

**CITY OF ALAMO, TEXAS**  
**AUDITED ANNUAL FINANCIAL REPORT**  
**FOR THE YEAR ENDED SEPTEMBER 30, 2016**

**City of Alamo, Texas  
Annual Financial Report  
For the Year Ended September 30, 2016**

**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

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**FINANCIAL SECTION**



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*Oscar R. González  
Melissa González*

## INDEPENDENT AUDITOR'S REPORT

To the City Commission of  
City of Alamo, Texas

### **Report on the Financial Statements**

We have audited the accompanying financial statements of the governmental activities, the business-type activities, the blended component unit, each major fund, and the aggregate remaining fund information of City of Alamo, Texas, as of and for the year ended September 30, 2016, 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 unit, each major fund, and the aggregate remaining fund information of the City of Alamo, Texas, as of September 30, 2016, and the respective changes in financial position, and, where applicable, cash flows thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

## ***Other Matters***

### ***Required Supplementary Information***

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis, schedule of funding progress, and schedule of net pension liability and related ratios (last 10 years), as listed in the table of contents, be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

### ***Other Information***

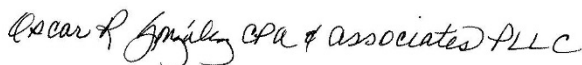
Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the City of Alamo, Texas's basic financial statements. The schedule of delinquent taxes receivable and combining and individual nonmajor fund financial statement are presented for purposes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

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

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

### **Other Reporting Required by Government Auditing Standards**

In accordance with *Government Auditing Standards*, we have also issued our report dated March 24, 2017, on our consideration of the City of Alamo, Texas's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the City of Alamo, Texas's internal control over financial reporting and compliance.

 Oscar R. Gonzalez, CPA & Associates PLLC

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

March 24, 2017

**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, 2016. 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 million, compared to \$45,903,440, in the prior year.
- The City's total net position decreased by \$701,020, caused by a decrease of \$ 691,607 in the City's net position related to governmental activities and a decrease of \$9,413 in relation to business-type activities net position.
- The City's governmental activities' assets did not exceed its liabilities at the close of the most recent fiscal year by \$20,087,767 (net position) and \$ 20,779,374 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 \$25,114,653 (net position) and \$25,124,066 (net position) in the prior year. Of this amount, \$2,913,113 (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 \$4,657,972 for 2016 and \$4,263,616 for 2015 respectively, or 51.77 percent of total general fund expenditures.
- The City's governmental activities debt decreased by \$976,959; and business-type activities debt decreased by \$278,951 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).

## Management's Discussion and Analysis

Both of the government-wide financial statements distinguish functions of the City that are principally supported by taxes and intergovernmental revenues (governmental activities) from other functions that are intended to recover all or a significant portion of their costs through user fees and charges (business-type activities). The governmental activities of the City include general government, public safety, highways and streets, sanitation, drainage, health and welfare, culture and recreation, and economic development. The business-type activities of the City include the water and sewer fund activities. The government-wide financial statements include itself (known as primary government). The government-wide financial statements can be found on pages 11 through 14 of this report.

**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 18 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 48 of this report.

### **Government-wide Financial Analysis**

As noted earlier, net assets may serve over time as a useful indicator of a government's financial position. In the case of the City, assets did not exceed liabilities by \$45,202,420 and \$45,903,440 for 2016 and 2015 as adjusted, respectively, for governmental activities. One of the largest portions of the City's net position (58 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 assets. The City's Statement of Net position along with the last fiscal year's numbers are presented for comparison in the table below.

## Management's Discussion and Analysis

### City of Alamo, Texas Net Position

	Governmental		Business-type		Totals		Increase (Decrease)
	Activities		Activities				
	2016	2015	2016	2015	2016	2015	
Current Assets	\$ 11,025,399	\$ 12,693,936	\$ 3,624,252	\$ 3,799,056	\$ 14,649,651	\$ 16,492,992	\$ (1,843,341)
Non-Current Assets	24,398,876	23,751,046	27,223,253	27,269,594	51,622,129	51,020,640	601,489
<b>Total Assets</b>	<b>35,424,275</b>	<b>36,444,982</b>	<b>30,847,505</b>	<b>31,068,650</b>	<b>66,271,780</b>	<b>67,513,632</b>	<b>(1,241,852)</b>
<b>Aggregate Deferred</b>							
<b>Outflows of Resources</b>	788,173	382,637	44,670	19,312	832,843	401,949	430,894
Current Liabilities	1,759,151	1,671,462	753,042	724,639	2,512,193	2,396,101	116,092
Non-Current Liabilities	13,886,355	13,827,790	5,021,713	5,236,819	18,908,068	19,064,609	(156,541)
<b>Total Liabilities</b>	<b>15,645,506</b>	<b>15,499,252</b>	<b>5,774,755</b>	<b>5,961,458</b>	<b>21,420,261</b>	<b>21,460,710</b>	<b>(40,449)</b>
<b>Aggregate Deferred</b>	479,556	548,993	2,769	2,438	482,325	551,431	(69,106)
<b>Inflows of Resources</b>							
Net Assets							
Invested in capital assets							
net of related debt	12,385,226	13,088,501	22,101,236	21,868,626	34,486,462	34,957,127	(470,665)
Restricted	4,375,112	3,900,193	-	-	4,375,112	3,900,193	474,919
Unrestricted	3,327,429	3,790,680	3,013,417	3,255,440	6,340,846	7,046,120	(705,274)
<b>Total Net Assets</b>	<b>\$ 20,087,767</b>	<b>\$ 20,779,374</b>	<b>\$ 25,114,653</b>	<b>\$ 25,124,066</b>	<b>\$ 45,202,420</b>	<b>\$ 45,903,440</b>	<b>\$ (701,020)</b>

The City's overall net position decreased by \$ 701,020 during the current fiscal year.

**Governmental activities.** Governmental activities decreased the City's net position by \$691,986. This decrease is mainly attributed to the increase in ongoing City projects.

The business-type activities net position is \$25,114,653 in 2016. This was a decrease of \$9,413 in net position from the prior year amount of \$25,124,066. This decrease was mainly due to expenses directly related to the water and sewer systems.

The excess of liabilities/deferred inflows of resources over assets/deferred outflows of resources reported on the government-wide Statement of Net Position of \$350,518 at September 30, 2016 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 \$2,502,204 as of September 30, 2016, and other unfunded long-term liabilities which includes compensation claims and compensated absences.

## Management's Discussion and Analysis

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			
	2016	2015	2016	2015	2016	2015
Revenues						
<u>Program revenues</u>						
Charges for services	\$ 2,986,181	\$ 2,847,605	\$ 3,759,170	\$ 3,545,358	\$ 6,745,351	\$ 6,392,963
Operating grants and contributions	314,057	392,832	-	-	314,057	392,832
Capital grants and contributions	-	-	-	38,450	-	38,450
<u>General revenues</u>						
Property tax	3,281,010	3,224,350		-	3,281,010	3,224,350
Sales tax	3,457,159	3,483,713		-	3,457,159	3,483,713
Other tax	646,608	645,685		-	646,608	645,685
Other Revenues	152,558	195,138	5,554	1,106	158,112	196,244
<b>Total revenues</b>	<b>\$ 10,837,573</b>	<b>\$ 10,789,323</b>	<b>\$ 3,764,724</b>	<b>\$ 3,584,914</b>	<b>\$ 14,602,297</b>	<b>\$ 14,374,237</b>
Expenses						
General government	\$ 5,174,598	\$ 3,906,733	\$ -	\$ -	\$ 5,174,598	\$ 3,906,733
Public safety	3,850,703	3,790,022	-	-	3,850,703	3,790,022
Highways/streets	742,394	650,109	-	-	742,394	650,109
Health & welfare	317,566	277,341	-	-	317,566	277,341
Culture & recreation	840,164	890,470	-	-	840,164	890,470
Economic Development	396,258	421,173	-	-	396,258	421,173
Interest -Long-term debt	363,387	347,026	-	498	363,387	347,524
Waterworks/Sewer systems	-	-	3,194,302	2,840,518	3,194,302	2,840,518
<b>Total expenses</b>	<b>11,685,070</b>	<b>10,282,874</b>	<b>3,194,302</b>	<b>2,841,016</b>	<b>14,879,372</b>	<b>13,123,890</b>
Non-Operating Transfers (Net)	549,300	956,213	(549,300)	(956,213)	-	-
<b>Change in net position</b>	<b>(298,197)</b>	<b>1,462,559</b>	<b>21,122</b>	<b>(212,315)</b>	<b>(277,075)</b>	<b>1,250,244</b>
Net position - beginning	20,779,374	20,358,001	25,124,066	25,400,431	45,903,440	45,758,432
Prior Period Adjustment	(393,410)	(1,041,186)	(30,535)	(64,050)	(423,945)	(1,105,236)
<b>Net position - ending</b>	<b>\$ 20,087,767</b>	<b>\$ 20,779,374</b>	<b>\$ 25,114,653</b>	<b>\$ 25,124,066</b>	<b>\$ 45,202,420</b>	<b>\$ 45,903,440</b>

## Management's Discussion and Analysis

### Financial Analysis of the City's Funds

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

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

The general fund is the chief operating fund of the City. At the end of the current fiscal year, the unreserved fund balance of the General Fund had a balance of \$4,657,972 and the Special Revenue Fund (Alamo Economic Development Corporation) had \$2,090,024. The Debt Service Fund had a fund balance of \$996,262 of which all is restricted for debt service payments.

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

The Water & Sewer Fund consist of operating expenses of \$3,194,302 for 2016 and \$2,841,016 for 2015 with revenues of \$3,759,170 for 2016 and \$3,545,358 for 2015, with grants of \$0 for 2016 and \$38,450 in 2015, resulting in an increase in net position of \$21,122 for 2016 and \$212,315 for 2015.

Unrestricted net position of the Water and Sewer Fund at the end of the year amounted to \$7,530,270, and total net position of \$25,114,653. By far the largest portion of the City's net position reflects its investment in capital assets (e.g., land, buildings, machinery, and equipment); less any related debt used to acquire those assets that are still outstanding which amount to \$17,584,383. The City uses these capital assets to provide water and sewer service to citizens. Although the City's investment in its capital assets is reported net of related debt, it should be noted that the resources needed to repay this debt come from revenues generated from the sale of water and providing sewer collection services.

### General Fund Budgetary Highlights

The original budget was amended during the year. Expenditures did not exceed appropriations of the general government functions. Actual revenues for the year exceeded actual expenditures by \$604,601. Actual revenues exceeded budgeted revenues by \$25,499, while actual expenditures did not exceed appropriations by \$573,346.

### 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 \$51,622,506 and \$51,020,640 (net of accumulated depreciation) for 2016 and 2015. This investment in capital assets includes land, buildings, and systems improvements, machinery and equipment.

