

CITY OF ALAMO, TEXAS
ANNUAL FINANCIAL REPORT
FOR THE YEAR ENDED SEPTEMBER 30, 2011

City of Alamo, Texas
Principal Officials
For the Year Ended September 30, 2011

MAYOR

Diana Martinez

CITY COMMISSION

Trinidad Medina -- Mayor Pro-Tem

Eleazar Escobedo -- Commissioner

Victor Perez -- Commissioner

Pilar Garza -- Commissioner

OTHER OFFICIALS

Luciano Ozuna, Jr. -- City Manager

Enrique Guzman -- Finance Director

City of Alamo, Texas
Audited Annual Financial Report
Year Ended September 30, 2011

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Financial Section



Oscar R. González, CPA
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Oscar R. González
Melissa González

INDEPENDENT AUDITOR'S REPORT

To the City Commissioners,
City of Alamo, Texas

We have audited the accompanying financial statements of the governmental activities, the business-type activities, the aggregate discretely presented component units, each major fund, and the aggregate remaining fund information of City of Alamo, Texas, as of and for the year ended September 30, 2011, which collectively comprise the City's basic financial statements as listed in the table of contents. These financial statements are the responsibility of City of Alamo, Texas's management. Our responsibility is to express opinions on these financial statements based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and the significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our 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 aggregate discretely presented component units, each major fund, and the aggregate remaining fund information of the City of Alamo, Texas, as of September 30, 2011, and the respective changes in financial position, and cash flows, where applicable, thereof for the year then ended in conformity with accounting principles generally accepted in the United States of America.

In accordance with *Government Auditing Standards*, we have also issued our report dated March 27, 2012, 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* and should be considered in assessing the results of our audit.

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis and budgetary comparison information on pages 3 through 8 and 39 through 40 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.

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the City of Alamo, Texas's financial statements as a whole. The accompanying schedule of expenditures of federal awards is presented for purposes of additional analysis as required by U.S. Office of Management and Budget Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*, and is also not a required part of the financial statements. The schedule of expenditures of federal awards is the responsibility of management and was derived from and relate directly to the underlying accounting and other records used to prepare the financial statements. The information has been subjected to

the auditing procedures applied in the audit of the financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements or to the financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the information is fairly stated in all material respects in relation to the financial statements as a whole. The statistical section 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 it.

Oscar R. Gonzalez, CPA & Associates PLLC

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

March 27, 2012

Management's Discussion and Analysis

MANAGEMENT'S DISCUSSION AND ANALYSIS CITY OF ALAMO, TEXAS

As management of the City of Alamo, Texas, we offer readers of the City's financial statements this narrative overview and analysis of the financial activities of the City for the fiscal year ended September 30, 2011. We encourage readers to consider the information presented here in conjunction with additional information that we have furnished in our letter of transmittal.

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 \$38 million (net assets). The net assets have a balance of \$38,129,949.
- The City's total net assets increased by \$2,743,259; of which 50.3 percent of the increase is attributable to governmental activities and 49.7 percent to business-type activities.
- As of the close of the current fiscal year, the City's governmental funds reported combined ended fund balances of \$6,554,671, a decrease of over \$336,028 in comparison with the prior year deficit of \$251,561.
- At the end of fiscal year 2011, unassigned fund balance for the general fund was \$2,790,399.

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 comprise 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 assets presents information on all of the City's assets and liabilities, with the difference between the two reported as net assets. Over time, increases or decreases in net assets are one 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 assets changed during the most recent fiscal year. All changes in net assets 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).

Both of the government-wide financial statements distinguish the functions of the City that are principally supported by taxes and intergovernmental revenues (governmental activities) and from other functions that are obliged 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 urban and economic development. The business-type activities of the City include the water and sewer fund activities. The government-wide financial statements include the City itself (known as the primary government). The government-wide financial statements can be found on pages 9 through 12 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, and 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

MANAGEMENT'S DISCUSSION AND ANALYSIS CITY OF ALAMO, TEXAS

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 individual governmental funds. Information 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 governmental funds is provided elsewhere in this report.

The City adopts an annual appropriated budget for 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 13 through 16 of this report.

Proprietary funds. The City maintains one type of proprietary fund. The enterprise fund is used to report the same function presented as business-type activities in the government-wide financial statements. The City uses one enterprise fund to account for the water and sewer services provided for residents.

Proprietary funds provide the same type of information as the government-wide financial statements, only in more detail. The enterprise funds are presented in a single, aggregated presentation in the proprietary fund financial statements. Individual fund data for the enterprise fund is provided in this report, pages 17 through 19.

Notes to the financial statements. The notes provide additional information that is essential to a full understanding of the data provided in the government-wide and fund financial statements. The notes to the financial statements can be found on pages 20 through 37 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 exceeded liabilities by over \$38 million at the close of the most recent fiscal year.

By far the largest portion of the City's net assets 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. (See Schedule on Next Page)

**MANAGEMENT'S DISCUSSION AND ANALYSIS
CITY OF ALAMO, TEXAS**

Government-wide Financial Analysis (Continued)

	Table A-1 City's Net Assets						
	Governmental Activities		Business-Type Activities		Total		Increase (Decrease)
	2011	2010	2011	2010	2011	2010	
ASSETS							
Current and Other Assets	7,909,067	8,722,173	3,367,821	3,153,243	11,276,888	11,875,416	(598,528)
Capital Assets	18,077,821	17,299,730	24,422,444	23,836,481	42,500,265	41,136,211	1,364,054
Total Assets	<u>25,986,888</u>	<u>26,021,903</u>	<u>27,790,265</u>	<u>26,989,724</u>	<u>53,777,153</u>	<u>53,011,627</u>	<u>765,526</u>
LIABILITIES							
Current and Other Liabilities	1,517,488	2,030,189	624,870	910,426	2,142,358	2,940,615	(798,257)
Long Term Liabilities	7,568,557	8,307,121	5,936,289	6,225,094	13,504,846	14,532,215	(1,027,369)
Total Liabilities	<u>9,086,045</u>	<u>10,337,310</u>	<u>6,561,159</u>	<u>7,135,520</u>	<u>15,647,204</u>	<u>17,472,830</u>	<u>(1,825,626)</u>
NET ASSETS							
Invested in Capital Assets, Net of Related Debt	9,234,188	6,700,325	18,267,355	17,584,382	27,501,543	24,284,707	3,216,836
Restricted	2,952,447	1,342,817	-	-	2,952,447	1,342,817	1,342,817
Unrestricted	4,714,208	7,641,451	2,961,751	2,269,822	7,675,959	9,911,273	2,415,341
Total Net Assets	<u>16,900,843</u>	<u>15,684,593</u>	<u>21,229,106</u>	<u>19,854,204</u>	<u>38,129,949</u>	<u>35,538,797</u>	<u>2,591,152</u>

There was an increase of \$1,363,467 in net assets reported in connection with the City's business-type activities. This was an increase in net assets from the prior year amount of \$454,246. This increase resulted from increases in the water and sewer service revenues of \$448,730 and \$716,219 of operating grants.

The City's net assets increased by \$2,743,259, during the fiscal year. This increase represents revenues of \$10,030,023, and expenses of \$8,650,231 in governmental funds. Revenues for the Water and Sewer fund were \$3,031,365 of which \$716,219 are operating grants and \$2,025 are interest, compared with \$2,384,117 in operating and interest expenses.

(Continues on Next Page)

**MANAGEMENT'S DISCUSSION AND ANALYSIS
CITY OF ALAMO, TEXAS**

Government-wide Financial Analysis (Continued)

Table A-2
City's Changes in Net Assets

	Governmental Activities		Business-Type Activities		Total	
	2011	2010	2011	2010	2011	2010
REVENUES						
Program Revenues:						
Charges for Services	1,769,827	1,660,003	3,318,492	2,869,762	5,088,319	4,529,765
Operating Grants & Contributions	757,061	630,710	716,219	-	1,473,280	630,710
Capital Grants and Contributions	221,150	-	-	-	221,150	-
General Revenues:						
Property Taxes	2,809,375	2,879,274	-	-	2,809,375	2,879,274
Sales Tax	3,139,704	2,959,092	-	-	3,139,704	2,959,092
Other Tax	604,996	429,137	-	-	604,996	429,137
Other Revenues	445,694	680,200	2,025	3,718	447,719	683,918
Total Revenues	9,747,807	9,238,416	4,036,736	2,873,480	13,784,543	12,111,896
EXPENSES						
General Government	3,230,842	2,842,164	-	-	3,230,842	2,842,164
Public Safety	3,000,252	2,602,282	-	-	3,000,252	2,602,282
Highways and Streets	244,195	209,570	-	-	244,195	209,570
Health and Welfare	662,955	559,193	-	-	662,955	559,193
Culture and Recreation	678,787	609,826	-	-	678,787	609,826
Economic Development	470,935	404,705	-	-	470,935	404,705
Capital Outlay	45,908	-	-	-	45,908	-
Water & Sewer	-	-	2,384,117	2,130,082	2,384,117	2,130,082
Principal	316,476	297,696	-	-	316,476	297,696
Interest	6,817	14,765	-	-	6,817	14,765
Other Expenditures	-	952,696	-	-	-	952,696
Total Expenses	8,657,167	8,492,897	2,384,117	2,130,082	11,041,284	10,622,979
Increase in Net Assets Before Special Items and Transfers	1,090,640	745,519	1,652,619	743,398	2,743,259	1,488,917
Transfers	289,152	289,152	(289,152)	(289,152)	-	-
Increase in Net Assets	1,379,792	1,034,671	1,363,467	454,246	2,743,259	1,488,917
Net Assets Beginning (NET)	15,521,051	14,649,922	19,865,639	19,399,957	35,386,690	34,049,879
Net Assets Ending	16,900,843	15,684,593	21,229,106	19,854,203	38,129,949	35,538,796

Governmental activities. Governmental activities increased the City's net assets by \$1,379,792.

