

City of Alamo Heights, Texas



Comprehensive Annual Financial Report

FOR THE EIGHTEEN MONTHS ENDED

SEPTEMBER 30, 2008

CITY OF ALAMO HEIGHTS, TEXAS
COMPREHENSIVE ANNUAL FINANCIAL REPORT
FOR THE EIGHTEEN MONTHS ENDED
SEPTEMBER 30, 2008

Prepared by:
Administrative Department
Rebecca Waldman, City Manager
Cynthia Barr, Finance Director

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INTRODUCTORY SECTION

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March 23, 2009

To the Honorable Mayor, Members of the City Council, and the Citizens of the City of Alamo Heights, Texas:

The Comprehensive Annual Financial Report (CAFR) of the City of Alamo Heights, Texas (City) for the eighteen month period ended September 30, 2008, is hereby submitted. The report is prepared and presented by the City's administrative and finance department. Responsibility for both the accuracy of the data and the completeness and fairness of the presentation, including all disclosures, rests with the City. To the best of my knowledge and belief, the data as presented is accurate in all material respects and states fairly the financial position and results of operations of the various funds of the City.

Management's Discussion and Analysis (MD&A) immediately follows the independent auditor's report and provides a narrative introduction, overview, and analysis of the basic financial statements. MD&A complements this letter of transmittal and should be read in conjunction with it.

This report includes all activities, functions, and organizations that relate to the City and are controlled by its governing body, the City Council.

THE CITY OF ALAMO HEIGHTS AND ITS SERVICES

The City of Alamo Heights operates under a council-mayor form of government. Policymaking and legislative authority are vested in a governing council consisting of a mayor and five council members. All council members and the mayor are elected-at-large for two-year terms. All powers of the City are vested in the elective city council, which enacts local legislation, adopts budgets, determines policies, and appoints the highest level city officials. The city council executes the laws and oversees the government of the City.

The city manager serves as chief executive officer and is responsible for carrying out the policies and ordinances, for overseeing the day-to-day operations of the city government, planning and budgetary management.

The City prides itself on the quality of its service delivery to its residents. In the future, residents can continue to expect to receive prompt, courteous service from city staff.

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ECONOMIC CONDITIONS AND OUTLOOK

The City is located within the San Antonio metropolitan area, completely surrounded by the City of San Antonio, the seventh largest city in the country, and other small municipalities. Most of the revenues for the City of Alamo Heights are not from tourism, which is a major revenue source for the San Antonio area. The City's revenue sources indicate a steady growth pattern.

Despite its inclusion in such a major urban setting, the City has retained a feeling of small town charm, recognized for its quiet residential streets and graceful older homes. Due to this factor, as well as the outstanding area schools, the City of Alamo Heights has long been considered one of the most desirable residential locations in the metropolitan area.

Zoning requirements that limit commercial development to two main thoroughfares as well as the newly adopted Residential Development Standards enhance the primarily residential character of the City. Restrictions are also placed on the types of activities allowed. The most typical commercial activities are specialty retail stores, professional offices, restaurants and banks. The City has no industrial activity.

MAJOR INITIATIVES

Each year, the City's management team, in association with the city council committees, creates and presents to the full city council, for their consideration and approval, a Strategic Action Plan that establishes action steps that are adopted to be accomplished during the next fiscal year. The Strategic Action Plan serves as a baseline for the formulation of the Annual Budget and each action step is assigned to individual city departments to be accomplished and to specific city council committees for review. The Strategic Action Plan adopted for fiscal year 2007-2008 is as follows:

- Governance and Communication - Promote honest and open government through civic engagement and informative and responsive communication with our customers.
- Infrastructure and Services - Properly maintain and strategically improve infrastructure and provide excellent city services.
- Neighborhood Character and Commercial Revitalization - Enhance and protect the unique character of our neighborhoods while supporting the development of a vibrant and attractive commercial district.
- Accountability and Management - Be responsible stewards of public resources and utilize best management practices for our residents.

During the 2007-2008 fiscal year, the City has undertaken a number of initiatives, the most significant of these are:

- Establish Performance Measure within the Budget Document
- Complete the Codification of Ordinances
- Implement the Police and Fire Emergency Services Citizens Academy
- Adopt Tree Preservation Ordinance
- Implement the Trap-Neuter-Return Program for Stray Cats
- Implement the Capital Improvement Program
- Install Distinctive New Street Signs

Further refinement of the plan and implementation will occur in the next fiscal year. Major projects identified in the planning process including infrastructure needs related to water, sewer, streets, drainage and facilities.

FINANCIAL INFORMATION

Internal Controls

Management of the City is responsible for establishing and maintaining an internal control structure designed to ensure that the assets of the City are protected from loss, theft, or misuse and to ensure that adequate accounting data are compiled to allow for the preparation of financial statements in conformity with generally accepted accounting principles. This internal control structure is designed to provide reasonable, but not absolute, assurance that these objectives are met. The concept of reasonable assurance recognizes that the cost of the control should not exceed the benefits likely to be derived, and that the valuation of costs and benefits requires estimates and judgments by management.

Funds Used by the City

The City has a relatively simple fund structure consisting of a general fund, six small special revenue funds, and two enterprise funds. The general fund, capital projects fund, and the utility fund, which is an enterprise fund, are the only funds that are significant to the City as a whole.

Budgetary Controls

The City adopts a budget for the general fund and both enterprise funds on an annual basis. Revenues are budgeted by fund, while expenditures are budgeted by department within fund. The legal level of budgetary control (i.e., the level at which management must seek the approval of City Council before amending the budget) is the citywide level. This means that the City Manager has the authority to move amounts between line items within a department and from one department to another. These transfers can not have the net effect of increasing total budgeted expenditures. Each department head is responsible for monitoring departmental expenditures on an ongoing basis. Formal reports with budget to actual comparisons are presented to the city council periodically.

Debt

The City issued debt for the purpose of financing long-term infrastructure capital improvements. Infrastructure, as referred to by the City, means economic externalities essentially required to be provided by government to support a community's basic human needs, economic activity, safety, education, and quality of life. Types of debt that can be issued by the City include ad valorem tax-supported bonds and/or certificates of obligation. Adherence to conservative financial management has allowed the City to meet its financing needs while at the same time maintaining its excellent financial reputation. For instance, the certificates of obligation sold in 2007 at interest rate of 3.99%.

Cash Management Policies and Practices

The City's banking and investment activities are governed by State statute. The City contracts with a depository bank to provide basic banking services. Currently, this contract is with Frost Bank. Insurance or other collateral covers all cash on deposit with the bank. This collateral consists of United States treasuries or agencies backed by the United States

government, or other collateral approved under state law, and pledged by Frost Bank and held in safekeeping in the City's name at the Federal Home Loan Bank of Dallas. These securities can not be released without the written consent of designated City officials.

The City invests from a pooled fund comprised of cash and cash equivalents plus investments, less outstanding liabilities, which had a balance at September 30, 2008 of \$4,894,005, to provide a cushion for the City in case of any type of catastrophe, such as a flood or tornado, and to provide funding for the City's activities in case the City's property tax receipts are delayed. In addition, the City earns interest on these reserve funds, thereby providing another revenue stream to balance out our sources of funds. The dollar amount in this reserve fund fluctuates throughout the year. It is highest right after the property tax delinquency date of February 1 each year, and lowest right before the property tax bills are sent out in October. Generally, the City spends approximately \$250,000 to \$300,000 from this fund each month between February and October. The balance therefore, will fluctuate between a high in February of \$4.8 to \$6.0 million, and a low of \$2.9 to \$4.1 million in early October.

On September 8, 2008, the City revised the City's fiscal policy which established an operating reserve in the general fund equal to three (3) months or 25% of departmental operating allocations and a reserve in the utility fund equal to two (2) months or 1.6% of operating allocations. The City of Alamo Heights also established emergency reserves in both the general and utility funds of 5% of the total departmental allocations. The emergency reserve should only be utilized if the city council deems it absolutely necessary to address some unforeseen and extraordinary occurrence such as a natural disaster, catastrophic loss or significant change in financial position.

With the exception of utility customer deposits, cash balances of all funds are pooled for investment purposes. The City's primary investment objectives are suitability of investments and preservation of capital. Other objectives (in order of importance) are liquidity, marketability, and yield. The City meets its preservation of capital objective by matching investment maturity dates to planned cash disbursement dates. Cash balances are monitored on a regular basis to ensure that adequate cash is on hand. A detailed discussion of the City's investment philosophy and objectives may be found in the City's written investment policy, a copy of which may be obtained from the administrative offices.

Risk Management

The City is exposed to various risks related to torts; theft of, damage to, or destruction of assets; errors and omissions; and natural disasters. Additionally, the City provides employees with health and life insurance. The City has purchased various third-party insurance contracts to protect against these risks.

OTHER INFORMATION

Independent Audit

Independent audits are an essential element of the financial control and accountability. State statutes require an annual audit of the City's financial statements by an independent certified public accountant. The firm Thompson, Williams, Biediger, Kastor & Young, L.C., was selected by the City Council. The auditors' report on the basic financial statements and supplementary statements is included in the financial section of this report.

Certificate of Achievement

The Government Finance Officers Association of the United States and Canada (GFOA) awarded a Certificate of Achievement for Excellence in Financial Reporting to the City of Alamo Heights for its comprehensive annual financial report (CAFR) for the fiscal year ended March 31, 2007. This year was the eleventh consecutive year that the government has achieved this prestigious award. In order to be awarded a Certificate of Achievement, a government must publish an easily readable and efficiently organized comprehensive annual financial report. This report must satisfy both generally accepted accounting principles and applicable legal requirements.

