

CITY OF ALAMO, TEXAS
AUDITED ANNUAL FINANCIAL REPORT
FOR THE YEAR ENDED SEPTEMBER 30, 2014

**CITY OF ALAMO, TEXAS
ANNUAL FINANCIAL REPORT**

**BOARD OF DIRECTORS
FOR THE YEAR ENDED SEPTEMBER 30, 2014**

MAYOR

Diana Martinez

CITY COMMISSION

M. Pilar Garza – Mayor Pro-Tem PL.4
Amelia V. Gallegos – Commissioner
Trinidad Medina – Commissioner
Robert De La Garza – Commissioner

OTHER OFFICIALS

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

City of Alamo, Texas
Annual Financial Report
For the Year Ended September 30, 2014

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FINANCIAL SECTION



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*Oscar R. González
Melissa González*

INDEPENDENT AUDITOR'S REPORT

To the City Commission of
City of Alamo, Texas

Report on the Financial Statements

We have audited the accompanying financial statements of the governmental activities, the business-type activities, the blended component units, each major fund, and the aggregate remaining fund information of City of Alamo, Texas, as of and for the year ended September 30, 2014, and the related notes to the financial statements, which collectively comprise the City's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

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

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

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

Opinions

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, the blended component units, each major fund, and the aggregate remaining fund information of the City of Alamo, Texas, as of September 30, 2014, and the respective changes in financial position, and, where applicable, cash flows thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis and schedule of funding progress as listed in the table of contents be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial

statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Other Information

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the City of Alamo, Texas's basic financial statements. The schedules of delinquent taxes receivable, revenues and expenses to indicate net revenue available for debt service, and combining and individual nonmajor fund financial statements, are presented for purposes of additional analysis and are not a required part of the basic financial statements.

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

The schedules of delinquent taxes receivable, revenues and expenses to indicate net revenue available for debt service have not been subjected to the auditing procedures applied in the audit of the basic financial statements and, accordingly, we do not express an opinion or provide any assurance on them.

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated March 6, 2015, on our consideration of the City of Alamo, Texas' internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering City of Alamo, Texas internal control over financial reporting and compliance.


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

March 6, 2015

MANAGEMENT'S DISCUSSION AND ANALYSIS

Management's Discussion and Analysis

As management of the City of Alamo, Texas (the City), we offer readers of the City's financial statements this narrative overview and analysis of the financial activities of the City of Alamo, Texas for the fiscal year ended September 30, 2014. We encourage readers to consider the information presented here in conjunction with the City's financial statements, which follow this section.

Financial Highlights

- The City's combined assets from governmental and business-type activities exceeded its liabilities at the close of the most recent fiscal year by over \$45,758,432, compared to \$43,047,090 in the prior year.
- The City's total net position increased by \$2,711,342; of which 56 percent of the increase is attributed to governmental activities, and 44 percent to business-type activities.
- The City's governmental activities' assets exceeded its liabilities at the close of the most recent fiscal year by \$20,358,001 (net position) and \$ 18,840,052 in the prior year.
- The assets of the City's business-type activities exceeded its liabilities at the close of the most recent fiscal year by \$25,400,431 (net position) and \$24,207,038 (net position) in the prior year. Of this amount, \$7,816,048 (unrestricted net position), may be used to meet the water and sewer systems ongoing obligations to citizens and creditors.
- Unassigned fund balance for the general fund was \$3,397,945 for 2014 and \$2,977,342 for 2013 respectively, or 40.39 percent of total general fund expenditures.
- The City's governmental activities debt decreased by \$825,472; and business-type activities debt decreased by \$263,001 in the current fiscal year.

Overview of the Financial Statements

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

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

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

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

Both of the government-wide financial statements distinguish functions of the City that are principally supported by taxes and intergovernmental revenues (governmental activities) from other functions that are

Management's Discussion and Analysis

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

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

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

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

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

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

The basic governmental fund financial statements can be found on pages 15 through 18 of this report.

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

Proprietary funds provide the same type of information as the government-wide financial statements, only in more detail. The enterprise fund is presented in a single, aggregates presentation in the proprietary fund financial statements. Individual fund data for the enterprise fund is provided in this report on pages 19 through 21.

Management's Discussion and Analysis

Notes to financial statements – The notes provide additional information that is essential to a full understanding of the data provided in the government-wide and fund financial statements. The notes to the financial statements can be found on pages 22 through 42 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 \$45,758,432 and \$43,047,090 for 2014 and 2013 as adjusted, respectively, for governmental activities and business-type activities. One of the largest portions of the City's net position (51 percent) reflects its investment in capital assets (e.g., land building, machinery, and equipment), less any related debt used to acquire those assets that are still outstanding.

The City uses these capital assets to provide services to citizens; consequently, these assets are not available for future spending. Although the City's investment in its capital assets is reported net of related debt, it should be noted that the resources needed to repay this debt must be provided from other sources, since the capital assets themselves cannot be used to liquidate these liabilities.

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

City of Alamo, Texas							
Net Position							
	Governmental Activities		Business-type Activities		Totals		Increase (Decrease)
	2014	2013	2014	2013	2014	2013	
Current Assets	\$ 13,344,087	\$ 14,766,265	\$ 5,437,624	\$ 6,294,329	\$ 18,781,711	\$ 21,060,594	\$ (2,278,883)
Non-Current Assets	22,589,427	20,712,664	27,598,876	26,772,447	50,188,303	47,485,111	2,703,192
Total Assets	35,933,514	35,478,929	33,036,500	33,066,776	68,970,014	68,545,705	424,309
Aggregate Deferred Outflows of Resources	106,017	114,852	-	-	106,017	114,852	(8,835)
Current Liabilities	1,654,353	1,842,262	2,188,795	3,141,264	3,843,148	4,983,526	(1,140,378)
Non-Current Liabilities	13,479,943	14,327,804	5,447,274	5,718,474	18,927,217	20,046,278	(1,119,061)
Total Liabilities	15,134,296	16,170,066	7,636,069	8,859,738	22,770,365	25,029,804	(2,259,439)
Aggregate Deferred Inflows of Resources	547,234	583,663	-	-	547,234	583,663	(36,429)
Net Assets							
Invested in Capital Assets							
Net of Related Debt	5,749,616	12,713,384	17,584,383	20,827,878	23,333,999	33,541,262	(10,207,263)
Restricted	10,032,063	3,845,218	-	-	10,032,063	3,845,218	6,186,845
Unrestricted	4,576,322	2,281,450	7,816,048	3,379,160	12,392,370	5,660,610	6,731,760
Total Net Assets	\$ 20,358,001	\$ 18,840,052	\$ 25,400,431	\$ 24,207,038	\$ 45,758,432	\$ 43,047,090	\$ 2,711,342

Management's Discussion and Analysis

Governmental activities. Governmental activities increased the City's net position by \$1,517,949.

At the end of the current fiscal year, the City is able to report positive balances in all three categories of net position, both for the government as a whole, as well as for its separate governmental and business-type activities.

The City's net position increased by \$2,711,342 during the current fiscal year. This increase represents revenues by \$10,353,171 and expenses of \$9,384,522 in governmental funds. Revenues for business-type funds were \$4,488,629 of which \$956,583 are operating grants and \$3,512 are other revenues, compared to \$2,745,936 in operating expense and interest expenses.

The business-type activities increased net position to \$25,400,431 in 2014. This was an increase of \$1,193,393 in net position from the prior year amount of \$24,207,038.

Management's Discussion and Analysis continue on next page.

Management's Discussion and Analysis

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

City of Alamo, Texas						
Changes in Net Position						
	Governmental		Business-Type		Totals	
	Activities		Activities			
	2014	2013	2014	2013	2014	2013
Revenues						
<u>Program revenues</u>						
Charges for services	\$ 2,643,449	\$ 2,260,603	\$ 3,528,534	\$ 3,567,374	\$ 6,171,983	\$ 5,827,977
Operating grants and contributions	383,318	519,801	-	-	383,318	519,801
Capital grants and contributions	195,000	-	956,583	1,992,606	1,151,583	1,992,606
<u>General revenues</u>						
Property tax	2,847,121	2,901,895	-	-	2,847,121	2,901,895
Sales tax	3,466,644	3,374,825	-	-	3,466,644	3,374,825
Other tax	643,125	633,334	-	-	643,125	633,334
Other revenues	174,514	103,657	3,512	1,504	178,026	105,161
Total revenues	<u>\$ 10,353,171</u>	<u>\$ 9,794,115</u>	<u>\$ 4,488,629</u>	<u>\$ 5,561,484</u>	<u>\$ 14,841,800</u>	<u>\$ 15,355,599</u>
Expenses						
General government	\$ 3,548,970	\$ 3,320,015	\$ -	\$ -	\$ 3,548,970	\$ 3,320,015
Public safety	3,518,106	3,291,594	-	-	3,518,106	3,291,594
Highways/streets	618,237	791,483	-	-	618,237	791,483
Health and welfare	255,552	240,180	-	-	255,552	240,180
Culture and recreation	832,050	799,113	-	-	832,050	799,113
Economic development	243,693	268,008	-	-	243,693	268,008
Interest -long-term debt	367,914	659,934	-	-	367,914	659,934
Waterworks/Sewer systems	-	-	2,745,936	2,691,230	2,745,936	2,691,230
Total expenses	<u>9,384,522</u>	<u>9,370,327</u>	<u>2,745,936</u>	<u>2,691,230</u>	<u>12,130,458</u>	<u>12,061,557</u>
Non-Operating Transfers (Net)	549,300	373,324	(549,300)	(373,324)	-	-
Increase (decrease) in net assets	1,517,949	797,112	1,193,393	2,496,930	2,711,342	3,294,042
Prior period adjustment	(108,460)	217,806	-	(55,992)	(108,460)	161,814
Net assets - beginning	<u>18,948,512</u>	<u>17,825,134</u>	<u>24,207,038</u>	<u>21,766,100</u>	<u>43,155,550</u>	<u>39,591,234</u>
Net assets - ending	<u>\$ 20,358,001</u>	<u>\$ 18,840,052</u>	<u>\$ 25,400,431</u>	<u>\$ 24,207,038</u>	<u>\$ 45,758,432</u>	<u>\$ 43,047,090</u>

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.

