

CITY OF ALAMO, TEXAS
ANNUAL FINANCIAL REPORT
FOR THE YEAR ENDED SEPTEMBER 30, 2010

**City of Alamo, Texas
Principal Officials
For the Year Ended September 30, 2010**

MAYOR

Rudy Villarreal

CITY COMMISSION

Eleazar Escobedo - Mayor Pro-Tem

Diana Martinez - Commissioner

Roel Landa, Jr. - Commissioner

Victor Perez - Commissioner

OTHER OFFICIALS

Lucio Ozuna - City Manager

Enrique Guzman - Finance Director

City of Alamo, Texas
Audited Annual Financial Report
Year Ended September 30, 2010

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Financial Section



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&
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*Oscar R. González
Melissa González*

INDEPENDENT AUDITOR'S REPORT

To the City Council
City of Alamo, Texas

We have audited the accompanying financial statements of the governmental activities, the business-type activities, the aggregate discretely presented component units, each major fund, and the aggregate remaining fund information of City of Alamo, Texas as of and for the year ended September 30, 2010, which collectively comprise the City's basic financial statements as listed in the table of contents. These financial statements are the responsibility of City of Alamo, Texas's management. Our responsibility is to express opinions on these financial statements based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and the significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinions.

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, the aggregate discretely presented component units, each major fund, and the aggregate remaining fund information of the City of Alamo, Texas, as of September 30, 2010, and the respective changes in financial position, and cash flows, where applicable, thereof for the year then ended in conformity with accounting principles generally accepted in the United States of America.

In accordance with *Government Auditing Standards*, we have also issued our report dated March 18, 2011, on our consideration of the City of Alamo, Texas's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be considered in assessing the results of our audit.

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis and budgetary comparison information on pages 3 through 8 and 34 through 35 be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

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

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

CPA
Oscar R. Gonzalez, CPA & Associates, P.L.L.C.
Certified Public Accountant

Pharr, Texas

March 18, 2011

Management's Discussion and Analysis

MANAGEMENT'S DISCUSSION AND ANALYSIS

This section of City of Alamo, Texas's annual financial report presents our discussion and analysis of the City's financial performance during the fiscal year ended September 30, 2010. Please read it in conjunction with the City's financial statements, which follow this section.

FINANCIAL HIGHLIGHTS

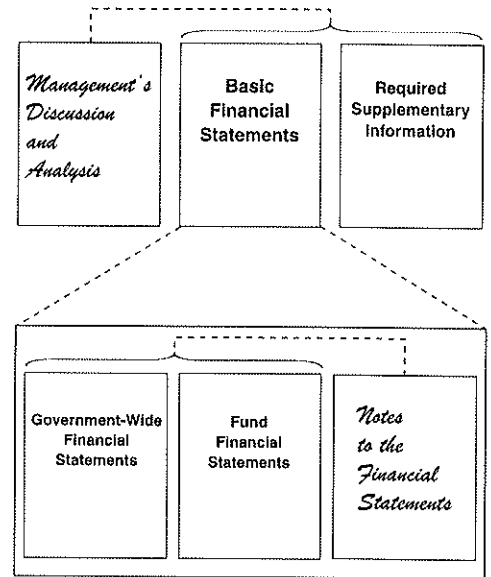
- The City's total combined net assets were \$35,538,796 at September 30, 2010.
- During the year, the City's expenses were \$10,662,979 and \$12,111,896 were generated in taxes and other revenues for governmental activities.
- The total cost of the City's programs was virtually unchanged from last year, and no new programs were added this year.
- The general fund reported a fund balance this year of \$3,173,327.

OVERVIEW OF THE FINANCIAL STATEMENTS

This annual report consists of three parts—*management's discussion and analysis* (this section), the *basic financial statements*, and *required supplementary information*. The basic financial statements include two kinds of statements that present different views of the City:

Figure A-1F, Required Components of the City's Annual Financial Report

- The first two statements are *government-wide financial statements* that provide both *long-term* and *short-term* information about the City's overall financial status.
- The remaining statements are *fund financial statements* that focus on *individual parts* of the government, reporting the City's operations in more detail than the government-wide statements.
- *The governmental funds* statements tell how *general government* services were financed in the *short term* as well as what remains for future spending.
- *Proprietary fund* statements offer *short- and long-term* financial information about the activities the government operates *like businesses*.
- *Fiduciary fund* statements provide information about the financial relationships in which the City acts solely as a *trustee or agent* for the benefit of others, to whom the resources in question belong.



Summary ↔ Detail

The financial statements also include notes that explain some of the information in the financial statements and provide more detailed data. The statements are followed by a section of *required supplementary information* that further explains and supports the information in the financial statements. Figure A-1 shows how the required parts of this annual report are arranged and related to one another.

Figure A-2. Major Features of the District's Government-wide and Fund Financial Statements

Type of Statements	Fund Statements			
	Government-wide	Governmental Funds	Proprietary Funds	Fiduciary Funds
Scope	Entire Agency's government (except fiduciary funds) and the Agency's component units	The activities of the district that are not proprietary or fiduciary	Activities the district operates similar to private businesses: self insurance	Instances in which the district is the trustee or agent for someone else's resources
Required financial statements	* Statement of net assets * Statement of activities	* Balance sheet * Statement of revenues, expenditures & changes in fund balances	* Statement of net assets * Statement of revenues, expenses and changes in fund net assets * Statement of cash flows	* Statement of fiduciary net assets * Statement of changes in fiduciary net assets
Accounting basis and measurement focus	Accrual accounting and economic resources focus	Modified accrual accounting and current financial resources focus	Accrual accounting and economic resources focus	Accrual accounting and economic resources focus
Type of asset/liability information	All assets and liabilities, both financial and capital, short-term and long-term	Only assets expected to be used up and liabilities that come due during the year or soon thereafter; no capital assets included	All assets and liabilities, both financial and capital, and short-term and long-term	All assets and liabilities, both short-term and long-term; the Agency's funds do not currently contain capital assets, although they can
Type of inflow/outflow information	All revenues and expenses during year, regardless of when cash is received or paid	Revenues for which cash is received during or soon after the end of the year; expenditures when goods or services have been received and payment is due during the year or soon thereafter	All revenues and expenses during year, regardless of when cash is received or paid	All revenues and expenses during year, regardless of when cash is received or paid

Figure A-2 summarizes the major features of the City's financial statements, including the portion of the City government they cover and the types of information they contain. The remainder of this overview section of management's discussion and analysis explains the structure and contents of each of the statements.

Government-wide Statements

The government-wide statements report information about the City as a whole using accounting methods similar to those used by private-sector companies. The statement of net assets includes all of the government's assets and liabilities. All of the current year's revenues and expenses are accounted for in the statement of activities regardless of when cash is received or paid.

The two government-wide statements report the City's net assets and how they have changed. Net assets — the difference between the City's assets and liabilities—is one way to measure the City's financial health or *position*.

- Over time, increases or decreases in the City's net assets are an indicator of whether its financial health is improving or deteriorating, respectively.
- To assess the overall health of the City, one needs to consider additional nonfinancial factors such as changes in the City's tax base

The government-wide financial statements of the City include the *Governmental activities*. Most of the City's basic services are included here, such as general government, public safety, highways and streets, sanitation, economic development, culture and recreation, and interest on long-term debt. Property taxes and grants finance most of these activities.

Fund Financial Statements

The fund financial statements provide more detailed information about the City's most significant *funds*—not the City as a whole. Funds are accounting devices that the City uses to keep track of specific sources of funding and spending for particular purposes.

- Some funds are required by State law and by bond covenants.
- The City Council establishes other funds to control and manage money for particular purposes or to show that it is properly using certain taxes and grants.

The City has the following kinds of funds:

- *Governmental funds*—Most of the City’s basic services are included in governmental funds, which focus on (1) how *cash and other financial assets* that can readily be converted to cash flow in and out and (2) the balances left at year-end that are available for spending. Consequently, the governmental fund statements provide a detailed *short-term* view that helps you determine whether there are more or fewer financial resources that can be spent in the near future to finance the City’s programs. Because this information does not encompass the additional long-term focus of the government-wide statements, we provide additional information at the bottom of the governmental funds statement, or on the subsequent page, that explain the relationship (or differences) between them.
- *Proprietary funds*—Services for which the City charges customers a fee are generally reported in proprietary funds. Proprietary funds, like the government-wide statements, provide both long-term and short-term financial information.