## Management's Discussion and Analysis

### City of Alamo, Texas Capital Assets

	Governmental		Business-Type		Total		Increase (Decrease)
	Activities		Activities				
	2016	2015	2016	2015	2016	2015	
Capital assets, not being depreciated:							
Land	\$ 1,731,590	\$ 1,731,590	\$ 2,943,078	\$ 2,943,078	\$ 4,674,668	\$ 4,674,668	\$ -
Construction-in-progress	1,832,650	538,217	142,995	105,153	1,975,645	643,370	1,332,275
	3,564,240	2,269,807	3,086,073	3,048,231	6,650,313	5,318,038	1,332,275
Capital assets, being depreciated:							
Buildings	13,022,298	12,971,213	4,838,176	4,773,103	17,860,474	17,744,316	116,158
Vehicles	2,820,861	2,820,861	227,078	227,078	3,047,939	3,047,939	-
Machinery & Equipment	2,266,168	2,200,191	1,447,909	1,210,765	3,714,077	3,410,956	303,121
Infrastructure	12,524,166	12,389,655	25,243,332	25,080,929	37,767,498	37,470,584	296,914
	30,633,493	30,381,920	31,756,495	31,291,875	62,389,988	61,673,795	716,193
Accumulated Depreciation	(9,798,480)	(8,900,681)	(7,619,316)	(7,070,512)	(17,417,796)	(15,971,193)	(1,446,603)
Total Capital Assets, being Depreciated, net	20,835,013	21,481,239	24,137,179	24,221,363	44,972,192	45,702,602	(730,410)
Capital Assets, Net	\$ 24,399,253	\$ 23,751,046	\$ 27,223,253	\$ 27,269,594	\$ 51,622,506	\$ 51,020,640	\$ 601,865

### Long-Term Debt

State statutes limit the amount general obligation debt that the City may issue to 10% of its total assessed valuation (\$569,133,760). The City's general obligation debt maximum is \$56,913,376, compared to the City's debt of \$16,304,000. The City's governmental activities debt decreased by \$943,982; and business-type activities debt decreased by \$273,640 in the current fiscal year.

### City of Alamo, Texas Long-Term Obligations

	Governmental		Business-Type		Total		Increase (Decrease)
	Activities		Activities				
	2016	2015	2016	2015	2016	2015	
Long-Term Obligations							
General Obligation Bond	\$ 11,190,000	\$ 12,015,000	\$ 5,114,000	\$ 5,389,000	\$ 16,304,000	\$ 17,404,000	\$ (1,100,000)
Capital Leases	336,788	464,677	8,017	11,968	344,805	476,645	(131,840)
Loan Payables	677,564	701,634	-	-	677,564	701,634	(24,070)
Compensated Absences	330,580	297,603	36,626	31,313	367,206	328,916	38,290
Total Long-Term Obligations	\$ 12,534,932	\$ 13,478,914	\$ 5,158,643	\$ 5,432,281	\$ 17,693,575	\$ 18,911,195	\$ (1,217,620)

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

## 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 increase in the City's net pension liability (NPL) to \$ 2,502,204 at September 30, 2016 from \$1,409,330 at September 30, 2015 was the result of a significant increase in net investment income in the TMRS plan during 2015.

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

### **PENSION** Key Pension Statistics

Net Pension Liability (NPL)	\$2,502,204
Pension Expense	\$ 422,658

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 2016-2017, the Mayor, City Commissioners and staff considered many factors.

- Appraisal values used in preparing 2016-2017 budget increased \$22,180,351 over the prior year, or 4 percent higher than the prior year.
- The ad valorem property tax rate was set at \$0.5810. The City is relying on the increase of the tax base to increase revenues.
- The property tax rate should generate \$25,155 of additional tax revenues; an increase of 1% over the previous year.
- The 2016-2017 General Fund operating budget was prepared using \$4,506,844 as the estimated fund balance at September 30, 2017. The actual unassigned fund balance for the General Fund was \$4,657,972.

All of these factors were considered in preparing the City's budget for fiscal year 2016-2017.

### **Requests for Information**

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



**BASIC FINANCIAL STATEMENTS**

**City of Alamo, Texas**  
**Statement of Net Position**  
**September 30, 2016**

	<b>Primary Government</b>		
	<b>Governmental Activities</b>	<b>Business-type Activities</b>	<b>Total</b>
<b>ASSETS</b>			
<i>Current Assets</i>			
Cash and Cash Equivalents	\$ 4,100,853	\$ 1,396,865	\$ 5,497,718
Investments	4,474,810	1,887,117	6,361,927
Accounts Receivable (Net of Allowance)			
Property Taxes	465,103	-	465,103
Court	257,931	-	257,931
Customers	217,520	367,610	585,130
Sales Tax	543,515	-	543,515
Franchise Tax	59,203	-	59,203
Other	164,151	3,062	167,213
Note Receivables	639,060	-	639,060
Prepaid and Other Assets	12,856	60,000	72,856
Internal Balances	90,402	( 90,402 )	-
<b>Total Current Assets</b>	<b>11,025,404</b>	<b>3,624,252</b>	<b>14,649,656</b>
<i>Non-Current Assets</i>			
Land	1,731,590	2,943,078	4,674,668
Construction In Progress	1,832,650	142,996	1,975,646
Building and Improvements (Net)	9,708,559	3,411,556	13,120,115
Vehicles (Net)	740,360	89,644	830,004
Furniture and Equipment (Net)	1,244,265	641,879	1,886,144
Infrastructure (Net)	9,141,829	19,994,100	29,135,929
<b>Total Non-Current Assets</b>	<b>24,399,253</b>	<b>27,223,253</b>	<b>51,622,506</b>
<b>Total Assets</b>	<b>35,424,657</b>	<b>30,847,505</b>	<b>66,272,162</b>
<b>DEFERRED OUTFLOWS OF RESOURCES</b>			
Unamortized Loss on Refunding of Debt	88,347	-	88,347
Related from Pension	699,826	44,670	744,496
<b>Total Deferred Outflows of Resources</b>	<b>788,173</b>	<b>44,670</b>	<b>832,843</b>

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

	<b>Primary Government</b>		
	<b>Governmental Activities</b>	<b>Business-type Activities</b>	<b>Total</b>
<b>LIABILITIES</b>			
<i>Current Liabilities</i>			
Accounts Payable	575,733	-	575,733
Payroll Withholding and Deductions	2,341	3,050	5,391
Other Current Liabilities	122,492	9,371	131,863
Unearned Revenues - Property Taxes	5,181	-	5,181
Accrued Interest	52,754	27,227	79,981
Customers Deposits	-	426,332	426,332
Matured Debt Payable Within One Year	1,000,649	287,062	1,287,711
<b>Total Current Liabilities</b>	<b>1,759,150</b>	<b>753,042</b>	<b>2,512,192</b>
<i>Non-Current Liabilities</i>			
Bonds Payable More than One Year	10,345,000	4,831,000	15,176,000
Loans Payable More than One Year	653,254	-	653,254
Leases Payable More than One Year	205,449	3,955	209,404
Compensated Absences	330,580	36,626	367,206
Net Pension Liability	2,352,072	150,132	2,502,204
<b>Total Non-Current Liabilities</b>	<b>13,886,355</b>	<b>5,021,713</b>	<b>18,908,068</b>
<b>Total Liabilities</b>	<b>15,645,505</b>	<b>5,774,755</b>	<b>21,420,260</b>
<b>DEFERRED INFLOWS OF RESOURCES</b>			
Unamortized Premium on Bonds	474,376	-	474,376
Related to Pension	5,180	2,769	7,949
<b>Total Deferred Inflows of Resources</b>	<b>479,556</b>	<b>2,769</b>	<b>482,325</b>
<b>NET POSITION</b>			
Net Invested in Capital Assets	12,385,226	22,101,236	34,486,462
<i>Restricted for:</i>			
Capital Projects	-	-	-
Debt Service	1,104,693	-	1,104,693
Economic Development	2,090,024	-	2,090,024
Special Revenue	1,180,395	-	1,180,395
<i>Unrestricted</i>	3,327,429	3,013,417	6,340,846
<b>Total Net Position</b>	<b>\$ 20,087,767</b>	<b>\$ 25,114,653</b>	<b>\$ 45,202,420</b>

**City of Alamo, Texas**  
**Statement of Activities**  
**For the Year Ended September 30, 2016**

<u>Functions/Programs</u>	<u>Expenses</u>	<u>Charges for Services</u>	<u>Operating Grants and Contributions</u>	<u>Capital Grants and Contributions</u>
<b>Primary Government</b>				
<b>Governmental Activities:</b>				
General Government	\$ 5,174,598	\$ 192,336	\$ 126,548	\$ -
Public Safety	3,850,703	802,605	142,570	-
Highways and Streets	742,394	1,887,112	-	-
Health and Welfare	317,566	14,966	-	-
Culture and Recreation	840,164	89,162	-	-
Economic Development	396,258	-	44,939	-
Debt Interest	363,387	-	-	-
<b>Total Governmental Activities</b>	<b>11,685,070</b>	<b>2,986,181</b>	<b>314,057</b>	<b>-</b>
<b>Business-type Activities:</b>				
Water & Sewer	3,194,302	3,739,170	-	-
2007 Reserve	-	20,000	-	-
<b>Total Business-type Activities</b>	<b>3,194,302</b>	<b>3,759,170</b>	<b>-</b>	<b>-</b>
<b>Total Primary Government</b>	<b>\$ 14,879,372</b>	<b>\$ 6,745,351</b>	<b>\$ 314,057</b>	<b>\$ -</b>

**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>
\$ (4,855,714)	\$ -	\$ (4,855,714)
(2,905,528)	-	(2,905,528)
1,144,718	-	1,144,718
(302,600)	-	(302,600)
(751,002)	-	(751,002)
(351,319)	-	(351,319)
(363,387)	-	(363,387)
<u>(8,384,832)</u>	<u>-</u>	<u>(8,384,832)</u>
-	544,868	544,868
-	20,000	20,000
-	564,868	564,868
<u>\$ (8,384,832)</u>	<u>\$ 564,868</u>	<u>\$ (7,819,964)</u>
\$ 3,281,010	\$ -	\$ 3,281,010
3,457,159	-	3,457,159
526,425	-	526,425
120,183	-	120,183
111,836	-	111,836
40,722	5,554	46,276
549,300	(549,300)	-
8,086,635	(543,746)	7,542,889
<u>(298,197)</u>	<u>21,122</u>	<u>(277,075)</u>
20,779,374	25,124,066	45,903,440
(393,410)	(30,535)	(423,945)
20,385,964	25,093,531	45,479,495
<u>\$ 20,087,767</u>	<u>\$ 25,114,653</u>	<u>\$ 45,202,420</u>