A Certificate of Achievement is valid for a period of one year only. We believe that our current comprehensive annual financial report continues to meet the Certificate of Achievement Program's requirements and we are submitting it to GFOA to determine its eligibility for another certificate.

Acknowledgements

The preparation of this report could not have been accomplished without the efficient and dedicated services of the entire staff of the administrative department. I would like to express my appreciation to Cynthia Barr, Finance Director, for her leadership on this project and all members of the department who assisted and contributed to the preparation of this report.

Respectfully submitted,

Rebecca Waldman

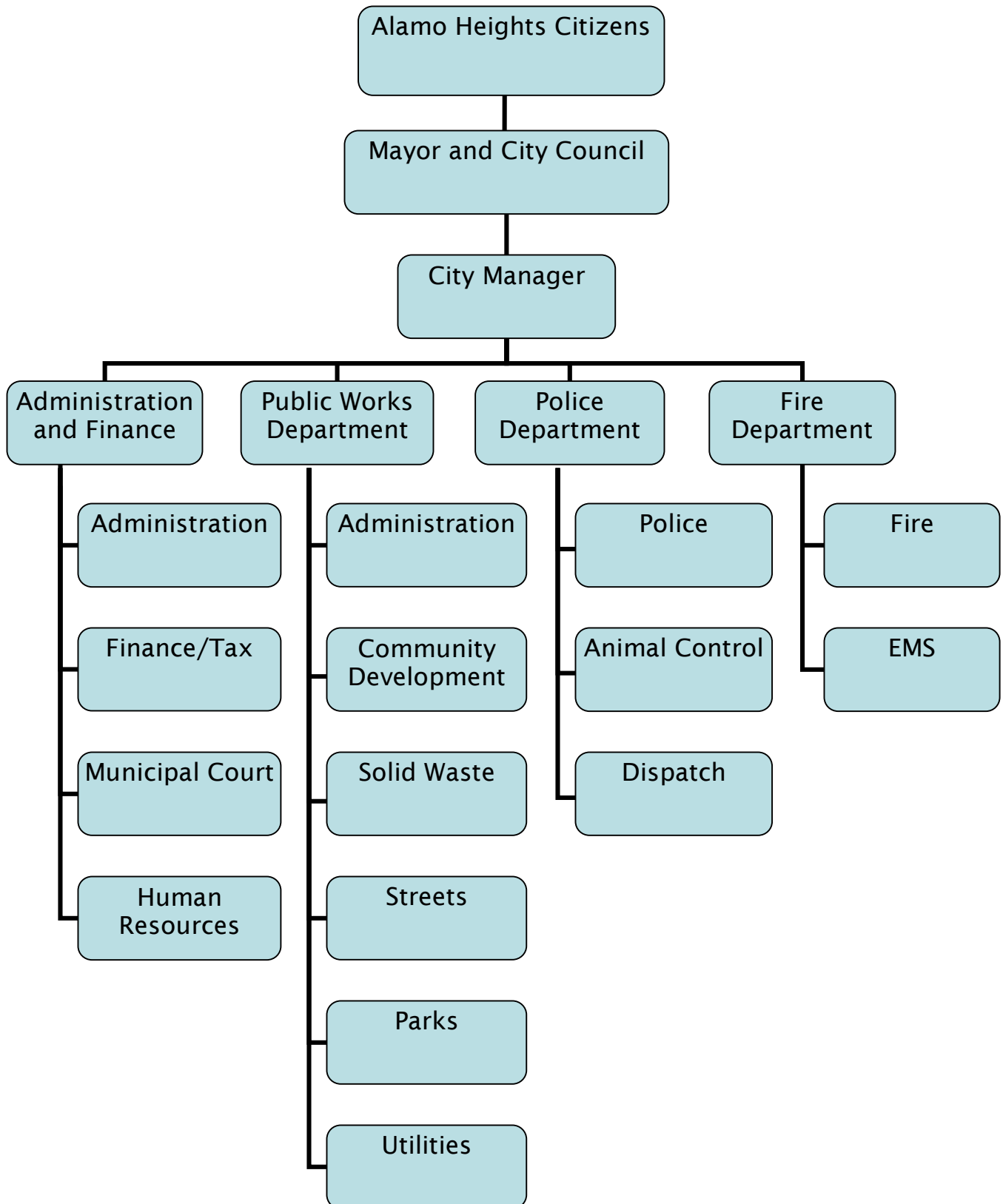
Rebecca Waldman
City Manager

GFOA Certificate of Achievement

CITY OF ALAMO HEIGHTS, TEXAS
CITY OFFICIALS
FOR THE EIGHTEEN MONTHS ENDED SEPTEMBER 30, 2008

Mayor	Louis Cooper
Council Members	Stan McCormick Bobby Rosenthal Jill Souter Bill Kiel Susan Harwell
City Manager	Rebecca Waldman
City Attorney	Michael Brenan
Assistant City Manager/Public Works Director	Shawn Eddy
Finance Director	Cynthia Barr
Fire Chief	William L. Hagendorf
Police Chief	Rick Pruitt

CITY OF ALAMO HEIGHTS, TEXAS
ORGANIZATION CHART
SEPTEMBER 30, 2008



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FINANCIAL SECTION

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Independent Auditor's Report

To the Honorable Mayor and
Members of the City Council
City of Alamo Heights, Texas

We have audited the accompanying financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the City of Alamo Heights, Texas (the City) as of and for the eighteen months ended September 30, 2008, which collectively comprise the City's basic financial statements, as listed in the table of contents. These financial statements are the responsibility of the City's management. Our responsibility is to express an opinion 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. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

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, each major fund, and the aggregate remaining fund information of the City of Alamo Heights, Texas, as of September 30, 2008, and the respective changes in financial position and, where applicable, cash flows thereof for the eighteen months then ended in conformity with accounting principles generally accepted in the United States of America.

The management's discussion and analysis, budgetary comparison information, and the schedule of funding progress on pages 7 through 7G, 34 through 40 and 41 are not required parts of the basic financial statements but are supplementary information required by accounting principles generally accepted in the United States of America. We have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the required supplementary information. However, we did not audit the information and express no opinion on it.

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Our audit was conducted for the purpose of forming an opinion on the financial statements that collectively comprise the City of Alamo Heights, Texas' basic financial statements. The introductory section, combining and individual nonmajor fund financial statements and schedules, and statistical section are presented for purposes of additional analysis and are not a required part of the basic financial statements. The combining and individual nonmajor fund financial statements and schedules have been subjected to the auditing procedures applied in the audit of the basic financial statements and, in our opinion, are fairly stated in all material respects in relation to the basic financial statements taken as a whole. The introductory section and statistical section have not been subjected to the audit procedures applied in the audit of the basic financial statements and, accordingly, we express no opinion on them.

Certified Public Accountants

San Antonio, Texas

March 23, 2009

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CITY OF ALAMO HEIGHTS, TEXAS

Management's Discussion and Analysis (MD & A)

As management of the City of Alamo Heights, Texas, (the City), readers are offered the City's financial statements, this narrative overview, and analysis of the City's financial activities for the eighteen months ended September 30, 2008. The City encourages readers to consider the information presented here in conjunction with additional information that has been furnished in the letter of transmittal, which can be found in the introductory section of this report.

Financial Highlights

- An eighteen month financial period is presented because the City changed its fiscal year end from March 31 to September 30. The change was implemented to improve the City's budgetary process.
- Tax revenue increased \$1,636,047, or 32.5%. The majority of this increase is due to an increase in property tax revenue. The fact that the City changed their fiscal year end from March 31 to September 30 added an additional six months of revenue.
- Intergovernmental revenues increased \$166,845, or 40.4%.
- Investments of the City are governed by the Public Funds Investment Act and are limited to interest-earning bank accounts, mutual funds, obligations of the United States government, statewide investment pools, and certificates of deposit. Investment earnings for the eighteen months ended September 30, 2008 was \$639,001 as compared to \$324,131 at the year ended March 31, 2007.
- The City's total net assets increased by \$677,212.
- During the eighteen months ended September 30, 2008, the City issued \$7,500,000 in Tax and Revenue Certificates of Obligation.

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 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, using accounting methods similar to a private-sector business. These statements include all assets and liabilities on the accrual basis of accounting. All current year revenues and expenses are taken into account regardless of when the cash is received or paid.

The statement of net assets presents information on all of the City's assets and liabilities, with the difference between the two reported as net assets. Over time, increases or decreases in net assets 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 assets changed during the most recent fiscal year. All changes in net assets are reported as soon as the underlying event giving rise to the change occurs, regardless of the timing of related cash flows. Thus, revenues and expenses are reported in this statement for some items that will only result in cash flows in future fiscal periods.

The government-wide financial statements should distinguish functions of the City that are principally supported by the City's taxing units 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, streets, sanitation, community development and parks and recreation. The business-type activities of the City include the utility and swimming pool operations. The City is the primary government and has no component units.

Fund Financial Statements

Traditional users of government financial statement will find the fund financial statement presentation more familiar. Fund financial statements provide more information about the governmental entity's most significant funds – not the entity as a whole.

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 two categories: governmental funds and proprietary 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 funds financial statement 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 City's near-term financing decisions. Both the governmental funds balance sheet and the governmental funds statements of revenues, expenditures, and changes in fund balances provide a reconciliation to facilitate this comparison between governmental funds and governmental activities.

The City maintains the following governmental funds: a general fund, 6 special revenue funds, one capital projects fund and a debt service fund. These funds are presented in the governmental funds balance sheet and in the governmental funds statement of revenues, expenditures, and changes in fund balances.

The City adopts an annual budget for its general fund. A budgetary comparison statement has been provided as supplemental information to demonstrate compliance with this budget.

Proprietary Funds

The City maintains one type of proprietary fund. Enterprise funds are used to report the same functions presented as business-type activities in the government-wide financial statements. The City uses enterprise funds to account for its utility and swimming pool operations.

