

**CITY OF ALAMO, TEXAS**  
**AUDITED ANNUAL FINANCIAL REPORT**  
**FOR THE YEAR ENDED SEPTEMBER 30, 2013**

**City of Alamo, Texas  
Annual Financial Report  
For the Year Ended September 30, 2013**

**Principal Officials**

**MAYOR**

Diana Martinez

**CITY COMMISSION**

M. Pilar Garza - Mayor Pro-Tem  
Roberto De La Garza - Commissioner  
Amelia V. Gallegos - Commissioner  
Trinidad Medina - Commissioner

**OTHER OFFICIALS**

Luciano Ozuna, Jr. - City Manager  
Enrique Guzman - Finance Director

**City of Alamo, Texas**  
**Annual Financial Report**  
**For the Year Ended September 30, 2013**

**Table of Contents**

	Page
Principal Officials	i
 <u>Financial Section</u>	
Independent Auditor's Report	1-2
Management's Discussion and Analysis	3-10
Basic Financial Statements:	
Government-Wide Financial Statements	
Statement of Net Position	11-12
Statement of Activities	13-14
Fund Financial Statements:	
Governmental Funds:	
Balance Sheet	15
Reconciliation of Governmental Funds Balance Sheet to the Statement of Net Position	16
Statement of Revenues, Expenditures, and Changes in Fund Balance	17
Reconciliation of Governmental Funds Statement of Revenues, Expend- itures, and Changes in Fund Balance to the Statement of Activities	18
Proprietary Funds:	
Statement of Net Position	19
Statement of Revenues, Expenses, and Changes in Net Position	20
Statement of Cash Flows	21
Notes to Basic Financial Statements	22-41
 <u>Required Supplementary Information</u>	
Schedule of Funding Progress for Retirement Plan (Unaudited)	42
Schedule of Revenues, Expenditures, and Changes in Fund Balance - Budget and Actual - General Fund	43
 <u>Other Supplementary Information</u>	
Schedule of Delinquent Taxes Receivable	44-45
Schedule of Revenues and Expenses to Indicate Net Revenue Available for Debt Service	46

**City of Alamo, Texas**  
**Annual Financial Report**  
**For the Year Ended September 30, 2013**

**Table of Contents**

	<u>Page</u>
<u>Other Supplementary Information (Continued)</u>	
Combining Balance Sheet - Non-Major Governmental Funds	47-48
Combining Statement of Revenues, Expenditures and Changes in Fund Balance - Non Major Governmental Funds	49-50
<u>Single Audit Section</u>	
Independent Auditor's Report on Internal Control Over Financial Reporting and on Compliance and Other Matters Based on an Audit of Financial Statements Performed in Accordance with Government Auditing Standards	51-52
Independent Auditor's Report on Compliance for each Major Program and on Internal Control Over Compliance required by OMB Circular A-133	53-54
Schedule of Findings and Questioned Costs	55-56
Schedule of Expenditures of Federal and State Awards	57
Notes to Schedule of Expenditures of Federal and State Awards	58
Summary Schedule of Prior Year Audit Findings	59
Corrective Action Plan	60

**FINANCIAL SECTION**

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

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

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

Email: org110n@aol.com

**Oscar R. González**  
**Melissa González**

INDEPENDENT AUDITOR'S REPORT

To the City Commission of  
City of Alamo, Texas

**Report on the Financial Statements**

We have audited the accompanying financial statements of the governmental activities, the business-type activities, the blended component units, each major fund, and the aggregate remaining fund information of City of Alamo, Texas, as of and for the year ended September 30, 2013, and the related notes to the financial statements, which collectively comprise the City's basic financial statements as listed in the table of contents.

***Management's Responsibility for the Financial Statements***

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

***Auditor's Responsibility***

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

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

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

***Opinions***

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, the blended component units, each major fund, and the aggregate remaining fund information of the City of Alamo, Texas, as of September 30, 2013, and the respective changes in financial position, and, where applicable, cash flows thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America

***Emphasis of Matter***

As described in Note IV. E. to the financial statements the City adopted the provisions of GASB Statement No. 63, *Financial reporting of Deferred Outflow of Resources, Deferred Inflow of Resources and Net Position* and GASB Statement No. 65, *Items Previously Reported as Assets and Liabilities*, as of September 31, 2013. Our opinion is not modified with respect to this matter.

## **Other Matters**

### *Required Supplementary Information*

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis, schedule of funding progress, and budgetary comparison information on pages 3–10 and 42-43 be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

### *Other Information*

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the City of Alamo, Texas basic financial statements. The combining and individual non-major fund financial statements are presented for purposes of additional analysis and are not a required part of the basic financial statements. The 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 basic financial statements.

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

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

In accordance with *Government Auditing Standards*, we have also issued our report dated March 10, 2014, on our consideration of the City of Alamo, Texas' internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering City of Alamo, Texas internal control over financial reporting and compliance.

*Oscar R. Gonzalez, CPA & Associates PLLC*

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

March 10, 2014

**MANAGEMENT'S DISCUSSION AND ANALYSIS**

## Management's Discussion and Analysis

As management of the City of Alamo, Texas (the City), we offer readers of the City's financial statements this narrative overview and analysis of the financial activities of the City of Alamo, Texas for the fiscal year ended September 30, 2013. We encourage readers to consider the information presented here in conjunction with the City's financial statements, which follow this section.

### Financial Highlights

- The City's combined assets from governmental and business-type activities exceeded its liabilities at the close of the most recent fiscal year by over \$43,047,090, compared to \$39,591,234 in the prior year.
- The City's total net position increased by \$3,294,042, not including a prior year adjustment of \$161,814; of which 24 percent of the increase is attributed to governmental activities, and 76% to business-type activities.
- The City's governmental activities' assets exceeded its liabilities at the close of the most recent fiscal year by \$18,840,052 (net position) and \$17,825,134 (net position) in the prior year.
- The assets of the City's business-type activities exceeded its liabilities at the close of the most recent fiscal year by \$24,207,038 (net position) and \$21,766,100 (net position) in the prior year. Of this amount, \$3,379,160 (unrestricted net position), may be used to meet the water and sewer systems ongoing obligations to citizens and creditors.
- Unassigned fund balance for the general fund was \$2,977,342 and \$2,648,318 for 2013 and 2012 respectively, or 36.49% of total general fund expenditures.
- The City's governmental activities debt increased by \$6,211,905; and business-type activities debt decreased by \$259,653 in the current fiscal year. The increase for the current fiscal year included the financing of additional equipment for the police department, fire department, parks department, streets department, storm water management department, and the water department.

### Overview of the Financial Statements

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

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

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

The statement of activities presents information showing how the City's net position changed during the most recent fiscal year. All changes in net position are reported as soon as the underlying event giving rise to the change occurs, regardless of the timing of related cash flows. Thus, revenues and expenses are

## Management's Discussion and Analysis

reported in this statement for some items that will only result in cash flows in future fiscal periods (e.g., uncollected taxes and earned but unused vacation leave).

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

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

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

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

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

The City adopts an annual appropriated budget for all of its governmental funds with the exception of grant funded special revenue funds and capital projects funds, if any. The basic governmental fund financial statements can be found on pages 15 through 18 of this report.

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

## Management's Discussion and Analysis

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

*Notes to financial statements* – The notes provide additional information that is essential to a full understanding of the data provided in the government-wide and fund financial statements. The notes to the financial statements can be found on pages 22 through 41 of this report.

### Government-wide Financial Analysis

As noted earlier, net position may serve over time as a useful indicator of a government's financial position. In the case of the City, assets exceeded liabilities by \$43,047,090 and \$39,535,242 for 2013 and 2012 as adjusted, respectively, for governmental activities. One of the largest portions of the City's net position (30 percent) reflects its investment in capital assets (e.g., land building, machinery, and equipment), less any related debt used to acquire those assets that are still outstanding.

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

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

*(Table presented on next page)*

## Management's Discussion and Analysis

### City of Alamo, Texas Net Position

	Governmental Activities		Business-type Activities		Totals		Increase
	2013	2012	2013	2012	2013	2012	(Decrease)
Current Assets	\$ 14,766,265	\$ 8,211,174	\$ 6,294,329	\$ 7,990,712	\$ 21,060,594	\$ 16,201,886	\$ 4,858,708
Non-Current Assets	20,712,664	19,947,453	26,772,447	24,894,099	47,485,111	44,841,552	2,643,559
<b>Total Assets</b>	<b>35,478,929</b>	<b>28,158,627</b>	<b>33,066,776</b>	<b>32,940,803</b>	<b>68,545,705</b>	<b>61,043,438</b>	<b>7,502,267</b>
<b>Aggregate Deferred</b>							
<b>Outflows of Resources</b>	114,852	-	-	-	114,852	-	114,852
Current Liabilities	1,842,262	2,151,811	3,141,264	5,189,775	4,983,526	7,341,586	(2,358,060)
Non-Current Liabilities	14,327,804	8,181,681	5,718,474	5,984,928	20,046,278	14,166,609	5,879,669
<b>Total Liabilities</b>	<b>16,170,066</b>	<b>10,333,492</b>	<b>8,859,738</b>	<b>11,174,703</b>	<b>25,029,804</b>	<b>21,508,195</b>	<b>3,521,609</b>
<b>Aggregate Deferred</b>							
<b>Inflows of Resources</b>	583,663	-	-	-	583,663	-	583,663
Net Invested in							
Capital Assets	12,713,384	11,196,310	20,827,878	18,689,876	33,541,262	29,886,186	3,655,076
Restricted	3,845,218	3,717,842	-	-	3,845,218	3,717,842	127,376
Unrestricted	2,281,450	2,910,982	3,379,160	3,020,232	5,660,610	5,931,214	(270,604)
<b>Total Net Position</b>	<b>\$ 18,840,052</b>	<b>\$ 17,825,134</b>	<b>\$ 24,207,038</b>	<b>\$ 21,766,100</b>	<b>\$ 43,047,090</b>	<b>\$ 39,535,242</b>	<b>\$ 3,511,848</b>

**Governmental activities.** Governmental activities increased the City's net position by \$797,112, not including prior period adjustments in the amount of \$217,806.

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

The City's net position increased by \$3,294,042 during the current fiscal year. This increase represents revenues of \$9,794,115 and expenses of \$9,370,327 in governmental funds. Revenues for the business-type funds were \$5,561,484 of which \$1,992,606 are operating grants and \$1,504 are interest, compared to \$2,691,230 in operating and interest expenses.

The business-type activities increased net position to \$24,207,038 in 2013. This was an increase of \$2,496,930 in net position from the prior year amount of \$21,766,100 which was also affected by a prior period adjustment in the amount of (\$55,992).

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

## Management's Discussion and Analysis

### City of Alamo, Texas Changes in Net Position

	Governmental		Business-Type		Totals	
	Activities		Activities			
	2013	2012	2013	2012	2013	2012
Revenues						
<u>Program Revenues</u>						
Charges for Services	\$ 2,260,603	\$ 2,226,554	\$ 3,567,374	\$ 3,437,288	\$ 5,827,977	\$ 5,663,842
Operating Grants and Contributions	519,801	517,019	-	-	519,801	517,019
Capital Grants and Contributions	-	250,000	1,992,606	77,118	1,992,606	327,118
<u>General Revenues</u>						
Property Tax	2,901,895	2,752,818	-	-	2,901,895	2,752,818
Sales Tax	3,374,825	3,357,024	-	-	3,374,825	3,357,024
Other Tax	633,334	618,140	-	-	633,334	618,140
Other Revenues	103,657	184,621	1,504	1,346	105,161	185,967
<b>Total Revenues</b>	<b>\$ 9,794,115</b>	<b>\$ 9,906,176</b>	<b>\$ 5,561,484</b>	<b>\$ 3,515,752</b>	<b>\$ 15,355,599</b>	<b>\$ 13,421,928</b>
Expenses						
General Government	\$ 3,320,015	\$ 3,285,674	\$ -	\$ -	\$ 3,320,015	\$ 3,285,674
Public Safety	3,291,594	3,295,121	-	-	3,291,594	3,295,121
Highways & Streets	791,483	618,195	-	-	791,483	618,195
Health & Welfare	240,180	251,043	-	-	240,180	251,043
Culture & Recreation	799,113	858,249	-	-	799,113	858,249
Economic Development	268,008	294,059	-	-	268,008	294,059
Interest & Long-term Debt	659,934	322,631	-	-	659,934	322,631
Waterworks & Sewer Systems	-	-	2,691,230	2,680,613	2,691,230	2,680,613
<b>Total Expenses</b>	<b>9,370,327</b>	<b>8,924,972</b>	<b>2,691,230</b>	<b>2,680,613</b>	<b>12,061,557</b>	<b>11,605,585</b>
Non-Operating Transfers (Net)	373,324	323,850	(373,324)	(323,850)	-	-
Increase (Decrease) in Net Position	797,112	1,305,054	2,496,930	511,289	3,294,042	1,816,343
Prior Period Adjustment	217,806	(68,259)	(55,992)	25,704	161,814	(42,555)
Net Position - Beginning	17,825,134	16,588,339	21,766,100	21,229,107	39,591,234	37,817,446
Net Position - Ending	<b>\$ 18,840,052</b>	<b>\$ 17,825,134</b>	<b>\$ 24,207,038</b>	<b>\$ 21,766,100</b>	<b>\$ 43,047,090</b>	<b>\$ 39,591,234</b>

## Management's Discussion and Analysis

### Financial Analysis of the City's Funds

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

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

The general fund is the chief operating fund of the City. At the end of the current fiscal year, fund balance of the General Fund had a balance of \$2,977,342, and the Special Revenue Fund (Alamo Economic Development Corporation) had \$2,097,244. The Debt Service Fund had a fund balance of \$686,552 of which all is restricted for debt service payments.