**GOVERNMENTAL FUNDS**

**City of Alamo, Texas**  
**Balance Sheet**  
**Governmental Funds**  
**September 30, 2016**

	<u>General</u>	<u>Alamo Economic Development Corporation</u>	<u>Capital Projects</u>	<u>Non-Major Governmental Funds</u>	<u>Total Governmental Funds</u>
<b>ASSETS</b>					
Cash and Cash Equivalents	\$ 1,964,770	\$ 811,912	\$ 85,462	\$ 1,238,706	\$ 4,100,850
Investments	2,359,722	660,783	490,892	963,413	4,474,810
Accounts Receivable					-
Property Taxes	381,714	-	-	83,389	465,103
Court	257,931	-	-	-	257,931
Customers	217,520	-	-	-	217,520
Other	541,869	138,796	-	86,204	766,869
Note Receivables	-	639,060	-	-	639,060
Prepaid and Other Assets	12,856	-	-	-	12,856
Due From Other Funds	842,543	-	-	367	842,910
<i>Total Assets</i>	<u>6,578,925</u>	<u>2,250,551</u>	<u>576,354</u>	<u>2,372,079</u>	<u>11,777,909</u>
<b>DEFERRED OUTFLOWS OF RESOURCES</b>					
Aggregated Deferred Outflows	-	-	-	-	-
<i>Total Deferred Outflows of Resources</i>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
<b>Total Assets and Deferred Outflows of Resources</b>	<u>\$ 6,578,925</u>	<u>\$ 2,250,551</u>	<u>\$ 576,354</u>	<u>\$ 2,372,079</u>	<u>\$ 11,777,909</u>
<b>LIABILITIES</b>					
Accounts Payable	\$ 564,547	\$ 11,187	\$ -	\$ -	\$ 575,734
Payroll Withholding and Deductions	2,341	-	-	-	2,341
Other Current Liabilities	122,492	-	-	-	122,492
Unearned Revenues	-	-	-	5,181	5,181
Due To Other Funds	602,432	149,340	-	736	752,508
<i>Total Liabilities</i>	<u>1,291,812</u>	<u>160,527</u>	<u>-</u>	<u>5,917</u>	<u>1,458,256</u>
<b>DEFERRED INFLOWS OF RESOURCES</b>					
Deferred Property Taxes	371,209	-	-	81,074	452,283
Deferred Court Fines	257,932	-	-	-	257,932
<i>Total Deferred Inflows of Resources</i>	<u>629,141</u>	<u>-</u>	<u>-</u>	<u>81,074</u>	<u>710,215</u>
<b>FUND BALANCE</b>					
Restricted for:					
Debt Service	-	-	-	1,104,693	1,104,693
Capital Projects	-	-	576,354	-	576,354
Special Projects	-	-	-	1,180,395	1,180,395
Economic Development & Tourism	-	2,090,024	-	-	2,090,024
Unassigned	4,657,972	-	-	-	4,657,972
<i>Total Fund Balance</i>	<u>4,657,972</u>	<u>2,090,024</u>	<u>576,354</u>	<u>2,285,088</u>	<u>9,609,438</u>
<b>Total Liabilities, Deferred Inflows of Resources and Fund Balance</b>	<u>\$ 6,578,925</u>	<u>\$ 2,250,551</u>	<u>\$ 576,354</u>	<u>\$ 2,372,079</u>	<u>\$ 11,777,909</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, 2016**

Total Fund Balance - Governmental Funds	\$	9,609,438
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.		24,399,253
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.		( 1,657,426 )
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.		62,093
Revenue deferred in governmental fund statements if not received within sixty days.		195,839
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.		( 330,580 )
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.		( 52,754 )
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.		88,347
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.		( 474,376 )
Principal payments on long-term expensed in governmental fund statements, treated as reductions of outstanding debt in entity wide statements.		976,959
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.		( 13,181,311 )
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		452,283
Rounding		2
<b>Total Net Position of Governmental Activities - Statement of Net Position</b>	<b>\$</b>	<b>20,087,767</b>

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, 2016**

	<b>General Fund</b>	<b>Alamo Economic Development Corporation</b>	<b>Capital Projects</b>	<b>Non-Major Governmental Funds</b>	<b>Total Governmental Funds</b>
<b>Revenues</b>					
Property Taxes	\$ 2,710,814	\$ -	\$ -	\$ 576,173	\$ 3,286,987
Sales Taxes	2,592,869	864,290	-	-	3,457,159
Franchise Taxes	526,425	-	-	-	526,425
Other Taxes	1,204	-	-	118,979	120,183
Court Fines and Fees	614,993	-	-	-	614,993
Licenses and Permits	128,594	-	-	-	128,594
Charges for Services	2,180,401	-	-	-	2,180,401
Local Events and Contributions	48,693	-	-	-	48,693
Other Revenues	58,314	2,596	-	51,026	111,936
State Grants	20,000	-	-	-	20,000
Federal Grants	142,807	-	-	-	142,807
Other Governmental Grants	-	-	-	102,561	102,561
Interest Revenue	6,993	29,077	2,397	2,255	40,722
<b>Total Revenues</b>	<b>9,032,107</b>	<b>895,963</b>	<b>2,397</b>	<b>850,994</b>	<b>10,781,461</b>
<b>Expenditures</b>					
General Government	3,646,793	-	1,000,000	132,000	4,778,793
Public Safety	3,422,325	-	-	-	3,422,325
Highways and Streets	593,784	-	-	72,661	666,445
Health and Welfare	251,847	-	-	-	251,847
Culture and Recreation	750,957	-	-	-	750,957
Economic Development	-	343,008	-	-	343,008
Capital Outlay	191,573	-	1,358,433	-	1,550,006
Debt Principal	127,889	24,070	-	825,000	976,959
Debt Interest	11,555	6,777	-	334,620	352,952
<b>Total Expenditures</b>	<b>8,996,723</b>	<b>373,855</b>	<b>2,358,433</b>	<b>1,364,281</b>	<b>13,093,292</b>
<b>Excess of Revenues Over (Under) Expenditures</b>	<b>35,384</b>	<b>522,108</b>	<b>( 2,356,036 )</b>	<b>( 513,287 )</b>	<b>( 2,311,831 )</b>
<b>Other Financing Sources (Uses)</b>					
Transfers From Other Funds	607,900	5,720	-	688,392	1,302,012
Transfers To Other Funds	( 38,683 )	( 714,029 )	-	-	( 752,712 )
<b>Net Other Financing Sources (Uses)</b>	<b>569,217</b>	<b>( 708,309 )</b>	<b>-</b>	<b>688,392</b>	<b>549,300</b>
<b>Net Change in Fund Balance</b>	<b>604,601</b>	<b>( 186,201 )</b>	<b>( 2,356,036 )</b>	<b>175,105</b>	<b>( 1,762,531 )</b>
<i>Fund Balance at Beginning of Period</i>	4,263,616	2,276,225	2,932,390	2,153,715	11,625,946
<i>Prior Period Adjustments</i>	( 210,245 )	-	-	( 43,732 )	( 253,977 )
<b>Fund Balance at End of Period</b>	<b>\$ 4,657,972</b>	<b>\$ 2,090,024</b>	<b>\$ 576,354</b>	<b>\$ 2,285,088</b>	<b>\$ 9,609,438</b>

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, 2016**

Total Net Change in Fund Balances - Governmental Funds	\$	( 1,762,531 )
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.		1,546,006
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.		( 897,799 )
Principal payments on long-term are expensed in the governmental fund statements, and treated as reductions of outstanding debt in Statement of Net Position.		976,959
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.		( 28,182 )
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.		62,093
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		17,747
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.		( 32,978 )
Revenue deferred in governmental fund statements if not received within sixty days.		-
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.		( 173,531 )
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		( 5,977 )
Rounding		( 4 )
<b>Changes in Net Position-Governmental Funds</b>	<b>\$</b>	<b>( 298,197 )</b>

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, 2016**

	<b>Business-type Activities - Enterprise Funds</b>	
	<b>Water and Sewer</b>	<b>Total Enterprise Funds</b>
<b>ASSETS</b>		
<i>Current Assets</i>		
Cash and Cash Equivalents	\$ 1,396,865	\$ 1,396,865
Restricted Cash	-	-
Investments	1,887,117	1,887,117
Accounts Receivable - Customers	367,610	367,610
Accounts Receivable - Other	3,064	3,064
Prepaid and Other Assets	60,000	60,000
Due From Other Funds	( 90,402 )	( 90,402 )
<b>Total Current Assets</b>	<b>3,624,254</b>	<b>3,624,254</b>
<i>Noncurrent Assets</i>		
Land	2,943,078	2,943,078
Construction In Progress	142,996	142,996
Building and Improvements (Net)	3,411,556	3,411,556
Vehicles (Net)	89,644	89,644
Furniture and Equipment (Net)	641,879	641,879
Infrastructure (Net)	19,994,100	19,994,100
<b>Total Assets</b>	<b>30,847,507</b>	<b>30,847,507</b>
<b>DEFERRED OUTFLOWS OF RESOURCES</b>		
Related from Pension	44,670	44,670
<b>Total Deferred Outflows of Resources</b>	<b>44,670</b>	<b>44,670</b>
<b>LIABILITIES</b>		
<i>Current Liabilities</i>		
Other Current Liabilities	9,371	9,371
Payroll Withholding and Deductions	3,050	3,050
Accrued Interest	27,227	27,227
Customers Deposits	426,332	426,332
Matured Debt Payable Within One Year	287,062	287,062
Due to Other Funds	-	-
<b>Total Current Liabilities</b>	<b>753,042</b>	<b>753,042</b>
<i>Noncurrent Liabilities</i>		
Compensated Absences	36,626	36,626
Bonds Payable More than a Year	4,831,000	4,831,000
Leases Payable More than a Year	3,955	3,955
Net Pension Liability	150,132	150,132
<b>Total Liabilities</b>	<b>5,774,755</b>	<b>5,774,755</b>
<b>DEFERRED INFLOWS OF RESOURCES</b>		
Related to Pension	2,769	2,769
<b>Total Deferred Inflows of Resources</b>	<b>2,769</b>	<b>2,769</b>
<b>NET POSITION</b>		
Net Invested in Capital Assets	17,584,383	17,584,383
<i>Unrestricted</i>	7,530,270	7,530,270
<b>Total Net Position</b>	<b>\$ 25,114,653</b>	<b>\$ 25,114,653</b>

