

CITY OF ALAMO, TEXAS
AUDITED ANNUAL FINANCIAL REPORT
FOR THE YEAR ENDED SEPTEMBER 30, 2015

**City of Alamo, Texas
Annual Financial Report
For the Year Ended September 30, 2015**

Principal Officials

MAYOR

Diana Martinez

CITY COMMISSION

Amelia V. Gallegos – Mayor Pro-Tem PL. 1

Pete Morales – Commissioner PL. 2

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

City of Alamo, Texas
Annual Financial Report
For the Year Ended September 30, 2015

Table of Contents

	Page
<u>Principal Officials</u>	i
<u>Financial Section</u>	
Independent Auditor's Report	1-2
Management's Discussion and Analysis	3-10
Basic Financial Statements:	
Government-Wide Financial Statements	
Statement of Net Position	11-12
Statement of Activities	13-14
Fund Financial Statements:	
Governmental Funds:	
Balance Sheet	15
Reconciliation of Governmental Funds Balance Sheet to the Statement of Net Position	16
Statement of Revenues, Expenditures, and Changes in Fund Balance	17
Reconciliation of Governmental Funds Statement of Revenues, Expenditures, and Changes in Fund Balance to the Statements of Activities	18
Proprietary Funds:	
Statement of Net Position	19
Statement of Revenues, Expenses, and Changes in Net Position	20
Statement of Cash Flows	21
Notes to Basic Financial Statements	22-45
<u>Required Supplementary Information</u>	
Schedule of Funding Progress for Retirement Plan (Unaudited)	46
Schedule of Changes in Net Pension Liability and Related Ratios (Last 10 Years)	47
Schedule of Revenues, Expenditures, and Changes in Fund Balance - Budget and Actual General Fund	48
<u>Other Supplementary Information</u>	
Schedule of Delinquent Taxes Receivable	49-50

City of Alamo, Texas
Annual Financial Report
For the Year Ended September 30, 2015

Table of Contents

	<u>Page</u>
<u>Other Supplementary Information (Continued)</u>	
Combining Balance Sheet - Non-Major Governmental Funds	51-52
Combining Statement of Revenues, Expenditures and Changes in Fund Balance - Non Major Governmental Funds	53-54
Schedule of Revenues and Expenses to Indicate Net Revenue Available for Debt Service	55
<u>Internal Control/ Compliance Section</u>	
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 Governmental Auditing Standards	56-57

FINANCIAL SECTION



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

Certified Public Accountants

208 W. Ferguson Unit #1 • Pharr, Texas 78577

Tel: (956) 787-9909 • Fax: (956) 787-3067

Email: org110n@aol.com

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, 2015, 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, 2015, and the respective changes in financial position, and, where applicable, cash flows thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

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

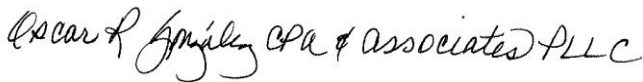
Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the City of Alamo, Texas's basic financial statements. The schedule of delinquent taxes receivable and combining and individual nonmajor fund financial statement are presented for purposes 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 fairly stated in all material respects in relation to the basic financial statements as a whole.

The schedules 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 11, 2016, on our consideration of the City of Alamo, Texas' internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the City of Alamo, Texas's internal control over financial reporting and compliance.



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

March 11, 2016

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, 2015. 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 \$45,903,440, compared to \$45,758,432 in the prior year.
- The City's total net position increased by \$145,008, caused by an increase of \$421,373 in the City's net position related to governmental activities and a decrease of \$276,365 in relation to the business-type activities net position.
- The City's governmental activities' assets exceeded its liabilities at the close of the most recent fiscal year by \$20,779,374 (net position) and \$ 20,358,001 in the prior year.
- The assets of the City's business-type activities did not exceed its liabilities at the close of the most recent fiscal year by \$25,124,066 (net position) and \$25,400,431 (net position) in the prior year. Of this amount, \$3,255,440 (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 \$4,263,616 for 2015 and \$3,397,945 for 2014 respectively, or 47.52 percent of total general fund expenditures.
- The City's governmental activities debt decreased by \$364,956; and business-type activities debt decreased by \$1,674,611 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

Management's Discussion and Analysis

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, and culture and recreation. 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 11 through 14 of this report. The government-wide financial statements include not only the City itself, but also its legally component unit Alamo Economic Development Corporation for which the city is financially accountable.

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 15 through 17 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

Management's Discussion and Analysis

fund financial statements. Individual fund data for the enterprise fund is provided in this report on pages 19 through 21.

Notes to 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 22 through 45 of this report.

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 \$45,903,440 and \$45,758,432 for 2015 and 2014 as adjusted, respectively, for governmental activities. One of the largest portions of the City's net position (57 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 services to citizens; consequently, these assets are not available for future spending. Although the City's investment in its capital assets is reported net of related debt, it should be noted that the resources needed to repay this debt must be provided from other sources, since the capital assets themselves cannot be used to liquidate these liabilities.

At the end of the current fiscal year, the City is able to report positive balances in the investment in capital asset and in the unrestricted net position. The City's Statement of Net position along with the last fiscal year's numbers are presented for comparison in the table below.

MD&A continues on next page

Management's Discussion and Analysis

City of Alamo, Texas Net Position

	Governmental		Business-type		Totals		Increase (Decrease)
	Activities		Activities				
	2015	2014	2015	2014	2015	2014	
Current Assets	\$ 12,693,936	\$ 13,344,087	\$ 3,799,056	\$ 5,437,624	\$ 16,492,992	\$ 18,781,711	\$ (2,288,719)
Non-Current Assets	23,751,046	22,589,427	27,269,594	27,598,876	51,020,640	50,188,303	832,337
Total Assets	36,444,982	35,933,514	31,068,650	33,036,500	67,513,632	68,970,014	(1,456,382)
Aggregate Deferred							
Outflows of Resource	382,637	106,017	19,312	-	401,949	106,017	295,932
Current Liabilities	1,671,462	1,654,353	724,639	2,188,795	2,396,101	3,843,148	(1,447,047)
Non-Current Liabilities	13,827,790	13,479,943	5,236,819	5,447,274	19,064,609	18,927,217	137,392
Total Liabilities	15,499,252	15,134,296	5,961,458	7,636,069	21,460,710	22,770,365	(1,309,655)
Aggregate Deferred	548,993	547,234	2,438	-	551,431	547,234	4,197
Inflows of Resources							
Net Assets							
Invested in capital assets							
net of related debt	13,088,501	5,749,616	21,868,626	17,584,383	34,957,127	23,333,999	11,623,128
Restricted	3,900,193	10,140,523	-	-	3,900,193	10,140,523	(6,240,330)
Unrestricted	3,790,680	4,467,862	3,255,440	7,816,048	7,046,120	12,283,910	(5,237,790)
Total Net Assets	\$ 20,779,374	\$ 20,358,001	\$ 25,124,066	\$ 25,400,431	\$ 45,903,440	\$ 45,758,432	\$ 145,008

The City's overall net position increased by \$145,008 during the current fiscal year.

Governmental activities. Governmental activities increased the City's net position by \$421,373. This increase is mainly attributed to the increase in property tax collections for the year and charges for services.

The business-type activities net position is \$25,124,066 in 2015. This was a decrease of \$276,365 in net position from the prior year amount of \$25,400,431. The decrease was mainly due to expenses directly related to the water and sewer systems. Also, a smaller amount of grant monies was received because several water and sewer projects were concluded during the year.

Management's Discussion and Analysis

The excess of liabilities/deferred inflows of resources over assets/deferred outflows of resources reported on the government-wide Statement of Net Position of \$149,482 at September 30, 2015 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 \$1,409,330 as of September 30, 2015, and other unfunded long-term liabilities which includes compensation claims and compensated absences.

The City's Statement of Activities for the year along with a comparison statement is presented in the table below:

City of Alamo, Texas						
Changes in Net Position						
	Governmental		Business-Type		Totals	
	Activities		Activities			
	2015	2014	2015	2014	2015	2014
Revenues						
<u>Program revenues</u>						
Charges for services	\$ 2,847,605	\$ 2,643,449	\$ 3,545,358	\$ 3,528,534	\$ 6,392,963	\$ 6,171,983
Operating grants and contributions	392,832	383,318	-	-	392,832	383,318
Capital grants and contributions	-	195,000	38,450	956,583	38,450	1,151,583
<u>General revenues</u>						
Property tax	3,224,247	2,847,121	-	-	3,224,247	2,847,121
Sales tax	3,483,713	3,466,644	-	-	3,483,713	3,466,644
Other tax	645,685	643,125	-	-	645,685	643,125
Other Revenues	195,138	174,514	1,106	3,512	196,244	178,026
Total revenues	<u>\$ 10,789,220</u>	<u>\$ 10,353,171</u>	<u>\$ 3,584,914</u>	<u>\$ 4,488,629</u>	<u>\$ 14,374,134</u>	<u>\$ 14,841,800</u>
Expenses						
General government	\$ 3,906,733	\$ 3,548,970	\$ -	\$ -	\$ 3,906,733	\$ 3,548,970
Public safety	3,790,022	3,518,106	-	-	3,790,022	3,518,106
Highways/streets	650,109	618,237	-	-	650,109	618,237
Health & welfare	277,341	255,552	-	-	277,341	255,552
Culture & recreation	890,470	832,050	-	-	890,470	832,050
Economic Development	421,173	243,693	-	-	421,173	243,693
Interest -Long-term debt	347,026	367,914	498	-	347,524	367,914
Waterworks/Sewer systems	-	-	2,840,518	2,745,936	2,840,518	2,745,936
Total expenses	<u>10,282,874</u>	<u>9,384,522</u>	<u>2,841,016</u>	<u>2,745,936</u>	<u>13,123,890</u>	<u>12,130,458</u>
Non-Operating Transfers (Net)	956,213	549,300	(956,213)	(373,324)	-	175,976
Change in net position	1,462,559	1,517,949	(212,315)	1,369,369	1,250,244	2,887,318
Prior Period Adjustment	(1,041,186)	(108,460)	(64,050)	(55,992)	(1,105,236)	(164,452)
Net position - beginning	<u>20,358,001</u>	<u>18,948,512</u>	<u>25,400,431</u>	<u>21,766,100</u>	<u>45,758,432</u>	<u>40,714,612</u>
Net position - ending	<u>\$ 20,779,374</u>	<u>\$ 20,358,001</u>	<u>\$ 25,124,066</u>	<u>\$ 23,079,477</u>	<u>\$ 45,903,440</u>	<u>\$ 43,437,478</u>

(a) The restatement of the beginning net position in fiscal year 2015 is the result of the City Implementing GASB Statement No. 68 and 71 in fiscal year 2015.