FINANCIAL ANALYSIS OF THE CITY AS A WHOLE

Net assets

The City’s combined net assets were \$35,538,797 at September 30, 2010; increase of \$3,758,158 as shown in Table A-1, below:

Table A-1
City's Net Assets

	Governmental Activities		Business-Type Activities		Total		Increase (Decrease)
	2010	2009	2010	2009	2010	2009	
ASSETS							
Current and Other Assets	8,722,173	9,262,232	3,153,243	2,719,890	11,875,416	11,982,122	(106,706)
Capital Assets	17,299,730	16,924,874	23,836,481	23,851,897	41,136,211	40,776,771	359,440
Total Assets	26,021,903	26,187,106	26,989,724	26,571,787	53,011,627	52,758,893	252,734
LIABILITIES							
Current and Other Liabilities	2,030,189	2,083,664	910,426	614,510	2,940,615	2,698,174	242,441
Long Term Liabilities	8,307,121	9,453,520	6,225,094	6,557,319	14,532,215	16,010,839	(1,478,624)
Total Liabilities	10,337,310	11,537,184	7,135,520	7,171,829	17,472,830	18,709,013	(1,236,183)
NET ASSETS							
Invested in Capital Assets, Net of Related Debt	6,700,325	7,569,874	17,584,382	18,984,074	24,284,707	26,553,948	(2,269,241)
Restricted	1,342,817	-	-	-	1,342,817	-	1,342,817
Unrestricted	7,641,451	7,080,048	2,269,822	415,884	9,911,273	7,495,932	2,415,341
Total Net Assets	15,684,593	14,649,922	19,854,204	19,399,958	35,538,797	34,049,880	3,758,158

Changes in net assets. The City's total revenues were \$12,111,896. A significant portion, 52%, of the City's revenue comes from taxes. (See Figure A) 5% comes from grants, while 37% relates to charges for services, 6% percent from licenses & permits, fines, interest and other.

Governmental Activities

Table A-2
City's Changes In Net Assets

	Governmental Activities		Business-Type Activities		Total	
	2010	2009	2010	2009	2010	2009
REVENUES						
Program Revenues:	-	-	-	-	-	-
Charges for Services	1,660,003	1,574,600	2,869,762	2,970,716	4,529,765	4,545,316
Operating Grants & Contributions	630,710	334,011	-	-	630,710	334,011
Capital Grants and Contributions	-	-	-	-	-	-
General Revenues:	-	-	-	-	-	-
Property Taxes	2,879,274	2,640,684	-	-	2,879,274	2,640,684
Sales Tax	2,959,092	2,873,775	-	-	2,959,092	2,873,775
Other Tax	429,137	511,853	-	-	429,137	511,853
Other Revenues	680,200	791,116	3,718	736	683,918	791,852
Total Revenues	9,238,416	8,726,039	2,873,480	2,971,452	12,111,896	11,697,491
EXPENSES						
General Government	2,842,164	3,480,133	-	-	2,842,164	3,480,133
Public Safety	2,602,282	2,751,031	-	-	2,602,282	2,751,031
Highways and Streets	209,570	235,953	-	-	209,570	235,953
Health and Welfare	559,193	613,527	-	-	559,193	613,527
Culture and Recreation	609,826	715,456	-	-	609,826	715,456
Economic Development	404,705	1,406,386	-	-	404,705	1,406,386
Water & Sewer	-	-	2,130,082	2,035,970	2,130,082	2,035,970
Principal	297,696	605,000	-	-	297,696	605,000
Interest	14,765	424,196	-	-	14,765	424,196
Other Expenditures	952,696	2,750	-	-	952,696	2,750
Total Expenses	8,492,897	10,234,432	2,130,082	2,035,970	10,622,979	12,270,402
Increase in Net Assets Before Special Items and Transfers	745,519	(1,508,393)	743,398	935,482	1,488,917	(572,911)
Transfers	289,152	830,896	(289,152)	(292,272)	-	538,624
Increase in Net Assets	1,034,671	(677,497)	454,246	643,210	1,488,917	(34,287)
Net Assets Beginning	14,649,922	13,972,425	19,399,957	18,756,747	34,049,879	32,729,172
Net Assets Ending	15,684,593	14,649,922	19,854,203	19,339,957	35,538,796	33,989,879

Business-type Activities

Revenues of the City's business-type activities were \$ 2,873,480 and expenses were \$2,130,082 which resulted in a change of net assets of \$743,398.

FINANCIAL ANALYSIS OF THE CITY'S FUNDS

General Fund Budgetary Highlights

Over the course of the year, the City revised its budget one time. Even with this adjustment, actual expenditures were \$373,181 under final budget amounts.

On the other hand, resources available were \$ 205,475 over the final budgeted amount.

CAPITAL ASSETS AND DEBT ADMINISTRATION

Capital Assets

At the end of 2010, the City had invested \$41,136,211 in a broad range of capital assets, including land, equipment, buildings, and vehicles. (See Table A-3.)

Table A-3
City's Capital Assets

	Governmental Activities		Business-Type Activities		Total		Increase (Decrease)
	2010	2009	2010	2009	2010	2009	
Land and Right of Way	1,359,299	1,359,299	2,943,078	2,943,078	4,302,377	4,302,377	-
Construction in Progress	1,081,579	571,249	3,435,221	3,234,606	4,516,800	3,805,855	710,945
Building and Improvements	10,566,383	10,417,355	4,757,868	4,757,868	15,324,251	15,175,223	149,028
Vehicles	2,007,695	1,913,308	100,782	82,408	2,108,477	1,995,716	112,761
Machinery and Equipment	1,792,333	1,551,284	684,353	604,223	2,476,686	2,155,507	321,179
Infrastructure	6,239,408	6,202,958	16,758,583	16,686,711	22,997,991	22,889,669	108,322
Total Capital Assets at Cost	23,046,697	22,015,453	28,679,885	28,308,894	51,726,582	50,324,347	1,402,235
Accumulated Depreciation	(5,746,968)	(5,090,579)	(4,843,403)	(4,456,997)	(10,590,371)	(9,547,576)	(1,042,795)
Total Capital Assets, Net	17,299,729	16,924,874	23,836,482	23,851,897	41,136,211	40,776,771	359,440

The City's fiscal year 2010 capital budget projects spending was \$1,402,235.

Long Term Debt

At year-end the City had \$15,618,365 in bonds, leases and compensated absences outstanding as shown in Table A-4. More detailed information about the City's debt is presented in the notes to the financial statements.

Table A-4
City's Long-Term Obligations

	Governmental Activities		Business-Type Activities		Total		Increase (Decrease)
	2010	2009	2010	2009	2010	2009	
General Obligation Bonds	8,690,000	9,355,000	6,345,000	6,557,000	15,035,000	15,912,000	(877,000)
Capital Leases	192,582	379,614	82,535	134,749	275,117	514,363	(239,246)
Sick and Vacation Leave	238,244	202,330	70,004	72,570	308,248	274,900	33,348
Total Long Term Obligations	9,120,826	9,936,944	6,497,539	6,764,319	15,618,365	16,701,263	(1,082,898)

BOND RATINGS

The City's bonds presently carry "AAA" ratings with underlining ratings as follows: Fitch Investor Series AAA.

ECONOMIC FACTORS AND NEXT YEAR'S BUDGETS AND RATES

- Appraised values for the 2010-2011 budget preparation are expected to decrease.
- General operating fund spending is estimated to remain relatively flat for FY 2010-2011, due to unfavorable economic conditions.
- The City will continue a street paving program drawing from a favorable fund balance built up during prior fiscal years.

CONTACTING THE CITY'S FINANCIAL MANAGEMENT

This financial report is designed to provide our citizens, taxpayers, customers, and investors and creditors with a general overview of the City's finances and to demonstrate the City's accountability for the money it receives. If you have questions about this report or need additional financial information, contact the City's Finance Department.

Basic Financial Statements

City of Alamo, Texas
Statement of Net Assets
September 30, 2010

	<u>Primary Government</u>		
	<u>Governmental Activities</u>	<u>Business-type Activities</u>	<u>Total</u>
ASSETS			
Current Assets:			
Cash and Cash Equivalents	\$ 1,086,130	\$ 975,904	\$ 2,062,034
Investments	5,445,883	924,783	6,370,666
Accounts Receivable - Property Taxes	618,324	-	618,324
Accounts Receivable - Customers	-	393,303	393,303
Accounts Receivable - Other	244,652	-	244,652
Due From State	466,119	-	466,119
Due From Other Governmental Entities	298,015	3,041	301,056
Note Receivables	268,122	-	268,122
Prepaid and Other Assets	379	-	379
Noncurrent Assets:			
Restricted Cash	-	(19,641)	(19,641)
Restricted Investments - Other	-	541,000	541,000
Land	1,359,299	2,943,078	4,302,377
Construction In Progress	1,081,579	3,435,221	4,516,800
Building and Improvements (net of accumulated depreciation)	8,704,654	3,941,735	12,646,389
Vehicles (net of accumulated depreciation)	457,534	20,799	478,333
Furniture and Equipment (net of accumulated depreciation)	1,318,471	310,067	1,628,538
Infrastructure (net of accumulated depreciation)	4,378,193	13,185,581	17,563,774
Bond Issuance Cost (net)	-	63,458	63,458
Internal Balances	23,155	(23,155)	-
<i>Total Assets</i>	<u>\$ 25,750,509</u>	<u>\$ 26,695,174</u>	<u>\$ 52,445,683</u>

The notes to the Financial Statements are an integral part of this statement.