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

The Water & Sewer Fund consist of operating expenses of \$2,691,230 for 2013 and \$2,680,613 for 2012 with revenues of \$5,561,484 for 2013 and \$3,437,290 for 2012, with grants of \$1,992,606 for 2013 and \$77,118 in 2012, resulting in an increase in net position of \$2,496,930 for 2013 and \$511,291 for 2012.

Unrestricted net position of the Water and Sewer Fund at the end of the year amounted to \$3,379,160, and total net position of \$24,207,038. By far the largest portion of the City's net position reflects its investment in capital assets (e.g., land, buildings, machinery, and equipment); less any related debt used to acquire those assets that are still outstanding which amounts to \$20,827,878. The City uses these capital assets to provide water and sewer service to citizens. Although the City's investment in its capital assets is reported net of related debt, it should be noted that the resources needed to repay this debt come from revenues generated from the sale of water and providing sewer collection services.

### General Fund Budgetary Highlights

The original budget was amended during the year. Expenditures did not exceeded appropriations in any of the general government functions. Actual expenditures for the year exceeded actual revenues by \$379,871. Actual revenues exceeded budgeted revenues by \$5,953, while appropriations exceeded actual expenditures by \$379,871.

### Capital Assets and Debt Administration

#### Capital Assets

The City of Alamo's investments in capital assets for its governmental and business-type activities amount to \$47,485,111 and \$44,897,546 (net of accumulated depreciation) for 2013 and 2012. This investment in capital assets includes land, buildings, and systems improvements, machinery and equipment.

## Management's Discussion and Analysis

### City of Alamo, Texas Capital Assets

	Governmental		Business-Type		Total		Increase
	Activities		Activities				(Decrease)
	2013	2012	2013	2012	2013	2012	
Capital Assets, Not Being Depreciated:							
Land	\$ 1,731,590	\$ 1,731,590	\$ 2,943,078	\$ 2,943,078	\$ 4,674,668	\$ 4,674,668	\$ -
Construction-In-Progress	1,042,250	3,184,373	2,700,609	689,863	3,742,859	3,874,236	(131,377)
	<u>2,773,840</u>	<u>4,915,963</u>	<u>5,643,687</u>	<u>3,632,941</u>	<u>8,417,527</u>	<u>8,548,904</u>	<u>(131,377)</u>
Capital Assets, Being Depreciated:							
Buildings	10,351,921	10,211,401	4,757,868	4,757,868	15,109,789	14,969,269	140,520
Vehicles	2,840,066	2,606,454	181,577	112,410	3,021,643	2,718,864	302,779
Machinery & Equipment	1,978,869	1,923,331	1,135,900	1,017,689	3,114,769	2,941,020	173,749
Infrastructure	10,177,537	7,020,471	21,178,845	21,011,710	31,356,382	28,032,181	3,324,201
	<u>25,348,393</u>	<u>21,761,657</u>	<u>27,254,190</u>	<u>26,899,677</u>	<u>52,602,583</u>	<u>48,661,334</u>	<u>3,941,249</u>
Accumulated Depreciation	(7,409,569)	(6,730,166)	(6,125,430)	(5,638,519)	(13,534,999)	(12,368,685)	(1,166,314)
Total Capital Assets, Being Depreciated, Net	<u>17,938,824</u>	<u>15,031,491</u>	<u>21,128,760</u>	<u>21,261,158</u>	<u>39,067,584</u>	<u>36,292,649</u>	<u>2,774,935</u>
Capital Assets, Net	<u>\$ 20,712,664</u>	<u>\$ 19,947,454</u>	<u>\$ 26,772,447</u>	<u>\$ 24,894,099</u>	<u>\$ 47,485,111</u>	<u>\$ 44,841,553</u>	<u>\$ 2,643,558</u>

### Long-Term Debt

State statutes limit the amount general obligation debt that the City may issue to 10% of its total assessed valuation (\$477,293,393). The City's general obligation debt maximum is \$47,729,339, compared to the City's debt of \$19,540,000. The City's governmental activities debt increased by \$6,199,310; and business-type activities debt decreased by \$258,565 in the current fiscal year.

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

	Governmental		Business-Type		Total		Increase
	Activities		Activities				(Decrease)
	2013	2012	2013	2012	2013	2012	
Long-Term Obligations							
General Obligation Bonds	\$ 13,615,000	\$ 7,285,000	\$ 5,925,000	\$ 6,181,111	\$ 19,540,000	\$ 13,466,111	\$ 6,073,889
Capital Leases	710,548	828,643	19,569	23,222	730,117	851,865	(121,748)
Loan Payables	637,500	637,500	-	-	637,500	637,500	-
Compensated Absences	300,488	313,083	41,557	40,358	342,045	353,441	(11,396)
Total Long-Term Obligations	<u>\$ 15,263,536</u>	<u>\$ 9,064,226</u>	<u>\$ 5,986,126</u>	<u>\$ 6,244,691</u>	<u>\$ 21,249,662</u>	<u>\$ 15,308,917</u>	<u>\$ 5,940,745</u>

## **Management's Discussion and Analysis**

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

### **Economic Factors and Next Year's Budget and Rates**

During the budget process for the fiscal year 2013-2014, the Mayor, City Commissioners and staff considered many factors.

- The ad valorem property tax rate was set at \$0.59897 to generate the revenues necessary for the operation of the City. The City is relying on the increase of the tax base to increase revenues.
- This tax rate should generate \$22,823 of additional tax revenues; an increase of 1% over the previous year.
- The City will continue to review and evaluate its water and sewer operations including rates and make proper changes as consideration is given for a future water plant and infrastructure improvements to be financed by federal financial assistance and debt.

All of these factors were considered in preparing the City's budget for fiscal year 2013-2014.

### **Requests for Information**

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

**BASIC FINANCIAL STATEMENTS**

**City of Alamo, Texas**  
**Statement of Net Position**  
**September 30, 2013**

	<b>Primary Government</b>		
	<b>Governmental Activities</b>	<b>Business-type Activities</b>	<b>Total</b>
<b>ASSETS</b>			
<i>Current Assets</i>			
Cash and Cash Equivalents	\$ 2,383,375	\$ 1,288,717	\$ 3,672,092
Restricted Cash - Cash in Escrow	-	2,444,108	2,444,108
Investments	10,128,975	1,880,078	12,009,053
Accounts Receivable (Net of Allowance)			
Property Taxes	553,411	-	553,411
Court	135,675	-	135,675
Customers	180,691	329,740	510,431
Other	852,968	6,884	859,852
Note Receivables	817,546	-	817,546
Prepaid and Other Assets	4,426	54,000	58,426
Internal Balances	( 290,802 )	290,802	-
<b>Total Current Assets</b>	<b>14,766,265</b>	<b>6,294,329</b>	<b>21,060,594</b>
<i>Non-Current Assets</i>			
Land	1,731,590	2,943,078	4,674,668
Construction In Progress	1,042,250	2,700,609	3,742,859
Building and Improvements (Net)	7,853,534	3,638,369	11,491,903
Vehicles (Net)	1,128,490	96,631	1,225,121
Furniture and Equipment (Net)	1,255,725	506,999	1,762,724
Infrastructure (Net)	7,701,075	16,886,761	24,587,836
<b>Total Non-Current Assets</b>	<b>20,712,664</b>	<b>26,772,447</b>	<b>47,485,111</b>
<b>Total Assets</b>	<b>35,478,929</b>	<b>33,066,776</b>	<b>68,545,705</b>
<b>DEFERRED OUTFLOWS OF RESOURCES</b>			
Unamortized Loss on Refunding of Debt	114,852	-	114,852
<b>Total Deferred Outflows of Resources</b>	<b>114,852</b>	<b>-</b>	<b>114,852</b>

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

	<b>Primary Government</b>		
	<b>Governmental Activities</b>	<b>Business-type Activities</b>	<b>Total</b>
<b>LIABILITIES</b>			
<i>Current Liabilities</i>			
Accounts Payable	754,117	-	754,117
Payroll Withholding and Deductions	5,627	1,329	6,956
Other Current Liabilities	122,187	25,925	148,112
Unearned Revenues	5,181	2,443,838	2,449,019
Accrued Interest	19,419	25,976	45,395
Customers Deposits	-	376,544	376,544
Matured Debt Payable (net)	935,731	267,652	1,203,383
<b>Total Current Liabilities</b>	<b>1,842,262</b>	<b>3,141,264</b>	<b>4,983,526</b>
<i>Non-Current Liabilities</i>			
Bonds Payable (Net)	12,825,000	5,661,000	18,486,000
Loans Payable (Net)	613,027	-	613,027
Leases Payable (Net)	589,290	15,917	605,207
Compensated Absences	300,487	41,557	342,044
<b>Total Non-Current Liabilities</b>	<b>14,327,804</b>	<b>5,718,474</b>	<b>20,046,278</b>
<b>Total Liabilities</b>	<b>16,170,066</b>	<b>8,859,738</b>	<b>25,029,804</b>
<b>DEFERRED INFLOWS OF RESOURCES</b>			
Unamortized Premium on Bonds	583,663	-	583,663
<b>Total Deferred Inflows of Resources</b>	<b>583,663</b>	<b>-</b>	<b>583,663</b>
<b>NET POSITION</b>			
Net Invested in Capital Assets	12,713,384	20,827,878	33,541,262
<i>Restricted for:</i>			
Capital Projects	1,091,833	-	1,091,833
Debt Service	686,552	-	686,552
Economic Development	1,455,958	-	1,455,958
Tourism	610,875	-	610,875
<i>Unrestricted</i>	2,281,450	3,379,160	5,660,610
<b>Total Net Position</b>	<b>\$ 18,840,052</b>	<b>\$ 24,207,038</b>	<b>\$ 43,047,090</b>

**City of Alamo, Texas**  
**Statement of Activities**  
**For the Year Ended September 30, 2013**

<u>Functions/Programs</u>	<u>Expenses</u>	<u>Charges for Services</u>	<u>Operating Grants and Contributions</u>	<u>Capital Grants and Contributions</u>
<b>Primary Government</b>				
<b>Governmental Activities:</b>				
General Government	\$ 3,307,420	\$ 139,285	\$ 314,455	\$ -
Public Safety	3,291,594	563,257	166,162	-
Highways and Streets	791,483	1,470,805	-	-
Health and Welfare	252,775	10,914	-	-
Culture and Recreation	799,113	76,342	39,184	-
Economic Development	268,008	-	-	-
Debt Interest	401,141	-	-	-
Bond Issuance Costs	258,793	-	-	-
<b>Total Governmental Activities</b>	<b>9,370,327</b>	<b>2,260,603</b>	<b>519,801</b>	<b>-</b>
<b>Business-type Activities:</b>				
Water & Sewer	2,691,230	3,567,374	-	1,992,606
<b>Total Business-type Activities</b>	<b>2,691,230</b>	<b>3,567,374</b>	<b>-</b>	<b>1,992,606</b>
<b>Total Primary Government</b>	<b>\$ 12,061,557</b>	<b>\$ 5,827,977</b>	<b>\$ 519,801</b>	<b>\$ 1,992,606</b>