Management's Discussion and Analysis

The implementation is discussed above in MD&A and more information is available in Note IV, B.

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 \$4,263,616 and the Special Revenue Fund (Alamo Economic Development Corporation) had \$2,276,225. The Debt Service Fund had a fund balance of \$1,081,786 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 \$2,841,016 for 2015 and \$2,745,936 for 2014 with revenues of \$3,545,358 for 2015 and \$3,528,534 for 2014, with grants of \$38,450 for 2015 and \$956,583 in 2014, resulting in a decrease in net position of \$212,315 for 2015 and \$1,193,393 for 2014.

Unrestricted net position of the Water and Sewer Fund at the end of the year amounted to \$3,255,440, and total net position of \$25,124,066. 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 \$21,868,626. 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 exceeded appropriations of the general government functions in the following functions: General Government by \$36,297. Actual revenues for the year exceeded actual expenditures by \$552,501. Actual revenues exceeded budgeted revenues by \$358,621, while actual expenditures did not exceed appropriations by \$177,405.

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 \$51,020,640 and \$50,188,303 (net of accumulated depreciation) for 2015 and 2014. 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 Activities		Business-Type Activities		Total		Increase (Decrease)
	2015	2014	2015	2014	2015	2014	
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	538,217	1,221,897	105,153	-	643,370	1,221,897	(578,527)
	<u>2,269,807</u>	<u>2,953,487</u>	<u>3,048,231</u>	<u>2,943,078</u>	<u>5,318,038</u>	<u>5,896,565</u>	<u>(578,527)</u>
Capital assets, being depreciated:							
Buildings	12,971,213	11,148,366	4,773,103	4,773,103	17,744,316	15,921,469	1,822,847
Vehicles	2,820,861	2,796,938	227,078	201,205	3,047,939	2,998,143	49,796
Machinery & Equipment	2,200,191	2,119,080	1,210,765	1,175,923	3,410,956	3,295,003	115,953
Infrastructure	12,389,655	11,607,298	25,080,929	25,022,774	37,470,584	36,630,072	840,512
	<u>30,381,920</u>	<u>27,671,682</u>	<u>31,291,875</u>	<u>31,173,005</u>	<u>61,673,795</u>	<u>58,844,687</u>	<u>2,829,108</u>
Accumulated Depreciation	<u>(8,900,681)</u>	<u>(7,409,569)</u>	<u>(7,070,512)</u>	<u>(6,517,207)</u>	<u>(15,971,193)</u>	<u>(13,926,776)</u>	<u>(2,044,417)</u>
Total Capital Assets, being Depreciated, net	<u>21,481,239</u>	<u>20,262,113</u>	<u>24,221,363</u>	<u>24,655,798</u>	<u>45,702,602</u>	<u>44,917,911</u>	<u>784,691</u>
Capital Assets, Net	<u>\$ 23,751,046</u>	<u>\$ 23,215,600</u>	<u>\$ 27,269,593</u>	<u>\$ 27,598,876</u>	<u>\$ 51,020,639</u>	<u>\$ 50,814,476</u>	<u>\$ 206,164</u>

Long-Term Debt

State statutes limit the amount general obligation debt that the City may issue to 10% of its total assessed valuation (\$546,953,409). The City's general obligation debt maximum is \$54,695,341, compared to the City's debt of \$17,404,000. The City's governmental activities debt decreased by \$958,901; and business-type activities debt decreased by \$290,845 in the current fiscal year.

City of Alamo, Texas Long-Term Obligations

	Governmental Activities		Business-Type Activities		Total		Increase (Decrease)
	2015	2014	2015	2014	2015	2014	
Long-Term Obligations							
General Obligation Bond	\$ 12,015,000	\$ 12,825,000	\$ 5,389,000	\$ 5,661,000	\$ 17,404,000	\$ 18,486,000	\$ (1,082,000)
Capital Leases	464,677	589,206	11,968	15,819	476,645	605,025	(128,380)
Loan Payables	701,634	725,475	-	-	701,634	725,475	(23,841)
Compensated Absences	297,603	298,383	31,313	46,306	328,916	344,689	(15,773)
Total Long-Term Obligations	<u>\$ 13,478,913</u>	<u>\$ 14,438,064</u>	<u>\$ 5,432,281</u>	<u>\$ 5,723,125</u>	<u>\$ 18,911,195</u>	<u>\$ 20,161,189</u>	<u>\$ (1,249,994)</u>

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

	Beginning Balance	Increases	Decreases	Ending Balance
Pension Liability	\$ 1,424,188	\$ -	\$ 14,858	\$ 1,409,330

Management's Discussion and Analysis

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 \$1,409,330 at September 30, 2015 from \$1,424,188 at September 30, 2014 was the result of a significant increase in net investment income in the TMRS plan during 2014.

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, 2015:

PENSION Key Pension Statistics

Net Pension Liability (NPL)	\$ 1,409,330
Pension Expense	\$ 278,567

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.

Economic Factors and Next Year's Budget And Rates

During the budget process for the fiscal year 2015-2016, the Mayor, City Commissioners and staff considered many factors.

- Appraisal values used in preparing 2015-2016 budget increased \$18,640,157 over the prior year, or 4 percent higher than the prior year.
- The ad valorem property tax rate was set at \$0.5881 to generate the revenues necessary for the operation of the City. The City is relying on the increase of the tax base to increase revenues.
- The 2015-2016 General Fund operating budget was prepared using \$3,571,612 as the estimated fund balance at September 30, 2015. The actual unassigned fund balance for the General Fund was \$4,263,616.

All of these factors were considered in preparing the City's budget for fiscal year 2015-2016.

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 the blended component unity (AEDC) should be addressed to the Office of the City of Alamo, Texas, Finance Director: 420 N. Tower Road, Alamo, Texas 78516. Additional financial information or a copy of the annual financial report for AEDC is available.

BASIC FINANCIAL STATEMENTS

City of Alamo, Texas
Statement of Net Position
September 30, 2015

	Primary Government		
	Governmental Activities	Business-type Activities	Total
ASSETS			
<i>Current Assets</i>			
Cash and Cash Equivalents	\$ 5,199,402	\$ 1,319,927	\$ 6,519,329
Investments	5,311,633	1,881,684	7,193,317
Accounts Receivable (Net of Allowance)			
Property Taxes	479,569	-	479,569
Court	195,838	-	195,838
Customers	221,417	369,834	591,251
Other	837,425	3,068	840,493
Note Receivables	612,212	-	612,212
Prepaid and Other Assets	983	60,000	60,983
Internal Balances	(164,543)	164,543	-
Total Current Assets	12,693,936	3,799,056	16,492,992
<i>Non-Current Assets</i>			
Land	1,731,590	2,943,078	4,674,668
Construction In Progress	538,217	105,153	643,370
Building and Improvements (Net)	9,961,157	3,450,535	13,411,692
Vehicles (Net)	900,525	109,395	1,009,920
Furniture and Equipment (Net)	1,287,094	497,839	1,784,933
Infrastructure (Net)	9,332,463	20,163,594	29,496,057
Total Non-Current Assets	23,751,046	27,269,594	51,020,640
Total Assets	36,444,982	31,068,650	67,513,632
DEFERRED OUTFLOWS OF RESOURCES			
Unamortized Loss on Refunding of Debt	97,182	-	97,182
Related from Pension	285,455	19,312	304,767
Total Deferred Outflows of Resources	382,637	19,312	401,949

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	514,198	-	514,198
Payroll Withholding and Deductions	22,470	1,857	24,327
Other Current Liabilities	137,929	5,000	142,929
Unearned Revenues - Property Taxes	5,181	-	5,181
Accrued Interest	14,725	28,223	42,948
Customers Deposits	-	410,604	410,604
Matured Debt Payable Within One Year	976,959	278,955	1,255,914
Total Current Liabilities	1,671,462	724,639	2,396,101
<i>Non-Current Liabilities</i>			
Bonds Payable More than One Year	11,190,000	5,114,000	16,304,000
Loans Payable More than One Year	677,564	-	677,564
Leases Payable More than One Year	336,788	8,013	344,801
Compensated Absences	297,602	31,312	328,914
Net Pension Liability	1,325,836	83,494	1,409,330
Total Non-Current Liabilities	13,827,790	5,236,819	19,064,609
Total Liabilities	15,499,252	5,961,458	21,460,710
DEFERRED INFLOWS OF RESOURCES			
Unamortized Premium on Bonds	510,805	-	510,805
Related to Pension	38,188	2,438	40,626
Total Deferred Inflows of Resources	548,993	2,438	551,431
NET POSITION			
Net Invested in Capital Assets	13,088,501	21,868,626	34,957,127
<i>Restricted for:</i>			
Capital Projects	-	-	-
Debt Service	637,669	-	637,669
Economic Development	2,267,309	-	2,267,309
Special Revenue	995,215	-	995,215
<i>Unrestricted</i>	3,790,680	3,255,440	7,046,120
Total Net Position	\$ 20,779,374	\$ 25,124,066	\$ 45,903,440

City of Alamo, Texas
Statement of Activities
For the Year Ended September 30, 2015

<u>Functions/Programs</u>	<u>Expenses</u>	<u>Charges for Services</u>	<u>Operating Grants and Contributions</u>	<u>Capital Grants and Contributions</u>
Primary Government				
Governmental Activities:				
General Government	\$ 3,906,733	\$ 170,208	\$ 31,208	\$ -
Public Safety	3,790,022	767,639	328,899	-
Highways and Streets	650,109	1,792,373	-	-
Health and Welfare	277,341	15,643	-	-
Culture and Recreation	890,470	101,742	32,725	-
Economic Development	421,173	-	-	-
Debt Interest	347,026	-	-	-
Total Governmental Activities	10,282,874	2,847,605	392,832	-
Business-type Activities:				
Water & Sewer	2,841,016	3,545,343	-	38,450
2007 Reserve	-	15	-	-
Total Business-type Activities	2,841,016	3,545,358	-	38,450
Total Primary Government	\$ 13,123,890	\$ 6,392,963	\$ 392,832	\$ 38,450