City of Alamo, Texas
Statement of Net Assets
September 30, 2010

	<u>Primary Government</u>		
	<u>Governmental Activities</u>	<u>Business-type Activities</u>	<u>Total</u>
LIABILITIES			
Current Liabilities:			
Accounts Payable	\$ 679,039	\$ 3,669	\$ 682,708
Deferred Revenue	163,758	6,173	169,931
Other Current Liabilities	84,278	328,565	412,843
Accrued Interest	-	1,227	1,227
Payroll Liabilities	14,680	3,797	18,477
Matured Debt Payable (net)	817,040	272,446	1,089,486
Noncurrent Liabilities:			
Compensation Absences	241,579	70,004	311,583
Due in more than one year (net)	8,065,542	6,155,090	14,220,632
<i>Total Liabilities</i>	<u>10,065,916</u>	<u>6,840,971</u>	<u>16,906,887</u>
NET ASSETS			
Invested In Fixed Assets Net of Related Debt	8,417,148	17,993,762	26,410,910
<i>Restricted for:</i>			
Capital Projects	924,889	-	924,889
Debt Service	144,905	-	144,905
Tourism	273,023	-	273,023
Other Purposes	1,227,662	-	1,227,662
<i>Unrestricted</i>	4,696,966	1,860,441	6,557,407
<i>Total Net Assets</i>	<u>\$ 15,684,593</u>	<u>\$ 19,854,203</u>	<u>\$ 35,538,796</u>

City of Alamo, Texas
Statement of Activities
For the Year Ended September 30, 2010

Functions/Programs	Expenses	Program Revenues	
		Charges for Services	Operating Grants and Contributions
Primary Government			
Governmental Activities:			
Economic Development	\$ 404,705	\$ 15,000	\$ -
Depreciation	656,388	-	-
Capital outlay	288,711	-	-
Principal	297,696	-	-
Interest	14,765	-	-
Other Debt Fees	7,597	-	-
General Government	2,842,164	49,962	334,011
Public Safety	2,602,282	190,535	289,778
Highways and Streets	209,570	-	-
Health and Welfare	559,193	1,362,908	-
Culture and Recreation	609,826	41,598	6,921
<i>Total Governmental Activities</i>	<u>8,492,897</u>	<u>1,660,003</u>	<u>630,710</u>
Business-type Activities:			
03 - Water & Sewer Fund	2,130,082	2,869,762	-
<i>Total Business-type Activities</i>	2,130,082	2,869,762	-
<i>Total Primary Government</i>	<u>\$ 10,622,979</u>	<u>\$ 4,529,765</u>	<u>\$ 630,710</u>

General Purpose Revenues and Transfers:

Revenues

Property taxes
Sales taxes
Franchise taxes
Licenses and permits
Fines and fees
Miscellaneous revenue
Interest revenue
Intergovernmental revenues
Other taxes
Federal grants

Transfers

Total General Revenues and Transfers

Change in Net Assets

Net Assets at Beginning of Period

Net Assets at End of Period

The notes to the Financial Statements are an integral part of this statement.

Capital Grants and Contributions	Net (Expense) Revenue		
	Primary Government		
	Governmental Activities	Business-type Activities	Total
\$ -	\$ (389,705)	\$ -	\$ (389,705)
-	(656,388)	-	(656,388)
-	(288,711)	-	(288,711)
-	(297,696)	-	(297,696)
-	(14,765)	-	(14,765)
-	(7,597)	-	(7,597)
-	(2,458,191)	-	(2,458,191)
-	(2,121,969)	-	(2,121,969)
-	(209,570)	-	(209,570)
-	803,715	-	803,715
-	(561,307)	-	(561,307)
-	(6,202,184)	-	(6,202,184)
-	-	739,680	739,680
-	-	739,680	739,680
\$ -	\$ (6,202,184)	\$ 739,680	\$ (5,462,504)

2,879,274	-	2,879,274
2,959,092	-	2,959,092
429,137	-	429,137
107,856	-	107,856
174,813	-	174,813
56,376	-	56,376
14,650	3,718	18,368
19,944	-	19,944
156,561	-	156,561
150,000	-	150,000
289,152	(289,152)	-
7,236,855	(285,434)	6,951,421
1,034,671	454,246	1,488,917
14,649,922	19,399,957	34,049,879
\$ 15,684,593	\$ 19,854,203	\$ 35,538,796

**City of Alamo, Texas
Balance Sheet
Governmental Funds
September 30, 2010**

	01 - General Fund	<u>Special Revenue</u>
		AEDC
ASSETS		
Cash and Cash Equivalents	\$ 322,523	\$ 191,712
Investments	2,755,769	4,312
Note Receivables	-	268,122
Accounts Receivable - Property Taxes	525,079	-
Accounts Receivable - Other	173,630	-
Due From State	349,589	116,530
Due From Other Governmental Entities	298,015	-
Prepaid and Other Assets	379	-
Due From Other Funds	19,048	-
Total Assets	\$ 4,444,032	\$ 580,676
 LIABILITIES		
Accounts Payable	\$ 31,687	\$ 1,042
Deferred Revenue	683,656	-
Other Current Liabilities	2,289	7,350
Payroll Liabilities	14,030	650
Due to other funds	779,439	21,527
Total Liabilities	1,511,101	30,569
 FUND BALANCE		
<i>Reserved for:</i>		
Capital Projects	-	-
Debt Service	-	-
Tourism	-	-
Other Purpose	-	-
Prior Year Adjustment	-	-
<i>Unreserved reported in:</i>		
General Fund	2,932,931	-
Special Revenue	-	550,107
Debt Service	-	-
Capital Projects	-	-
Total Fund Balance	2,932,931	550,107
Total Liabilities and Fund Balance	\$ 4,444,032	\$ 580,676

The notes to the Financial Statement are an integral part of this statement.

<u>Other Governmental Funds</u>	<u>Total Governmental Funds</u>
\$ 571,895	\$ 1,086,130
2,685,802	5,445,883
-	268,122
93,245	618,324
71,022	244,652
-	466,119
-	298,015
-	379
839,212	858,260
<u>\$ 4,261,176</u>	<u>\$ 9,285,884</u>

\$ 646,310	\$ 679,039
98,426	782,082
74,639	84,278
-	14,680
34,139	835,105
<u>853,514</u>	<u>2,395,184</u>

924,889	924,889
64,024	64,024
273,023	273,023
-	-
-	-
-	2,932,931
177,055	727,162
435,108	435,108
1,533,563	1,533,563
3,407,662	6,890,700
<u>\$ 4,261,176</u>	<u>\$ 9,285,884</u>

City of Alamo, Texas
Reconciliation of Governmental Funds Balance Sheet to the Statement of Net Assets
September 30, 2010

Total Fund Balance - Governmental Funds	\$	6,890,700
Revenue earned but not collected within sixty days deferred in governmental fund statements, recognized as revenue in Statement of Activities.		451,213
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.		(241,578)
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.		16,924,874
Principal payments on long-term expensed in governmental fund statements, treated as reductions of outstanding debt in Entity wide statements.		852,032
Fixed assets expensed as capital outlay in governmental fund statements, capitalized as fixed assets in Statement of Net Assets.		1,031,244
Depreciation expense reflected in entity wide statements, not reflected in governmental fund statements.		(656,388)
Revenue deferred in governmental fund statements if not received within sixty days.		167,111
Long term debt reflected on Statement of Net Assets not in governmental funds balance sheet.		(9,734,614)
Amounts due within one year are not included as part of general long term debt, but as a current liability.		-
Total Net Assets-Governmental Funds	\$	<u>15,684,594</u>

The notes to the Financial Statements are an integral part of this statement.

City of Alamo, Texas
Statement of Revenues, Expenditures, and Changes in Fund Balance
Governmental Funds
For the Year Ended September 30, 2010

	General Fund	Special Revenue AEDC
Revenues		
Property taxes	\$ 2,279,091	\$ -
Sales taxes	2,219,319	739,773
Franchise taxes	429,137	-
Licenses and permits	107,856	-
Fines and fees	174,813	-
Miscellaneous revenue	8,406	47,970
Charges for services	1,660,003	-
State drug forfeitures	-	-
Drug forfeitures	-	-
Other taxes	189	-
Federal grants	-	150,000
Interest revenue	-	8,268
Intergovernmental revenues	297,682	-
<i>Total Revenues</i>	7,176,496	946,011
 Expenditures		
Economic Development	-	401,369
Principal	187,031	-
Interest	14,765	-
Other Debt Fees	-	-
General Government	2,684,932	-
Public Safety	2,584,510	-
Highways and Streets	202,615	-
Health and Welfare	560,251	-
Culture and Recreation	594,061	-
Capital outlay	645,726	74,729
<i>Total Expenditures</i>	7,473,891	476,098
<i>Excess of Revenues Over (Under) Expenditures</i>	(297,395)	469,913
 Other Financing Sources (Uses)		
Transfers from other funds	326,652	112,500
Transfers to other funds	(112,500)	(511,667)
<i>Net Other Financing Sources (Uses)</i>	214,152	(399,167)
<i>Net Change in Fund Balance</i>	(83,243)	70,746
<i>Fund Balance at Beginning of Period</i>	3,016,174	479,361
<i>Fund Balance at End of Period</i>	\$ 2,932,931	\$ 550,107

The notes to the Financial Statements are an integral part of this statement.

