral part of these statements.

City of Alamo, Texas
Reconciliation of Governmental Funds Statement of Revenues, Expenditures, and
Changes in Fund Balance with Statement of Activities
For the Year Ended September 30, 2017

Total Net Change in Fund Balances - Governmental Funds	\$ (610,573)
Governmental funds report capital outlays as expenditures. However, in the Statement of Activities the costs of those assets is allocated over their estimated useful life and depreciated.	2,727,178
Governmental funds do not report capital assets, and accordingly do not record depreciation expense. Capital assets are recorded on the Statement on Net Position and accordingly depreciation is charged to its allocable function.	(950,483)
Principal payments on long-term are expensed in the governmental fund statements, and treated as reductions of outstanding debt in Statement of Net Position.	1,289,056
Accrued interest payable is accrued on Statement of Net Position and expensed on the Statement of Activities. Interest is expensed on a cash basis on the Statement of Revenues, Expenditures, and Changes in Fund Balance.	974
Because some court fines will not be collected for some time after the City's fiscal year end, they are not considered as "available" revenues in the governmental funds and are considered deferred in the funds, but recognized in the Statement of Net Position.	36,110
Interest expense in the Statement of Activities differs from the amount reported in the governmental funds due to accrued interest calculated for bonds and note payables	27,594
Compensated absences expensed as paid in governmental fund statements, expensed as incurred in entity wide statements, and reflected as liability on Statement of Net Assets.	(27,382)
GASB 68 recognition on Pension Expense requires an adjustment to reflect in Statement of Activities	(88,594)
Because property tax will not be collected for several months after the city's fiscal year end, they are not considered as "available" revenues in the governmental funds and are considered deferred, but recognized as revenues in the Statement of Activities	(35,115)
Loan proceeds are reflected on Statement of Net Position.	(896,614)
The proceeds from the sale of equipment are reported as revenue in the governmental funds. However, the cost sold is removed from the capital asset account in the statement of Net Position and offset against the sale proceeds resulting in a "gain on sale of asset" in the statement of activities. Thus, more revenue is reported in governmental funds than the gain in the statement of activities.	(2,902)
Rounding	(7)
Changes in Net Position-Governmental Funds	<u>\$ 1,469,242</u>

The notes to these statements are an integral part of these statements.

CITY OF ALAMO, TEXAS

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PROPRIETARY FUNDS

City of Alamo, Texas
Statement of Net Position
Proprietary Funds
September 30, 2017

	Business-type Activities - Enterprise Funds	
	Water and Sewer	Total Enterprise Funds
ASSETS		
<i>Current Assets</i>		
Cash and Cash Equivalents	\$ 2,269,879	\$ 2,269,879
Investments	1,900,228	1,900,228
Accounts Receivable - Customers (Net)	380,836	380,836
Accounts Receivable - Other	3,062	3,062
Prepaid and Other Assets	96,000	96,000
Due From Other Funds	137,320	137,320
Total Current Assets	4,787,325	4,787,325
<i>Noncurrent Assets</i>		
Land	2,943,078	2,943,078
Construction In Progress	112,561	112,561
Building and Improvements (Net)	3,306,418	3,306,418
Vehicles (Net)	116,414	116,414
Furniture and Equipment (Net)	944,484	944,484
Infrastructure (Net)	19,845,254	19,845,254
Total Assets	32,055,534	32,055,534
DEFERRED OUTFLOWS OF RESOURCES		
Unamortized Discount on Bonds	17,710	17,710
Related from Pension	22,784	22,784
Total Deferred Outflows of Resources	40,494	40,494
LIABILITIES		
<i>Current Liabilities</i>		
Other Current Liabilities	9,216	9,216
Payroll Withholding and Deductions	3,996	3,996
Accrued Interest	27,227	27,227
Customers Deposits	444,537	444,537
Due To Other Funds	107,306	107,306
Matured Debt Payable Within One Year	461,262	461,262
Total Current Liabilities	1,053,544	1,053,544
<i>Noncurrent Liabilities</i>		
Compensated Absences	41,403	41,403
Bonds Payable More than a Year	5,494,000	5,494,000
Leases Payable More than a Year	189,195	189,195
Net Pension Liability	44,472	44,472
Total Liabilities	6,822,614	6,822,614
DEFERRED INFLOWS OF RESOURCES		
Related to Pension	25,161	25,161
Total Deferred Inflows of Resources	25,161	25,161
NET POSITION		
Net Invested in Capital Assets	17,584,383	17,584,383
<i>Unrestricted</i>	7,664,324	7,664,324
Total Net Position	\$ 25,248,707	\$ 25,248,707

The notes to these statements are an integral part of these statements.

City of Alamo, Texas
Statement of Revenues, Expenses, and Changes in Net Position
Proprietary Funds
For the Year Ended September 30, 2017

	Business-type Activities - Enterprise Funds	
	Water and Sewer	Total Enterprise Funds
Operating Revenues		
Charges for Services	\$ 4,036,913	\$ 4,036,913
Other Revenues	16,847	16,847
<i>Total Operating Revenues</i>	4,053,760	4,053,760
Operating Expenses		
Water Department	812,100	812,100
Sewer Department	597,924	597,924
Water Plant Department	706,111	706,111
Water Billing	199,713	199,713
General Administration	362,588	362,588
Depreciation	602,956	602,956
<i>Total Operating Expenses</i>	3,281,392	3,281,392
<i>Operating Income (Loss)</i>	772,368	772,368
Non-Operating Revenues (Expenses)		
Gain / Loss on Sale of Assets	1,650	1,650
Interest Revenue	16,681	16,681
Amortization Expense	(454)	(454)
Interest Expense	(187,236)	(187,236)
<i>Net Non-Operating Revenues (Expenses)</i>	(169,359)	(169,359)
<i>Income Before Contributions and Transfers</i>	603,009	603,009
Transfers From Other Funds	-	-
Transfers To Other Funds	(549,300)	(549,300)
<i>Change In Net Position</i>	53,709	53,709
<i>Net Position at Beginning of Period</i>	25,114,653	25,114,653
<i>Prior Year Adjustments</i>	79,891	79,891
<i>Net Position at End of Period</i>	\$ 25,248,253	\$ 25,248,253

The notes to these statements are an integral part of these statements.

City of Alamo, Texas
Statement of Cash Flows
Proprietary Funds
For the Year Ended September 30, 2017

	Water and Sewer Fund
Cash Flows from Operating Activities:	
Charges for Services	\$ 4,041,898
Cash Received from Other Revenue	16,847
Wages and Taxes	(716,318)
Supplies and Other	(1,994,627)
Net Cash Provided (Used) by Operating Activities	1,347,800
Cash Flows from Non-Capital Financing Activities:	
Due From (To) Primary Government	(120,416)
Transfer From (To) Other Funds	(549,300)
Net Cash Provided (Used) by Non-capital Financing Activities	(669,716)
Cash Flows from Capital and Related Financing Activities:	
Principal Paid	1,022,440
Interest Paid	(187,236)
Net Cash Provided (Used) for Capital and Related Financing Activities	835,204
Cash Flows from Investing Activities:	
Capital Asset Acquisition	(645,040)
Gain (loss) on Sale of Assets	1,650
Interest and Dividends on Investments	16,681
Payments for Acquisition of Investments	(13,111)
Net Cash Provided (Used) for Investing Activities	(639,820)
Net Increase (Decrease) in Cash and Cash Equivalents	873,468
Cash and Cash Equivalents at Beginning of Year	1,396,865
Cash and Cash Equivalents at End of Year	2,270,333
Reconciliation of Operating Income to Net Cash	
Provided (Used) by Operating Activities:	
Operating Income (Loss)	772,368
Adjustments to Reconcile Operating Income to Net Cash	
Provided by Operating Activities	
Depreciation and amortization	602,956
Change in Assets and Liabilities:	
(Increase) Decrease in Receivables	(13,224)
(Increase) Decrease in Prepaid Expenses	(36,000)
(Increase) Decrease in Related to Pension	(2,077)
Increase (Decrease) in Accounts Payable	(155)
Increase (Decrease) in Customer Deposits	18,205
Increase (Decrease) in Wages and Salaries Payables	946
Increase (Decrease) in Compensated Absences	4,781
Total Adjustments	575,432
Net Cash Provided (Used) by Operating Activities	\$ 1,347,800

The notes to these statements are an integral part of these statements.

NOTES TO BASIC FINANCIAL STATEMENTS

City of Alamo, Texas
Notes to Financial Statements
For the year ended September 30, 2017

I. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

A. General Statement

The City of Alamo, Texas (City) was incorporated as a general law city in 1924. The charter established a City Manager form of government. The municipal government provided by the Charter of the City of Alamo shall be known as the Board of Commissioners. The Board of Commissioners shall consist of a Mayor and five Commissioners and which shall enact local legislation, adopt budgets, determine policies, and appoint the City Manager, who is held responsible to the Board of Commissioners for the execution of the laws and the administration of the government of the City.

The general governmental functions include law enforcement, fire and other public safety activities, streets, sanitation, public improvements, public charities, parks and recreation, library services, zoning and general administrative services. Enterprise fund is used to account for the operation of its utility operations.

The accounting and reporting policies of the City relating to the funds included in the accompanying basic financial statements conform to accounting principles generally accepted in the United States of America applicable to state and local governments. Generally accepted accounting principles for local governments include those principles prescribed by the Governmental Accounting Standards Board (GASB), the American Institute of Certified Public Accountants in the publication entitled Audits of State and Local Governmental Units by the Financial Accounting Standards Board (FASB), when applicable.

B. Financial Reporting Entity

The City's financial reporting entity comprises the following:

Primary Government: City of Alamo

The City's basic financial statements include the accounts of all City operations. The criteria for including organizations as component units with the City's reporting entity, as set forth in Section 2100 of GASB's Codification of Governmental and Financial Reporting Standards, include whether:

- The organization is legally separate (can sue and be sued in their own name)
- The City holds the corporate powers of the organization
- The City appoints a voting majority of the organization's board
- The City is able to impose its will on the organization
- The organization has the potential to impose a financial benefit/burden on the City
- There is fiscal dependency by the organization on the City

Blended Component Unit

Blended component units are separate legal entities that meet the component unit criteria described above and whose governing body is the same or substantially the same as the City Commission or the component unit provides services entirely to the City. These component units' funds are blended into those of the City's by appropriate activity type to compose the primary government presentation.

The City has one blended component unit, the Alamo Economic Development Corporation (AEDC).

Alamo Economic Development Corporation – (AEDC) is a nonprofit industrial development corporation organized for the purpose of promoting, assisting and enhancing economic development activities for the City as provided by the Development Corporation Act of 1979. Sales Taxes are collected under Section 4B of the Development Corporation Act of 1979 for these purposes. AEDC was incorporated on January 8, 1999. The AEDC board is fully appointed by the City Board of Commissioners. The reason it is a blended component unit is, because the City appoints all AEDC board members and can remove them at will, the AEDC board is substantially the same as the City governing body. A copy of their annual financial report can be requested and obtained in the office of the City of Alamo.

City of Alamo, Texas
Notes to Financial Statements
For the year ended September 30, 2017

I. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

C. Government-Wide and Fund Financial Statements

The government-wide financial statements include the statement of the net position and the statement of activities. These statements report information on all of the non-fiduciary financial information for the City and its component units. The primary government and component units are presented separately within the financial statements with the focus on the primary government. Eliminations have been made to minimize the double-counting of internal activities. Individual funds are not displayed, but the statements distinguish governmental activities (generally supported by taxes and the city general revenue) from business-type activities (generally financed in whole or in part with fees charged to external customers). The effect of interfund activity, within the governmental and business-type activities columns, has been removed from these statements.

The statement of activities demonstrates the degree to which the direct expenses of a given program are offset by program revenues. Direct expenses are those that are clearly identifiable with a specific function or program. Program revenues includes 1) charges to customers or applicants whose purchase, use, or directly benefit from goods, services, or privileges provided by a given program and 2) operating or capital grants and contributions that are restricted to meeting the operations or capital requirements of a particular program. Taxes and other items not properly included among program revenues are reported instead as general revenues.

The fund financial statements provide reports on the financial condition and results of operations about the City's funds, with separate statements presented for each fund category. The emphasis of fund financial statements is on major governmental funds, each displayed in a separate column. All remaining governmental funds are aggregated and reported as non-major funds.

Proprietary fund operating revenues, such as charges for services, result from exchange transactions associated with the principal activity of the fund. Exchange transactions are those in which each party receives and gives up essentially equal values. Non-operating revenues, such as subsidies and investment earnings, result from non-exchange transactions or ancillary activities.

D. Measurement Focus, Basis of Accounting, and Financial Statement Presentation

The financial statements of the City are prepared in accordance with generally accepted accounting principles (GAAP). The City's reporting entity applies all relevant GASB pronouncements and applicable FASB pronouncements and accounting Principles Board (APB) opinions issued on or before November 30, 1989, unless they conflict with GASB pronouncements. The City's reporting entity does not apply FASB pronouncements or APB pronouncements or APB opinions issued after November 30, 1989.

The government-wide statements and fund financial statements for proprietary funds are reported using the economic resources measurement focus and the accrual basis of accounting, as are the proprietary fund financial statements. The economic resources measurement focus means all assets and liabilities (whether current or non-current) and deferred outflows and inflows of resources are included on the statement of net position and the operating statements present increase (revenues) and decrease (expenses) in net total assets. Under the accrual basis of accounting, revenues are recognized when earned, including unbilled water and sewer services which are accrued. Expenses are recognized at the time the liability is incurred. 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 are reported using the current financial resources measurement focus and are accounted for using the modified accrual basis of accounting. Under the modified accrual basis of accounting, revenues are recognized when susceptible to accrual; i.e., when they become both measurable and available. "Measurable" means the amount of the transaction can be determined and "available" means collectible within the current period or soon enough thereafter to be used to pay liabilities of current period. The City considers property taxes as available if they are collected within 60 days after year-end. Expenditures are recorded when the related fund liability is incurred. However, debt service expenditures, as well as expenditures related to compensated absences are recorded only when payment is due. The revenues susceptible to accrual are property taxes, franchise taxes, licenses, charges for service, interest income and intergovernmental

City of Alamo, Texas
Notes to Financial Statements
For the year ended September 30, 2017

I. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

revenues. Sales taxes collected and held by the state at year-end on behalf of the government are also recognized as revenue. All other governmental fund revenues are recognized when received. Operating income reported in proprietary fund financial statements includes revenues and expenses related to the primary, continuing operations of the fund. Principal operating revenues for proprietary funds are charges to customers for sales or services. Principal operating expenses are the costs of providing goods and services and include administrative expenses and depreciation of capital assets. Other revenues and expenses are classified as non-operating in the financial statements.

When both restricted and unrestricted resources are available for use, it is the City's policy to use restricted resources first, then unrestricted resources as needed.

E. Fund Types and Major Funds

Governmental Funds

The City's basic financial statements include the accounts of all City operations. The criteria for including organizations

- *General Fund* – reports the primary fund of the City. This fund is used to account for all financial resources not reported in other funds.
- *Alamo Economic Development Corporation* – is a nonprofit industrial development corporation organized for the purpose of promoting, assisting and enhancing economic development activities for the City.

Proprietary Funds

The City reports the following major enterprise funds:

- *Water & Sewer Fund* – accounts for the provision of water and sewer services to the residents of the City.

Other Fund Types

Additionally, the city reports internal service funds which are used to account for the financing of goods or services provided by one department to other departments within the City on a cost-reimbursement basis. These services include fleet management. These are proprietary funds that are reported with governmental activities in the government-wide financial statements, because the majority of activity is for governmental activities. Direct expenses are not eliminated from the various functional categories, whereas indirect expenses are. Reimbursements are treated as reduction of expenses.

F. Assets, Liabilities and Net Position

1. Cash and Investments

Cash of all funds, including restricted cash, are pooled into common pooled accounts in order to maximize investment opportunities. Each fund whose monies are deposited in the pooled cash accounts has equity therein, and interest earned on the investment of these monies is allocated based upon relative equity at month end. An individual fund's pooled cash are available upon demand and are considered to be "cash equivalents" when preparing financial statements. All investments are recorded at fair value based on quoted market prices. Fair Value is the amount at which a financial instrument could be exchanged in a current transaction between willing parties.