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, 2016**

	<b>Business-type Activities - Enterprise Funds</b>	
	<b>Water and Sewer</b>	<b>Total Enterprise Funds</b>
<b>Operating Revenues</b>		
Charges for Services	\$ 3,738,086	\$ 3,738,086
Other Revenues	21,112	21,112
<b><i>Total Operating Revenues</i></b>	<b>3,759,198</b>	<b>3,759,198</b>
<b>Operating Expenses</b>		
Water Department	745,415	745,415
Sewer Department	649,118	649,118
Water Plant Department	639,837	639,837
Water Billing	209,233	209,233
General Administration	201,887	201,887
Depreciation	548,804	548,804
<b><i>Total Operating Expenses</i></b>	<b>2,994,294</b>	<b>2,994,294</b>
<b><i>Operating Income (Loss)</i></b>	<b>764,904</b>	<b>764,904</b>
<b>Non-Operating Revenues (Expenses)</b>		
Federal Grants	-	-
Interest Revenue	5,526	5,526
Interest Expense	( 200,008 )	( 200,008 )
<b><i>Net Non-Operating Revenues (Expenses)</i></b>	<b>( 194,482 )</b>	<b>( 194,482 )</b>
<b><i>Income Before Contributions and Transfers</i></b>	<b>570,422</b>	<b>570,422</b>
Transfers From Other Funds	-	-
Transfers To Other Funds	( 549,300 )	( 549,300 )
<b><i>Change In Net Position</i></b>	<b>21,122</b>	<b>21,122</b>
<i>Net Position at Beginning of Period</i>	25,124,066	25,124,066
<i>Prior Year Adjustments</i>	( 30,535 )	( 30,535 )
<b><i>Net Position at End of Period</i></b>	<b>\$ 25,114,653</b>	<b>\$ 25,114,653</b>

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, 2016**

	<b>Water and Sewer Fund</b>
Cash Flows from Operating Activities:	
Charges for services	\$ 3,756,042
Cash Received from Other Revenue	21,112
Wages and Taxes	(751,656)
Supplies and Other	(1,671,880)
<b>Net Cash Provided (Used) by Operating Activities</b>	<b>1,353,618</b>
Cash Flows from Non-capital Financing Activities:	
Due From (To) Primary Government	254,945
Transfer From (To) Other Funds	(549,300)
<b>Net Cash Provided (Used) by Non-capital Financing Activities</b>	<b>(294,355)</b>
Cash Flows from Capital and Related Financing Activities:	
Increase (Decrease) in Accrued Interest	(996)
Principal Paid	(278,951)
Interest Paid	(200,008)
<b>Net Cash Provided (Used) for Capital and Related Financing Activities</b>	<b>(479,955)</b>
Cash Flows from Investing Activities:	
Capital Asset Acquisition	(502,463)
Interest and Dividends on Investments	5,526
Payments for Acquisition of Investments	(5,433)
<b>Net Cash Provided (Used) for Investing Activities</b>	<b>(502,370)</b>
Net Increase (Decrease) in Cash and Cash Equivalents	76,938
Cash and Cash Equivalents at Beginning of Year	1,319,927
<b>Cash and Cash Equivalents at End of Year</b>	<b>1,396,865</b>
Reconciliation of Operating Income to Net Cash	
Provided (Used) by Operating Activities:	
Operating Income (Loss)	764,904
Adjustments to Reconcile Operating Income to Net Cash	
Provided by Operating Activities	
Depreciation and amortization	548,804
Change in Assets and Liabilities:	
(Increase) Decrease in Receivables	2,228
(Increase) Decrease in Related to Pension	(24,807)
Increase (Decrease) in Accounts Payable	4,371
Increase (Decrease) in Customer Deposits	15,728
Increase (Decrease) in Wages and Salaries Payables	1,193
Increase (Decrease) in Related to Pension	35,552
Increase (Decrease) in Related to Pension	331
Increase (Decrease) in Compensated Absences	5,314
Total Adjustments	588,714
<b>Net Cash Provided (Used) by Operating Activities</b>	<b>\$ 1,353,618</b>

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, 2016**

**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, 2016**

**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, 2016**

**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, 2016**

**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, 2016**

**I. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)**

**8. Long-Term Obligations**

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

**9. Restricted Assets**

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

**10. Net Position/ Fund Equity**

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

**11. Estimates**

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

**12. General Fund's Fund Balance Policy**

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

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

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

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

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

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

**City of Alamo, Texas**  
**Notes to Financial Statements**  
**For the year ended September 30, 2016**

**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, 2016**

**II. STEWARDSHIP, COMPLIANCE AND ACCOUNTABILITY**

**C. Excess of Appropriations over General Fund Expenditures**

At September 30, 2016, general fund total expenditures were below budget appropriations by \$573,346 and actual revenues exceeded budgeted revenues by \$25,499. Actual revenues for the year exceeded actual expenditures by \$604,601, after other financing sources.

**D. Finance-Related Legal and Contractual Provisions**

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

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

**E. Deficit Fund Equity / Net Position**

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

**III. DETAILED NOTES ON FUNDS AND COMPONENT UNITS**

**A. Cash and Cash Equivalents**

**1. Deposits and Investments**

City's funds are required to be deposited and invested under the terms of a depository contract and investment policy pursuant to state statute. The depository bank deposits for safekeeping and trust with its agent approved pledged securities authorized by Chapter 2257 Collateral for Public Funds of the Government Code in an amount sufficient to protect City funds on a day-to-day basis during the period of the contract. The pledge of approved securities is waived only to the extent of the dollar amount of Federal Deposit Insurance Corporation (FDIC) insurance.

At September 30, 2016, the carrying amount of the City's deposits was \$5,497,718.

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 May 13, 2016 in the amount of \$5,953,000 and was fully collateralized by pledged securities in the amount of \$6,860,981. As of September 30, 2016, the City's bank balance of \$5,662,639, was not exposed to custodial credit risk and was fully insured and fully collateralized by \$250,000 FDIC insurance and \$5,945,052 of pledged securities.

**City of Alamo, Texas**  
**Notes to Financial Statements**  
**For the year ended September 30, 2016**

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

**B. Investments**

The City of Alamo, Texas is required by Government Code Chapter 2256, The Public Funds Investment Act, to adopt, implement, and publicize an investment policy. That policy must address the following areas: (1) safety of principal and liquidity, (2) portfolio diversification, (3) allowable investments, (4) acceptable risk levels, (5) expected rates of return, (6) maximum allowable stated maturity of portfolio investments, (7) maximum average dollar-weighted maturity allowed based on the stated maturity date for the portfolio, (8) investment staff quality and capabilities, and (9) bid solicitation preferences for certificates of deposit.

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

A total of \$6,361,927 was invested in Texpool as of September 30, 2016.

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

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

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

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

**City of Alamo, Texas**  
**Notes to Financial Statements**  
**For the year ended September 30, 2016**

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

**B. Investments (continued)**

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

As of September 30, 2016:

- Holdings in local government investment pools rates AAA-m represent 26.6% of the total portfolio.
- Holdings in Repurchase Agreements represent 14.4% of the total portfolio.
- Holdings in U.S government agency obligations represented 57.4% of the total portfolio
- Holdings in Money Market funds represented 8.% of the portfolio
- Holdings in U.S Treasury obligations represented 20.2% of the total portfolio

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

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

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



**City of Alamo, Texas**  
**Notes to Financial Statements**  
**For the year ended September 30, 2016**

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

**B. Investments (continued)**

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

Public Funds Investment Pools

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

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

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

The City’s investments at September 30, 2016 are shown below:

<u>Reported At</u>	<u>Description</u>	<u>Reported Amount</u>	<u>Weighted Average Maturity (days)</u>	<u>Standard &amp; Poor's Rating</u>	<u>Concentration of Credit Risk</u>
Market Value	TexPool Investment Fund	\$ 6,361,927	45	AAA-m	0.0%

**City of Alamo, Texas**  
**Notes to Financial Statements**  
**For the year ended September 30, 2016**

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

**C. Disaggregation of Receivables**

Receivables for the City at September 30, 2016, were as follows:

Governmental Funds	Accounts Receivable	Allowance for Uncollectible	Total (Net)
Property Taxes	\$ 516,781	\$ 51,678	\$ 465,103
Sales Taxes	543,515	-	543,515
Franchise Taxes	59,203	-	59,203
Court Fines and Fees	515,863	257,932	257,931
Note Receivables	639,060	-	639,060
Utility Customers	217,521	-	217,521
Other Sources	164,151	-	164,151
	<u>\$ 2,656,094</u>	<u>\$ 309,610</u>	<u>\$ 2,346,484</u>

Business-Type Funds	Accounts Receivable	Allowance for Uncollectible	Total (Net)
Utility Customers	\$ 523,052	\$ 155,443	\$ 367,609
Other Sources	3,062	-	3,062
	<u>\$ 526,114</u>	<u>\$ 155,443</u>	<u>\$ 370,671</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	\$ 371,209	\$ 81,074	\$ -	\$ -	\$ 452,283
Court Fines	257,932	-	-	-	257,932
Total	<u>\$ 629,141</u>	<u>\$ 81,074</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 710,215</u>

Total Deferred Inflows for Primary Government \$ 710,215

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, 2016**

**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, 2016 consisted of the following:

		Due from					
		General Fund	Economic Development	Debt Service	Hotel Motel Fund	Water & Sewer Fund	Totals
<b>Due To</b>	General Fund	\$ 358,918	\$ 149,340	\$ 367	\$ 736	\$ 333,549	\$ 842,910
	Debt Service Fund	-					-
	Total Governmental Funds	358,918	149,340	367	736	333,549	842,910
	Water & Sewer Fund	243,147					243,147
	Total Enterprise Funds	243,147	-	-	-	-	243,147
	<b>Totals</b>	<b>\$ 602,066</b>	<b>\$ 149,340</b>	<b>\$ 367</b>	<b>\$ 736</b>	<b>\$ 333,549</b>	<b>\$ 1,086,058</b>

**F. Interfund Transfers**

The City reports interfund transfers between many of its funds. Interfund transfers for the year ended September 30, 2016, consisted of the following:

		Transfers Out			
		General Fund	Economic Development	Water & Sewer Fund	Totals
<b>Transfers In</b>	General Fund	\$ -	\$ 257,900	\$ 350,000	\$ 607,900
	Debt Service Funds	-	450,409	199,300	649,709
	TIRZ Fund	38,683	-	-	38,683
	Total Governmental Funds	\$ 38,683	\$ 708,309	\$ 549,300	\$ 1,296,292

**City of Alamo, Texas**  
**Notes to Financial Statements**  
**For the year ended September 30, 2016**

**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.
AEDC	General Fund	72,000	To provide resources for the Veteran's Memorial.
AEDC	General Fund	145,900	To provide resources for Alamo Nature park.
AEDC	Debt Service Fund	450,409	To provide resources for repayment of Certificate of Obligations Series 2008 & 2013.
General Fund	TIRZ	38,683	To provide resources for Annual Contribution for property tax.
Enterprise Fund	General Fund	350,000	To provide resources for administration fees Reinvestment Zone.
General Fund	Capital Projects Fund	199,300	To provide resources for repayment of certificate of obligations Series 2012A
	Total	<u>\$ 1,296,292</u>	