<u>Other Governmental Funds</u>	<u>Total Governmental Funds</u>
\$ 501,588	\$ 2,780,679
-	2,959,092
-	429,137
-	107,856
-	174,813
-	56,376
-	1,660,003
334,011	334,011
18,961	18,961
156,372	156,561
-	150,000
6,382	14,650
-	297,682
1,017,314	9,139,821
180,000	581,369
297,696	484,727
485,000	499,765
7,597	7,597
732,555	3,417,487
-	2,584,510
-	202,615
-	560,251
18,912	612,973
8,785	729,240
1,730,545	9,680,534
(713,231)	(540,713)
1,079,174	1,518,326
(605,007)	(1,229,174)
474,167	289,152
(239,064)	(251,561)
3,646,726	7,142,261
\$ 3,407,662	\$ 6,890,700

City of Alamo, Texas
Reconciliation of Governmental Funds Statement of Revenues,
Changes in Fund Balance with Statement of Activities
For the Year Ended September 30, 2010

Total Net Change in Fund Balances - Governmental Funds	\$	(251,561)
Revenue earned but not collected within sixty days deferred in governmental fund statements, recognized as revenue in Statement of Activities.		12,365
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.		(39,249)
Principal payments on long-term expensed in governmental fund statements, treated as reductions of outstanding debt in Entity wide statements.		852,032
Fixed assets expensed as capital outlay in governmental fund statements, capitalized as fixed assets in Statement of Net Assets.		1,031,244
Depreciation expense reflected in entity wide statements, not reflected in governmental fund statements.		(656,388)
Revenue deferred in governmental fund statements if not received within sixty days.		86,230
Changes in Net Assets-Governmental Funds	\$	<u>1,034,673</u>

The notes to the Financial Statements are an integral part of this statement.

City of Alamo, Texas
Statement of Net Assets
Proprietary Funds
September 30, 2010

	Business-type Activities
	Enterprise Fund
	Water &
	Sewer Fund
ASSETS	
<i>Current Assets</i>	
Cash and Cash Equivalents	\$ 975,904
Investments	924,783
Accounts Receivable - Customers	393,303
Accounts Receivable - Other	3,041
Restricted Cash	(19,641)
Restricted Investments - Other	541,000
Due From Other Funds	271,394
<i>Total Current Assets</i>	3,089,784
 <i>Noncurrent Assets</i>	
Land	2,943,078
Construction In Progress	3,435,221
Building and Improvements (net of accumulated depreciation)	3,941,735
Vehicles (net of accumulated depreciation)	20,799
Furniture and Equipment (net of accumulated depreciation)	310,067
Infrastructure (net of accumulated depreciation)	13,185,581
Bond Issuance Cost (net)	63,458
<i>Total Noncurrent Assets</i>	23,899,939
<i>Total Assets</i>	26,989,723

The notes to the Financial Statements are an integral part of this statement.

	Business-type Activities
	Enterprise Fund
	Water &
	Sewer Fund
LIABILITIES	
<i>Current Liabilities</i>	
Accounts Payable	3,669
Deferred Revenue	6,173
Other Current Liabilities	328,565
Accrued Interest	1,227
Payroll Liabilities	3,797
Matured Debt Payable (net)	272,446
Compensation Absences	70,004
Due to other funds	294,549
<i>Total Current Liabilities</i>	980,430
 <i>Noncurrent Liabilities</i>	
Due in more than one year (net)	6,155,090
<i>Total Noncurrent Liabilities</i>	6,155,090
<i>Total Liabilities</i>	7,135,520
 NET ASSETS	
Invested In Fixed Assets Net of Related Debt	17,584,382
<i>Restricted for:</i>	
Debt Service	-
<i>Unrestricted</i>	2,269,821
<i>Total Net Assets</i>	\$ 19,854,203

City of Alamo, Texas
Statement of Revenues, Expenses, and Changes in Net Assets
Proprietary Funds
For the Year Ended September 30, 2010

	Business-type Activities
	Enterprise Fund
	Water &
	Sewer Fund
Operating Revenues	
Charges for services	\$ 2,869,762
<i>Total Operating Revenues</i>	<i>2,869,762</i>
 Operating Expenses	
Depreciation	386,406
Amortization	3,733
Water Department	440,531
Sewer Department	331,360
Water Plant Department	496,214
Water Billing	158,330
General Administration	120,083
Other Debt Fees	900
<i>Total Operating Expenses</i>	<i>1,937,557</i>
<i>Operating Income (Loss)</i>	<i>932,205</i>
 Non-Operating Revenues (Expenses)	
Interest revenue	3,718
Interest expense	(192,525)
<i>Net Non-Operating Revenues (Expenses)</i>	<i>(188,807)</i>
<i>Income Before Contributions and Transfers</i>	<i>743,398</i>
Transfers from other funds	27,000
Transfers to other funds	(316,152)
<i>Change In Net Assets</i>	<i>454,246</i>
<i>Net Assets at Beginning of Period</i>	<i>19,399,957</i>
<i>Net Assets at End of Period</i>	<i>\$ 19,854,203</i>

The notes to the Financial Statements are an integral part of this statement.

City of Alamo, Texas
Statement of Cash Flows
Proprietary Funds
For the Year Ended September 30, 2010

	<u>Water & Sewer Fund</u>
Cash Flows from Operating Activities:	
Cash Received from Customers	\$ 2,902,220
Cash Payments to Employees	(582,050)
Cash Payments to Other Suppliers for Goods and Services	(924,315)
Net Cash Provided (Used) by Operating Activities	<u>1,395,855</u>
Cash Flows from Non-capital Financing Activities:	
Transfer From (To) Primary Government	(289,152)
Transfer From (To) Other Funds	264,079
Net Cash Provided (Used) by Non-capital Financing Activities	<u>(25,073)</u>
Cash Flows from Capital and Related Financing Activities:	
Principal and Interest Paid	(482,823)
Capital asset acquisition	(370,990)
Net Cash Provided (Used) for Capital and Related Financing Activities	<u>(853,813)</u>
Cash Flows from Investing Activities:	
Interest and Dividends on Investments	3,718
Investment acquisition	20,898
Net Cash Provided (Used) for Investing Activities	<u>24,616</u>
Net Increase (Decrease) in Cash and Cash Equivalents	541,585
Cash and Cash Equivalents at Beginning of Year	434,320
Cash and Cash Equivalents at End of Year	<u>975,905</u>
Reconciliation of Operating Income to Net Cash	
Provided (Used) by Operating Activities:	
Operating Income (Loss)	932,205
Adjustments to Reconcile Operating Income to Net Cash	
Provided by Operating Activities	
Depreciation and amortization	390,139
Change in Assets and Liabilities:	
(Increase) Decrease in Receivables	32,460
(Increase) Decrease in Inventory	15,000
(Increase) Decrease in Prepaid and Other Assets	9,253
Increase (Decrease) in Wages and Salaries Payables	(656)
Increase (Decrease) in Payables	(2,566)
Increase (Decrease) in Compensated Absences	20,020
Total Adjustments	<u>73,511</u>
Net Cash Provided (Used) by Operating Activities	<u>\$ 1,395,855</u>

City of Alamo, Texas
Notes to Financial Statements
For the year ending September 30, 2010

I. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

A. General Statement

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

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

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

B. Financial Reporting Entity

The City's financial reporting entity comprises the following:

Primary Government: City of Alamo

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

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

Blended Component Unit

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

The City has one blended component unit, the Alamo Economic Development Corporation (AEDC). AEDC information is stated below:

Alamo Economic Development Corporation – (AEDC) is a nonprofit industrial development corporation organized for the purpose of promoting, assisting and enhancing economic development activities for the City as provided by the Development Corporation Act of 1979. Sales Taxes are collected under Section 4B of the Development Corporation Act of 1979 for these purposes. AEDC was incorporated on January 8, 1999. The AEDC board is fully appointed by the City Board of Commissioners. The reason it is a blended

City of Alamo, Texas
Notes to Financial Statements
For the year ending September 30, 2010

I. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

component unit is, because the City appoints all AEDC board members and can remove them at will, the AEDC board is substantially the same as the City governing body.

C. Government-Wide and Fund Financial Statements

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

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

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

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

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

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

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

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

City of Alamo, Texas
Notes to Financial Statements
For the year ending September 30, 2010

I. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

taxes as available if they are collected within 60 days after year-end. Expenditures are recorded when the related fund liability is incurred. However, debt service expenditures, as well as expenditures related to compensated absences are recorded only when payment is due.

The revenues susceptible to accrual are property taxes, franchise taxes, licenses, charges for service, interest income and intergovernmental revenues. Sales taxes collected and held by the state at year-end on behalf of the government are also recognized as revenue. All other governmental fund revenues are recognized when received.

Operating income reported in proprietary fund financial statements includes revenues and expenses related to the primary, continuing operations of the fund. Principal operating revenues for proprietary funds are charges to customers for sales or services. Principal operating expenses are the costs of providing goods and services and include administrative expenses and depreciation of capital assets. Other revenues and expenses are classified as non-operating in the financial statements.

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

E. Fund Types and Major Funds

Governmental Funds

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

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

Proprietary funds

The City reports the following major enterprise funds:

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

Other Fund Types

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

F. Assets, Liabilities and Net Assets or Equity

1. Cash and Investments

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

City of Alamo, Texas
Notes to Financial Statements
For the year ending September 30, 2010

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 ending September 30, 2010

I. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

7. Compensated Absences

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

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

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

8. Long-Term Obligations

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

9. Restricted Assets

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

10. Net Assets / Fund Equity

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

11. Estimates

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

II. STEWARDSHIP, COMPLIANCE AND ACCOUNTABILITY

A. Budgetary Data

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

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

City of Alamo, Texas
Notes to Financial Statements
For the year ending September 30, 2010

II. STEWARDSHIP, COMPLIANCE AND ACCOUNTABILITY (Continued)

year commencing the following October 1. The operating budget includes the proposed expenditures/expenses and the proposed method to finance them.