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 \$2,790,804 and the special revenue fund (Alamo Economic

**MANAGEMENT'S DISCUSSION AND ANALYSIS
CITY OF ALAMO, TEXAS**

Development Corporation) had \$496,711. The debt service fund had a fund balance of \$593,096, of which \$529,072 is assigned

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 assets.

Unrestricted net assets of the water and sewer fund at the end of the year amounted to a net assets of \$2,961,751. By far the largest portion of the City's net assets 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 water and sewer service to citizens. Although the City's investment in its capital assets is reported net of related debt, it should be noted that the resources needed to repay this debt come from revenues generated from the sale of water and providing sewer collection services.

General Fund Budgetary Highlights

The original budget was amended during the year. Expenditures exceeded appropriations of the general government functions in the following functions Public Safety by \$106,082, mainly due to the Police and Fire Department, and in Health and Welfare by \$85,618.

Capital Assets

Table A-3
City's Capital Assets

	Governmental Activities		Business-Type Activities		Total		Increase (Decrease)
	2011	2010	2011	2010	2011	2010	
Land and Right of Way	1,359,299	1,359,299	2,943,078	2,943,078	4,302,377	4,302,377	-
Construction in Progress	2,148,555	1,081,579	4,222,568	3,435,221	6,371,123	4,516,800	1,854,323
Building and Improvements	10,579,483	10,566,383	4,757,868	4,757,868	15,337,351	15,324,251	13,100
Vehicles	2,076,340	2,007,695	100,782	100,782	2,177,122	2,108,477	68,645
Machinery and Equipment	1,822,698	1,792,333	684,353	684,353	2,507,051	2,476,686	30,365
Infrastructure	6,501,801	6,239,408	16,895,154	16,758,583	23,396,955	22,997,991	398,964
Total Capital Assets at Cost	24,488,176	23,046,697	29,603,803	28,579,885	54,091,979	51,726,582	2,365,397
Accumulated Depreciation	(6,410,355)	(5,746,968)	(5,241,084)	(4,843,403)	(11,651,439)	(10,590,371)	(1,061,068)
Total Capital Assets, Net	18,077,821	17,299,729	24,362,719	23,836,482	42,440,540	41,136,211	1,304,329

The City's additional investment in capital assets for its governmental and business-type activities as of September 30, 2011, amounts to \$42,500,265.

Long-Term Debt

Table A-4
City's Long-Term Obligations

	Governmental Activities		Business-Type Activities		Total		Increase (Decrease)
	2011	2010	2011	2010	2011	2010	
General Obligation Bonds	8,000,000	8,690,000	6,127,000	6,345,000	14,127,000	15,035,000	(908,000)
Capital Leases	65,542	192,582	28,089	82,535	93,631	275,117	(181,486)
Compensated Absences	283,557	238,244	34,289	70,004	317,846	308,248	9,598
Total Long Term Obligations	8,349,099	9,120,826	6,189,378	6,497,539	14,538,477	15,618,365	(1,079,888)

**MANAGEMENT'S DISCUSSION AND ANALYSIS
CITY OF ALAMO, TEXAS**

Long-Term Debt (Continued)

At the end of the current fiscal year, the City had total debt outstanding of \$13,504,846. These are mainly composed of notes and bonds payable.

State statutes limit the amount of general obligation debt that the City may issue to 10% of its total assessed valuation (\$476,970,008). The City's general obligation debt maximum is \$47,687,001, compared to the City's debt of \$13,504,846.

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

Economic Factors and Next Year's Budget and Rate

The following factors were considered in preparing the City's budget for the 2011-2012 fiscal year:

- The ad valorem property tax rate was set at \$ 0.58548 to generate the revenues necessary for the operation of the City. The City is relying on the increase of the tax base to increase revenues.
- This tax rate should generate \$44,748 of additional tax revenues; an increase of 3.8% over the previous year.

Request for Information

This financial report is designed to provide a general overview of the City's finances for all those interested. 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, Finance Director, 420 N. Tower Road, Alamo, Texas 78516.

Basic Financial Statements

City of Alamo, Texas
Statement of Net Assets
September 30, 2011

	Primary Government		
	Governmental Activities	Business-type Activities	Total
ASSETS			
Current Assets:			
Cash and Cash Equivalents	\$ 1,419,242	\$ 1,233,471	\$ 2,652,713
Investments	4,392,196	1,494,748	5,886,944
Accounts Receivable - Property Taxes (net)	617,451	-	617,451
Accounts Receivable - Customers (net)	-	451,805	451,805
Accounts Receivable - Other (net)	267,021	3,964	270,985
Note Receivables	642,599	-	642,599
Due From State	134,943	-	134,943
Due From Other Governmental Entities	614,025	-	614,025
Prepaid and Other Assets	3,338	-	3,338
Other Assets	2,085	-	2,085
Internal Balances	(183,833)	183,833	-
Total Current Assets:	<u>7,909,067</u>	<u>3,367,821</u>	<u>11,276,888</u>
Noncurrent Assets:			
Land	1,359,299	2,943,078	4,302,377
Construction In Progress	2,148,554	4,222,568	6,371,122
Building and Improvements (net)	8,437,629	3,840,613	12,278,242
Vehicles (net)	417,683	15,758	433,441
Furniture and Equipment (net)	1,267,558	238,455	1,506,013
Infrastructure (net)	4,447,098	13,102,247	17,549,345
Bond Issuance Cost (net)	-	59,725	59,725
Total Non Current Assets:	<u>18,077,821</u>	<u>24,422,444</u>	<u>42,500,265</u>
Total Assets	<u>\$ 25,986,888</u>	<u>\$ 27,790,265</u>	<u>\$ 53,777,153</u>

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

City of Alamo, Texas
Statement of Net Assets
September 30, 2011

	Primary Government		
	Governmental Activities	Business-type Activities	Total
LIABILITIES			
Current Liabilities:			
Accounts Payable	\$ 545,153	\$ -	\$ 545,153
Other Current Liabilities	3,661	344,987	348,648
Accrued Interest	-	26,674	26,674
Payroll Liabilities	557	119	676
Current Portion of Long Term Debt	780,542	253,090	1,033,632
Deferred Revenue	187,575	-	187,575
Total Current Liabilities:	1,517,488	624,870	2,142,358
Noncurrent Liabilities:			
Compensated Absences	283,557	34,289	317,846
Due In More Than One Year (net)	7,285,000	5,902,000	13,187,000
Total Noncurrent Liabilities:	7,568,557	5,936,289	13,504,846
Total Liabilities	9,086,045	6,561,159	15,647,204
NET ASSETS			
Invested In Fixed Assets Net of Related Debt	9,234,188	18,267,355	27,501,543
<i>Restricted for:</i>			
Capital Projects	1,011,975	-	1,011,975
Debt Service	157,269	-	157,269
Tourism	273,023	-	273,023
Other Purpose	1,124,049	-	1,124,049
Restricted Fund Balance	386,131	-	386,131
<i>Unrestricted</i>	4,714,208	2,961,751	7,675,959
Total Net Assets	16,900,843	21,229,106	38,129,949
Total Liabilities and Net Assets	\$ 25,986,888	\$ 27,790,265	\$ 53,777,153

City of Alamo, Texas
Statement of Activities
For the Year Ended September 30, 2011

<u>Functions/Programs</u>	<u>Expenses</u>	<u>Program Revenues</u>	
		<u>Charges for Services</u>	<u>Operating Grants and Contributions</u>
Primary Government			
Governmental Activities:			
General Government	\$ 3,230,842	\$ 59,791	\$ 375,292
Public Safety	3,000,252	207,709	63,318
Highways and Streets	244,195	-	-
Health and Welfare	662,955	1,422,428	-
Culture and Recreation	678,787	44,177	5,951
Economic Development	470,935	35,722	312,500
Capital Outlay	45,908	-	-
Principal	316,476	-	-
Interest	6,817	-	-
<i>Total Governmental Activities</i>	<u>8,657,167</u>	<u>1,769,827</u>	<u>757,061</u>
Business-type Activities:			
Water and Sewer Fund	2,384,117	3,318,492	716,219
<i>Total Business-type Activities</i>	<u>2,384,117</u>	<u>3,318,492</u>	<u>716,219</u>
<i>Total Primary Government</i>	<u>\$ 11,041,284</u>	<u>\$ 5,088,319</u>	<u>\$ 1,473,280</u>

General Purpose Revenues and Transfers:

Revenues

Property Taxes

Sales Taxes

Franchise Taxes

Licenses and Permits

Fines and Fees

Miscellaneous Revenue

Interest Revenue

Other Taxes

Transfers

Total General Revenues and Transfers

Change in Net Assets

Net Assets at Beginning of Period

Net Assets at End of Period

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

Capital Grants and Contributions	Net (Expense) Revenue		
	Primary Government		
	Governmental Activities	Business-type Activities	Total
\$ 221,150	\$ (2,574,609)	\$ -	\$ (2,574,609)
-	(2,729,225)	-	(2,729,225)
-	(244,195)	-	(244,195)
-	759,473	-	759,473
-	(628,659)	-	(628,659)
-	(122,713)	-	(122,713)
-	(45,908)	-	(45,908)
-	(316,476)	-	(316,476)
-	(6,817)	-	(6,817)
221,150	(5,909,129)	-	(5,909,129)
-	-	1,650,594	1,650,594
-	-	1,650,594	1,650,594
\$ 221,150	\$ (5,909,129)	\$ 1,650,594	\$ (4,258,535)
	2,809,375	-	2,809,375
	3,139,704	-	3,139,704
	450,143	-	450,143
	126,356	-	126,356
	251,491	-	251,491
	64,324	-	64,324
	3,523	2,025	5,548
	154,853	-	154,853
	289,152	(289,152)	-
	7,288,921	(287,127)	7,001,794
	1,379,792	1,363,467	2,743,259
	15,521,051	19,865,639	35,386,690
\$	\$ 16,900,843	\$ 21,229,106	\$ 38,129,949