**General Purpose Revenues and Transfers:**

**Revenues**

Property Taxes

Sales Taxes

Franchise Taxes

Other Taxes

Miscellaneous General Revenues

Interest Revenue

**Transfers**

**Total General Revenues and Transfers**

**Change in Net Position**

*Net Position at Beginning of Period*

*Prior Period Adjustments*

*Net Position at Beginning of Period (Restated)*

**Net Position at End of Period**

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

<b>Primary Government</b>		
<b>Governmental Activities</b>	<b>Business-type Activities</b>	<b>Total</b>
\$ ( 2,853,680 )	\$ -	\$ ( 2,853,680 )
( 2,562,175 )	-	( 2,562,175 )
679,322	-	679,322
( 241,861 )	-	( 241,861 )
( 683,587 )	-	( 683,587 )
( 268,008 )	-	( 268,008 )
( 401,141 )	-	( 401,141 )
( 258,793 )	-	( 258,793 )
( 6,589,923 )	-	( 6,589,923 )
-	2,868,750	2,868,750
-	2,868,750	2,868,750
\$ ( 6,589,923 )	\$ 2,868,750	\$ ( 3,721,173 )
2,901,895	-	2,901,895
3,374,825	-	3,374,825
497,435	-	497,435
135,899	-	135,899
50,863	-	50,863
52,794	1,504	54,298
373,324	( 373,324 )	-
7,387,035	( 371,820 )	7,015,215
<b>797,112</b>	<b>2,496,930</b>	<b>3,294,042</b>
17,825,134	21,766,100	39,591,234
217,806	( 55,992 )	161,814
18,042,940	21,710,108	39,753,048
<b>\$ 18,840,052</b>	<b>\$ 24,207,038</b>	<b>\$ 43,047,090</b>

**GOVERNMENTAL FUNDS**

**City of Alamo, Texas**  
**Balance Sheet**  
**Governmental Funds**  
**September 30, 2013**

	General	Alamo Economic Development Corporation	Capital Projects	Non-Major Governmental Funds	Total Governmental Funds
<b>ASSETS</b>					
Cash and Cash Equivalents	\$ 831,353	\$ 498,456	\$ 215,680	\$ 837,886	\$ 2,383,375
Investments	2,350,921	658,319	6,603,872	515,863	10,128,975
Accounts Receivable					-
Property Taxes	451,387	-	-	102,024	553,411
Court	135,675	-	-	-	135,675
Customers	180,691	-	-	-	180,691
Other	582,586	159,434	-	110,948	852,968
Note Receivables	-	817,546	-	-	817,546
Prepaid and Other Assets	4,426	-	-	-	4,426
Due From Other Funds	730,365	2,126	-	140,000	872,491
<i>Total Assets</i>	<u>5,267,404</u>	<u>2,135,881</u>	<u>6,819,552</u>	<u>1,706,721</u>	<u>15,929,558</u>
<b>DEFERRED OUTFLOWS OF RESOURCES</b>					
Aggregated Deferred Outflows	-	-	-	-	-
<i>Total Deferred Outflows of Resources</i>	-	-	-	-	-
<b>Total Assets and Deferred Outflows of Resources</b>	<b><u>\$ 5,267,404</u></b>	<b><u>\$ 2,135,881</u></b>	<b><u>\$ 6,819,552</u></b>	<b><u>\$ 1,706,721</u></b>	<b><u>\$ 15,929,558</u></b>
<b>LIABILITIES</b>					
Accounts Payable	\$ 729,085	\$ 23,463	\$ -	\$ 1,550	\$ 754,098
Payroll Withholding and Deductions	5,646	-	-	-	5,646
Other Current Liabilities	122,187	-	-	-	122,187
Unearned Revenues	-	-	-	5,181	5,181
Due To Other Funds	846,082	15,174	302,037	-	1,163,293
<i>Total Liabilities</i>	<u>1,703,000</u>	<u>38,637</u>	<u>302,037</u>	<u>6,731</u>	<u>2,050,405</u>
<b>DEFERRED INFLOWS OF RESOURCES</b>					
Deferred Property Taxes	451,387	-	-	102,024	553,411
Deferred Court Fines	135,675	-	-	-	135,675
<i>Total Deferred Inflows of Resources</i>	<u>587,062</u>	<u>-</u>	<u>-</u>	<u>102,024</u>	<u>689,086</u>
<b>FUND BALANCE</b>					
Restricted for:					
Debt Service	-	-	-	783,045	783,045
Capital Projects	-	-	6,517,515	-	6,517,515
Special Projects	-	-	-	204,046	204,046
Economic Development & Tourism	-	2,097,244	-	610,875	2,708,119
Unassigned	2,977,342	-	-	-	2,977,342
<i>Total Fund Balance</i>	<u>2,977,342</u>	<u>2,097,244</u>	<u>6,517,515</u>	<u>1,597,966</u>	<u>13,190,067</u>
<b>Total Liabilities, Deferred Inflows of Resources and Fund Balance</b>	<b><u>\$ 5,267,404</u></b>	<b><u>\$ 2,135,881</u></b>	<b><u>\$ 6,819,552</u></b>	<b><u>\$ 1,706,721</u></b>	<b><u>\$ 15,929,558</u></b>

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

**City of Alamo, Texas**  
**Reconciliation of Governmental Funds Balance Sheet to the Statement of Net Position**  
**September 30, 2013**

Total Fund Balance - Governmental Funds	\$	13,190,067
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.		20,712,664
Long-term liabilities applicable to the city's governmental activities are not due in the current period and accordingly are not reported as fund liabilities. All liabilities, both current and long-term, are reported in the Statement of Net Position.		( 14,963,047 )
Because some court fines will not be collected for some time after the city's fiscal year ends, they are not considered as "available" revenues in the governmental funds and are considered deferred in the funds, but recognized in the Statement of Net Position.		135,675
Because property tax will not be collected for several months after the city's fiscal year end, they are not considered as "available" revenues in the governmental funds and are considered deferred in the funds, but recognized in the statement of Net Position.		553,411
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.		( 300,487 )
Interest expense in the Statement of Activities differs from the amount reported in the governmental funds due to accrued interest calculated for bonds and note payables.		( 19,419 )
The difference between the reacquisition price and the net carrying amount of a refunded bond is recorded as other financing uses - payments to refunded bond escrow agent in the funds as it is received by the escrow agent, but is recorded as a deferred outflow of resources - loss on refunding of debt and expensed over the shorter of the life of the old debt or the life of the new debt, whichever is shorter.		114,852
Proceeds from resulting from premiums received on the issuance of long term debt appear as other financing sources and netted to fund balance on the governmental funds, but it is recorded as a deferred inflow of resources and amortized over the life of the debt on the government-wide statements.		( 583,663 )
Rounding Difference		( 1 )
<b>Total Net Position of Governmental Activities - Statement of Net Position</b>	<b>\$</b>	<b>18,840,052</b>

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

**City of Alamo, Texas**  
**Statement of Revenues, Expenditures, and Changes in Fund Balance**  
**Governmental Funds**  
**For the Year Ended September 30, 2013**

	General Fund	Alamo Economic Development Corporation	Capital Projects	Non-Major Governmental Funds	Total Governmental Funds
<b>Revenues</b>					
Property Taxes	\$ 2,379,650	\$ -	\$ -	\$ 532,018	\$ 2,911,668
Sales Taxes	2,531,119	843,706	-	-	3,374,825
Franchise Taxes	497,435	-	-	-	497,435
Other Taxes	199	-	-	135,700	135,899
Court Fines and Fees	464,604	-	-	-	464,604
Licenses and Permits	97,109	-	-	-	97,109
Charges for Services	1,710,408	-	-	-	1,710,408
Local Events and Contributions	41,249	-	-	-	41,249
Miscellaneous Revenues	28,010	1,830	20,810	263	50,913
State Grants	45,000	-	-	-	45,000
Federal Grants	154,652	-	-	-	154,652
Other Governmental Grants	-	-	-	278,900	278,900
Interest Revenue	2,355	36,685	13,377	377	52,794
<b>Total Revenues</b>	<b>7,951,790</b>	<b>882,221</b>	<b>34,187</b>	<b>947,258</b>	<b>9,815,456</b>
<b>Expenditures</b>					
General Government	3,058,077	-	660	33,178	3,091,915
Public Safety	3,031,630	-	-	747	3,032,377
Highways and Streets	743,220	-	-	-	743,220
Health and Welfare	232,853	-	-	-	232,853
Culture and Recreation	736,130	-	-	-	736,130
Economic Development	-	243,521	-	-	243,521
Capital Outlay	216,039	-	1,104,478	46,046	1,366,563
Bond Issuance Costs	-	-	258,793	-	258,793
Debt Principal	118,095	-	-	810,000	928,095
Debt Interest	21,348	4,600	-	385,826	411,774
<b>Total Expenditures</b>	<b>8,157,392</b>	<b>248,121</b>	<b>1,363,931</b>	<b>1,275,797</b>	<b>11,045,241</b>
<b>Excess of Revenues Over (Under) Expenditures</b>	<b>( 205,602 )</b>	<b>634,100</b>	<b>( 1,329,744 )</b>	<b>( 328,539 )</b>	<b>( 1,229,785 )</b>
<b>Other Financing Sources (Uses)</b>					
Transfers From Other Funds	734,344	-	-	750,867	1,485,211
Transfers To Other Funds	( 192,229 )	( 537,312 )	( 382,346 )	-	( 1,111,887 )
Proceeds From Refunding Bonds	-	-	3,835,000	-	3,835,000
Proceeds From General Obligation Bonds	-	-	7,075,000	-	7,075,000
Payment To Bond Escrow Agent	-	-	( 3,893,686 )	-	( 3,893,686 )
Premium on Refunding Bonds	-	-	620,092	-	620,092
<b>Net Other Financing Sources (Uses)</b>	<b>542,115</b>	<b>( 537,312 )</b>	<b>7,254,060</b>	<b>750,867</b>	<b>8,009,730</b>
<b>Net Change in Fund Balance</b>	<b>336,513</b>	<b>96,788</b>	<b>5,924,316</b>	<b>422,328</b>	<b>6,779,945</b>
Fund Balance at Beginning of Period	2,648,318	2,000,456	593,199	1,175,638	6,417,611
Prior Period Adjustments	( 7,489 )	-	-	-	( 7,489 )
<b>Fund Balance at End of Period</b>	<b>\$ 2,977,342</b>	<b>\$ 2,097,244</b>	<b>\$ 6,517,515</b>	<b>\$ 1,597,966</b>	<b>\$ 13,190,067</b>

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

**City of Alamo, Texas**  
**Reconciliation of Governmental Funds Statement of Revenues, Expenditures, and**  
**Changes in Fund Balance with Statement of Activities**  
**For the Year Ended September 30, 2013**

Total Net Change in Fund Balances - Governmental Funds	\$	6,779,945
Governmental funds report capital outlays as expenditures. However, in the Statement of Activities the costs of those assets is allocated over their estimated useful life and depreciated.		1,366,563
Governmental funds do not report capital assets, and accordingly do not record depreciation expense. Capital assets are recorded on the Statement on Net Position and accordingly depreciation is charged to its allocable function.		( 679,402 )
Principal payments on long-term are expensed in the governmental fund statements, and treated as reductions of outstanding debt in Statement of Net Position.		4,698,096
Proceeds from the issuance of long term debt is recorded as other financing sources in the governmental funds since no long term debt is kept on the funds. Government-Wide Statement of Net Position shows these proceeds as increases in long term debt.		( 10,910,000 )
Because some court fines will not be collected for some time after the City's fiscal year end, they are not considered as "available" revenues in the governmental funds and are considered deferred in the funds, but recognized in the Statement of Net Position.		( 11,569 )
Because property tax will not be collected for several months after the city's fiscal year end, they are not considered as "available" revenues in the governmental funds and are considered deferred in the funds, but recognized in the Statement of Net Position.		( 9,773 )
Interest expense in the Statement of Activities differs from the amount reported in the governmental funds due to accrued interest calculated for bonds and note payables		19,468
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.		12,596
The difference between the reacquisition price and the net carrying amount of a refunded bond is recorded as other financing uses - payments to refunded bond escrow agent in the funds as it is received by the escrow agent, but is recorded as a deferred outflow of resources - loss on refunding of debt and expensed over the shorter of the life of the old debt or the life of the new debt, whichever is shorter.		114,852
Proceeds from resulting from premiums received on the issuance of long term debt appear as other financing sources and netted to fund balance on the governmental funds, but it is recorded as a deferred inflow of resources and amortized over the life of the debt on the government-wide statements.		( 583,663 )
Rounding Difference		( 1 )
<b>Changes in Net Position-Governmental Funds</b>	<b>\$</b>	<b>797,112</b>