Dates for public hearings, the purpose of which are to obtain taxpayer's comments are set by the Board of Commissioners at the same time the budget is submitted to that body. The Board of Commissioners may add to, subtract from or change appropriations, but may not change the form of the proposed budget. Any changes must be within the revenue and reserves estimated as available by the City Manager. Prior to September 25 of each year, the budget is legally enacted through the passage of an ordinance.

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

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

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

B. Budget Basis of Accounting

The City prepares its annual budget on a basis (budget basis), which differs from generally accepted accounting principles (GAAP Basis). The budget and all transactions are presented in accordance with the City's method (budget basis) in the Statement of Revenues, Expenditures and Changes in Fund Balances – Budget and Actual – General fund to provide a meaningful comparison of actual results with the budget. The major differences between budget and GAAP basis are stated in the statement and schedules associated with the analysis of actual results to the budgeted expectations.

C. Excess of General Fund Expenditures over Appropriations

Expenditures exceeded appropriations of the general government functions in Street & Sanitation by \$30,850, Tax Collection by \$34,794 and Debt Principal by \$10,752.

D. Finance-Related Legal and Contractual Provisions

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

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

E. Deficit Fund Equity / Net Assets

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

City of Alamo, Texas
Notes to Financial Statements
For the year ending September 30, 2010

II. STEWARDSHIP, COMPLIANCE AND ACCOUNTABILITY (Continued)

F. Prior Period Adjustment

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

<u>General Fund</u>	
Adjustment to correct prior year compensated absences.	\$ 202,359
Adjustment to correct prior year expenditures of construction costs.	489,935
Adjustment to correct prior year's omission of deferred revenue.	(240,396)
Total General Fund	<u>451,898</u>
<u>Alamo Economic Development Corporation</u>	
Adjustment to correct prior year collections of sales tax.	<u>103,613</u>
Total Governmental Funds	<u>555,511</u>
Total Prior Period Adjustment (Changes in Fund Balance)	<u><u>555,511</u></u>
 <u>Water and Sewer Fund</u>	
Adjustment to correct prior year's omission of lease payments.	98,074
Adjustment to correct bond payable liability on Bond Series 2007.	165,000
Adjustment to correct bond payable liability on Bond Series 2000.	42,000
Adjustment to restate beginning land balance to correct amount.	7,200
Adjustment to correct prior year's omission of amortization amounts.	(7,466)
Adjustment to correct beginning accrued revenues to correct amount.	(6,173)
Total Water and Sewer Fund	<u>298,635</u>
Total Prior Period Adjustment (Changes in Net Assets)	<u>\$ 298,635</u>

III. DETAILED NOTES ON FUNDS AND COMPONENT UNITS

1. Deposits and Investments

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

At September 30, 2010, the carrying amount of the City's deposits was \$2,085,880. The City has one depository account:

Frost Bank

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

As of September 30, 2010, the City's bank balance of \$2,085,880 was not exposed to custodial credit risk and was insured and over-collateralized.

City of Alamo, Texas
Notes to Financial Statements
For the year ending September 30, 2010

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

2. Investments

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

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

Due to the extremely low interest rates, the City does not have any investments at September 30, 2010. The City's depository provides a greater savings rate according to the depository contract entered into. The funds are available immediately as needed.

Analysis of Specific Deposit and Investment Risks:

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

a. Interest Rate Risk

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

b. Credit Risk

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

c. Custodial Credit Risk

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

d. Concentration of Credit Risk

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

e. Foreign Currency Risk

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

City of Alamo, Texas
Notes to Financial Statements
For the year ending September 30, 2010

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

B. Receivables

Receivables for the City at September 30, 2010, were as follows:

Governmental Funds	Accounts		Total (Net)
	Receivable	Uncollectible	
Property Taxes	\$ 696,720	\$ (78,396)	\$ 618,324
Sales Taxes	466,119	-	466,119
Court Fines and Fees	289,936	(144,968)	144,968
Note Receivables	268,112	-	268,112
Utility Customers	110,386	-	110,386
Other Sources	287,313	-	287,313
	<u>\$ 2,118,586</u>	<u>\$ (223,364)</u>	<u>\$ 1,895,222</u>

Business-Type Funds	Accounts		Total (Net)
	Receivable	Uncollectible	
Utility Customers	\$ 479,682	\$ (86,379)	\$ 393,303
Other Sources	3,041	-	3,041
	<u>\$ 482,723</u>	<u>\$ (86,379)</u>	<u>\$ 396,344</u>

C. Deferred Revenue

Governmental funds report deferred revenue in connection with receivables for revenues that are not considered to be available to liquidate liabilities of the current period. Governmental funds defer revenue recognition in connection with resources that have been received, but not yet earned. At the end of the year, the various components of deferred revenue and unearned revenue reported in the fund financial statements were as follows:

Deferred Revenue Description	General		Water	Total
	Fund	AEDC	& Sewer	
Property Taxes	\$ 618,324	\$ -	\$ -	\$ 618,324
Accrued Bond Interest	18,790	-	6,173	24,963
Court Fines	144,968	-	-	144,968
	<u>\$ 637,114</u>	<u>\$ -</u>	<u>\$ 6,173</u>	<u>\$ 788,255</u>

Less Deferred Revenue-Property Taxes	(618,324)
Total Deferred Revenue for Primary Government	<u>\$ 169,931</u>

City of Alamo, Texas
Notes to Financial Statements
For the year ending September 30, 2010

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

D. Due from Other Funds

The City reports interfund balances between many of its funds. The total of all balances agrees with the sum of interfund balances presented in the statements of net assets/balance sheets for governmental and enterprise funds. The interfund balances are operational and short-term in nature. Interfund balances at September 30, 2010 consisted of the following:

		Due from					Totals
		General Fund	Economic Development	Capital Projects	Debt Service	Water & Sewer Fund	
Due To	General Fund	\$ 308,056	\$ 21,527	\$ 33,589	\$ 550	\$ 294,549	\$ 658,272
	Debt Service Funds	199,989					199,989
	Total Governmental Funds	508,045	21,527	33,589	550	294,549	858,260
	Water and Sewer Fund	271,394					271,394
	Total Enterprise Funds	271,394	-	-	-	-	271,394
	Totals	\$ 779,439	\$ 21,527	\$ 33,589	\$ 550	\$ 294,549	\$ 1,129,655

E. Interfund Transfers

The City reports interfund transfers between many of its funds. Interfund transfers for the year ended September 30, 2010, consisted of the following:

		Transfers Out			Totals
		Economic Development	Capital Projects	Water & Sewer Fund	
Transfers In	General Fund	\$ 150,000	\$ -	\$ 289,152	\$ 439,152
	Capital Project Funds	-	605,007		605,007
	Debt Service Funds	474,167			474,167
	Total Governmental Funds	624,167	605,007	289,152	1,518,326
	Water and Sewer Fund			27,000	27,000
	Total Enterprise Funds	-	-	27,000	27,000
	Totals	\$ 624,167	\$ 605,007	\$ 316,152	\$ 1,545,326

City of Alamo, Texas
Notes to Financial Statements
For the year ending September 30, 2010

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

F. Capital Assets

Capital asset activity for the year ended September 30, 2010 was as follows:

Primary Government	Restated			
Governmental Activities:	Beginning		Decreases	Ending
<i>Capital Assets not being depreciated:</i>	Balances	Increases		Balances
Land and right of way	\$ 1,359,299	\$ -	\$ -	\$ 1,359,299
Construction in Progress	571,249	659,358	(149,028)	1,081,579
Total capital assets, not being depreciated	1,930,548	659,358	(149,028)	2,440,878
<i>Capital assets, being depreciated:</i>				
Building and Improvements	10,417,355	149,028	-	10,566,383
Vehicles	1,913,308	94,387	-	2,007,695
Machinery & Equipment	1,551,284	241,049	-	1,792,333
Infrastructure	6,202,958	36,450	-	6,239,408
Total capital assets, being depreciated	20,084,905	520,914	-	20,605,819
<i>Less accumulated depreciation for:</i>				
Buildings and Improvement	(1,583,937)	(277,792)	-	(1,861,730)
Vehicles	(1,434,385)	(115,776)	-	(1,550,161)
Machinery & Equipment	(403,720)	(70,142)	-	(473,862)
Infrastructure	(1,668,537)	(192,678)	-	(1,861,215)
Total accumulated depreciation	(5,090,579)	(656,388)	-	(5,746,968)
Total capital assets, being depreciated, net	14,994,326	(135,474)	-	14,858,851
Governmental activities capital assets, net	\$ 16,924,874	\$ 523,883	\$ (149,028)	\$ 17,299,729
Business-Type Activities	Restated			
	Beginning		Decreases	Ending
<i>Capital Assets not being depreciated:</i>	Balances	Increases		Balances
Land and right of way	\$ 2,943,078	\$ -	\$ -	\$ 2,943,078
Construction in Progress	3,234,606	200,615	-	3,435,221
Total capital assets, not being depreciated	6,177,684	200,615	-	6,378,299
<i>Capital assets, being depreciated:</i>				
Building and Improvements	4,757,868	-	-	4,757,868
Vehicles	82,408	18,374	-	100,782
Machinery & Equipment	604,223	80,130	-	684,353
Infrastructure	16,686,711	71,872	-	16,758,583
Total capital assets, being depreciated	22,131,210	170,376	-	22,301,586
<i>Less accumulated depreciation for:</i>				
Buildings and Improvement	(715,011)	(101,122)	-	(816,133)
Vehicles	(76,132)	(3,851)	-	(79,983)
Machinery & Equipment	(311,745)	(62,541)	-	(374,286)
Infrastructure	(3,354,109)	(218,892)	-	(3,573,001)
Total accumulated depreciation	(4,456,997)	(386,406)	-	(4,843,403)
Total capital assets, being depreciated, net	17,674,213	(216,030)	-	17,458,183
Governmental activities capital assets, net	\$ 23,851,897	\$ (15,415)	\$ -	\$ 23,836,482