Proprietary funds provide the same type of information as the government-wide financial statements, only in more detail. The proprietary funds financial statements provide separate information for the utility and swimming pool operations.

Notes to the Financial Statements

The notes provide additional information that is essential to a full understanding of the data provided in the government-wide and fund financial statements.

Other Information

In addition to the basic financial statements and accompanying notes, this report also presents certain required supplemental information concerning the City's progress in funding its obligation to provide pension benefits to its employees and a budgetary comparison schedule.

Government-Wide Financial Analysis

Statement of Net Assets

As noted earlier, net assets may serve over time as a useful indicator of a government's financial position. In the City's case, assets exceeded liabilities by \$12,736,898 at September 30, 2008. Of this amount, \$7,476,922 or approximately 58.7%, represents unrestricted net assets available City for operations and any planned capital projects.

The City's capital assets represent investments in land, buildings and improvements, furniture, office equipment, computers, infrastructure and the utility system. Approximately 30% of total assets represent capital assets. The City uses these capital assets to provide services to the taxing units and the citizens and property owners of Alamo Heights; 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 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.

Further, at year end, the City ended with \$13,063,721, or approximately 62%, in cash and cash equivalents and investments, which represents adequate liquidity compared to total assets of \$20,906,614. Long-term liabilities amounted to \$7,195,429, which represents certificates of obligations, capital lease obligations, and amounts accrued for compensated absences.

Statement of Net Assets

	GOVERNMENTAL		BUSINESS-TYPE		TOTAL	
	ACTIVITIES		ACTIVITIES			
	2008	2007	2008	2007	2008	2007
Other Assets	\$ 9,798,938	\$ 6,593,012	\$ 4,814,901	\$ 1,769,333	\$ 14,613,839	\$ 8,362,345
Capital Assets	<u>3,514,931</u>	<u>2,616,659</u>	<u>2,777,844</u>	<u>2,566,168</u>	<u>6,292,775</u>	<u>5,182,827</u>
TOTAL ASSETS	<u>13,313,869</u>	<u>9,209,671</u>	<u>7,592,745</u>	<u>4,335,501</u>	<u>20,906,614</u>	<u>13,545,172</u>
Long-Term Liabilities	5,020,429	477,896	2,175,000	-	7,195,429	477,896
Other Liabilities	<u>775,629</u>	<u>561,270</u>	<u>198,658</u>	<u>446,320</u>	<u>974,287</u>	<u>1,485,486</u>
TOTAL LIABILITIES	<u>5,796,058</u>	<u>1,039,166</u>	<u>2,373,658</u>	<u>446,320</u>	<u>8,169,716</u>	<u>1,485,486</u>
Net Assets						
Invested in Capital Assets, Net of						
Related Debt	2,191,210	2,371,777	2,770,379	2,566,168	4,961,589	4,937,945
Restricted	298,387	190,821	-	-	298,387	190,821
Unrestricted	<u>5,028,214</u>	<u>5,607,907</u>	<u>2,448,708</u>	<u>1,323,013</u>	<u>7,476,922</u>	<u>6,930,920</u>
TOTAL NET ASSETS	<u>\$ 7,517,811</u>	<u>\$ 8,170,505</u>	<u>\$ 5,219,087</u>	<u>\$ 3,889,181</u>	<u>\$ 12,736,898</u>	<u>\$ 12,059,686</u>

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Statement of Activities

At September 30, 2008, the City ended with an overall increase in net assets of \$677,212. This increase resulted in net assets at September 30, 2008 of \$12,736,898. The decrease of \$652,694 in governmental activities was primarily due to the effect of the 18-month fiscal year and the cyclical effect of property tax revenues which are primarily collected from October to January. This fiscal period includes revenues for one tax cycle and expenditures for an additional six months. During the period from April through October governmental operations rely on operating reserves until taxes are again assessed. Property taxes account for approximately 42% of governmental fund revenues.

The increase in the business-type activities of \$1,329,906 is a result of the 18-month fiscal year and the additional six months of revenue which is collected on a regular monthly basis from utility customers.

CHANGES IN NET ASSETS

	GOVERNMENTAL		BUSINESS-TYPE		TOTAL	
	ACTIVITIES		ACTIVITIES			
	2008	2007	2008	2007	2008	2007
<u>REVENUES</u>						
Program Revenues						
Charges for Services	\$ 3,258,591	\$ 1,898,458	\$ 4,772,152	\$ 2,655,481	\$ 8,030,743	\$ 4,553,939
General Revenues						
Property Taxes	4,492,544	3,674,697	-	-	4,492,544	3,674,697
Sales Taxes	1,205,221	763,031	-	-	1,205,221	763,031
Other Taxes	901,456	583,775	-	-	901,456	583,775
Unrestricted Investment						
Earnings	592,904	324,131	46,097	-	639,001	324,131
Miscellaneous	95,297	78,356	-	-	95,297	78,356
Transfers	98,027	-	(98,027)	-	-	-
Total Revenues	<u>10,644,040</u>	<u>7,322,448</u>	<u>4,720,222</u>	<u>2,655,481</u>	<u>15,364,262</u>	<u>9,977,929</u>
<u>EXPENSES</u>						
General Government	2,176,707	1,358,952	-	-	2,176,707	1,358,952
Public Safety	6,226,320	3,922,178	-	-	6,226,320	3,922,178
Streets	801,052	434,835	-	-	801,052	434,835
Sanitation	1,152,448	673,018	-	-	1,152,448	673,018
Community Development	420,485	186,315	-	-	420,485	186,315
Parks and Recreation	310,268	167,646	-	-	310,268	167,646
Interest and Other Fees	209,454	17,296	-	-	209,454	17,296
Utility	-	-	3,285,496	2,213,837	3,285,496	2,213,837
Swimming Pool	-	-	104,820	3,894	104,820	3,894
Total Expenses	<u>11,296,734</u>	<u>6,760,240</u>	<u>3,390,316</u>	<u>2,217,731</u>	<u>14,687,050</u>	<u>8,977,971</u>
Change in Net Assets	(652,694)	562,208	1,329,906	437,750	677,212	999,958
<u>NET ASSETS - BEGINNING</u>	<u>8,170,505</u>	<u>7,608,297</u>	<u>3,889,181</u>	<u>3,451,431</u>	<u>12,059,686</u>	<u>11,059,728</u>
<u>NET ASSETS - ENDING</u>	<u>\$ 7,517,811</u>	<u>\$ 8,170,505</u>	<u>\$ 5,219,087</u>	<u>\$ 3,889,181</u>	<u>\$ 12,736,898</u>	<u>\$ 12,059,686</u>

Financial Analysis of the Governmental 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 year.

The City reported the general fund and the capital projects fund as major governmental funds. The general fund is the chief operating fund of the City. The primary source of revenue in the general fund consists of property taxes. At the end of the current fiscal year, unreserved fund balance of the general fund was \$4,170,315 compared to \$5,713,060 in 2007, a decrease of \$1,542,745. This decrease was primarily a result of the use of operating reserves for governmental activities. The fund balance reflects a point in time and the effect of the tax cycle.

Proprietary Funds

As reported earlier, the primary function of the proprietary funds of the City is the utility operation. Operating revenues for proprietary funds amounted to \$4,772,152 and expenses were \$3,295,467. This resulted in a \$1,329,906 increase in net assets. Net assets at year end were \$5,219,087.

General Fund Budgetary Highlights

An annual budget is legally adopted for the general fund only and an ordinance to extend the budget for the term of April 1, 2008 through September 30, 2008 to coincide with the new fiscal year ending September 30, 2008 was passed and approved on the 24th day of March 2008. Revenues were more than appropriations by \$489,659 and expenditures were under budget by \$1,048,051. The savings in expenditures are mainly attributable to unfilled vacancies in the police and street departments, delay in a comprehensive plan, and planned capital expenditures. Significant budgetary variances during the period ended September 30, 2008 included the following:

A majority of the revenue budget variance was attributed to two areas. Licenses and permits had a favorable variance of \$145,600 due to a conservative estimate of construction activity in the area which increased more than anticipated. Charges for services had a favorable variance of \$100,389 due to increased collection efforts of EMS revenues and increases in administrative fees of state court fines.

In general government administration, the budget for capital expenditures had a favorable variance of \$226,318. This amount was budgeted for a capital expenditures in public works, information systems and administration, but not purchased as planned.

In public safety the budget for police personnel had a \$171,532 favorable variance. Turnover in police officers accounted for two or three officer positions being open throughout the year. These positions were budgeted and remained open until year end.

In the street department vacant positions in the department created a favorable variance of \$180,926 and capital equipment purchases budgeted and planned for the year created a favorable variance of \$172,461. These purchases were carried over to the 2009 fiscal year.

Community development contractual expenditures had a \$108,435 favorable variance over budgeted for a comprehensive plan which was delayed and carried forward to the 2009 fiscal year.

Capital Assets

At the end of 2008, the City's investment in capital assets for its governmental and business-type activities was (net of accumulated depreciation) \$3,514,931 and \$2,777,844, respectively. This investment in capital assets includes land, construction in progress, buildings and improvements, furniture, office equipment, computers, infrastructure and the utility system. Depreciation expense for the year was \$825,777 and \$260,277, respectively, for governmental and business-type activities. For more detail on capital assets, refer to Note 3D of the financial statements.