City of Alamo, Texas
Balance Sheet
Governmental Funds
September 30, 2011

	<u>Special Revenue</u>			
	<u>General Fund</u>	<u>Alamo Economic Development Cooperation</u>	<u>Other Governmental Funds</u>	<u>Total Governmental Funds</u>
ASSETS				
Cash and Cash Equivalents	\$ 393,137	\$ 383,933	\$ 642,173	\$ 1,419,243
Investments	2,679,193	4,318	1,708,685	4,392,196
Accounts Receivable - Property Taxes (net)	515,758	-	101,693	617,451
Accounts Receivable - Other (net)	173,173	8,000	85,848	267,021
Note Receivables	-	-	642,599	642,599
Due From State	9,737	125,206	-	134,943
Due From Other Governmental Entities	614,025	-	-	614,025
Prepaid and Other Assets	1,623	1,715	-	3,338
Other Assets	2,085	-	-	2,085
Due From Other Funds	550,955	593	247,342	798,890
Total Assets	<u>\$ 4,939,686</u>	<u>\$ 523,765</u>	<u>\$ 3,428,340</u>	<u>\$ 8,891,791</u>
LIABILITIES				
Accounts Payable	\$ 520,369	\$ 5,533	\$ 19,251	\$ 545,153
Deferred Revenue - Property Taxes	515,758	-	101,693	617,451
Other Current Liabilities	675	2,986	-	3,661
Payroll Liabilities	557	-	-	557
Deferred Revenue	182,394	-	5,181	187,575
Due to other funds	929,534	18,535	34,654	982,723
Total Liabilities	<u>2,149,287</u>	<u>27,054</u>	<u>160,779</u>	<u>2,337,120</u>
FUND BALANCE				
Nonspendable				
Inventory	1,623	-	-	1,623
Restricted				
Debt Service	-	-	64,024	64,024
Assigned				
Debt Service	-	-	529,072	529,072
Economic Development	-	496,711	720,540	1,217,251
Capital Projects	-	-	1,597,098	1,597,098
Tourism	-	-	339,609	339,609
Unassigned	2,788,776	-	17,218	2,805,994
Total Fund Balance	<u>2,790,399</u>	<u>496,711</u>	<u>3,267,561</u>	<u>6,554,671</u>
Total Liabilities and Fund Balance	<u>\$ 4,939,686</u>	<u>\$ 523,765</u>	<u>\$ 3,428,340</u>	<u>\$ 8,891,791</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 Assets
September 30, 2011

Total Fund Balance - Governmental Funds	\$	6,554,671
Revenue earned but not collected within sixty days deferred in governmental fund statements, recognized as revenue in Statement of Activities.		(873)
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.		(283,557)
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.		17,299,730
Principal payments on long-term expensed in governmental fund statements, treated as reductions of outstanding debt in Entity wide statements.		817,040
Fixed assets expensed as capital outlay in governmental fund statements, capitalized as fixed assets in Statement of Net Assets.		1,441,478
Depreciation expense reflected in entity wide statements, not reflected in governmental fund statements.		(663,387)
Revenue deferred in governmental fund statements if not received within sixty days.		618,324
Long term debt reflected on Statement of Net Assets not in governmental funds balance sheet.		(8,882,582)
Total Net Assets-Governmental Funds	\$	<u><u>16,900,844</u></u>

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, 2011

	<u>Special Revenue</u>			<u>Total Governmental Funds</u>
	<u>General Fund</u>	<u>Alamo Economic Development Cooperation</u>	<u>Other Governmental Funds</u>	
Revenues				
Property Taxes	\$ 2,266,394	\$ -	\$ 543,855	\$ 2,810,249
Sales Taxes	2,354,778	784,926	-	3,139,704
Franchise Taxes	450,143	-	-	450,143
Other Taxes	1,625	-	153,228	154,853
Federal Grants	41,281	-	312,500	353,781
Intergovernmental Revenues	69,269	-	-	69,269
Licenses and Permits	126,356	-	-	126,356
Fines and Fees	251,491	-	-	251,491
Miscellaneous Revenue	4,268	60,056	-	64,324
Charges for Services	1,748,552	-	-	1,748,552
State Drug Forfeitures	-	-	334,011	334,011
Contributions and Reimbursements	-	-	221,150	221,150
Equipment rental	553	-	-	553
Interest revenue	-	97	24,148	24,245
Total Revenues	<u>7,314,710</u>	<u>843,079</u>	<u>1,588,892</u>	<u>9,748,681</u>
Expenditures				
General Government	2,807,086	-	1,235,788	4,042,874
Public Safety	2,734,307	-	1,801	2,736,108
Highways and Streets	222,385	-	-	222,385
Health and Welfare	606,619	-	-	606,619
Culture and Recreation	618,703	-	-	618,703
Capital outlay	407,311	-	-	407,311
Economic Development	-	432,653	185,000	617,653
Principal	127,039	-	316,476	443,515
Interest	6,817	-	505,000	511,817
Total Expenditures	<u>7,530,267</u>	<u>432,653</u>	<u>2,244,065</u>	<u>10,206,985</u>
Excess of Revenues Over (Under) Expenditures	<u>(215,557)</u>	<u>412,426</u>	<u>(655,173)</u>	<u>(458,304)</u>
Other Financing Sources (Uses)				
Transfers from other funds	364,152	371,878	372,818	1,108,848
Transfers to other funds	(128,000)	(447,818)	(243,878)	(819,696)
Net Other Financing Sources (Uses)	<u>236,152</u>	<u>(75,940)</u>	<u>128,940</u>	<u>289,152</u>
Net Change in Fund Balance	<u>20,595</u>	<u>336,486</u>	<u>(526,233)</u>	<u>(169,152)</u>
Fund Balance at Beginning of Period	<u>2,769,804</u>	<u>160,225</u>	<u>3,793,794</u>	<u>6,723,823</u>
Fund Balance at End of Period	<u>\$ 2,790,399</u>	<u>\$ 496,711</u>	<u>\$ 3,267,561</u>	<u>\$ 6,554,671</u>

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, 2011

Total Net Change in Fund Balances - Governmental Funds	\$	(169,152)
Revenue earned but not collected within sixty days deferred in governmental fund statements, recognized as revenue in Statement of Activities.		(873)
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.		(45,313)
Principal payments on long-term expensed in governmental fund statements, treated as reductions of outstanding debt in Entity wide statements.		817,040
Fixed assets expensed as capital outlay in governmental fund statements, capitalized as fixed assets in Statement of Net Assets.		1,441,478
Depreciation expense reflected in entity wide statements, not reflected in governmental fund statements.		(663,387)
Changes in Net Assets-Governmental Funds	\$	<u>1,379,793</u>

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

City of Alamo, Texas
Statement of Net Assets
Proprietary Funds
September 30, 2011

	<u>Business-type Activities - Enterprise Funds</u>	
	<u>Water and Sewer Fund</u>	<u>Total Enterprise Funds</u>
ASSETS		
<i>Current Assets</i>		
Cash and Cash Equivalents	\$ 1,233,471	\$ 1,233,471
Investments	1,494,748	1,494,748
Accounts Receivable - Customers (net)	451,805	451,805
Accounts Receivable - Other (net)	3,964	3,964
Due From Other Funds	579,106	579,106
<i>Total Current Assets</i>	<u>3,763,094</u>	<u>3,763,094</u>
<i>Noncurrent Assets</i>		
Land	2,943,078	2,943,078
Construction In Progress	4,222,568	4,222,568
Building and Improvements (net)	3,840,613	3,840,613
Vehicles (net)	15,758	15,758
Furniture and Equipment (net)	238,455	238,455
Infrastructure (net)	13,102,247	13,102,247
Bond Issuance Cost (net)	59,725	59,725
<i>Total Assets</i>	<u>28,185,538</u>	<u>28,185,538</u>
LIABILITIES		
<i>Current Liabilities</i>		
Other Current Liabilities	344,987	344,987
Accrued Interest	26,674	26,674
Payroll Liabilities	119	119
Current Portion of Long Term Debt	253,090	253,090
Due to other funds	395,273	395,273
<i>Total Current Liabilities</i>	<u>1,020,143</u>	<u>1,020,143</u>
<i>Noncurrent Liabilities</i>		
Compensated Absences	34,289	34,289
Due in More Than One Year (net)	5,902,000	5,902,000
<i>Total Liabilities</i>	<u>6,956,432</u>	<u>6,956,432</u>
NET ASSETS		
Invested In Fixed Assets Net of Related Debt	18,267,355	18,267,355
Unrestricted	2,961,751	2,961,751
<i>Total Net Assets</i>	<u>\$ 21,229,106</u>	<u>\$ 21,229,106</u>

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

City of Alamo, Texas
Statement of Revenues, Expenses, and Changes in Net Assets
Proprietary Funds
For the Year Ended September 30, 2011