Management's Discussion and Analysis

The general fund is the chief operating fund of the City. At the end of the current fiscal year, the unassigned fund balance of the General Fund had a balance of \$3,397,945 and the Special Revenue Fund (Alamo Economic Development Corporation) had \$2,267,309. The Debt Service Fund had a fund balance of \$976,928 of which all is restricted for debt service payments

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

The Water & Sewer Fund consist of operating expenses of \$2,745,936 for 2014 and \$2,691,320 for 2013 with revenues of \$3,528,534 for 2014 and \$3,567,374 for 2013, with grants of \$956,583 for 2014 and \$1,992,606 in 2013, resulting in an increase in net position of \$1,193,393 for 2014 and \$2,496,930 for 2013.

Unrestricted net position of the Water and Sewer Fund at the end of the year amounted to \$7,816,048, and total net position of \$25,400,431. By far the largest portion of the City's net position reflects its investment in capital assets (e.g., land, buildings, machinery, and equipment); less any related debt used to acquire those assets that are still outstanding which amount to \$17,584,383. The City uses these capital assets to provide water and sewer service to citizens. Although the City's investment in its capital assets is reported net of related debt, it should be noted that the resources needed to repay this debt come from revenues generated from the sale of water and providing sewer collection services.

General Fund Budgetary Highlights

The original budget was amended during the year. Expenditures exceeded appropriations of the general government functions in the following functions: General Government by \$100,826 and in Highways & Streets by \$5,792. Actual revenues for the year exceeded actual expenditures by \$420,601. Actual revenues exceeded budgeted revenues by \$183,900, while actual expenditures did not exceed appropriations by \$3,865.

Management's Discussion and Analysis continue on next page.

Management's Discussion and Analysis

Capital Assets and Debt Administration

Capital Assets

The City of Alamo's investments in capital assets for its governmental and business-type activities amount to \$50,188,303 and \$47,485,111 (net of accumulated depreciation) for 2014 and 2013. This investment in capital assets includes land, buildings, and systems improvements, machinery and equipment.

City of Alamo, Texas							
Capital Assets							
	Governmental Activities		Business-Type Activities		Total		Increase (Decrease)
	2014	2013	2014	2013	2014	2013	
Capital assets, not being depreciated:							
Land	\$ 1,731,590	\$ 1,731,590	\$ 2,943,078	\$ 2,943,078	\$ 4,674,668	\$ 4,674,668	\$ -
Construction-in-progress	1,221,897	1,042,250	-	2,700,609	1,221,897	3,742,859	(2,520,962)
	<u>2,953,487</u>	<u>2,773,840</u>	<u>2,943,078</u>	<u>5,643,687</u>	<u>5,896,565</u>	<u>8,417,527</u>	<u>(2,520,962)</u>
Capital assets, being depreciated:							
Buildings	11,148,366	10,351,921	4,773,103	4,757,868	15,921,469	15,109,789	811,680
Vehicles	2,796,938	2,840,066	201,205	181,577	2,998,143	3,021,643	(23,500)
Machinery & Equipment	2,119,080	1,978,869	1,175,923	1,135,900	3,295,003	3,114,769	180,234
Infrastructure	11,607,298	10,177,537	25,022,774	21,178,845	36,630,072	31,356,382	5,273,690
	<u>27,671,682</u>	<u>25,348,393</u>	<u>31,173,005</u>	<u>27,254,190</u>	<u>58,844,687</u>	<u>52,602,583</u>	<u>6,242,104</u>
Accumulated Depreciation	<u>(8,035,742)</u>	<u>(7,409,569)</u>	<u>(6,517,207)</u>	<u>(6,125,430)</u>	<u>(14,552,949)</u>	<u>(13,534,999)</u>	<u>(1,017,950)</u>
Total Capital Assets, being Depreciated, net	<u>19,635,940</u>	<u>17,938,824</u>	<u>24,655,798</u>	<u>21,128,760</u>	<u>44,291,738</u>	<u>39,067,584</u>	<u>5,224,154</u>
Capital Assets, Net	<u>\$ 22,589,427</u>	<u>\$ 20,712,664</u>	<u>\$ 27,598,876</u>	<u>\$ 26,772,447</u>	<u>\$ 50,188,303</u>	<u>\$ 47,485,111</u>	<u>\$ 2,703,192</u>

Long-Term Debt

State statutes limit the amount general obligation debt that the City may issue to 10% of its total assessed valuation \$518,376,862. The City's general obligation debt maximum is \$51,837,686, compared to the City's debt of \$18,486,000. The City's governmental activities debt decreased by \$825,472; and business-type activities debt decreased by \$263,001 in the current fiscal year.

City of Alamo, Texas							
Long - Term Obligations							
	Governmental Activities		Business-Type Activities		Total		Increase (Decrease)
	2014	2013	2014	2013	2014	2013	
Long-Term Obligations							
General Obligation Bonds	\$ 12,825,000	\$ 13,615,000	\$ 5,661,000	\$ 5,925,000	\$ 18,486,000	\$ 19,540,000	\$ (1,054,000)
Capital Leases	589,206	710,548	15,819	19,569	605,025	730,117	(125,092)
Loan Payables	725,475	637,500	-	-	725,475	637,500	87,975
Compensated Absences	298,383	300,488	46,306	41,557	344,689	342,045	2,644
Total Long-Term Obligations	<u>\$ 14,438,064</u>	<u>\$ 15,263,536</u>	<u>\$ 5,723,125</u>	<u>\$ 5,986,126</u>	<u>\$ 20,161,189</u>	<u>\$ 21,249,662</u>	<u>\$ (1,088,473)</u>

Management's Discussion and Analysis

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 Rates

During the budget process for the fiscal year 2014-2015, the Mayor, City Commissioners and staff considered many factors.

- Appraisal values used in preparing 2014-2015 budget increased \$29,075,089 over the prior year, or 7 percent higher than the prior year.
- The ad valorem property tax rate was set at \$0.59897 to generate the revenues necessary for the operation of the City. This tax rate should generate \$156,000 of additional tax revenues.
- The 2014-2015 General Fund operating budget was prepared using \$3,202,480 as the estimated fund balance at September 30, 2014. The actual unassigned fund balance for the General Fund was \$3,397,945.

All of these factors were considered in preparing the City's budget for fiscal year 2014-2015.

Requests for Information

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

BASIC FINANCIAL STATEMENTS

City of Alamo, Texas
Statement of Net Position
September 30, 2014

	Primary Government		
	Governmental Activities	Business-type Activities	Total
ASSETS			
<i>Current Assets</i>			
Cash and Cash Equivalents	\$ 3,178,834	\$ 1,420,862	\$ 4,599,696
Restricted Cash - Cash in Escrow	-	1,487,698	1,487,698
Investments	7,763,300	1,880,711	9,644,011
Accounts Receivable (Net of Allowance)			
Property Taxes	556,099	-	556,099
Court	178,095	-	178,095
Customers	205,104	330,097	535,201
Other	822,713	19,847	842,560
Note Receivables	870,855	-	870,855
Prepaid and Other Assets	7,496	60,000	67,496
Internal Balances	(238,409)	238,409	-
Total Current Assets	13,344,087	5,437,624	18,781,711
<i>Non-Current Assets</i>			
Land	1,731,590	2,943,078	4,674,668
Construction In Progress	1,221,897	-	1,221,897
Building and Improvements (Net)	8,399,439	3,552,419	11,951,858
Vehicles (Net)	1,061,069	102,196	1,163,265
Furniture and Equipment (Net)	1,307,288	565,535	1,872,823
Infrastructure (Net)	8,868,144	20,435,648	29,303,792
Total Non-Current Assets	22,589,427	27,598,876	50,188,303
Total Assets	35,933,514	33,036,500	68,970,014
DEFERRED OUTFLOWS OF RESOURCES			
Unamortized Loss on Refunding of Debt	106,017	-	106,017
Total Deferred Outflows of Resources	106,017	-	106,017

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

	Primary Government		
	Governmental Activities	Business-type Activities	Total
LIABILITIES			
<i>Current Liabilities</i>			
Accounts Payable	522,732	-	522,732
Payroll Withholding and Deductions	19,550	1,465	21,015
Other Current Liabilities	133,410	5,179	138,589
Unearned Revenues - Property Taxes	5,181	1,487,255	1,492,436
Accrued Interest	15,359	24,511	39,870
Customers Deposits	-	394,534	394,534
Matured Debt Payable (Net)	958,121	275,851	1,233,972
Total Current Liabilities	1,654,353	2,188,795	3,843,148
<i>Non-Current Liabilities</i>			
Bonds Payable (Net)	12,015,000	5,389,000	17,404,000
Loans Payable (Net)	701,883	-	701,883
Leases Payable (Net)	464,677	11,968	476,645
Compensated Absences	298,383	46,306	344,689
Total Non-Current Liabilities	13,479,943	5,447,274	18,927,217
Total Liabilities	15,134,296	7,636,069	22,770,365
DEFERRED INFLOWS OF RESOURCES			
Unamortized Premium on Bonds	547,234	-	547,234
Total Deferred Inflows of Resources	547,234	-	547,234
NET POSITION			
Net Invested in Capital Assets	5,749,616	17,584,383	23,333,999
<i>Restricted for:</i>			
Capital Projects	6,907,687	-	6,907,687
Debt Service	416,257	-	416,257
Economic Development	2,097,244	-	2,097,244
Tourism	610,875	-	610,875
<i>Unrestricted</i>	4,576,322	7,816,048	12,392,370
Total Net Position	\$ 20,358,001	\$ 25,400,431	\$ 45,758,432

City of Alamo, Texas
Statement of Activities
For the Year Ended September 30, 2014

<u>Functions/Programs</u>	<u>Expenses</u>	<u>Charges for Services</u>	<u>Operating Grants and Contributions</u>	<u>Capital Grants and Contributions</u>
Primary Government				
Governmental Activities:				
General Government	\$ 3,548,970	\$ 151,369	\$ 130,003	\$ -
Public Safety	3,518,106	681,410	217,803	-
Highways and Streets	618,237	1,695,218	-	195,000
Health and Welfare	255,552	19,271	-	-
Culture and Recreation	832,050	96,181	35,512	-
Economic Development	243,693	-	-	-
Debt Interest	367,914	-	-	-
Bond Issuance Costs	-	-	-	-
Total Governmental Activities	<u>9,384,522</u>	<u>2,643,449</u>	<u>383,318</u>	<u>195,000</u>
Business-type Activities:				
Water & Sewer	2,745,936	3,528,534	-	956,583
Total Business-type Activities	<u>2,745,936</u>	<u>3,528,534</u>	<u>-</u>	<u>956,583</u>
Total Primary Government	<u>\$ 12,130,458</u>	<u>\$ 6,171,983</u>	<u>\$ 383,318</u>	<u>\$ 1,151,583</u>

General Purpose Revenues and Transfers:

Revenues

Property Taxes

Sales Taxes

Franchise Taxes

Other Taxes

Miscellaneous General Revenues

Interest Revenue

Gain / Loss on Sale of Assets

Transfers

Total General Revenues and Transfers

Change in Net Position

Net Position at Beginning of Period

Prior Period Adjustments

Net Position at Beginning of Period (Restated)

Net Position at End of Period

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

Primary Government

<u>Governmental Activities</u>	<u>Business-type Activities</u>	<u>Total</u>
\$ (3,267,598)	\$ -	\$ (3,267,598)
(2,618,893)	-	(2,618,893)
1,271,981	-	1,271,981
(236,281)	-	(236,281)
(700,357)	-	(700,357)
(243,693)	-	(243,693)
(367,914)	-	(367,914)
-	-	-
<u>(6,162,755)</u>	<u>-</u>	<u>(6,162,755)</u>
-	1,739,181	1,739,181
-	1,739,181	1,739,181
<u>\$ (6,162,755)</u>	<u>\$ 1,739,181</u>	<u>\$ (4,423,574)</u>
\$ 2,847,121	\$ -	\$ 2,847,121
3,466,644	-	3,466,644
511,976	-	511,976
131,149	-	131,149
124,471	-	124,471
42,343	879	43,222
7,700	2,633	10,333
549,300	(549,300)	-
<u>7,680,704</u>	<u>(545,788)</u>	<u>7,134,916</u>
<u>1,517,949</u>	<u>1,193,393</u>	<u>2,711,342</u>
18,948,512	24,207,038	43,155,550
(108,460)	-	(108,460)
18,840,052	24,207,038	43,047,090
<u>\$ 20,358,001</u>	<u>\$ 25,400,431</u>	<u>\$ 45,758,432</u>

GOVERNMENTAL FUNDS

City of Alamo, Texas
Balance Sheet
Governmental Funds
September 30, 2014

	General	Alamo Economic Development Corporation	Capital Projects	Non-Major Governmental Funds	Total Governmental Funds
ASSETS					
Cash and Cash Equivalents	\$ 1,090,894	\$ 582,785	\$ 65,670	\$ 1,439,481	\$ 3,178,830
Investments	2,351,712	658,540	4,237,012	516,036	7,763,300
Accounts Receivable					-
Property Taxes	454,042	-	-	102,057	556,099
Court	178,095	-	-	-	178,095
Customers	205,104	-	-	-	205,104
Other	632,328	159,526	-	30,859	822,713
Note Receivables	-	870,855	-	-	870,855
Prepaid and Other Assets	7,496	-	-	-	7,496
Due From Other Funds	522,969	-	-	-	522,969
<i>Total Assets</i>	<u>5,442,640</u>	<u>2,271,706</u>	<u>4,302,682</u>	<u>2,088,433</u>	<u>14,105,461</u>
DEFERRED OUTFLOWS OF RESOURCES					
Aggregated Deferred Outflows	-	-	-	-	-
<i>Total Deferred Outflows of Resources</i>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Total Assets and Deferred Outflows of Resources	<u>\$ 5,442,640</u>	<u>\$ 2,271,706</u>	<u>\$ 4,302,682</u>	<u>\$ 2,088,433</u>	<u>\$ 14,105,461</u>
LIABILITIES					
Accounts Payable	\$ 518,074	\$ 3,108	\$ -	\$ 1,550	\$ 522,732
Payroll Withholding and Deductions	19,550	-	-	-	19,550
Other Current Liabilities	133,410	-	-	-	133,410
Unearned Revenues	-	-	-	5,181	5,181
Due To Other Funds	741,524	1,289	11,063	7,502	761,378
<i>Total Liabilities</i>	<u>1,412,558</u>	<u>4,397</u>	<u>11,063</u>	<u>14,233</u>	<u>1,442,251</u>
DEFERRED INFLOWS OF RESOURCES					
Deferred Property Taxes	454,042	-	-	102,057	556,099
Deferred Court Fines	178,095	-	-	-	178,095
<i>Total Deferred Inflows of Resources</i>	<u>632,137</u>	<u>-</u>	<u>-</u>	<u>102,057</u>	<u>734,194</u>
FUND BALANCE					
Restricted for:					
Debt Service	-	-	-	976,928	976,928
Capital Projects	-	-	4,291,619	-	4,291,619
Special Projects	-	-	-	995,215	995,215
Economic Development & Tourism	-	2,267,309	-	-	2,267,309
Unassigned	3,397,945	-	-	-	3,397,945
<i>Total Fund Balance</i>	<u>3,397,945</u>	<u>2,267,309</u>	<u>4,291,619</u>	<u>1,972,143</u>	<u>11,929,016</u>
Total Liabilities, Deferred Inflows of Resources and Fund Balance	<u>\$ 5,442,640</u>	<u>\$ 2,271,706</u>	<u>\$ 4,302,682</u>	<u>\$ 2,088,433</u>	<u>\$ 14,105,461</u>

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

City of Alamo, Texas
Reconciliation of Governmental Funds Balance Sheet to the Statement of Net Position
September 30, 2014

Total Fund Balance - Governmental Funds	\$	11,929,016
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.		22,589,427
Long-term liabilities applicable to the city's governmental activities are not due in the current period and accordingly are not reported as fund liabilities. All liabilities, both current and long-term, are reported in the Statement of Net Position.		(15,075,548)
Because some court fines will not be collected for some time after the city's fiscal year ends, they are not considered as "available" revenues in the governmental funds and are considered deferred in the funds, but recognized in the Statement of Net Position.		42,453
Because property tax will not be collected for several months after the city's fiscal year end, they are not considered as "available" revenues in the governmental funds and are considered deferred in the funds, but recognized in the statement of Net Position.		691,741
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.		(298,383)
Interest expense in the Statement of Activities differs from the amount reported in the governmental funds due to accrued interest calculated for bonds and note payables.		(15,359)
The difference between the reacquisition price and the net carrying amount of a refunded bond is recorded as other financing uses - payments to refunded bond escrow agent in the funds as it is received by the escrow agent, but is recorded as a deferred outflow of resources - loss on refunding of debt and expensed over the shorter of the life of the old debt or the life of the new debt, whichever is shorter.		106,017
Proceeds from resulting from premiums received on the issuance of long term debt appear as other financing sources and netted to fund balance on the governmental funds, but it is recorded as a deferred inflow of resources and amortized over the life of the debt on the government-wide statements.		(547,234)
Principal payments on long-term expensed in governmental fund statements, treated as reductions of outstanding debt in entity wide statements.		935,867
Total Net Position of Governmental Activities - Statement of Net Position	\$	20,358,001

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, 2014

	General Fund	Alamo Economic Development Corporation	Capital Projects	Non-Major Governmental Funds	Total Governmental Funds
Revenues					
Property Taxes	\$ 2,330,284	\$ -	\$ -	\$ 514,149	\$ 2,844,433
Sales Taxes	2,599,983	866,661	-	-	3,466,644
Franchise Taxes	511,976	-	-	-	511,976
Other Taxes	-	-	-	131,149	131,149
Court Fines and Fees	534,424	-	-	-	534,424
Licenses and Permits	100,448	-	-	-	100,448
Charges for Services	1,966,157	-	-	-	1,966,157
Local Events and Contributions	36,463	-	-	-	36,463
Other Revenues	49,326	3,179	-	71,966	124,471
State Grants	10,000	-	-	-	10,000
Federal Grants	276,352	-	-	-	276,352
Other Governmental Grants	-	-	195,000	60,503	255,503
Interest Revenue	936	39,292	1,838	277	42,343
Total Revenues	8,416,349	909,132	196,838	778,044	10,300,363
Expenditures					
General Government	3,213,341	-	-	57,168	3,270,509
Public Safety	3,241,245	-	-	826	3,242,071
Highways and Streets	562,193	-	-	-	562,193
Health and Welfare	237,441	-	-	-	237,441
Culture and Recreation	766,766	-	-	-	766,766
Economic Development	-	224,817	-	-	224,817
Capital Outlay	250,685	-	2,314,272	26,726	2,591,683
Bond Issuance Costs	-	-	-	-	-
Debt Principal	121,342	24,525	-	790,000	935,867
Debt Interest	18,101	7,559	-	373,907	399,567
Total Expenditures	8,411,114	256,901	2,314,272	1,248,627	12,230,914
Excess of Revenues Over (Under) Expenditures	5,235	652,231	(2,117,434)	(470,583)	(1,930,551)
Other Financing Sources (Uses)					
Transfers From Other Funds	407,666	-	-	736,300	1,143,966
Transfers To Other Funds	-	(594,666)	-	-	(594,666)
Proceeds From Sale of Assets	7,700	-	-	-	7,700
Proceeds From IRP Loan	-	112,500	-	-	112,500
Net Other Financing Sources (Uses)	415,366	(482,166)	-	736,300	669,500
Net Change in Fund Balance	420,601	170,065	(2,117,434)	265,717	(1,261,051)
<i>Fund Balance at Beginning of Period</i>	2,977,344	2,097,244	6,517,513	1,597,966	13,190,067
<i>Prior Period Adjustments</i>	-	-	(108,460)	108,460	-
Fund Balance at End of Period	\$ 3,397,945	\$ 2,267,309	\$ 4,291,619	\$ 1,972,143	\$ 11,929,016

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, 2014

Total Net Change in Fund Balances - Governmental Funds	\$	(1,261,051)
Governmental funds report capital outlays as expenditures. However, in the Statement of Activities the costs of those assets is allocated over their estimated useful life and depreciated.		(714,911)
Governmental funds do not report capital assets, and accordingly do not record depreciation expense. Capital assets are recorded on the Statement on Net Position and accordingly depreciation is charged to its allocable function.		2,591,674
Principal payments on long-term are expensed in the governmental fund statements, and treated as reductions of outstanding debt in Statement of Net Position.		935,867
Proceeds from the issuance of long term debt is recorded as other financing sources in the governmental funds since no long term debt is kept on the funds. Government-Wide Statement of Net Position shows these proceeds as increases in long term debt.		(112,500)
Because some court fines will not be collected for some time after the City's fiscal year end, they are not considered as "available" revenues in the governmental funds and are considered deferred in the funds, but recognized in the Statement of Net Position.		42,453
Because property tax will not be collected for several months after the city's fiscal year end, they are not considered as "available" revenues in the governmental funds and are considered deferred in the funds, but recognized in the Statement of Net Position.		2,655
Interest expense in the Statement of Activities differs from the amount reported in the governmental funds due to accrued interest calculated for bonds and note payables		31,653
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.		2,105
The difference between the reacquisition price and the net carrying amount of a refunded bond is recorded as other financing uses - payments to refunded bond escrow agent in the funds as it is received by the escrow agent, but is recorded as a deferred outflow of resources - loss on refunding of debt and expensed over the shorter of the life of the old debt or the life of the new debt, whichever is shorter.		-
Proceeds from resulting from premiums received on the issuance of long term debt appear as other financing sources and netted to fund balance on the governmental funds, but it is recorded as a deferred inflow of resources and amortized over the life of the debt on the government-wide statements.		-
Changes in Net Position-Governmental Funds	\$	<u>1,517,949</u>