Schedule of Change in Capital Assets

	CAPITAL ASSETS (Net of Depreciation)					
	GOVERNMENTAL ACTIVITIES		BUSINESS-TYPE ACTIVITIES		TOTAL	
	2008	2007	2008	2007	2008	2007
Land	\$ 946,067	\$ 946,067	\$ -	\$ -	\$ 946,067	\$ 946,067
Construction in Progress	435,415	-	107,465	-	542,880	-
Buildings	766,732	672,804	-	-	766,732	672,804
Infrastructure	333,631	211,637	-	-	333,631	211,637
Improvements Other Than Buildings	180,885	61,322	-	104,820	180,885	166,142
Furniture, Fixtures, and Equipment	852,201	724,829	184,667	98,781	1,036,868	823,610
Utility System	-	-	2,485,712	2,362,567	2,485,712	2,362,567
TOTALS	<u>\$ 3,514,931</u>	<u>\$ 2,616,659</u>	<u>\$ 2,777,844</u>	<u>\$ 2,566,168</u>	<u>\$ 6,292,775</u>	<u>\$ 5,182,827</u>

Long-Term Debt

The City's long-term debt consists of tax and revenue certificates of obligation in the amount of \$7,185,000, capital lease obligations in the amount of \$48,907, and compensated absences for \$384,768.

	GOVERNMENTAL ACTIVITIES		BUSINESS-TYPE ACTIVITIES		TOTAL	
	2008	2007	2008	2007	2008	2007
Certificates of Obligation	\$ 4,930,000	\$ -	\$ 2,255,000	\$ -	\$ 7,185,000	\$ -
Capital Lease Obligations	<u>48,907</u>	<u>244,882</u>	<u>-</u>	<u>-</u>	<u>48,907</u>	<u>244,882</u>
Totals	4,978,907	244,882	2,255,000	-	7,233,907	244,882
Compensated Absences	<u>384,768</u>	<u>382,750</u>	<u>-</u>	<u>-</u>	<u>384,768</u>	<u>382,750</u>
TOTAL DEBT	<u>\$ 5,363,675</u>	<u>\$ 627,632</u>	<u>\$ 2,255,000</u>	<u>\$ -</u>	<u>\$ 7,618,675</u>	<u>\$ 627,632</u>

Additional details about the City's long-term debt can be found in Note 3F of the financial statements.

Economic Factors

The fiscal year 2008-09 adopted budget appropriations, excluding transfers and debt service, for the general, utility and capital projects funds is \$16,515,481. This amount includes total operating expenses of \$11,640,180 and \$4,875,301 in capital projects expenditures. The fiscal year 2008-09 adopted budget includes \$830 in new revenues, \$912,527 in recurring improvements and mandates, and \$734,998 in one-time improvements and mandates.

Additional information about the economic condition and outlook can be found in the transmittal letter at the beginning of this report.

Request for Information

This comprehensive annual 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 this report or requests for additional financial information should be directed to Cynthia Barr, Finance Director, 6116 Broadway, San Antonio, Texas, 78209.

BASIC FINANCIAL STATEMENTS

CITY OF ALAMO HEIGHTS, TEXAS
STATEMENT OF NET ASSETS
SEPTEMBER 30, 2008

	<u>GOVERNMENTAL ACTIVITIES</u>	<u>BUSINESS- TYPE ACTIVITIES</u>	<u>TOTAL</u>
<u>ASSETS</u>			
Cash and Cash Equivalents	\$ 298,451	\$1,040,546	\$ 1,338,997
Investments	8,384,181	3,287,760	11,671,941
Receivables - Net of Allowances for Uncollectibles:			
Taxes	75,340	-	75,340
Accounts	105,785	416,859	522,644
Prepays	898,492	-	898,492
Deferred Charges	36,689	16,953	53,642
Restricted Assets:			
Cash and Cash Equivalents	-	52,783	52,783
Capital Assets not being Depreciated			
Land	946,067	-	946,067
Capital Assets - Net of Accumulated Depreciation			
Buildings	766,732	-	766,732
Infrastructure	333,631	-	333,631
Construction in Progress	435,415	107,465	542,880
Improvements Other than Building Utility System	180,885	-	180,885
Furniture, Fixtures, and Equipment	-	2,485,712	2,485,712
	<u>852,201</u>	<u>184,667</u>	<u>1,036,868</u>
TOTAL ASSETS	<u>\$ 13,313,869</u>	<u>\$7,592,745</u>	<u>\$20,906,614</u>
<u>LIABILITIES</u>			
Accounts Payable	\$ 312,033	\$ 38,048	\$ 350,081
Other Payables	-	11,667	11,667
Accrued Payroll	39,071	4,913	43,984
Due to Other Governments	56,691	-	56,691
Accrued Interest	24,588	11,247	35,835
Payable from Restricted Assets:			
Customer Deposits	-	52,783	52,783
Long-Term Liabilities			
Short-Term Portion	343,246	80,000	423,246
Long-Term Portion	<u>5,020,429</u>	<u>2,175,000</u>	<u>7,195,429</u>
Total Liabilities	<u>5,796,058</u>	<u>2,373,658</u>	<u>8,169,716</u>
<u>NET ASSETS</u>			
Invested in Capital Assts - Net of Related Debt	2,191,210	2,770,379	4,961,589
Restricted for:			
Special Revenue Funds	188,198	-	188,198
Debt Service	110,189	-	110,189
Unrestricted	<u>5,028,214</u>	<u>2,448,708</u>	<u>7,476,922</u>
Total Net Assets	<u>7,517,811</u>	<u>5,219,087</u>	<u>12,736,898</u>
TOTAL LIABILITIES AND NET ASSETS	<u>\$ 13,313,869</u>	<u>\$7,592,745</u>	<u>\$20,906,614</u>

(The Accompanying Notes are an Integral Part of these Financial Statements)

CITY OF ALAMO HEIGHTS, TEXAS
STATEMENT OF ACTIVITIES
EIGHTEEN MONTHS ENDED SEPTEMBER 30, 2008

FUNCTIONS/PROGRAMS	EXPENSES	PROGRAM REVENUES		NET (EXPENSES) REVENUES AND CHANGE IN NET ASSETS	
		CHARGES FOR SERVICES	GOVERNMENTAL ACTIVITIES	BUSINESS-TYPE ACTIVITIES	TOTAL
<u>Primary Government</u>					
Governmental Activities					
General Government	\$ 2,176,707	\$ 1,744,557	\$ (432,150)	\$ -	\$ (432,150)
Public Safety	6,226,320	874,782	(5,351,538)	-	(5,351,538)
Streets	801,052	16,585	(784,467)	-	(784,467)
Sanitation	1,152,448	523,688	(628,760)	-	(628,760)
Community Development	420,485	-	(420,485)	-	(420,485)
Parks and Recreation	310,268	98,979	(211,289)	-	(211,289)
Interest and Other Fees	209,454	-	(209,454)	-	(209,454)
Total Governmental Activities	<u>11,296,734</u>	<u>3,258,591</u>	<u>(8,038,143)</u>	<u>-</u>	<u>(8,038,143)</u>
Business-Type Activities					
Utility	3,285,496	4,742,152	-	1,456,656	1,456,656
Swimming Pool	104,820	30,000	-	(74,820)	(74,820)
Total Business-Type Activities	<u>3,390,316</u>	<u>4,772,152</u>	<u>-</u>	<u>1,381,836</u>	<u>1,381,836</u>
TOTAL GOVERNMENT	<u>\$ 14,687,050</u>	<u>\$ 8,030,743</u>	<u>(8,038,143)</u>	<u>1,381,836</u>	<u>(6,656,307)</u>
<u>General Revenues</u>					
Taxes:					
Property Taxes			4,492,544	-	4,492,544
Sales Taxes			1,205,221	-	1,205,221
Other Taxes			901,456	-	901,456
Unrestricted Investment					
Earnings			592,904	46,097	639,001
Miscellaneous			95,297	-	95,297
Transfers			98,027	(98,027)	-
Total General Revenues			<u>7,385,449</u>	<u>(51,930)</u>	<u>7,333,519</u>
Change in Net Assets			(652,694)	1,329,906	677,212
<u>NET ASSETS AT BEGINNING OF PERIOD</u>					
			<u>8,170,505</u>	<u>3,889,181</u>	<u>12,059,686</u>
<u>NET ASSETS AT END OF PERIOD</u>					
			<u>\$ 7,517,811</u>	<u>\$5,219,087</u>	<u>\$12,736,898</u>

(The Accompanying Notes are an Integral Part of these Financial Statements)

CITY OF ALAMO HEIGHTS, TEXAS
BALANCE SHEET - GOVERNMENTAL FUNDS
SEPTEMBER 30, 2008

	GENERAL FUND	CAPITAL PROJECTS FUND	OTHER GOVERNMENTAL FUNDS	TOTAL GOVERNMENTAL FUNDS
<u>ASSETS</u>				
Cash and Cash Equivalents	\$ -	\$ -	\$ 298,451	\$ 298,451
Investments	4,344,227	4,039,954	-	8,384,181
Receivables - Net of Allowances for Uncollectibles				
Taxes, Net	70,876	-	4,464	75,340
Accounts	105,785	-	-	105,785
Due from Other Funds	-	-	47	47
Prepays	46,187	852,305	-	898,492
 TOTAL ASSETS	 \$ 4,567,075	 \$ 4,892,259	 \$ 302,962	 \$ 9,762,296
 <u>LIABILITIES</u>				
Accounts Payable	\$ 109,781	\$ 202,188	\$ 64	\$ 312,033
Accrued Liabilities	113,225	-	-	113,225
Deferred Revenue	70,876	-	4,464	75,340
Due to Other Governments	56,691	-	-	56,691
Due to Other Funds	-	-	47	47
Total Liabilities	350,573	202,188	4,575	557,336
 <u>FUND BALANCES</u>				
Reserved for:				
Prepays	46,187	852,305	-	898,492
Special Revenue Funds	-	-	188,198	188,198
Debt Service	-	-	110,189	110,189
Unreserved, Reported in:				
Capital Projects	-	3,837,766	-	3,837,766
General Fund	4,170,315	-	-	4,170,315
Total Fund Balances	4,216,502	4,690,071	298,387	9,204,960
 TOTAL LIABILITIES AND FUND BALANCES	 \$ 4,567,075	 \$ 4,892,259	 \$ 302,962	 \$ 9,762,296