2. Property Taxes

Property taxes are levied by October 1 on the assessed value listed as of the prior January 1 for all real and business personal property located in the City in conformity with Subtitle E, Texas Property Tax Code. Taxes are due on receipt of the tax bill and are delinquent if not paid before February 1 of the year following the year in which imposed. On January 31 of each year, a tax lien attaches to property to secure the payment of all taxes, penalties, and interest ultimately imposed. Property tax revenues are considered available when they become due or past due and receivable within the current period.

Taxable property includes real property and certain personal property situated in the City. Certain properties of religious, educational and charitable organizations, including the federal government and the State of Texas, are exempt from taxation.

City of Alamo, Texas
Notes to Financial Statements
For the year ended September 30, 2017

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Additionally, there are other exemptions as noted below in arriving at the total assessed valuation of taxable property. The valuations are subject to county-wide revaluation every five years. The effective rate is based upon the previous year's total assessed valuation.

Allowances for uncollectible tax receivables within the General and Debt Service funds are based upon historical experience in collecting property taxes. Uncollectible personal property taxes are periodically reviewed and included as part of the allowance for uncollectible; except for tax receivables over 20 year, the city is prohibited from writing off real property taxes without specific statutory authority from the Texas Legislature. The City does no write off tax receivable greater than 20 years.

3. Inventories

The inventories are recorded at cost and are accounted for by the consumption method.

4. Receivables and Payables

Activities between funds that are representative of lending/borrowing arrangements outstanding at the end of the fiscal year are referred to as either "due to/from other funds". Any residual balances outstanding between the governmental activities and business-type activities are reported in the governmental-wide financial statements as "internal balances." All trade and property tax receivables are shown net of an allowance for uncollectible.

5. Transactions between Funds

Legally authorized transfers are treated as interfund transfers and are included in the results of operations of both Governmental and Proprietary Funds.

6. Capital Assets

Capital assets include property, plant, and equipment, are reported in the applicable governmental or business-type activities columns in the government-wide financial statements and in the fund financial statements for proprietary funds. All capital assets are valued at historical cost or estimated historical cost if actual historical is not available. Donated assets are capital assets valued at their fair market value on the date donated. Repairs and maintenance are recorded as expenses. Renewals and betterments are capitalized. Interest has not been capitalized during the construction period on property, plant and equipment. Assets capitalized have an original cost of \$5,000 or more and over three years of useful life. Depreciation has been calculated on each class of depreciable property using the straight-line method. Estimated useful lives are as follows:

Buildings	50 Years
Infrastructure	30 Years
Improvements	20 Years
Water and Sewer System	30-50 Years
Machinery and Equipment	3-15 Years

7. Compensated Absences

The liability for compensated absences reported in the government-wide and proprietary fund statements consist of unpaid, accumulated annual and sick leave balances. The City's policy allows employees to accumulate unused sick leave and extra compensation time on an unlimited basis and vacation leave based on the number of years of full time employment with the City in accordance with the following chart:

Years of Employment	Pro-Rata Accrual Rate per Month
0-19 Years	10 hours (15 days per year)
20 & Over	13.33 hours (20 days per year)

Non-exempt employees may accumulate no more than a maximum of two years allotment of vacation leave as set above. Exempt employees can accumulate more than the maximum. Sick leave may be accrued but will not be paid out to employees that leave before retirement.

City of Alamo, Texas
Notes to Financial Statements
For the year ended September 30, 2017

I. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

8. Long-Term Obligations

In the government-wide, proprietary and component unit financial statements, long-term debt and other long-term obligations are reported as liabilities. Bond premiums and discounts, as well as issuance cost are deferred and amortized over the life of the bonds using the straight line method as the amount is immaterial against the effective interest method. Unamortized bond premium and discount, issuance cost and gain or loss on refunding are not netted against the liability, but recorded in the asset portion of the financial statements. In the fund financial statements, long-term liabilities are not recorded in the governmental funds as the payment of the obligations will not be made by current financial resources. The governmental fund financial statements recognize the proceeds of debt as other financing resources.

9. Restricted Assets

The proceeds and required reserves of debt issuances are recorded as restricted assets as they are restricted for debt service and/or capital projects, payments and /or purchases.

10. Net Position/ Fund Equity

In the fund financial statements, governmental funds report reservations of fund balance for amounts that are not available or are legally restricted by outsource parties for use for a specific purpose.

11. Estimates

The preparation of financial statements in accordance with generally accepted accounting principles requires the use of estimates by management.

12. General Fund's Fund Balance Policy

The City has adopted GASB 54 as part of its fiscal year ending September 30, 2011. Implementation of GASB 54 is required for all cities for the fiscal year ending 2011. The intention of the GASB is to provide a more structured classification of fund balance and to improve the usefulness of fund balance reporting to the users of the City's financial statements. The reporting standard establishes a hierarchy for fund balance classifications and the constraints imposed on the use of those resources. GASB 54 provides for two major types of fund balances which are non-spendable and spendable.

Non-spendable: Fund balances that cannot be spent because they are not expected to be converted to cash or they are legally or contractually required to remain intact. Examples of this classification are prepaid items, inventories, noncurrent advances to other funds that are not expected to be collected in the next fiscal year, and the principal (corpus) of an endowment fund. The City does not have any prepaid items or non-spendable funds related to an endowment. In addition to non-spendable fund balance, GASB 54 has provided a hierarchy of spendable fund balances, based on a hierarchy of spending constraints.

Restricted: Fund balances constrained by external parties, constitutional provisions, or enabling legislation. All of the City's restricted funds are from capital projects, debt service, economic development and special revenue funds, whose funds are revenues legally restricted for expenditures for a particular purpose.

Committed: Fund balances that contain self-imposed constraints of the government from its highest level of decision-making authority. The responsibility to commit funds rests with the elected City Commissioners and Mayor. Committed amounts cannot be used for any other purpose unless the governing board removes those constraints by taking the same type of formal action. The City has no committed fund balance as of September 30, 2016.

Assigned: Fund balances that contain self-imposed constraints of the government to be used for a particular purpose. The responsibility to assign funds rests with the City Manager.

Unassigned: Fund balances of the general fund that is not constrained for any particular purpose. This is also where negative amounts from the other categories of fund balance are recognized.

City of Alamo, Texas
Notes to Financial Statements
For the year ended September 30, 2017

I. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

When an expense is incurred for purposes for which both restricted and unrestricted net position are available, the City typically first applies restricted resources, as appropriate opportunities arise, but reserves the right to selectively defer the use thereof to a future project or replacement equipment acquisition. When an expense is incurred for which committed, assigned, or unassigned fund balances are available, the City considers amounts to have been spent first out of assigned then unassigned, and finally committed funds.

G. Pensions

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

II. STEWARDSHIP, COMPLIANCE AND ACCOUNTABILITY

A. Budgetary Data

The city follows the procedures outlined below in establishing budgetary data reflected in the financial statements:

Annual Budgets are legally adopted for all City funds with revenue and expense/expenditure activity. The City Charter states that between sixty (60) and ninety (90) days prior to the end of the fiscal year, the City Manager is required to submit to the Board of Commissioners a proposed operating budget for the fiscal year commencing the following October 1. The operating budget includes the proposed expenditures/expenses and the proposed method to finance them. Dates for public hearings, the purpose of which are to obtain taxpayer's comments are set by the Board of Commissioners at the same time the budget is submitted to that body. The Board of Commissioners may add to, subtract from or change appropriations, but may not change the form of the proposed budget. Any changes must be within the revenue and reserves estimated as available by the City Manager. Prior to September 25 of each year, the budget is legally enacted through the passage of an ordinance.

The appropriated budget is prepared by fund, function, and department. The City's department head's may make transfers of appropriations between/within a department in the same fund with the City Administrator's approval. Transfers of appropriations between funds require the approval of the Board of Commissioners. The legal level of budgetary control (i.e., the level at which expenditures may not legally exceed appropriations) is the fund level.

At any time during the fiscal year, the City Manager can reallocate expenditures within a fund without the approval of the Board of Commissioners. However, any revisions to the budget which increase the total budgeted expenditures/expenses within any fund must be approved by the Board of Commissioners.

The Board of Commissioners made several budget amendments during the fiscal year. The major reasons for the amendment were to increase or decrease the budget for revenues increase or decrease the budget for expenditures.

B. Budget Basis of Accounting

The City prepares its annual budget on a basis (budget basis), which differs from generally accepted accounting principles (GAAP Basis). The budget and all transactions are presented in accordance with the City's method (budget basis) in the Statement of Revenues, Expenditures and Changes in Fund Balances – Budget and Actual – General fund to provide a meaningful comparison of actual results with the budget. The major differences between budget and GAAP basis are debt service transactions, capital outlay purchases and the recording of bond and loan proceeds.

City of Alamo, Texas
Notes to Financial Statements
For the year ended September 30, 2017

II. STEWARDSHIP, COMPLIANCE AND ACCOUNTABILITY

C. Excess of General Fund Expenditures over Appropriations

At September 30, 2017, general fund total expenditures were below budget appropriations by \$21,632 and actual revenues exceeded budgeted revenues by \$31,335. Actual expenditures for the year exceeded actual revenues by \$238,545, after other financing sources.

D. Finance-Related Legal and Contractual Provisions

In accordance with GASB Statement No. 38, "Certain Financial Statement Note Disclosures", violations of finance-related legal and contractual provisions, if any, are reported below, along with actions taken to address such violations:

<u>Violation</u>	<u>Action Taken</u>
None	Not Applicable

E. Deficit Fund Equity / Net Position

There were not any funds with a deficit fund balance/net position.

III. DETAILED NOTES ON FUNDS AND COMPONENT UNITS

A. Cash and Cash Equivalents—

1. Deposits and Investments

City's funds are required to be deposited and invested under the terms of a depository contract and investment policy pursuant to state statute. The depository bank deposits for safekeeping and trust with its agent approved pledged securities authorized by Chapter 2257 Collateral for Public Funds of the Government Code 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 dollar amount of Federal Deposit Insurance Corporation (FDIC) insurance.

At September 30, 2017, the carrying amount of the City's deposits was \$5,893,015.

The City has one depository account: Frost Bank

Custodial credit risk is the risk that in the event of a bank failure, the City's deposits may not be returned to it. The City has a policy of maintaining contact with the trust department of its depository agency to eliminate all custodial credit risk.

The highest cash balance for the city occurred February 3, 2017 in the amount of \$6,044,000 and was fully collateralized by pledged securities in the amount of \$6,161,999. As of September 30, 2017, the City's bank balance of \$5,117,549, was not exposed to custodial credit risk and was fully insured and fully collateralized by \$250,000 FDIC insurance and \$6,161,999 of pledged securities.

City of Alamo, Texas
Notes to Financial Statements
For the year ended September 30, 2017

III. DETAILED NOTES ON FUNDS AND COMPONENT UNITS (continued)

B. Investments

The City of Alamo, Texas is required by Government Code Chapter 2256, The Public Funds Investment Act, 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, and (9) bid solicitation preferences for certificates of deposit.

The Public Investment Act ("Act") requires an annual audit of investment practices. The City has adopted a deposit and investment policy. Audit procedures in this area conducted as a part of the audit of the basic financial statements disclosed that in the areas of investment practices, management reports and establishment of appropriate policies, the City adhered to the requirements of the Act.

A total of \$5,911,826 was invested in TexPool as of September 30, 2017.

The Act determines the types of investments which are allowable for the City:

- 1) Obligations of, or guaranteed by, governmental entities as permitted by Government Code 2256.009
- 2) Certificates of deposit and share certificates as permitted by Government Code 2256.010
- 3) Fully collateralized repurchase agreements as permitted by Government Code 2256.011
- 4) A securities lending program as permitted by Government Code 2256.0115
- 5) Banker's acceptances as permitted by Government Code 2256.012
- 6) Commercial paper as permitted by Government Code 2256.013
- 7) No-load money market mutual funds and no-load mutual funds as permitted by Government Code 2256.014
- 8) A guaranteed investment contract as an investment vehicle for bond proceeds, provided it meets the criteria and eligibility requirements as established by Government Code 2256.015
- 9) Public funds investment pools as permitted by Government Code 2256.016

State law and the City's Investment Policy restrict depository time and demand deposits to those fully collateralized or FDIC insured from eligible depositories (banks) doing business in Texas. By policy, depository CDs are limited to maturities not exceeding two (2) years and require collateralization to 102% with pledged securities (and 110% if collateral is a mortgage backed security). All collateral is to be held by an independent custodian. The pledging bank is contractually responsible for monitoring and maintaining the collateral margins daily. Brokered CD securities must be FDIC insured and delivered versus payment to the City's depository. The maximum maturity for brokered CDs is one year and FDIC insurance must be verified before purchase. The policy requires that FDIC status of the brokered CD banks be monitored weekly and any mergers exposing the City to non-FDIC coverage requires immediate liquidation.

State law and the City's adopted Investment Policy limit repurchase agreements to primary dealers or banks doing business in Texas. The policy requires independent safekeeping of collateral, and a 102% margin on collateral. Repurchase agreements are limited to a maximum maturity of three (3) years executed under a Master Repurchase Agreement.

City of Alamo, Texas
Notes to Financial Statements
For the year ended September 30, 2017

III. DETAILED NOTES ON FUNDS AND COMPONENT UNITS (continued)

B. Investments (continued)

Constant dollar, local-government investment pools, as by state law (2256.016) and approved by the adopted Policy are authorized. By state law, all local government pools are rated AAA or equivalent by at least one NRSRO (Nationally Recognized Securities Ratings Organization). All pools by Policy must strive to maintain a \$1 NAV. Debt issued by states, local governments and other political subdivisions must be general obligations of the issuer and be rated A or better by at least one NRSRO and are restricted to two (2) years to maturity. AAA rated, SEC registered money market mutual funds are authorized if they strive to maintain a \$1 NAV. The Qualified School Construction Note Funds are defined as a separate sub-portfolio which has a maximum stated maturity and weighted average maturity of five (5) years. The policy restricts all other investments to a maximum stated maturity of two (2) years and also restricts the portfolio to a weighted average maturity of 180 days.

As of September 30, 2017:

- Holdings in Agencies represented 70% of the total portfolio.
- Holdings in Repurchase Agreements represent 23.9% of the total portfolio.
- Holdings in Money Market funds represented 2.6% of the portfolio.
- Holdings in U.S Treasury obligations represented 3.5% of the total portfolio.

GASB Statement No. 40 requires a determination as to whether the City was exposed to the following specific investment risks at year end and if so, the reporting of certain related disclosures:

- **Interest Rate Risk:** Interest-rate risk reduces the exposure to changes in interest rates that could adversely affect the value of investments. The City shall use final and weighted-average maturity data. In order to limit interest and market rate risk from changes in interest rates, the City's adopted Investment Policy sets a maximum maturity of two (2) years. The total portfolio has a dollar weighted average maturity (WAM) limit of 180 days. The investment in the QSCN Reserve Fund has a maturity of 667 days in keeping with its specific policy and goals. the City's investment in TexPool are available daily.
- **Credit Risk:** Credit risk is the risk that an issuer or other counterparty to an investment will not fulfill its obligations. The ratings of securities by nationally recognized agencies are designed to give an indication of credit risk. At year end, the City was not exposed to credit risk.
- **Custodial Credit Risk:** Deposits and investments are exposed to custodial credit risk if they are not covered by depository insurance and the deposits and investments are uncollateralized, collateralized with securities held by the pledging financial institution, or collateralized with securities held by the pledging financial institution's trust department or agent but not in the City's name. At year end, the City was not exposed to custodial credit risk.
- **Concentration of Credit Risk:** The investment policy of the City contains no limitations on the amount that can be invested in any one issuer beyond that stipulated by the Public Funds Investment Act.
- **Foreign Currency Risk:** This is the risk that exchange rates will adversely affect the fair value of an investment. At year end, the City was not exposed to foreign currency risk.

The City's general policy is to report money market investments and short-term participating interest-earning investment contracts at amortized cost and to report nonparticipating interest-earning investment contracts using a cost-based measure. However, if the fair value of an investment is significantly affected by the impairment of the credit standing of the issuer or by other factors, it is reported at fair value. All other investments are reported at fair value unless a legal contract exists which guarantees a higher value.

City of Alamo, Texas
Notes to Financial Statements
For the year ended September 30, 2017

III. DETAILED NOTES ON FUNDS AND COMPONENT UNITS (continued)

B. Investments (continued)

The term "short-term" refers to investments which have a remaining term of one year or less at the time of purchase. The term "nonparticipating" means that the investment's value does not vary with market interest rate changes. Nonnegotiable certificates of deposit are examples of nonparticipating interest-earning investment contracts.