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

PROPRIETARY FUNDS

City of Alamo, Texas
Statement of Net Position
Proprietary Funds
September 30, 2014

	Business-type Activities - Enterprise Funds	
	Water and Sewer	Total Enterprise Funds
ASSETS		
<i>Current Assets</i>		
Cash and Cash Equivalents	\$ 1,420,862	\$ 1,420,862
Restricted Cash	1,487,698	1,487,698
Investments	1,880,711	1,880,711
Accounts Receivable - Customers	330,097	330,097
Accounts Receivable - Other	19,847	19,847
Prepaid and Other Assets	60,000	60,000
Due From Other Funds	370,543	370,543
Total Current Assets	5,569,758	5,569,758
<i>Noncurrent Assets</i>		
Land	2,943,078	2,943,078
Construction In Progress	-	-
Building and Improvements (Net)	3,552,419	3,552,419
Vehicles (Net)	102,196	102,196
Furniture and Equipment (Net)	565,535	565,535
Infrastructure (Net)	20,435,648	20,435,648
Total Assets	33,168,634	33,168,634
DEFERRED OUTFLOWS OF RESOURCES		
Aggregated deferred outflows	-	-
Total Deferred Outflows of Resources	-	-
LIABILITIES		
<i>Current Liabilities</i>		
Accounts Payable	5,179	5,179
Payroll Withholding and Deductions	1,465	1,465
Accrued Interest	24,511	24,511
Customers Deposits	394,534	394,534
Matured Debt Payable (Net)	275,851	275,851
Unearned Revenue - Grants	1,487,255	1,487,255
Due to Other Funds	132,134	132,134
Total Current Liabilities	2,320,929	2,320,929
<i>Noncurrent Liabilities</i>		
Compensated Absences	46,306	46,306
Bonds Payable (Net)	5,389,000	5,389,000
Leases Payable (Net)	11,968	11,968
Total Liabilities	7,768,203	7,768,203
DEFERRED INFLOWS OF RESOURCES		
Aggregated deferred inflows	-	-
Total Deferred Inflows of Resources	-	-
NET POSITION		
Net Invested in Capital Assets	17,584,383	17,584,383
<i>Unrestricted</i>	7,816,048	7,816,048
Total Net Position	\$ 25,400,431	\$ 25,400,431

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

City of Alamo, Texas
Statement of Revenues, Expenses, and Changes in Net Position
Proprietary Funds
For the Year Ended September 30, 2014

	<u>Business-type Activities - Enterprise Funds</u>	
	<u>Water and Sewer</u>	<u>Total Enterprise Funds</u>
Operating Revenues		
Charges for Services	\$ 3,528,534	\$ 3,528,534
<i>Total Operating Revenues</i>	<u>3,528,534</u>	<u>3,528,534</u>
Operating Expenses		
Debt Interest	193,119	193,119
Water Department	663,704	663,704
Sewer Department	444,502	444,502
Water Plant Department	579,927	579,927
Water Billing	194,668	194,668
General Administration	133,554	133,554
Depreciation	534,694	534,694
Other Debt Fees	1,250	1,250
<i>Total Operating Expenses</i>	<u>2,745,418</u>	<u>2,745,418</u>
<i>Operating Income (Loss)</i>	783,116	783,116
Non-Operating Revenues (Expenses)		
Federal Grants	956,583	956,583
Interest Revenue	879	879
Gain / Loss on Sale of Assets	2,633	2,633
Interest Expense	(518)	(518)
<i>Net Non-Operating Revenues (Expenses)</i>	<u>959,577</u>	<u>959,577</u>
<i>Income Before Contributions and Transfers</i>	1,742,693	1,742,693
Transfers From Other Funds	-	-
Transfers To Other Funds	(549,300)	(549,300)
<i>Change In Net Position</i>	<u>1,193,393</u>	<u>1,193,393</u>
<i>Net Position at Beginning of Period</i>	24,207,038	24,207,038
<i>Prior Year Adjustments</i>	-	-
<i>Net Position at End of Period</i>	<u>\$ 25,400,431</u>	<u>\$ 25,400,431</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, 2014

	<u>Water and Sewer Fund</u>
Cash Flows from Operating Activities:	
Cash Received from Customers	\$ 3,533,204
Cash Payments to Employees	(668,456)
Cash Payments to Other Suppliers for Goods and Services	(1,565,594)
Net Cash Provided (Used) by Operating Activities	<u>1,299,154</u>
Cash Flows from Non-capital Financing Activities:	
Receipts From Grants	-
Due From (To) Primary Government	52,393
Transfer From (To) Other Funds	(549,300)
Net Cash Provided (Used) by Non-capital Financing Activities	<u>(496,907)</u>
Cash Flows from Capital and Related Financing Activities:	
Principal Paid	(267,750)
Interest Paid	(518)
Net Cash Provided (Used) for Capital and Related Financing Activities	<u>(268,268)</u>
Cash Flows from Investing Activities:	
Capital Asset Acquisition	(1,361,123)
Gain on Sale of Assets	2,633
Interest and Dividends on Investments	879
Payments for Acquisition of Investments	(633)
Net Cash Provided (Used) for Investing Activities	<u>(1,358,244)</u>
Net Increase (Decrease) in Cash and Cash Equivalents	(824,265)
Cash and Cash Equivalents at Beginning of Year	3,732,825
Cash and Cash Equivalents at End of Year	<u>2,908,560</u>
Reconciliation of Operating Income to Net Cash Provided (Used) by Operating Activities:	
Operating Income (Loss)	783,116
Adjustments to Reconcile Operating Income to Net Cash Provided by Operating Activities	
Depreciation and amortization	534,694
Change in Assets and Liabilities:	
(Increase) Decrease in Receivables	(13,320)
(Increase) Decrease in Prepaid Expenses	(6,000)
Increase (Decrease) in Accounts Payable	(22,211)
Increase (Decrease) in Customer Deposits	17,990
Increase (Decrease) in Wages and Salaries Payables	136
Increase (Decrease) in Compensated Absences	4,749
Total Adjustments	<u>(18,656)</u>
Net Cash Provided (Used) by Operating Activities	<u>\$ 1,299,154</u>

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

NOTES TO BASIC FINANCIAL STATEMENTS

City of Alamo, Texas
Notes to Financial Statements
For the year ended September 30, 2014

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 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.

City of Alamo, Texas
Notes to Financial Statements
For the year ended September 30, 2014

I. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

C. Government-Wide and Fund Financial Statements

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

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

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

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

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

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

The government-wide statements and fund financial statements for proprietary funds are reported using the economic resources measurement focus and the accrual basis of accounting, as are the proprietary fund financial statements. The economic resources measurement focus means all assets and liabilities (whether current or non-current) and deferred outflows and inflows of resources are included on the statement of net position and the operating statements present increase (revenues) and decrease (expenses) in net total assets. Under the accrual basis of accounting, revenues are recognized when earned, including unbilled water and sewer services which are accrued. Expenses are recognized at the time the liability is incurred. Property taxes are recognized as revenues in the year for which they are levied. Grants and similar items are recognized as revenue as soon as all eligibility requirements imposed by the provider have been met.

Governmental fund financial statements are reported using the current financial resources measurement focus and are accounted for using the modified accrual basis of accounting. Under the modified accrual basis of accounting, revenues are recognized when susceptible to accrual; i.e., when they become both measurable and available. "Measurable" means the amount of the transaction can be determined and "available" means collectible within the current period or soon enough thereafter to be used to pay liabilities of current period. The City considers property taxes as available if they are collected within 60 days after year-end. Expenditures are recorded when the related

City of Alamo, Texas
Notes to Financial Statements
For the year ended September 30, 2014

I. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

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 Position

I. 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 ended September 30, 2014

I. 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 ended September 30, 2014

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 Position/ Fund Equity

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

11. Estimates

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

II. STEWARDSHIP, COMPLIANCE AND ACCOUNTABILITY

A. Budgetary Data

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

Annual Budgets are legally adopted for all City funds with revenue and expense/expenditure activity. The City Charter states that between sixty (60) and ninety (90) days prior to the end of the fiscal year, the City Manager is required to submit to the Board of Commissioners a proposed operating budget for the fiscal year commencing the following October 1. The operating budget includes the proposed expenditures/expenses and the proposed method to finance them.

City of Alamo, Texas
Notes to Financial Statements
For the year ended September 30, 2014

II. STEWARDSHIP, COMPLIANCE AND ACCOUNTABILITY (Continued)

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 Appropriations over General Fund Expenditures

At September 30, 2014, general fund total expenditures were below budget appropriations by \$3,865 and actual revenues exceeded budgeted revenues by \$183,900. Actual revenues for the year exceeded actual expenditures by \$420,601, after other financing sources.

Expenditures exceeded appropriations of the general government function in the general administration by \$100,826. The reason for this excess was due to a combination of increase in expenditures, such as charges from contractual services for the implementation of a pergola and services for a city park recreation master plan. Also, expenditures exceeded appropriations of the highways and streets function in the streets department by \$5,792. The reason for this excess was due to the improvement of various streets. Both excess costs were not appropriately budgeted which led to an excess of expenditures over appropriations and should be corrected in the budget process for fiscal beginning October 1, 2015.

D. Finance-Related Legal and Contractual Provisions

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

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

E. Deficit Fund Equity / Net Position

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

City of Alamo, Texas
Notes to Financial Statements
For the year ended September 30, 2014

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

Non-spendable: Fund balances that cannot be spent because they are not expected to be converted to cash or they are legally or contractually required to remain intact. Examples of this classification are prepaid items, inventories, noncurrent advances to other funds that are not expected to be collected in the next fiscal year, and the principal (corpus) of an endowment fund. The City 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 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 for expenditures for a particular purpose.

Committed: Fund balances that contain self-imposed constraints of the government from its highest level of decision-making authority. The responsibility to commit funds rests with the elected City Commissioners and Mayor. Committed amounts cannot be used for any other purpose unless the governing board removes those constraints by taking the same type of formal action. The City has no committed fund balance as of September 30, 2014.