General Purpose Revenues and Transfers:

Revenues

Property Taxes

Sales Taxes

Franchise Taxes

Other Taxes

Miscellaneous General Revenues

Interest Revenue

Transfers

Total General Revenues and Transfers

Change in Net Position

Net Position at Beginning of Period

Prior Period Adjustments

Net Position at Beginning of Period (Restated)

End of Period

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

Primary Government

<u>Governmental Activities</u>	<u>Business-type Activities</u>	<u>Total</u>
\$ (3,705,317)	\$ -	\$ (3,705,317)
(2,693,484)	-	(2,693,484)
1,142,264	-	1,142,264
(261,698)	-	(261,698)
(756,003)	-	(756,003)
(421,173)	-	(421,173)
(347,026)	-	(347,026)
<u>(7,042,437)</u>	<u>-</u>	<u>(7,042,437)</u>
-	742,777	742,777
-	15	15
-	742,792	742,792
<u>\$ (7,042,437)</u>	<u>\$ 742,792</u>	<u>\$ (6,299,645)</u>
\$ 3,224,247	\$ -	\$ 3,224,247
3,483,713	-	3,483,713
514,954	-	514,954
130,731	-	130,731
155,547	-	155,547
39,591	1,106	40,697
956,213	(956,213)	-
8,504,996	(955,107)	7,549,889
1,462,559	(212,315)	1,250,244
20,358,001	25,400,431	45,758,432
(1,041,186)	(64,050)	(1,105,236)
19,316,815	25,336,381	44,653,196
<u>\$ 20,779,374</u>	<u>\$ 25,124,066</u>	<u>\$ 45,903,440</u>

GOVERNMENTAL FUNDS

City of Alamo, Texas
Balance Sheet
Governmental Funds
September 30, 2015

	<u>General</u>	<u>Alamo Economic Development Corporation</u>	<u>Capital Projects</u>	<u>Non-Major Governmental Funds</u>	<u>Total Governmental Funds</u>
ASSETS					
Cash and Cash Equivalents	\$ 1,567,485	\$ 920,444	\$ 1,193,884	\$ 1,517,588	\$ 5,199,401
Investments	2,352,929	658,881	1,738,505	561,318	5,311,633
Accounts Receivable					-
Property Taxes	393,276	-	-	86,293	479,569
Court	195,838	-	-	-	195,838
Customers	221,417	-	-	-	221,417
Other	648,333	160,134	-	28,958	837,425
Note Receivables	-	612,212	-	-	612,212
Prepaid and Other Assets	983	-	-	-	983
Due From Other Funds	437,599	-	-	-	437,599
<i>Total Assets</i>	<u>5,817,860</u>	<u>2,351,671</u>	<u>2,932,389</u>	<u>2,194,157</u>	<u>13,296,077</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>\$ 5,817,860</u>	<u>\$ 2,351,671</u>	<u>\$ 2,932,389</u>	<u>\$ 2,194,157</u>	<u>\$ 13,296,077</u>
LIABILITIES					
Accounts Payable	\$ 440,198	\$ 74,000	\$ -	\$ -	\$ 514,198
Payroll Withholding and Deductions	22,470	-	-	-	22,470
Other Current Liabilities	137,930	-	-	-	137,930
Unearned Revenues	-	-	-	5,181	5,181
Due To Other Funds	600,696	1,446	-	-	602,142
<i>Total Liabilities</i>	<u>1,201,294</u>	<u>75,446</u>	<u>-</u>	<u>5,181</u>	<u>1,281,921</u>
DEFERRED INFLOWS OF RESOURCES					
Deferred Property Taxes	157,111	-	-	35,262	192,373
Deferred Court Fines	195,839	-	-	-	195,839
<i>Total Deferred Inflows of Resources</i>	<u>352,950</u>	<u>-</u>	<u>-</u>	<u>35,262</u>	<u>388,212</u>
FUND BALANCE					
Restricted for:					
Debt Service	-	-	-	1,081,885	1,081,885
Capital Projects	-	-	2,932,389	-	2,932,389
Special Projects	-	-	-	1,071,829	1,071,829
Economic Development & Tourism	-	2,276,225	-	-	2,276,225
Unassigned	4,263,616	-	-	-	4,263,616
<i>Total Fund Balance</i>	<u>4,263,616</u>	<u>2,276,225</u>	<u>2,932,389</u>	<u>2,153,714</u>	<u>11,625,945</u>
Total Liabilities, Deferred Inflows of Resources and Fund Balance	<u>\$ 5,817,860</u>	<u>\$ 2,351,671</u>	<u>\$ 2,932,389</u>	<u>\$ 2,194,157</u>	<u>\$ 13,296,077</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, 2015

Total Fund Balance - Governmental Funds	\$	11,625,945
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.		23,751,046
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.		(14,139,681)
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.		17,744
Revenue deferred in governmental fund statements if not received within sixty days.		127,381
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.		(297,602)
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.		(14,724)
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.		97,182
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.		(510,805)
Principal payments on long-term expensed in governmental fund statements, treated as reductions of outstanding debt in entity wide statements.		958,370
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.		(1,078,569)
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		243,087
Total Net Position of Governmental Activities - Statement of Net Position	\$	20,779,374

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, 2015

	General Fund	Alamo Economic Development Corporation	Capital Projects	Non-Major Governmenta l Funds	Total Governmental Funds
Revenues					
Property Taxes	\$ 2,650,255	\$ -	\$ -	\$ 557,599	\$ 3,207,854
Sales Taxes	2,612,785	870,928	-	-	3,483,713
Franchise Taxes	514,954	-	-	-	514,954
Other Taxes	2,010	-	-	128,721	130,731
Court Fines and Fees	646,975	-	-	-	646,975
Licenses and Permits	111,964	-	-	-	111,964
Charges for Services	2,064,472	-	-	-	2,064,472
Local Events and Contributions	32,725	-	-	-	32,725
Other Revenues	78,410	2,168	-	81,420	161,998
State Grants	50,317	-	-	-	50,317
Federal Grants	278,582	-	-	-	278,582
Other Governmental Grants	-	-	-	31,208	31,208
Interest Revenue	1,387	36,276	1,516	411	39,590
Total Revenues	9,044,836	909,372	1,516	799,359	10,755,083
Expenditures					
General Government	3,523,467	-	-	62,721	3,586,188
Public Safety	3,450,501	-	-	-	3,450,501
Highways and Streets	590,526	-	-	-	590,526
Health and Welfare	252,224	-	-	-	252,224
Culture and Recreation	810,378	-	-	-	810,378
Economic Development	-	384,608	-	-	384,608
Capital Outlay	204,904	-	1,767,659	13,876	1,986,439
Bond Issuance Costs	-	-	-	-	-
Debt Principal	124,529	23,841	-	810,000	958,370
Debt Interest	14,915	7,007	-	353,333	375,255
Total Expenditures	8,971,444	415,456	1,767,659	1,239,930	12,394,489
Excess of Revenues Over (Under) Expenditures	73,392	493,916	(1,766,143)	(440,571)	(1,639,406)
Other Financing Sources (Uses)					
Transfers From Other Funds	511,494	-	406,913	676,685	1,595,092
Transfers To Other Funds	(32,385)	(485,000)	-	(121,494)	(638,879)
Net Other Financing Sources (Uses)	479,109	(485,000)	406,913	555,191	956,213
Net Change in Fund Balance	552,501	8,916	(1,359,230)	114,620	(683,193)
<i>Fund Balance at Beginning of Period</i>	3,397,945	2,267,309	4,291,619	1,972,142	11,929,015
<i>Prior Period Adjustments</i>	313,170	-	-	66,953	380,123
Fund Balance at End of Period	\$ 4,263,616	\$ 2,276,225	\$ 2,932,389	\$ 2,153,715	\$ 11,625,945

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, 2015

Total Net Change in Fund Balances - Governmental Funds	\$	(683,193)
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.		1,997,238
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.		(864,939)
Principal payments on long-term are expensed in the governmental fund statements, and treated as reductions of outstanding debt in Statement of Net Position.		958,370
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.		635
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.		17,744
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.		780
Revenue deferred in governmental fund statements if not received within sixty days.		16,239
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.		(37,383)
Fixed assets are capitalized in the Statement of Net Position and depreciated in the Statement of Activities. These are expensed when acquired in the Statement of Revenues, Expenditures, and Changes in Fund Balance.		29,320
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		154
Changes in Net Position-Governmental Funds	\$	<u>1,462,559</u>

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

PROPRIETARY FUNDS

City of Alamo, Texas
Statement of Net Position
Proprietary Funds
September 30, 2015

	Business-type Activities - Enterprise Funds	
	Water and Sewer	Total Enterprise Funds
ASSETS		
<i>Current Assets</i>		
Cash and Cash Equivalents	\$ 1,319,927	\$ 1,319,927
Restricted Cash	-	-
Investments	1,881,684	1,881,684
Accounts Receivable - Customers	369,834	369,834
Accounts Receivable - Other	3,068	3,068
Prepaid and Other Assets	60,000	60,000
Due From Other Funds	299,773	299,773
Total Current Assets	3,934,286	3,934,286
<i>Noncurrent Assets</i>		
Land	2,943,078	2,943,078
Construction In Progress	105,153	105,153
Building and Improvements (Net)	3,450,535	3,450,535
Vehicles (Net)	109,395	109,395
Furniture and Equipment (Net)	497,839	497,839
Infrastructure (Net)	20,163,594	20,163,594
Total Assets	31,203,880	31,203,880
DEFERRED OUTFLOWS OF RESOURCES		
Related from Pension	19,312	19,312
Total Deferred Outflows of Resources	19,312	19,312
LIABILITIES		
<i>Current Liabilities</i>		
Accounts Payable	5,000	5,000
Payroll Withholding and Deductions	28,223	28,223
Accrued Interest	1,857	1,857
Customers Deposits	410,604	410,604
Matured Debt Payable Within One Year	278,955	278,955
Due to Other Funds	135,230	135,230
Total Current Liabilities	859,869	859,869
<i>Noncurrent Liabilities</i>		
Compensated Absences	31,312	31,312
Bonds Payable More than a Year	5,114,000	5,114,000
Leases Payable More than a Year	8,013	8,013
Net Pension Liability	83,494	83,494
Total Liabilities	6,096,688	6,096,688
DEFERRED INFLOWS OF RESOURCES		
Related to Pension	2,438	2,438
Total Deferred Inflows of Resources	2,438	2,438
NET POSITION		
Net Invested in Capital Assets	21,868,626	21,868,626
<i>Unrestricted</i>	3,255,440	3,255,440
Total Net Position	\$ 25,124,066	\$ 25,124,066