(The Accompanying Notes are an Integral Part of these Financial Statements)

CITY OF ALAMO HEIGHTS, TEXAS
RECONCILIATION OF BALANCE SHEET -
GOVERNMENTAL FUNDS TO STATEMENT OF NET ASSETS
SEPTEMBER 30, 2008

<u>TOTAL FUND BALANCES - TOTAL GOVERNMENTAL FUNDS</u>	\$ 9,204,960
Amounts reported for governmental activities in the statement of net assets are different because:	
Capital assets used in governmental activities are not financial and resources and, therefore, are not reported in the funds.	3,514,931
Other long-term assets are not available to pay for current-period expenditures and, therefore, are deferred in the funds.	112,029
Accrued vacation leave payable is not due and payable in the current period and, therefore not reported in the funds.	(310,614)
Long-term liabilities, including capital leases and certificates of obligation payable, are not due and payable in the current period and, therefore, not reported in the funds.	(4,978,907)
Accrued interest payable on capital leases and certificates of obligation are not due and payable in the current period and, therefore, not reported in the funds.	<u>(24,588)</u>
NET ASSETS OF GOVERNMENTAL ACTIVITIES - STATEMENT OF NET ASSETS	<u>\$ 7,517,811</u>

(The Accompanying Notes are an Integral Part of these Financial Statements)

CITY OF ALAMO HEIGHTS, TEXAS
STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES -
GOVERNMENTAL FUNDS
EIGHTEEN MONTHS ENDED SEPTEMBER 30, 2008

	<u>GENERAL FUND</u>	<u>CAPITAL PROJECTS FUND</u>	<u>OTHER GOVERNMENTAL FUNDS</u>	<u>TOTAL GOVERNMENTAL FUNDS</u>
<u>REVENUES</u>				
Taxes	\$6,249,291	\$ -	\$ 424,627	\$ 6,673,918
Licenses and Permits	963,420	-	-	963,420
Intergovernmental	471,114	-	108,834	579,948
Charges for Services	1,265,903	-	-	1,265,903
Fines	315,618	-	-	315,618
Property Forfeitures	-	-	999	999
Investment Earnings	490,301	-	102,603	592,904
Miscellaneous	<u>117,356</u>	<u>-</u>	<u>11,665</u>	<u>129,021</u>
Total Revenues	<u>9,873,003</u>	<u>-</u>	<u>648,728</u>	<u>10,521,731</u>
<u>EXPENDITURES</u>				
General Government	2,147,225	-	13,962	2,161,187
Public Safety	5,906,672	-	33,016	5,939,688
Streets	514,566	-	-	514,566
Sanitation	1,114,018	-	-	1,114,018
Community Development	434,864	-	-	434,864
Parks and Recreation	292,611	-	-	292,611
Capital Outlay	1,121,595	435,415	77,143	1,634,153
Debt Service				
Principal	-	-	235,000	235,000
Interest and Fiscal Charges	-	-	182,041	182,041
Bond Issuance Cost	<u>-</u>	<u>39,514</u>	<u>-</u>	<u>39,514</u>
Total Expenditures	<u>11,531,551</u>	<u>474,929</u>	<u>541,162</u>	<u>12,547,642</u>
Excess (Deficiency) of Revenues Over (Under) Expenditures	<u>(1,658,548)</u>	<u>(474,929)</u>	<u>107,566</u>	<u>(2,025,911)</u>
<u>OTHER FINANCING SOURCES</u>				
Transfer In	98,027	-	-	98,027
Certificates of Obligation Issued	<u>-</u>	<u>5,165,000</u>	<u>-</u>	<u>5,165,000</u>
Total Other Financing Sources	<u>98,027</u>	<u>5,165,000</u>	<u>-</u>	<u>5,263,027</u>
Net Change in Fund Balances	(1,560,521)	4,690,071	107,566	3,237,116
<u>FUND BALANCES - BEGINNING</u>	<u>5,777,023</u>	<u>-</u>	<u>190,821</u>	<u>5,967,844</u>
FUND BALANCES - ENDING	<u>\$4,216,502</u>	<u>\$4,690,071</u>	<u>\$ 298,387</u>	<u>\$ 9,204,960</u>

(The Accompanying Notes are an Integral Part of these Financial Statements)

CITY OF ALAMO HEIGHTS, TEXAS
RECONCILIATION OF CHANGE IN FUND BALANCES - GOVERNMENTAL FUNDS TO
CHANGE IN NET ASSETS - GOVERNMENTAL ACTIVITIES
SEPTEMBER 30, 2008

<u>NET CHANGE IN FUND BALANCES - TOTAL GOVERNMENTAL FUNDS</u>	\$ 3,237,116
<p>Amounts reported for governmental activities in the statement of activities are different because:</p>	
<p>Governmental funds report capital outlays as expenditures. However, in the statement of activities the cost of those assets is allocated over their estimated useful lives and reported as depreciation expense. This is the amount by which capital capital outlay exceeded depreciation expense.</p>	907,355
<p>Revenues in the statement of activities that do not provide current financial resources are not reported as revenues in the funds.</p>	(83,780)
<p>Certificates of obligation proceeds provide current financial resources to governmental funds, but issuing debt increases long-term liabilities in the statement of net assets.</p>	(5,165,000)
<p>The repayment of the principal of long-term debt consumes the current financial resources of governmental funds but has no effect on net assets</p>	430,975
<p>Some expenses reported in the statement of activities do not require the use of current financial resources and, therefore, are not reported as expenditures in governmental funds.</p>	<u>20,640</u>
CHANGE IN NET ASSETS OF GOVERNMENTAL ACTIVITIES	<u>\$ (652,694)</u>

(The Accompanying Notes are an Integral Part of these Financial Statements)

CITY OF ALAMO HEIGHTS, TEXAS
STATEMENT OF NET ASSETS
PROPRIETARY FUNDS
SEPTEMBER 30, 2008

	<u>BUSINESS-TYPE ACTIVITIES-ENTERPRISE FUNDS</u>		
	<u>UTILITY FUND</u>	<u>SWIMMING POOL FUND</u>	<u>TOTAL</u>
<u>ASSETS</u>			
<u>CURRENT ASSETS</u>			
Cash and Cash Equivalents	\$ 1,040,546	\$ -	\$ 1,040,546
Investments	3,287,760	-	3,287,760
Receivables - Net of Allowances for Uncollectibles	416,859	-	416,859
Total Current Assets	4,745,165	-	4,745,165
<u>OTHER ASSETS</u>			
Bond Issue Costs - net	16,953	-	16,953
<u>NONCURRENT ASSETS</u>			
Restricted Cash and Cash Equivalents:			
Customer Deposits - Restricted	52,783	-	52,783
Capital Assets:			
Utility System	4,925,347	-	4,925,347
Furniture, Fixtures, and Equipment	346,009	-	346,009
Construction in Progress	107,465	-	107,465
Totals	5,378,821	-	5,378,821
Less: Accumulated Depreciation	(2,600,977)	-	(2,600,977)
Total Capital Assets - Net of Accumulated Depreciation	2,777,844	-	2,777,844
Total Noncurrent Assets	2,847,580	-	2,847,580
TOTAL ASSETS	\$ 7,592,745	\$ -	\$ 7,592,745
<u>LIABILITIES</u>			
<u>CURRENT LIABILITIES</u>			
Accounts Payable	\$ 38,048	\$ -	\$ 38,048
Other Payables	11,667	-	11,667
Accrued Payroll	4,913	-	4,913
Customer Deposits Payable - Restricted	52,783	-	52,783
Accrued Interest Payable	11,247	-	11,247
Bonds Payable within One Year	80,000	-	80,000
Total Current Liabilities	198,658	-	198,658
<u>NONCURRENT LIABILITIES</u>			
Bonds Payable after One Year	2,175,000	-	2,175,000
Total Liabilities	2,373,658	-	2,373,658
<u>NET ASSETS</u>			
Invested in Capital Assets	2,770,379	-	2,770,379
Unrestricted	2,448,708	-	2,448,708
Total Net Assets	5,219,087	-	5,219,087
TOTAL LIABILITIES AND NET ASSETS	\$ 7,592,745	\$ -	\$ 7,592,745

(The Accompanying Notes are an Integral Part of these Financial Statements)

CITY OF ALAMO HEIGHTS, TEXAS
STATEMENT OF REVENUES, EXPENSES, AND CHANGES IN FUND NET ASSETS
PROPRIETARY FUNDS
EIGHTEEN MONTHS ENDED SEPTEMBER 30, 2008