City of Alamo, Texas
Notes to Financial Statements
For the year ending September 30, 2010

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

F. Capital Assets (Continued)

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

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

G. Long Term Obligations

The following schedule summarizes the changes in long-term debt during year ended September 30, 2010 with compensated absences:

<u>Governmental Activities</u>	Original	Final	Coupon	Original	Outstanding
Description	Issue	Maturity	Rate %	Issue	Balance 10/01/2009
Bond Series 1998	10/1/1998	2/1/2013	4.83%	\$ 1,500,000	\$ 510,000
Bond Series 2003	6/15/2003	2/15/2021	2.00% - 4.00%	2,090,000	1,515,000
Bond Series 2003 - A	8/15/2003	2/15/2013	3.50% - 3.95%	1,715,000	760,000
Bond Series 2004	9/15/2004	2/15/2006	1.50% - 5.00%	4,300,000	3,640,000
Bond Series 2008	4/17/2008	2/15/2028	3.75%	3,000,000	2,930,000
				\$ 12,605,000	\$ 9,355,000

Interest paid on bonded indebtedness during the current year was \$ 362,588

<u>Business-Type Activities</u>	Original	Final	Coupon	Original	Outstanding
Description	Issue	Maturity	Rate %	Issue	Balance 10/01/2009
W & S, Bond Series 2000	6/1/2000	8/1/2040	4.50%	\$ 2,967,000	\$ 2,722,000
Bond Series 2007	10/18/2007	3/1/2027	2.20% - 2.75%	4,000,000	3,835,000
				\$ 6,967,000	\$ 6,557,000

Interest paid on bonded indebtedness during the current year was \$ 214,683

<u>Governmental Activities</u>	Outstanding	Issued	Retired	Outstanding	Amounts Due
Description	Balance 10/01/2009	Current	Current	Balance 9/30/201	Within One year
Bond Series 1998	\$ 510,000	\$ -	\$ 120,000	\$ 390,000	\$ 125,000
Bond Series 2003	1,515,000	-	105,000	1,410,000	110,000
Bond Series 2003 - A	760,000	-	180,000	580,000	185,000
Bond Series 2004	3,640,000	-	150,000	3,490,000	160,000
Bond Series 2008	2,930,000	-	110,000	2,820,000	110,000
Total Bonds Payable	\$ 9,355,000	\$ -	\$ 665,000	\$ 8,690,000	\$ 690,000

City of Alamo, Texas
Notes to Financial Statements
For the year ending September 30, 2010

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

G. Long Term Obligations (Continued)

<u>Business-Type Activities</u>	Outstanding	Issued	Retired	Outstanding	Amounts Due
Description	Balance 10/01/2009	Current	Current	Balance 9/30/2010	Within One year
W & S, Bond Series 2000	\$ 2,722,000	\$ -	\$ 42,000	\$ 2,680,000	\$ 43,000
Bond Series 2007	3,835,000	-	170,000	3,665,000	175,000
Total Bonds Payable	\$ 6,557,000	\$ -	\$ 212,000	\$ 6,345,000	\$ 218,000

<u>Governmental Activities</u>	Beginning	Increases	Decreases	Ending	Amounts Due
Obligation	Balance	Increases	Decreases	Balance	Within One year
General Obligation Bonds	\$ 9,355,000	\$ -	\$ 665,000	\$ 8,690,000	\$ 690,000
Capital Leases	379,614	-	187,032	192,582	127,040
Sick and Vacation Leave	202,330	35,914	-	238,244	-
Total Governmental Activities	\$ 9,936,944	\$ 35,914	\$ 852,032	\$ 9,120,826	\$ 817,040

<u>Business-Type Activities</u>	Beginning	Increases	Decreases	Ending	Amounts Due
Obligation	Balance	Increases	Decreases	Balance	Within One year
General Obligation Bonds	\$ 6,557,000	\$ -	\$ 212,000	\$ 6,345,000	\$ 218,000
Capital Leases	134,749	-	52,214	82,535	54,446
Sick and Vacation Leave	72,570	-	2,566	70,004	-
Total Business-Type Activities	\$ 6,764,319	\$ -	\$ 266,780	\$ 6,497,539	\$ 272,446

1. Certificate of Obligation & Capital Leases

Debt service requirements of bonds and capital leases payables at September 30, 2010 are as follows:

Certificates of Obligation Payable

Year Ended September 30,	Governmental Activities			Business-Type Activities		
	Principal	Interest	Total	Principal	Interest	Total
2011	\$ 690,000	\$ 335,353	\$ 1,025,353	\$ 218,000	\$ 208,998	\$ 426,998
2012	715,000	307,300	1,022,300	225,000	203,158	428,158
2013	740,000	278,514	1,018,514	232,000	197,071	429,071
2014	425,000	256,034	681,034	240,000	190,738	430,738
2015	435,000	240,481	675,481	247,000	184,108	431,108
Total Certificates of Obligation Payable	\$ 3,005,000	\$ 1,417,682	\$ 4,422,682	\$ 1,162,000	\$ 984,073	\$ 2,146,073

Capital Leases Payable

Year Ended September 30,	Governmental Activities			Business-Type Activities		
	Principal	Interest	Total	Principal	Interest	Total
2011	\$ 127,040	\$ 6,817	\$ 133,857	\$ 54,446	\$ 2,921	\$ 57,367
2012	65,542	1,386	66,928	28,090	594	28,684
Total Capital Leases Payable	\$ 192,582	\$ 8,203	\$ 200,785	\$ 82,536	\$ 3,515	\$ 86,051

City of Alamo, Texas
Notes to Financial Statements
For the year ending September 30, 2010

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

H. Notes Receivable – AEDC Blended Component Unit

Notes receivable for the Alamo Economic Development Corporation at September 30, 2010 are as follows:

Note	Outstanding Balance As of 10/1/2009	Increases	Decreases	Outstanding Balance As of 9/30/2010
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.	\$150,000	\$	\$15,932	\$134,068
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.	-	150,000	15,955	134,045
Totals	\$150,000	\$150,000	\$31,887	\$268,113

IV. OTHER INFORMATION

A. Risk Management

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

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

B. 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.

City of Alamo, Texas
Notes to Financial Statements
For the year ending September 30, 2010

IV. OTHER INFORMATION (Continued)

2. Litigation

The City is a defendant in various lawsuits. Although the outcome of these lawsuits is not presently determinable, it is the opinion of the City's legal counsel and management that resolution of these matters will not have a material adverse effect on the financial condition of the City at September 30, 2010.

C. Employee Retirement Benefits

A. Plan Description

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

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

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

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

	Plan Year 2009	Plan Year 2009
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

B. Contributions

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

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

Three-Year Trend Information				
Fiscal Year Ending	Annual Pension Cost(APC)	Actual Contribution Made	Percentage of APC Contributed	Net Pension Obligation/ (Asset)
2007	\$ 195,804	\$ 195,804	100%	\$ -
2008	\$ 227,239	\$ 227,239	100%	\$ -
2009	\$ 239,465	\$ 239,465	100%	\$ -

City of Alamo, Texas
Notes to Financial Statements
For the year ending September 30, 2010

IV. OTHER INFORMATION (Continued)

C. Employee Retirement Benefits (Continued)

The required contribution rates for fiscal year 2010 were determined as part of the December 31, 2007 and 2008 actuarial valuations. Additional information as of the latest actuarial valuation, December 31, 2009, also follows:

Valuation Date	12/31/2007	12/31/2008	12/31/2009
Actuarial Cost Method	Projected Unit Credit	Projected Unit Credit	Projected Unit Credit
Amortization Method	Level Percent of Payroll	Level Percent of Payroll	Level Percent of Payroll
GASB 25 Equivalent Single	30 years; closed period	29 years; closed period	28 years; closed period
Asset Valuation Method	Amortized Cost	Amortized Cost	10-Year Smooth Market
Actuarial Assumptions:			
Investment Rate of Return *	7.00%	7.50%	7.50%
Projected Salary Increases *	Varies by age and service	Varies by age and service	Varies by age and service
* Includes Inflation at	3.00%	3.00%	3.00%
Cost-of-Living Adjustments	2.10%	2.10%	2.10%

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

Actuarial Valuation Date	Actuarial Value of Assets	Actuarial Accrued Liability (AAL)	Funded Ratio	Unfunded AAL (UAAL)	Covered Payroll	UAAL as a Percentage of Covered Payroll
	(1)	(2)	(3)	(4)	(5)	(6)
			(1) / (2)	(2) - (1)		(4) / (5)
12/31/2009	\$3,239,222	\$4,891,044	66.2%	\$1,651,822	\$3,201,420	51.6%

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

D. Urban County

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

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

E. Subsequent Events

For the purposes of reporting subsequent events, management has considered events occurring up to March 18, 2011, the date the report was available to be issued. No 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 basic financial statements.