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, 2015

	Business-type Activities - Enterprise Funds	
	Water and Sewer	Total Enterprise Funds
Operating Revenues		
Charges for Services	\$ 3,543,867	\$ 3,543,867
Other Revenues	1,491	1,491
<i>Total Operating Revenues</i>	3,545,358	3,545,358
Operating Expenses		
Debt Interest	191,449	191,449
Water Department	675,235	675,235
Sewer Department	465,832	465,832
Water Plant Department	570,636	570,636
Water Billing	192,831	192,831
General Administration	189,980	189,980
Depreciation	553,305	553,305
Other Debt Fees	1,250	1,250
<i>Total Operating Expenses</i>	2,840,518	2,840,518
<i>Operating Income (Loss)</i>	704,840	704,840
Non-Operating Revenues (Expenses)		
Federal Grants	38,450	38,450
Interest Revenue	1,106	1,106
Interest Expense	(498)	(498)
<i>Net Non-Operating Revenues (Expenses)</i>	39,058	39,058
<i>Income Before Contributions and Transfers</i>	743,898	743,898
Transfers From Other Funds	-	-
Transfers To Other Funds	(956,213)	(956,213)
<i>Change In Net Position</i>	(212,315)	(212,315)
<i>Net Position at Beginning of Period</i>	25,400,431	25,400,431
<i>Prior Year Adjustments</i>	(64,050)	(64,050)
<i>Net Position at End of Period</i>	\$ 25,124,066	\$ 25,124,066

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, 2015

	Water and Sewer Fund
Cash Flows from Operating Activities:	
Cash Received from Customers	\$ 3,536,979
Cash Received from Other Revenue	1,491
Cash Payments to Employees	(691,079)
Cash Payments to Other Suppliers for Goods and Services	(1,415,646)
Net Cash Provided (Used) by Operating Activities	1,431,745
Cash Flows from Non-capital Financing Activities:	
Receipts From Grants	38,450
Unearned Receipts	(1,487,255)
Due From (To) Primary Government	73,866
Transfer From (To) Other Funds	(956,213)
Net Cash Provided (Used) by Non-capital Financing Activities	(2,331,152)
Cash Flows from Capital and Related Financing Activities:	
Principal Paid	(275,851)
Interest Paid	(189,485)
Net Cash Provided (Used) for Capital and Related Financing Activities	(465,336)
Cash Flows from Investing Activities:	
Capital Asset Acquisition	(224,023)
Interest and Dividends on Investments	1,106
Payments for Acquisition of Investments	(973)
Net Cash Provided (Used) for Investing Activities	(223,890)
Net Increase (Decrease) in Cash and Cash Equivalents	(1,588,633)
Cash and Cash Equivalents at Beginning of Year	2,908,560
Cash and Cash Equivalents at End of Year	1,319,927
Reconciliation of Operating Income to Net Cash	
Provided (Used) by Operating Activities:	
Operating Income (Loss)	897,539
Adjustments to Reconcile Operating Income to Net Cash	
Provided by Operating Activities	
Depreciation and amortization	553,305
Change in Assets and Liabilities:	
(Increase) Decrease in Receivables	(22,958)
(Increase) Decrease in Related to Pension	(16,874)
Increase (Decrease) in Other Liabilities	(179)
Increase (Decrease) in Customer Deposits	16,070
Increase (Decrease) in Wages and Salaries Payables	392
Increase (Decrease) in Pension Payable	19,444
Increase (Decrease) in Compensated Absences	(14,994)
Total Adjustments	534,206
Net Cash Provided (Used) by Operating Activities	\$ 1,431,745

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, 2015

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, 2015

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, 2015

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, 2015

I. 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 not 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, 2015

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, 2015.

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, 2015

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, 2015

II. STEWARDSHIP, COMPLIANCE AND ACCOUNTABILITY

C. Excess of Appropriations over General Fund Expenditures

At September 30, 2015, general fund total expenditures were below budget appropriations by \$177,405 and actual revenues exceeded budgeted revenues by \$358,621. Actual revenues for the year exceeded actual expenditures by \$552,501, after other financing sources.

Expenditures exceeded appropriations of the general government function in the general administration by \$36,297. The reason for this excess was due to operating expense expenditure to the Texas Comptroller of Public Accounts for excess of local tax collections.

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, 2015, the carrying amount of the City's deposits was \$6,519,329.

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 on the month of July 29, 2015 and was in the amount of \$6,488,000 and was fully collateralized by pledged securities in the amount of \$2,806,114. As of September 30, 2015, the City's bank balance of \$6,531,867, was not exposed to custodial credit risk and was fully insured and fully collateralized by \$250,000 FDIC insurance and \$6,360,656 of pledged securities.

City of Alamo, Texas
Notes to Financial Statements
For the year ended September 30, 2015

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

2. Restricted Cash – Escrow Account

This account represents funds (cash receipts) held in escrow for TWDB Contract #G12004, for TWDB Project #10406, authorized with Resolution #11-105 on February 7, 2012. The City does not have ownership of this account and cannot write checks from it. The Executive Administrator from the TWDB is the only individual authorized to disburse funds from the Escrow Account, for eligible expenditures. The City is responsible to ensure that the funds are properly invested and properly secured. Funds were 100% secured by the FDIC and pledged securities. As of September 30, 2015, funds were exhausted and project was completed. Total Funds were \$1,487,721 and a total of \$ 38,450 was spent for water and sewer projects, the project was completed and the release of the remaining escrow funds were returned to the TWDB in the amount of \$ 1,449,248.

B. Investments

The City is required by Government code Chapter 2256, the public Funds Investment Act (“Act”), to adopt, implement, and publicize an investment policy. That policy must be written, primarily emphasize safety of principal and liquidity, address investment diversification, yield, and maturity and the quality and capability of investment management, and include a list of the types of authorized investments in which the investing entity’s funds may be invested, and the maximum allowable stated maturity of any individual investment owned by the entity. The Act requires an annual audit of investment practices. Audit procedures in this area conducted as part of the audit of the general purposes financial statements disclosed that in the areas of investment practices, management reports and establish appropriate policies. The City adheres to the requirements of the Act. Additionally, investment practices of the City are in accordance with local policies.

City has all their investments invested with Texpool Participant Services, an investment service for public funds that complies with all requirements set by State and City policies. A total of \$7,193,317 is invested in Texpool as of September 30, 2015.

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:

- a. **Interest Rate Risk**
This is the risk that changes in interest rates will adversely affect the fair value of an investment. At year end, the City was not exposed to interest rate risk. The City’s investment policy states that no investment shall exceed 24 months in maturity. By limiting the exposure of its investments, the City reduces its risk to the rising or decreasing interest rates.
- b. **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 an indication of credit risk. At year end, the City was not significantly exposed to credit risk.
- c. **Custodial Credit Risk**
Deposits and investments are exposed to custodial credit risk if they are not covered by the 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.
- d. **Concentration of Credit Risk**
This risk is the risk of loss attributed to the magnitude of a government’s investment in a single issuer. At year end, the City was exposed to concentration of credit risk, but highly collateralized. With the City’s investment policy, diversification is stressed. The City was in compliance with its diversification investment guidelines.
- e. **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.

City of Alamo, Texas
Notes to Financial Statements
For the year ended September 30, 2015

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

C. Disaggregation of Receivables

Receivables for the City at September 30, 2015, were as follows:

Governmental Funds	Accounts Receivable	Allowance for Uncollectible	Total (Net)
Property Taxes	\$ 532,854	\$ 53,285	\$ 479,569
Sales Taxes	578,731	-	578,731
Franchise Taxes	57,031	-	57,031
Court Fines and Fees	391,677	195,839	195,838
Note Receivables	612,212	-	612,212
Utility Customers	221,417	-	221,417
Other Sources	201,662	-	201,662
	<u>\$ 2,595,584</u>	<u>\$ 249,124</u>	<u>\$ 2,346,460</u>

Business-Type Funds	Accounts Receivable	Allowance for Uncollectible	Total (Net)
Utility Customers	\$ 514,894	\$ 145,050	\$ 369,844
Other Sources	3,068	-	3,068
	<u>\$ 517,962</u>	<u>\$ 145,050</u>	<u>\$ 372,912</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	Asset Forfeitures	Water & Sewer	Total
Property Taxes	\$ 157,111	\$ 35,262	\$ -	\$ -	\$ 192,373
Court Fines	195,839	-	-	-	195,839
Total	<u>\$ 352,950</u>	<u>\$ 35,262</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 388,212</u>

Total Deferred Inflows for Primary Government \$ 388,212

2. Unearned Revenues

Unearned Revenues Description	General Fund	Debt Service Fund	Asset Forfeitures	Water & Sewer	Total
Grant Advance	\$ -	\$ -	\$ -	\$ -	-
Asset Forfeiture	-	-	5,181	-	5,181
Total	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 5,181</u>	<u>\$ -</u>	<u>\$ 5,181</u>

Total Unearned Revenues for Primary Government \$ 5,181

City of Alamo, Texas
Notes to Financial Statements
For the year ended September 30, 2015

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, 2015 consisted of the following:

		Due from					
		General	Economic	Debt	Capital	Water &	
		Fund	Development	Service	Projects	Sewer Fund	Totals
Due To	General Fund	\$ 300,923	\$ 1,446	\$ -	\$ -	\$ 135,230	\$ 437,598
	Debt Service Funds	-	-	-	-	-	-
	Alamo Economic Dev. Corp.	-	-	-	-	-	-
	Total Governmental Funds	300,923	1,446	-	-	135,230	437,598
	Water and Sewer Fund	299,773	-	-	-	-	299,773
	Total Enterprise Funds	299,773	-	-	-	-	299,773
	Totals	\$ 600,696	\$ 1,446	\$ -	\$ -	\$ 135,230	\$ 737,371

F. Interfund Transfers

The City reports interfund transfers between many of its funds. Interfund transfers for the year ended September 30, 2015, consisted of the following:

		Transfers Out					
		General	Economic	Capital	Special	Water &	
		Fund	Development	Projects	Revenue	Sewer Fund	Totals
Transfers In	General Fund	\$ -	\$ 40,000	\$ 406,913	\$ 32,385	\$ 350,000	\$ 829,297
	Special Revenue Funds	121,494	-	-	-	-	121,494
	Capital Projects Fund	-	-	-	-	-	-
	Debt Service Funds	-	445,000	-	-	199,300	644,300
	Total Governmental Funds	121,494	485,000	406,913	-	549,300	1,595,091
	Water and Sewer Fund	-	-	-	-	-	-
	Total Enterprise Funds	-	-	-	-	-	-
Totals	\$ 121,494	\$ 485,000	\$ 406,913		\$ 549,300	\$ 1,595,091	

City of Alamo, Texas
Notes to Financial Statements
For the year ended September 30, 2015

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

F. Interfund Transfers (continued)

Transfers From	Transfers To	Amount	Reason
AEDC	General Fund	\$ 40,000	Administration Fee.
Water and Sewer	General Fund	350,000	Administration Fee.
AEDC	Debt Service Fund	445,000	To provide resources for repayment of Certificate of Obligations Series 2008 and Series 2013.
Water and Sewer	Debt Service Fund	199,300	To provide resources for repayment of Certificate of Obligations Series 2012A.
General Fund	Special Revenue Fund	32,385	To provide annual resources to the Tax Increment Reinvestment Zone.
General Fund	Capital Projects Fund	406,912.50	To provide resources for the water sewer utilities of Tower Road project.
Special Revenue	General Fund	121,493.97	To transfer resources transferred in excess to the TIRZ fund.

Notes to the financials continue on next page

City of Alamo, Texas
Notes to Financial Statements
For the year ended September 30, 2015

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

G. Capital Assets

Capital asset activity for the year ended September 30, 2015 was as follows:

Primary Government				
Governmental Activities:	Beginning			Ending
Capital Assets not being depreciated:	Balances	Increases	Decreases	Balances
Land and right of way	\$ 1,731,590	\$ -	\$ -	\$ 1,731,590
Construction in Progress	1,221,897	1,810,853	(2,494,533)	538,217
Total capital assets, not being depreciated	<u>2,953,487</u>	<u>1,810,853</u>	<u>(2,494,533)</u>	<u>2,269,807</u>
 <i>Capital assets, being depreciated:</i>				
Building and Improvements	11,148,366	1,822,847	-	12,971,213
Vehicles	2,796,938	23,923	-	2,820,861
Machinery & Equipment	2,119,080	81,111	-	2,200,191
Infrastructure	11,607,298	782,357	-	12,389,655
Total capital assets, being depreciated	<u>27,671,682</u>	<u>2,710,238</u>	<u>-</u>	<u>30,381,920</u>
 <i>Less accumulated depreciation for:</i>				
Buildings and Improvement	(2,748,927)	(261,130)	-	(3,010,057)
Vehicles	(1,735,869)	(184,467)	-	(1,920,336)
Machinery & Equipment	(811,792)	(101,305)	-	(913,097)
Infrastructure	(2,739,154)	(318,037)	-	(3,057,191)
Total accumulated depreciation	<u>(8,035,742)</u>	<u>(864,939)</u>	<u>-</u>	<u>(8,900,681)</u>
Total capital assets, being depreciated, net	<u>19,635,940</u>	<u>1,845,299</u>	<u>-</u>	<u>21,481,239</u>
Governmental activities capital assets, net	<u>\$ 22,589,427</u>	<u>\$ 3,656,152</u>	<u>\$ (2,494,533)</u>	<u>\$ 23,751,046</u>
 Business-Type Activities				
Capital Assets not being depreciated:	Beginning			Ending
Capital Assets not being depreciated:	Balances	Increases	Decreases	Balances
Land and right of way	\$ 2,943,078	\$ -	\$ -	\$ 2,943,078
Construction in Progress	-	105,153	-	105,153
Total capital assets, not being depreciated	<u>2,943,078</u>	<u>105,153</u>	<u>-</u>	<u>3,048,231</u>
 <i>Capital assets, being depreciated:</i>				
Building and Improvements	4,773,103	-	-	4,773,103
Vehicles	201,205	25,872	-	227,077
Machinery & Equipment	1,175,923	34,842	-	1,210,765
Infrastructure	25,022,774	58,155	-	25,080,929
Total capital assets, being depreciated	<u>31,173,005</u>	<u>118,869</u>	<u>-</u>	<u>31,291,874</u>
 <i>Less accumulated depreciation for:</i>				
Buildings and Improvement	(1,220,684)	(101,884)	-	(1,322,568)
Vehicles	(99,009)	(18,673)	-	(117,682)
Machinery & Equipment	(610,388)	(102,539)	-	(712,927)
Infrastructure	(4,587,126)	(330,209)	-	(4,917,335)
Total accumulated depreciation	<u>(6,517,207)</u>	<u>(553,305)</u>	<u>-</u>	<u>(7,070,512)</u>
Total capital assets, being depreciated, net	<u>24,655,798</u>	<u>(434,436)</u>	<u>-</u>	<u>24,221,362</u>
Business-Type capital assets, net	<u>\$ 27,598,876</u>	<u>\$ (329,283)</u>	<u>\$ -</u>	<u>\$ 27,269,593</u>
 Total Primary Government Total	 <u>\$ 50,188,303</u>	 <u>\$ 3,326,869</u>	 <u>\$ (2,494,533)</u>	 <u>\$ 51,020,639</u>

City of Alamo, Texas
Notes to Financial Statements
For the year ended September 30, 2015

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

G. Capital Assets (continued)

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

Expenditures	<u>Depreciation By Function</u>
General Government	344,175
Public Safety	328,048
Highways and Streets	56,143
Health and Welfare	23,980
Culture and Recreation	76,028
Economic Development	36,565
Total Allocable Expenditures	<u><u>864,939</u></u>

H. Long Term Obligations

The following schedule summarizes the changes in long-term debt, pension liability, and compensated absences as of September 30, 2015:

<u>Governmental Activities</u> Description	Original Issue	Final Maturity	Coupon Rate %	Original Issue	Outstanding Balance 9/30/15
Bond Series 2008	4/17/2008	2/15/2028	3.75%	3,000,000	2,220,000
Bond Series 2012 - A	12/1/2012	2/15/2032	2.00% - 3.00%	7,075,000	6,385,000
Bond Series 2013	1/15/2013	2/15/2026	2.00% - 3.25%	3,835,000	3,410,000
				<u>\$ 13,910,000</u>	<u>\$ 12,015,000</u>
Interest paid on bonded indebtedness during the current year was			<u>\$ 375,557</u>		

Deferred Outflow/Inflow of Resources	Beginning Balance	Increase	Decrease	Ending Balance
Unamortized Premium / Discount	(547,234)		36,429	(510,805)
Unamortized Loss on Refunding of Debt		106,017	8,835	97,182

<u>Business-Type Activities</u> Description	Original Issue	Final Maturity	Coupon Rate %	Original Issue	Outstanding Balance 9/30/15
W & S, Bond Series 2000	6/1/2000	8/1/2040	4.50%	\$ 2,967,000	\$ 2,443,000
Bond Series 2007	10/18/2007	3/1/2027	2.20% - 2.75%	4,000,000	2,740,000
Bond Series 2012	4/2/2012	3/1/2022	0.008% - 2.48%	279,000	206,000
				<u>\$ 7,246,000</u>	<u>\$ 5,389,000</u>
Interest paid on bonded indebtedness during the current year was			<u>\$ 188,232</u>		

City of Alamo, Texas
Notes to Financial Statements
For the year ended September 30, 2015

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

H. Long Term Obligations (continued)

<u>Governmental Activities</u>	Outstanding	Issued	Retired	Outstanding	Amounts Due
Description	Balance 10/01/14	Current	Current	Balance 9/30/15	Within One year
Bond Series 2008	2,350,000	-	130,000	2,220,000	135,000
Bond Series 2012 - A	6,735,000	-	350,000	6,385,000	355,000
Bond Series 2013	3,740,000	-	330,000	3,410,000	335,000
Total Bonds Payable	\$ 12,825,000	\$ -	\$ 810,000	\$ 12,015,000	\$ 825,000

<u>Business-Type Activities</u>	Outstanding	Issued	Retired	Outstanding	Amounts Due
Description	Balance 10/01/14	Current	Current	Balance 9/30/2015	Within One year
W & S, Bond Series 2000	\$ 2,495,000	\$ -	\$ 52,000	\$ 2,443,000	\$ 54,000
Bond Series 2007	2,935,000	-	195,000	2,740,000	195,000
Bond Series 2012	231,000	-	25,000	206,000	26,000
Total Bonds Payable	\$ 5,661,000	\$ -	\$ 272,000	\$ 5,389,000	\$ 275,000

<u>Governmental Activities</u>	Beginning			Ending	Amounts Due
Obligation	Balance	Increases	Decreases	Balance	Within One year
General Obligation Bonds	\$ 12,825,000	\$ -	\$ 810,000	\$ 12,015,000	\$ 825,000
Capital Leases	589,206	-	124,529	464,677	127,889
Loan Payables	725,475	-	23,841	701,634	24,070
Sick and Vacation Leave	298,383	238,523	239,304	297,602	-
Total Governmental Activities	\$ 14,438,064	\$ 238,523	\$ 1,197,674	\$ 13,478,913	\$ 976,959