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

**PROPRIETARY FUNDS**

**City of Alamo, Texas**  
**Statement of Net Position**  
**Proprietary Funds**  
**September 30, 2013**

	<u>Business-type Activities - Enterprise Funds</u>	
	<u>Water and Sewer</u>	<u>Total Enterprise Funds</u>
<b>ASSETS</b>		
<i>Current Assets</i>		
Cash and Cash Equivalents	\$ 1,288,717	\$ 1,288,717
Restricted Cash	2,444,108	2,444,108
Investments	1,880,078	1,880,078
Accounts Receivable - Customers	329,740	329,740
Accounts Receivable - Other	6,884	6,884
Prepaid and Other Assets	54,000	54,000
Due From Other Funds	420,591	420,591
<b>Total Current Assets</b>	<b>6,424,118</b>	<b>6,424,118</b>
<i>Noncurrent Assets</i>		
Land	2,943,078	2,943,078
Construction In Progress	2,700,609	2,700,609
Building and Improvements (Net)	3,638,369	3,638,369
Vehicles (Net)	96,631	96,631
Furniture and Equipment (Net)	506,999	506,999
Infrastructure (Net)	16,886,761	16,886,761
<b>Total Assets</b>	<b>33,196,565</b>	<b>33,196,565</b>
<b>DEFERRED OUTFLOWS OF RESOURCES</b>		
Aggregated deferred outflows	-	-
<b>Total Deferred Outflows of Resources</b>	<b>-</b>	<b>-</b>
<b>LIABILITIES</b>		
<i>Current Liabilities</i>		
Other Current Liabilities	25,925	25,925
Payroll Withholding and Deductions	1,329	1,329
Accrued Interest	25,976	25,976
Customers Deposits	376,544	376,544
Matured Debt Payable (net)	267,652	267,652
Unearned Revenue - Grants	2,443,838	2,443,838
Due to Other Funds	129,789	129,789
<b>Total Current Liabilities</b>	<b>3,250,128</b>	<b>3,250,128</b>
<i>Noncurrent Liabilities</i>		
Compensated Absences	41,557	41,557
Bonds Payable (Net)	5,661,000	5,661,000
Leases Payable (Net)	15,917	15,917
<b>Total Liabilities</b>	<b>8,968,602</b>	<b>8,968,602</b>
<b>DEFERRED INFLOWS OF RESOURCES</b>		
Aggregated deferred inflows	-	-
<b>Total Deferred Inflows of Resources</b>	<b>-</b>	<b>-</b>
<b>NET POSITION</b>		
Net Invested in Capital Assets	20,827,878	20,827,878
<i>Unrestricted</i>	3,379,160	3,379,160
<b>Total Net Position</b>	<b>\$ 24,207,038</b>	<b>\$ 24,207,038</b>

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

**City of Alamo, Texas**  
**Statement of Revenues, Expenses, and Changes in Net Position**  
**Proprietary Funds**  
**For the Year Ended September 30, 2013**

	<b>Business-type Activities - Enterprise Funds</b>	
	<b>Water and Sewer</b>	<b>Total Enterprise Funds</b>
<b>Operating Revenues</b>		
Charges for Services	\$ 3,567,374	\$ 3,567,374
<b>Total Operating Revenues</b>	<u>3,567,374</u>	<u>3,567,374</u>
<b>Operating Expenses</b>		
Water Department	585,362	585,362
Sewer Department	415,947	415,947
Water Plant Department	648,044	648,044
Water Billing	195,630	195,630
General Administration	157,020	157,020
Depreciation	486,911	486,911
Other Debt Fees	1,400	1,400
<b>Total Operating Expenses</b>	<u>2,490,314</u>	<u>2,490,314</u>
<b>Operating Income (Loss)</b>	1,077,060	1,077,060
<b>Non-Operating Revenues (Expenses)</b>		
Federal Grants	1,992,606	1,992,606
Interest Revenue	1,504	1,504
Interest Expense	( 200,916 )	( 200,916 )
<b>Net Non-Operating Revenues (Expenses)</b>	<u>1,793,194</u>	<u>1,793,194</u>
<b>Income Before Contributions and Transfers</b>	2,870,254	2,870,254
Transfers From Other Funds	-	-
Transfers To Other Funds	( 373,324 )	( 373,324 )
<b>Change In Net Position</b>	<u>2,496,930</u>	<u>2,496,930</u>
<b>Net Position at Beginning of Period</b>	21,766,100	21,766,100
<b>Prior Year Adjustments</b>	( 55,992 )	( 55,992 )
<b>Net Position at End of Period</b>	<u>\$ 24,207,038</u>	<u>\$ 24,207,038</u>

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

**City of Alamo, Texas**  
**Statement of Cash Flows**  
**Proprietary Funds**  
**For the Year Ended September 30, 2013**

	<u><b>Water and Sewer Fund</b></u>
Cash Flows from Operating Activities:	
Cash Received from Customers	\$ 3,602,125
Cash Payments to Employees	(631,921)
Cash Payments to Other Suppliers for Goods and Services	(1,406,401)
<b>Net Cash Provided (Used) by Operating Activities</b>	<u>1,563,803</u>
Cash Flows from Non-capital Financing Activities:	
Receipts From Grants	36,444
Due from (to) Primary Government	44,685
Transfer from (to) Other Funds	(373,324)
<b>Net Cash Provided (Used) by Non-capital Financing Activities</b>	<u>(292,195)</u>
Cash Flows from Capital and Related Financing Activities:	
Principal Paid	(259,653)
Interest Paid	(200,916)
<b>Net Cash Provided (Used) for Capital and Related Financing Activities</b>	<u>(460,569)</u>
Cash Flows from Investing Activities:	
Capital Asset Acquisition	(2,365,260)
Interest and Dividends on Investments	1,504
Payments for Acquisition of Investments	(1,001,121)
<b>Net Cash Provided (Used) for Investing Activities</b>	<u>(3,364,877)</u>
Net Increase (Decrease) in Cash and Cash Equivalents	(2,553,838)
Cash and Cash Equivalents at Beginning of Year	<u>6,286,663</u>
<b>Cash and Cash Equivalents at End of Year</b>	<u>3,732,825</u>
Reconciliation of Operating Income to Net Cash	
Provided (Used) by Operating Activities:	
Operating Income (Loss)	1,077,060
Adjustments to Reconcile Operating Income to Net Cash	
Provided by Operating Activities	
Depreciation and Amortization	486,912
Change in Assets and Liabilities:	
(Increase) Decrease in Receivables	21,509
(Increase) Decrease in Prepaid Expenses	(54,000)
Increase (Decrease) in Accounts Payable	17,005
Increase (Decrease) in Customer Deposits	13,242
Increase (Decrease) in Wages and Salaries Payables	876
Increase (Decrease) in Compensated Absences	1,199
Total Adjustments	<u>486,743</u>
<b>Net Cash Provided (Used) by Operating Activities</b>	<u>\$ 1,563,803</u>

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

**NOTES TO BASIC FINANCIAL STATEMENTS**

**City of Alamo, Texas**  
**Notes to Financial Statements**  
**For the year ended September 30, 2013**

**I. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

**A. General Statement**

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

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

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

**B. Financial Reporting Entity**

The City's financial reporting entity comprises the following:

Primary Government: City of Alamo

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

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

**Blended Component Unit**

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

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

*Alamo Economic Development Corporation* – (AEDC) is a nonprofit industrial development corporation organized for the purpose of promoting, assisting and enhancing economic development activities for the City as provided by the Development Corporation Act of 1979. Sales Taxes are collected under Section 4B of the Development Corporation Act of 1979 for these purposes. AEDC was incorporated on January 8, 1999. The AEDC board is fully appointed by the City Board of Commissioners. The reason it is a blended component unit is, because the City appoints all AEDC board members and can remove them at will, the AEDC board is substantially the same as the City governing body.

**City of Alamo, Texas**  
**Notes to Financial Statements**  
**For the year ended September 30, 2013**

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

**C. Government-Wide and Fund Financial Statements**

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

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

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

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

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

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

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

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

**City of Alamo, Texas**  
**Notes to Financial Statements**  
**For the year ended September 30, 2013**

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

fund liability is incurred. However, debt service expenditures, as well as expenditures related to compensated absences are recorded only when payment is due.

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

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

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

**E. Fund Types and Major Funds**

Governmental Funds

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

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

Proprietary Funds

The City reports the following major enterprise funds:

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

Other Fund Types

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

**F. Assets, Liabilities and Net Position**

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 ended September 30, 2013**

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

2. Property Taxes

Property taxes are levied by October 1 on the assessed value listed as of the prior January 1 for all real and business personal property located in the City in conformity with Subtitle E, Texas Property Tax Code. Taxes are due on receipt of the tax bill and are delinquent if not paid before February 1 of the year following the year in which imposed. On January 31 of each year, a tax lien attaches to property to secure the payment of all taxes, penalties, and interest ultimately imposed. Property tax revenues are considered available when they become due or past due and receivable within the current period.

Taxable property includes real property and certain personal property situated in the City. Certain properties of religious, educational and charitable organizations, including the federal government and the State of Texas, are exempt from taxation. Additionally, there are other exemptions as noted below in arriving at the total assessed valuation of taxable property. The valuations are subject to county-wide revaluation every five years. The effective rate is based upon the previous year's total assessed valuation.

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

3. Inventories

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

4. Receivables and Payables

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

5. Transactions between Funds

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

6. Capital Assets

Capital assets include property, plant, and equipment, are reported in the applicable governmental or business-type activities columns in the government-wide financial statements and in the fund financial statements for proprietary funds. All capital assets are valued at historical cost or estimated historical cost if actual historical is not available. Donated assets are capital assets valued at their fair market value on the date donated. Repairs and maintenance are recorded as expenses. Renewals and betterments are capitalized. Interest has not been capitalized during the construction period on property, plant and equipment. Assets capitalized have an original cost of \$5,000 or more and over three years of useful life. Depreciation has been calculated on each class of depreciable property using the straight-line method. Estimated useful lives are as follows:

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

**City of Alamo, Texas**  
**Notes to Financial Statements**  
**For the year ended September 30, 2013**

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

7. Compensated Absences

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

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

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

8. Long-Term Obligations

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

9. Restricted Assets

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

10. Net Position/ Fund Equity

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

11. Estimates

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

**II. STEWARDSHIP, COMPLIANCE AND ACCOUNTABILITY**

**A. Budgetary Data**

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

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

**City of Alamo, Texas**  
**Notes to Financial Statements**  
**For the year ended September 30, 2013**

**II. STEWARDSHIP, COMPLIANCE AND ACCOUNTABILITY (Continued)**

Dates for public hearings, the purpose of which are to obtain taxpayer's comments are set by the Board of Commissioners at the same time the budget is submitted to that body. The Board of Commissioners may add to, subtract from or change appropriations, but may not change the form of the proposed budget.

Any changes must be within the revenue and reserves estimated as available by the City Manager. Prior to September 25 of each year, the budget is legally enacted through the passage of an ordinance.

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

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

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

**B. Budget Basis of Accounting**

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

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

General Fund total expenditures were below budget Appropriations by \$379,871 at September 30, 2013.

Actual revenues exceeded budgeted revenues by \$5,952, while actual revenues for the year exceeded actual expenditures by \$336,513, after other financing sources.

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

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

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

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

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

**City of Alamo, Texas**  
**Notes to Financial Statements**  
**For the year ended September 30, 2013**

**II. STEWARDSHIP, COMPLIANCE AND ACCOUNTABILITY (Continued)**

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

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

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

**Restricted:** Fund balances constrained by external parties, constitutional provisions, or enabling legislation. All of the City's restricted funds are from Special Revenue Funds, whose funds are revenues legally restricted for expenditures for a particular purpose.

**Committed:** Fund balances that contain self-imposed constraints of the government from its highest level of decision-making authority. The responsibility to commit funds rests with the elected City Commissioners and Mayor. Committed amounts cannot be used for any other purpose unless the governing board removes those constraints by taking the same type of formal action. The City formally approved the recording of its self-named "contingency" fund balance as committed. The contingency fund balance policy is as follows:

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

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

**Assigned:** Fund balances that contain self-imposed constraints of the government to be used for a particular purpose. The responsibility to assign funds rests with the City Manager. The only funds assigned relate to the accumulation of funds for future capital projects,

**Unassigned:** Fund balances of the general fund that is not constrained for any particular purpose. This is also where negative amounts from the other categories of fund balance are recognized. When an expense is incurred for purposes for which both restricted and unrestricted net position are available, the City typically first applies restricted resources, as appropriate opportunities arise, but reserves the right to selectively defer the use thereof to a future project or replacement equipment acquisition. When an expense is incurred for which committed, assigned, or unassigned fund balances are available, the City considers amounts to have been spent first out of assigned then unassigned, and finally committed funds.