Public Funds Investment Pools

Public funds investment pools in Texas ("Pools") are established under the authority of the Interlocal Cooperation Act, Chapter 79 of the Texas Government Code, and are subject to the provisions of the Public Funds Investment Act (the "Act"). Chapter 2256 of the Texas Government Code, in addition to other provisions of the Act designed to promote liquidity and safety of principal, the Act requires Pools to: 1) have an advisory board composed of participants in the pool and other persons who do not have a business relationship with the pool and are qualified to advise the pool; 2) maintain a continuous rating of no lower than AAA or AAA-m or an equivalent rating by at least one nationally recognized rating service; and 3) maintain the market value of its underlying investment portfolio within one half of one percent of the value of its shares.

The City's investment in Pools are reported at an amount determined by the fair value per share of the pool's underlying portfolio, unless the pool is 2a7-like, in which case they are reported at amortized cost. A 2a7-like pool is one which is not registered with the Securities and Exchange Commission ("SEC") as an investment company, but nevertheless has a policy that it will, and does, operate in a manner consistent with the SEC's Rule 2a7 of the Investment Company Act of 1940.

Texas Local Government Investment Pool (TexPool), which is a local government investment pool that was established in conformity with the Interlocal Cooperation Act, Chapter 791 of the Texas Government Code, and operates under the Public Funds Investment Act, Chapter 2256 of the Texas Government Code. The State Comptroller of Public Accounts oversees TexPool. Federated Investors, Inc. is the administrator and investment manager of TexPool under a contract with the State Comptroller. In accordance with the Public Funds Investment Act, the State Comptroller has appointed the TexPool Investment Advisory Board to advise with respect to TexPool. The board is composed equally of participants in TexPool Portfolios and other persons who do not have a business relationship with TexPool Portfolios and are qualified to advise in respect to TexPool Portfolios. The Advisory Board members review the investment policy and management fee structure. TexPool is rated AAAM by Standard & Poor's and operates in a manner consistent with the SEC's Rule 2a7 of the Investment Company Act of 1940. All investments are stated at amortized cost, which usually approximates the market value of the securities. The stated objective of TexPool is to maintain a stable average of \$1.00 per unit net asset value; however, the \$1.00 net asset value is not guaranteed or insured. The financial statements can be obtained from the Texas Trust Safekeeping Trust Company website at www.ttstc.org.

The City's investments at September 30, 2017 are shown below:

Reported At	Description	Reported Amount	Weighted Average Maturity (days)	Standard & Poor's Rating	Concentration of Credit Risk
Market Value	TexPool Investment Fund	\$ 5,911,827	30	AAA-m	100.0%

City of Alamo, Texas
Notes to Financial Statements
For the year ended September 30, 2017

III. DETAILED NOTES ON FUNDS AND COMPONENT UNITS (continued)

C. Disaggregation of Receivables

Receivables for the City at September 30, 2017, were as follows:

Governmental Funds	Accounts Receivable	Allowance for Uncollectible	Total (Net)
Property Taxes	\$ 490,533	\$ 49,053	\$ 441,480
Sales Taxes	583,643	-	583,643
Franchise Taxes	59,787	-	59,787
Court Fines and Fees	588,065	294,032	294,033
Note Receivables	598,874	-	598,874
Utility Customers	228,309	-	228,309
Other Sources	995,138	-	995,138
	<u>\$ 3,544,349</u>	<u>\$ 343,085</u>	<u>\$ 3,201,264</u>

Business-Type- Funds	Accounts Receivable	Allowance for Uncollectible	Total (Net)
Utility Customers	\$ 540,933	\$ 160,097	\$ 380,836
Other Sources	3,062	-	3,062
	<u>\$ 543,995</u>	<u>\$ 160,097</u>	<u>\$ 383,898</u>

D. Deferred Inflows of Resources & Unearned Revenues

Governmental funds defer revenue recognition in connection with resources that have been received, but not yet earned. At the end of the year, the various components of deferred revenue and unearned revenue reported in the fund financial statements were as follows:

1. Deferred Inflows of Resources

Deferred Inflows Description	General Fund	Debt Service Fund	Total
Property Taxes	\$ 342,776	\$ 74,392	\$ 417,168
Court Fines	294,032	-	294,032
Total	<u>\$ 636,808</u>	<u>\$ 74,392</u>	<u>\$ 711,200</u>
Total Deferred Inflows for Primary Government			<u>\$ 711,200</u>

2. Unearned Revenues

Unearned Revenues Description	General Fund	Asset Forfeitures	Total
Grant Advance	\$ -	\$ -	\$ -
Asset Forfeiture	-	5,181	5,181
Total	<u>\$ -</u>	<u>\$ 5,181</u>	<u>\$ 5,181</u>
Total Unearned Revenues for Primary Government			<u>\$ 5,181</u>

City of Alamo, Texas
Notes to Financial Statements
For the year ended September 30, 2017

III. DETAILED NOTES ON FUNDS AND COMPONENT UNITS (continued)

E. Due from Other Funds

The City reports interfund balances between many of its funds. The total of all balances agrees with the sum of interfund balances presented in the statements of net position/balance sheets for governmental and enterprise funds. The interfund balances are operational and short-term in nature. Interfund balances at September 30, 2017 consisted of the following:

		Due from				
		General Fund	Economic Development	Hotel Motel Fund	Water & Sewer Fund	Totals
Due To	General Fund	\$ 284,951	\$ 1,188	\$ 2,297	\$ 107,306	\$ 395,742
	Total Governmental Funds	284,951	1,188	2,297	107,306	395,742
	Water and Sewer Fund	137,321	-	-	-	137,321
	Total Enterprise Funds	137,321	-	-	-	137,321
	Totals	\$ 422,272	\$ 1,188	\$ 2,297	\$ 107,306	\$ 533,063

F. Interfund Transfers

The City reports interfund transfers between many of its funds. Interfund transfers for the year ended September 30, 2017, consisted of the following:

		Transfers Out			
		General Fund	Economic Development	Water & Sewer Fund	Totals
Transfers In	General Fund	\$ -	\$ 40,000	\$ 350,000	\$ 390,000
	Debt Service Funds	-	495,863	199,300	695,163
	TIRZ Fund	50,000	-	-	50,000
	Total Governmental Funds	\$ 50,000	\$ 535,863	\$ 549,300	\$ 1,135,163

Transfers From	Transfers To	Amount	Reason
AEDC	General Fund	\$ 40,000	Administration Fee.
AEDC	Debt Service Fund	495,863	To provide resources for repayment of Certificate of Obligations Series 2008 & 2013.
General Fund	TIRZ	50,000	To provide resources for Annual Contribution for property tax.
Enterprise Fund	General Fund	350,000	To provide resources for administration fees Reinvestment Zone.
General Fund	Debt Service Fund	199,300	To provide resources for repayment of certificate of obligations Series 2012A
	Total	\$ 1,135,163	

Notes to the financials continue on next page

City of Alamo, Texas
Notes to Financial Statements
For the year ended September 30, 2017

III. DETAILED NOTES ON FUNDS AND COMPONENT UNITS (continued)

G. Capital Assets

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

Primary Government

Governmental Activities:

Capital Assets not being depreciated:

	Beginning Balances	Increases	Decreases	Ending Balances
Land and right of way	\$ 1,731,590	\$ -	\$ -	\$ 1,731,590
Construction in Progress	1,832,650	1,535,118	(1,645,238)	1,722,530
Total capital assets, not being depreciated	3,564,240	1,535,118	(1,645,238)	3,454,120

Capital assets, being depreciated:

Building and Improvements	13,022,298	12,691	-	13,034,989
Vehicles	2,820,861	243,938	(238,168)	2,826,631
Machinery & Equipment	2,266,168	265,948	-	2,532,116
Infrastructure	12,524,166	2,314,721	-	14,838,887
Total capital assets, being depreciated	30,633,493	2,837,298	(238,168)	33,232,623

Less accumulated depreciation for:

Buildings and Improvement	(3,313,739)	(305,968)	-	(3,619,707)
Vehicles	(2,080,501)	(163,913)	235,266	(2,009,148)
Machinery & Equipment	(1,021,903)	(128,633)	-	(1,150,536)
Infrastructure	(3,382,337)	(351,969)	-	(3,734,306)
Total accumulated depreciation	(9,798,480)	(950,483)	235,266	(10,513,697)
Total capital assets, being depreciated, net	20,835,013	1,886,815	(2,902)	22,718,926
Governmental activities capital assets, net	\$ 24,399,253	\$ 3,421,933	\$ (1,648,140)	\$ 26,173,046

Business-Type Activities

Capital Assets not being depreciated:

	Beginning Balances	Increases	Decreases	Ending Balances
Land and right of way	\$ 2,943,078	\$ -	\$ -	\$ 2,943,078
Construction in Progress	142,996	96,513	(126,948)	112,561
Total capital assets, not being depreciated	3,086,074	96,513	(126,948)	3,055,639

Capital assets, being depreciated:

Building and Improvements	4,838,176	-	-	4,838,176
Vehicles	227,077	47,617	(41,577)	233,117
Machinery & Equipment	1,447,909	442,409	(255,733)	1,634,585
Infrastructure	25,243,332	185,450	-	25,428,782
Total capital assets, being depreciated	31,756,494	675,476	(297,310)	32,134,660

Less accumulated depreciation for:

Buildings and Improvement	(1,426,621)	(105,137)	-	(1,531,758)
Vehicles	(134,560)	(23,720)	41,577	(116,703)
Machinery & Equipment	(806,030)	(139,804)	255,733	(690,101)
Infrastructure	(5,249,232)	(334,296)	-	(5,583,528)
Total accumulated depreciation	(7,616,443)	(602,957)	297,310	(7,922,090)
Total capital assets, being depreciated, net	24,140,051	72,519	-	24,212,570
Business-Type capital assets, net	\$ 27,226,125	\$ 169,032	\$ (126,948)	\$ 27,268,209

Total Primary Government Total

	\$ 51,625,378	\$ 3,590,965	\$ (1,775,088)	\$ 53,441,255
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City of Alamo, Texas
Notes to Financial Statements
For the year ended September 30, 2017

III. DETAILED NOTES ON FUNDS AND COMPONENT UNITS (continued)

G. Capital Assets

Depreciation expense was charged to functions of the governmental activities as follows:

Expenditures	Depreciation By Function
General Government	\$ 397,245
Public Safety	367,376
Highways and Streets	55,948
Health and Welfare	21,677
Culture and Recreation	74,732
Economic Development	33,505
Total Allocable Expenditures	\$ 950,483

H. Long Term Obligations

The following schedule summarizes the changes in long-term debt, pension liability, and compensated absences as of September 30, 2017:

<u>Governmental Activities</u>	Original	Final	Coupon	Original	Outstanding
Description	Issue	Maturity	Rate %	Issue	Balance 9/30/17
Bond Series 2008	4/17/2008	2/15/2028	3.75%	3,000,000	1,945,000
Bond Series 2012 - A	12/1/2012	2/15/2032	2.00% - 3.00%	7,075,000	5,670,000
Bond Series 2013	1/15/2013	2/15/2026	2.00% - 3.25%	3,835,000	2,730,000
				\$ 13,910,000	\$ 10,345,000
Interest paid on bonded indebtedness during the current year was				\$ 315,613	

Deferred Outflow/Inflow of Resources	Beginning Balance	Increase	Decrease	Ending Balance
Unamortized Premium / Discount	\$ (474,376)	\$ -	\$ 36,428	\$ (437,948)
Unamortized Loss on Refunding of Debt	88,347		8,835	79,512

<u>Business-Type Activities</u>	Original	Final	Coupon	Original	Outstanding
Description	Issue	Maturity	Rate %	Issue	Balance 9/30/17
W & S. Bond Series 2000	6/1/2000	8/1/2040	4.50%	\$ 2,967,000	\$ 2,333,000
Bond Series 2007	10/18/2007	3/1/2027	2.20% - 2.75%	4,000,000	2,345,000
Bond Series 2012	4/2/2012	3/1/2022	0.008% - 2.48%	279,000	153,000
Bond Series 2017	3/30/2017	3/1/2037	.120% - 2.87%	1,000,000	1,000,000
				\$ 8,246,000	\$ 5,831,000
Interest paid on bonded indebtedness during the current year was				\$ 181,673	

Deferred Outflow/Inflow of Resources	Beginning Balance	Increase	Decrease	Ending Balance
Unamortized Premium / Discount	\$ (18,164)	\$ -	\$ 432	\$ (17,732)

Notes to the financials continue on next page

City of Alamo, Texas
Notes to Financial Statements
For the year ended September 30, 2017

III. DETAILED NOTES ON FUNDS AND COMPONENT UNITS (Continued)

H. Long Term Obligations (continued)

<u>Governmental Activities</u> Description	Outstanding Balance 10/01/16	Issued Current	Retired Current	Outstanding Balance 9/30/17	Amounts Due Within One year
Bond Series 2008	\$ 2,085,000	-	140,000	1,945,000	145,000
Bond Series 2012 - A	6,030,000	-	360,000	5,670,000	370,000
Bond Series 2013	3,075,000	-	345,000	2,730,000	355,000
Total Bonds Payable	\$ 11,190,000	\$ -	\$ 845,000	\$ 10,345,000	\$ 870,000

<u>Business-Type Activities</u> Description	Outstanding Balance 10/01/16	Issued Current	Retired Current	Outstanding Balance 9/30/2017	Amounts Due Within One year
W & S, Bond Series 2000	\$ 2,389,000	\$ -	\$ 56,000	\$ 2,333,000	\$ 59,000
Bond Series 2007	2,545,000	-	200,000	2,345,000	205,000
Bond Series 2012	180,000	-	27,000	153,000	28,000
Bond Series 2017	-	1,000,000	-	1,000,000	45,000
Total Bonds Payable	\$ 5,114,000	\$ 1,000,000	\$ 283,000	\$ 5,831,000	\$ 337,000

<u>Governmental Activities</u> Obligation	Beginning Balance	Increases	Decreases	Ending Balance	Amounts Due Within One year
General Obligation Bonds	\$ 11,190,000	\$ -	\$ 845,000	\$ 10,345,000	\$ 870,000
Capital Leases	334,204	898,198	419,745	812,657	173,863
Loan Payables	677,564	-	24,310	653,254	24,554
Sick and Vacation Leave	330,581	242,913	215,532	357,962	-
Total Governmental Activities	\$ 12,532,349	\$ 1,141,111	\$ 1,504,587	\$ 12,168,873	\$ 1,068,417

<u>Business-Type Activities</u> Obligation	Beginning Balance	Increases	Decreases	Ending Balance	Amounts Due Within One year
General Obligation Bonds	\$ 5,114,000	\$ 1,000,000	\$ 283,000	\$ 5,831,000	\$ 337,000
Capital Leases	8,017	421,905	116,464	313,457	124,262
Sick and Vacation Leave	36,626	35,790	31,013	41,403	-
Total Business-Type Activities	\$ 5,158,643	\$ 1,457,695	\$ 430,477	\$ 6,185,860	\$ 461,262

<u>Governmental Activities</u> Obligation	Beginning Balance	Increases	Decreases	Ending Balance
**Net Pension Liability	\$ 2,352,072	\$ -	\$ 598,740	\$ 1,753,332

<u>Business-Type Activities</u> Obligation	Beginning Balance	Increases	Decreases	Ending Balance
**Net Pension Liability	\$ 150,132	\$ -	\$ 105,660	\$ 44,472

** Per GASB 68, beginning balance for net pension liability includes the restatement of net pension liability at September 30, 2016

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City of Alamo, Texas
Notes to Financial Statements
For the year ended September 30, 2017

III. DETAILED NOTES ON FUNDS AND COMPONENT UNITS (Continued)

I. Debt Service Requirements

Debt service requirements of bonds and capital leases payables at September 30, 2017 are as follows:

Certificates of Obligation Payable

Year Ended September 30,	Governmental Activities			Business-Type Activities		
	Principal	Interest	Total	Principal	Interest	Total
2018	\$ 870,000	\$ 295,082	\$ 1,165,082	\$ 337,000	\$ 185,576	\$ 522,576
2019	885,000	273,163	1,158,163	351,000	177,105	528,105
2020	920,000	249,631	1,169,631	360,000	168,069	528,069
2021	945,000	223,356	1,168,356	369,000	158,466	527,466
2022	815,000	197,713	1,012,713	378,000	148,325	526,325
2023-2027	3,900,000	604,150	4,504,150	1,883,000	581,104	2,464,104
2028-2032	2,010,000	141,933	2,151,933	757,000	367,596	1,124,596
2033-2037	-	-	-	914,000	208,000	1,122,000
2038-2042	-	-	-	482,000	40,725	522,725
Total Certificates of Obligation Payable	\$ 10,345,000	\$ 1,985,028	\$ 12,330,028	\$ 5,831,000	\$ 2,034,966	\$ 7,865,966