<u>Business-Type Activities</u>	Beginning			Ending	Amounts Due
Obligation	Balance	Increases	Decreases	Balance	Within One year
General Obligation Bonds	\$ 5,661,000	\$ -	\$ 272,000	\$ 5,389,000	\$ 275,000
Capital Leases	15,819	-	3,851	11,968	3,955
Sick and Vacation Leave	46,306	30,152	45,145	31,313	-
Total Business-Type Activities	\$ 5,723,125	\$ 30,152	\$ 320,996	\$ 5,432,281	\$ 278,955

<u>Governmental Activities</u>	Beginning			Ending
Obligation	Balance	Increases	Decreases	Balance
**Net Pension Liability	\$ 1,339,628		\$ 13,792	\$ 1,325,836

<u>Governmental Activities</u>	Beginning			Ending
Obligation	Balance	Increases	Decreases	Balance
**Net Pension Liability	\$ 84,560		\$ 1,066	\$ 83,494

** Per GASB 68, beginning balance for net pension liability includes the restatement of net pension liability at September 30, 2015

Notes to the financials continue on next page

City of Alamo, Texas
Notes to Financial Statements
For the year ended September 30, 2015

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, 2015 are as follows:

Certificates of Obligation Payable

Year Ended September 30,	Governmental Activities			Business-Type Activities		
	Principal	Interest	Total	Principal	Interest	Total
2016	\$ 825,000	\$ 334,719	\$ 1,159,719	\$ 275,000	\$ 184,461	\$ 459,461
2017	845,000	315,613	1,160,613	283,000	176,292	459,292
2018	870,000	295,082	1,165,082	292,000	167,824	459,824
2019	885,000	273,163	1,158,163	306,000	158,856	464,856
2020	920,000	249,632	1,169,632	315,000	149,482	464,482
2021-2025	4,340,000	862,244	5,202,244	1,618,000	598,526	2,216,526
2026-2030	2,580,000	28,263	2,608,263	980,000	367,238	1,347,238
2031-2035	750,000	25,087	775,087	1,320,000	338,225	1,658,225
Total Certificates of Obligation Payable	\$ 12,015,000	\$ 2,383,801	\$ 14,398,801	\$ 5,389,000	\$ 2,140,904	\$ 7,529,904

Capital Leases Payable

Year Ended September 30,	Governmental Activities			Business-Type Activities		
	Principal	Interest	Total	Principal	Interest	Total
2016	127,889	11,555	139,444	3,955	358	4,313
2017	131,339	8,105	139,444	4,062	250	4,312
2018	134,883	4,561	139,444	3,951	184	4,135
2019	68,317	1,381	69,698	-	-	-
2020	2,249	-	2,249	-	-	-
Total Capital Leases Payable	\$ 464,677	\$ 25,602	\$ 490,279	\$ 11,968	\$ 792	\$ 12,760

Loan Payable

Year Ended September 30,	Governmental Activities		
	Principal	Interest	Total
2016	\$ 24,070	\$ 6,777	\$ 30,847
2017	24,310	6,537	30,847
2018	24,554	6,293	30,847
2019	24,799	6,048	30,847
2020	25,047	5,800	30,847
2021-2025	129,043	25,192	154,235
2026-2030	135,626	18,609	154,235
2031-2035	142,544	11,691	154,235
2036-2040	171,641	4,135	175,776
Total Loans Payable	\$ 701,634	\$ 91,082	\$ 792,717

Notes to the financials continue on next page

City of Alamo, Texas
Notes to Financial Statements
For the year ended September 30, 2015

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

J. Notes Receivable – AEDC Blended Component Unit

Notes receivable for the Alamo Economic Development Corporation at September 30, 2015 are as follows:

Note	Outstanding Balance As of 10/1/2014	Increases	Decreases	Outstanding Balance As of 9/30/2015
Los Alamos Imaging Center, LP Loan #1 Dated, August 18, 2009, for the amount of \$150,000 at an interest rate of 3.25% with maturity on September 1, 2016.	\$ 83,037	\$ -	\$ 83,037	\$ -
Los Alamos Imaging Center, LP Loan #2 Dated, October 18, 2009, for the amount of \$150,000 at an interest rate of 3.25% with maturity on November 1, 2016.	83,148	-	83,148	-
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.	104,420	4,750	16,240	92,930
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.	87,704	-	11,812	75,892
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.	105,390	-	14,160	91,230
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.	105,695	-	20,625	85,070
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.	157,624	-	15,069	142,555
Aaron's Mobile Home Transport Loan Dated, April 26, 2014, for the amount of \$150,000 at an interest rate of 4.00% with maturity on March 1, 2024.	143,837	-	19,302	124,535
Totals	\$ <u>870,855</u>	\$ <u>4,750</u>	\$ <u>263,393</u>	\$ <u>612,212</u>

Notes to the financials continue on next page

City of Alamo, Texas
Notes to Financial Statements
For the year ended September 30, 2015

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 2015</u>	<u>Plan Year 2014</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
Service retirement eligibility (expressed as age / years of service)	60/5, 20/0	60/5, 20/0
Updated Service Credit	100% Repeating, Transfers	100% Repeating, Transfers
Annuity Increase (to retirees)	70% of CPI Repeating	70% of CPI Repeating

City of Alamo, Texas
Notes to Financial Statements
For the year ended September 30, 2015

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 2014 and 2015, respectively. The City's contributions to TMRS for the year ended September 30, 2015, were \$XXXX, and were equal to the required contributions.

4. Net Pension Liability

The City's Net Pension Liability (NPL) was measured as of December 31, 2014, 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, 2014 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	25 years
Asset Valuation Method	10 year smoothed market; 15% soft corridor
Inflation	3.00%
Salary Increases	3.50% to 12.00% including inflation
Investment Rate of Return	7.00%
Retirement Age	Experience-based table of rates that are specific to the City's plan of benefits. Last updated for the 2010 valuation pursuant to an study of the period 2005-2009.
Mortality	RP2000 Combined Mortality Table with Blue Collar Adjustment with male rates multiplied by 109% and female rates multiplied by 103% and projected on a fully generational basis with scale BB.
Other Information	There were no benefit changes during the year.

Actuarial assumptions used in the December 31, 2014, valuation were based on the results of actuarial experience studies. The experience study in TMRS was for the period January 1, 2006 through December 31, 2009, first used in the December 31, 2010 valuation. Healthy post-retirement mortality rates and annuity purchase rates were updated based on a Mortality Experience Investigation Study covering 2009 through 2011, and dated December 31, 2013. These assumptions were first used in the December 31, 2013 valuation, along with a change to the Entry Age Normal (EAN) actuarial cost method. Assumptions are reviewed annually. No additional changes were made for the 2014 valuation.

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

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.

City of Alamo, Texas
Notes to Financial Statements
For the year ended September 30, 2015

IV. OTHER INFORMATION (continued)

B. Defined Benefit Pension Plans (continued)

4. Net Pension Liability (continued)

The target allocation and best estimates of arithmetic real rates of return for each major asset class are summarized in the following table:

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

Discount Rate

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

At September 30, 2015, the City reported a net pension liability of \$1,424,188.

Net Pension Liability	12/31/2014	12/31/2013
Total Pension Liability	\$ 8,583,041	\$ 7,909,553
Plan Fiduciary Net Position	7,158,853	6,470,507
Net Pension Liability	\$ 1,424,188	\$ 1,439,046
Plan Fiduciary Net Position as a Percentage of Total Pension Liability	83.41%	81.81%
Net Pension Liability as a Percentage of Covered Payroll	35.62%	36.32%

Notes to the financials continue on next page

City of Alamo, Texas
Notes to Financial Statements
For the year ended September 30, 2015

IV. OTHER INFORMATION (continued)

B. Defined Benefit Pension Plans (continued)

4. Net Pension Liability (continued)

For the year ended September 30, 2015, the City recognized a pension expense of \$278,567.

Schedule of Pension Expense	
1. Total Service Cost	\$ 377,477
2. Interest on the Total Pension Liability	559,416
3. Current Period Benefit Charges	-
4. Employee Contributions (Reduction of Expense)	(216,594)
5. Projected Earnings on Plan Investments (Reduction of Expense)	(452,935)
6. Administrative Expense	3,865
7. Other Fiduciary Net Position	318
8. Recognition of Current Year Outflow (inflow) of Resources - Liabilities	(9,518)
9. Recognition of Current Year Outflow (inflow) of Resources - Assets	16,538
10. Amortization of Prior Year Outflows (Inflows) of Resources - Liabilities	-
11. Amortization of Prior Year Outflows (Inflows) of Resources - Assets	-
12. Total Pension Expense	\$ 278,567

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 7.0%, 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 (6.0%) or 1-percentage point higher (8.0%) than the current rate:

1% Decrease	Current Single Rate Assumption	1% Increase
6.00%	7.00%	8.00%
\$ 2,892,407	\$ 1,424,188	\$ 246,024

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, 2015

IV. OTHER INFORMATION (continued)

B. Defined Benefit Pension Plans (continued)

5. Deferred Outflows and Inflows of Resources Related to Pensions

At September 30, 2015, 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	2014 Recognized in Current Pension Expense	Deferred (Inflow)/Outflow in Future Expense
Due to Liabilities:				
Difference in expected and actual experience [actuarial (gains) or losses]	5.2685	\$ (50,144)	\$ (9,518)	\$ (40,626)
Difference in assumption changes [actuarial (gains) or losses]	5.2685	-	-	-
			<u>\$ (9,518)</u>	<u>\$ (40,626)</u>
Due to Assets:				
Difference in projected and actual earnings on pension plan investments [actuarial (gains) or losses]	5.0000	\$ 82,690	\$ 16,538	\$ 66,152
			<u>\$ 16,538</u>	<u>\$ 66,152</u>
Total			<u>\$ 25,526</u>	<u>\$ 25,526</u>

\$304,767 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, 2015.

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

Net Deferred Outflows (Inflows) of Resources	
2015	\$ 7,020
2016	7,020
2017	7,020
18	7,020
19	(2,554)
Thereafter	-
Total	<u>\$ 25,526</u>

City of Alamo, Texas
Notes to Financial Statements
For the year ended September 30, 2015

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 \$31,208 for expenses occurred between October 1, 2014 to September 30, 2015.