	<u>Business-type Activities - Enterprise Funds</u>	
	<u>Water and Sewer Fund</u>	<u>Total Enterprise Funds</u>
Operating Revenues		
Charges for services	\$ 3,318,492	\$ 3,318,492
State grant	716,219	716,219
<i>Total Operating Revenues</i>	<u>4,034,711</u>	<u>4,034,711</u>
Operating Expenses		
Depreciation	397,682	397,682
Amortization	3,733	3,733
Water Department	542,595	542,595
Sewer Department	431,616	431,616
Water Plant Department	523,017	523,017
Water Billing	162,939	162,939
General Administration	111,035	111,035
Other Debt Fees	909	909
<i>Total Operating Expenses</i>	<u>2,173,526</u>	<u>2,173,526</u>
<i>Operating Income (Loss)</i>	<u>1,861,185</u>	<u>1,861,185</u>
Non-Operating Revenues (Expenses)		
Interest revenue	2,025	2,025
Interest Expense	(210,591)	(210,591)
<i>Net Non-Operating Revenues (Expenses)</i>	<u>(208,566)</u>	<u>(208,566)</u>
<i>Income Before Contributions and Transfers</i>	1,652,619	1,652,619
Transfers from other funds	257,027	257,027
Transfers to other funds	(546,179)	(546,179)
<i>Change In Net Assets</i>	<u>1,363,467</u>	<u>1,363,467</u>
<i>Net Assets at Beginning of Period</i>	19,865,639	19,865,639
<i>Net Assets at End of Period</i>	<u>\$ 21,229,106</u>	<u>\$ 21,229,106</u>

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, 2011

	<u>Water and Sewer Fund</u>
Cash Flows from Operating Activities:	
Cash Received from Customers	\$ 3,264,325
Cash Received from Grant	716,219
Cash Payments to Employees	(621,443)
Cash Payments to Other Suppliers for Goods and Services	(1,151,861)
Net Cash Provided (Used) by Operating Activities	<u>2,207,240</u>
Cash Flows from Non-capital Financing Activities:	
Transfer From (To) Primary Government	(289,152)
Transfer From (To) Other Funds	(206,988)
Net Cash Provided (Used) by Non-capital Financing Activities	<u>(496,140)</u>
Cash Flows from Capital and Related Financing Activities:	
Principal and Interest Paid	(483,037)
Capital asset acquisition	(923,918)
Net Cash Provided (Used) for Capital and Related Financing Activities	<u>(1,406,955)</u>
Cash Flows from Investing Activities:	
Interest and Dividends on Investments	2,025
Investment acquisition	(48,506)
Net Cash Provided (Used) for Investing Activities	<u>(46,481)</u>
Net Increase (Decrease) in Cash and Cash Equivalents	257,664
Cash and Cash Equivalents at Beginning of Year	<u>975,807</u>
Cash and Cash Equivalents at End of Year	<u>1,233,471</u>
Reconciliation of Operating Income to Net Cash	
Provided (Used) by Operating Activities:	
Operating Income (Loss)	1,861,185
Adjustments to Reconcile Operating Income to Net Cash	
Provided by Operating Activities	
Depreciation and amortization	401,415
Change in Assets and Liabilities:	
(Increase) Decrease in Receivables	(47,994)
Increase (Decrease) in Accounts Payable	(3,669)
Increase (Decrease) in Deferred Revenues	(6,173)
(Increase) Decrease in Other Current Liabilities	16,422
(Increase) Decrease in Accrued Interest	25,447
Increase (Decrease) in Wages and Salaries Payables	(3,678)
Increase (Decrease) in Compensated Absences	(35,715)
Total Adjustments	<u>(55,360)</u>
Net Cash Provided (Used) by Operating Activities	<u>\$ 2,207,240</u>

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

Notes to the Financial Statements

City of Alamo, Texas
Notes to Financial Statements
For the year ending September 30, 2011

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). AEDC information is stated below:

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

City of Alamo, Texas
Notes to Financial Statements
For the year ending September 30, 2011

I. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

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.

C. Government-Wide and Fund Financial Statements

The government-wide financial statements include the statement of the net assets 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) are included on the statement of net assets 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

City of Alamo, Texas
Notes to Financial Statements
For the year ending September 30, 2011

I. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

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 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 Assets or Equity

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.

City of Alamo, Texas
Notes to Financial Statements
For the year ending September 30, 2011

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

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

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

3. Inventories

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

4. Receivables and Payables

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

5. Transactions between Funds

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

6. Capital Assets

Capital assets include property, plant, and equipment, are reported in the applicable governmental or business-type activities columns in the government-wide financial statements and in the fund financial statements for proprietary funds. All capital assets are valued at historical cost or estimated historical cost if actual historical is not available. Donated assets are capital assets valued at their fair market value on the date donated. Repairs and maintenance are recorded as expenses. Renewals and betterments are capitalized. Interest has not been capitalized during the construction period on property, plant and equipment.

Assets capitalized have an original cost of \$5,000 or more and over three years of useful life. Depreciation has been calculated on each class of depreciable property using the straight-line method. Estimated useful lives are as follows:

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

City of Alamo, Texas
Notes to Financial Statements
For the year ending September 30, 2011

I. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

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.

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 Assets / 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.

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

City of Alamo, Texas
Notes to Financial Statements
For the year ending September 30, 2011

II. STEWARDSHIP, COMPLIANCE AND ACCOUNTABILITY (Continued)

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 stated in the statement and schedules associated with the analysis of actual results to the budgeted expectations.

C. Excess of General Fund Expenditures over Appropriations

Expenditures exceeded appropriations of the general government functions in the Police Department by \$47,926, the Fire Department by \$4,790, and Tax Collection by \$15,782.

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 Assets

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

City of Alamo, Texas
Notes to Financial Statements
For the year ending September 30, 2011

II. STEWARDSHIP, COMPLIANCE AND ACCOUNTABILITY (Continued)

F. 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 of all cities for the fiscal year ending in 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 uses of those resources. GASB 54 provides for two major types of fund balances which are non-spendable and spendable.

Non-spendable fund balances are 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 not expected to be collected in the next fiscal year, and the principal (corpus) of an endowment fund. The City has inventories that are considered non-spendable, an encumbrance, and a non-current advance to the Hotel/Motel 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 that are constrained by external parties, constitutional provisions, or enabling legislation. All of the City's restricted funds are from Special Revenue Funds, whose funds are revenues legally restricted to 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 formally approved the recording of its self-named "Contingency" fund balance as committed. The Contingency fund balance policy is as follows:

The City shall strive to maintain the General Fund (not the combined reporting General Fund which consists of the Payroll, Contingency, and the General funds) committed fund balance at 90 days (25%) of the current year's original budget appropriation for operations and maintenance, which is defined as the total budget less capital outlay purchase and the annual transfer from the General Fund to the other funds (Charter mandated contingency funding will not take place so long as the contingency fund is fully funded).

These funds shall be used only for emergencies, non-recurring expenditures, or major capital purchases that cannot be accommodated through current year savings. The use of these funds will be approved by the City Commission. Use of these funds will be disclosed to the City Commission. If the required amount goes below the stated policy amount, the City will set aside a sufficient portion of the upcoming fiscal year's budget to meet the required reserve amount. Any surpluses realized at year end shall be used first to meet reserve policies, then capital replacement purposes, then retirement/extinguishing of debt.

-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. The only funds assigned relate to the accumulation of funds for future capital projects.

-Unassigned: Fund balance 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. When an expense is incurred for purposes for which both restricted and unrestricted net assets 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 expenditure 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.

City of Alamo, Texas
Notes to Financial Statements
For the year ending September 30, 2011

II. STEWARDSHIP, COMPLIANCE AND ACCOUNTABILITY (Continued)

G. Prior Period Adjustment

Prior period adjustments were needed in several funds in order to properly state the correct financial position of the City. The prior period adjustment amounts and the reason are as follows:

<u>General Fund</u>	
Adjustment to correct prior year expenditure of contractual services.	\$ (95,555)
Adjustment to correct prior year wages payable.	5,259
Adjustment to correct prior year's grant account receivable.	(72,828)
Total General Fund	(163,124)
 <u>Alamo Economic Development Corporation</u>	
Adjustment to correct prior year fund balance.	(3,750)
Adjustment to transfer prior period RBEG & IRP Activity	(386,131)
Adjustment on RBEG fund to transfer past years Activity	273,786
Adjustment on IRP Fund to transfer past years Activity	112,845
Total Governmental Funds	(166,874)
Total Prior Period Adjustment (Changes in Fund Balance)	(166,874)
 <u>Water and Sewer Fund</u>	
Adjustment to correct prior year's utility account receivable.	(18,864)
Adjustment to prior year's accrued salaries payable.	2,056
Adjustment to prior year's compensation absences.	32,004
Adjustment to to prior year allowances for uncollectibles.	(7,654)
Adjustment to prior year's unbilled account receivable.	11,870
Adjustment to prior year's unbilled account receivable.	12,058
Adjustment to prior year's deferred revenue.	7,963
Adjustment to prior year's accrued interest.	(28,002)
Total Water and Sewer Fund	11,431
Total Prior Period Adjustment (Changes in Net Assets)	\$ 11,431

III. DETAILED NOTES ON FUNDS AND COMPONENT UNITS

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, 2011, the carrying amount of the City's deposits was \$2,766,992. 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. As of September 30, 2011, the City's bank balance of \$2,766,992 was not exposed to custodial credit risk and was insured and over-collateralized.

City of Alamo, Texas
Notes to Financial Statements
For the year ending September 30, 2011

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

2. Investments

The City is required by Government code Chapter 2256, the public Funds Investment Act ("Act"), to adopt, implement, and publicize an investment policy. That policy must be written, primarily emphasize safety of principal and liquidity, address investment diversification, yield, and maturity and the quality and capability of investment management, and include a list of the types of authorized investments in which the investing entity's funds may be invested, and the maximum allowable stated maturity of any individual investment owned by the entity.

The Act requires an annual audit of investment practices. Audit procedures in this area conducted as part of the audit of the general purposes financial statements disclosed that in the areas of investment practices, management reports and establish appropriate policies. The City adheres to the requirements of the Act. Additionally, investment practices of the City are in accordance with local policies.