These funds shall be used only for emergencies, non-recurring expenditures, or major capital purchased that cannot be accommodated through current year savings. The use of 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, the 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 balances of the general fund that is not constrained for any particular purpose. This is also where negative amounts from the other categories of fund balance are recognized. When an expense is incurred for purposes for which both restricted and unrestricted net position are available, the City typically first applies restricted resources, as appropriate opportunities arise, but reserves the right to selectively defer the use thereof to a future project or replacement equipment acquisition. When an expense is incurred for which committed, assigned, or unassigned fund balances are available, the City considers amounts to have been spent first out of assigned then unassigned, and finally committed funds.

City of Alamo, Texas
Notes to Financial Statements
For the year ended September 30, 2014

III. DETAILED NOTES ON FUNDS AND COMPONENT UNITS

A. Cash and Cash Equivalents

1. Deposits and Investments

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

At September 30, 2014, the carrying amount of the City's deposits was \$4,599,696; in addition the City has \$1,487,698 in an escrow account fully insured by pledged securities as required by the state statutes at September 30, 2014.

The City has one depository account: Frost Bank

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

The highest cash balance for the city occurred on the month of December 2013 and was in the amount of \$7,794,000 and was fully collateralized by pledged securities in the amount of \$8,185,128. As of September 30, 2014, the City's bank balance of \$6,144,027, was not exposed to custodial credit risk and was fully insured and fully collateralized by \$250,000 FDIC insurance and \$7,935,128 of pledged securities.

2. Restricted Cash –Escrow Account

This account represents funds (cash receipts) held in escrow for TWDB Contract #G12004, for TWDB Project #10406, authorized with Resolution #11-105 on February 7, 2012. The City does not have ownership of this account and cannot write checks from it. The Executive Administrator from the TWDB is the only individual authorized to disburse funds from the Escrow Account, for eligible expenditures. The City is responsible to ensure that the funds are properly invested and properly secured. Funds were 100% secured by the FDIC and pledged securities. Total funds were \$1,487,698 and a total of \$956,410 was spent for water and sewer projects as of September 30, 2014.

B. Investments

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

City has all their investments invested with Texpool Participant Services, an investment service for public funds that complies with all requirements set by State and City policies. A total of \$9,643,011 is invested in Texpool as of September 30, 2014.

City of Alamo, Texas
Notes to Financial Statements
For the year ended September 30, 2014

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

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.

C. Disaggregation of Receivables

Receivables for the City at September 30, 2014, were as follows:

Governmental Funds	Accounts Receivable	Allowance for Uncollectible	Total (Net)
Property Taxes	\$ 617,888	\$ (61,789)	\$ 556,099
Sales Taxes	541,033	-	541,033
Franchise Taxes	59,519	-	59,519
Court Fines and Fees	356,190	(178,095)	178,095
Note Receivables	870,855	-	870,855
Utility Customers	205,104	-	205,104
Other Sources	222,161	-	222,161
	<u>\$ 2,872,750</u>	<u>\$ (239,884)</u>	<u>\$ 2,632,866</u>

Business-Type Funds	Accounts Receivable	Allowance for Uncollectible	Total (Net)
Utility Customers	\$ 464,681	\$ (134,584)	\$ 330,097
Other Sources	19,847	-	19,847
	<u>\$ 484,528</u>	<u>\$ (134,584)</u>	<u>\$ 349,944</u>

City of Alamo, Texas
Notes to Financial Statements
For the year ended September 30, 2014

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

D. Deferred Inflows of Resources & Unearned Revenues

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

1. Deferred Inflows of Resources

Deferred Inflows Description	General Fund	Debt Service Fund	Asset Forfeitures	Water & Sewer	Total
Property Taxes	\$ 454,042	\$ 102,057	\$ -	\$ -	\$ 556,099
Court Fines	178,095	-	-	-	178,095
Total	<u>\$ 632,137</u>	<u>\$ 102,057</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 734,194</u>

Total Deferred Inflows for Primary Government \$ 734,194

2. Unearned Revenues

Unearned Revenues Description	General Fund	Debt Service Fund	Asset Forfeitures	Water & Sewer	Total
Grant Advance	\$ -	\$ -	\$ -	\$ 1,487,255	\$ 1,487,255
Asset Forfeiture	-	-	5,181	-	5,181
Total	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 5,181</u>	<u>\$ 1,487,255</u>	<u>\$ 1,492,436</u>

Total Unearned Revenues for Primary Government \$ 1,492,436

E. Due from Other Funds

The City reports interfund balances between many of its funds. The total of all balances agrees with the sum of interfund balances presented in the statements of net position/balance sheets for governmental and enterprise funds. The interfund balances are operational and short-term in nature. Interfund balances at September 30, 2014 consisted of the following:

	Due from					Totals
	General Fund	Economic Development	Debt Service	Capital Projects	Water & Sewer Fund	
General Fund	\$ 370,981	\$ 1,289	\$ 7,502	\$ 11,063	\$ 132,134	\$ 522,969
Debt Service Funds	-	-	-	-	-	-
Alamo Economic Dev. Corp.	-	-	-	-	-	-
Total Governmental Funds	<u>370,981</u>	<u>1,289</u>	<u>7,502</u>	<u>11,063</u>	<u>132,134</u>	<u>522,969</u>
Water and Sewer Fund	370,543	-	-	-	-	370,543
Total Enterprise Funds	<u>370,543</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>370,543</u>
Totals	<u>\$ 741,524</u>	<u>\$ 1,289</u>	<u>\$ 7,502</u>	<u>\$ 11,063</u>	<u>\$ 132,134</u>	<u>\$ 893,512</u>

City of Alamo, Texas
Notes to Financial Statements
For the year ended September 30, 2014

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

F. Interfund Transfers

The City reports interfund transfers between many of its funds. Interfund transfers for the year ended September 30, 2014, consisted of the following:

		Transfer Out				Totals
		General Fund	Economic Development	Capital Projects	Water & Sewer Fund	
Transfer In	General Fund	\$ -	\$ 57,667	\$ -	\$ 350,000	\$ 407,667
	Special Revenue Fund	-	-	-	-	-
	Debt Service Fund	-	537,000	-	199,300	736,300
	Total Governmental Funds	-	594,667	-	549,300	1,143,967
	Water and Sewer Fund	-	-	-	-	-
	Total Enterprise Funds	-	-	-	-	-
	Totals	\$ -	\$ 594,667	\$ -	\$ 549,300	\$ 1,143,967

Transfers From	Transfer To	Amount	Reason
AEDC	Debt Service	\$ 537,000	To provide resources for repayment of Certificate of Obligations Series 2008 and 2013.
Water and Sewer	General Fund	350,000	Administration Fee.
Water and Sewer	Debt Service	199,300	To provide resources for repayment of Certificate of Obligations Series 2012A.
AEDC	General Fund	15,000	Administration Fee.
AEDC	General Fund	42,667	Loan repayment as per ordinance.
Total		\$ 1,143,967	

City of Alamo, Texas
Notes to Financial Statements
For the year ended September 30, 2014

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

G. Capital Assets

Capital asset activity for the year ended September 30, 2014 was as follows:

Primary Government

Governmental Activities:

Capital Assets not being depreciated:

	Beginning Balances	Increases	Decreases	Ending Balances
Land and right of way	\$ 1,731,590	\$ -	\$ -	\$ 1,731,590
Construction in Progress	1,042,250	2,309,802	(2,130,155)	1,221,897
Total capital assets, not being depreciated	2,773,840	2,309,802	(2,130,155)	2,953,487

Capital assets, being depreciated:

Building and Improvements	10,351,921	796,445	-	11,148,366
Vehicles	2,840,066	45,610	(88,738)	2,796,938
Machinery & Equipment	1,978,869	140,211	-	2,119,080
Infrastructure	10,177,537	1,429,761	-	11,607,298
Total capital assets, being depreciated	25,348,393	2,412,027	(88,738)	27,671,682

Less accumulated depreciation for:

Buildings and Improvement	(2,498,387)	(250,540)	-	(2,748,927)
Vehicles	(1,711,576)	(113,031)	88,738	(1,735,869)
Machinery & Equipment	(723,144)	(88,648)	-	(811,792)
Infrastructure	(2,476,462)	(262,692)	-	(2,739,154)
Total accumulated depreciation	(7,409,569)	(714,911)	88,738	(8,035,742)
Total capital assets, being depreciated, net	17,938,824	1,697,116	-	19,635,940
Governmental activities capital assets, net	\$ 20,712,664	\$ 4,006,918	\$ (2,130,155)	\$ 22,589,427

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	2,700,609	956,583	(3,657,192)	-
Total capital assets, not being depreciated	5,643,687	956,583	(3,657,192)	2,943,078

Capital assets, being depreciated:

Building and Improvements	4,757,868	15,235	-	4,773,103
Vehicles	181,577	19,628	-	201,205
Machinery & Equipment	1,135,900	190,857	(150,834)	1,175,923
Infrastructure	21,178,845	3,843,929	-	25,022,774
Total capital assets, being depreciated	27,254,190	4,069,649	(150,834)	31,173,005

Less accumulated depreciation for:

Buildings and Improvement	(1,119,499)	(101,185)	-	(1,220,684)
Vehicles	(84,946)	(14,063)	-	(99,009)
Machinery & Equipment	(628,901)	(124,404)	142,917	(610,388)
Infrastructure	(4,292,084)	(295,042)	-	(4,587,126)
Total accumulated depreciation	(6,125,430)	(534,694)	142,917	(6,517,207)
Total capital assets, being depreciated, net	21,128,760	3,534,955	(7,917)	24,655,798
Business-Type capital assets, net	\$ 26,772,447	\$ 4,491,538	\$ (3,665,109)	\$ 27,598,876

Total Primary Government Total

\$ 47,485,111	\$ 8,498,456	\$ (5,795,264)	\$ 50,188,303
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City of Alamo, Texas
Notes to Financial Statements
For the year ended September 30, 2014

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

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

Governmental Activities	
General Government	\$ 278,456
Public Safety	276,035
Highways and Streets	56,044
Health and Welfare	20,216
Culture and Recreation	65,284
Economic Development	18,876
Total Governmental Activities	\$ 714,911

H. Long Term Obligations

The following schedule summarizes the changes in long-term debt during year ended September 30, 2014 with compensated absences:

<u>Governmental Activities</u> Description	Original Issue	Final Maturity	Coupon Rate %	Original Issue	Outstanding Balance 9/30/14
Bond Series 2003	6/15/2003	2/15/2021	2.00% - 4.00%	2,090,000	-
Bond Series 2003 - A	8/15/2003	2/15/2013	3.50% - 3.95%	1,715,000	-
Bond Series 2004	9/15/2004	2/15/2006	1.50% - 5.00%	4,300,000	-
Bond Series 2008	4/17/2008	2/15/2028	3.75%	3,000,000	2,350,000
Bond Series 2012 - A	12/1/2012	2/15/2032	2.00% - 3.00%	7,075,000	6,735,000
Bond Series 2013	1/15/2013	2/15/2026	2.00% - 3.25%	3,835,000	3,740,000
				\$ 22,015,000	\$ 12,825,000

Interest paid on bonded indebtedness during the current year was \$ 373,907

<u>Business-Type Activities</u> Description	Original Issue	Final Maturity	Coupon Rate %	Original Issue	Outstanding Balance 9/30/14
W & S, Bond Series 2000	6/1/2000	8/1/2040	4.50%	\$ 2,967,000	\$ 2,495,000
Bond Series 2007	10/18/2007	3/1/2027	2.20% - 2.75%	4,000,000	2,935,000
Bond Series 2012	4/2/2012	3/1/2022	0.008% - 2.48%	279,000	231,000
				\$ 7,246,000	\$ 5,661,000

Interest paid on bonded indebtedness during the current year was \$ 193,120

City of Alamo, Texas
Notes to Financial Statements
For the year ended September 30, 2014

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

Long Term Obligations (Continued)

<u>Governmental Activities</u> Description	Beginning Balance	Issued Current	Retired Current	Ending Balance	Due Within One year
Bond Series 2003	\$ 120,000	\$ -	\$ 120,000	\$ -	\$ -
Bond Series 2004	180,000	-	180,000	-	-
Bond Series 2008	2,475,000	-	125,000	2,350,000	130,000
Bond Series 2012 - A	7,075,000	-	340,000	6,735,000	350,000
Bond Series 2013	3,765,000	-	25,000	3,740,000	330,000
Total Bonds Payable	\$ 13,615,000	\$ -	\$ 790,000	\$ 12,825,000	\$ 810,000

Deferred Outflow / Inflow of Resources

Unamortized Premium / (Discount)	\$ (583,663)	\$ -	\$ 36,429	\$ (547,234)
Unamortized Loss on Refunding of Debt	\$ 114,852	\$ -	\$ 8,835	\$ 106,017

<u>Business-Type Activities</u> Description	Beginning Balance	Issued Current	Retired Current	Ending Balance	Due Within One year
W & S, Bond Series 2000	\$ 2,545,000	\$ -	\$ 50,000	\$ 2,495,000	\$ 52,000
Bond Series 2007	3,125,000	-	190,000	2,935,000	195,000
Bond Series 2012	255,000	-	24,000	231,000	25,000
Total Bonds Payable	\$ 5,925,000	\$ -	\$ 264,000	\$ 5,661,000	\$ 272,000

<u>Governmental Activities</u> Obligation	Beginning Balance	Increases	Decreases	Ending Balance	Due Within One year
General Obligation Bonds	\$ 13,615,000	\$ -	\$ 790,000	\$ 12,825,000	\$ 810,000
Capital Leases	710,548	-	121,342	589,206	124,529
Loan Payables	637,500	112,500	24,525	725,475	23,592
Sick and Vacation Leave	300,488	218,082	220,187	298,383	-
Total Governmental Activities	\$ 15,263,536	\$ 330,582	\$ 1,156,054	\$ 14,438,064	\$ 958,121

<u>Business-Type Activities</u> Obligation	Beginning Balance	Increases	Decreases	Ending Balance	Due Within One year
General Obligation Bonds	\$ 5,925,000	\$ -	\$ 264,000	\$ 5,661,000	\$ 272,000
Capital Leases	19,569	-	3,750	15,819	3,851
Sick and Vacation Leave	41,557	29,047	24,298	46,306	-
Total Business-Type Activities	\$ 5,986,126	\$ 29,047	\$ 292,048	\$ 5,723,125	\$ 275,851

City of Alamo, Texas
Notes to Financial Statements
For the year ended September 30, 2014

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

I. Debt Service Requirements

Debt service requirements of bonds and capital leases payables at September 30, 2014 are as follows:

Certificates of Obligation Payable

Year Ended September 30,	Governmental Activities			Business-Type Activities		
	Principal	Interest	Total	Principal	Interest	Total
2015	\$ 810,000	\$ 353,388	\$ 1,163,388	\$ 272,000	\$ 192,345	\$ 464,345
2016	825,000	334,719	1,159,719	275,000	184,461	459,461
2017	845,000	315,613	1,160,613	283,000	176,292	459,292
2018	870,000	295,082	1,165,082	292,000	167,824	459,824
2019	885,000	273,163	1,158,163	306,000	158,856	464,856
2020-2024	4,370,000	992,339	5,362,339	1,603,000	648,253	2,251,253
2025-2029	3,110,000	373,901	3,483,901	1,210,000	404,713	1,614,713
2030-2033	1,110,000	52,987	1,162,987	1,420,000	400,505	1,820,505
Total Certificates of Obligation Payable	\$ 12,825,000	\$ 2,991,192	\$ 15,816,192	\$ 5,661,000	\$ 2,333,249	\$ 7,994,249

Capital Leases Payable

Year Ended September 30,	Governmental Activities			Business-Type Activities		
	Principal	Interest	Total	Principal	Interest	Total
2015	\$ 124,529	\$ 14,915	\$ 139,444	\$ 3,851	\$ 461	\$ 4,312
2016	127,889	11,555	139,444	3,955	358	4,313
2017	131,339	8,105	139,444	4,062	250	4,312
2018	134,883	4,561	139,444	3,951	184	4,135
2019	68,317	1,381	69,698	-	-	-
2020	2,249	-	2,249	-	-	-
Total Capital Leases Payable	\$ 589,206	\$ 40,517	\$ 629,723	\$ 15,819	\$ 1,253	\$ 17,072

Loan Payable

Year Ended September 30,	Governmental Activities		
	Principal	Interest	Total
2015	\$ 23,592	\$ 7,255	\$ 30,847
2016	23,828	7,019	30,847
2017	24,066	6,781	30,847
2018	24,307	6,540	30,847
2019	24,550	6,297	30,847
2020-2024	126,483	27,752	154,235
2025-2029	132,935	21,300	154,235
2030-2034	139,716	14,519	154,235
2035-2038	146,844	7,392	154,236
2039-2040	59,154	881	60,035
Total Loans Payable	\$ 725,475	\$ 105,736	\$ 831,212

City of Alamo, Texas
Notes to Financial Statements
For the year ended September 30, 2014

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

J. Notes Receivable – AEDC Blended Component Unit

Notes receivable for the Alamo Economic Development Corporation at September 30, 2014 are as follows:

Note	Beginning Balance	Increases	Decreases	Ending Balance
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.	\$ 92,380	\$ -	\$ 9,343	\$ 83,037
Los Alamos Imaging Center, LP Loan #2 Dated, October 18, 2009, for the amount of \$150,000 at an interest rate of 3.25% with maturity on November 1, 2016.	92,547	-	9,399	83,148
New Generation Loan Dated, December 13, 2010, for the amount of \$150,000 at an interest rate of 5.00% with maturity on January 1, 2021.	117,941	-	13,521	104,420
V Day Spa Loan Dated, January 25, 2011, for the amount of \$125,000 at an interest rate of 5.00% with maturity on February 1, 2021.	98,940	-	11,236	87,704
Soleil Rehab Loan Dated, January 14, 2011, for the amount of \$150,000 at an interest rate of 5.00% with maturity on February 1, 2021.	118,865	-	13,475	105,390
NIKODEE II, LLC Loan Dated, April 17, 2012, for the amount of \$150,000 at an interest rate of 5.00% with maturity on May 1, 2019.	125,316	-	19,621	105,695
Poncho's Central Kitchen, LLC Loan Dated, September 30, 2012, for the amount of \$175,000 at an interest rate of 5.00% with maturity on October 1, 2022.	171,557	-	13,933	157,624
Aaron's Mobile Home Transport Loan Dated, April 26, 2014, for the amount of \$150,000 at an interest rate of 4.00% with maturity on March 1, 2024.	-	150,000	6,163	143,837
Totals	<u>\$ 817,546</u>	<u>\$ 150,000</u>	<u>\$ 96,691</u>	<u>\$ 870,855</u>

IV. PRIOR PERIOD ADJUSTMENT

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

General Fund

Prior period to eliminate interest and series 2013 monies from Capital Projects Fund	\$ (108,460)
Prior period to correctly show interest and series 2013 monies on Debt Service Fund	108,460
Total General Fund	<u>\$ -</u>

City of Alamo, Texas
Notes to Financial Statements
For the year ended September 30, 2014

V. OTHER INFORMATION

A. Risk Management

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

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

B. 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 has no material, pending or threatened litigation matters, claims or assessments as of September 30, 2014.

C. Employee Retirement Benefits

1. 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

City of Alamo, Texas
Notes to Financial Statements
For the year ended September 30, 2014

VI. OTHER INFORMATION (Continued)

Employee Retirement Benefits (Continued)

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:

	<u>Plan Year 2014</u>	<u>Plan Year 2013</u>
Employee deposit rate	5.00%	5.00%
Matching ratio (city to employee)	1.5 to 1	1.5 to 1
Years required for vesting	5	5
Service retirement eligibility (expressed as age / years of service)	60/5, 20/0	60/5, 20/0
Updated Service Credit	100% Repeating, Transfers	100% Repeating, Transfers
Annuity Increase (to retirees)	70% of CPI Repeating	70% of CPI Repeating

2. 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:

Three-Year Trend Information				
Fiscal Year Ending	Annual Pension Cost(APC)	Actual Contribution Made	Percentage of APC Contributed	Net Pension Obligation/ (Asset)
2011	\$ 306,878	\$ 306,878	100%	\$ -
2012	\$ 302,719	\$ 302,719	100%	\$ -
2013	\$ 301,897	\$ 301,897	100%	\$ -

Notes to the financial statements continue on next page.