Capital Leases Payable

Year Ended September 30,	Governmental Activities			Business-Type Activities		
	Principal	Interest	Total	Principal	Interest	Total
2018	\$ 173,863	\$ 16,620	\$ 190,483	\$ 124,262	\$ 6,787	\$ 131,049
2019	177,638	12,844	190,482	124,726	4,037	128,763
2020	181,496	8,986	190,482	24,749	1,225	25,974
2021	185,437	5,045	190,482	25,287	688	25,975
2022	92,639	1,018	93,657	14,433	139	14,572
Total Capital Leases Payable	\$ 811,073	\$ 44,513	\$ 855,586	\$ 313,457	\$ 12,876	\$ 326,333

Loan Payable

Year Ended September 30,	Governmental Activities		
	Principal	Interest	Total
2018	\$ 24,554	\$ 6,294	\$ 30,848
2019	24,799	6,048	30,847
2020	25,047	5,800	30,847
2021	25,298	5,550	30,848
2022	25,551	5,550	31,101
2023-2027	131,638	23,903	155,541
2028-2032	138,353	17,254	155,607
2033-2037	145,410	10,267	155,677
2038-2042	112,604	2,944	115,548
Total Loans Payable	\$ 653,254	\$ 83,610	\$ 736,864

Notes to the financials continue on next page

City of Alamo, Texas
Notes to Financial Statements
For the year ended September 30, 2017

III. DETAILED NOTES ON FUNDS AND COMPONENT UNITS (Continued)

J. Notes Receivable – AEDC Blended Component Unit

In an effort to provide local economic development and stimulate business and commercial activity within the City, AEDC has accepted notes from various businesses. These notes provide assistance to small and emerging private business in the City. The balance in accounts and notes receivables at September 30, 2017 is \$598,874. A detail of the loans is shown below:

Note	Outstanding Balance As of 10/1/2016	Increases	Decreases	Outstanding Balance As of 9/30/2017
New Generation Loan Dated, December 13, 2010, for the amount of \$150,000 at an interest rate of 5.00% with maturity on January 1, 2021.	\$ 75,738	\$ 3,235	\$ 20,947	\$ 58,026
V Day Spa Loan Dated, January 25, 2011, for the amount of \$125,000 at an interest rate of 5.00% with maturity on February 1, 2021.	63,476	332	13,052	50,756
Soleil Rehab Loan Dated, January 14, 2011, for the amount of \$150,000 at an interest rate of 5.00% with maturity on February 1, 2021.	76,345	12,235	9,931	78,649
NIKODEE II, LLC Loan Dated, April 17, 2012, for the amount of \$150,000 at an interest rate of 5.00% with maturity on May 1, 2019.	63,390	-	23,789	39,601
Poncho's Central Kitchen, LLC Loan Dated, September 30, 2012, for the amount of \$175,000 at an interest rate of 5.00% with maturity on October 1, 2022.	126,720	-	16,547	110,173
Aaron's Mobile Home Transport Loan Dated, April 26, 2014, for the amount of \$150,000 at an interest rate of 4.00% maturing on March 1, 2024.	94,805	-	21,939	72,866
The Original Willie's Inc .Loan Dated, May 19, 2016, for the amount of \$140,000 at an interest rate of 4% maturing on August 1, 2026.	138,586	-	11,621	126,965
Speedway Performance Motors, LLC Loan Dated March 21, 2017, for the amount of \$65,000 at an interest rate of 6.5% maturing on April 1, 2027	-	65,000	3,162	61,838
Totals	<u>\$ 639,060</u>	<u>\$ 80,802</u>	<u>\$ 120,988</u>	<u>\$ 598,874</u>

Notes to the financials continue on next page

City of Alamo, Texas
Notes to Financial Statements
For the year ended September 30, 2017

IV. OTHER INFORMATION

A. 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 (workman's compensation), and natural disasters. During the fiscal year, the City obtained general liability coverage at a cost that is considered to be economically justifiable by joining together with other governmental entities in the State as a member of the Texas Municipal League Intergovernmental Risk Pool (TML). TML is a self-funded pool operating as a common risk management and insurance program. The City pays an annual premium to TML for its above insurance coverage. The agreement for the formation of TML provides that TML will be self-sustaining through member premiums and will reinsure through commercial companies for claims in excess of acceptable risk levels; however, each category of coverage has its own level of reinsurance. The City continues to carry commercial insurance for other risks of loss. There were no significant reductions in commercial insurance coverage in the past fiscal year and settled claims resulting from these risks have not exceeded coverage in any of the past three fiscal years. A copy of TML's comprehensive annual report may be obtained by request at the following address:

Texas Municipal League
 1821 Rutherford Lane, Suite 400
 Austin, TX 78754-5128

B. Defined Benefit Pension Plans

1. Plan Description

The City participates as one of 860 plans in the non-traditional, joint contributory, hybrid defined benefit plan administered by the Texas Municipal Retirement System (TMRS). TMRS is an agency created by the State of Texas and administered in accordance with the TMRS Act, Subtitle G, Title 8, Texas Government Code (the TMRS Act) as an agent multiple-employer retirement system for municipal employees in the State of Texas. The TMRS Act places the general administration and management of the System with a six-member Board of Trustees. Although the Governor, with the advice and consent 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 Sections 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.

2. Benefits Provided

TMRS provides retirement, disability, and death benefits. Benefit provisions are adopted by the governing body of the City, within the options available in the state statutes governing TMRS.

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

	<u>Plan Year 2017</u>	<u>Plan Year 2016</u>
Employee deposit rate	5.00%	5.00%
Matching ratio (city to employee)	1.5 to 1	1.5 to 1
Years required for vesting	5	5
Retirement Eligibility (Age/Service)	60/5, 0/20	60/5, 0/20
Updated Service Credit	100% Repeating Transfers	100% Repeating Transfers
Annuity Increase (to retirees)	70% of CPI Repeating	70% of CPI Repeating
Supplemental Death Benefit to Active Employees	Yes	Yes
Supplemental Death Benefit to Retirees	Yes	Yes

City of Alamo, Texas
Notes to Financial Statements
For the year ended September 30, 2017

IV. OTHER INFORMATION (continued)

3. Contributions

The Contribution rates for employees in TMRS are either 5%, 6%, or 7% of employee gross earnings, and the City matching percentages are either 100%, 150%, or 200%, both as adopted by the governing body of the City. Under the state law governing TMRS, the contribution rate for each city is determined annually by the actuary, using the Entry Age Normal (EAN) actuarial cost method. The actuarially determined rate is the estimated amount necessary to finance the cost of benefits earned by employees during the year, with an additional amount to finance any unfunded accrued liability.

Employees for the City of Alamo, Texas were required to contribute 5% of their annual gross earnings during the fiscal year. The contribution rates for the City of Alamo, Texas were 7.50% and 7.50% in calendar years 2016 and 2017, respectively. The City's contributions to TMRS for the year ended September 30, 2017, were \$331,899, and were equal to the required contributions.

4. Net Pension Liability

The City's Net Pension Liability (NPL) was measured as of December 31, 2017, and the Total Pension Liability (TPL) used to calculate the Net Pension Liability was determined by an actuarial valuation as of that date.

Actuarial assumptions:

The Total Pension Liability in the December 31, 2016 actuarial valuation was determined using the following actuarial assumptions:

Methods and Assumptions Used to Determine Contribution Rates	
Actuarial Cost Method	Entry Age Normal
Amortization Method	Level Percentage of Payroll, Closed
Remaining Amortization Period	29 years
Asset Valuation Method	10 year smoothed market; 15% soft corridor
Inflation	2.50%
Salary Increases	3.50% to 10.5% including inflation
Investment Rate of Return	6.75%
Retirement Age	Experience-based table of rates that are specific to the City's plan of benefits. Last updated for the 2015 valuation pursuant to an experience study of the period 2010-2014.
Mortality	RP2000 Combined Mortality Table with Blue Collar Adjustment with male rates multiplied by 109% and female rates multiplied by 103% and projected on a fully generational basis with scale BB.
Other Information	
Notes	There were no benefit changes during the year.

Actuarial assumptions used in the December 31, 2016, valuation were based on the results of actuarial experience studies. The experience study in TMRS was for the period December 31, 2010 through December 31, 2014, first used in the December 31, 2015 actuarial valuation. Healthy post-retirement mortality rates and annuity purchase rates were updated based on a Mortality Experience Investigation Study covering 2009 through 2011, and dated December 31, 2013. These assumptions were first used in the December 31, 2013 valuation, along with a change to the Entry Age Normal (EAN) actuarial cost method. Assumptions are reviewed annually. No additional changes were made for the 2015 valuation.

The long-term expected rate of return on pension plan investments is 6.75%. The pension plan's policy in regard to the allocation of invested assets is established and may be amended by the TMRS Board of Trustees. Plan assets are managed on a total return basis with an emphasis on both capital appreciation as well as the production of income, in order to satisfy the short-term and long-term funding needs of TMRS.

City of Alamo, Texas
Notes to Financial Statements
For the year ended September 30, 2017

IV. OTHER INFORMATION (continued)

B. Defined Benefit Pension Plans (continued)

4. Net Pension Liability (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 assets 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 assets allocation percentage and by adding expected inflation.

The target allocation rates of return for each major asset class are summarized in the following table:

Asset Class	Minimum Allocation	Target Allocation	Maximum Allocation
U.S. Equity	12.5%	17.5%	22.5%
International Equity	12.5%	17.5%	22.5%
Core Fixed Income	5%	10%	15%
Non-Core Fixed Income	15%	20%	25%
Real Return	5%	10%	15%
Real Estate	5%	10%	15%
Absolute Return	5%	10%	15%
Private Equity	0%	5%	10%
Cash Equivalent	0%	0%	10%
Total		100%	

Discount Rate

The discount rate used to measure the Total Pension Liability was 6.75%. 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.

At September 30, 2017, the City reported a net pension liability of \$1,797,804.

Net Pension Liability	12/31/2016	12/31/2015
Total Pension Liability	\$ 9,889,636	\$ 9,224,929
Plan Fiduciary Net Position	8,091,832	7,315,261
Net Pension Liability	\$ 1,797,804	\$ 1,909,668
Plan Fiduciary Net Position as a Percentage of Total Pension Liability	81.82%	79.30%
Net Pension Liability as a Percentage of Covered Payroll	41.17%	43.95%

Notes to the financials continue on next page

City of Alamo, Texas
Notes to Financial Statements
For the year ended September 30, 2017

IV. OTHER INFORMATION (continued)

B. Defined Benefit Pension Plans (continued)

4. Net Pension Liability (continued)

For the year ended September 30, 2017, the City recognized a pension expense of \$436,579.

Schedule of Pension Expense

1. Total Service Cost	\$ 433,217
2. Interest on the Total Pension Liability	628,448
3. Current Period Benefit Charges	-
4. Employee Contributions (Reduction of Expense)	(218,355)
5. Projected Earnings on Plan Investments (Reduction of Expense)	(493,780)
6. Administrative Expense	5,583
7. Other Fiduciary Net Position	301
8. Recognition of Current Year Outflow (inflow) of Resources - Liabilities	(25,731)
9. Recognition of Current Year Outflow (inflow) of Resources - Assets	(161)
10. Amortization of Prior Year Outflows (Inflows) of Resources - Liabilities	(7,592)
11. Amortization of Prior Year Outflows (Inflows) of Resources - Assets	114,649
12. Total Pension Expense	<u>\$ 436,579</u>

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

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

1% Decrease	Current Single Rate Assumption	1% Increase
5.75%	6.75%	7.75%
<u>\$ 3,454,238</u>	<u>\$ 1,797,804</u>	<u>\$ 467,497</u>

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.

City of Alamo, Texas
Notes to Financial Statements
For the year ended September 30, 2017

IV. OTHER INFORMATION (continued)

B. Defined Benefit Pension Plans (continued)

5. Deferred Outflows and Inflows of Resources Related to Pensions

At September 30, 2017, the City reported its deferred outflows and inflows of resources to pensions from the following sources:

	Recognition Period (or Amortization Years)	Total (Inflow or Outflow of Resources	2016 Recognized in Current Pension Expense	Deferred (Inflow)/Outflow in Future Expense
Due to Liabilities:				
Difference in expected and actual experience [actuarial (gains) or losses]	5.2300	\$ (134,575)	\$ (25,731)	\$ (108,844)
Change in assumptions [actuarial (gains) or losses]	5.2300	-	-	\$ -
			<u>\$ (25,731)</u>	<u>\$ (108,844)</u>
Due to Assets:				
Difference in projected and actual earnings on pension plan investments [actuarial (gains) or losses]	5.0000	(804)	(161)	(643)
			<u>\$ (161)</u>	<u>\$ (643)</u>
Total			<u>\$ (161)</u>	<u>\$ (109,487)</u>

The amount of \$565,268 reported as deferred outflows of resources related to pensions resulting from contributions subsequent to the measurement date will be recognized as a reduction of the net pension liability for the year ending September 30, 2017.

Deferred Outflows and Deferred Inflows of Resources, by year, to be recognized in future pension expense as follows:

	Net Deferred Outflows (Inflows) of Resources
2017	\$ 81,165
2018	81,165
2019	71,590
2020	(25,141)
2021	(5,920)
Thereafter	-
Total	<u>\$ 202,859</u>

City of Alamo, Texas
Notes to Financial Statements
For the year ended September 30, 2017

IV. OTHER INFORMATION (continued)

C. Urban County

The City of Alamo and other municipalities in Hidalgo County participate in Hidalgo County's "Urban County" Program. By being designated as an "Urban County," Hidalgo County and the participating cities are entitled to receive a formula share of entitlement CDBG program funds from U.S. Department of Housing and Urban Development (HUD).

Monies received from HUD are allocated to the cities participating in the program based on agreed upon formulas. The County is responsible for the administration of the program and is ultimately responsible for including the grant activity related to the "Urban County Program" in its audit report (s) as per CDBG guidelines. All monies received from HUD on this program are handled by the County. The County pays the vendors or contractors directly for goods or services which benefit the different cities. The County also reimburses the cities for general administration cost incurred by those cities. The City received \$502,890 for expenses occurred between October 1, 2016 to September 30, 2017.

D. NEW ACCOUNTING PRINCIPLES

In fiscal year 2017, the City adopted five new statements of financial accounting standards issued by the Governmental Accounting Standards Board:

- Statement No. 83, *Certain Asset Retirement Obligations*
- Statement No. 84, *Fiduciary Activities*
- Statement No. 85, *Omnibus 2017*
- Statement No. 86, *Certain Debt Extinguishment Issues*
- Statement No. 87, *Leases*

- a. *Statement No. 83* addresses accounting and financial reporting for certain asset retirement obligations (AROs). An ARO is a legally enforceable liability associated with the retirement of a tangible capital asset. A government that has legal obligations to perform future asset retirement activities related to its tangible capital assets should recognize a liability based on the guidance in this Statement.

This Statement establishes criteria for determining the timing and pattern of recognition of a liability and a corresponding deferred outflow of resources for AROs. This Statement requires that recognition occur when the liability is both incurred and reasonably estimable. The determination of when the liability is both incurred and reasonably estimable. The determination of when the liability is incurred should be based on the occurrence of external laws, regulations, contracts, or court judgments, together with the occurrence of an internal event that obligates a government to perform asset retirement activities. Laws and regulations may require governments to take specific actions to retire certain tangible capital assets at the end of the useful lives of those capital assets, such as decommissioning nuclear reactors and dismantling and removing sewage treatment plants. Other obligations to retire tangible capital assets may arise from contracts or court judgments. Internal obligating events include the occurrence of contamination, placing into operation a tangible capital asset that is required to be retired, abandoning a tangible capital asset before it is placed into operation, or acquiring a tangible capital asset that has an existing ARO.