V. NEW ACCOUNTING PRINCIPLES

In fiscal year 2015, the City adopted five new statements of financial accounting standards issued by the Governmental Accounting Standards Board (GASB):

- Statement No. 67, Financial Reporting for Pension Plans" - an amendment of GASB Statement No. 25
- Statement No. 68, Accounting and Financial Reporting for Pensions - an amendment of GASB Statement No. 27
- Statement No. 69, Government Combinations and Disposals of Governmental Operations
- Statement No. 70, Accounting and Financial Reporting for Nonexchange Financial Guarantees
- Statement No. 71, Pension Transition for Contributions Made Subsequent to the Measurement Date - an amendment of GASB Statement No. 68.

Statement No. 67 establishes financial reporting standards, but not funding or budgetary standards, for state and local government defined benefit pension plans and defined contribution pension plans that are administered through trusts or equivalent arrangements (Pension Trusts) in which:

1. Contributions from employers and nonemployer contributing entities to the pension plan and earnings on those contributions are irrevocable.
2. Pension plan assets are dedicated to providing pensions to plan members in accordance with the benefit terms.
3. Pension plan assets are legally protected from the creditors of employers, nonemployer contributing entities, and the pension plan administrator. If the plan is a defined benefit pension plan, plan assets also are legally protected from creditors of the plan members.

For defined benefit pension plans, this Statement establishes standards of financial reporting for separately issued financial reports and presentation as pension trust funds in the financial statements of another government, and specifies the required approach to measuring the pension liability of employers and any nonemployer contributing entities for benefits provided through the pension plan (the net pension liability), about which certain information is required to be presented. Distinctions are made regarding the particular presentation requirements depending upon the type of pension plan administered. For defined contribution plans, the Statement provides specific note disclosure requirements.

The adoption of Statement No. 67 has no impact on the District's financial statements.

Statement No. 68 establishes standards of accounting and financial reporting, but not funding or budgetary standards, for defined benefit pensions and defined contribution pensions provided to the employees of state and local government employers through pension plans that are administered through trusts or equivalent arrangements criteria detailed above in the description of Statement No. 67. This Statement replaces the requirements of Statement No. 27, Accounting for Pensions by State and Local Governmental Employers, as well as the requirements of Statement No. 50, Pension Disclosures, as they relate to pensions that are provided through pension plans within the scope of the Statement.

City of Alamo, Texas
Notes to Financial Statements
For the year ended September 30, 2015

V. NEW ACCOUNTING PRINCIPLES (Continued)

The requirements of Statement No. 68 apply to the financial statements of all state and local governmental employers whose employees are provided with pensions through pension plans that are administered through trusts or equivalent arrangements as described above, and to the financial statements of state and local governmental nonemployer contributing entities that have a legal obligation to make contributions directly to such pension plans. This Statement establishes standards for measuring and recognizing liabilities, deferred outflows of resources, and deferred inflows of resources, and expense/expenditures related to pensions. Note disclosure and RSI requirements about pensions also are addressed. For defined benefit pension plans, this Statement identifies the methods and assumptions that should be used to project benefit payments, discount projected benefit payments to their actuarial present value, and attribute that present value to periods of employee service.

The adoption of Statement No. 68 has no impact on the City's governmental fund financial statements, which continue to report expenditures in the contribution amount determined by the state legislature for the TMRS plan. The calculation of pension contributions is unaffected by the change. However, the adoption has resulted in the restatement of the City's beginning net position for the fiscal year 2014 government-wide financial statements to reflect the reporting of net pension liabilities and deferred inflows of resources and deferred outflows of resources for its qualified pension plan and the recognition of pension expense in accordance with the provisions of the Statement. Net position as of October 1, 2014 was decreased by \$1,041,186 to reflect the cumulative effect of adoption. The net pension liability of \$1,339,628 and the deferred outflows of resources of \$298,442 at September 30, 2014 were reported as a prior period adjustment to the net position on October 1, 2014. Refer to Note IV for more information regarding the City's pension.

Statement No. 69 improves financial reporting by addressing accounting and financial reporting for government combinations and disposals of government operations. The term "government combinations" is used to refer to a variety of arrangements including mergers and acquisitions. Mergers include combinations of legally separate entities without the exchange of significant consideration. Government acquisitions are transactions in which a government acquires another entity, or its operations, in exchange for significant consideration. Government combinations also include transfers of operations that do not constitute entire legally separate entities in which no significant consideration is exchanged. Transfers of operations may be present in shared service arrangements, reorganizations, redistricting, annexations, and arrangements in which an operation is transferred to a new government created to provide those services.

There was no impact on the City's financial statements as a result of the implementation of Statement No. 69.

Statement No. 70 was issued to improve accounting and financial reporting by state and local governments that extend and receive nonexchange financial guarantees.

The Statement requires a government that extends a nonexchange financial guarantee to recognize a liability when qualitative factors and historical data indicate that it is more likely than not that the government will be required to make a payment on the guarantee. The Statement requires a government that has issued an obligation guaranteed in a nonexchange transaction to recognize revenue to the extent of the reduction in its guaranteed liabilities. The Statement requires a government that is required to repay a guarantor for making a payment on a guaranteed obligation or legally assuming the guaranteed obligation to continue to recognize a liability until legally released as an obligor. When a government is released as an obligor, the government should recognize revenue as a result of being relieved of the obligation. This Statement also provides additional guidance for intra-entity nonexchange financial guarantees involving blended component units.

There was no impact on the City's financial statements as a result of the implementation of Statement No. 70.

Statement No. 71 amends Statement No. 68 to require that, at transition, a government recognize a beginning deferred outflow of resources for its pension contributions, if any, made subsequent to the measurement date of the beginning net pension liability. Since the measurement date of the pension plan was different than the City's fiscal year-end, the effect from the City's reported contributions to the plan subsequent to the respective measurement date of the plan as an increase in deferred outflow of resources and a decrease in net position as follows:

- TMRS – The beginning deferred outflow includes contributions from October 1, 2013 through September 30, 2014, totaling \$318,951.

City of Alamo, Texas
Notes to Financial Statements
For the year ended September 30, 2015

VI. PRIOR PERIOD ADJUSTMENT – NEED TO CHANGE AND VERIFY PPA

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 record property taxes collected within 60 days after year-end.	\$ 313,170
<u>Debt Service Fund</u>	
To record property taxes collected within 60 days after year-end.	66,953
Total Fund Balance Adjustments	\$ 380,123
 <u>Government-Wide Adjustments</u>	
To record property taxes collected within 60 days after year-end.	\$ (380,123)
To implement new GASB 68 pronouncement - Deferred Outflow Related to Pensions	298,442
To implement new GASB 68 pronouncement - Net Pension Liability	(1,339,628)
Total Governmental Funds	\$ (1,421,309)
 <u>Water and Sewer Fund</u>	
To implement new GASB 68 pronouncement - Deferred Outflow Related to Pensions	\$ 20,510
To implement new GASB 68 pronouncement - Net Pension Liability	(84,560)
Total Water and Sewer Fund	\$ (64,050)

VII. COMMITMENTS

Grant Programs

1. 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. Litigation

The City has no material, pending or threatened litigation matters, claims or assessments as of September 30, 2015.

3. Subsequent Events

For the purposes of reporting subsequent events, management has considered events occurring up to March 11, 2016, 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, 2015

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%

City of Alamo, Texas
Schedule of Changes in Net Pension Liability and Related Ratios
Last 10 Years*
For the Year Ended September 30, 2015

	2014
Total Pension Liability	
Service Cost	\$ 377,477
Interest (on the total pension liability)	559,416
Changes of Benefit Terms	-
Difference between Expected and Actual Experience	(50,144)
Change of Assumptions	-
Benefit Payments, including Refunds of Employee Contributions	(213,261)
Net Change in Total Pension Liability	\$ 673,488
Net Pension Liability - Beginning	7,909,553
Total Pension Liability - Ending	\$ 8,583,041
 Plan Fiduciary Net Position	
Contributions - Employer	\$ 318,951
Contributions - Employee	216,594
Net Investment Income	370,245
Benefit Payments, including Refunds of Employee Contributions	(213,261)
Administrative Expense	(3,865)
Other	(318)
Net Change in Plan Fiduciary Net Position	\$ 688,346
Plan Fiduciary Net Position - Beginning	6,470,507
Plan Fiduciary Net Position - Ending	\$ 7,158,853
 Net Pension Liability	\$ 1,424,188
Plan Fiduciary Net Position as a Percentage of Total Pension Liability	83.41%
Covered Employee Payroll	\$ 3,998,291
Net Pension Liability as a Percentage of Covered Employee Payroll	35.62%

*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, 2015

	<u>Budgeted Amounts</u>		<u>Actual Budget Basis</u>	<u>Final Variance Budget Basis</u>
	<u>Original</u>	<u>Final</u>		
Revenues				
Property Taxes	\$ 2,515,054	\$ 2,635,054	\$ 2,650,255	\$ 15,201
Sales Taxes	2,575,496	2,575,496	2,612,785	37,289
Franchise Taxes	479,568	479,568	514,954	35,386
Hotel Taxes	550	550	2,010	1,460
Licenses and Permits	79,810	79,810	111,964	32,154
Court Fines and Fees	466,550	606,550	646,975	40,425
Charges for Services	1,922,653	1,922,653	2,064,472	141,819
Miscellaneous revenues	46,500	46,500	78,410	31,910
Local Events and Contributions	33,000	33,000	32,725	(275)
Interest Revenue	2,500	2,500	1,387	(1,113)
State Grants	-	-	50,317	50,317
Federal Grants	304,534	304,534	278,582	(25,952)
Total Revenues	<u>8,426,215</u>	<u>8,686,215</u>	<u>9,044,836</u>	<u>358,621</u>
Other Financing Sources				
Proceeds on Sale of Assets	-	-	-	-
Transfers from other funds	465,000	505,000	511,494	6,494
Total Revenues and Other Financing Sources	<u>8,891,215</u>	<u>9,191,215</u>	<u>9,556,330</u>	<u>365,115</u>
Expenditures				
General Government	3,185,525	3,487,170	3,523,467	(36,297)
Public Safety	3,651,602	3,558,758	3,434,623	124,135
Highways & Streets	722,963	722,963	690,397	32,566
Health & Welfare	253,709	257,627	252,224	5,403
Culture & Recreation	859,170	857,565	815,456	42,109
Capital Outlay	73,620	125,319	115,833	9,486
Debt Principal	124,531	124,532	124,529	3
Debt Interest	14,910	14,915	14,915	-
Total Expenditures	<u>8,886,030</u>	<u>9,148,849</u>	<u>8,971,444</u>	<u>177,405</u>
Other Financing Uses				
Transfers to other funds	-	32,385	32,385	-
Total Expenditures and Other Financing Uses	<u>8,886,030</u>	<u>9,181,234</u>	<u>9,003,829</u>	<u>177,405</u>
Excess (Deficiency) of Revenues and Other Sources Over Expenditures and Other Uses	<u>5,185</u>	<u>9,981</u>	<u>552,501</u>	<u>542,520</u>
Net Change in Fund Balance	5,185	9,981	552,501	542,520
Fund Balance at Beginning of Period	3,397,945	3,397,945	3,397,945	-
Prior Period Adjustment	313,170	313,170	313,170	-
Fund Balance at End of Period	<u><u>\$ 3,716,300</u></u>	<u><u>\$ 3,721,096</u></u>	<u><u>\$ 4,263,616</u></u>	<u><u>\$ 542,520</u></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, 2015