	<u>BUSINESS-TYPE ACTIVITIES - ENTERPRISE FUNDS</u>		
	<u>UTILITY FUND</u>	<u>SWIMMING POOL FUND</u>	<u>TOTAL</u>
<u>OPERATING REVENUES</u>			
Charges for Services	\$ 4,568,692	\$ -	\$ 4,568,692
Leases	170,447	30,000	200,447
Miscellaneous	<u>3,013</u>	<u>-</u>	<u>3,013</u>
Total Operating Revenues	<u>4,742,152</u>	<u>30,000</u>	<u>4,772,152</u>
<u>OPERATING EXPENSES</u>			
Costs of Sales and Services	2,914,579	-	2,914,579
Administration	21,632	-	21,632
Write off of Capital Assets	-	98,979	98,979
Depreciation	<u>254,436</u>	<u>5,841</u>	<u>260,277</u>
Total Operating Expenses	<u>3,190,647</u>	<u>104,820</u>	<u>3,295,467</u>
Operating Income (Loss)	<u>1,551,505</u>	<u>(74,820)</u>	<u>1,476,685</u>
<u>NONOPERATING REVENUES (EXPENSES)</u>			
Investment Earnings	46,097	-	46,097
Interest Expense	(93,544)	-	(93,544)
Amortization of Bond Costs	<u>(1,305)</u>	<u>-</u>	<u>(1,305)</u>
Total Nonoperating Revenues (Expenses)	<u>(48,752)</u>	<u>-</u>	<u>(48,752)</u>
Income (Loss) before Transfers	1,502,753	(74,820)	1,427,933
Transfer Out	<u>-</u>	<u>(98,027)</u>	<u>(98,027)</u>
Change in Net Assets	1,502,753	(172,847)	1,329,906
<u>TOTAL NET ASSETS - BEGINNING</u>	<u>3,716,334</u>	<u>172,847</u>	<u>3,889,181</u>
TOTAL NET ASSETS - ENDING	<u>\$ 5,219,087</u>	<u>\$ -</u>	<u>\$ 5,219,087</u>

(The Accompanying Notes are an Integral Part of these Financial Statements)

CITY OF ALAMO HEIGHTS, TEXAS
STATEMENT OF CASH FLOWS – PROPRIETARY FUNDS
EIGHTEEN MONTHS ENDED SEPTEMBER 30, 2008

	<u>BUSINESS-TYPE ACTIVITIES - ENTERPRISE FUNDS</u>		
	<u>UTILITY FUND</u>	<u>SWIMMING POOL FUIND</u>	<u>TOTAL</u>
<u>CASH FLOWS FROM OPERATING ACTIVITIES</u>			
Cash Received from Customers	\$ 4,724,159	\$ 30,000	\$ 4,754,159
Cash Paid to Suppliers	(2,534,271)	-	(2,534,271)
Cash Paid to Employees	(755,700)	-	(755,700)
Cash Received from Other Funds	877,555	-	877,555
Net Cash Provided by Operating Activities	<u>2,311,743</u>	<u>30,000</u>	<u>2,341,743</u>
<u>CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES</u>			
Cash Paid to Other Funds	-	(98,027)	(98,027)
<u>CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES</u>			
Purchase of Capital Assets	<u>(570,932)</u>	-	<u>(570,932)</u>
<u>CASH FLOWS FROM INVESTING ACTIVITIES</u>			
Proceeds from Investment Interest	46,097	-	46,097
Proceeds from Sales of Investments	75,298	-	75,298
Payment for Purchase of Investments	(3,415,841)	-	(3,415,841)
Payment of Interest on Debt	(100,555)	-	(100,555)
Proceeds from Certificates of Obligation	2,335,000	-	2,335,000
Payments on Debt	(80,000)	-	(80,000)
Net Cash Used in Investing Activities	<u>(1,140,001)</u>	-	<u>(1,140,001)</u>
Net Increase (Decrease) in Cash and Cash Equivalents	600,810	(68,027)	532,783
<u>CASH AND CASH EQUIVALENTS - BEGINNING OF PERIOD</u>	<u>492,519</u>	<u>68,027</u>	<u>560,546</u>
CASH AND CASH EQUIVALENTS - END OF PERIOD	<u>\$ 1,093,329</u>	<u>\$ -</u>	<u>1,093,329</u>
<u>RECONCILIATION OF OPERATING INCOME TO NET CASH PROVIDED BY (USED IN) OPERATING ACTIVITIES</u>			
Operating Income	\$ 1,551,505	\$ (74,820)	\$ 1,476,685
Adjustments to Reconcile Operating Income to Net Cash Provided by Operating Activities			
Depreciation Expense	254,436	5,841	260,277
Loss on Disposal	-	98,979	98,979
Increase in Accounts Receivable	(85,627)	-	(85,627)
Decrease in Due from Other Funds	877,555	-	877,555
Decrease in Accounts Payable	(289,463)	-	(289,463)
Increase in Other Payables	301	-	301
Decrease in Accrued Payroll	(11,514)	-	(11,514)
Increase in Customer Deposits Payable	14,550	-	14,550
Total Adjustments	<u>760,238</u>	<u>104,820</u>	<u>865,058</u>
NET CASH PROVIDED BY OPERATING ACTIVITIES	<u>\$ 2,311,743</u>	<u>\$ 30,000</u>	<u>\$ 2,341,743</u>

(The Accompanying Notes are an Integral Part of these Financial Statements)

NOTES TO BASIC FINANCIAL STATEMENTS

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CITY OF ALAMO HEIGHTS, TEXAS
NOTES TO BASIC FINANCIAL STATEMENTS
SEPTEMBER 30, 2008

NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

A. Reporting Entity

The City of Alamo Heights, Texas, (the City) was incorporated in 1922 and adopted its home rule charter in 1954, pursuant to the laws of the state of Texas. The City operates under a mayor-council form of government with a mayor and five council members.

The financial statements of the City have been prepared in conformance with accounting principles generally accepted in the United States of America (GAAP). The recognized standard setting body for governmental accounting and financial reporting principles is the Governmental Accounting Standards Board (GASB). In the absence of applicable GASB guidance, the City's proprietary funds follow pronouncements issued by the Financial Accounting Standard Board (FASB) on or before November 30, 1989. In accordance with GASB Statement No. 20, *Accounting and Financial Reporting for Proprietary Funds and Other Governmental Entities That Use Proprietary Fund Accounting*, the City has elected not to apply FASB pronouncements issued after that date.

Government-Wide and Fund Financial Statements

The government-wide financial statements report information on all of the nonfiduciary activities of the primary government. For the most part, the effect of interfund activity has been removed from these statements. Governmental activities, which normally are supported by taxes and intergovernmental revenues, are reported separately from business-type activities, which rely to a significant extent on fees and charges for support.

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

Separate financial statements are provided for governmental funds and proprietary funds. Major individual governmental funds and major individual enterprise funds are reported as separate columns in the fund financial statements.

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

Government-Wide Financial Statements: These financial statements are reported using the economic resources measurement focus. They are reported using the accrual basis of accounting as are the proprietary fund financial statements. Revenues are recorded when earned and expenses are recorded at the time liabilities are incurred, regardless of when the related cash flows take place. Property taxes are recognized as revenues in the year for which they are levied. Revenue from grants, entitlements, and donations is recognized in the fiscal year in which all eligibility requirements have been satisfied.

Governmental Funds Financial Statements: Governmental funds are reported using the current financial resources measurement focus and the modified accrual basis of accounting. Under this

CITY OF ALAMO HEIGHTS, TEXAS
NOTES TO BASIC FINANCIAL STATEMENTS
SEPTEMBER 30, 2008

NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

B. Measurement Focus, Basis of Accounting, and Financial Statement Presentation (Continued)

method, revenues are recognized when measurable and available. The City considers all revenues reported in the governmental funds to be available if the revenues are collected within 60 days after year end. Property and sales taxes, utility franchises, and interest associated with the current fiscal period are all considered to be susceptible to accrual and so have been recognized as revenues of the current fiscal period. All other revenue items are considered to be measurable and available only when cash is received by the City. Expenditures are recorded when the related fund liability is incurred, except for principal and interest on long-term debt, claims and judgments, and compensated absences, which are recognized as expenditures to the extent they have matured. Capital asset acquisitions are reported as expenditures in governmental funds. Proceeds from long-term debt and acquisitions under capital leases are reported as other financing sources.

Proprietary funds distinguish operating revenues and expenses from nonoperating items. Operating revenues and expenses generally result from providing services and producing and delivering goods in connection with a proprietary fund's principal ongoing operations. The principal operating revenues of the utility enterprise fund and the swimming pool enterprise fund are charges to customers for sales and services. Operating expenses for enterprise funds include the cost of sales and services, administrative expenses, and depreciation on capital assets. All revenues and expenses not meeting this definition are reported as nonoperating revenues and expenses.

When the City incurs an expenditure or expense for which both restricted and unrestricted resources may be used, it is the City's policy to use restricted resources first, then unrestricted resources.

The City reports the following major governmental funds:

General Fund: The general fund is the City's primary operating fund. It is used to account for all activity not required to be accounted for in another type of governmental fund.

Capital Projects Fund: The capital projects fund accounts for financial resources to be used for the acquisition and construction of major capital facilities and is principally financed by the sale of certificates of obligation.

The City reports the following major proprietary fund:

Utility Fund: The utility fund accounts for business-type activities of the City, where cost recovery and determination of net income are useful or necessary for sound fiscal management.

For valuation purposes, investments with remaining maturities of one (1) year or less at time of purchase are accounted for at amortized cost. All other investments are reported on the financial statements at fair value. Fair value is defined as the price at which a security would be exchanged in a current transaction between willing parties. The City uses market values as quoted in *The Wall Street Journal* or a comparable nationally recognized publication to determine fair value.

C. Cash and Cash Equivalents

The City's cash and cash equivalents are considered to be cash on hand and demand deposits.

CITY OF ALAMO HEIGHTS, TEXAS
NOTES TO BASIC FINANCIAL STATEMENTS
SEPTEMBER 30, 2008

NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

D. Receivables and Payables

Allowance for Doubtful Accounts: The allowance for doubtful accounts is established as losses are estimated to have occurred through a provision for bad debts charged to earnings. Losses are charged against the allowance when management believes the uncollectibility of a receivable is confirmed. Subsequent recoveries, if any, are credited to the allowance. The allowance for doubtful accounts is evaluated on a regular basis by management and is based on historical experience and specifically identified questionable receivables. The evaluation is inherently subjective, as it requires estimates that are susceptible to significant revision as more information becomes available.