Due to the extremely low interest rates, the City does not have any investments at September 30, 2011. The City's depository provides a greater savings rate according to the depository contract entered into. The funds are available immediately as needed.

Analysis of Specific Deposit and Investment Risks:

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

a. Interest Rate Risk

This is the risk that changes in interest rates will adversely affect the fair value of an investment. At year end, the City was not exposed to interest rate risk. The City's investment policy states that no investment shall exceed 24 months in maturity. By limiting the exposure of its investments, the City reduces its risk to the rising or decreasing interest rates.

b. Credit Risk

Credit risk is the risk that an issuer or other counterparty to an investment will not fulfill its obligations. The ratings of securities by nationally recognized agencies are designed to an indication of credit risk. At year end, the City was not significantly exposed to credit risk.

c. Custodial Credit Risk

Deposits and investments are exposed to custodial credit risk if they are not covered by the depository insurance and the deposits and investments are uncollateralized, collateralized with securities held by the pledging financial institution, or collateralized with securities held by the pledging financial institution's trust department or agent but not in the City's name. At year end, the City was not exposed to custodial credit risk.

d. Concentration of Credit Risk

This risk is the risk of loss attributed to the magnitude of a government's investment in a single issuer. At year end, the City was exposed to concentration of credit risk, but highly collateralized. With the City's investment policy, diversification is stressed. The City was in compliance with its diversification investment guidelines.

e. Foreign Currency Risk

This is the risk that exchange rates will adversely affect the fair value of an investment. At year end, the City was not exposed to foreign currency risk.

City of Alamo, Texas
Notes to Financial Statements
For the year ending September 30, 2011

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

B. Receivables

Receivables for the City at September 30, 2011, were as follows:

Governmental Funds	Accounts		Total (Net)
	Receivable	Uncollectible	
Property Taxes	\$ 686,087	\$ (68,636)	\$ 617,451
Sales Taxes	501,429	-	501,429
Court Fines and Fees	346,345	(173,172)	173,173
Note Receivables	642,599	-	642,599
Utility Customers	124,010	-	124,010
Other Sources	217,378	-	217,378
	<u>\$ 2,517,848</u>	<u>\$ (241,808)</u>	<u>\$ 2,276,040</u>

Business-Type Funds	Accounts		Total (Net)
	Receivable	Uncollectible	
Utility Customers	\$ 562,754	\$ (110,949)	\$ 451,805
Other Sources	3,964	-	3,964
	<u>\$ 566,718</u>	<u>\$ (110,949)</u>	<u>\$ 455,769</u>

C. Deferred Revenue

Governmental funds report deferred revenue in connection with receivables for revenues that are not considered to be available to liquidate liabilities of the current period. 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:

Deferred Revenue Description	General		Water & Sewer	Total
	Fund	AEDC		
Property Taxes	\$ 617,451	\$ -	\$ -	\$ 617,451
Grant Advance	9,222	-	-	9,222
Paving Liens	44,531	-	-	44,531
Court Fines	173,172	-	-	173,172
	<u>\$ 617,451</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 844,376</u>

Less Deferred Revenue-Property Taxes	(617,451)
Total Deferred Revenue for Primary Government	<u>\$ 226,925</u>

City of Alamo, Texas
Notes to Financial Statements
For the year ending September 30, 2011

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

D. 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 assets/balance sheets for governmental and enterprise funds. The interfund balances are operational and short-term in nature. Interfund balances at September 30, 2011 consisted of the following:

		Due from					
		General Fund	Economic Development	Capital Projects	Debt Service	Water & Sewer Fund	Totals
Due To	General Fund	\$ 381,307	\$ 10,953	\$ 33,157	\$ -	\$ 162,444	\$ 587,861
	Debt Service Funds	200,051					200,051
	Capital Projects Funds	28,307					28,307
	Economic Development		7,582				7,582
	Total Governmental Funds	609,665	18,535	33,157	-	162,444	823,802
	Water and Sewer Fund	348,175			904	230,027	579,106
	Total Enterprise Funds	348,175	-	-	904	230,027	579,106
	Totals	\$ 957,840	\$ 18,535	\$ 33,157	\$ 904	\$ 392,471	\$ 1,402,908

E. Interfund Transfers

The City reports interfund transfers between many of its funds. Interfund transfers for the year ended September 30, 2011, consisted of the following:

		Transfers Out			
		General Fund	Economic Development	Water & Sewer Fund	Totals
Transfers In	General Fund	\$ -	\$ 75,000	\$ 289,152	\$ 364,152
	Economic Development	371,878	-		371,878
	Debt Service Funds	-	372,818		372,818
	Total Governmental Funds	371,878	447,818	289,152	1,108,848
	Water and Sewer Fund			257,027	257,027
	Total Enterprise Funds	-	-	257,027	257,027
Totals	\$ 371,878	\$ 447,818	\$ 546,179	\$ 1,365,875	

City of Alamo, Texas
Notes to Financial Statements
For the year ending September 30, 2011

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

F. Capital Assets

Capital asset activity for the year ended September 30, 2011 was as follows:

Primary Government

Governmental Activities:

Capital Assets not being depreciated:

	Beginning Balances	Increases	Decreases	Ending Balances
Land and right of way	\$ 1,359,299	\$ -	\$ -	\$ 1,359,299
Construction in Progress	1,081,579	1,080,076	(13,100)	2,148,555
Total capital assets, not being depreciated	2,440,878	1,080,076	(13,100)	3,507,854

Capital assets, being depreciated:

Building and Improvements	10,566,383	13,100	-	10,579,483
Vehicles	2,007,695	68,646	-	2,076,340
Machinery & Equipment	1,792,333	30,365	-	1,822,698
Infrastructure	6,239,408	262,393	-	6,501,801
Total capital assets, being depreciated	20,605,819	374,503	-	20,980,322

Less accumulated depreciation for:

Buildings and Improvement	(1,861,730)	(280,125)	-	(2,141,855)
Vehicles	(1,550,161)	(108,496)	-	(1,658,657)
Machinery & Equipment	(473,862)	(81,278)	-	(555,140)
Infrastructure	(1,861,215)	(193,488)	-	(2,054,703)
Total accumulated depreciation	(5,746,968)	(663,387)	-	(6,410,355)
Total capital assets, being depreciated, net	14,858,851	(288,884)	-	14,569,967
Governmental activities capital assets, net	\$ 17,299,729	\$ 791,192	\$ (13,100)	\$ 18,077,821

Business-Type Activities

Capital Assets not being depreciated:

	Beginning Balances	Increases	Decreases	Ending Balances
Land and right of way	\$ 2,943,078	\$ -	\$ -	\$ 2,943,078
Construction in Progress	3,435,221	787,347	-	4,222,568
Total capital assets, not being depreciated	6,378,299	787,347	-	7,165,646

Capital assets, being depreciated:

Building and Improvements	4,757,868	-	-	4,757,868
Vehicles	100,782	-	-	100,782
Machinery & Equipment	684,353	-	-	684,353
Infrastructure	16,758,583	136,571	-	16,895,154
Total capital assets, being depreciated	22,301,586	136,571	-	22,438,157

Less accumulated depreciation for:

Buildings and Improvement	(816,133)	(101,122)	-	(917,255)
Vehicles	(79,983)	(5,041)	-	(85,024)
Machinery & Equipment	(374,286)	(71,612)	-	(445,898)
Infrastructure	(3,573,001)	(219,906)	-	(3,792,907)
Total accumulated depreciation	(4,843,403)	(397,681)	-	(5,241,084)
Total capital assets, being depreciated, net	17,458,183	(261,110)	-	17,197,073
Business-type activities capital assets, net	\$ 23,836,482	\$ 526,237	\$ -	\$ 24,362,719

City of Alamo, Texas
Notes to Financial Statements
For the year ending September 30, 2011

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

F. Capital Assets (Continued)

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

Governmental Activities	
General Government	\$ 286,382
Public Safety	210,593
Highways and Streets	16,959
Health and Welfare	45,253
Culture and Recreation	49,883
Economic Development	47,318
Total Governmental Activities	\$ 656,388

G. Long Term Obligations

The following schedule summarizes the changes in long-term debt during year ended September 30, 2011 with compensated absences:

<u>Governmental Activities</u>	Original	Final	Coupon	Original	Outstanding
Description	Issue	Maturity	Rate %	Issue	Balance 10/01/2011
Bond Series 1998	10/1/1998	2/1/2013	4.83%	\$ 1,500,000	\$ 265,000
Bond Series 2003	6/15/2003	2/15/2021	2.00% - 4.00%	2,090,000	1,300,000
Bond Series 2003 - A	8/15/2003	2/15/2013	3.50% - 3.95%	1,715,000	395,000
Bond Series 2004	9/15/2004	2/15/2006	1.50% - 5.00%	4,300,000	3,330,000
Bond Series 2008	4/17/2008	2/15/2028	3.75%	3,000,000	2,710,000
				\$ 12,605,000	\$ 8,000,000

Interest paid on bonded indebtedness during the current year was \$ 335,352

<u>Business-Type Activities</u>	Original	Final	Coupon	Original	Outstanding
Description	Issue	Maturity	Rate %	Issue	Balance 10/01/2011
W & S, Bond Series 2000	6/1/2000	8/1/2040	4.50%	\$ 2,967,000	\$ 2,637,000
Bond Series 2007	10/18/2007	3/1/2027	2.20% - 2.75%	4,000,000	3,490,000
				\$ 6,967,000	\$ 6,127,000