This Statement also requires disclosure of information about the nature of a government's AROs, the methods and assumptions used for the estimates of the liabilities, and the estimated remaining useful life of the associated tangible capital assets. If an ARO (or portions thereof) has been incurred by a government but is not yet recognized because it is not reasonably estimable, the government is required to disclose that fact and the reasons therefor. This Statement requires similar disclosures for a government's minority shares of ARO.

The requirements of this Statement are effective for reporting periods beginning after June 15, 2018. Earlier application is encouraged.

The adoption of Statement No. 83 has no impact on the City's financial statements.

City of Alamo, Texas
Notes to Financial Statements
For the year ended September 30, 2017

IV. OTHER INFORMATION (Continued)

D. New Accounting Principles (Continued)

- b. *Statement No. 84* objective is to improve guidance regarding the identification of fiduciary activities for accounting and financial reporting purposes and how those activities should be reported.

This Statement describes four fiduciary funds that should be reported, if applicable: (1) pension (and other employee benefit) trust funds, (2) investment trust funds, (3) private-purpose trust funds, and (4) custodial funds. Custodial funds generally should report fiduciary activities that are not held in a trust or equivalent arrangement that meets specific criteria.

This Statement also provides for recognition of a liability to the beneficiaries in a fiduciary fund when an event has occurred that compels the government to disburse fiduciary resources. Events that compel a government to disburse fiduciary resources occur when a demand for the resources has been made or when no further action, approval, or condition is required to be taken or met by the beneficiary to release the assets.

The requirements of this Statement are effective for reporting periods beginning after December 15, 2018. Earlier application is encouraged.

The adoption of Statement No. 73 has no impact on the City's financial statements.

- c. *Statement No. 85* addresses practice issues that have been identified during implementation and application of certain GASB Statements. This Statement addresses a variety of topics including issues related to blending component units, goodwill, fair value measurement and application, and postemployment benefits (pension and other postemployment benefits [OPEB]).

The requirements of this Statement are effective for reporting periods beginning after June 15, 2017. Earlier application is encouraged.

The adoption of Statement No. 85 has no impact on the City's financial statements.

- d. *Statement No. 86* objective is to improve consistency in accounting and financial reporting for in-substance defeasance of debt by providing guidance for transactions in which cash and other monetary assets acquired with only existing resources-resources other than the proceeds of refunding debt-are placed in an irrevocable trust for the sole purpose of extinguishing debt. This Statement also improves accounting and financial reporting for prepaid insurance on debt that is extinguished and notes to financial statements for debt that is defeased in substance.

Governments that defease debt using only existing resources should provide a general description of the transaction in the notes to financial statements in the period of the defeasance. In all periods following an in-substance defeasance of debt using only existing resources, the amount of that debt that remains outstanding at period-end should be disclosed.

For governments that extinguish debt, whether through a legal extinguishment or through an in-substance defeasance, this Statement requires that any remaining prepaid insurance related to the extinguished debt be included in the net carrying amount of that debt for the purpose of calculating the difference between the reacquisition price and the net carrying amount of the debt.

The requirements of this Statement are effective for reporting periods beginning after June 15, 2017. Earlier application is encouraged.

The adoption of Statement No. 86 has no impact on the City's financial statements.

City of Alamo, Texas
Notes to Financial Statements
For the year ended September 30, 2017

IV. OTHER INFORMATION (Continued)

D. New Accounting Principles (Continued)

- e. *Statement No. 87* objective is to better meet the information needs of financial statement users by improving accounting and financial reporting for leases by governments. This Statement increases the usefulness of governments' financial statements by requiring recognition of certain lease assets and liabilities for leases that previously were classified as operating leases and recognized as inflows of resources or outflows of resources based on the payment provisions of the contract. It establishes a single model for lease accounting based on the foundational principle that leases are financings of the right to use an underlying asset. Under this Statement, a lessor is required to recognize a lease receivable and a deferred inflow of resources, thereby enhancing the relevance and consistency of information about governments' leasing activities.

The requirements of this Statements are effective for reporting periods beginning after December 15, 2019.

The adoption of Statement No. 87 has impact on the City's financial statements.

<u>Capital Leases</u>	<u>Governmental</u>	<u>Business-Type</u>	<u>Total</u>
\$1,020,680 lease payable; due in semi-annual payments of \$108,229, including interest, through December 2021; interest at 2.71%. All funds used to purchase City vehicles.	\$ 898,198	\$ 122,482	\$ 1,020,680
\$299,423 lease payable; due in annual payments of \$103,074, including interest, through January 2019; interest at 2.24%. Funds used to purchase Machinery & Equipment.	-	299,423	299,423
	<u>\$ 898,198</u>	<u>\$ 421,905</u>	<u>\$ 1,320,103</u>

City of Alamo, Texas
Notes to Financial Statements
For the year ended September 30, 2017

V. PRIOR PERIOD ADJUSTMENT

Prior period adjustment was required in several funds in order to properly state the correct financial position of the City. The adjustment and reason are as follows:

	Amount
<u>Fund Balance Adjustments</u>	
<u>General Fund</u>	
To correct payments made for Construction in Progress for prior year	(21,723)
To correct revenues from fire and emergency calls for prior year	3,438
Total General Fund Balance Adjustments	(18,285)
<u>Debt Service Fund</u>	
To correct payment made for Prior year	(29)
Total Fund Balance Adjustments	\$ (18,314)
<u>Government-Wide Adjustments</u>	
To record prior period related to pension	\$ (436,427)
Total Governmental Fund Adjustment	\$ (436,427)
<u>Water and Sewer Fund</u>	
To record prior period related to pension	\$ (77,016)
To correct Accumulated Depreciation	(2,875)
Total Water and Sewer Fund Adjustments	\$ (79,891)
Total Prior Period Adjustments	\$ (534,632)

VI. COMMITMENTS

1. Grant Programs

The City participates in several federal and state assisted grant programs. Under the terms of these grants, the City is subject to program compliance audits by the grantors or their representatives. Accordingly, the City's compliance with applicable grant requirements will be established at some future date. If future program compliance audits result in questioned or disallowed costs, reimbursements would be made to the grantor agencies. The amounts of expenditures which might be disallowed by the grantor agencies cannot be determined at this time; however, management believes such amounts, if any, would be immaterial.

2. Texas Water Development Board Disclosure

Texas Water Code, Chapter 16, Section 16.356 indicates a political subdivision that receives financial assistance from the economically distressed areas program under Subchapter K, Chapter 17, may not use any revenue received from fees collected from water supply or sewer service constructed in whole or in part from funds from the economically distressed areas program account for purposes other than utility purposes.

The City of Alamo, Texas did not use any revenue received from fees collected from a water supply or sewer service constructed in whole or in part from funds from the economically distressed areas program account for purposes other than utility purposes.

City of Alamo, Texas
Notes to Financial Statements
For the year ended September 30, 2017

VI. COMMITMENTS (Continued)

3. Litigation

The City has no material, pending or threatened litigation matters, claims or assessments as of September 30, 2017.

4. Subsequent Events

For the purposes of reporting subsequent events, management has considered events occurring up to March 14, 2018, the date the report was available to be issued. No further subsequent events were noted.

REQUIRED SUPPLEMENTARY INFORMATION

Required supplementary information includes financial information and disclosures required by the Governmental Accounting Standards Board but not considered a part of the basic financial statements.

City of Alamo, Texas
Texas Municipal Retirement System
Schedule of Funding Progress for Retirement Plan (Unaudited)
For the Year Ended September 30, 2017

Actuarial Valuation Date	Actuarial Value of Assets	Actuarial Accrued Liability (AAL)	Funded Ratio	Excess of Assets Over/Unfunded AAL (UAAL)	Covered Payroll	UAAL as a Percentage of Covered Payroll
12/31/2009	3,239,222	4,891,044	66.23%	1,651,822	3,201,420	51.60%
12/31/2010	4,037,306	5,723,745	70.54%	1,686,439	3,461,557	48.72%
12/31/2011	4,693,873	6,307,303	74.42%	1,613,430	3,711,823	43.47%
12/31/2012	5,421,002	6,902,395	78.54%	1,481,393	3,732,583	39.69%
12/31/2013	6,128,190	7,909,553	77.50%	1,781,363	3,961,917	45.00%
12/31/2014	6,903,601	8,583,041	80.43%	1,679,440	3,998,291	42.00%
12/31/2015	7,475,679	9,224,929	81.00%	1,749,250	4,344,846	40.30%
12/31/2016	8,250,885	9,889,636	83.40%	1,638,751	4,367,106	37.50%

City of Alamo, Texas
Schedule of Changes in Net Pension Liability and Related Ratios
Last 10 Years*
For the Year Ended September 30, 2017

	2016
Total Pension Liability	
Service Cost	\$ 433,217
Interest (on the total pension liability)	628,448
Changes of Benefit Terms	-
Difference between Expected and Actual Experience	(134,575)
Change of Assumptions	-
Benefit Payments, including Refunds of Employee Contributions	(262,383)
Net Change in Total Pension Liability	\$ 664,707
Net Pension Liability - Beginning	9,224,929
Total Pension Liability - Ending	\$ 9,889,636
 Plan Fiduciary Net Position	
Contributions - Employer	\$ 331,899
Contributions - Employee	218,355
Net Investment Income	494,584
Benefit Payments, including Refunds of Employee Contributions	(262,383)
Administrative Expense	(5,583)
Other	(301)
Net Change in Plan Fiduciary Net Position	\$ 776,571
Plan Fiduciary Net Position - Beginning	7,315,261
Plan Fiduciary Net Position - Ending	\$ 8,091,832
 Net Pension Liability	\$ 1,797,804
Plan Fiduciary Net Position as a Percentage of Total Pension Liability	81.82%
Covered Employee Payroll	\$ 4,367,106
Net Pension Liability as a Percentage of Covered Employee Payroll	41.17%

*GASB 68 required 10 fiscal years of data (built prospectively) to be provided in this schedule most current year is displayed above. As information becomes available, it will be added to table.

City of Alamo, Texas
Schedule of Revenues, Expenditures, and Changes in Fund Balance-Budget and Actual
General Fund
For the Year Ended September 30, 2017

	Budgeted Amounts		Actual Budget Basis	Final Variance Budget Basis
	Original	Final		
Revenues				
Property Taxes	\$ 2,757,155	\$ 2,787,155	\$ 2,804,861	\$ 17,706
Sales Taxes	2,568,886	2,568,886	2,576,580	7,694
Franchise Taxes	505,000	535,000	537,167	2,167
Other Taxes	1,000	1,000	137	(863)
Court Fines and Fees	510,150	510,150	475,042	(35,108)
Licenses and Permits	87,810	127,810	141,026	13,216
Charges for Services	1,927,196	2,210,621	2,227,264	16,643
Local Events and Contributions	38,000	68,475	69,225	750
Miscellaneous revenues	46,500	153,500	152,768	(732)
State Grants	31,680	431,680	435,000	3,320
Federal Grants	80,000	225,539	232,000	6,461
Interest Revenue	1,500	23,000	23,081	81
Total Revenues	<u>8,554,877</u>	<u>9,642,816</u>	<u>9,674,151</u>	<u>31,335</u>
Other Financing Sources				
Proceeds from Loans	-	896,614	896,614	-
Proceeds on Sale of Assets	-	15,310	16,110	800
Transfers from other funds	390,000	390,000	390,001	1
Total Revenues and Other Financing Sources	<u>390,000</u>	<u>390,000</u>	<u>390,001</u>	<u>1</u>
	<u>8,944,877</u>	<u>10,944,740</u>	<u>10,976,876</u>	<u>32,136</u>
Expenditures				
General Government	3,307,965	4,430,098	4,500,547	(70,449)
Public Safety	3,667,656	4,208,254	4,162,158	46,096
Highways & Streets	740,857	646,540	633,853	12,687
Health & Welfare	258,443	254,443	245,589	8,854
Culture & Recreation	862,084	882,255	846,668	35,587
Capital Outlay	48,000	326,843	337,986	(11,143)
Debt Principal	200,911	419,746	419,746	-
Debt Interest	8,108	18,874	18,875	(1)
Total Expenditures	<u>9,094,024</u>	<u>11,187,053</u>	<u>11,165,422</u>	<u>21,631</u>
Other Financing Uses				
Transfers to other funds	50,000	50,000	50,000	-
Total Expenditures and Other Financing Uses	<u>50,000</u>	<u>50,000</u>	<u>50,000</u>	<u>-</u>
	<u>9,144,024</u>	<u>11,237,053</u>	<u>11,215,422</u>	<u>21,631</u>
Excess (Deficiency) of Revenues and Other Sources Over Expenditures and Other Uses	<u>(199,147)</u>	<u>(292,313)</u>	<u>(238,546)</u>	<u>53,767</u>
Net Change in Fund Balance	<u>(199,147)</u>	<u>(292,313)</u>	<u>(238,546)</u>	<u>53,767</u>
<i>Fund Balance at Beginning of Period</i>	4,657,972	4,657,972	4,657,972	-
<i>Prior Period Adjustment</i>	18,285	18,285	18,285	-
Fund Balance at End of Period	<u>\$ 4,477,110</u>	<u>\$ 4,383,944</u>	<u>\$ 4,437,711</u>	<u>\$ 53,767</u>

OTHER SUPPLEMENTARY INFORMATION

Other supplementary information includes financial information and disclosures not required by the Governmental Accounting Standards Board and not considered a part of the basic financial statements

It may, however, include information which is required by other entities.

City of Alamo, Texas
Schedule of Delinquent Taxes Receivable
For the Year Ended September 30, 2017

<u>Year Ended September 30,</u>	<u>1 Tax Rates Maintenance</u>	<u>2 Debt Service</u>	<u>3 Assessed/ Appraised Value for City Tax Purposes</u>
2008 & Prior Years	\$ Various	\$ Various	\$ Various
2009	0.46836	0.12355	439,311,243
2010	0.48399	0.10792	466,885,353
2011	0.47512	0.11679	452,905,402
2012	0.4711	0.11438	477,293,393
2013	0.48757	0.1114	489,447,908
2014	0.48965	0.10932	518,376,862
2015	0.49347	0.1055	546,953,409
2016	0.4836	0.1045	569,133,760
2017 (Unaudited)	0.4798	0.1012	611,441,742

10 Beginning Balance October 1, 2016	20 Current Year's Total Levy	31 Maintenance Collections	32 Debt Service Collections	40 Entire Year's Adjustments	50 Ending Balance September 30, 2017
\$ 111,295		\$ 5,096	\$ 1,008	\$ (6,272)	\$ 98,918
15,821		1,736	458	(221)	13,407
19,007		2,337	521	(221)	15,927
28,081		4,422	1,087	(330)	22,242
27,402		5,800	1,408	(349)	19,845
45,631		9,391	2,146	(9,327)	24,767
53,575		13,649	3,047	(624)	36,254
80,779		25,361	5,422	(484)	49,512
135,190		44,482	9,612	(5,178)	75,918
-	3,253,269	2,566,657	541,362	(11,508)	133,741
<u>\$ 516,781</u>	<u>\$ 3,253,269</u>	<u>\$ 2,678,931</u>	<u>\$ 566,071</u>	<u>\$ (34,515)</u>	<u>\$ 490,533</u>
				Allowance for Uncollectible Taxes	<u>\$ 49,053</u>
				Total	<u>\$ 441,480</u>

City of Alamo, Texas
Combining Balance Sheet
Non-Major Governmental Funds
September 30, 2017

	Special Revenue Funds			
	Urban County Fund	Asset Forfeiture Fund	Hotel / Motel Fund	State Forfeiture Fund
ASSETS				
Cash and Cash Equivalents	\$ -	\$ 5,117	\$ 311,066	\$ 17,551
Investments	-	-	487,487	-
Note Receivables	-	-	-	-
Accounts Receivable - Property Taxes	-	-	-	-
Accounts Receivable - Other	555,212	-	68,700	-
Due From Other Funds	-	-	-	-
Total Assets	<u>555,212</u>	<u>5,117</u>	<u>867,253</u>	<u>17,551</u>
DEFERRED OUTFLOWS OF RESOURCES				
Aggregated deferred outflows	-	-	-	-
Total Assets and Deferred Outflows of Resources	<u>\$ 555,212</u>	<u>\$ 5,117</u>	<u>\$ 867,253</u>	<u>\$ 17,551</u>
LIABILITIES				
Accounts Payable	\$ -	\$ -	\$ -	\$ -
Unearned Revenue-CDBG	555,212	5,181	-	-
Due to Other Funds	-	-	2,297	-
Total Liabilities	<u>555,212</u>	<u>5,181</u>	<u>2,297</u>	<u>-</u>
DEFERRED INFLOWS OF RESOURCES				
Aggregated deferred inflows	-	-	-	-
Total Deferred Inflows of Resources	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
FUND BALANCE				
Restricted for:				
Debt Service	-	-	-	-
Capital Projects	-	-	-	-
Special Projects	-	(64)	864,956	17,552
Tourism	-	-	-	-
Unassigned	-	-	-	-
Total Fund Balance	<u>-</u>	<u>(64)</u>	<u>864,956</u>	<u>17,552</u>
Total Liabilities, Deferred Inflows of Resources and Fund Balance	<u>\$ 555,212</u>	<u>\$ 5,117</u>	<u>\$ 867,253</u>	<u>\$ 17,552</u>