Property Taxes: The City levies its property taxes on October 1 of each year based upon the assessed value as of January 1 (the lien date) of that year for all real and personal property located in the City. Taxes are due on October 1 (the statement and levy date) and become delinquent on February 1 of the subsequent year.

E. Other Assets

Restricted Assets: Cash received as security deposits from customers for utility service is reported as a restricted asset. These funds are maintained in a separate account with the City's depository and are not available for appropriation.

F. Capital Assets

Capital assets used by the primary government are reported in the applicable governmental or business-type activities column in the government-wide financial statements. Capital assets are defined by the government as assets with an initial, individual cost of \$5,000 or more and an estimated useful life in excess of two (2) years. Such assets are recorded at cost, or estimated historical cost if actual cost is not available. Donated capital assets are recorded at the estimated fair market value at the date of donation. Capital lease assets are recorded at the present value of their future minimum lease payments as of the inception date. Capital assets include land, buildings and improvements, furniture and equipment, infrastructure, and the utility system. Infrastructure assets are those public domain assets that are immovable and have value only to the City, e.g., streets, sidewalks, traffic signs, and lights.

The cost of normal maintenance and repairs that do not add to the value of the assets or materially extend asset lives are not capitalized. Assets acquired are capitalized and depreciated over the remaining useful lives of the related capital assets, as applicable. Records of all capital assets, including infrastructure capital assets, are maintained for both management and accountability purposes.

Depreciation of capital assets is charged as an expenditure/expense against operations. Accumulated depreciation is reported on the statement of net assets. Depreciation is generally recorded on the straight-line basis over the estimated life of the assets. The estimated useful lives are as follows:

CITY OF ALAMO HEIGHTS, TEXAS
NOTES TO BASIC FINANCIAL STATEMENTS
SEPTEMBER 30, 2008

NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

F. Capital Assets (Continued)

<u>ASSET</u>	<u>YEARS</u>
Buildings	40 Years
Improvements other than Buildings	40 Years
Infrastructure	40 Years
Furniture and Equipment	3-10 Years
Utility System	40 Years

G. Compensated Absences

Each eligible, full-time city employee accrues vacation on his or her anniversary date. This vacation time must be taken prior to the employee's next anniversary date. The amount of time the employee accrues depends upon the employee's length of service as follows:

1-10 Years	2 Weeks
10-20 Years	3 Weeks
Over 20 Years	4 Weeks

The City also permits all nonexempt employees to accrue compensatory time at a rate of 1.5 hours for each hour over the standard number of hours in the employee's pay cycle. The majority of these have typically been liquidated from the general fund in previous years.

H. Prepaid Items

Certain payments to vendors reflect costs applicable to future accounting periods and are reported as prepaid items in both government-wide and fund financial statements.

I. Deferred Revenues

Deferred revenues occur when revenue does not meet both the measurable and available criteria for recognition in the current period. In subsequent periods, when both revenue recognition criteria are met, the liability for deferred revenue is removed from the balance sheet and revenue is recognized.

J. Use of Estimates

The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions. This will affect the reported amounts of assets and liabilities at the date of the financial statements, and the reported amounts of revenues and expenditures/expenses during the reporting period. Actual results could differ from these estimates.

K. Fund Balance

Reservations of fund balance in the governmental funds represent amounts that are not available for appropriation or are legally segregated for a specific purpose. Designations of fund equity represent tentative management plans that may be subject to change.

CITY OF ALAMO HEIGHTS, TEXAS
NOTES TO BASIC FINANCIAL STATEMENTS
SEPTEMBER 30, 2008

NOTE 2: BUDGETARY AND LEGAL COMPLIANCE

An annual budget is legally adopted for the general fund only on a basis consistent with GAAP. All annual appropriations lapse at fiscal year end.

The budget preparation process begins in the last quarter of the fiscal year when the department heads meet with the city manager to discuss departmental needs. The city manager prepares a proposed budget for preliminary review by the mayor or his designee prior to the end of the fiscal year. After the mayor has approved the proposed budget, it is submitted to the city council for approval. The budget is legally enacted by city council through passage of an ordinance.

Formal budgetary account integration is used to facilitate managerial control over expenditures during the course of the year. Expenditures are monitored at the department line item level for ongoing control purposes. On a monthly basis, comparative revenue and expenditure statements are presented to the city council.

The city manager is authorized to transfer budgeted amounts between accounts within a department and from one department to another. These transfers cannot increase the overall budgeted expenditures.

NOTE 3: DETAILED NOTES FOR ALL FUNDS

A. Deposits and Investments

Deposits: The City uses a pooled cash system that is available for use by all funds. City monies are deposited in demand accounts. Each fund's portion of pooled cash is reflected on the statement of net assets in "cash and cash equivalents." This amount also includes all highly liquid investments with original maturities of 90 days or less.

The City's deposits are held in a Federal Deposit Insurance Corporation (FDIC) insured bank. The City's depository agreement requires collateralization of all deposits with U.S. Government securities. The market value of the collateral must be greater than the total amount on deposit.

The carrying amount of the City's deposits with financial institutions was \$1,382,648 and the bank balance was \$1,930,648.

Investments: The City may invest its excess funds in any instruments authorized by the Public Funds Investment Act of Texas (the Act). Investments authorized under this act include, but are not limited to, the following: Obligations of the United States or its agencies and instrumentalities; direct obligations of the state of Texas or its agencies and instrumentalities; collateralized mortgage obligations directly issued by a federal agency or instrumentality of the United States; other obligations, the principal and interest of which are unconditionally guaranteed or insured by, or backed by the full faith and credit of, the state of Texas or the United States or their respective agencies and instrumentalities; certificates of deposit issued by a state or financial institution domiciled in the state of Texas which is guaranteed or insured by the FDIC or otherwise secured; and certain repurchase agreements.

The method used to value investments for financial reporting purposes is dependent upon the type of investment and the time remaining to maturity. Investments are valued at amortized cost if they have a remaining maturity at the time of purchase of one (1) year or less and the fair value

CITY OF ALAMO HEIGHTS, TEXAS
NOTES TO BASIC FINANCIAL STATEMENTS
SEPTEMBER 30, 2008

NOTE 3: DETAILED NOTES FOR ALL FUNDS (CONTINUED)

A. Deposits and Investments (Continued)

of the investments is not affected by the impairment or the credit standing of the issuer or by other factors. All other investments are valued at fair value.

Local government investment pools in Texas are established under the government of the Interlocal Cooperation Act, Chapter 791 of the Texas Government Code, and are subject to the provisions of the Act, Chapter 2256 of the Texas Government Code. In addition, to other provisions of the Act designed to promote liquidity and safety of principal, the Act requires pools to (1) have an advisory board composed of participants in the pool and other persons who do not have a business relationship with the pool and are qualified to advise the pool; (2) maintain a continuous rating of no lower than AAA or AAAM or an equivalent rating by at least one nationally recognized rating service; and (3) maintain the market value of its underlying investment portfolio within one half of one percent of the value of its shares.

The pools operate in a manner consistent with the Securities and Exchange Commission's (SEC) Rule 2a7 of the Investment Company Act of 1940 but are not registered with the SEC as investment companies. The pools use amortized cost rather than market value to report net assets to compute share prices. Accordingly, the fair value of the position in this pool is the same as the value of the shares in the pool.

Credit Risk: Generally, credit risk is the risk that an issuer of an investment will not fulfill its obligation to the holder of the investment. This is measured by the assignment of a rating by a nationally recognized statistical rating organization. However, investments issued or explicitly guaranteed by the United States government and investments in mutual funds, external investment pools, and other pooled investments are excluded from this requirement. Presented below is the minimum rating required by (where applicable) the City's investment policy and the Act and the actual rating as of September 30, 2008 for each investment.

DESCRIPTION	INVESTMENT POLICY MINIMUM RATING	INVESTMENT RATING	RATING ORGANIZATION	FAIR VALUE	WEIGHTED AVERAGE MATURITY (YEARS)
TexPool	AAA	AAAm	Standard & Poor's	\$ 1,236,495	-
Lonestar Liquidity Fund	AAA	AAA	Standard & Poor's	998,344	-
Logic	AAA	AAA	Standard & Poor's	1,381,479	-
TexStar	AAA	AAAm	Standard & Poor's	<u>8,055,623</u>	-
TOTAL INVESTMENTS				<u>\$ 11,671,941</u>	

Concentration of Credit Risk: Disclosure is required for investments in any one issuer that represent 5% or more of total investment. However, investments issued or explicitly guaranteed by the United States government and investments in mutual funds, external investment pools, and other pooled investments are excluded from this requirement. The City's investments in external investment pools exceeding 5% are excluded from this requirement.

CITY OF ALAMO HEIGHTS, TEXAS
NOTES TO BASIC FINANCIAL STATEMENTS
SEPTEMBER 30, 2008

NOTE 3: DETAILED NOTES FOR ALL FUNDS (CONTINUED)

A. Deposits and Investments (Continued)

Interest Rate Risk: Interest rate risk is the risk that changes in market interest rates will adversely affect the fair value of an investment. Generally, the longer the maturing of an investment, the greater the sensitivity of its fair value to changes in market interest rates. As a means of limiting the City's exposure to fair value losses arising from interest rate risk, the City's investment policy limits the maximum weighted average maturity for its portfolio as a whole to 365 days. Maximum allowable stated maturities are limited by investment type as follows:

<u>INVESTMENT TYPE</u>	<u>MAXIMUM MATURITIES</u>
United States Treasury Securities	Two Years
Certificates of Deposit	90 Days
No-Load Money Market Mutual Funds	90 Days

B. Receivables

The following is a summary of the gross delinquent taxes receivable and the allowances for uncollectible taxes:

	<u>TAXES</u>	<u>ALLOWANCE FOR UNCOLLECTIBLE TAXES</u>	<u>NET TAXES</u>
<u>Delinquent Taxes</u>			
General Fund	\$ 81,651	\$ 10,775	\$ 70,876
Debt Service Fund	4,464	-	4,464
	<u>\$ 86,115</u>	<u>\$ 10,775</u>	<u>\$ 75,340</u>

C. Property Tax

Property taxes are levied on October 1 of each fiscal year based upon the assessed value as of January 1 (the lien date) for all real and personal property located in the City. Taxes are due on October 1 (the statement and levy date) and become delinquent on February 1 of the next year.