Interest paid on bonded indebtedness during the current year was \$ 208,998

<u>Governmental Activities</u>	Outstanding	Issued	Retired	Outstanding	Amounts Due
Description	Balance 10/01/2010	Current	Current	balance 9/30/2011	Within One year
Bond Series 1998	\$ 390,000	\$ -	\$ 125,000	\$ 265,000	\$ 130,000
Bond Series 2003	1,410,000	-	110,000	1,300,000	110,000
Bond Series 2003 - A	580,000	-	185,000	395,000	195,000
Bond Series 2004	3,490,000	-	160,000	3,330,000	165,000
Bond Series 2008	2,820,000	-	110,000	2,710,000	115,000
Total Bonds Payable	\$ 8,690,000	\$ -	\$ 690,000	\$ 8,000,000	\$ 715,000

City of Alamo, Texas
Notes to Financial Statements
For the year ending September 30, 2011

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

G. Long Term Obligations (Continued)

<u>Business-Type Activities</u>	Outstanding	Issued	Retired	Outstanding	Amounts Due
Description	Balance 10/01/2010	Current	Current	Balance 9/30/2011	Within One year
W & S, Bond Series 2000	\$ 2,680,000	\$ -	\$ 43,000	\$ 2,637,000	\$ 45,000
Bond Series 2007	3,665,000	-	175,000	3,490,000	180,000
Total Bonds Payable	\$ 6,345,000	\$ -	\$ 218,000	\$ 6,127,000	\$ 225,000

<u>Governmental Activities</u>	Beginning	Increases	Decreases	Ending	Amounts Due
Obligation	Balance	Increases	Decreases	Balance	Within One year
General Obligation Bonds	\$ 8,690,000	\$ -	\$ 690,000	\$ 8,000,000	\$ 715,000
Capital Leases	192,582	-	127,040	65,542	65,542
Compensated Absences	238,244	45,313	-	283,557	-
Total Governmental Activities	\$ 9,120,826	\$ 45,313	\$ 817,040	\$ 8,349,099	\$ 780,542

<u>Business-Type Activities</u>	Beginning	Increases	Decreases	Ending	Amounts Due
Obligation	Balance	Increases	Decreases	Balance	Within One year
General Obligation Bonds	\$ 6,345,000	\$ -	\$ 218,000	\$ 6,127,000	\$ 225,000
Capital Leases	82,535	-	54,446	28,089	28,089
Compensated Absences	70,004	-	35,715	34,289	-
Total Business-Type Activities	\$ 6,497,539	\$ -	\$ 308,161	\$ 6,189,378	\$ 253,089

1. Certificate of Obligation & Capital Leases

Debt service requirements of bonds and capital leases payables at September 30, 2011 are as follows:

Certificates of Obligation Payable

Year Ended September 30,	Governmental Activities			Business-Type Activities		
	Principal	Interest	Total	Principal	Interest	Total
2012	\$ 715,000	\$ 307,300	\$ 1,022,300	\$ 225,000	\$ 203,158	\$ 428,158
2013	740,000	278,514	1,018,514	232,000	197,071	429,071
2014	425,000	256,034	681,034	240,000	190,738	430,738
2015	435,000	240,481	675,481	247,000	184,108	431,108
2016	450,000	224,030	674,030	249,000	177,185	426,185
Total Certificates of Obligation Payable	\$ 2,765,000	\$ 1,306,359	\$ 4,071,359	\$ 1,193,000	\$ 952,260	\$ 2,145,260

Capital Leases Payable

Year Ended September 30,	Governmental Activities			Business-Type Activities		
	Principal	Interest	Total	Principal	Interest	Total
2012	65,542	1,386	66,928	28,090	594	28,684
Total Capital Leases Payable	\$ 65,542	\$ 1,386	\$ 66,928	\$ 28,090	\$ 594	\$ 28,684

City of Alamo, Texas
Notes to Financial Statements
For the year ending September 30, 2011

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

H. Notes Receivable – AEDC Blended Component Unit

Notes receivable for the Alamo Economic Development Corporation at September 30, 2011 are as follows:

Note	Balance As of 10/1/2010	Increases	Decreases	Balance As of 9/30/2011
Los Alamos Imaging Center, LP Loan #1 Dated, August 18, 2009, for the amount of \$150,000 at an interest rate of 3.25% with maturity on September 1, 2016.	\$134,068	\$	\$15,430	\$118,342
Los Alamos Imaging Center, LP Loan #2 Dated, October 18, 2009, for the amount of \$150,000 at an interest rate of 3.25% with maturity on November 1, 2016.	134,045	-	15,383	118,366
New Generation Loan dated, December 13, 2010, for the amount of \$150,000 at an interest rate of 5% with maturity on January 1, 2021.	-	150,000	4,868	142,722
V-Day Spa Loan dated, January 25, 2011, for the amount of \$125,000 at an interest rate of 5% with maturity on February 1, 2021.	-	125,000	4,184	119,615
Soleil Rehab Loan dated, January 14, 2011, for the amount of \$150,000 at an interest rate of 5% with maturity on February 1, 2021.	-	150,000	5,053	143,554
Totals	\$268,113	425,000	\$44,918	\$642,599

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.

City of Alamo, Texas
Notes to Financial Statements
For the year ending September 30, 2011

IV. OTHER INFORMATION (Continued)

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. 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. Litigation

The City is a defendant in various lawsuits. Although the outcome of these lawsuits is not presently determinable, it is the opinion of the City's legal counsel and management that resolution of these matters will not have a material adverse effect on the financial condition of the City at September 30, 2011.

C. Employee Retirement Benefits

A. Plan Description

The City provides pension benefits for all of its eligible employees through a non-traditional, joint contributory, hybrid defined benefit plan in the state-wide Texas Municipal Retirement System (TMRS), an agent multiple-employer public employee retirement system. The plan provisions that have been adopted by the city are within the options available in the governing state statutes of TMRS.

TMRS issues a publicly available comprehensive annual financial report that includes financial statements and required supplementary information (RSI) for TMRS; the report also provides detailed explanations of the contributions, benefits and actuarial methods and assumptions used by the System.

This report may be obtained by writing to TMRS, P.O. Box 149153, Austin, TX 78714-9153 or by calling 800-924-8677; in addition, the report is available on TMRS' website at www.TMRS.com

The plan provisions are adopted by the governing body of the City, within the options available in the state statutes governing TMRS. Plan provisions for the City were as follows:

	Plan Year 2010	Plan Year 2011
Employee deposit rate	5.00%	5.00%
Matching ratio (city to employee)	1.5 to 1	1.5 to 1
Years required for vesting	5	5
Service retirement eligibility (expressed as age / years of service)	60/5, 20/0	60/5, 20/0
Updated Service Credit	100% Repeating, Transfers	100% Repeating, Transfers
Annuity Increase (to retirees)	70% of CPI Repeating	70% of CPI Repeating

City of Alamo, Texas
Notes to Financial Statements
For the year ending September 30, 2011

IV. OTHER INFORMATION (Continued)

B. Contributions

Under the state law governing TMRS, the contribution rate for each city is determined annually by the actuary, using the Projected Unit Credit actuarial cost method. This rate consists of the normal cost contribution rate and the prior service cost contribution rate, which is calculated to be a level percent of payroll from year to year. The normal cost contribution rate finances the portion of an active member's projected benefit allocated annually; the prior service contribution rate amortizes the unfunded (overfunded) actuarial liability (asset) over the applicable period for that city. Both the normal cost and prior service contribution rates include recognition of the projected impact of annually repeating benefits, such as Updated Service Credits and Annuity Increases.

The City contributes to the TMRS Plan at an actuarially determined rate. Both the employees and the City make contributions monthly. Since the City needs to know its contribution rate in advance for budgetary purposes, there is a one-year delay between the actuarial valuation that serves as the basis for the rate and the calendar year when the rate goes into effect. The annual pension cost and net pension obligation/ (asset) are as follows:

Fiscal Year Ending	Annual Pension Cost(APC)	Actual Contribution Made	Percentage of APC Contributed	Net Pension Obligation/ (Asset)
2008	\$ 227,239	\$ 227,239	100%	\$ -
2009	\$ 239,465	\$ 239,465	100%	\$ -
2010	\$ 253,327	\$ 253,327	100%	\$ -

C. Employee Retirement Benefits (Continued)

The required contribution rates for fiscal year 2011 were determined as part of the December 31, 2008 and 2009 actuarial valuations. Additional information as of the latest actuarial valuation, December 31, 2010, also follows:

Valuation Date	12/31/2008	12/31/2009	12/31/2010
Actuarial Cost Method	Projected Unit Credit	Projected Unit Credit	Projected Unit Credit
Amortization Method	Level Percent of Payroll	Level Percent of Payroll	Level Percent of Payroll
GASB 25 Equivalent Single	29 years; closed period	28 years; closed period	27.1 years; closed period
Asset Valuation Method	Amortized Cost	10-Year Smooth Market	10-Year Smooth Market
Actuarial Assumptions:			
Investment Rate of Return *	7.50%	7.50%	7.00%
Projected Salary Increases *	Varies by age and service	Varies by age and service	Varies by age and service
* Includes Inflation at	3.00%	3.00%	3.00%
Cost-of-Living Adjustments	2.10%	2.10%	2.10%

City of Alamo, Texas
Notes to Financial Statements
For the year ending September 30, 2011

IV. OTHER INFORMATION (Continued)

The funded status as of December 31, 2009, the most recent actuarial valuation date, is as follows:

Actuarial Valuation Date	Actuarial Value of Assets	Actuarial Accrued Liability (AAL)	Funded Ratio	Unfunded AAL (UAAL)	Covered Payroll	UAAL as a Percentage of Covered Payroll
	(1)	(2)	(3)	(4)	(5)	(6)
			(1) / (2)	(2) - (1)		(4) / (5)
12/31/2010	\$4,037,306	\$5,723,745	70.5%	\$1,686,439	\$3,461,557	48.7%

The schedule of funding progress, presented as Required Supplementary Information following the notes to the financial statements, presents multi-year trend information about whether the actuarial value of plan assets is increasing or decreasing over time relative to the actuarial accrued liability of benefits.