*Notes to the financials continue on next page*

**City of Alamo, Texas**  
**Notes to Financial Statements**  
**For the year ended September 30, 2016**

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

**G. Capital Assets**

Capital asset activity for the year ended September 30, 2016 was as follows:

<b>Primary Government</b>				
<b>Governmental Activities:</b>	<b>Beginning</b>			<b>Ending</b>
<i>Capital Assets not being depreciated:</i>	<b>Balances</b>	<b>Increases</b>	<b>Decreases</b>	<b>Balances</b>
Land and right of way	\$ 1,731,590	\$ -	\$ -	\$ 1,731,590
Construction in Progress	538,217	1,294,433	-	1,832,650
Total capital assets, not being depreciated	<u>2,269,807</u>	<u>1,294,433</u>	<u>-</u>	<u>3,564,240</u>
<i>Capital assets, being depreciated:</i>				
Building and Improvements	12,971,213	51,085	-	13,022,298
Vehicles	2,820,861	-	-	2,820,861
Machinery & Equipment	2,200,191	65,977	-	2,266,168
Infrastructure	12,389,655	134,511	-	12,524,166
Total capital assets, being depreciated	<u>30,381,920</u>	<u>251,573</u>	<u>-</u>	<u>30,633,493</u>
<i>Less accumulated depreciation for:</i>				
Buildings and Improvement	(3,010,057)	(303,682)	-	(3,313,739)
Vehicles	(1,920,336)	(160,165)	-	(2,080,501)
Machinery & Equipment	(913,097)	(108,806)	-	(1,021,903)
Infrastructure	(3,057,191)	(325,146)	-	(3,382,337)
Total accumulated depreciation	<u>(8,900,681)</u>	<u>(897,799)</u>	<u>-</u>	<u>(9,798,480)</u>
Total capital assets, being depreciated, net	<u>21,481,239</u>	<u>(646,226)</u>	<u>-</u>	<u>20,835,013</u>
Governmental activities capital assets, net	<u>\$ 23,751,046</u>	<u>\$ 648,207</u>	<u>\$ -</u>	<u>\$ 24,399,253</u>
<b>Business-Type Activities</b>	<b>Beginning</b>			<b>Ending</b>
<i>Capital Assets not being depreciated:</i>	<b>Balances</b>	<b>Increases</b>	<b>Decreases</b>	<b>Balances</b>
Land and right of way	\$ 2,943,078	\$ -	\$ -	\$ 2,943,078
Construction in Progress	105,153	126,948	(89,105)	142,996
Total capital assets, not being depreciated	<u>3,048,231</u>	<u>126,948</u>	<u>(89,105)</u>	<u>3,086,074</u>
<i>Capital assets, being depreciated:</i>				
Building and Improvements	4,773,103	65,074	-	4,838,177
Vehicles	227,077	-	-	227,077
Machinery & Equipment	1,210,765	237,144	-	1,447,909
Infrastructure	25,080,929	162,403	-	25,243,332
Total capital assets, being depreciated	<u>31,291,874</u>	<u>464,621</u>	<u>-</u>	<u>31,756,495</u>
<i>Less accumulated depreciation for:</i>				
Buildings and Improvement	(1,322,568)	(104,053)	-	(1,426,621)
Vehicles	(117,682)	(19,751)	-	(137,433)
Machinery & Equipment	(712,927)	(93,103)	-	(806,030)
Infrastructure	(4,917,334)	(331,898)	-	(5,249,232)
Total accumulated depreciation	<u>(7,070,511)</u>	<u>(548,805)</u>	<u>-</u>	<u>(7,619,316)</u>
Total capital assets, being depreciated, net	<u>24,221,363</u>	<u>(84,184)</u>	<u>-</u>	<u>24,137,179</u>
Business-Type capital assets, net	<u>\$ 27,269,594</u>	<u>\$ 42,764</u>	<u>\$ (89,105)</u>	<u>\$ 27,223,253</u>
<b>Total Primary Government Total</b>	<u>\$ 51,020,640</u>	<u>\$ 690,971</u>	<u>\$ (89,105)</u>	<u>\$ 51,622,506</u>

**City of Alamo, Texas**  
**Notes to Financial Statements**  
**For the year ended September 30, 2016**

**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:

<b>Expenditures</b>	<b>Depreciation By Function</b>
General Government	\$ 362,733
Public Safety	326,002
Highways and Streets	56,562
Health and Welfare	23,990
Culture and Recreation	71,534
Economic Development	56,978
<b>Total Allocable Expenditures</b>	<b>\$ 897,799</b>

**H. Long Term Obligations**

The following schedule summarizes the changes in long-term debt, pension liability, and compensated absences as of September 30, 2016:

<u>Governmental Activities</u>	Original	Final	Coupon	Original	Outstanding
Description	Issue	Maturity	Rate %	Issue	Balance 9/30/16
Bond Series 2008	4/17/2008	2/15/2028	3.75%	3,000,000	2,085,000
Bond Series 2012 - A	12/1/2012	2/15/2032	2.00% - 3.00%	7,075,000	6,030,000
Bond Series 2013	1/15/2013	2/15/2026	2.00% - 3.25%	3,835,000	3,075,000
				<b>\$ 13,910,000</b>	<b>\$ 11,190,000</b>

Interest paid on bonded indebtedness during the current year was \$ 353,293

<u>Deferred Outflow/Inflow of Resources</u>	Beginning Balance	Increase	Decrease	Ending Balance
Unamortized Premium / Discount	(510,805)		36,429	(474,376)
Unamortized Loss on Refunding of Debt	97,182		8,835	88,347

<u>Business-Type Activities</u>	Original	Final	Coupon	Original	Outstanding
Description	Issue	Maturity	Rate %	Issue	Balance 9/30/16
W & S, Bond Series 2000	6/1/2000	8/1/2040	4.50%	\$ 2,967,000	\$ 2,389,000
Bond Series 2007	10/18/2007	3/1/2027	2.20% - 2.75%	4,000,000	2,545,000
Bond Series 2012	4/2/2012	3/1/2022	0.008% - 2.48%	279,000	180,000
				<b>\$ 7,246,000</b>	<b>\$ 5,114,000</b>

Interest paid on bonded indebtedness during the current year was \$ 184,461

**City of Alamo, Texas**  
**Notes to Financial Statements**  
**For the year ended September 30, 2016**

**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 10/01/15	Current	Current	Balance 9/30/16	Within One year
Bond Series 2008	2,220,000	-	135,000	2,085,000	140,000
Bond Series 2012 - A	6,385,000	-	355,000	6,030,000	360,000
Bond Series 2013	3,410,000	-	335,000	3,075,000	345,000
Total Bonds Payable	<u>\$ 12,015,000</u>	<u>\$ -</u>	<u>\$ 825,000</u>	<u>\$ 11,190,000</u>	<u>\$ 845,000</u>

<u>Business-Type Activities</u>	Outstanding	Issued	Retired	Outstanding	Amounts Due
Description	Balance 10/01/15	Current	Current	Balance 9/30/2016	Within One year
W & S, Bond Series 2000	\$ 2,443,000	\$ -	\$ 54,000	\$ 2,389,000	\$ 56,000
Bond Series 2007	2,740,000	-	195,000	2,545,000	200,000
Bond Series 2012	206,000	-	26,000	180,000	27,000
Total Bonds Payable	<u>\$ 5,389,000</u>	<u>\$ -</u>	<u>\$ 275,000</u>	<u>\$ 5,114,000</u>	<u>\$ 283,000</u>

<u>Governmental Activities</u>	Beginning	Increases	Decreases	Ending	Amounts Due
Obligation	Balance			Balance	Within One year
General Obligation Bonds	\$ 12,015,000	\$ -	\$ 825,000	\$ 11,190,000	\$ 845,000
Capital Leases	464,677	-	127,889	336,788	131,339
Loan Payables	701,634	-	24,070	677,564	24,310
Sick and Vacation Leave	297,602	332,279	299,301	330,580	-
Total Governmental Activities	<u>\$ 13,478,913</u>	<u>\$ 332,279</u>	<u>\$ 1,276,260</u>	<u>\$ 12,534,932</u>	<u>\$ 1,000,649</u>

<u>Business-Type Activities</u>	Beginning	Increases	Decreases	Ending	Amounts Due
Obligation	Balance			Balance	Within One year
General Obligation Bonds	\$ 5,389,000	\$ -	\$ 275,000	\$ 5,114,000	\$ 283,000
Capital Leases	11,968	-	3,951	8,017	4,062
Sick and Vacation Leave	31,313	54,022	48,709	36,626	-
Total Business-Type Activities	<u>\$ 5,432,281</u>	<u>\$ 54,022</u>	<u>\$ 327,660</u>	<u>\$ 5,158,643</u>	<u>\$ 287,062</u>

<u>Governmental Activities</u>	Beginning	Increases	Decreases	Ending
Obligation	Balance			Balance
**Net Pension Liability	\$ 1,795,088	\$ 556,984	\$ -	\$ 2,352,072

<u>Business-Type Activities</u>	Beginning	Increases	Decreases	Ending
Obligation	Balance			Balance
**Net Pension Liability	\$ 114,580	\$ 35,552	\$ -	\$ 150,132

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

*Notes to the financials continue on next page*

**City of Alamo, Texas**  
**Notes to Financial Statements**  
**For the year ended September 30, 2016**

**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, 2016 are as follows:

**Certificates of Obligation Payable**

Year Ended September 30,	Governmental Activities			Business-Type Activities		
	Principal	Interest	Total	Principal	Interest	Total
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	945,000	223,356	1,168,356	324,000	139,685	463,685
2022-2026	4,180,000	731,195	4,911,195	1,633,000	548,115	2,181,115
2026-2030	2,165,000	209,344	2,374,344	746,000	335,344	1,081,344
2031-2035	380,000	5,700	385,700	1,215,000	280,844	1,495,844
Total Certificates of Obligation Payable	\$ 11,190,000	\$ 2,303,084	\$ 13,493,084	\$ 5,114,000	\$ 1,956,442	\$ 7,070,442

**Capital Leases Payable**

Year Ended September 30,	Governmental Activities			Business-Type Activities		
	Principal	Interest	Total	Principal	Interest	Total
2017	131,339	8,105	139,444	4,062	250	4,312
2018	134,883	4,561	139,444	3,955	141	4,096
2019	70,566	1,381	71,947	-	43	43
2020	-	-	-	-	-	-
2021	-	-	-	-	-	-
Total Capital Leases Payable	\$ 336,788	\$ 14,047	\$ 350,835	\$ 8,017	\$ 434	\$ 8,451