**City of Alamo, Texas**  
**Notes to Financial Statements**  
**For the year ended September 30, 2013**

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

**A. Cash and Cash Equivalents**

**1. Deposits and Investments**

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

At September 30, 2013, the carrying amount of the City's deposits was \$3,672,092; in addition the City has \$2,444,108 in an escrow account fully insured by pledged securities as required by the state statutes at September 30, 2013. The City has one depository account:

Frost Bank

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

The highest cash balance for the city occurred on the month of December 2012 and was in the amount of \$16,809,000 and was fully collateralized by pledged securities in the amount of \$17,623,221. As of September 30, 2013, the City's bank balance of \$6,120,825, was not exposed to custodial credit risk and was fully insured and fully collateralized by \$250,000 FDIC insurance and \$9,550,514 of pledged securities.

**2. Restricted Cash –Escrow Account**

This account represents funds (cash receipts) held in escrow for TWDB Contract #G12004, for TWDB Project #10406, authorized with Resolution #11-105 on February 7, 2012. The City does not have ownership of this account and cannot write checks from it. The Executive Administrator from the TWDB is the only individual authorized to disburse funds from the Escrow Account, for eligible expenditures. The City is responsible to ensure that the funds are properly invested and properly secured. Funds were 100% secured by the FDIC and pledged securities. Total funds were \$2,444,108 and a total of \$1,956,162 was spent for water and sewer projects as of September 30, 2013.

**B. Investments**

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

City has all their investments invested with Texpool Participant Services, an investment service for public funds that complies with all requirements set by State and City policies. A total of \$12,009,053 is invested in Texpool as of September 30, 2013.

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:

**City of Alamo, Texas**  
**Notes to Financial Statements**  
**For the year ended September 30, 2013**

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

a. Interest Rate Risk

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

b. Credit Risk

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

c. Custodial Credit Risk

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

d. Concentration of Credit Risk

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

e. Foreign Currency Risk

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

**C. Disaggregation of Receivables**

Receivables for the City at September 30, 2013, were as follows:

Governmental Funds	Accounts Receivable	Allowance for Uncollectible	Total (Net)
Property Taxes	\$ 614,901	\$ (61,490)	\$ 553,411
Sales Taxes	511,601	-	511,601
Franchise Taxes	56,140	-	56,140
Court Fines and Fees	271,350	(135,675)	135,675
Note Receivables	817,546	-	817,546
Utility Customers	180,691	-	180,691
Other Sources	285,227	-	285,227
	<u>\$ 2,737,456</u>	<u>\$ (197,165)</u>	<u>\$ 2,540,291</u>

Business-Type Funds	Accounts Receivable	Allowance for Uncollectible	Total (Net)
Utility Customers	\$ 448,104	\$ (118,364)	\$ 329,740
Other Sources	6,884	-	6,884
	<u>\$ 454,988</u>	<u>\$ (118,364)</u>	<u>\$ 336,624</u>

**City of Alamo, Texas**  
**Notes to Financial Statements**  
**For the year ended September 30, 2013**

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

**D. Deferred Inflows of Resources & Unearned Revenues**

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

1. Deferred Inflows of Resources

Deferred Inflows Description	General Fund	Debt Service Fund	Asset Forfeitures	Water & Sewer	Total
Property Taxes	\$ 451,387	\$ 102,024	\$ -	\$ -	\$ 553,411
Court Fines	135,675	-	-	-	135,675
<b>Total</b>	<b>\$ 587,062</b>	<b>\$ 102,024</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ 689,086</b>

Total Deferred Inflows for Primary Government \$ 689,086

2. Unearned Revenues

Unearned Revenues Description	General Fund	Debt Service Fund	Asset Forfeitures	Water & Sewer	Total
Grant Advance	\$ -	\$ -	\$ -	\$ 2,443,838	\$ 2,443,838
Asset Forfeiture	-	-	5,181	-	5,181
<b>Total</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ 5,181</b>	<b>\$ 2,443,838</b>	<b>\$ 2,449,019</b>

Total Unearned Revenues for Primary Government \$ 2,449,019

**E. Due from Other Funds**

The City reports interfund balances between many of its funds. The total of all balances agrees with the sum of interfund balances presented in the statements of net position/balance sheets for governmental and enterprise funds. The interfund balances are operational and short-term in nature. Interfund balances at September 30, 2013 consisted of the following:

	Due from						Totals
	General Fund	Economic Development	Debt Service	Capital Projects	Water & Sewer Fund		
General Fund	\$ 285,491	\$ 13,048	\$ -	\$ 302,037	\$ 129,789	\$ 730,365	
Debt Service Funds	140,000	-	-	-	-	140,000	
Alamo Economic Dev. Corp.	-	2,126	-	-	-	2,126	
<b>Total Governmental Funds</b>	<b>425,491</b>	<b>15,174</b>	<b>-</b>	<b>302,037</b>	<b>129,789</b>	<b>872,491</b>	
Water and Sewer Fund	420,591	-	-	-	-	420,591	
<b>Total Enterprise Funds</b>	<b>420,591</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>420,591</b>	
<b>Totals</b>	<b>\$ 846,082</b>	<b>\$ 15,174</b>	<b>\$ -</b>	<b>\$ 302,037</b>	<b>\$ 129,789</b>	<b>\$ 1,293,082</b>	

**City of Alamo, Texas**  
**Notes to Financial Statements**  
**For the year ended September 30, 2013**

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

**F. Interfund Transfers**

The City reports interfund transfers between many of its funds. Interfund transfers for the year ended September 30, 2013, consisted of the following:

		Transfers Out				Totals
		General Fund	Economic Development	Capital Projects	Water & Sewer Fund	
Transfers In	General Fund	\$ -	\$ 57,667	\$ 352,827	\$ 323,850	\$ 734,344
	Special Revenue Funds	192,229	-	-	-	192,229
	Debt Service Funds	-	479,645	29,519	49,474	558,638
	Total Governmental Funds	192,229	537,312	382,346	373,324	1,485,211
	Water and Sewer Fund	-	-	-	-	-
	Total Enterprise Funds	-	-	-	-	-
	Totals	\$ 192,229	\$ 537,312	\$ 382,346	\$ 373,324	\$ 1,485,211

Transfers From	Transfer To	Amount	Reason
AEDC	General Fund	\$ 15,000	Administration Fee
AEDC	General Fund	42,667	Loan repayment as per ordinance.
AEDC	Debt Service	479,645	Provide resources for repayment of certificate of obligations Series 2003 & 2008
General Fund	Special Revenue Fund	192,229	Payments as per ordinance.
Capital Project	Debt Service	29,519	Unexpended bond funds
Capital Project	General Fund	352,827	Reimbursement of expenditures
Enterprise Fund	General Fund	323,850	Administration Fee
Enterprise Fund	Debt Service	49,474	Provide resources for repayment of certificate of obligation Series 2012A
	Total	\$ 1,485,211	

**City of Alamo, Texas**  
**Notes to Financial Statements**  
**For the year ended September 30, 2013**

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

**G. Capital Assets**

Capital asset activity for the year ended September 30, 2013 was as follows:

<b>Primary Government Governmental Activities:</b>	<b>Restated</b>			<b>Ending</b>
<b>Capital Assets not being depreciated:</b>	<b>Beginning</b>	<b>Increases</b>	<b>Decreases</b>	<b>Balances</b>
	<b>Balances</b>	<b>Balances</b>	<b>Balances</b>	<b>Balances</b>
Land and right of way	\$ 1,731,590	\$ -	\$ -	\$ 1,731,590
Construction in Progress	3,184,373	1,155,462	(3,297,585)	1,042,250
<b>Total capital assets, not being depreciated</b>	<b>4,915,963</b>	<b>1,155,462</b>	<b>(3,297,585)</b>	<b>2,773,840</b>
<b>Capital assets, being depreciated:</b>				
Building and Improvements	10,211,401	140,520	-	10,351,921
Vehicles (Restated)	2,684,504	155,562	-	2,840,066
Machinery & Equipment	1,923,331	55,538	-	1,978,869
Infrastructure	7,020,471	3,157,066	-	10,177,537
<b>Total capital assets, being depreciated</b>	<b>21,839,707</b>	<b>3,508,686</b>	<b>-</b>	<b>25,348,393</b>
<b>Less accumulated depreciation for:</b>				
Buildings and Improvement	(2,257,275)	(241,112)	-	(2,498,387)
Vehicles	(1,579,431)	(132,145)	-	(1,711,576)
Machinery & Equipment	(636,523)	(86,621)	-	(723,144)
Infrastructure	(2,256,938)	(219,524)	-	(2,476,462)
<b>Total accumulated depreciation</b>	<b>(6,730,167)</b>	<b>(679,402)</b>	<b>-</b>	<b>(7,409,569)</b>
<b>Total capital assets, being depreciated, net</b>	<b>15,109,540</b>	<b>2,829,284</b>	<b>-</b>	<b>17,938,824</b>
<b>Governmental activities capital assets, net</b>	<b>\$ 20,025,503</b>	<b>\$ 3,984,746</b>	<b>\$ (3,297,585)</b>	<b>\$ 20,712,664</b>
<b>Business-Type Activities</b>	<b>Beginning</b>			<b>Ending</b>
<b>Capital Assets not being depreciated:</b>	<b>Balances</b>	<b>Increases</b>	<b>Decreases</b>	<b>Balances</b>
Land and right of way	\$ 2,943,078	\$ -	\$ -	\$ 2,943,078
Construction in Progress	689,863	2,010,746	-	2,700,609
<b>Total capital assets, not being depreciated</b>	<b>3,632,941</b>	<b>2,010,746</b>	<b>-</b>	<b>5,643,687</b>
<b>Capital assets, being depreciated:</b>				
Building and Improvements	4,757,868	-	-	4,757,868
Vehicles	112,410	69,167	-	181,577
Machinery & Equipment	1,017,689	118,211	-	1,135,900
Infrastructure	21,011,710	167,135	-	21,178,845
<b>Total capital assets, being depreciated</b>	<b>26,899,677</b>	<b>354,513</b>	<b>-</b>	<b>27,254,190</b>
<b>Less accumulated depreciation for:</b>				
Buildings and Improvement	(1,018,377)	(101,122)	-	(1,119,499)
Vehicles	(78,808)	(6,138)	-	(84,946)
Machinery & Equipment	(526,560)	(102,341)	-	(628,901)
Infrastructure	(4,014,774)	(277,310)	-	(4,292,084)
<b>Total accumulated depreciation</b>	<b>(5,638,519)</b>	<b>(486,911)</b>	<b>-</b>	<b>(6,125,430)</b>
<b>Total capital assets, being depreciated, net</b>	<b>21,261,158</b>	<b>(132,398)</b>	<b>-</b>	<b>21,128,760</b>
<b>Business-Type capital assets, net</b>	<b>\$ 24,894,099</b>	<b>\$ 1,878,348</b>	<b>\$ -</b>	<b>\$ 26,772,447</b>
<b>Total Primary Government Total</b>	<b>\$ 44,919,602</b>	<b>\$ 5,863,094</b>	<b>\$ (3,297,585)</b>	<b>\$ 47,485,111</b>

**City of Alamo, Texas**  
**Notes to Financial Statements**  
**For the year ended September 30, 2013**

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

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

<b>Governmental Activities</b>		
General Government	\$	264,529
Public Safety		259,217
Highways and Streets		48,263
Health and Welfare		19,923
Culture and Recreation		62,983
Economic Development		24,487
Total Governmental Activities	\$	679,402

**H. Currently Defeased Debt**

In 2013 the City defeased certain outstanding general obligation bonds by placing the proceeds of the new bonds in an irrevocable trust to provide for all future debt service payments of the old bonds. Accordingly, the trust accounts for the defeased bonds and are not included in the City's financial statements. At September 30, 2013, the following outstanding bonds are considered defeased:

General Obligation Bonds:

Bond Series 2003	Interest: 2% - 4%	Amount Defeased: \$ 955,000
Bond Series 2004	Interest: 1.5% - 5%	Amount Defeased: <u>\$2,815,000</u>
		Total Defeased: <u>\$3,770,000</u>

**I. Long Term Obligations**

The following schedule summarizes the changes in long-term debt during year ended September 30, 2013 with compensated absences:

<u>Governmental Activities</u> Description	Original Issue	Final Maturity	Coupon Rate %	Original Issue	Outstanding Balance 9/30/13
Bond Series 1998	10/1/1998	2/1/2013	4.83%	\$ 1,500,000	\$ -
Bond Series 2003	6/15/2003	2/15/2021	2.00% - 4.00%	2,090,000	120,000
Bond Series 2003 - A	8/15/2003	2/15/2013	3.50% - 3.95%	1,715,000	-
Bond Series 2004	9/15/2004	2/15/2006	1.50% - 5.00%	4,300,000	180,000
Bond Series 2008	4/17/2008	2/15/2028	3.75%	3,000,000	2,475,000
Bond Series 2012 - A	12/1/2012	2/15/2032	2.00% - 3.00%	7,075,000	7,075,000
Bond Series 2013	1/15/2013	2/15/2026	2.00% - 3.25%	3,835,000	3,765,000
				\$ 23,515,000	\$ 13,615,000

Interest paid on bonded indebtedness during the current year was \$ 385,825

<u>Business-Type Activities</u> Description	Original Issue	Final Maturity	Coupon Rate %	Original Issue	Outstanding Balance 9/30/13
W & S, Bond Series 2000	6/1/2000	8/1/2040	4.50%	\$ 2,967,000	\$ 2,545,000
Bond Series 2007	10/18/2007	3/1/2027	2.20% - 2.75%	4,000,000	3,125,000
Bond Series 2012	4/2/2012	3/1/2022	0.008% - 2.48%	279,000	255,000
				\$ 7,246,000	\$ 5,925,000

Interest paid on bonded indebtedness during the current year was \$ 200,264

**City of Alamo, Texas**  
**Notes to Financial Statements**  
**For the year ended September 30, 2013**

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

**J. Long Term Obligations (Continued)**

<u>Governmental Activities</u> Description	Outstanding Balance 10/01/12	Issued Current	Retired Current	Current Defeased	Outstanding Balance 9/30/13	Amounts Due Within One year
Bond Series 1998	\$ 135,000	\$ -	\$ 135,000	\$ -	\$ -	\$ -
Bond Series 2003	1,190,000	-	115,000	955,000	120,000	120,000
Bond Series 2003 - A	200,000	-	200,000	-	-	-
Bond Series 2004	3,165,000	-	170,000	2,815,000	180,000	180,000
Bond Series 2008	2,595,000	-	120,000	-	2,475,000	125,000
Bond Series 2012 - A	-	7,075,000	-	-	7,075,000	340,000
Bond Series 2013	-	3,835,000	70,000	-	3,765,000	25,000
<b>Total Bonds Payable</b>	<b>\$ 7,285,000</b>	<b>\$ 10,910,000</b>	<b>\$ 810,000</b>	<b>\$ 3,770,000</b>	<b>\$ 13,615,000</b>	<b>\$ 790,000</b>

<u>Business-Type Activities</u> Description	Outstanding Balance 10/01/12	Issued Current	Retired Current	Current Defeased	Outstanding Balance 9/30/2013	Amounts Due Within One year
W & S, Bond Series 2000	\$ 2,592,000	\$ -	\$ 47,000	\$ -	\$ 2,545,000	\$ 50,000
Bond Series 2007	3,310,000	-	185,000	-	3,125,000	190,000
Bond Series 2012	279,000	-	24,000	-	255,000	24,000
<b>Total Bonds Payable</b>	<b>\$ 6,181,000</b>	<b>\$ -</b>	<b>\$ 256,000</b>	<b>\$ -</b>	<b>\$ 5,925,000</b>	<b>\$ 264,000</b>

<u>Governmental Activities</u> Obligation	Beginning Balance	Increases	Decreases	Ending Balance	Amounts Due Within One year
General Obligation Bonds	\$ 7,285,000	\$ 10,910,000	\$ 4,580,000	\$ 13,615,000	\$ 790,000
Capital Leases	828,643	-	118,095	710,548	121,258
Loan Payables	637,500	-	-	637,500	24,473
Sick and Vacation Leave	313,083	205,640	218,235	300,488	-
<b>Total Governmental Activities</b>	<b>\$ 9,064,226</b>	<b>\$ 11,115,640</b>	<b>\$ 4,916,330</b>	<b>\$ 15,263,536</b>	<b>\$ 935,731</b>

<u>Business-Type Activities</u> Obligation	Beginning Balance	Increases	Decreases	Ending Balance	Amounts Due Within One year
General Obligation Bonds	\$ 6,181,000	\$ -	\$ 256,000	\$ 5,925,000	\$ 264,000
Capital Leases	23,222	-	3,653	19,569	3,652
Sick and Vacation Leave	40,358	34,014	32,815	41,557	-
<b>Total Business-Type Activities</b>	<b>\$ 6,244,580</b>	<b>\$ 34,014</b>	<b>\$ 292,468</b>	<b>\$ 5,986,126</b>	<b>\$ 267,652</b>

<u>Governmental Activities</u> Description	Outstanding Balance 10/01/12	Issued Current	Retired Current	Adjusted	Outstanding Balance 9/30/2013
Premium on Bonds	\$ -	\$ 620,092	\$ 36,429	\$ -	\$ 583,663
Loss on Refunding of Debt	-	123,687	8,835	-	114,852
<b>Total Bonds Payable</b>	<b>\$ -</b>	<b>\$ 743,779</b>	<b>\$ 45,264</b>	<b>\$ -</b>	<b>\$ 698,515</b>

<u>Business-Type Activities</u> Description	Outstanding Balance 10/01/12	Issued Current	Retired Current	Prior Period Adjustment	Outstanding Balance 9/30/2013
Unamortized Issuance Cost	\$ 55,992	\$ -	\$ -	\$ (55,992)	\$ -
<b>Total Bonds Payable</b>	<b>\$ 55,992</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ (55,992)</b>	<b>\$ -</b>

**City of Alamo, Texas**  
**Notes to Financial Statements**  
**For the year ended September 30, 2013**

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

**J. Debt Service Requirements**

Debt service requirements of bonds and capital leases payables at September 30, 2013 are as follows:

**Certificates of Obligation Payable**

Year Ended September 30,	Governmental Activities			Business-Type Activities		
	Principal	Interest	Total	Principal	Interest	Total
2014	\$ 790,000	\$ 534,184	\$ 1,324,184	\$ 264,000	\$ 199,899	\$ 463,899
2015	810,000	353,388	1,163,388	272,000	192,345	464,345
2016	825,000	334,719	1,159,719	275,000	184,461	459,461
2017	845,000	315,613	1,160,613	283,000	176,292	459,292
2018	870,000	295,082	1,165,082	292,000	167,824	459,824
2019-2023	4,395,000	1,117,669	5,512,669	1,587,000	697,206	2,284,206
2024-2028	3,620,000	483,182	4,103,182	1,436,000	448,015	1,884,015
2029-2033	1,460,000	91,537	1,551,537	1,516,000	467,105	1,983,105
Total Certificates of Obligation Payable	\$ 13,615,000	\$ 3,525,373	\$ 17,140,373	\$ 5,925,000	\$ 2,533,147	\$ 8,458,147

**Capital Leases Payable**

Year Ended September 30,	Governmental Activities			Business-Type Activities		
	Principal	Interest	Total	Principal	Interest	Total
2014	\$ 121,258	\$ 18,186	\$ 139,444	\$ 3,652	\$ 562	\$ 4,214
2015	124,529	14,915	139,444	3,851	461	4,313
2016	127,889	11,555	139,444	3,955	357	4,312
2017	131,339	8,104	139,444	4,062	251	4,313
2018	134,883	4,561	139,444	2,213	141	2,354
2019-2023	70,650	1,382	72,032	1,836	43	1,879
Total Capital Leases Payable	\$ 710,548	\$ 58,703	\$ 769,251	\$ 19,569	\$ 1,816	\$ 21,385

**Loan Payable**

Year Ended September 30,	Governmental Activities		
	Principal	Interest	Total
2014	\$ 24,473	\$ 6,374	\$ 30,847
2015	24,717	6,130	30,847
2016	24,964	5,883	30,847
2017	25,214	5,633	30,847
2018	25,466	5,381	30,847
2019-2023	131,202	23,035	154,237
2024-2028	137,895	16,343	154,238
2029-2033	144,929	9,309	154,238
2034-2038	98,640	2,142	100,782
Total Loans Payable	\$ 637,500	\$ 80,230	\$ 717,731

**City of Alamo, Texas**  
**Notes to Financial Statements**  
**For the year ended September 30, 2013**

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

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

Notes receivable for the Alamo Economic Development Corporation at September 30, 2013 are as follows:

Note	Outstanding Balance As of 10/1/2012	Increases	Decreases	Outstanding Balance As of 9/30/2013
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.	\$ 102,158	\$ -	\$ 9,778	\$ 92,380
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.	102,342	-	9,795	92,547
New Generation Loan Dated, December 13, 2010, for the amount of \$150,000 at an interest rate of 5.00% with maturity on January 1, 2021.	131,842	-	13,901	117,941
V Day Spa Loan Dated, January 25, 2011, for the amount of \$125,000 at an interest rate of 5.00% with maturity on February 1, 2021.	110,511	-	11,571	98,940
Soleil Rehab Loan Dated, January 14, 2011, for the amount of \$150,000 at an interest rate of 5.00% with maturity on February 1, 2021.	132,799	-	13,934	118,865
NIKODEE II, LLC Loan Dated, April 17, 2012, for the amount of \$150,000 at an interest rate of 5.00% with maturity on May 1, 2019.	145,496	-	20,180	125,316
Poncho's Central Kitchen, LLC Loan Dated, September 30, 2012, for the amount of \$175,000 at an interest rate of 5.00% with maturity on October 1, 2022.	175,000	-	3,443	171,557
Totals \$	<u>900,148</u>	<u>\$ -</u>	<u>\$ 82,602</u>	<u>\$ 817,546</u>

**City of Alamo, Texas**  
**Notes to Financial Statements**  
**For the year ended September 30, 2013**

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

**G. Prior Period Adjustment**

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

General Fund

Adjustment to correct receivable of prior period revenues disallowed.	\$ (7,489)
Total General Fund	<u>(7,489)</u>

Government-Wide Adjustments

Adjustment to record prior period donation of vehicles.	78,050
Adjustment to record prior period deferred court fines as recognized revenue.	<u>147,245</u>
Total Governmental Funds	<u>225,295</u>

Total Prior Period Adjustment (Changes in Fund Balance)	<u>217,806</u>
---	----------------

Water and Sewer Fund

Adjustment to expense prior year's cost of issuance of bonds as per GASB 65.	<u>(55,992)</u>
Total Water and Sewer Fund	<u>(55,992)</u>

Total Prior Period Adjustment (Changes in Net Position)	<u>\$ 161,814</u>
---	-------------------

**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

**City of Alamo, Texas**  
**Notes to Financial Statements**  
**For the year ended September 30, 2013**

**IV. OTHER INFORMATION (Continued)**

**B. Commitments**

1. Grant Programs

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

2. Litigation

The City is a defendant in various lawsuits. Although the outcome of these lawsuits is not presently determinable, it is the opinion of the City's legal counsel and management that resolution of these matters will not have a material adverse effect on the financial condition of the City at September 30, 2013.

**C. Employee Retirement Benefits**

1. Plan Description

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

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

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

**C. Employee Retirement Benefits (Continued)**

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

	<u>Plan Year 2013</u>	<u>Plan Year 2012</u>
Employee deposit rate	5.00%	5.00%
Matching ratio (city to employee)	1.5 to 1	1.5 to 1
Years required for vesting	5	5
Service retirement eligibility (expressed as age / years of service)	60/5, 20/0	60/5, 20/0
Updated Service Credit	100% Repeating, Transfers	100% Repeating, Transfers
Annuity Increase (to retirees)	70% of CPI Repeating	70% of CPI Repeating

2. Contributions

Under the state law governing TMRS, the contribution rate for each city is determined annually by the actuary, using the Projected Unit Credit actuarial cost method. This rate consists of the normal cost contribution rate and the prior service cost contribution rate, which is calculated to be a level percent of payroll from year to year. The normal cost contribution rate finances the portion of an active member's projected benefit allocated annually; the prior service contribution rate amortizes the unfunded (overfunded) actuarial liability (asset) over

**City of Alamo, Texas**  
**Notes to Financial Statements**  
**For the year ended September 30, 2013**

**IV. OTHER INFORMATION (Continued)**

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)
2010	\$ 272,417	\$ 272,417	100%	\$ -
2011	\$ 306,878	\$ 306,878	100%	\$ -
2012	\$ 302,719	\$ 302,719	100%	\$ -

The funded status as of December 31, 2012, 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)
12/31/2012	\$5,421,002	\$6,902,395	78.5%	\$1,481,393	\$3,732,583	39.7%

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

**D. Urban County**

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

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

**E. New Accounting Standards**

The GASB has issued Statement No. 63 "Financial Reporting of Deferred Outflows of Resources, Deferred Inflow of Resources, and Net Position" and Statement No. 65 "Items Previously Reported as Assets and Liabilities". These statements establish new categories for reporting certain assets and liabilities and revise the definition for governmental fund types and for government-wide statements. The requirements of Statement No. 63 and 65 are effective for financial statements for periods beginning after December 15, 2011 and December 12, 2012 respectively, however since early implementation is encouraged, the city applied the applicable changes at September 30, 2013 resulting in a prior period adjustment of \$(55,992).