City of Alamo, Texas
Notes to Financial Statements
For the year ended September 30, 2014

VI. OTHER INFORMATION (Continued)

Employee Retirement Benefits (Continued)

Contributions (Continued)

The required contribution rates for the 2014 fiscal year were determined as part of the December 31, 2013 and 2012 actuarial valuations. Latest actuarial valuations follow:

Valuation of TMRS Plan Year (PY) Ending

	<u>12/31/2013</u>	<u>12/31/2012</u>	<u>12/31/2011</u>
Membership as of the valuation date			
Number of:			
Active members	124	118	118
Retirees and beneficiaries	19	17	14
Inactive members	72	72	72
Total	<u>215</u>	<u>207</u>	<u>204</u>
Prior year's payroll provided by TMRS	\$ 3,961,917	\$ 3,732,583	\$ 3,711,823
Valuation payroll	\$ 4,221,553	\$ 3,926,694	\$ 3,551,267
Benefit Accumulation Fund (BAF) Assets			
Market BAF balance	\$ 6,435,646	\$ 5,598,757	\$ 4,747,584
BAF crediting rate for PY	9.70%	9.95%	2.37%
Interest credited on beginning BAF balance	\$ 543,333	\$ 472,366	\$ 101,297
Municipal contributions	301,897	309,895	306,878
Member contributions during year	198,096	186,629	185,591
Benefit and refund payments	206,437	117,717	124,482
Actuarial Value of Assets (AVA)	\$ 6,128,190	\$ 5,421,002	\$ 4,693,873
Return on AVA	7.63%	7.42%	7.15%
AVA as a Percentage of BAF	95.22%	96.83%	98.87%
Actuarial Information			
Actuarial accrued liability (AAL)	\$ 7,909,553	\$ 6,902,395	\$ 6,307,303
Actuarial value of assets (AVA)	6,128,190	5,421,002	4,693,873
Unfunded actuarial accrued liability (UAAL)	1,781,363	1,481,393	1,613,430
UAAL as percentage of pay	45.00%	39.70%	43.50%
GASB #27 funded ratio	77.50%	78.50%	74.40%
Employer normal cost	4.76%	5.26%	4.94%
Prior service rate	2.60%	2.37%	2.58%
Contribution Rates for TMRS Plan Year (PY)	<u>2015</u>	<u>2014</u>	<u>2013</u>
Member	5.00%	5.00%	5.00%
Full retirement rate (GASB ARC)	7.36%	7.36%	7.52%
Supplemental death rate	0.17%	0.16%	0.15%
Total Employer Contribution Estimates for PY	<u>2015</u>	<u>2014</u>	<u>2013</u>
Projected payroll	\$ 4,348,200	\$ 4,044,495	\$ 3,951,019
Combined contribution rate	7.53%	7.79%	7.67%
Estimated employer contribution	\$ 327,419	\$ 315,066	\$ 303,043

City of Alamo, Texas
Notes to Financial Statements
For the year ended September 30, 2014

VI. OTHER INFORMATION (Continued)

Employee Retirement Benefits (Continued)

Contributions (Continued)

Actuarial valuations involve estimates of the value of reported amounts and assumptions about the probability of events far into the future. Actuarially determined amounts are subject to continual revisions as actual results are compared to past expectations and new estimates are made about the future.

The funded status as of the most recent actuarial valuation date, December 31, 2013, 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)
12/31/2011	\$ 4,693,873	\$ 6,307,303	74.4%	\$ 1,613,430	\$ 3,711,823	43.5%
12/31/2012	5,421,002	6,902,395	78.5%	1,481,393	3,732,583	39.7%
12/31/2013	6,128,190	7,909,553	77.5%	1,781,363	3,961,917	45.0%

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. New Accounting Principles

The GASB has issued Statement No. 66, "Technical Corrections-2012; an amendment of GASB No. 10 and No. 62." The requirements of this Statement are effective for financial statement for periods beginning after December 15, 2012.

The GASB has issued Statement No. 67, "Financial Reporting for Pension Plans; an amendment of GASB No. 25" revises existing guidance for the financial reports of most pension plans for state and local governments. This statement replaces the requirements of Statement No. 25 related to pension plans that are administered through trusts or similar arrangements meeting certain criteria. Statement No. 67 enhances note disclosure and Required Supplementary Information (RSI) for both defined benefits and defined contribution pension plans. It also requires the presentation of new information about annual money-weighted rates of return in the notes to the financial statements in 10-year RSI schedules. The statement will take effect for pension plans in fiscal years beginning June 15, 2013.

City of Alamo, Texas
Notes to Financial Statements
For the year ended September 30, 2014

A. New Accounting Principles (Continued)

The GASB has issued Statement No. 68, "Accounting and Financial Reporting for Pensions; an amendment of GASB Statement No. 27". This Statement replaces the requirements of Statement No. 27 and No. 50 related to pension plans that are administered through trusts or equivalent arrangements. The requirements of Statement No. 27 and No. 50 remain applicable for pensions that are not administered as trusts or equivalent arrangements. The requirements of this Statement are effective for financial statements for fiscal years beginning after June 15, 2014.

The GASB has issued Statement No. 69, "Government Combinations and Disposals of Government Operations." This Statement establishes accounting and financial reporting standards for mergers, acquisitions, and transfers of operations (i.e., government combinations). The Statement also provides guidance on how to determine the gain or loss on a disposal of government operations. This Statement applies to all state and local governmental entities. The requirements of this Statement should be applied prospectively and are effective for government combinations and disposals of government operations occurring in financial reporting periods beginning after December 15, 2013. However, earlier application of the Statement is encouraged.

The GASB has issued Statement No. 70, "Accounting and Financial Reporting for Nonexchange Financial Guarantees." This Statement establishes accounting and financial reporting standards for situations where a state or local government, as a guarantor, agrees to indemnify a third-party obligation holder under specified conditions (i.e., nonexchange financial guarantees). The issuer of the guaranteed obligation can be a legally separate entity or individual, including a blended or discretely presented component unit. Guidance is provided for situations where a state or local government extends or receives a nonexchange financial guarantee. The requirements of this Statement are effective for financial statements for reporting periods beginning after June 15, 2013.

The GASB has issued Statement No. 71, "Pension Transition for Contributions Made Subsequent to the Measurement Date; an amendment of GASB Statement No. 68. The provisions of this statement should be applied simultaneously with the provisions of with GASB No. 68. Statement is effective for financial statements for fiscal years beginning after June 15, 2014 but earlier application is encouraged.

B. Subsequent Events

For the purposes of reporting subsequent events, management has considered events occurring up to March 6, 2015, the date the report was available to be issued. No further subsequent events were noted.

REQUIRED SUPPLEMENTARY INFORMATION

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

City of Alamo, Texas
Texas Municipal Retirement System
Schedule of Funding Progress for Retirement Plan (Unaudited)
For the Year Ended September 30, 2014

Actuarial Valuation Date	Actuarial Value of Assets	Actuarial Accrued Liability (AAL)	Funded Ratio	Excess of Assets Over/Unfunded AAL (UAAL)	Covered Payroll	UAAL as a Percentage of Covered Payroll
12/31/2008	2,863,495	4,481,876	63.89%	1,618,381	2,996,415	54.01%
12/31/2009	3,239,222	4,891,044	66.23%	1,651,822	3,201,420	51.60%
12/31/2010	4,037,306	5,723,745	70.54%	1,686,439	3,461,557	48.72%
12/31/2011	4,693,873	6,307,303	74.42%	1,613,430	3,711,823	43.47%
12/31/2012	5,421,002	6,902,395	78.54%	1,481,393	3,732,583	39.69%
12/31/2013	6,128,190	7,909,553	77.50%	1,781,363	3,961,917	45.00%

City of Alamo, Texas
Schedule of Revenues, Expenditures, and Changes in Fund Balance-Budget and Actual
General Fund
For the Year Ended September 30, 2014

	<u>Budgeted Amounts</u>		<u>Actual Budget Basis</u>	<u>Final Variance Budget Basis</u>
	<u>Original</u>	<u>Final</u>		
Revenues				
Property Taxes	\$ 2,359,054	\$ 2,359,054	\$ 2,330,284	\$ (28,770)
Sales Taxes	2,486,242	2,528,242	2,599,983	71,741
Franchise Taxes	459,568	461,568	511,976	50,408
Hotel Taxes	550	550	-	(550)
Licenses and Permits	78,710	83,710	100,448	16,738
Court Fines and Fees	422,350	508,350	534,424	26,074
Charges for Services	1,911,053	1,915,474	1,966,157	50,683
Miscellaneous revenues	46,500	46,500	49,326	2,826
Local Events and Contributions	23,000	37,000	36,463	(538)
Interest Revenue	2,500	2,500	936	(1,565)
State Grants	-	6,500	10,000	3,500
Federal Grants	115,000	283,000	276,352	(6,648)
Total Revenues	<u>7,904,527</u>	<u>8,232,448</u>	<u>8,416,348</u>	<u>183,900</u>
Other Financing Sources				
Proceeds on Sale of Assets	-	-	7,700	7,700
Transfers from other funds	407,667	407,667	407,667	-
Total Revenues and Other Financing Sources	<u>8,312,194</u>	<u>8,640,115</u>	<u>8,831,715</u>	<u>191,600</u>
Expenditures				
General Government	3,164,191	3,112,515	3,213,341	(100,826)
Public Safety	3,266,596	3,307,460	3,241,245	66,215
Highways & Streets	590,457	652,452	658,244	(5,792)
Health & Welfare	247,959	245,959	237,441	8,518
Culture & Recreation	827,235	772,735	766,766	5,969
Capital Outlay	141,755	184,164	154,634	29,530
Debt Principal	117,463	121,490	121,342	148
Debt Interest	22,126	18,204	18,101	103
Total Expenditures	<u>8,377,782</u>	<u>8,414,979</u>	<u>8,411,114</u>	<u>3,865</u>
Other Financing Uses				
Transfers to other funds	-	-	-	-
Total Expenditures and Other Financing Uses	<u>8,377,782</u>	<u>8,414,979</u>	<u>8,411,114</u>	<u>3,865</u>
Excess (Deficiency) of Revenues and Other Sources Over Expenditures and Other Uses	<u>(65,588)</u>	<u>225,136</u>	<u>420,601</u>	<u>(195,465)</u>
Net Change in Fund Balance	<u>(65,588)</u>	<u>225,136</u>	<u>420,601</u>	<u>(195,465)</u>
<i>Fund Balance at Beginning of Period</i>	2,977,344	2,977,344	2,977,344	-
<i>Prior Period Adjustment</i>	-	-	-	-
Fund Balance at End of Period	<u>\$ 2,911,756</u>	<u>\$ 3,202,480</u>	<u>\$ 3,397,945</u>	<u>\$ (195,465)</u>

OTHER SUPPLEMENTARY INFORMATION

Other supplementary information includes financial information and disclosures not required by the Governmental Accounting Standards Board and not considered a part of the basic financial statements. It may, however, include information which is required by other entities.