D. 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.

E. Subsequent Events

For the purposes of reporting subsequent events, management has considered events occurring up to March 27, 2012, the date the report was available to be issued. No subsequent events were noted.

F. New Accounting Principles

The GASB has issued Statement No. 54, "Fund Balance Reporting and Governmental Fund Type Definitions." This Statement establishes new categories for reporting fund balance and revises the definitions for governmental fund types. The requirements of this Statement are effective for financial statements for periods beginning after June 15, 2011.

Required Supplementary Information

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

City of Alamo, Texas
Schedule of Funding Progress for Retirement Plan (Unaudited)
For the Year Ended September 30, 2011

Actuarial Valuation Date	Actuarial Value of Assets	Actuarial Accrued Liability (AAL)	Funded Ratio	Unfunded AAL (UAAL)	Covered Payroll	UAAL as a Percentage of Covered Payroll
12/31/2007	\$ 2,415,507	\$ 3,983,993	60.6%	\$ 1,568,486	\$ 2,882,247	54.4%
12/31/2008	\$ 2,863,495	\$ 4,481,876	63.9%	\$ 1,618,381	\$ 2,996,415	54.0%
12/31/2009	\$ 3,239,222	\$ 4,891,044	66.2%	\$ 1,651,822	\$ 3,201,420	51.6%
12/31/2010	\$ 4,037,306	\$ 5,723,745	70.5%	\$ 1,686,439	\$ 3,461,557	48.7%

City of Alamo, Texas
 Schedule of Revenues, Expenditures, and Changes in Fund Balance-Budget and Actual
 General Fund
 For the Year Ended September 30, 2011

	Budgeted Amounts	
	Original	Final
Revenues		
Property taxes	\$ 2,189,851	\$ 2,197,851
Sales taxes	2,263,556	2,213,556
Franchise taxes	411,018	411,018
Other taxes	550	550
Federal grants	-	-
Intergovernmental revenues	243,125	263,161
Licenses & permits	95,580	90,580
Fines and fees	207,850	187,850
Charges for services	1,836,866	1,917,807
Miscellaneous revenues	34,300	15,300
Total Revenues	<u>7,282,696</u>	<u>7,297,673</u>
Other Financing Sources		
Transfers from other funds	-	-
Total Revenues and Other Financing Sources	<u>7,282,696</u>	<u>7,297,673</u>
Expenditures		
General Government	2,853,150	2,967,925
Public Safety	2,679,024	2,628,225
Highways and Streets	221,957	221,957
Health and Welfare	521,001	521,001
Culture and Recreation	625,653	623,005
Capital outlay	276,265	796,461
Principal	175,929	176,279
Interest	24,519	24,719
Total Expenditures	<u>7,377,498</u>	<u>7,959,572</u>
Other Financing Uses		
Transfers to other funds	-	-
Total Expenditures and Other Financing Uses	<u>7,377,498</u>	<u>7,959,572</u>
Excess (Deficiency) of Revenues and Other Sources Over Expenditures and Other Uses	<u>(94,802)</u>	<u>(661,899)</u>
Net Change in Fund Balance	<u>(94,802)</u>	<u>(661,899)</u>
Fund Balance at Beginning of Period	2,769,804	2,769,804
Fund Balance at End of Period	<u>\$ 2,675,002</u>	<u>\$ 2,107,905</u>

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

Actual Budget Basis	Variance Favorable (Unfavorable) Final to Actual
\$ 2,266,394	\$ 68,543
2,354,778	141,222
450,143	39,125
1,625	1,075
41,281	41,281
69,269	(193,892)
126,356	35,776
245,169	57,319
1,748,552	(169,255)
11,143	(4,157)
<u>7,314,710</u>	<u>17,037</u>
364,152	364,152
<u>7,678,862</u>	<u>381,189</u>
2,807,086	160,839
2,734,307	(106,082)
222,385	(428)
606,619	(85,618)
618,703	4,302
407,311	389,150
127,039	49,240
6,817	17,902
<u>7,530,267</u>	<u>429,305</u>
128,000	(128,000)
<u>7,658,267</u>	<u>301,305</u>
20,595	79,884
20,595	682,494
2,769,804	-
<u>\$ 2,790,399</u>	<u>\$ 682,494</u>

Other Supplementary Information

This section 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 AUGUST 31, 2011

Year Ended 31-Aug	1		2		3
	Tax Rates Maintenance		Debt Service		Assessed/Appraised Value For City Tax Purposes
2002 and Prior Years	\$	Various	\$	Various	\$
2003		0.4816		0.0548	268,051,593.00
2004		0.4756		0.0478	293,870,575.00
2005		0.4195		0.1343	318,667,626.00
2006		0.4014		0.1524	337,815,384.00
2007		0.4457		0.1472	363,816,329.00
2008		0.4457		0.1472	339,374,302.00
2009		0.4684		0.1235	439,311,243.00
2010		0.4839		0.1079	466,885,353.00
2011 (Year Under Audit)		0.4751		0.1167	452,905,402.00
1000 Totals					

	10 Beginning Balance October 1, 2010	20 Current Year's Total Levy	31 Maintenance Collections	32 Debt Service Collections	40 Entire Year's Adjustments	50 Ending Balance September 30, 2011
\$	162,763	\$ -	\$ 7,173	\$ 206	\$ (225)	155,159
	17,179	-	844	96	(59)	16,180
	21,487	-	1,274	128	(70)	20,015
	31,150	-	1,361	436	(270)	29,083
	35,892	-	2,265	860	(70)	32,697
	40,668	-	5,280	1,743	(263)	33,382
	61,078	-	9,465	2,691	(279)	48,643
	104,008	-	27,628	7,288	(1,561)	67,531
	222,495	-	102,459	22,846	2,445	99,635
	-	2,684,732	2,023,033	496,573	18,636	183,762
\$	696,720	\$ 2,684,732	\$ 2,180,782	\$ 532,867	\$ 18,284	686,087

Allowance for Uncollectible Taxes	<u>68,636</u>
Total	<u><u>617,451</u></u>

Single Audit Section

 **Oscar R. González, CPA**
&
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Certified Public Accountants

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Oscar R. González
Melissa González

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 Commissioners of the,
City of Alamo, Texas

We have audited the financial statements of the governmental activities, the business-type activities, the aggregate discretely presented component units, each major fund, and the aggregate remaining fund information of the City of Alamo, Texas as of and for the year ended September 30, 2011, which collectively comprise the City of Alamo, Texas's basic financial statements and have issued our report thereon dated March 27, 2012. 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.

Internal Control Over Financial Reporting

In planning and performing our audit, we considered the City of Alamo, Texas's internal control over financial reporting as a basis for designing our auditing procedures 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's internal control over financial reporting. Accordingly, we do not express an opinion on the effectiveness of the City of Alamo, Texas's internal control over financial reporting.

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.

Our consideration of internal control over financial reporting was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control over financial reporting that might be deficiencies, significant deficiencies, or material weaknesses. We did not identify any deficiencies in internal control over financial reporting that we consider to be material weaknesses, as defined above. However, we identified certain deficiencies in internal control over financial reporting, described in the accompanying schedule of findings and questioned costs that we consider to be significant deficiencies in internal control over financial reporting, 2011-1. 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.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the City of Alamo, Texas's financial statements are free of 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 instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards* and which are described in the accompanying schedule of findings and questioned costs as item 2011-2.

We noted certain other matters that we reported to management of the City of Alamo, Texas in a separate letter dated March 27, 2012.

The City of Alamo, Texas's response to the findings identified in our audit is described in the accompanying schedule of findings and questioned costs. We did not audit the City of Alamo, Texas's response and, accordingly, we express no opinion on it.

This report is intended solely for the information and use of management, City Commissioners, others within the entity, and federal awarding agencies and pass-through entities and is not intended to be and should not be used by anyone other than these specified parties.

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

March 27, 2012



Oscar R. González, CPA
&
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Oscar R. González
Melissa González

INDEPENDENT AUDITOR'S REPORT ON COMPLIANCE WITH REQUIREMENTS THAT COULD HAVE A
DIRECT AND MATERIAL EFFECT ON EACH MAJOR PROGRAM AND ON INTERNAL CONTROL OVER
COMPLIANCE IN ACCORDANCE WITH OMB CIRCULAR A-133

To the City Commissioners of the,
City of Alamo, Texas

Compliance

We have audited The City of Alamos, Texas's compliance with the types of compliance requirements described in the *OMB Circular A-133 Compliance Supplement* that could have a direct and material effect on each of the City of Alamo, Texas's major federal programs for the year ended September 30, 2011. The City of Alamo, Texas's major federal programs are identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs. Compliance with the requirements of laws, regulations, contracts, and grants applicable to each of its major federal programs is the responsibility of the City of Alamo, Texas's management. Our responsibility is to express an opinion on The City of Alamo, Texas's compliance based on our audit.

We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and OMB Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*. Those standards and OMB Circular A-133 require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about the city of Alamo, Texas's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances. We believe that our audit provides a reasonable basis for our opinion. Our audit does not provide a legal determination of the City of Alamo, Texas's compliance with those requirements.

In our opinion, the City of Alamo, Texas complied, in all material respects, with the compliance requirements referred to above that could have a direct and material effect on each of its major federal programs for the year ended September 30, 2011. However, the results of our auditing procedures disclosed instances of noncompliance with those requirements, which are required to be reported in accordance with OMB Circular A-133 and which are described in the accompanying schedule of findings and questioned costs as item 2011-2.