Tax Increment Fund	Debt Service		Total Non-Major Governmental Funds
	Interest and Series 2013	Debt Service	
\$ 313,558	\$ 108,439	\$ 634,100	\$ 1,389,831
-	-	482,619	970,106
-	-	-	-
-	-	79,158	79,158
117,403	-	-	741,315
-	-	(498)	(498)
<u>430,961</u>	<u>108,439</u>	<u>1,195,379</u>	<u>3,179,912</u>
-	-	-	-
<u>\$ 430,961</u>	<u>\$ 108,439</u>	<u>\$ 1,195,379</u>	<u>\$ 3,179,912</u>
\$ -	\$ -	\$ -	\$ -
-	-	-	560,393
-	-	-	2,297
-	-	-	<u>562,690</u>
-	-	74,392	74,392
-	-	<u>74,392</u>	<u>74,392</u>
-	108,439	1,120,983	1,229,422
-	-	-	-
430,961	-	-	1,313,405
-	-	-	-
-	-	-	-
<u>430,961</u>	<u>108,439</u>	<u>1,120,983</u>	<u>2,542,827</u>
<u>\$ 430,961</u>	<u>\$ 108,439</u>	<u>\$ 1,195,375</u>	<u>\$ 3,179,909</u>

City of Alamo, Texas
Combining Statement of Revenues, Expenditures, and Changes in Fund Balance
Non-Major Governmental Funds
For the Year Ended September 30, 2017

	Special Revenue Funds			
	Urban County Grant	Asset Forfeiture Fund	Hotel / Motel Fund	State Forfeiture Fund
Revenues				
Property Taxes	\$ -	\$ -	\$ -	\$ -
Other Taxes	-	-	95,871	-
Miscellaneous Revenues	-	-	-	1,999
Other Governmental Grants	502,890	-	-	-
Interest Revenue	-	16	4,307	2
Total Revenues	<u>502,890</u>	<u>16</u>	<u>100,178</u>	<u>2,001</u>
Expenditures				
General Government	30,000	-	67,650	-
Public Safety	472,890	-	-	-
Capital Outlay	-	-	-	4,742
Debt Principal	-	-	-	-
Debt Interest	-	-	-	-
Total Expenditures	<u>502,890</u>	<u>-</u>	<u>67,650</u>	<u>4,742</u>
Excess of Revenues Over (Under) Expenditures	<u>-</u>	<u>16</u>	<u>32,528</u>	<u>(2,741)</u>
Other Financing Sources (Uses)				
Proceeds for Issuance of Bonds	-	-	-	-
Premium on Refunding Bonds	-	-	-	-
Transfers from other funds	-	-	-	-
Payment to Refunded Bond Escrow Agent	-	-	-	-
Transfers to other funds	-	-	-	-
Net Other Financing Sources (Uses)	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Net Change in Fund Balance	<u>-</u>	<u>16</u>	<u>32,528</u>	<u>(2,741)</u>
Fund Balance at Beginning of Period	-	(80)	832,428	20,293
Prior Period Adjustments	-	-	-	-
Fund Balance at End of Period	<u>\$ -</u>	<u>\$ (64)</u>	<u>\$ 864,956</u>	<u>\$ 17,552</u>

Special Revenue Funds	Debt Service		Total Non-Major Governmental Funds
Tax Increment Fund	Interest and Series 2013	Debt Service	
\$ -	\$ -	\$ 585,343	\$ 585,343
-	-	-	95,871
77,597	-	-	79,596
-	-	-	502,890
27	10	5,599	9,961
<u>77,624</u>	<u>10</u>	<u>590,942</u>	<u>1,273,661</u>
-	-	800	98,450
-	-	-	472,890
24,416	-	-	29,158
-	-	845,000	845,000
-	-	315,613	315,613
<u>24,416</u>	<u>-</u>	<u>1,161,413</u>	<u>1,761,111</u>
<u>53,208</u>	<u>10</u>	<u>(570,471)</u>	<u>(487,450)</u>
-	-	-	-
-	-	-	-
50,000	-	695,163	745,163
-	-	-	-
-	-	-	-
<u>50,000</u>	<u>-</u>	<u>695,163</u>	<u>745,163</u>
103,208	10	124,692	257,713
327,753	108,429	996,262	2,285,085
-	-	29	29
<u>\$ 430,961</u>	<u>\$ 108,439</u>	<u>\$ 1,120,983</u>	<u>\$ 2,542,827</u>

City of Alamo, Texas
Schedule of Revenues and Expenses to Indicate
Net Revenue Available for Debt Service
Proprietary Funds
For the Year Ended September 30, 2017

	Business-type Activities - Enterprise Funds	
	Water & Sewer Fund	Total Enterprise Funds
Operating Revenues		
Charges for Services	\$ 4,036,913	\$ 4,036,913
Other Revenues	16,847	16,847
Total Operating Revenues	4,053,760	4,053,760
Operating Expenses		
Payments to Employees	737,965	737,965
Payments to Supplies and Others	2,090,305	2,090,305
Total Operating Expenses	2,090,305	2,090,305
Income before Non-operating Revenues (Expenses)	1,963,455	1,963,455
Non-Operating Revenues (Expenses)		
Interest Revenue	16,681	16,681
Federal Grants	-	-
Net Non-Operating Revenues (Expenses)	16,681	16,681
Net Revenue Available for Debt Service	\$ 1,980,136	\$ 1,980,136

CAPITAL ASSETS USED IN THE OPERATION OF GOVERNMENTAL FUNDS

City of Alamo, Texas
Capital Assets Used in the Operation of Governmental Funds
Comparative Schedule by Source
Year Ended September 30, 2017

With Comparative Totals for September 30, 2016

<u>Governmental Funds Capital Assets</u>	<u>2017</u>	<u>2016</u>
Land and Right of Way	\$ 1,731,590	\$ 1,731,590
Construction in Progress	1,722,530	1,832,650
Building and Improvements	13,034,989	13,022,298
Vehicles	2,826,631	2,820,861
Machinery and Equipment	2,532,116	2,266,168
Infrastructure	14,838,887	12,524,166
Total Governmental Funds Capital Assets	<u><u>\$ 36,686,743</u></u>	<u><u>\$ 34,197,733</u></u>
<u>Investments in Governmental Funds Capital Assets</u>		
Capital Projects	\$ 26,762,741	\$ 24,280,103
Grants-in-aid	1,099,787	930,064
General Fund Revenues	8,824,216	8,987,566
Total Investments in Governmental Funds Capital Assets	<u><u>\$ 36,686,743</u></u>	<u><u>\$ 34,197,733</u></u>

City of Alamo, Texas
Capital Assets Used in the Operation of Governmental Funds
Schedule of Changes by Function and Activity
Year Ended September 30, 2017

<u>Function and Activity</u>	Governmental Funds Capital Assets September 30, 2016	Additions	Reclassifications/ Deductions	Governmental Funds Capital Assets September 30, 2017
General Government	\$ 5,841,072	\$ 145,541	\$ 30,000	5,956,614
Public Safety	5,655,687	942,159	195,785	6,402,062
Highways and Streets	14,981,919	2,513,964	1,645,238	15,850,645
Health and Welfare	1,557,163	-	12,383	1,544,780
Culture and Recreation	6,161,892	770,751	-	6,932,643
	-	-	-	-
Total Governmental Funds Capital Assets	\$ 34,197,733	\$ 4,372,416	\$ 1,883,406	\$ 36,686,743

City of Alamo, Texas
Capital Assets Used in the Operation of Governmental Funds
Schedule by Function and Activity
Year Ended September 30, 2017

<u>Function and Activity</u>	<u>Land and Right of Way</u>	<u>Construction in Progress</u>	<u>Building and Improvements</u>	<u>Vehicles</u>	<u>Machinery and Equipment</u>	<u>Infrastructure</u>	<u>Total</u>
General Government	\$ 1,731,590	\$ 145,541	\$ 3,509,843	303,156	\$ 266,483	-	5,956,614
Public Safety	-	\$ 545,456	\$ 2,056,753	2,037,544	\$ 1,762,309	-	6,402,062
Highways and Streets	-	\$ 209,551	\$ -	368,654	\$ 433,553	14,838,888	15,850,645
Health and Welfare	-	\$ -	\$ 1,503,677	41,102	\$ -	-	1,544,780
Culture and Recreation	-	\$ 821,982	\$ 5,964,715	76,174	\$ 69,771	-	6,932,643
Total General Fixed Assets	<u>\$ 1,731,590</u>	<u>\$ 1,722,530</u>	<u>\$ 13,034,989</u>	<u>\$ 2,826,630</u>	<u>\$ 2,532,116</u>	<u>\$ 14,838,888</u>	<u>\$ 36,686,743</u>

STATISTICAL SECTION

This part of the City of Alamo's comprehensive annual financial report presents detailed information as a context for understanding what the information in the financial statements, note disclosures, and required supplementary information says about the City of Alamo's overall financial health.

Financial Trends

These schedules contain trend information to help the reader understand how the government's financial performance and well-being have changed over time.

Revenue Capacity

These schedules contain information to help the reader assess the government's most significant local revenue source, the property tax.

Debt Capacity

The schedules present information to help the reader assess the affordability of the government's current level of outstanding debt and the government's ability to issue additional debt in the future.

Demographic and Economic Information

These schedules offer demographic and economic indicators to help the reader understand the environment within which the government's financial activities take place.

Operating Information

These schedules contain service and infrastructure data to help the reader understand how the information in the government's financial report relates to the services the government provides and the activities it performs.

CITY OF ALAMO, TEXAS

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City of Alamo, Texas
Net Position by Component
Last Ten Fiscal Years
(Unaudited)

	2008	2009	2010	2011	2012	2013	2014	2015	2016	2017
Governmental Activities										
Net Investment in capital assets	\$ 10,328,699	\$ 5,738,695	\$ 8,417,148	\$ 9,234,188	\$ 11,196,310	\$ 12,713,384	\$ 5,749,616	\$ 13,088,501	\$ 12,385,226	\$ 14,002,698
Restricted	-	-	2,570,479	2,952,447	3,717,842	3,845,218	10,032,063	3,900,193	4,272,958	4,579,468
Unrestricted	8,300,301	8,343,957	4,696,966	4,714,208	2,910,982	2,281,450	4,576,322	3,790,680	3,429,583	3,429,583
Total Governmental Activities Net Position	\$ 18,629,000	\$ 14,082,652	\$ 15,684,593	\$ 16,900,843	\$ 17,825,134	\$ 18,840,052	\$ 20,358,001	\$ 20,779,374	\$ 20,087,767	\$ 22,011,749
Business-Type Activities										
Net Investment in capital assets	\$ 16,306,667	\$ 19,087,396	\$ 17,993,762	\$ 18,267,355	\$ 18,745,868	\$ 20,827,878	\$ 17,584,383	\$ 21,868,626	\$ 22,101,236	\$ 21,141,916
Restricted	103,322	-	-	-	-	-	-	-	-	-
Unrestricted	1,352,235	260,272	1,860,441	2,961,751	3,020,232	3,379,160	7,816,048	3,255,440	3,013,417	4,106,337
Total Business-Type Activities Net Position	\$ 17,762,224	\$ 19,347,668	\$ 19,854,203	\$ 21,229,106	\$ 21,766,100	\$ 24,207,038	\$ 25,400,431	\$ 25,124,066	\$ 25,114,653	\$ 25,248,253
Primary Government										
Net Investment in capital assets	\$ 26,635,366	\$ 24,826,091	\$ 26,410,910	\$ 27,501,543	\$ 29,942,178	\$ 33,541,262	\$ 23,333,999	\$ 34,957,127	\$ 34,486,462	\$ 35,144,614
Restricted	103,322	-	2,570,479	2,952,447	3,717,842	3,845,218	10,032,063	3,900,193	4,272,958	4,579,468
Unrestricted	9,652,536	8,604,229	6,557,407	7,675,959	5,931,214	5,660,610	12,392,370	7,046,120	6,443,000	7,535,920
Total Primary Government Net Position	\$ 36,391,224	\$ 33,430,320	\$ 35,538,796	\$ 38,129,949	\$ 39,591,234	\$ 43,047,090	\$ 45,758,432	\$ 45,903,440	\$ 45,202,420	\$ 47,260,002

City of Alamo, Texas
Changes in Net Position
Last Ten Fiscal Years
(Unaudited)

	2008	2009	2010	2011	2012	2013	2014	2015	2016	2017
Expenses										
Governmental Activities										
General Government	\$ 3,067,348	\$ 3,613,968	\$ 4,092,556	\$ 3,593,226	\$ 3,285,674	\$ 3,566,213	\$ 3,548,970	\$ 3,906,733	\$ 5,174,598	\$ 4,054,005
Public Safety	2,627,359	2,872,533	2,602,282	3,000,252	3,295,121	3,291,594	3,518,106	3,790,022	3,850,703	3,815,052
Highways and streets	431,681	644,943	209,570	244,195	618,195	791,483	618,237	650,109	742,394	1,107,940
Health and welfare	288,302	152,380	559,193	662,955	251,043	252,775	255,552	277,341	317,566	298,817
Culture and recreation	634,318	756,870	609,826	678,787	858,249	799,113	832,050	890,470	840,164	930,782
Interest on long-term debt	257,183	424,196	14,765	6,817	322,631	401,141	243,693	347,026	363,387	312,456
Economic Development	827,342	1,611,789	404,705	470,935	294,059	268,008	367,914	421,173	396,258	416,229
Total Governmental Activities Net Position	\$ 8,133,533	\$ 10,076,679	\$ 8,492,897	\$ 8,657,167	\$ 8,924,972	\$ 9,370,327	\$ 9,384,522	\$ 10,282,874	\$ 11,685,070	\$ 10,935,281
Business-Type Activities										
Water and Sewer	2,299,401	2,582,153	2,130,082	2,384,117	2,680,613	2,691,230	2,745,936	2,841,016	3,194,302	3,469,082
Total Business-Type Activities Net Position	2,299,401	2,582,153	2,130,082	2,384,117	2,680,613	2,691,230	2,745,936	2,841,016	3,194,302	3,469,082
Total Primary Government Expenses	\$ 10,432,934	\$ 12,658,832	\$ 10,622,979	\$ 11,041,284	\$ 11,605,585	\$ 12,061,557	\$ 12,130,458	\$ 13,123,890	\$ 14,879,372	\$ 14,404,363
Program Revenue										
Governmental Activities										
Charges for services	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
General Government	-	290,511	64,962	95,513	91,035	139,285	151,369	170,208	192,336	216,257
Public Safety	-	145,258	190,535	207,709	522,662	563,257	681,410	767,639	802,605	623,525
Highways and streets	-	33,522	1,362,908	1,422,428	10,890	1,470,805	1,695,218	1,792,373	1,887,112	1,925,177
Health and welfare	-	16,759	-	-	1,545,700	10,914	19,271	15,643	14,966	14,732
Culture and recreation	-	39,106	41,598	44,177	56,267	76,342	96,181	101,742	89,162	139,442
Operating grants and contributions	-	-	630,710	757,061	517,019	519,801	383,318	392,832	314,057	1,239,115
Capital grants and contributions	-	-	-	221,150	250,000	-	195,000	-	-	-
Total Primary Governmental Activities	\$ -	\$ 525,156	\$ 2,290,713	\$ 2,748,038	\$ 2,993,573	\$ 2,780,404	\$ 3,221,767	\$ 3,240,437	\$ 3,300,238	\$ 4,158,248
Business-Type Activities										
Charges for services	2,621,277	2,968,400	2,869,762	3,318,492	3,437,288	3,567,374	3,528,534	3,545,358	3,759,170	4,053,730
Operating grants and contributions	-	-	-	716,219	-	-	-	-	-	-
Capital grants and contributions	-	-	-	-	77,118	1,992,606	956,583	38,450	-	-
Total Business-Type Activities Program Rev	2,621,277	2,968,400	2,869,762	4,034,711	3,514,406	5,559,980	4,485,117	3,583,808	3,759,170	4,053,730
Total Primary Government Program Expen	\$ 2,621,277	\$ 3,493,556	\$ 5,160,475	\$ 6,782,749	\$ 6,507,979	\$ 8,340,384	\$ 7,706,884	\$ 6,824,245	\$ 7,059,408	\$ 8,211,978
Net (expense)/revenue										
Governmental Activities	\$ (8,133,533)	\$ (9,551,523)	\$ (6,202,184)	\$ (5,909,129)	\$ (5,931,399)	\$ (6,589,923)	\$ (6,162,755)	\$ (7,042,437)	\$ (8,384,832)	\$ (6,777,033)
Business-Type Activities	321,876	386,247	739,680	1,650,594	833,793	2,868,750	1,739,181	742,792	564,868	584,648
Total Primary Government Net Expense	\$ (7,811,657)	\$ (9,165,276)	\$ (5,462,504)	\$ (4,258,535)	\$ (5,097,606)	\$ (3,721,173)	\$ (4,423,574)	\$ (6,299,645)	\$ (7,819,964)	\$ (6,192,385)