City of Alamo, Texas
Schedule of Funding Progress for Retirement Plan (Unaudited)
For the Year Ended September 30, 2010

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)	(1) / (2)	(2) - (1)	(5)	(4) / (5)
12/31/2007	\$2,415,507	\$3,983,993	60.6%	\$1,568,486	\$2,882,247	54.4%
12/31/2008	\$2,863,495	\$4,481,876	63.9%	\$1,618,381	\$2,996,415	54.0%
12/31/2009	\$3,239,222	\$4,891,044	66.2%	\$1,651,822	\$3,201,420	51.6%

City of Alamo, Texas
Statement of Revenues, Expenditures, and Changes in Fund Balance-Budget and Actual
General Fund
For the Year Ended September 30, 2010

	<u>Budgeted Amounts</u>		<u>Actual</u>	<u>Variance</u>
	<u>Original</u>	<u>Final</u>	<u>Budget</u> <u>Basis</u>	<u>Favorable</u> <u>(Unfavorable)</u> <u>Final to Actual</u>
Revenues				
Property taxes	\$ 2,189,851	\$ 2,197,851	\$ 2,279,091	\$ 81,240
Sales taxes	2,263,556	2,213,556	2,219,319	5,763
Franchise taxes	411,018	411,018	429,137	18,119
Licenses & permits	79,980	76,980	93,124	16,144
Fines and fees	1,315,212	1,293,212	1,236,273	(56,939)
Miscellaneous revenues	6,500	6,500	5,681	(819)
Charges for services	745,104	826,045	607,594	(218,451)
Other taxes	550	550	189	(361)
Interest revenue	27,800	8,800	8,406	(394)
Intergovernmental revenues	243,125	263,161	297,682	34,521
Total Revenues	<u>7,282,696</u>	<u>7,297,673</u>	<u>7,176,496</u>	<u>(121,177)</u>
Other Financing Sources				
Transfers in	-	-	326,652	326,652
Total Revenues and Other Financing Sources	<u>7,282,696</u>	<u>7,297,673</u>	<u>7,503,148</u>	<u>205,475</u>
Expenditures				
City Commission	59,745	65,745	52,327	13,418
General Administration	1,879,832	1,987,002	1,750,941	236,061
Comm Planning & Development	221,957	221,957	202,615	19,342
Police Department	2,017,399	1,955,704	1,938,314	17,390
Municipal Court	140,184	150,184	114,018	36,166
Library	234,985	237,350	228,939	8,411
Fire Department	661,625	672,521	646,196	26,325
Parks & Recreation	300,750	300,237	290,562	9,675
Street & Sanitation	521,001	521,001	551,851	(30,850)
Swimming Pool	89,918	85,418	74,560	10,858
City Manager	142,498	142,498	137,711	4,787
Purchasing Department	91,603	87,603	76,699	10,904
City Secretary	78,004	78,004	66,693	11,311
Finance	324,216	319,821	314,681	5,140
Tax Collection	137,068	137,068	171,862	(34,794)
Principal	175,929	176,279	187,031	(10,752)
Interest	24,519	24,719	14,765	9,954
Capital outlay	276,265	796,461	654,126	142,335
Total Expenditures	<u>7,377,498</u>	<u>7,959,572</u>	<u>7,473,891</u>	<u>485,681</u>

City of Alamo, Texas
Statement of Revenues, Expenditures, and Changes in Fund Balance-Budget and Actual
General Fund
For the Year Ended September 30, 2010

	<u>Budgeted Amounts</u>		<u>Actual Budget Basis</u>	<u>Variance Favorable (Unfavorable) Final to Actual</u>
	<u>Original</u>	<u>Final</u>		
Other Financing Uses				
Transfers to other funds	-	-	112,500	(112,500)
<i>Total Expenditures and Other Financing Uses</i>	<u>7,377,498</u>	<u>7,959,572</u>	<u>7,586,391</u>	<u>373,181</u>
<i>Excess (Deficiency) of Revenues and Other Sources Over Expenditures and Other Uses</i>	<u>(94,802)</u>	<u>(661,899)</u>	<u>(83,243)</u>	<u>578,656</u>
<i>Net Change in Fund Balance</i>	<u>(94,802)</u>	<u>(661,899)</u>	<u>(83,243)</u>	<u>578,656</u>
<i>Fund Balance at Beginning of Period</i>	<u>3,016,174</u>	<u>3,016,174</u>	<u>3,016,174</u>	<u>-</u>
<i>Fund Balance at End of Period</i>	<u>\$ 2,921,372</u>	<u>\$ 2,354,275</u>	<u>\$ 2,932,931</u>	<u>\$ 578,656</u>

Other Supplementary Information

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

Single Audit Section

CITY OF ALAMO, TEXAS
SCHEDULE OF DELINQUENT TAXES RECEIVABLE
FOR THE YEAR ENDED AUGUST 31, 2010

Year Ended 31-Aug	1 Tax Rates Maintenance		2 Debt Service		3 Assessed/Appraised Value For City Tax Purposes	
2001 and Prior Years	\$	Various	\$	Various	\$	Various
2002		0.4808		0.0556		250,854,753.00
2003		0.4816		0.0548		268,051,593.00
2004		0.4756		0.0478		293,870,575.00
2005		0.4195		0.1343		318,667,626.00
2006		0.4014		0.1524		337,815,384.00
2007		0.4457		0.1472		363,816,329.00
2008		0.4457		0.1472		339,374,302.00
2009		0.4684		0.1235		439,311,243.00
2010 (Year Under Audit)		0.4839		0.1079		-
1000 Totals						

	10 Beginning Balance October 1, 2009	20 Current Year's Total Levy	31 Maintenance Collections	32 Debt Service Collections	40 Entire Year's Adjustments	50 Ending Balance September 30, 2010
\$	159,370	\$ -	\$ 9,028	\$ 313	\$ (5,321)	144,709
	19,842	-	1,012	117	(658)	18,055
	19,651	-	1,776	202	(494)	17,179
	25,277	-	2,750	276	(764)	21,487
	36,127	-	2,924	936	(1,118)	31,150
	43,434	-	4,439	1,683	(1,420)	35,892
	65,366	-	17,591	5,802	(1,306)	40,668
	103,941	-	29,126	8,276	(5,460)	61,078
	201,175	-	70,381	18,558	(8,229)	104,008
	-	2,742,942	2,048,079	456,295	(16,073)	222,495
\$	674,183	\$ 2,742,942	\$ 2,187,105	\$ 492,458	\$ (40,842)	696,720

Allowance for Uncollectible Taxes	<u>78,396</u>
Total	<u><u>618,324</u></u>



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

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*Oscar R. González
Melissa González*

**Report on Internal Control over Financial Reporting and on Compliance and
Other Matters Based on an Audit of Financial Statements Performed in
Accordance with *Government Auditing Standards***

To the City Council
City of Alamo, Texas

We have audited the financial statements of the governmental activities, the business-type activities, the aggregate discretely presented component units, each major fund, and the aggregate remaining fund information of City of Alamo, Texas, as of and for the year ended September 30, 2010, which collectively comprise the City of Alamo, Texas' basic financial statements and have issued our report thereon dated March 18, 2011. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

Internal Control Over Financial Reporting

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

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

Our consideration of internal control over financial reporting was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control over financial reporting that might be deficiencies, significant deficiencies, or material weaknesses. We did not identify any deficiencies in internal control over financial reporting that we consider to be material weaknesses, as defined above. However, we identified certain deficiencies in internal control over financial reporting, described in the accompanying schedule of findings and questioned costs that we consider to be significant deficiencies in internal control over financial reporting, 2010-1 & 2010-2

A *significant deficiency* is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

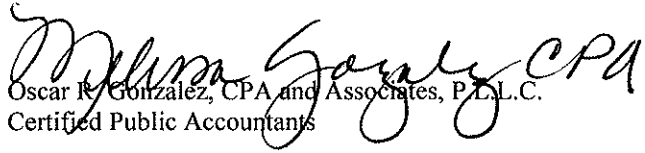
Compliance and Other Matters

As part of obtaining reasonable assurance about whether City of Alamo, Texas' financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion.

We noted certain matters that we reported to management of City of Alamo, Texas, in a separate letter dated March 18, 2011.