Internal Control Over Compliance

Management of the City of Alamo, Texas is responsible for establishing and maintaining effective internal control over compliance with the requirements of laws, regulations, contracts, and grants applicable to federal programs. In planning and performing our audit, we considered the City of Alamo, Texas's internal control over compliance with the requirements that could have a direct and material effect on a major federal program to determine the auditing procedures for the purpose of expressing our opinion on compliance and to test and report on internal control over compliance in accordance with OMB Circular A-133, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of the City of Alamo, Texas's internal control over compliance.

A *deficiency in internal control over compliance* exists when the design or operation of a control over compliance does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, noncompliance with a type of compliance requirement of a federal program on a timely basis. A *material weakness in internal control over compliance* is a deficiency, or combination of deficiencies, in internal control over compliance, such

that there is a reasonable possibility that material noncompliance with a type of compliance requirement of a federal program will not be prevented, or detected and corrected, on a timely basis.

Our consideration of internal control over compliance was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control over compliance that might be deficiencies, significant deficiencies, or material weaknesses. We did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses, as defined above. However, we identified certain deficiencies in internal control over compliance that we consider to be significant deficiencies as described in the accompanying schedule of findings and questioned costs as item 2011-1. A *significant deficiency in internal control over compliance* is a deficiency, or a combination of deficiencies, in internal control over compliance with a type of compliance requirement of a federal program that is less severe than a material weakness in internal control over compliance, yet important enough to merit attention by those charged with governance.

The City of Alamo, Texas's responses to the findings identified in our audit are described in the accompanying schedule of findings and questioned costs. We did not audit the City of Alamo, Texas's responses and, accordingly, we express no opinion on the responses.

This report is intended solely for the information and use of management, city commissioners, others within the entity, federal awarding agencies, and pass-through entities and is not intended to be and should not be used by anyone other than these specified parties.

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

March 27, 2012

CITY OF ALAMO, TEXAS
 Schedule of Findings and Questioned Costs
 For the Year ended September 30, 2011

A. Summary of Auditor's Results

1. Financial Statements

Type of auditor's report issued:

Unqualified

Internal control over financial reporting:

One or more material weaknesses identified?

_____ YES X NO

One or more significant deficiencies identified that are not considered to be material weaknesses?

_____ YES X None Reported

Non-compliance material to financial statements noted?

_____ YES X NO

2. Federal Awards

Internal control over major programs:

One or more material weaknesses identified?

_____ YES X NO

One or more significant deficiencies identified that are not considered to be material weaknesses?

 X YES _____

Type of auditor's report issued on compliance for major programs:

Unqualified

Any audit findings disclosed that are required to be reported in accordance with section 510 (a) of Circular A-133?

 X YES _____ NO

Identification of major programs:

CFDA Numbers

10.767

14.218

66.468

Name of Federal Program or Cluster

Intermediary Relending Program

Community Development Block Grants/Entitlement Grants

Capitalization Grants for Drinking Water State Revolving Funds

Dollar threshold used to distinguish between type A and type B programs:

\$300,000

Auditee qualified as a low-risk auditee?

_____ YES X NO

CITY OF ALAMO, TEXAS
Schedule of Findings and Questioned Cost
For the Year Ended September 30, 2011

B. Financial Statement Findings

NONE

C. Federal Award Findings

INTERNAL CONTROL OVER FINANCIAL REPORTING

Schedule Reference (2011-1) CONTROLS OVER SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS

Criteria: Finance Department should ensure the proper preparation of the Schedule of Expenditures of Federal Awards in accordance with OMB Circular A-133, and should identify all federal awards received and expended, list individual Federal programs and clusters and identify the name of the pass-through entity.

Condition: Schedule of Expenditures of Federal Awards was prepared, but presented erroneous information with regards to program names, CFDA numbers, pass-through entity identifying number, and total expenditure amounts.

Cause: The Intermediary Relending Program Loan, its CFDA number, pass-through entity identifying number and total expenditure were not included in the schedule, and in its place the Rural Business Enterprise Grant was erroneously included.

Effect: Schedule of Expenditures of Federal Awards was erroneously provided to auditor and affected the initial major program determination worksheet and results.

Recommendation: Finance Department should ensure their Schedule of Expenditures of Federal Awards is accurate and that incorporates all required elements.

Questioned Costs: - \$0 –

Schedule Reference (2011-2) SPECIAL TESTS AND PROVISIONS – GRANTS REQUIRING SEPARATE FUNDS

Criteria: As instructed in RD Instruction 4274-D, for as long as any part of an IRP Loan to an intermediary (AEDC) remains unpaid, the intermediary must maintain the IRP revolving fund, which must be maintained in a separate ledger.

Condition: An IRP Revolving Fund was never established by the City.

Cause: Lack of review of the RD Instruction 4274-D package and program stipulations.

Effect: All activity of the IRP Revolving fund was being accounted for in conjunction with the ledger of the Alamo Economic Development Corporation.

Recommendation: Finance Department should immediately create an IRP Revolving Fund and transfer all activities from IRP program out of the Alamo Economic Development Corporation and into its appropriate fund.

Questioned Costs: - \$0 –

CITY OF ALAMO, TEXAS
Schedule of Expenditures of Federal Awards
For the Year ended September 30, 2011

<u>Federal Grantor/ Pass-Through Grantor/Program Title</u>	<u>Federal CFDA Number</u>	<u>Pass-Through Entity Identifying Number</u>	<u>Federal Expenditures</u>
<u>U.S. Environmental Protection Agency</u>			
Passed Through Texas Water Development Board:			
Capitalization Grants for Clean Water State Revolving Funds	66.458	72138	\$ 30,104
Economically Distressed Areas Program Grant	66.468	10406	460,000
TOTAL U.S. ENVIRONMENTAL PROTECTION AGENCY			<u>490,104</u>
<u>US Department of Justice</u>			
Passed through Direct Programs:			
Public Safety Partnership and Community Policing Grants	16.71	2009-RK-WX-0824	27,104
TOTAL U.S. DEPARTMENT OF JUSTICE			<u>27,104</u>
<u>U.S. Department of Homeland Security</u>			
Passed through the Texas Homeland Security Office:			
State Homeland Security Program	97.073	2009-SS-T9-0064	10,400
State Homeland Security Program	97.073	2010-SS-TO-0008	27,337
State Homeland Security Program	97.073	2010-SH-SP-0008	4,275
TOTAL U.S. DEPARTMENT OF HOMELAND SECURITY			<u>42,012</u>
<u>U.S. Department of Housing and Urban Development:</u>			
Passed through Housing and Urban Development:			
TDRA Disaster Recovery Program	14.218	DRS010003	297,244
TOTAL U.S. DEPARTMENT OF HOUSING AND URBAN DEVELOPMENT			<u>297,244</u>
<u>U.S. Department of Agriculture:</u>			
Passed through Rural Development:			
Intermediary Relending Program	10.767	742914955	325,000
TOTAL U.S. DEPARTMENT OF AGRICULTURE			<u>325,000</u>
Total Expenditures of Federal Awards			<u>\$ 1,181,464</u>

CITY OF ALAMO, TEXAS
Notes to the Schedule of Expenditures of Federal Awards
For The Year Ended September 31, 2011

Basis of Presentation

The accompanying schedule of expenditures of federal awards includes the federal grant Activity of Senior Community Outreach Services, Inc. and is presented on the modified accrual basis of accounting. The information in this schedule is presented in accordance with the requirements of OMB Circular A-133, AUDITS OF STATES, LOCAL GOVERNMENTS, and NON-PROFIT ORGANIZATIONS. Therefore, some amounts presented in this schedule may differ from amounts presented in, or used in the preparation of, the general purpose financial statements.

CITY OF ALAMO TEXAS
SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS
FOR THE YEAR ENDED SEPTEMBER 30, 2011

Schedule Reference (2010-1) FINANCIAL STATEMENT PREPARATION AND OTHER REPORTING MATTERS

Finding/Recommendation: The City Finance Personnel may consider obtaining sufficient expertise in financial reporting and footnote presentation in order for its financial statements to comply with generally accepted accounting principles. As an alternative they can contract a Certified Public Accountant, with expertise in the matter, as a consultant to oversee the financial reporting and footnote presentation functions initiated by the Finance Department.

Current Status: Corrected

Schedule Reference (2010-2) CONTROL OVER PROJECTS UNDER CONSTRUCTION IN PROCESS

Finding/Recommendation: Finance department should maintain and update an efficient recording method where they are able to record and keep track of expenditures for projects under construction in process.

Current Status: Corrected

CITY OF ALAMO, TEXAS
Corrective Action Plan
For the Year Ended September 30, 2011

Schedule Reference (2011-1) CONTROLS OVER SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS

Name of Contact: Enrique Guzman, Finance Director

Corrective Action Planned: None. The loan (Intermediary Relending Program Loan) name and CFDA number associated with a different grant and total grant expenditures reported in the federal schedule was corrected on the Schedule of Expenditures of Federal Awards. Schedule of Expenditures of Federal Awards was corrected by the Senior Accountant and reviewed by the Finance Director before submittal to the auditor.

Anticipated Completion Date: (March 22, 2012) The federal award expenditure schedule was corrected as requested by the Auditor, before the submission of this report.

Schedule Reference (2011-2) SPECIAL TESTS AND PROVISIONS – GRANTS REQUIRING SEPARATE FUNDS

Name of Contact: Enrique Guzman, Finance Director

Corrective Action Planned: None. The Finance Department has separated the IRP Fund from the Alamo Economic Development Corporation Fund in accordance with RD instructions 4274-D stipulations.

Anticipated Completion Date: (March 22, 2012) The separation of the IRP Fund was made prior to the completion of the audit, as recommended by the Auditor.