CITY OF ALAMO, TEXAS
CHANGES IN NET POSITION (Continued)
Last Ten Fiscal Years
(Unaudited)

	2008	2009	2010	2011	2012	2013	2014	2015	2016	2017
General Revenue and Other Changes in Net Position										
Governmental Activities										
Taxes										
Property taxes	\$ 2,154,268	\$ 2,647,668	\$ 2,879,274	\$ 2,809,375	\$ 2,752,818	\$ 2,901,895	\$ 2,847,121	\$ 3,224,247	\$ 3,281,010	\$ 3,355,089
Sales taxes	2,840,825	2,873,775	2,959,092	3,139,704	3,357,024	3,374,825	3,466,644	3,483,713	3,457,159	3,435,440
Franchise taxes	369,921	420,008	429,137	450,143	479,688	497,435	511,976	514,954	526,425	537,167
Hotel/motel taxes	129,540	119,875	156,561	154,853	138,451	135,899	131,149	130,731	120,183	96,008
Investment earning	230,893	56,355	14,650	3,523	4,874	52,794	42,343	39,591	40,722	65,424
Miscellaneous	2,522,612	1,700,853	339,045	442,171	179,748	50,863	132,171	155,547	111,836	207,947
Grants and contribution not restricted	85,654	334,011	169,944	-	-	-	-	-	-	-
Transfers	2,964,749	830,896	289,152	289,152	323,850	373,324	549,300	956,213	549,300	549,300
Total Governmental Activities	<u>\$ 11,298,462</u>	<u>\$ 8,983,441</u>	<u>\$ 7,236,855</u>	<u>\$ 7,288,921</u>	<u>\$ 7,236,453</u>	<u>\$ 7,387,035</u>	<u>\$ 7,680,704</u>	<u>\$ 8,504,996</u>	<u>\$ 8,086,635</u>	<u>\$ 8,246,375</u>
Business-Type Activities										
Investment earning	\$ 40,067	\$ 6,840	\$ 3,718	\$ 2,025	\$ 1,346	\$ 1,504	\$ 879	\$ 1,106	\$ 5,554	\$ 16,711
Miscellaneous	(43,167)	37,024	-	-	-	-	2,633	-	-	1,650
Transfers	(265,225)	(292,272)	(289,152)	(289,152)	(323,850)	(373,324)	(549,300)	(956,213)	(549,300)	(549,300)
Total Business-Type Activities	<u>(268,325)</u>	<u>(248,408)</u>	<u>(285,434)</u>	<u>(287,127)</u>	<u>(322,504)</u>	<u>(371,820)</u>	<u>(545,788)</u>	<u>(955,107)</u>	<u>(543,746)</u>	<u>(530,939)</u>
Total Primary Government	<u>\$ 11,030,137</u>	<u>\$ 8,735,033</u>	<u>\$ 6,951,421</u>	<u>\$ 7,001,794</u>	<u>\$ 6,913,949</u>	<u>\$ 7,015,215</u>	<u>\$ 7,134,916</u>	<u>\$ 7,549,889</u>	<u>\$ 7,542,889</u>	<u>\$ 7,715,436</u>
Change in Net Position										
Governmental Activities	\$ 3,164,929	\$ (568,082)	\$ 1,034,671	\$ 1,379,792	\$ 1,305,054	\$ 797,112	\$ 1,517,949	\$ 1,462,559	\$ (298,197)	\$ 1,469,342
Business-Type Activities	53,551	137,839	454,246	1,363,467	511,289	2,496,930	1,193,393	(212,315)	21,122	53,709
Total Primary Government	<u>\$ 3,218,480</u>	<u>\$ (430,243)</u>	<u>\$ 1,488,917</u>	<u>\$ 2,743,259</u>	<u>\$ 1,816,343</u>	<u>\$ 3,294,042</u>	<u>\$ 2,711,342</u>	<u>\$ 1,250,244</u>	<u>\$ (277,075)</u>	<u>\$ 1,523,051</u>

City of Alamo, Texas
Fund Balances of Governmental Funds
Last Ten Fiscal Years
(Unaudited)

	2008	2009	2010	2011	2012	2013	2014	2015	2016	2017
General Fund										
Reserved	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Unreserved	3,379,643	3,411,535	2,932,931	-	-	-	-	-	-	-
Nonspendable	-	-	-	1,623	3,851	-	-	-	-	-
Committed	-	-	-	-	-	-	-	-	-	-
Restricted	-	-	-	-	-	-	-	-	-	-
Assigned	-	-	-	-	-	-	-	-	-	-
Unassigned	-	-	-	2,788,776	2,644,468	2,977,342	3,397,945	4,263,616	4,657,972	4,437,711
Total General Fund	<u>\$ 3,379,643</u>	<u>\$ 3,411,535</u>	<u>\$ 2,932,931</u>	<u>\$ 2,790,399</u>	<u>\$ 2,648,319</u>	<u>\$ 2,977,342</u>	<u>\$ 3,397,945</u>	<u>\$ 4,263,616</u>	<u>\$ 4,657,972</u>	<u>\$ 4,437,711</u>
All Other Governmental Funds										
Restricted	\$ 4,001,979	\$ 1,864,662	\$ 1,261,936	\$ 64,024	\$ 64,024	\$ 10,212,725	\$ 8,531,071	\$ 7,362,329	\$ 4,951,466	\$ 4,579,468
Assigned	-	-	-	3,683,030	3,692,704	-	-	-	-	-
Unassigned	918,679	2,365,042	2,695,833	17,218	12,563	-	-	-	-	-
Total All Other Governmental Funds	<u>\$ 4,920,658</u>	<u>\$ 4,229,704</u>	<u>\$ 3,957,769</u>	<u>\$ 3,764,272</u>	<u>\$ 3,769,291</u>	<u>\$ 10,212,725</u>	<u>\$ 8,531,071</u>	<u>\$ 7,362,329</u>	<u>\$ 4,951,466</u>	<u>\$ 4,579,468</u>

Note: The City implemented GASB Statement No. 54 for the fiscal year ended September 2011. The new classifications have not been restated for 2010 and prior.

City of Alamo, Texas
Changes in Fund Balance
Last Ten Fiscal Years
(Unaudited)

	2008	2009	2010	2011	2012	2013	2014	2015	2016	2017
Revenues										
Taxes	\$ 5,747,886	\$ 6,109,664	\$ 6,325,469	\$ 6,554,949	\$ 6,782,249	\$ 6,919,827	\$ 6,954,202	\$ 7,337,252	\$ 7,390,754	\$ 7,458,819
Fines	230,893	193,734	174,813	251,491	368,652	464,604	534,424	646,975	614,993	475,042
Licenses and permits	47,582	52,825	107,856	126,356	105,652	97,109	100,448	111,964	128,594	141,026
Charges for services	2,104,431	1,574,600	1,660,003	1,749,105	1,752,251	1,710,408	1,966,157	2,064,472	2,180,401	2,227,264
Local events and contributions	-	-	-	221,150	-	41,249	36,463	32,725	48,693	69,225
Other revenues	362,659	404,850	56,376	64,324	-	50,913	124,471	161,998	111,936	234,339
Other	85,654	334,011	800,654	757,061	767,019	478,552	541,855	360,107	265,368	1,169,890
Interest revenue	7,940	56,355	14,650	24,245	31,339	52,794	42,343	39,590	40,722	65,424
Total Revenues	<u>\$ 8,587,045</u>	<u>\$ 8,726,039</u>	<u>\$ 9,139,821</u>	<u>\$ 9,748,681</u>	<u>\$ 9,807,162</u>	<u>\$ 9,815,456</u>	<u>\$ 10,300,363</u>	<u>\$ 10,755,083</u>	<u>\$ 10,781,461</u>	<u>\$ 11,841,029</u>
Expenditures										
General Government	\$ 3,734,832	\$ 3,334,718	\$ 3,425,084	\$ 4,042,874	\$ 3,008,980	\$ 3,091,915	\$ 3,270,509	\$ 3,586,188	\$ 4,778,793	\$ 4,598,997
Public Safety	3,659,551	2,750,941	2,584,510	2,736,108	3,044,995	3,032,377	3,242,071	3,450,501	3,422,325	4,635,048
Highways and streets	460,192	613,527	202,615	222,385	571,269	743,220	562,193	590,526	666,445	633,853
Health and welfare	545,532	235,953	560,251	606,619	231,987	232,853	237,441	252,224	251,847	245,589
Culture and recreation	655,498	715,456	612,973	618,703	793,101	736,130	766,766	810,378	750,957	846,669
Economic Development	822,314	1,554,641	581,369	617,653	271,737	243,521	224,817	384,608	343,008	379,598
Capital Outlay	-	-	729,240	407,311	2,765,675	1,366,563	2,591,683	1,986,439	1,550,006	943,793
Debt Principal	345,000	605,000	484,727	443,515	836,925	928,095	935,867	958,370	976,959	1,289,056
Debt Interest	257,183	424,196	499,765	511,817	324,821	411,774	399,567	375,255	352,952	341,024
Bond Issuance cost	-	-	-	-	-	258,793	-	-	-	-
Total Expenditures	<u>\$ 10,480,102</u>	<u>\$ 10,234,432</u>	<u>\$ 9,680,534</u>	<u>\$ 10,206,985</u>	<u>\$ 11,849,490</u>	<u>\$ 11,045,241</u>	<u>\$ 12,230,914</u>	<u>\$ 12,394,489</u>	<u>\$ 13,093,292</u>	<u>\$ 13,913,627</u>
Excess of Revenues Over (Under) Expenditures	(1,893,057)	(1,508,393)	(540,713)	(458,304)	(2,042,328)	(1,229,785)	(1,930,551)	(1,639,406)	(2,311,831)	(2,072,598)
Other Financing Sources (Uses)										
Transfers In	\$ 304,424	\$ 780,896	\$ 1,518,326	\$ 1,108,848	\$ 751,953	\$ 1,485,211	\$ 1,143,966	\$ 1,595,092	\$ 1,302,012	\$ 1,135,164
Transfer Out	(339,675)	-	(1,229,174)	(819,696)	(428,103)	(1,111,887)	(594,666)	(638,879)	(752,712)	(585,863)
Proceeds from refunding bonds	-	-	-	-	-	3,835,000	-	-	-	-
Proceeds from General obligation Bonds	3,000,000	-	-	-	-	7,075,000	-	-	-	-
Payment to Bond Escrow Agent	-	-	-	-	-	(3,893,686)	-	-	-	-
Premium on Refunding Bonds	-	-	-	-	-	620,092	-	-	-	-
Proceeds on sale of assets	-	-	-	-	398,580	-	7,700	-	-	16,110
Other Resources	-	50,000	-	-	-	-	-	-	-	-
Loan proceeds	-	-	-	-	1,210,026	-	112,500	-	-	896,614
Total Other Financing Sources (Uses)	<u>\$ 2,964,749</u>	<u>\$ 830,896</u>	<u>\$ 289,152</u>	<u>\$ 289,152</u>	<u>\$ 1,932,456</u>	<u>\$ 8,009,730</u>	<u>\$ 669,500</u>	<u>\$ 956,213</u>	<u>\$ 549,300</u>	<u>\$ 1,462,025</u>
Net Change in Fund Balances	<u>\$ 1,071,692</u>	<u>\$ (677,497)</u>	<u>\$ (251,561)</u>	<u>\$ (169,152)</u>	<u>\$ (109,872)</u>	<u>\$ 6,779,945</u>	<u>\$ (1,261,051)</u>	<u>\$ (683,193)</u>	<u>\$ (1,762,531)</u>	<u>\$ (610,573)</u>
Debt service as a percentage of noncapital expenditures	5.75%	10.06%	11.00%	9.75%	12.79%	13.84%	13.85%	12.81%	11.52%	12.57%

City of Alamo, Texas
Governmental Activities Tax Revenues by Source
Last Ten Fiscal Years
(Unaudited)

Fiscal Year	Property Tax	Sales Tax	Franchise Tax	Mixed Beverage Tax	Occupancy Tax	Total
2008	\$2,154,268	\$2,849,194	\$ 369,921	\$ 266	\$ 129,374	\$5,503,022
2009	2,647,668	2,873,775	42,008	362	119,513	5,683,326
2010	2,879,274	2,959,092	429,137	189	156,373	6,424,066
2011	2,809,375	3,139,704	450,143	1,625	153,228	6,554,075
2012	2,752,818	3,357,024	479,688	210	138,242	6,727,982
2013	2,901,895	3,374,825	497,435	199	135,700	6,910,054
2014	2,847,121	3,466,644	511,976	-	131,149	6,956,890
2015	3,224,247	3,483,713	514,954	2,010	128,721	7,353,645
2016	3,281,010	3,457,159	526,425	1,204	118,979	7,384,777
2017	3,355,089	3,435,440	537,167	137	95,870	7,423,703

City of Alamo, Texas
Assessed And Estimated Actual Value of Taxable Property
Last Ten Years
(Unaudited)

<u>Fiscal Year</u>	<u>Real Property</u>	<u>Personal Property</u>	<u>Minerals</u>	Less: <u>Tax Exempt Real Property</u>	<u>Total Taxable Assesses Value</u>	<u>Total Direct Tax Rate</u>	<u>Estimated Actual Taxable Value</u>	<u>Assessed Value as a Percentage of Actual Value</u>
2008	462,673,450	30,135,142	8,312,560	103,110,250	398,010,902	0.5928	501,121,152	79%
2009	536,572,121	29,498,816	7,340,910	121,276,756	452,135,091	0.5919	573,411,847	79%
2010	566,405,306	41,134,558	7,453,410	137,760,500	477,232,774	0.5919	614,993,274	78%
2011	561,024,499	42,801,293	-	137,431,858	466,393,934	0.5919	603,825,792	77%
2012	577,000,366	44,411,235	-	144,441,593	476,970,008	0.5854	621,411,601	77%
2013	592,931,548	42,946,680	-	158,584,835	477,293,393	0.5989	635,878,228	75%
2014	603,331,082	46,613,114	-	160,496,288	489,447,908	0.5989	649,944,196	75%
2015	667,514,004	51,466,795	-	200,603,937	518,376,862	0.5989	718,980,799	72%
2016	700,725,523	46,086,274	-	199,858,388	546,953,409	0.5881	746,811,797	73%
2017	720,446,547	48,348,601	-	199,661,388	569,133,760	0.5810	768,795,148	74%

**City of Alamo, Texas
Property Tax Rates
Direct and Overlapping Governments
Last Ten Fiscal Years
(Unaudited)**

Fiscal Year	City of Alamo			Overlapping Rates			Total Direct and Overlapping Rates
	Operating Tax Rate	Debt Service Tax Rate	Total City Tax Rate	Hidalgo County Tax Rate	PSJA ISD School District Tax Rate	South Texas College Tax Rate	
2008	\$ 0.4616	\$ 0.1312	\$ 0.5928	\$ 0.5900	\$ 1.2113	\$ 0.1540	\$ 2.5481
2009	0.4683	0.1235	0.5919	0.5900	1.2710	0.1498	2.6027
2010	0.4839	0.1079	0.5919	0.5900	1.3013	0.1491	2.6323
2011	0.4751	0.1167	0.5919	0.5900	1.3592	0.1497	2.6908
2012	0.4711	0.1143	0.5854	0.5900	1.3592	0.1507	2.6853
2013	0.4875	0.1114	0.5989	0.5900	1.3592	0.1507	2.6988
2014	0.4896	0.1093	0.5989	0.5900	1.3592	0.1500	2.6981
2015	0.4934	0.1055	0.5989	0.5900	1.3592	0.1850	2.7331
2016	0.4836	0.1045	0.5881	0.5900	1.3992	0.1850	2.7623
2017	0.4798	0.1012	0.5810	0.5900	1.3992	0.1850	2.7552

Source: Hidalgo County Tax Office

Note: Overlapping rates are those of the City, County and School District that apply to property owners within the City of Alamo. Not all overlapping rates apply to all City of Alamo property owners (for example, the rates of Pharr San Juan Alamo Independent School District only apply to the City's property owners whose property is located within the geographic boundaries of the PSJA Independent School District).