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

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

CPA
Oscar R. Gonzalez, CPA and Associates, P.L.L.C.
Certified Public Accountants

Pharr, Texas
March 18, 2011

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

**Report on Compliance with Requirements Applicable
To each Major Program and on Internal Control over Compliance
In Accordance with OMB Circular A-133**

To the City Council
City of Alamo, Texas

Compliance

We have audited the compliance of City of Alamo, Texas with the types of compliance requirements described in the U. S. Office of Management and Budget (OMB) Circular A-133 *Compliance Supplement* that are applicable to each of its major federal programs for the year ended September 30, 2010. City of Alamo, Texas' major federal programs are identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs. Compliance with the requirements of laws, regulations, contracts, and grants applicable to each of its major federal programs is the responsibility of City of Alamo, Texas' management. Our responsibility is to express an opinion on City of Alamo, Texas' compliance based on our audit.

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

In our opinion, City of Alamo, Texas, complied, in all material respects, with the requirements referred to above that are applicable to each of its major federal programs for the year ended September 30, 2010.

Internal Control Over Compliance

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

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

Our consideration of internal control over compliance was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control over compliance that might be deficiencies, significant deficiencies, or material weaknesses. We did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses, as defined above.

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

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

 CPA
Oscar R. Gonzalez, CPA and Associates, P.L.L.C.
Certified Public Accountants

Pharr, Texas
March 18, 2011

CITY OF ALAMO, TEXAS
Schedule of Findings and Questioned Costs
For the Year ended September 30, 2010

A. Summary of Auditor's Results

1. Financial Statements

Type of auditor's report issued: Unqualified

Internal control over financial reporting:

One or more material weaknesses identified? _____ YES X NO

One or more significant deficiencies identified that are not considered to be material weaknesses? X YES _____ None Reported

Non-compliance material to financial statements noted? _____ YES X NO

2. Federal Awards

Internal control over major programs:

One or more material weaknesses identified? _____ YES X NO

One or more significant deficiencies identified that are not considered to be material weaknesses? _____ YES X None Reported

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

Any audit findings disclosed that are required to be reported in accordance with section 510 (a) of Circular A-133? _____ YES X NO

Identification of major programs:

<u>CFDA Numbers</u>	<u>Name of Federal Program or Cluster</u>
10.769	Rural Business Enterprise Grants
16.710	Public Safety Partnership and Community Policing Grants
16.804	Recovery Act - Edward Byrne Memorial Justice Assistance Grant

Dollar threshold used to distinguish between type A and type B programs: \$300,000

Auditee qualified as a low-risk auditee? X YES _____ NO

CITY OF ALAMO, TEXAS
Schedule of Findings and Questioned Cost
For the Year Ended September 30, 2010

B. Financial Statement Findings

INTERNAL CONTROL OVER FINANCIAL REPORTING

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

Criteria: Accounting personnel should have the sufficient expertise to prepare financial statements in accordance to GAAP.

Condition: The City Financial Personnel possess the necessary accounting expertise to reliably initiate, authorize and process financial data for internal management purposes. However, their job functions are not designated to require that they maintain current expertise in financial reporting requirements for externally released financial statements that are prepared in accordance with generally accepted accounting principles including the presentation format of the financial statements and all the related footnotes that accompany such financials. This condition limits the ability of the finance department to identify and communicate deficiencies found in the compilation of financial statement information to the appropriate level of authority.

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

Auditee's Response: The City Finance Department has purchased the software needed to prepare the financial statements and footnotes in accordance to GAAP. The Finance Department personnel is currently training to prepare the City's financial statements and notes in compliance with GAAP.

Questioned Costs: - \$0 -

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

Criteria: Finance Department should incorporate appropriate methods to account for expenditures classified as part of the construction in process of an initiated and not completed project.

Condition: Finance Department lacks appropriate methods to account for expenditures classified as a project's construction in progress. In order to assure the appropriate and effective reporting and accounting of the City's construction projects, proper recording and accumulation techniques should be in place with regards to expenditures classified as construction in process. Failure to correctly record and accumulate construction in process expenditures could result in the misstatement of property records as well as financial statements.

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

Auditee's Response: Recording and accumulation techniques have been modified to efficiently maintain and update the recording and tracking of expenditures for projects under construction in process.

Questioned Costs: - \$0 -

FINANCIAL STATEMENT PREPARATION AND OTHER REPORTING MATTERS

Criteria: Accounting personnel should have the sufficient expertise to prepare financial statements in accordance to GAAP.

Auditee's Response: Auditee does not concur with the assertion 1.) that staff should have the sufficient expertise to prepare financial statements in accordance to GAAP

Auditee does not concur with 2.) the implication or assertion that staff does not have the expertise to prepare financial statements in accordance to GAAP and

Auditee does not concur with 3.) the assertion that "this condition limits the ability of the finance department to identify and communicate deficiencies found in the compilation of financial statement information to the appropriate level of authority.

- 1) Auditee **does not concur** "that staff should have" GAAP expertise because:
 - a. as stated by the auditor there is "an alternative, they can contract a Certified Public Accountant. " The reason for this, as we have verified with other cities, is that many cities do not have the in-house expertise, software or staff to produce GAAP Statements.
 - b. as stated by the auditor "their job functions are not designated to require that they maintain current expertise in financial reporting requirements for externally released financial statements that are prepared in accordance with GAAP". This has also been verified with other cities; most do not have this requirement for obvious reasons such as staffing or budget constraints.
- 2.) Auditee **does not concur** that staff does not have the expertise to prepare financial statements in accordance to GAAP because:
 - a. Staff does have the expertise and the software to produce GAAP Statements. Copies of the GAAP statements generated in-house by finance staff are attached; the auditor never requested these statements or they would have been provided (a copy of the "list of information needed for the audit year ending in September 30, 2010" and Auditors "engagement letter" is attached).
 - b. However, as an alternative, the same auditor was contracted to audit the City of Alamo and prepare the FY 05-06 and FY 06-07 GAAP Statements and produced such without asserting any findings such as these being made for the FY 09-10 audit.
 - c. The auditor contracted for the FY 07-08 and FY 08-09 audit also produced the GAAP Statements without reference to any findings such as these being made by the current auditor.
- 3.) Auditee does not concur that the "alleged" lack of expertise to prepare financial statements according to GAAP constitutes a condition that "limits the ability of the finance department to identify and communicate deficiencies found in the compilation of financial statement information to the appropriate level of authority" because:

- a. This assertion is contrary to industry standards where all the cities surveyed do not provide monthly or quarterly GAAP Statements to higher levels of authority but do so only on a yearly basis when the audit is presented
- b. The City Commission has been provided with yearly GAAP Statements when the audit is presented in accordance with industry standards
- c. Any deficiencies found in the compilation of financial statements are provided to higher levels of authority by the finance department on a monthly basis or more frequently as required
- d. Evidence of timely and complete reporting of any deficiencies was attested to by the auditor in his presentation of the audit for FY 09-10 by stating to the City Commission that he was providing an **Unqualified Opinion** and commended the City for its outstanding financial performance for the year.

CONTROL OVER PROJECTS UNDER CONSTRUCTION IN PROCESS

Criteria: Finance Department should incorporate appropriate methods to account for expenditures classified as part of the construction in process of an initiated and not completed project.

Auditee's Response: Auditee **does not concur** with the implication that **no** "appropriate methods to account for expenditures classified as part of the construction in process of an initiated and not completed project" are in place.

Auditee concurs that improvements can be made to the existing methods and awaits any recommendations from the auditor on how to improve our current process of maintaining and updating our recording methods.

Auditee requests that auditor **modify** Criteria and Condition language to state that current methods should be improved.

CITY OF ALAMO, TEXAS
Schedule of Expenditures of Federal Awards
For the Year ended September 30, 2010

(1)	(2)	(3)	(4)
Federal Grantor/ Pass-Through Grantor/ Program Title	Federal CFDA Number	Pass-Through Entity Identifying Number	Federal Expenditures
<u>U.S. ENVIRONMENTAL PROTECTION AGENCY</u>			
Passed Through Texas Water Development Board:			
Capitalization Grants for Clean Water State Revolving Funds	66.458	72138	\$ 200,614
TOTAL U.S. ENVIRONMENTAL PROTECTION AGENCY			<u>200,614</u>
 <u>U.S. DEPARTMENT OF JUSTICE</u>			
Passed through Direct Programs:			
Public Safety Partnership and Community Policing Grants	16.710	2009-RK-WX-0824	37,260
Recovery Act - Byrne Memorial Justice Assistance Grant	16.804	2009-SB-B9-0739	26,176
Recovery Act - Byrne Memorial Justice Assistance Grant	16.804	2223701	66,166
TOTAL U.S. DEPARTMENT OF JUSTICE			<u>129,602</u>
 <u>U.S. DEPARTMENT OF HOMELAND SECURITY</u>			
Passed through the Texas Homeland Security Office:			
State Homeland Security Program	97.073	2009-SS-T9-0064	42,239
TOTAL U.S. DEPARTMENT OF HOMELAND SECURITY			<u>42,239</u>
 <u>U.S. DEPARTMENT OF AGRICULTURE</u>			
Passed through Direct Programs:			
Rural Business Enterprise Grants	10.769	50008042914955600	150,000
TOTAL U.S. DEPARTMENT OF AGRICULTURE			<u>150,000</u>
TOTAL EXPENDITURES OF FEDERAL AWARDS			<u>\$ 522,455</u>

CITY OF ALAMO, TEXAS
Notes to the Schedule of Expenditures of Federal Awards
For The Year Ended September 31, 2010

Basis of Presentation

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