**Loan Payable**

Year Ended September 30,	Governmental Activities		
	Principal	Interest	Total
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	25,298	5,549	30,847
2022-2026	130,334	23,901	154,235
2027-2031	136,982	17,253	154,235
2032-2036	143,969	10,266	154,235
2037-2041	142,271	2,658	144,929
Total Loans Payable	\$ 677,564	\$ 84,305	\$ 761,870

*Notes to the financials continue on next page*



**City of Alamo, Texas**  
**Notes to Financial Statements**  
**For the year ended September 30, 2016**

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

**J. Notes Receivable – AEDC Blended Component Unit**

In an effort to provide local economic development and stimulate business and commercial activity within the City, AEDC has accepted notes from various businesses. These notes provide assistance to small and emerging private business in the City. The balance in accounts and notes receivables at September 30, 2016 is \$639,060. A detail of the loans is shown below:

Note	Outstanding Balance As of 10/1/2015	Increases	Decreases	Outstanding Balance As of 9/30/2016
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.	\$ 92,930	\$ 2,948	\$ 20,140	\$ 75,738
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.	75,892	-	12,416	63,476
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.	91,230	-	14,885	76,345
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.	85,070	-	21,680	63,390
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.	142,555	-	15,835	126,720
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.	124,535	-	29,730	94,805
The Original Willie's Inc .Loan Dated, May 19, 2016, for the amount of \$140,000 at an interest rate of 4% with maturity on August 1, 2026.	-	140,000	1,414	138,586
Totals	<u>\$ 612,212</u>	<u>\$ 142,948</u>	<u>\$ 116,100</u>	<u>\$ 639,060</u>

*Notes to the financials continue on next page*

**City of Alamo, Texas**  
**Notes to Financial Statements**  
**For the year ended September 30, 2016**

**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](http://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 2016</u>	<u>Plan Year 2015</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, 0/20	60/5, 0/20
Updated Service Credit	100% Repeating, Transfers	100% Repeating, Transfers
Annuity Increase (to retirees)	70% of CPI Repeating	70% of CPI Repeating

**City of Alamo, Texas**  
**Notes to Financial Statements**  
**For the year ended September 30, 2016**

**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 2015 and 2016, respectively. The City's contributions to TMRS for the year ended September 30, 2016, were \$331,056, and were equal to the required contributions.

4. Net Pension Liability

The City's Net Pension Liability (NPL) was measured as of December 31, 2015, 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, 2015 actuarial valuation was determined using the following actuarial assumptions:

<b>Methods and Assumptions Used to Determine Contribution Rates</b>	
Actuarial Cost Method	Entry Age Normal
Amortization Method	Level Percentage of Payroll, Closed
Remaining Amortization Period	30 years
Asset Valuation Method	10 year smoothed market; 15% soft corridor
Inflation	2.50%
Salary Increases	3.50% to 10.5% including inflation
Investment Rate of Return	6.75%
Retirement Age	Experience-based table of rates that are specific to the City's plan of benefits. Last updated for the 2015 valuation pursuant to an experience study of the period 2010-2014.
Mortality	RP2000 Combined Mortality Table with Blue Collar Adjustment with male rates multiplied by 109% and female rates multiplied by 103% and projected on a fully generational basis with scale BB.
<b>Other Information</b>	
Notes	There were no benefit changes during the year.

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

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

**City of Alamo, Texas**  
**Notes to Financial Statements**  
**For the year ended September 30, 2016**

**IV. OTHER INFORMATION (continued)**

**B. Defined Benefit Pension Plans (continued)**

**4. Net Pension Liability (continued)**

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

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

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

***Discount Rate***

The discount rate used to measure the Total Pension Liability was 6.75%. The projection of cash flows used to determine the discount rate assumed that employee and employer contributions will be made at the rates specified in statute. Based on that assumption, the pension plan's Fiduciary Net Position was projected to be available to make all projected future benefit payments of current active and inactive employees. Therefore, the long-term expected rate of return on pension plan investments was applied to all periods of projected benefit payments to determine the Total Pension Liability.

At September 30, 2016, the City reported a net pension liability of \$1,909,668.

Net Pension Liability	12/31/2015	12/31/2014
Total Pension Liability	\$ 9,224,929	\$ 8,583,041
Plan Fiduciary Net Position	7,315,261	7,158,853
Net Pension Liability	\$ 1,909,668	\$ 1,424,188
Plan Fiduciary Net Position as a Percentage of Total Pension Liability	79.30%	83.41%
Net Pension Liability as a Percentage of Covered Payroll	43.95%	35.62%

*Notes to the financials continue on next page*

**City of Alamo, Texas**  
**Notes to Financial Statements**  
**For the year ended September 30, 2016**

**IV. OTHER INFORMATION (continued)**

**B. Defined Benefit Pension Plans (continued)**

**4. Net Pension Liability (continued)**

For the year ended September 30, 2016, the City recognized a pension expense of \$422,658.

Schedule of Pension Expense	
1. Total Service Cost	\$ 425,360
2. Interest on the Total Pension Liability	601,851
3. Current Period Benefit Charges	-
4. Employee Contributions (Reduction of Expense)	(217,242)
5. Projected Earnings on Plan Investments (Reduction of Expense)	(501,120)
6. Administrative Expense	6,434
7. Other Fiduciary Net Position	318
8. Recognition of Current Year Outflow (inflow) of Resources - Liabilities	1926
9. Recognition of Current Year Outflow (inflow) of Resources - Assets	98,111
10. Amortization of Prior Year Outflows (Inflows) of Resources - Liabilities	(9,518)
11. Amortization of Prior Year Outflows (Inflows) of Resources - Assets	16,538
12. Total Pension Expense	\$ 422,658

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

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

1% Decrease	Current Single Rate Assumption	1% Increase
5.75%	6.75%	7.75%
\$ 3,474,059	\$ 1,909,668	\$ 655,770

***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](http://www.tmr.com).

**City of Alamo, Texas**  
**Notes to Financial Statements**  
**For the year ended September 30, 2016**

**IV. OTHER INFORMATION (continued)**

**B. Defined Benefit Pension Plans (continued)**

**5. Deferred Outflows and Inflows of Resources Related to Pensions**

At September 30, 2016, 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	2015 Recognized in Current Pension Expense	Deferred (Inflow)/Outflow in Future Expense
<b>Due to Liabilities:</b>				
Difference in expected and actual experience [actuarial (gains) or losses]	5.3900	\$ (5,511)	\$ (1,022)	\$ (4,489)
Difference in assumption changes [actuarial (gains) or losses]	5.3900	15,891	2,948	12,943
			<u>\$ 1,926</u>	<u>\$ 8,454</u>
<b>Due to Assets:</b>				
Difference in projected and actual earnings on pension plan investments [actuarial (gains) or losses]	5.0000	490,554	98,111	392,443
			<u>\$ 98,111</u>	<u>\$ 392,443</u>
<b>Total</b>			<u><u>\$ 98,111</u></u>	<u><u>\$ 400,897</u></u>

The amount of \$744,796 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, 2016.

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

Net Deferred Outflows (Inflows) of Resources	
2016	\$ 100,091
2017	100,091
2018	100,091
2019	100,091
2020	533
Thereafter	-
Total	<u><u>\$ 400,897</u></u>

**City of Alamo, Texas**  
**Notes to Financial Statements**  
**For the year ended September 30, 2016**

**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 \$102,561 for expenses occurred between October 1, 2015 to September 30, 2016.

**D. NEW ACCOUNTING PRINCIPLES**

In fiscal year 2016, the City adopted five new statements of financial accounting standards issued by the Governmental Accounting Standards Board:

- Statement No. 72, *Fair Value Measurement and Application*.
  - Statement No. 73, *Accounting and Financial Reporting for Pensions and Related Assets That Are Not within the Scope of GASB Statement 68, and Amendments to Certain Provisions of GASB Statements 67 and 68*
  - Statement No. 76, *The Hierarchy of General Accepted Accounting Principles for State and Local Governments*.
  - Statement No. 79, *Certain External Investment Pools and Pool Participants*
- a. Statement No. 72 addresses accounting and financial reporting issues related to fair value measurements. The definition of fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. This statement provides guidance for determining a fair value measurement for financial reporting purposes.

This Statement generally requires investments to be measured at fair value. An investment is defined as a security or other asset that (a) a government holds primarily for the purpose of income or profit and (b) has a present service capacity based solely on its ability to generate cash or to be sold to generate cash.

Investments not measured at fair value continue to include, for example, money market investments, 2a7-like external investment pools, investments in life insurance contracts, common stock meeting the criteria for applying the equity method, unallocated insurance contracts, and synthetic guaranteed investment contracts. A government is permitted in certain circumstances to establish the fair value of an investment that does not have a readily determinable fair value by using the net asset value per share (or its equivalent) of the investment.

This Statement requires measurement at acquisition value (an entry price) for donated capital assets, donated works of art, historical treasures, and similar assets and capital assets received in a service concession arrangement. These assets were previously required to be measured at fair value.

This Statement requires disclosures to be made about fair value measurements, the level of fair value hierarchy, and valuation techniques. Governments should organize these disclosures by type of asset or liability reported at fair value. It also requires additional disclosures regarding investments in certain entities that calculate net asset value per share (or its equivalent).

The requirements of this Statement are effective for financial statements for periods beginning after June 15, 2015. Earlier application is encouraged.

The adoption of Statement No. 72 has no impact on the AEDC's financial statements.

**City of Alamo, Texas**  
**Notes to Financial Statements**  
**For the year ended September 30, 2016**

**IV. OTHER INFORMATION (Continued)**

D. New Accounting Standards (Continued)

- b. Statement No. 73 objective of this Statement is to improve the usefulness of information about pensions included in the general purpose external financial reports of state and local governments for making decisions and assessing accountability. This Statement results from a comprehensive review of the effectiveness of existing standards of accounting and financial reporting for all postemployment benefits with regard to providing decision-useful information, supporting assessments of accountability and inter-period equity, and creating additional transparency.

This Statement establishes requirements for defined benefit pensions that are not within the scope of Statement No. 68, *Accounting and Financial Reporting for Pensions*, as well as for the assets accumulated for purposes of providing those pensions. In addition, it establishes requirements for defined contribution pensions that are not within the scope of Statement 68. It also amends certain provisions of Statement No. 67, *Financial Reporting for Pension Plans*, and Statement 68 for pension plans and pensions that are within their respective scopes.

The requirements of this Statement extend the approach to accounting and financial reporting established in Statement 68 to all pensions, with modifications as necessary to reflect that for accounting and financial reporting purposes, any assets accumulated for pensions that are provided through pension plans that are not administered through trusts that meet the criteria specified in Statement 68 should not be considered pension plan assets. It also requires that information similar to that required by Statement 68 be included in notes to financial statements and required supplementary information by all similarly situated employers and non-employer contributing entities.