**City of Alamo, Texas**  
**Notes to Financial Statements**  
**For the year ended September 30, 2013**

**IV. OTHER INFORMATION (Continued)**

**F. Economic Gain on Refunding of Debt**

During the year the City of Alamo, Texas refunded the Bond Series 2003 and the Bond Series 2004 through the issuance of the General Obligation Refunding Bonds, Series 2013. The results of the refunding are summarized in the table below:

Prior Debt Service Net Cash Flow	\$	5,075,845
Refunding Net Cash Flow		4,594,637
Savings	\$	481,208
Present Value of Prior Debt	\$	4,554,069
Net Present Value Savings		432,299
Percentage Savings of Refunding Bonds		11.466815%

**G. Subsequent Events**

For the purposes of reporting subsequent events, management has considered events occurring up to March 10, 2014, the date the report was available to be issued. There was agreed upon procedures conducted by Burton, McCumber & Cortez, LLP regarding the management and controls of the utility department of the city. The results of the agreed upon procedures were issued and presented to the commission of the City of Alamo, Texas. Various employees have been terminated, by management, due to abuse of their position within the City (See Schedule of Findings and Questioned Costs, Reference 2013-1). Up to the date of the report some of these employees are appealing their termination with the commission, the results of their appeal have not been finalized as of the date of this report and could result in possible litigation against the City of Alamo, Texas. No further subsequent events were noted.

### **REQUIRED SUPPLEMENTARY INFORMATION**

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

**City of Alamo, Texas**  
**Texas Municipal Retirement System**  
**Schedule of Funding Progress for Retirement Plan (Unaudited)**  
**For the Year Ended September 30, 2013**

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

**City of Alamo, Texas**  
**Schedule of Revenues, Expenditures, and Changes in Fund Balance-Budget and Actual**  
**General Fund**  
**For the Year Ended September 30, 2013**

	<u>Budgeted Amounts</u>		<u>Actual</u>	<u>Final</u>
	<u>Original</u>	<u>Final</u>	<u>Budget</u>	<u>Variance</u>
			<u>Basis</u>	<u>Budget</u>
				<u>Basis</u>
<b>Revenues</b>				
Property Taxes	\$ 2,287,054	\$ 2,359,054	\$ 2,379,650	\$ 20,596
Sales Taxes	2,536,242	2,536,242	2,531,119	( 5,123 )
Franchise Taxes	426,018	471,000	497,435	26,435
Other Taxes	550	550	199	( 351 )
Court Fines and Fees	304,350	432,350	464,604	32,254
Licenses and Permits	76,210	93,710	97,109	3,399
Charges for services	1,770,048	1,762,894	1,710,408	( 52,486 )
Local Events and Contributions	16,000	41,000	41,249	249
Miscellaneous revenues	43,916	27,500	28,010	510
State Grants	-	45,000	45,000	-
Federal Grants	125,073	174,038	154,652	( 19,386 )
Interest Revenue	3,000	2,500	2,355	( 145 )
<b>Total Revenues</b>	<b>7,588,461</b>	<b>7,945,838</b>	<b>7,951,790</b>	<b>5,952</b>
<b>Other Financing Sources</b>				
Transfers from other funds	381,517	734,343	734,344	1
<b>Total Revenues and Other Financing Sources</b>	<b>7,969,978</b>	<b>8,680,181</b>	<b>8,686,134</b>	<b>5,953</b>
<b>Expenditures</b>				
General Government	2,969,329	3,121,678	3,058,077	63,601
Public Safety	3,147,137	3,190,112	3,031,630	158,482
Highways & Streets	594,725	796,760	743,220	53,540
Health & Welfare	242,833	244,614	232,853	11,761
Culture & Recreation	775,808	798,708	736,130	62,578
Capital Outlay	99,256	245,948	216,039	29,909
Debt Principal	112,764	118,109	118,095	14
Debt Interest	26,679	21,334	21,348	( 14 )
<b>Total Expenditures</b>	<b>7,968,531</b>	<b>8,537,263</b>	<b>8,157,392</b>	<b>379,871</b>
<b>Other Financing Uses</b>				
Transfers to other funds	-	192,229	192,229	-
<b>Total Expenditures and Other Financing Uses</b>	<b>7,968,531</b>	<b>8,729,492</b>	<b>8,349,621</b>	<b>379,871</b>
<b>Excess (Deficiency) of Revenues and Other Sources Over Expenditures and Other Uses</b>	<b>1,447</b>	<b>( 49,311 )</b>	<b>336,513</b>	<b>385,824</b>
<b>Net Change in Fund Balance</b>	<b>1,447</b>	<b>( 49,311 )</b>	<b>336,513</b>	<b>385,824</b>
Fund Balance at Beginning of Period	2,648,318	2,648,318	2,648,318	
Prior Period Adjustment	( 7,489 )	( 7,489 )	( 7,489 )	
<b>Fund Balance at End of Period</b>	<b>\$ 2,642,276</b>	<b>\$ 2,591,518</b>	<b>\$ 2,977,342</b>	<b>\$ 385,824</b>

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

### **OTHER SUPPLEMENTARY INFORMATION**

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

It may, however, include information which is required by other entities.

**City of Alamo, Texas**  
**Schedule of Delinquent Taxes Receivable**  
**For the Year Ended September 30, 2013**

<u>Year Ended September 30,</u>	<u>1 Tax Rates Maintenance</u>	<u>2 Debt Service</u>	<u>3 Assessed/ Appraised Value for City Tax Purposes</u>
2004 & Prior Years	\$ Various	\$ Various	\$ Various
2005	0.4195	0.1343	318,667,626
2006	0.4014	0.1524	337,815,384
2007	0.4457	0.1472	363,816,329
2008	0.4457	0.1472	339,374,302
2009	0.4684	0.1235	439,311,243
2010	0.4839	0.1079	466,885,353
2011	0.4751	0.1167	452,905,402
2012	0.4711	0.1144	477,293,393
2013 (Unaudited)	0.48757	0.1114	489,447,908

<b>10</b> <b>Beginning</b> <b>Balance</b> <b>October 1,</b> <b>2012</b>	<b>20</b> <b>Current</b> <b>Year's</b> <b>Total Levy</b>	<b>31</b> <b>Maintenance</b> <b>Collections</b>	<b>32</b> <b>Debt</b> <b>Service</b> <b>Collections</b>	<b>40</b> <b>Entire</b> <b>Year's</b> <b>Adjustments</b>	<b>50</b> <b>Ending</b> <b>Balance</b> <b>September 30,</b> <b>2013</b>
\$ 120,338		\$ 10,596	\$ 672	\$ ( 6,681 )	\$ 102,389
25,680		2,522	807	( 762 )	21,589
29,195		2,129	808	( 667 )	25,590
27,630		2,829	934	( 945 )	22,921
36,238		5,811	1,652	( 845 )	27,930
49,225		9,291	2,451	( 1,247 )	36,236
66,921		17,565	3,917	( 1,625 )	43,814
95,331		22,007	5,410	( 1,577 )	66,337
178,123		63,372	15,386	( 1,060 )	98,305
-	2,790,089	2,140,862	489,144	9,707	169,790
<u>\$ 628,681</u>	<u>\$ 2,790,089</u>	<u>\$ 2,276,984</u>	<u>\$ 521,182</u>	<u>\$ ( 5,703 )</u>	<u>\$ 614,901</u>
			Allowance for Uncollectible Taxes		<u>\$ 61,490</u>
			Total		<u><u>\$ 553,411</u></u>

**City of Alamo, Texas**  
**Schedule of Revenues and Expenses to Indicate**  
**Net Revenue Available for Debt Service**  
**Proprietary Funds**  
**For the Year Ended September 30, 2013**

	<b>Business-type Activities - Enterprise Funds</b>	
	<b>Water &amp; Sewer Fund</b>	<b>Total Enterprise Funds</b>
<b>Operating Revenues</b>		
Charges for Services	\$ 3,567,374	\$ 3,567,374
<b><i>Total Operating Revenues</i></b>	<b>3,567,374</b>	<b>3,567,374</b>
<b>Operating Expenses</b>		
Water Department	585,362	585,362
Sewer Department	415,947	415,947
Water Plant Department	648,044	648,044
Water Billing	195,630	195,630
General Administration	157,020	157,020
Depreciation	486,911	486,911
Other Debt Fees	1,400	1,400
<b><i>Total Operating Expenses</i></b>	<b>2,490,314</b>	<b>2,490,314</b>
<b><i>Operating Income (Loss)</i></b>	<b>1,077,060</b>	<b>1,077,060</b>
<b>Non-Operating Revenues (Expenses)</b>		
Interest Revenue	1,504	1,504
Interest Expense	( 200,916 )	( 200,916 )
<b><i>Net Non-Operating Revenues (Expenses)</i></b>	<b>( 199,412 )</b>	<b>( 199,412 )</b>
<b><i>Net Revenue Available for Debt Service</i></b>	<b>\$ 877,648</b>	<b>\$ 877,648</b>

**City of Alamo, Texas**  
**Combining Balance Sheet**  
**Non-Major Governmental Funds**  
**September 30, 2013**

	<b>Special Revenue Funds</b>		
	<b>Urban County Grant</b>	<b>Hotel / Motel Fund</b>	<b>State Forfeiture Fund</b>
<b>ASSETS</b>			
Cash and Cash Equivalents	\$ -	\$ 313,645	\$ 2,359
Investments	-	187,832	-
Note Receivables	-	-	-
Accounts Receivable - Property Taxes	-	-	-
Accounts Receivable - Other	-	110,948	-
Due From Other Funds	-	-	-
<b>Total Assets</b>	<b>-</b>	<b>612,425</b>	<b>2,359</b>
<b>DEFERRED OUTFLOWS OF RESOURCES</b>			
Aggregated deferred outflows	-	-	-
<b>Total Assets and Deferred Outflows of Resources</b>	<b>\$ -</b>	<b>\$ 612,425</b>	<b>\$ 2,359</b>
<b>LIABILITIES</b>			
Accounts Payable	\$ -	\$ 1,550	\$ -
Unearned Revenue	-	-	-
Due to Other Funds	-	-	-
<b>Total Liabilities</b>	<b>-</b>	<b>1,550</b>	<b>-</b>
<b>DEFERRED INFLOWS OF RESOURCES</b>			
Aggregated deferred inflows	-	-	-
<b>Total Deferred Inflows of Resources</b>	<b>-</b>	<b>-</b>	<b>-</b>
<b>FUND BALANCE</b>			
Restricted for:			
Debt Service	-	-	-
Capital Projects	-	-	-
Special Projects	-	-	2,359
Tourism	-	610,875	-
Unassigned	-	-	-
<b>Total Fund Balance</b>	<b>-</b>	<b>610,875</b>	<b>2,359</b>
<b>Total Liabilities, Deferred Inflows of Resources and Fund Balance</b>	<b>\$ -</b>	<b>\$ 612,425</b>	<b>\$ 2,359</b>

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

<u>Special Revenue Funds</u>		<u>Debt Service</u>		<u>Total Non-Major Governmental Funds</u>
<u>Tax Increment Fund</u>	<u>Local Forfeiture Fund</u>	<u>Debt Service</u>		
\$ 192,229	\$ 14,639	\$ 315,014		\$ 837,886
-	-	328,031		515,863
-	-	-		-
-	-	102,024		102,024
-	-	-		110,948
-	-	140,000		140,000
<u>192,229</u>	<u>14,639</u>	<u>885,069</u>		<u>1,706,721</u>
-	-	-		-
<u>\$ 192,229</u>	<u>\$ 14,639</u>	<u>\$ 885,069</u>		<u>\$ 1,706,721</u>
\$ -	\$ -	\$ -		\$ 1,550
-	5,181	-		5,181
-	-	-		-
-	<u>5,181</u>	-		<u>6,731</u>
-	-	102,024		102,024
-	-	102,024		102,024
-	-	783,045		783,045
-	-	-		-
192,229	9,458	-		204,046
-	-	-		610,875
-	-	-		-
<u>192,229</u>	<u>9,458</u>	<u>783,045</u>		<u>1,597,966</u>
<u>\$ 192,229</u>	<u>\$ 14,639</u>	<u>\$ 885,069</u>		<u>\$ 1,706,721</u>