City of Alamo, Texas
Schedule of Delinquent Taxes Receivable
For the Year Ended September 30, 2014

Year Ended September 30,	1 Tax Rates Maintenance	2 Debt Service	3 Assessed/ Appraised Value for City Tax Purposes
2005 & Prior Years	\$ Various	\$ Various	\$ Various
2006	0.4014	0.1524	337,815,384
2007	0.4457	0.1472	363,816,329
2008	0.4457	0.1472	339,374,302
2009	0.4684	0.1235	439,311,243
2010	0.4839	0.1079	466,885,353
2011	0.4751	0.1167	452,905,402
2012	0.4711	0.1144	477,293,393
2013	0.4876	0.1114	489,447,908
2014 (Unaudited)	0.4897	0.1093	518,376,862

10 Beginning Balance October 1, 2013	20 Current Year's Total Levy	31 Maintenance Collections	32 Debt Service Collections	40 Entire Year's Adjustments	50 Ending Balance September 30, 2014
123,977		3,163	630	(23,443)	96,741
25,590		1,103	419	(6,207)	17,861
22,921		1,761	582	(3,933)	16,645
27,930		2,461	699	(3,676)	21,094
36,236		4,760	1,256	(3,667)	26,553
43,814		7,334	1,635	(2,554)	32,291
66,337		13,687	3,364	(105)	49,181
98,305		26,103	6,339	(247)	65,616
169,790		48,516	11,086	(407)	109,781
-	2,865,965	2,152,594	480,549	(50,699)	182,124
<u>\$ 614,901</u>	<u>\$ 2,865,965</u>	<u>\$ 2,261,482</u>	<u>\$ 506,559</u>	<u>\$ (94,938)</u>	<u>\$ 617,888</u>

Allowance for Uncollectible Taxes \$ 61,789

Total \$ 556,099

City of Alamo, Texas
Schedule of Revenues and Expenses to Indicate
Net Revenue Available for Debt Service
Proprietary Funds
For the Year Ended September 30, 2014

	Business-type Activities - Enterprise Funds	
	Water & Sewer Fund	Total Enterprise Funds
Operating Revenues		
Charges for Services	\$ 3,528,534	\$ 3,528,534
Total Operating Revenues	3,528,534	3,528,534
Operating Expenses		
Water Department	663,704	663,704
Sewer Department	444,502	444,502
Water Plant Department	579,927	579,927
Water Billing	194,668	194,668
General Administration	133,554	133,554
Depreciation	534,694	534,694
Debt Interest	193,119	193,119
Other Debt Fees	1,250	1,250
Total Operating Expenses	2,745,418	2,745,418
Operating Income (Loss)	783,116	783,116
Non-Operating Revenues (Expenses)		
Interest Revenue	879	879
Gain / Loss on Sale of Assets	2,633	2,633
Interest Expense	(518)	(518)
Net Non-Operating Revenues (Expenses)	2,994	2,994
Net Revenue Available for Debt Service	\$ 786,110	\$ 786,110

City of Alamo, Texas
Combining Balance Sheet
Non-Major Governmental Funds
September 30, 2014

	<u>Special Revenue Funds</u>		
	<u>Urban County Grant</u>	<u>Hotel / Motel Fund</u>	<u>State Forfeiture Fund</u>
ASSETS			
Cash and Cash Equivalents	\$ -	\$ 509,922	\$ 6,717
Investments	-	187,895	-
Note Receivables	-	-	-
Accounts Receivable - Property Taxes	-	-	-
Accounts Receivable - Other	-	30,859	-
Due From Other Funds	-	-	-
<i>Total Assets</i>	-	728,676	6,717
DEFERRED OUTFLOWS OF RESOURCES			
Aggregated deferred outflows	-	-	-
<i>Total Assets and Deferred Outflows of Resources</i>	\$ -	\$ 728,676	\$ 6,717
LIABILITIES			
Accounts Payable	\$ -	\$ 1,550	\$ -
Unearned Revenue	-	-	-
Due to Other Funds	-	-	-
<i>Total Liabilities</i>	-	1,550	-
DEFERRED INFLOWS OF RESOURCES			
Aggregated deferred inflows	-	-	-
<i>Total Deferred Inflows of Resources</i>	-	1,550	-
FUND BALANCE			
Restricted for:			
Debt Service	-	-	-
Capital Projects	-	-	-
Special Projects	-	727,126	6,717
Tourism	-	-	-
Unassigned	-	-	-
<i>Total Fund Balance</i>	-	727,126	6,717
<i>Total Liabilities, Deferred Inflows of Resources and Fund Balance</i>	\$ -	\$ 728,676	\$ 6,717

<u>Special Revenue Funds</u>		<u>Debt Service</u>		<u>Total Non-Major Governmental Funds</u>
<u>Tax Increment Fund</u>	<u>Local Forfeiture Fund</u>	<u>Debt Service</u>		
\$ 259,274	\$ 7,278	\$ 656,289	\$ 1,439,481	
-	-	328,141	516,036	
-	-	-	-	
-	-	102,057	102,057	
-	-	-	30,859	
-	-	-	-	
<u>259,274</u>	<u>7,278</u>	<u>1,086,487</u>	<u>2,088,433</u>	
-	-	-	-	
<u>\$ 259,274</u>	<u>\$ 7,278</u>	<u>\$ 1,086,487</u>	<u>\$ 2,088,433</u>	
\$ -	\$ -	\$ -	\$ 1,550	
-	5,180	-	5,180	
-	-	7,502	7,502	
<u>-</u>	<u>5,180</u>	<u>7,502</u>	<u>14,233</u>	
-	-	102,057	102,057	
<u>-</u>	<u>5,180</u>	<u>102,057</u>	<u>102,057</u>	
-	-	976,928	976,928	
-	-	-	-	
259,274	2,098	-	995,215	
-	-	-	-	
-	-	-	-	
<u>259,274</u>	<u>2,098</u>	<u>976,928</u>	<u>1,972,143</u>	
<u>\$ 259,274</u>	<u>\$ 7,278</u>	<u>\$ 1,086,487</u>	<u>\$ 2,088,433</u>	

City of Alamo, Texas
Combining Statement of Revenues, Expenditures, and Changes in Fund Balance
Non-Major Governmental Funds
For the Year Ended September 30, 2014

	<u>Special Revenue Funds</u>		
	<u>Urban County Grant</u>	<u>Hotel / Motel Fund</u>	<u>State Forfeiture Fund</u>
Revenues			
Property Taxes	\$ -	\$ -	\$ -
Other Taxes	-	131,149	-
Miscellaneous Revenues	-	-	5,184
Other Governmental Grants	60,503	-	-
Interest Revenue	-	102	-
Total Revenues	<u>60,503</u>	<u>131,251</u>	<u>5,184</u>
Expenditures			
General Government	33,777	15,000	-
Public Safety	-	-	826
Capital Outlay	26,726	-	-
Bond Issuance Costs	-	-	-
Debt Principal	-	-	-
Debt Interest	-	-	-
Total Expenditures	<u>60,503</u>	<u>15,000</u>	<u>826</u>
Excess of Revenues Over (Under) Expenditures	<u>-</u>	<u>116,251</u>	<u>4,358</u>
Other Financing Sources (Uses)			
Proceeds for Issuance of Bonds	-	-	-
Premium on Refunding Bonds	-	-	-
Transfers from other funds	-	-	-
Payment to Refunded Bond Escrow Agent	-	-	-
Transfers to other funds	-	-	-
Net Other Financing Sources (Uses)	<u>-</u>	<u>-</u>	<u>-</u>
Net Change in Fund Balance	-	116,251	4,358
Fund Balance at Beginning of Period	-	610,875	2,359
Prior Period Adjustments	-	-	-
Fund Balance at End of Period	<u>\$ -</u>	<u>\$ 727,126</u>	<u>\$ 6,717</u>

<u>Special Revenue Funds</u>		<u>Debt Service</u>		<u>Total Non-Major Governmental Funds</u>	
<u>Tax Increment Fund</u>	<u>Local Forfeiture Fund</u>	<u>Debt Service</u>			
\$ -	\$ -	\$ 514,149	\$	514,149	
-	-	-		131,149	
67,046	-	(263)		71,967	
-	-	-		60,503	
-	-	174		277	
<u>67,046</u>	<u>-</u>	<u>514,060</u>		<u>778,044</u>	
-	7,362	1,029		57,168	
-	-	-		826	
-	-	-		26,726	
-	-	-		-	
-	-	790,000		790,000	
-	-	373,907		373,907	
<u>-</u>	<u>7,362</u>	<u>1,164,936</u>		<u>1,248,627</u>	
<u>67,046</u>	<u>(7,362)</u>	<u>(650,876)</u>		<u>(470,583)</u>	
-	-	-		-	
-	-	-		-	
-	-	736,300		736,300	
-	-	-		-	
-	-	-		-	
<u>-</u>	<u>-</u>	<u>736,300</u>		<u>736,300</u>	
<u>67,046</u>	<u>(7,362)</u>	<u>85,424</u>		<u>265,718</u>	
192,229	9,458	891,504		1,706,425	
-	-	-		-	
<u>\$ 259,275</u>	<u>\$ 2,096</u>	<u>\$ 976,928</u>	<u>\$</u>	<u>1,972,143</u>	

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&
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Oscar R. González
Melissa González

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

To the City Commission of
City of Alamo, Texas,

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of the governmental activities, the business-type activities, the blended component units, each major fund, and the aggregate remaining fund information of City of Alamo, Texas, as of and for the year ended September 30, 2014, and the related notes to the financial statements, which collectively comprise City of Alamo, Texas' basic financial statements and have issued our report thereon dated March 6, 2015.

Internal Control Over Financial Reporting

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

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

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

Compliance and Other Matters

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

Purpose of this Report

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


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

March 6, 2015

City of Alamo, Texas
Schedule of Findings and Responses
For the year ended September 30, 2014

Summary of Auditor's Results

Financial Statements UNQUALIFIED
Type of Report Issued: X YES NO

Internal control over financial reporting:

One or more material weaknesses identified? YES X NONE REPORTED

One of more significant deficiencies identified
that are not considered to be material weaknesses? YES X NONE REPORTED

Financial Statement Findings
None.

City of Alamo, Texas
Schedule of Prior Year Findings
For the year ended September 30, 2014

Reference (2014-1) CONTROLS OVER UTILITY BILLING AND DISCONNECTION PROCEDURES

Recommendation: City should immediately make arrangements to provide proper segregation of duties in the utility department. All functions and activities of the department need to be analyzed for possible conflicts, and proper supervision and review need to be made by the finance department on reasonable basis.

Current Status: Corrected.