This Statement also clarifies the application of certain provisions of Statements 67 and 68 with regard to the following issues:

- 1) Information that is required to be presented as notes to the 10-year schedules of required supplementary information about investment-related factors that significantly affect trends in the amounts reported.
- 2) Accounting and financial reporting for separately financed specific liabilities of individual employers and non-employer contributing entities for defined benefit pensions.
- 3) Timing of employer recognition of revenue for the support of non-employer contributing entities *not* in a special funding situation.

The requirements of this Statement that address accounting and financial reporting by employers and governmental non-employer contributing entities for pensions that are not within the scope of Statement 68 are effective for financial statements for fiscal years beginning after June 15, 2016, and the requirements of this Statement that address financial reporting for assets accumulated for purposes of providing those pensions are effective for fiscal years beginning after June 15, 2015. The requirements of this Statement for pension plans that are within the scope of Statement 67 or for pensions that are within the scope of Statement 68 are effective for fiscal years beginning after June 15, 2015. Earlier application is encouraged.

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

- c. Statement No. 76 identifies in the context of the current governmental financial reporting environment—the hierarchy of generally accepted accounting principles (GAAP). The “GAAP hierarchy” consists of the sources of accounting principles used to prepare financial statements of state and local governmental entities in conformity with GAAP and the framework for selecting those principles. This Statement reduces the GAAP hierarchy to two categories of authoritative GAAP and addresses the use of authoritative and non-authoritative literature in the event that the accounting treatment for a transaction or other event is not specified within a source of authoritative GAAP.



**City of Alamo, Texas**  
**Notes to Financial Statements**  
**For the year ended September 30, 2016**

**IV. OTHER INFORMATION (Continued)**

D. New Accounting Standards (Continued)

This Statement supersedes Statement No. 55, *The Hierarchy of Generally Accepted Accounting Principles for State and Local Governments*. The requirements of this Statement are effective for financial statements for periods beginning after June 15, 2015, and should be applied retroactively. Earlier application is permitted.

The adoption of Statement No. 76 has no impact on the City's financial statements.

- d. Statement No. 79 addresses accounting and financial reporting for certain external investment pools and pool participants. Specifically, it establishes criteria for an external investment pool to qualify for making the election to measure all of its investments at amortized cost for financial reporting purposes. An external investment pool qualifies for that reporting if it meets all of the applicable criteria established in this Statement. The specific criteria address (1) how the external investment pool transacts with participants; (2) requirements for portfolio maturity, quality, diversification, and liquidity; and (3) calculation and requirements of a shadow price. Significant noncompliance prevents the external investment pool from measuring all of its investments at amortized cost for financial reporting purposes. Professional judgment is required to determine if instances of noncompliance with the criteria established by this Statement during the reporting period, individually or in the aggregate, were significant.

If an external investment pool does not meet the criteria established by this Statement, that pool should apply the provisions in paragraph 16 of Statement No. 31, *Accounting and Financial Reporting for Certain Investments and for External Investment Pools*, as amended. If an external investment pool meets the criteria in this Statement and measures all of its investments at amortized cost, the pool's participants also should measure their investments in that external investment pool at amortized cost for financial reporting purposes. If an external investment pool does not meet the criteria in this Statement, the pool's participants should measure their investments in that pool at fair value, as provided in paragraph 11 of Statement 31, as amended.

This Statement establishes additional note disclosure requirements for qualifying external investment pools that measure all of their investments at amortized cost for financial reporting purposes and for governments that participate in those pools. Those disclosures for both the qualifying external investment pools and their participants include information about any limitations or restrictions on participant withdrawals.

The requirements of this Statement are effective for reporting periods beginning after June 15, 2015, except for certain provisions on portfolio quality, custodial credit risk, and shadow pricing. Those provisions are effective for reporting periods beginning after December 15, 2015. Earlier application is encouraged.

The adoption of Statement No. 79 has no impact on the City's financial statements.

**City of Alamo, Texas**  
**Notes to Financial Statements**  
**For the year ended September 30, 2016**

**V. PRIOR PERIOD ADJUSTMENT**

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

	Amount
<u>Fund Balance Adjustments</u>	
<u>General Fund</u>	
To record prior period related to property tax	\$ (210,245)
<u>Debt Service Fund</u>	
To record prior period related to property tax	(43,732)
Total Fund Balance Adjustments	\$ (253,977)
<u>Government-Wide Adjustments</u>	
To record prior period related to pension	\$ (405,326)
To record prior period related to property tax deferred	265,887
Total Governmental Funds	\$ (139,439)
<u>Water and Sewer Fund</u>	
To record prior period related to pensions	\$ (30,535)
Total Water and Sewer Fund	\$ (30,535)

**VI. COMMITMENTS**

**1. Grant Programs**

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

**2. Texas Water Development Board Disclosure**

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

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

**3. Litigation**

The City has no material, pending or threatened litigation matters, claims or assessments as of September 30, 2016.

**4. Subsequent Events**

For the purposes of reporting subsequent events, management has considered events occurring up to March 24, 2017, 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, 2016**

<b>Actuarial Valuation Date</b>	<b>Actuarial Value of Assets</b>	<b>Actuarial Accrued Liability (AAL)</b>	<b>Funded Ratio</b>	<b>Excess of Assets Over/Unfunded AAL (UAAL)</b>	<b>Covered Payroll</b>	<b>UAAL as a Percentage of Covered Payroll</b>
12/31/2009	3,239,222	4,891,044	66.23%	1,651,822	3,201,420	51.60%
12/31/2010	4,037,306	5,723,745	70.54%	1,686,439	3,461,557	48.72%
12/31/2011	4,693,873	6,307,303	74.42%	1,613,430	3,711,823	43.47%
12/31/2012	5,421,002	6,902,395	78.54%	1,481,393	3,732,583	39.69%
12/31/2013	6,128,190	7,909,553	77.50%	1,781,363	3,961,917	45.00%
12/31/2014	6,903,601	8,583,041	80.43%	1,679,440	3,998,291	42.00%
12/31/2015	7,475,679	9,221,929	81.00%	1,749,250	4,344,846	40.30%

**City of Alamo, Texas**  
**Schedule of Changes in Net Pension Liability and Related Ratios**  
**Last 10 Years\***  
**For the Year Ended September 30, 2016**

	2015
Total Pension Liability	
Service Cost	\$ 425,360
Interest (on the total pension liability)	601,851
Changes of Benefit Terms	-
Difference between Expected and Actual Experience	(5,511)
Change of Assumptions	15,891
Benefit Payments, including Refunds of Employee Contributions	(395,703)
Net Change in Total Pension Liability	\$ 641,888
Net Pension Liability - Beginning	8,583,041
Total Pension Liability - Ending	\$ 9,224,929
 Plan Fiduciary Net Position	
Contributions - Employer	\$ 331,056
Contributions - Employee	217,242
Net Investment Income	10,566
Benefit Payments, including Refunds of Employee Contributions	(395,703)
Administrative Expense	(6,434)
Other	(318)
Net Change in Plan Fiduciary Net Position	\$ 156,408
Plan Fiduciary Net Position - Beginning	7,158,853
Plan Fiduciary Net Position - Ending	\$ 7,315,261
 Net Pension Liability	\$ 1,909,668
Plan Fiduciary Net Position as a Percentage of Total Pension Liability	79.30%
Covered Employee Payroll	\$ 4,344,846
Net Pension Liability as a Percentage of Covered Employee Payroll	43.95%

\*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, 2016**

	<u>Budgeted Amounts</u>		<u>Actual</u>	<u>Final</u>
	<u>Original</u>	<u>Final</u>	<u>Budget</u>	<u>Budget</u>
			<u>Basis</u>	<u>Basis</u>
<b>Revenues</b>				
Property Taxes	\$ 2,706,000	\$ 2,718,000	\$ 2,710,814	\$ ( 7,186 )
Sales Taxes	2,542,031	2,617,031	2,592,869	( 24,162 )
Franchise Taxes	499,150	519,150	526,425	7,275
Hotel Taxes	-	-	-	-
Licenses and Permits	79,810	120,810	128,594	7,784
Court Fines and Fees	499,300	599,300	614,993	15,693
Charges for Services	1,932,996	2,174,996	2,180,401	5,405
Miscellaneous revenues	47,000	47,000	59,518	12,518
Local Events and Contributions	38,000	38,000	48,693	10,693
Interest Revenue	1,500	6,000	6,993	993
State Grants	-	20,000	20,000	-
Federal Grants	101,321	146,321	142,807	( 3,514 )
<b>Total Revenues</b>	<u>8,447,108</u>	<u>9,006,608</u>	<u>9,032,107</u>	<u>25,499</u>
<b>Other Financing Sources</b>				
Proceeds on Sale of Assets	-	-	-	-
Transfers from other funds	390,000	607,900	607,900	-
<b>Total Revenues and Other Financing Sources</b>	<u>8,837,108</u>	<u>9,614,508</u>	<u>9,640,007</u>	<u>25,499</u>
<b>Expenditures</b>				
General Government	3,390,491	4,066,189	3,646,793	419,396
Public Safety	3,594,908	3,470,507	3,416,662	53,845
Highways & Streets	756,895	686,216	668,295	17,921
Health & Welfare	251,662	254,262	251,847	2,415
Culture & Recreation	864,034	801,434	756,620	44,814
Capital Outlay	19,200	151,953	117,062	34,891
Debt Principal	159,892	127,892	127,889	3
Debt Interest	11,616	11,616	11,555	61
<b>Total Expenditures</b>	<u>9,048,698</u>	<u>9,570,069</u>	<u>8,996,723</u>	<u>573,346</u>
<b>Other Financing Uses</b>				
Transfers to other funds	39,800	38,700	38,683	17
<b>Total Expenditures and Other Financing Uses</b>	<u>9,088,498</u>	<u>9,608,769</u>	<u>9,035,406</u>	<u>573,363</u>
<b>Excess (Deficiency) of Revenues and Other Sources Over Expenditures and Other Uses</b>	<u>( 251,390 )</u>	<u>5,739</u>	<u>604,601</u>	<u>598,862</u>
<b>Net Change in Fund Balance</b>	<u>( 251,390 )</u>	<u>5,739</u>	<u>604,601</u>	<u>598,862</u>
<i>Fund Balance at Beginning of Period</i>	4,263,616	4,263,616	4,263,616	-
<i>Prior Period Adjustment</i>	( 210,245 )	( 210,245 )	( 210,245 )	-
<b>Fund Balance at End of Period</b>	<u>\$ 3,801,981</u>	<u>\$ 4,059,110</u>	<u>\$ 4,657,972</u>	<u>\$ 598,862</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, 2016**