<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>
2006 & Prior Years	\$ Various	\$ Various	\$ Various
2007	0.4457	0.1472	363,816,329
2008	0.4457	0.1472	339,374,302
2009	0.4684	0.1235	439,311,243
2010	0.4839	0.1079	466,885,353
2011	0.4751	0.1167	452,905,402
2012	0.4711	0.1144	477,293,393
2013	0.4876	0.1114	489,447,908
2014	0.4897	0.1093	518,376,862
2015 (Unaudited)	0.49347	0.1055	546,953,409

10 Beginning Balance October 1, 2014	20 Current Year's Total Levy	31 Maintenance Collections	32 Debt Service Collections	40 Entire Year's Adjustments	50 Ending Balance September 30, 2015
\$ 114,603		\$ 15,509	\$ 2,792	\$ (1,098)	\$ 95,204
16,645		3,034	1,002	(189)	12,420
21,094		4,649	1,321	(182)	14,942
26,553		6,599	1,741	(200)	18,013
32,291		4,062	906	(4,265)	23,059
49,181		5,842	1,436	(8,038)	33,866
65,616		15,051	3,655	(5,871)	41,039
109,781		33,378	7,627	(7,849)	60,927
182,124		72,779	16,247	(8,958)	84,139
-	3,049,831	2,377,194	508,100	(15,291)	149,246
\$ 617,888	\$3,049,831	\$ 2,538,096	\$ 544,828	\$ (51,940)	\$ 532,854
				Allowance for Uncollectible Taxes	\$ 53,285
				Total	\$ 479,569

City of Alamo, Texas
Combining Balance Sheet
Non-Major Governmental Funds
September 30, 2015

	Special Revenue Funds		
	Urban County Grant	Hotel / Motel Fund	State Forfeiture Fund
ASSETS			
Cash and Cash Equivalents	\$ -	\$ 551,631	\$ 19,071
Investments	-	233,007	-
Note Receivables	-	-	-
Accounts Receivable - Property Taxes	-	-	-
Accounts Receivable - Other	-	28,958	-
Due From Other Funds	-	-	-
Total Assets	-	813,596	19,071
DEFERRED OUTFLOWS OF RESOURCES			
Aggregated deferred outflows	-	-	-
Total Assets and Deferred Outflows of Resources	\$ -	\$ 813,596	\$ 19,071
LIABILITIES			
Accounts Payable	\$ -	\$ -	\$ -
Unearned Revenue	-	-	-
Due to Other Funds	-	-	-
Total Liabilities	-	-	-
DEFERRED INFLOWS OF RESOURCES			
Aggregated deferred inflows	-	-	-
Total Deferred Inflows of Resources	-	-	-
FUND BALANCE			
Restricted for:			
Debt Service	-	-	-
Capital Projects	-	-	-
Special Projects	-	813,596	19,071
Tourism	-	-	-
Unassigned	-	-	-
Total Fund Balance	-	813,596	19,071
Total Liabilities, Deferred Inflows of Resources and Fund Balance	\$ -	\$ 813,596	\$ 19,071

Special Revenue Funds		Debt Service		Total Non-Major Governmental Funds
Tax Increment Fund	Local Forfeiture Fund	Debt Service		
\$ 239,241	\$ 5,102	\$ 702,543		\$ 1,517,588
-	-	328,311		561,318
-	-	-		-
-	-	86,293		86,293
-	-	-		28,958
-	-	-		-
<u>239,241</u>	<u>5,102</u>	<u>1,117,147</u>		<u>2,194,157</u>
-	-	-		-
<u>\$ 239,241</u>	<u>\$ 5,102</u>	<u>\$ 1,117,147</u>		<u>\$ 2,194,157</u>
\$ -	\$ -	\$ -		\$ -
-	5,181	-		5,181
-	-	-		-
-	<u>5,181</u>	-		<u>5,181</u>
-	-	35,262		35,262
-	<u>5,181</u>	<u>35,262</u>		<u>35,262</u>
-	-	1,081,885		1,081,885
-	-	-		-
239,241	(79)	-		1,071,829
-	-	-		-
-	-	-		-
<u>239,241</u>	<u>(79)</u>	<u>1,081,885</u>		<u>2,153,714</u>
<u>\$ 239,241</u>	<u>\$ 5,102</u>	<u>\$ 1,117,147</u>		<u>\$ 2,194,157</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, 2015

	Special Revenue Funds		
	<u>Urban County Grant</u>	<u>Hotel / Motel Fund</u>	<u>State Forfeiture Fund</u>
Revenues			
Property Taxes	\$ -	\$ -	\$ -
Other Taxes	-	128,721	-
Miscellaneous Revenues	-	-	12,354
Other Governmental Grants	31,208	-	-
Interest Revenue	-	161	-
Total Revenues	31,208	128,882	12,354
Expenditures			
General Government	17,332	42,412	-
Public Safety	-	-	-
Capital Outlay	13,876	-	-
Bond Issuance Costs	-	-	-
Debt Principal	-	-	-
Debt Interest	-	-	-
Total Expenditures	31,208	42,412	-
Excess of Revenues Over			
(Under) Expenditures	-	86,470	12,354
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)	-	-	-
Net Change in Fund Balance	-	86,470	12,354
<i>Fund Balance at Beginning of Period</i>	-	727,126	6,717
<i>Prior Period Adjustments</i>	-	-	-
Fund Balance at End of Period	\$ -	\$ 813,596	\$ 19,071

<u>Special Revenue Funds</u>		<u>Debt Service</u>	<u>Total Non-Major Governmental Funds</u>
<u>Tax Increment Fund</u>	<u>Local Forfeiture Fund</u>	<u>Debt Service</u>	
\$ -	\$ -	\$ 557,599	\$ 557,599
-	-	-	128,721
69,066	-	-	81,420
-	-	-	31,208
10	-	240	411
<u>69,076</u>	<u>-</u>	<u>557,839</u>	<u>799,359</u>
-	2,177	800	62,721
-	-	-	-
-	-	-	13,876
-	-	-	-
-	-	810,000	810,000
-	-	353,333	353,333
<u>-</u>	<u>2,177</u>	<u>1,164,133</u>	<u>1,239,930</u>
<u>69,076</u>	<u>(2,177)</u>	<u>(606,294)</u>	<u>(440,571)</u>
-	-	-	-
-	-	-	-
32,385	-	644,300	676,685
-	-	-	-
(121,494)	-	-	(121,494)
<u>(89,109)</u>	<u>-</u>	<u>644,300</u>	<u>555,191</u>
<u>(20,033)</u>	<u>(2,177)</u>	<u>38,006</u>	<u>114,620</u>
259,275	2,096	976,928	1,972,142
-	-	66,953	66,953
<u>\$ 239,242</u>	<u>\$ (81)</u>	<u>\$ 1,081,887</u>	<u>\$ 2,153,715</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, 2015

	Business-type Activities - Enterprise Funds	
	Water & Sewer Fund	Total Enterprise Funds
Operating Revenues		
Charges for Services	\$ 3,543,867	\$ 3,543,867
Other Revenues	1,491	1,491
<i>Total Operating Revenues</i>	3,545,358	3,545,358
Operating Expenses		
Payments to Employees	679,047	679,047
Payments to Supplies and Others	1,416,717	1,416,717
<i>Total Operating Expenses</i>	1,416,717	1,416,717
<i>Income before Non-operating Revenues (Expenses)</i>	2,128,641	2,128,641
Non-Operating Revenues (Expenses)		
Interest Revenue	1,106	1,106
Federal Grants	38,450	38,450
<i>Net Non-Operating Revenues (Expenses)</i>	39,556	39,556
<i>Net Revenue Available for Debt Service</i>	\$ 2,168,197	\$ 2,168,197

INTERNAL CONTROL / COMPLIANCE SECTION



Oscar R. González, CPA
&
Associates, P.L.L.C.
Certified Public Accountants
208 W. Ferguson Unit #1 • Pharr, Texas 78577
Tel: (956) 787-9909 • Fax: (956) 787-3067
Email: org110n@aol.com

Oscar R. González
Melissa González

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 unit, each major fund, and the aggregate remaining fund information of the City of Alamo, Texas, as of and for the year ended September 30, 2015, and the related notes to the financial statements, which collectively comprise the City of Alamo, Texas' basic financial statements, and have issued our report thereon dated March 11, 2016.

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.

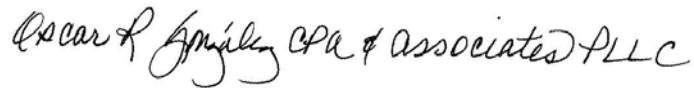
Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or, significant deficiencies and therefore, material weaknesses or significant deficiencies 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.

A handwritten signature in black ink that reads "Oscar R. Gonzalez CPA & Associates PLLC". The signature is written in a cursive style.

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

March 11, 2016