**City of Alamo, Texas
Principal TaxPayers
(Unaudited)**

Tax Payer	2017			2008		
	Tax Value	Rank	Percentage of Total Taxable Value	Tax Value	Rank	Percentage of Total Taxable Value
Wal-Mart Real Estate Bus Trust	\$ 11,924,515	1	2.10%	\$ 8,708,524	1	2.19%
Wilder Corporation of Delaware	11,397,827	2	2.00%	6,062,641	3	1.52%
Kim-Taek & Nancy Vargas Trusts	10,417,753	3	1.83%			
Wal-Mart Stores Texas, LLC	6,876,297	4	1.21%	7,536,276	2	1.89%
MHC Alamo Palms, LLC	6,853,282	5	1.20%			
H E Butt Grocery Company	6,776,786	6	1.19%	4,800,352	4	1.21%
DCTN3 Texas Portfolio, LLC	6,052,130	7	1.06%			
AEP Texas Central Co.	5,597,740	8	0.98%	3,581,120	5	0.90%
Alamo Bank of Texas	4,770,732	9	0.84%	2,526,219	7	0.63%
Casa Del Valle (TX) MHC LLC	4,500,000	10	0.79%			
C E Acheson 2nd Fmly LTD Ptrnshp				2,551,484	6	0.64%
Ameriparts, Inc. A Tex Corp.				2,321,863	8	0.58%
Hynes, Stephen a Trustee				2,308,978	9	0.58%
P & P Properties, LTD				2,161,034	10	0.54%
Totals	<u>\$ 75,167,062</u>		<u>13.21%</u>	<u>\$ 42,558,491</u>		<u>10.69%</u>

Source: Hidalgo County Appraisal District

**City of Alamo, Texas
Property Tax Levies and Collections
Last Ten Fiscal Years
(Unaudited)**

Fiscal Year Ended September 30	Total Tax Levy* for Fiscal Year	Collection within the Fiscal Year of the Levy		Delinquent Collections in Subsequent Years	Total Collection to Date	
		Amount	Percentage of Levy		Amount	Percentage of Levy
2008	2,353,232	2,169,112	92.2%	138,914	2,308,027	98.1%
2009	2,708,849	2,507,674	92.6%	144,440	2,652,114	97.9%
2010	2,726,869	2,504,374	91.8%	175,189	2,679,563	98.3%
2011	2,703,368	2,519,605	93.2%	191,735	2,711,340	100.3%
2012	2,718,248	2,540,124	93.4%	170,986	2,711,110	99.7%
2013	2,801,232	2,631,442	93.9%	168,514	2,799,956	100.0%
2014	2,865,965	2,687,376	93.8%	85,872	2,773,248	96.8%
2015	3,034,541	2,885,295	95.1%	150,070	3,035,365	100.0%
2016	3,149,506	3,015,594	95.7%	134,692	3,150,286	100.0%
2017	3,241,761	3,108,020	95.9%	110,961	3,218,981	99.3%

* Tax Levy including modifications through the year

**City of Alamo, Texas
Water Sewer Revenues
Last Ten Fiscal Years
(Unaudited)**

Fiscal Year	Water	Sewer	Total
2008	\$ 1,494,123	\$ 980,669	\$ 2,474,793
2009	1,734,934	1,176,813	2,911,747
2010	1,633,834	1,174,667	2,808,501
2011	1,918,744	1,329,265	3,248,009
2012	1,965,803	1,400,670	3,366,473
2013	2,042,633	1,448,055	3,490,688
2014	1,973,740	1,464,665	3,438,404
2015	1,920,992	1,508,259	3,429,251
2016	2,047,498	1,574,493	3,621,991
2017	2,206,676	1,702,839	3,909,515

City of Alamo, Texas
Ratio of Outstanding Debt by Type
Last Ten Fiscal Years
(Unaudited)

Fiscal Year	Governmental Activities			Business-Type Activities		Total Primary Government	Percentage of Personal Income (1)	Per Capita
	General Obligation Bonds	Notes Payable	Capital Leases	Revenue Bonds	Capital Leases			
2008	\$ 9,785,000	\$ -	\$ 628,004	\$ 6,726,000	\$ 232,823	\$ 17,371,827	7.98%	\$ 1,010
2009	9,355,000	-	451,929	6,521,000	185,305	16,513,234	7.78%	942
2010	8,690,000	-	192,582	6,345,000	82,535	15,310,117	6.28%	830
2011	8,000,000	-	65,542	6,127,000	28,089	14,220,631	5.12%	763
2012	7,285,000	637,500	828,643	6,181,000	23,222	14,955,365	5.08%	796
2013	13,615,000	637,500	710,548	5,925,000	19,569	20,907,617	7.34%	1,107
2014	12,825,000	725,475	589,206	5,661,000	15,819	19,816,500	6.50%	1,041
2015	12,015,000	701,634	464,677	5,389,000	11,968	18,582,279	6.14%	969
2016	11,190,000	677,564	336,788	5,114,000	8,017	17,326,369	5.94%	901
2017	10,345,000	653,254	812,657	5,831,000	313,457	17,955,368	5.58%	863

Note: Details regarding the City's outstanding debt can be found in the notes to the financial statements.

(1) Source: Texas Workforce Commission Tax Department.

City of Alamo, Texas
Ratio of General Bonded Debt Outstanding
Last Ten Fiscal Years
(Unaudited)

Fiscal Year	General Obligation Bonds	Amounts Available in Debt Service Fund	Total	Percentage of Estimated Actual Taxable Value of Property (1)	Per Capita (2)
2008	\$ 9,785,000	\$ 199,272	\$ 9,585,728	2.41%	\$ 557
2009	9,355,000	313,288	9,041,712	2.00%	516
2010	8,690,000	499,132	8,190,868	1.72%	444
2011	8,000,000	593,096	7,406,904	1.59%	397
2012	7,285,000	686,552	6,598,448	1.38%	351
2013	13,615,000	783,045	12,831,956	2.69%	679
2014	12,825,000	868,515	11,956,485	2.44%	628
2015	12,015,000	973,468	11,041,532	2.13%	576
2016	11,190,000	996,263	10,193,737	1.86%	530
2017	10,345,000	1,120,983	9,224,017	1.62%	443

Note: Details regarding the city's outstanding debt can be found in the notes to the financial statements. In addition, amounts listed under general obligation bonds do not include the portion of these bonds that are being serviced in proprietary funds.

(1) Please see the Schedule of Assessed Value and Estimated Actual Value of Taxable Property for property value data.

(2) Population data can be found in the Schedule of Demographic and Economic Statistics.

City of Alamo, Texas
Direct and Overlapping Governmental Activities Debt
As of September 30, 2017
(amounts expressed in thousands)

<u>Governmental Unit</u>	<u>Date</u>	<u>Debt Outstanding</u>	<u>Percentag e Applicabl e</u>	<u>Estimated Share of Overlapping Debt</u>
Direct:				
City of Alamo	9/30/2017	\$ 10,345	100%	\$ 10,345
Overlapping:				
Pharr, San Juan, Alamo ISD	9/30/2017	293,040	9.9%	28,952
Hidalgo County	9/30/2017	211,290	1.9%	4,099
Hidalgo County Irrigation District #1	9/30/2017	129,300	2.0%	2,625
South Texas College	9/30/2017	152,495	1.7%	2,531
South Texas ISD	9/30/2017	-	0.0%	-
Total Direct Debt				<u>10,345</u>
Total Net Overlapping Debt				<u>38,208</u>
Total Direct and Overlapping Debt				<u><u>\$ 48,553</u></u>

Source: Municipal Advisory Council of Texas

Note: Overlapping governments are those that coincide, at least in part, with the geographic boundaries of the City. This schedule estimates the portion of the outstanding debt of those overlapping governments that is borne by the residents and business of the City of Alamo. This process recognizes that, when considering the government's ability to issue and repay long-term debt, the entire debt burden borne by the residents and business should be taken into account. However, this does not imply that every taxpayer is a resident, and therefore responsible for repaying the debt, of each overlapping government.

City of Alamo, Texas
Computation of Legal Debt Margin
(Unaudited)

Assessed Valuation 2016 Tax Roll for Fiscal Year 2017	\$ 768,795,148
Debt Limit - Texas statutes do not prescribe a debt limit; however, by custom a practical economic debt limit of 10% of the assessed valuation is used.	<div style="text-align: right;">10%</div> <hr style="width: 100%;"/> <div style="text-align: right;">76,879,515</div> <hr style="width: 100%;"/>
Total Bonded Debt	10,345,000
Deduct amount available in debt service fund	<hr style="width: 100%;"/> <div style="text-align: right;">1,120,983</div> <hr style="width: 100%;"/>
Applicable Debt	<hr style="width: 100%;"/> <div style="text-align: right;">9,224,017</div> <hr style="width: 100%;"/>
Economic Debt Margin	<hr style="width: 100%;"/> <div style="text-align: right;">\$ 67,655,498</div> <hr style="width: 100%;"/>

**City of Alamo, Texas
Pledge-Revenue Coverage
Last Ten Fiscal Years
(Unaudited)**

Fiscal Year	Revenue Bonds			Debt Service		Coverage
	Charges and Other	Less: Operating Expenses	Net Available Revenue	Principal	Interest	
2008	\$ 2,621,277	\$ 2,299,401	\$ 321,876	\$ 6,726,000	\$ 232,823	0.05
2009	3,000,701	2,582,153	418,548	6,521,000	185,305	0.06
2010	2,873,480	2,130,082	743,398	6,345,000	82,535	0.12
2011	3,320,517	2,384,117	936,400	6,127,000	28,089	0.15
2012	3,438,634	2,680,613	758,021	6,181,000	23,222	0.12
2013	3,367,962	2,490,314	877,648	5,925,000	19,569	0.15
2014	3,531,528	2,745,418	786,110	5,661,000	15,819	0.14
2015	3,584,914	1,416,717	2,168,197	5,389,000	11,968	0.40
2016	3,764,724	1,676,250	2,088,474	5,114,000	8,017	0.41
2017	4,070,441	2,090,305	1,980,136	5,831,000	313,457	0.32

**City of Alamo, Texas
Demographic and Economic Statistics
Last Ten Fiscal Years
(Unaudited)**

Fiscal Year	Population (1)	MSA Per Capita Personal Income (3)	Median Age (3)	Unemployment Rate (2)
2008	17,207	12,656	33.5	1.10%
2009	17,526	12,110	33.5	0.50%
2010	18,452	13,202	31.9	2.10%
2011	18,642	14,890	35.1	0.80%
2012	18,778	15,683	35.3	2.90%
2013	18,885	15,078	34.7	0.10%
2014	19,036	16,007	35.6	2.30%
2015	19,171	15,787	35.1	0.30%
2016	19,220	15,164	33.3	1.90%
2017	20,804	15,476	34.2	0.10%

(1) Estimated (Information was received from the US Census)

(2) Source: Texas Workforce Commission Tax Department

(3) Source: U.S. Census Bureau, American Community Survey 5-year Estimates

**City of Alamo, Texas
Principal Employers
(Unaudited)**

<u>Employees</u>	<u>2017</u>	
	<u>Employees</u>	<u>Rank</u>
PSJA Independent School District	3,500	1
Wal-Mart	500	2
H.E.B	250	3
City of Alamo	138	4
Frost Bank	40	5
Vanguard Academy Mozart Elementary	34	6
Hess Air, Inc.	32	7
Triple R Medical Facility	25	8
Palm Garden	25	9
Santa Ana Wildlife Refuge	25	10
Totals	<u>4,569</u>	

Source: Alamo Economic Development Corporation

City of Alamo, Texas
Full-Time Equivalent City Government Employees by Function
Last Three Fiscal Years
(Unaudited)

		Fiscal Year	Fiscal Year	Fiscal Year
		2015	2016	2017
General Government				
01-510	Mayor and City Council	5	5	5
01-512	Planning and Comm. Develop.	3	3	3
01-514	Municipal Court	2	2	2
01-522	City Manger	2	2	2
01-523	Purchasing	2	2	2
01-524	City Secretary	1	1	1
01-525	Human Resources	1	1	1
01-526	Finance	4	4	4
01-529	Information Technology	2	2	2
01-550	Storm Water	2	2	2
Public Safety				
01-513	Police	40	41	41
01-516	Fire	18	19	21
Highways and Streets				
01-518	Streets	17	17	17
Health & Welfare				
01-512	Code Enforcement	1	1	1
Culture & Recreation				
01-515	Library	6	7	7
01-517	Parks & Recreation	11.50	11.50	11.50
01-519	Museum	0	1	1
01-521	Swimming Pool	2.50	2.50	2.50
General Fund Total		<u>120</u>	<u>124</u>	<u>126</u>
Utility				
03-530	Water	10	10	10
03-531	Sewer	4	4	4
03-534	Water Plant	5	5	5
03-536	Billing	4	4	4
Water/Sewer Fund Total		<u>23</u>	<u>23</u>	<u>23</u>
Grand Total		<u>143</u>	<u>147</u>	<u>149</u>

Source: City of Alamo Finance Department

City of Alamo, Texas
Operating Indicators by Function
(Unaudited)

<u>Function</u>	<u>2016</u>	<u>2017</u>
Public Safety - Police		
Physical Arrests	335	321
Parking Violations	30	38
Traffic Violations	3394	2690
Public Safety - Fire		
Number of Calls Answered	1468	1492
Inspections	263	253
Highways and Streets		
Traffic Signs Repaired	49	44
Solid Waste Services		
Materials Recycled - Tons	1842	1541
Culture and Recreation		
Programs	6	9
Parks Maintained	6	7
Water		
New Connections	847	803
Water Main Breaks	16	42
Average Daily Consumption (millions of gallons)	1.598	1.799
Wastewater		
Average Daily Sewage Treatment (millions of gallons)	1.523	1.671

Source: Various City Departments

Note: Indicators are not available for the general government function

City of Alamo, Texas
Capital Assets Statistics by Function
(Unaudited)

<u>Function</u>	<u>2017</u>
Miles of Streets:	
Paved	113.48
Miles of Sewer:	
Storm	44.09
Sanitary	89.95
Storm Drainage Ditches	14.54
Building Permits:	
Permits Issued	475
Estimated Value	\$ 79,255
Fire Protection:	
Number of Stations	2
Police Protection:	
Number of Stations	1
Recreation:	
Number of Parks	7
Number of Playgrounds	9
Number of Municipal Swimming Pools	1
Number of Splash Pads	2
Tennis Courts	4
Baseball Fields	7
Soccer Fields	1
Basketball Fields	4

Source: Various City Departments

CITY OF ALAMO, TEXAS

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INTERNAL CONTROL / COMPLIANCE SECTION



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

To the City Commission of
City of Alamo, 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, the blended component units, each major fund, and the aggregate remaining fund information of the City of Alamo, Texas, as of and for the year ended September 30, 2017, and the related notes to the financial statements, which collectively comprise the City of Alamo, Texas' basic financial statements, and have issued our report thereon dated March 14, 2018.

Internal Control over Financial Reporting

In planning and performing our audit of the financial statements, we considered the City of Alamo, 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 Alamo, Texas' internal control. Accordingly, we do not express an opinion on the effectiveness of the City of Alamo, 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 may exist that we not identified. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the City of Alamo, 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.

Oscar R. Gonzalez, CPA & Associates PLLC

Oscar R. Gonzalez, CPA & Associates, PLLC
Certified Public Accountants
Pharr, Texas

March 14, 2018