<b>Year Ended September 30,</b>	<b>1 Tax Rates Maintenance</b>	<b>2 Debt Service</b>	<b>3 Assessed/ Appraised Value for City Tax Purposes</b>
2007 & Prior Years	\$ Various	\$ Various	\$ Various
2008	0.46161	0.13124	339,374,302
2009	0.46836	0.12355	439,311,243
2010	0.48399	0.10792	466,885,353
2011	0.47512	0.11679	452,905,402
2012	0.4711	0.11438	477,293,393
2013	0.48757	0.1114	489,447,908
2014	0.48965	0.1093	518,376,862
2015	0.49347	0.1055	546,953,409
2016 (Unaudited)	0.4836	0.1045	569,133,760



<b>10</b> <b>Beginning</b> <b>Balance</b> <b>October 1,</b> <b>2015</b>	<b>20</b> <b>Current Year's</b> <b>Total Levy</b>	<b>31</b> <b>Maintenance</b> <b>Collections</b>	<b>32</b> <b>Debt</b> <b>Service</b> <b>Collections</b>	<b>40</b> <b>Entire</b> <b>Year's</b> <b>Adjustments</b>	<b>50</b> <b>Ending</b> <b>Balance</b> <b>September 30,</b> <b>2016</b>
\$ 107,623		\$ 7,963	\$ 1,544	\$ ( 497 )	\$ 97,620
14,942		986	280	-	13,675
18,013		1,734	458	-	15,821
23,059		3,313	739	-	19,008
33,866		3,984	979	( 822 )	28,081
41,039		6,463	1,569	( 5,605 )	27,402
60,927		12,472	2,850	26	45,631
84,139		24,998	5,581	14	53,575
149,246		55,967	11,965	( 535 )	80,779
-	3,153,642	2,479,751	535,843	( 2,858 )	135,190
<u>\$ 532,854</u>	<u>\$ 3,153,642</u>	<u>\$ 2,597,631</u>	<u>\$ 561,808</u>	<u>\$ ( 10,275 )</u>	<u>\$ 516,782</u>
				Allowance for Uncollectible Taxes	<u>\$ 51,678</u>
				Total	<u><u>\$ 465,104</u></u>

**City of Alamo, Texas**  
**Combining Balance Sheet**  
**Non-Major Governmental Funds**  
**September 30, 2016**

	<b>Special Revenue Funds</b>		
	<b>Urban County Fund</b>	<b>Asset Forefeiture Fund</b>	<b>Hotel / Motel Fund</b>
<b>ASSETS</b>			
Cash and Cash Equivalents	\$ -	\$ 5,101	\$ 312,643
Investments	-	-	484,124
Note Receivables	-	-	-
Accounts Receivable - Property Taxes	-	-	-
Accounts Receivable - Other	-	-	36,398
Due From Other Funds	-	-	-
<b><i>Total Assets</i></b>	<b>-</b>	<b>5,101</b>	<b>833,165</b>
<b>DEFERRED OUTFLOWS OF RESOURCES</b>			
Aggregated deferred outflows	-	-	-
<b><i>Total Assets and Deferred Outflows of Resources</i></b>	<b>\$ -</b>	<b>\$ 5,101</b>	<b>\$ 833,165</b>
<b>LIABILITIES</b>			
Accounts Payable	\$ -	\$ -	\$ -
Unearned Revenue	-	5,181	-
Due to Other Funds	-	-	736
<b><i>Total Liabilities</i></b>	<b>-</b>	<b>5,181</b>	<b>736</b>
<b>DEFERRED INFLOWS OF RESOURCES</b>			
Aggregated deferred inflows	-	-	-
<b><i>Total Deferred Inflows of Resources</i></b>	<b>-</b>	<b>-</b>	<b>-</b>
<b>FUND BALANCE</b>			
Restricted for:			
Debt Service	-	-	-
Capital Projects	-	-	-
Special Projects	-	-	832,429
Tourism	-	-	-
Unassigned	-	-	-
<b><i>Total Fund Balance</i></b>	<b>-</b>	<b>-</b>	<b>832,429</b>
<b><i>Total Liabilities, Deferred Inflows of Resources and Fund Balance</i></b>	<b>\$ -</b>	<b>\$ 5,181</b>	<b>\$ 833,165</b>

State Forfeiture Fund	Tax Increment Fund	Local Forfeiture Fund	Debt Service		Total Non-Major Governmental Funds
			Interest and Series 2013	Debt Service	
\$ 20,292	\$ 277,948	\$ -	\$ 108,430	\$ 514,293	\$ 1,238,707
-	-	-	-	479,289	963,413
-	-	-	-	-	-
-	-	-	-	83,389	83,389
-	49,806	-	-	-	86,204
-	-	-	-	367	367
<u>20,292</u>	<u>327,754</u>	<u>-</u>	<u>108,430</u>	<u>1,077,338</u>	<u>2,372,080</u>
-	-	-	-	-	-
<u>\$ 20,292</u>	<u>\$ 327,754</u>	<u>\$ -</u>	<u>\$ 108,430</u>	<u>\$ 1,077,338</u>	<u>\$ 2,372,080</u>
\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
-	-	-	-	-	5,181
-	-	-	-	-	736
-	-	-	-	-	5,917
-	-	-	-	-	-
-	-	-	-	81,074	81,074
-	-	-	-	81,074	81,074
-	-	-	108,430	996,263	1,104,693
-	-	-	-	-	-
20,292	327,754	( 80 )	-	-	1,180,395
-	-	-	-	-	-
-	-	-	-	-	-
<u>20,292</u>	<u>327,754</u>	<u>-</u>	<u>108,430</u>	<u>996,263</u>	<u>2,285,088</u>
<u>\$ 20,292</u>	<u>\$ 327,754</u>	<u>\$ -</u>	<u>\$ 108,430</u>	<u>\$ 1,077,337</u>	<u>\$ 2,372,079</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, 2016**

	<b>Special Revenue Funds</b>			
	<b>Urban County Grant</b>	<b>Asset Forfeiture Fund</b>	<b>Hotel / Motel Fund</b>	<b>State Forfeiture Fund</b>
<b>Revenues</b>				
Property Taxes	\$ -	\$ -	\$ -	\$ -
Other Taxes	-	-	118,979	-
Miscellaneous Revenues	-	-	-	1,220
Other Governmental Grants	102,561	-	-	-
Interest Revenue	-	-	1,154	2
<b>Total Revenues</b>	<b>102,561</b>	<b>-</b>	<b>120,133</b>	<b>1,222</b>
<b>Expenditures</b>				
General Government	29,900	-	101,300	-
Public Safety	72,661	-	-	-
Capital Outlay	-	-	-	-
Bond Issuance Costs	-	-	-	-
Debt Principal	-	-	-	-
Debt Interest	-	-	-	-
<b>Total Expenditures</b>	<b>102,561</b>	<b>-</b>	<b>101,300</b>	<b>-</b>
<b>Excess of Revenues Over (Under) Expenditures</b>	<b>-</b>	<b>-</b>	<b>18,833</b>	<b>1,222</b>
<b>Other Financing Sources (Uses)</b>				
Proceeds for Issuance of Bonds	-	-	-	-
Premium on Refunding Bonds	-	-	-	-
Transfers from other funds	-	-	-	-
Payment to Refunded Bond Escrow Agent	-	-	-	-
Transfers to other funds	-	-	-	-
<b>Net Other Financing Sources (Uses)</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>
<b>Net Change in Fund Balance</b>	<b>-</b>	<b>-</b>	<b>18,833</b>	<b>1,222</b>
<i>Fund Balance at Beginning of Period</i>	-	-	813,596	19,071
<i>Prior Period Adjustments</i>	-	-	-	-
<b>Fund Balance at End of Period</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ 832,429</b>	<b>\$ 20,293</b>

<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>Interest and Series 2013</u>	<u>Debt Service</u>	
\$ -	\$ -	\$ -	\$ 576,173	\$ 576,173
-	-	-	-	118,979
49,806	-	-	-	51,026
-	-	-	-	102,561
24	-	10	1,065	2,255
<u>49,830</u>	<u>-</u>	<u>10</u>	<u>577,238</u>	<u>850,994</u>
-	-	-	800	132,000
-	-	-	-	72,661
-	-	-	-	-
-	-	-	-	-
-	-	-	825,000	825,000
-	-	-	334,620	334,620
<u>-</u>	<u>-</u>	<u>-</u>	<u>1,160,420</u>	<u>1,364,281</u>
<u>49,830</u>	<u>-</u>	<u>10</u>	<u>( 583,182 )</u>	<u>( 513,287 )</u>
-	-	-	-	-
-	-	-	-	-
38,683	-	-	649,709	688,392
-	-	-	-	-
<u>38,683</u>	<u>-</u>	<u>-</u>	<u>649,709</u>	<u>688,392</u>
<b>88,513</b>	-	<b>10</b>	<b>66,527</b>	<b>175,105</b>
239,241	( 80 )	108,420	973,467	2,153,715
-	-	-	( 43,732 )	( 43,732 )
<u>\$ 327,754</u>	<u>\$ ( 80 )</u>	<u>\$ 108,430</u>	<u>\$ 996,262</u>	<u>\$ 2,285,088</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, 2016**

	<b>Business-type Activities - Enterprise Funds</b>	
	<b>Water &amp; Sewer Fund</b>	<b>Total Enterprise Funds</b>
<b>Operating Revenues</b>		
Charges for Services	\$ 3,738,086	\$ 3,738,086
Other Revenues	21,112	21,112
<b><i>Total Operating Revenues</i></b>	<b>3,759,198</b>	<b>3,759,198</b>
<b>Operating Expenses</b>		
Payments to Employees	769,240	769,240
Payments to Supplies and Others	1,676,250	1,676,250
<b><i>Total Operating Expenses</i></b>	<b>1,676,250</b>	<b>1,676,250</b>
<b><i>Income before Non-operating Revenues (Expenses)</i></b>	<b>2,082,948</b>	<b>2,082,948</b>
<b>Non-Operating Revenues (Expenses)</b>		
Interest Revenue	5,526	5,526
Federal Grants	-	-
<b><i>Net Non-Operating Revenues (Expenses)</i></b>	<b>5,526</b>	<b>5,526</b>
<b><i>Net Revenue Available for Debt Service</i></b>	<b>\$ 2,088,474</b>	<b>\$ 2,088,474</b>

**INTERNAL CONTROL / COMPLIANCE SECTION**



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, 2016, 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 24, 2017.

**Internal Control over Financial Reporting**

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

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

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or, significant deficiencies may exist that we not identified. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

**Compliance and Other Matters**

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



### **Purpose of this Report**

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

*Oscar R. Gonzalez CPA & Associates PLLC*

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

March 24, 2017