**City of Alamo, Texas**  
**Combining Statement of Revenues, Expenditures, and Changes in Fund Balance**  
**Non-Major Governmental Funds**  
**For the Year Ended September 30, 2013**

	<b>Special Revenue Funds</b>		
	<b>Urban County Grant</b>	<b>Hotel / Motel Fund</b>	<b>State Forfeiture Fund</b>
<b>Revenues</b>			
Property Taxes	\$ -	\$ -	\$ -
Other Taxes	-	135,700	-
Miscellaneous Revenues	-	-	-
Other Governmental Grants	278,900	-	-
Interest Revenue	-	202	-
<b>Total Revenues</b>	<b>278,900</b>	<b>135,902</b>	<b>-</b>
<b>Expenditures</b>			
General Government	29,000	1,550	-
Public Safety	-	-	747
Capital Outlay	46,046	-	-
Bond Issuance Costs	-	-	-
Debt Principal	200,000	-	-
Debt Interest	3,854	-	-
<b>Total Expenditures</b>	<b>278,900</b>	<b>1,550</b>	<b>747</b>
<b>Excess of Revenues Over (Under) Expenditures</b>	<b>-</b>	<b>134,352</b>	<b>( 747 )</b>
<b>Other Financing Sources (Uses)</b>			
Proceeds for Issuance of Bonds	-	-	-
Premium on Refunding Bonds	-	-	-
Transfers from other funds	-	-	-
Payment to Refunded Bond Escrow Agent	-	-	-
Transfers to other funds	-	-	-
<b>Net Other Financing Sources (Uses)</b>	<b>-</b>	<b>-</b>	<b>-</b>
<b>Net Change in Fund Balance</b>	<b>-</b>	<b>134,352</b>	<b>( 747 )</b>
<i>Fund Balance at Beginning of Period</i>	-	476,523	3,106
<i>Prior Period Adjustments</i>	-	-	-
<b>Fund Balance at End of Period</b>	<b>\$ -</b>	<b>\$ 610,875</b>	<b>\$ 2,359</b>

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

<u>Special Revenue Funds</u>		<u>Debt Service</u>	<u>Total Non-Major Governmental Funds</u>
<u>Tax Increment Fund</u>	<u>Local Forfeiture Fund</u>	<u>Debt Service</u>	
\$ -	\$ -	\$ 532,018	\$ 532,018
-	-	-	135,700
-	-	263	263
-	-	-	278,900
-	1	174	377
-	1	532,455	947,258
-	-	2,628	33,178
-	-	-	747
-	-	-	46,046
-	-	-	-
-	-	610,000	810,000
-	-	381,972	385,826
-	-	994,600	1,275,797
-	1	( 462,145 )	( 328,539 )
-	-	-	-
-	-	-	-
192,229	-	558,638	750,867
-	-	-	-
-	-	-	-
192,229	-	558,638	750,867
<b>192,229</b>	<b>1</b>	<b>96,493</b>	<b>422,328</b>
-	9,457	686,552	1,175,638
-	-	-	-
<b>\$ 192,229</b>	<b>\$ 9,458</b>	<b>\$ 783,045</b>	<b>\$ 1,597,966</b>

**SINGLE AUDIT SECTION**

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

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

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

Email: org110n@aol.com

**Oscar R. González**  
**Melissa González**

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

To the City Commission of  
City of Alamo, Texas,

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of the governmental activities, the business-type activities, the blended component units, each major fund, and the aggregate remaining fund information of City of Alamo, Texas, as of and for the year ended September 30, 2013, and the related notes to the financial statements, which collectively comprise City of Alamo, Texas' basic financial statements and have issued our report thereon dated March 10, 2014.

**Internal Control Over Financial Reporting**

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

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

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies and therefore, material weaknesses or significant deficiencies may exist that were not identified. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified. We did identify certain deficiencies in internal control, described in the accompanying schedule of findings and questioned costs that we consider to be significant deficiencies. See (2013-1).

**Compliance and Other Matters**

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

**City of Alamo, Texas' Response to Findings**

City of Alamo, Texas' response to the findings identified in our audit is described in the accompanying corrective action plan. City of Alamo, Texas' response was not subjected to the auditing procedures applied in the audit of the financial statements and, accordingly, we express no opinion on it.

**Purpose of this Report**

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

*Oscar R. Gonzalez, CPA & Associates, PLLC*

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

March 10, 2014

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

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

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

Email: [org110n@aol.com](mailto:org110n@aol.com)

**Oscar R. González**  
**Melissa González**

INDEPENDENT AUDITOR'S REPORT ON COMPLIANCE FOR EACH MAJOR PROGRAM  
AND ON INTERNAL CONTROL OVER COMPLIANCE REQUIRED BY OMB CIRCULAR A-133

To the City Commission of  
City of Alamo, Texas

**Report on Compliance for Each Major Federal Program**

We have audited City of Alamo, Texas' compliance with the types of compliance requirements described in the *OMB Circular A-133 Compliance Supplement* that could have a direct and material effect on each of City of Alamo, Texas' major federal programs for the year ended September 30, 2013. 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.

**Management's Responsibility**

Management is responsible for compliance with the requirements of laws, regulations, contracts, and grants applicable to its federal programs.

**Auditor's Responsibility**

Our responsibility is to express an opinion on compliance for each of City of Alamo, Texas' major federal programs based on our audit of the types of compliance requirements referred to above. 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 on compliance for each major federal program. However, our audit does not provide a legal determination of City of Alamo, Texas' compliance.

**Opinion on Each Major Federal Program**

In our opinion, City of Alamo, Texas, complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on each of its major federal programs for the year ended September 30, 2013.

**Report on Internal Control Over Compliance**

Management of City of Alamo, Texas, is responsible for establishing and maintaining effective internal control over compliance with the types of compliance requirements referred to above. In planning and performing our audit of compliance, we considered City of Alamo, Texas' internal control over compliance with the types of requirements that could have a direct and material effect on each major federal program to determine the auditing procedures that are appropriate in the circumstances for the purpose of expressing an opinion on compliance for each major federal program 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. A *significant deficiency in internal control over compliance* is a deficiency, or a combination of deficiencies, in internal control over compliance with a type of compliance requirement of a federal program that is less severe than a material weakness in internal control over compliance, yet important enough to merit attention by those charged with governance.

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 material weaknesses or significant deficiencies. We did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

The purpose of this report on internal control over compliance is solely to describe the scope of our testing of internal control over compliance and the results of that testing based on the requirements of OMB Circular A-133. Accordingly, this report is not suitable for any other purpose.

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

March 10, 2014

**CITY OF ALAMO, TEXAS**  
**Schedule of Findings and Questioned Costs**  
**For the Year ended September 30, 2013**

**A. Summary of Auditor's Results**

**1. Financial Statements**

Type of auditor's report issued: Unmodified

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 \_\_\_\_\_ NO

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 NO

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

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:

CFDA Numbers  
66.468

Name of Federal Program or Cluster  
Economically Distressed Areas Program Grant

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

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

**CITY OF ALAMO, TEXAS**  
Schedule of Findings and Questioned Costs  
For the Year ended September 30, 2013

B. Financial Statement Findings

Schedule Reference (2013-1)

**CONTROLS OVER UTILITY BILLING AND DISCONNECTION PROCEDURES**

- Criteria: Proper internal control procedures for Utility billings call for segregation of duties and proper supervision of meter reading inputting on system, generation of bills, collections, cut-offs, disconnections, review and approval functions. Charges made through the Utility Department and disconnection of services to accounts should be made in accordance with approved City ordinances.
- Condition: The utility billing supervisor had a broad range of responsibilities associated with the utility billing process, amongst them inputting readings on system, generating bills and statements, collecting, reviewing and approving cutoffs and disconnections, manual overrides of system generated charges, and review and approval of all functions made through the Utility Department without further supervision. Additionally, various utility customer accounts were not being properly charged and were not being disconnected when considered delinquent in accordance with city ordinances.
- Cause: Inadequate internal controls and segregation of duties over billing and disconnection procedures in order to mitigate improper management override of controls in a timely manner.
- Effect: Segregation of duties were not properly implemented, various customer accounts reflected erroneous information and or were purposely allowed service when disconnection fees and procedures applied.
- Recommendation: City should immediately make arrangements to provide proper segregation of duties in the utility department. All functions and activities of the department need to be analyzed for possible conflicts, and proper supervision and review need to be made by the finance department on a reasonable basis.

C. Federal Award Findings and Questioned Cost

NONE

**City of Alamo, Texas**  
**Schedule of Expenditures of Federal and State Awards**  
**For the Year Ended September 30, 2013**

Federal Grantor/ Pass-Through Grantor/Program Title	Federal CFDA Number	Pass-Through Entity Identifying Number	Federal Expenditures
<b><u>FEDERAL GRANTS</u></b>			
<b><u>U.S. Environmental Protection Agency</u></b>			
Passed through Texas Water Development Board:			
Economically Distressed Areas Program Grant	66.468	G120004	\$ 1,956,162
<b>Total U.S. Environmental Protection Agency</b>			<u>1,956,162</u>
<b><u>U.S. Department of Justice</u></b>			
Direct Program:			
Public Safety Partnership and Community Policing Grants	16.710	2009-RK-WX-0824	15,011
Public Safety Partnership and Community Policing Grants	16.710	2012-UM-WX-0164	15,778
<b>Total U.S. Department of Justice</b>			<u>30,789</u>
<b><u>U.S. Department of Homeland Security</u></b>			
Passed through Texas Homeland Security Office:			
State Homeland Security Program	97.067	2011-SS-00019	36,998
State Homeland Security Program	97.067	EMW-2011-SS-00019	17,558
Staffing for Adequate Fire and Emergency Response	97.083	EMW-2012-FH-00902	33,752
Disaster Grants - Public Assistance	97.036	1780	35,555
<b>Total U.S. Department of Homeland Security</b>			<u>123,863</u>
<b><u>U.S. Department of Housing and Urban Development</u></b>			
Passed through Housing and Urban Development:			
TDRA Disaster Recovery Program	14.218	DRS010003	36,444
<b>Total U.S. Department of Housing and Urban Development</b>			<u>36,444</u>
			<u>\$ 2,147,258</u>
<b><u>STATE GRANTS</u></b>			
<b><u>Governor's Division of Emergency Management</u></b>			
Local Border Security Program		LSBP 1110013	45,000
<b>Total Expenditures of State Awards</b>			<u>45,000</u>
<b>Total Expenditures of Federal &amp; State Awards</b>			<u>\$ 2,192,258</u>

**City of Alamo, Texas**  
**Notes to Schedule of Expenditures of Federal and State Awards**  
**For the Year Ended September 30, 2013**

**Basis of Presentation**

The accompanying schedule of expenditures of federal and state awards includes the federal grant. Activity of City of Alamo, Texas, is presented on the modified accrual basis of accounting. The information in this schedule is presented in accordance with the requirements of OMB Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*. Therefore, some amounts presented in this schedule may differ from amounts presented in, or used in the preparation of, the general purpose financial statements.

CITY OF ALAMO TEXAS  
SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS  
FOR THE YEAR ENDED SEPTEMBER 30, 2013

-NONE-

CITY OF ALAMO TEXAS  
CORRECTIVE ACTION PLAN  
FOR THE YEAR ENDED SEPTEMBER 30, 2013

Schedule Reference (2013-1) CONTROLS OVER UTILITY BILLING AND DISCONNECTION PROCEDURES

Name of Contact person(s): Mr. Luciano Ozuna – City Manager

Corrective Action Planned:

We concur with the prior unanimous recommendation from Burton McCumber & Cortez, L.L.P., Garcia & Pena, L.L.P. and Oscar Gonzalez, CPA & Associates, P.L.L.C. that a conflict exists with the Utility Billing and Collections Department also acting as the administrator and collector of Property Taxes for the City of Alamo.

We concur that tax assessment and collection duties should be separated from utility billing and collection duties.

For this reason staff is again recommending that the corrective action plan for proper segregation of duties include the approval of a contract with the County of Hidalgo for the collection of property taxes for the City of Alamo.

Approval of tax collections by the County of Hidalgo would have the following positive effects:

- Improved internal controls
- Better transparency
- Lower collection cost
- Increased revenues
- More convenient for the tax payers of Alamo

In addition to existing internal and compensating controls, further segregation of duties in the Utility Billing and Collections Department will be implemented in order to mitigate improper management override of controls by employees in a position of trust in a timely manner so that no one person is performing all duties.

Anticipated Completion Date: March 27, 2014