The appraisal of property within the City is the responsibility of the Bexar Appraisal District, which is required by state statute to assess all property within the appraisal district at 100% of its appraised value and is prohibited from applying any assessment ratios. The total assessed value on January 1, 2007, upon which the 2008 fiscal year levy was based, is \$1,318,747,012. Tax collections during the eighteen months ended September 30, 2008, for the 2007 tax levy, were 96% of the total tax levy for that year.

CITY OF ALAMO HEIGHTS, TEXAS
NOTES TO BASIC FINANCIAL STATEMENTS
SEPTEMBER 30, 2008

NOTE 3: DETAILED NOTES FOR ALL FUNDS (CONTINUED)

C. Property Tax (Continued)

General property taxes for cities are limited by the Texas Constitution to \$2.50 per \$100 of assessed valuation. The City's tax rate for this fiscal period was \$0.355662 per \$100 of assessed valuation.

D. Capital Assets

Capital asset activity for the eighteen months ended September 30, 2008 was as follows:

	<u>BALANCE AT APRIL 1, 2007</u>	<u>INCREASES</u>	<u>DECREASES</u>	<u>BALANCE AT SEPTEMBER 30, 2008</u>
<u>Governmental Activities</u>				
Capital Assets not being Depreciated				
Land	\$ 946,067	\$ -	\$ -	\$ 946,067
Construction in Progress	-	435,415	-	435,415
Total Capital Asset not being Depreciated	<u>946,067</u>	<u>435,415</u>	<u>-</u>	<u>1,381,482</u>
Capital Assets being Depreciated				
Buildings	1,223,242	142,285	(4,303)	1,361,224
Infrastructure	3,084,048	328,691	(43,917)	3,368,822
Improvements other than Buildings	64,484	122,452	(3,636)	183,300
Furniture, Fixtures, and Equipment	<u>2,995,415</u>	<u>704,289</u>	<u>(376,426)</u>	<u>3,323,278</u>
Total Capital Asset being Depreciated	<u>7,367,189</u>	<u>1,297,717</u>	<u>(428,282)</u>	<u>8,236,624</u>
Less Accumulated Depreciation for:				
Buildings	(550,438)	(45,775)	1,721	(594,492)
Infrastructure	(2,872,411)	(206,697)	43,917	(3,035,191)
Improvements Other than Buildings	(3,162)	(293)	1,040	(2,415)
Furniture, Fixtures, and Equipment	<u>(2,270,586)</u>	<u>(573,012)</u>	<u>372,521</u>	<u>(2,471,077)</u>
Total Accumulated Depreciation	<u>(5,696,597)</u>	<u>(825,777)</u>	<u>419,199</u>	<u>(6,103,175)</u>
Total Capital Assets being Depreciated - Net	<u>1,670,592</u>	<u>471,940</u>	<u>(9,083)</u>	<u>2,133,449</u>
GOVERNMENTAL ACTIVITIES CAPITAL ASSETS - NET	<u>\$ 2,616,659</u>	<u>\$ 907,355</u>	<u>\$ (9,083)</u>	<u>\$ 3,514,931</u>
<u>Business-Type Activities</u>				
Capital Assets not being Depreciated				
Construction in Progress	\$ -	\$ 107,465	\$ -	\$ 107,465
Capital Assets being Depreciated				
Utility System	4,629,443	295,904	-	4,925,347
Improvements other than Buildings	356,907	-	(356,907)	-
Furniture, Fixtures, and Equipment	<u>212,904</u>	<u>167,563</u>	<u>(34,458)</u>	<u>346,009</u>
Total Capital Assets being Depreciated	<u>5,199,254</u>	<u>463,467</u>	<u>(391,365)</u>	<u>5,271,356</u>
Less Accumulated Depreciation for:				
Utility System	(2,266,876)	(172,759)	-	(2,439,635)
Improvements other than Buildings	(252,087)	(5,841)	257,928	-
Furniture, Fixtures, and Equipment	<u>(114,123)</u>	<u>(81,677)</u>	<u>34,458</u>	<u>(161,342)</u>
Total Accumulated Depreciation	<u>(2,633,086)</u>	<u>(260,277)</u>	<u>292,386</u>	<u>2,600,977</u>
Total Capital Assets being Depreciated - Net	<u>2,566,168</u>	<u>203,190</u>	<u>(98,979)</u>	<u>2,670,379</u>
BUSINESS-TYPE ACTIVITIES CAPITAL ASSETS - NET	<u>\$ 2,566,168</u>	<u>\$ 310,655</u>	<u>\$ (98,979)</u>	<u>\$ 2,777,844</u>

CITY OF ALAMO HEIGHTS, TEXAS
NOTES TO BASIC FINANCIAL STATEMENTS
SEPTEMBER 30, 2008

NOTE 3: DETAILED NOTES FOR ALL FUNDS (CONTINUED)

D. Capital Assets (Continued)

Depreciation expense was charged to functions/programs of the primary government as follows:

Governmental Activities

General Government	\$ 92,534
Public Safety	363,976
Streets	286,486
Sanitation	65,124
Parks and Recreation	<u>17,657</u>

TOTAL DEPRECIATION EXPENSE - GOVERNMENTAL ACTIVITIES	<u>\$ 825,777</u>
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Business-Type Activities

Utility	\$ 254,436
Swimming Pool	<u>5,841</u>

TOTAL DEPRECIATION EXPENSE - BUSINESS-TYPE ACTIVITIES	<u>\$ 260,277</u>
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E. Interfund Balances and Transfers

The interfund receivables and payables at September 30, 2008 is as follows:

RECEIVABLE FUND	PAYABLE FUND	AMOUNT	PURPOSE
Community Benefit Fund	Private Contributions	\$47	Amounts payable from the private contributions to the community benefit fund are due to pooling of cash.

The interfund transfer in the amount of \$98,027 from the swimming pool fund to the general fund is the result of closing out the swimming pool fund.

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CITY OF ALAMO HEIGHTS, TEXAS
NOTES TO BASIC FINANCIAL STATEMENTS
SEPTEMBER 30, 2008

NOTE 3: DETAILED NOTES FOR ALL FUNDS (CONTINUED)

F. Long-Term Debt

The City had the following changes in long-term debt outstanding for the period ended September 30, 2008:

	ORIGINAL AMOUNT	INTEREST RATES	OUTSTANDING APRIL 1, 2007	ISSUED	RETIRED	BALANCE SEPTEMBER 30, 2008	AMOUNTS DUE IN ONE YEAR
<u>GOVERNMENTAL ACTIVITIES</u>							
Combination Tax and Revenue Bonds CO's Series 2007	\$ 5,165,000	3.99%	\$ -	\$ 5,165,000	\$ (235,000)	\$ 4,930,000	\$ 240,000
Compensated Absences			382,750	65,810	(63,792)	384,768	74,154
Capital Lease Obligations			<u>244,882</u>	<u>-</u>	<u>(195,975)</u>	<u>48,907</u>	<u>29,092</u>
Total Governmental Activities			<u>627,632</u>	<u>5,230,810</u>	<u>(494,767)</u>	<u>5,363,675</u>	<u>343,246</u>
<u>BUSINESS-TYPE ACTIVITIES</u>							
Combination Tax and Revenue Bonds CO's Series 2007	2,335,000	3.99%	<u>-</u>	<u>2,335,000</u>	<u>(80,000)</u>	<u>2,255,000</u>	<u>80,000</u>
TOTAL PRIMARY GOVERNMENT			<u>\$ 627,632</u>	<u>\$ 7,565,810</u>	<u>\$ (574,767)</u>	<u>\$ 7,618,675</u>	<u>\$ 423,246</u>

Annual debt service requirements as of September 30, 2008, for revenue bonds are as follows:

FISCAL YEAR	GOVERNMENTAL ACTIVITIES			BUSINESS-TYPE ACTIVITIES		
	PRINCIPAL	INTEREST	TOTAL	PRINCIPAL	INTEREST	TOTAL
2009	\$ 240,000	\$ 196,707	\$ 436,707	\$ 80,000	\$ 89,974	\$ 169,974
2010	270,000	187,131	457,131	85,000	86,783	171,783
2011	300,000	176,358	476,358	90,000	83,390	173,390
2012	335,000	164,388	499,388	90,000	79,800	169,800
2013	370,000	151,021	521,021	95,000	76,208	171,208
2014-2018	2,315,000	507,526	2,822,526	535,000	320,794	855,794
2019-2023	1,100,000	66,236	1,166,236	650,000	205,488	855,488
2024-2027	<u>-</u>	<u>-</u>	<u>-</u>	<u>630,000</u>	<u>63,841</u>	<u>693,841</u>
TOTALS	<u>\$ 4,930,000</u>	<u>\$ 1,449,367</u>	<u>\$ 6,379,367</u>	<u>\$ 2,255,000</u>	<u>\$ 1,006,278</u>	<u>\$ 3,261,278</u>

During the year, the City issued Combination Tax and Revenue Bond Certificates of Obligation, Series 2007 for \$7,500,000 of which \$5,165,000 is to be used for governmental activities and \$2,335,000 is to be used for business-type activities.

CITY OF ALAMO HEIGHTS, TEXAS
NOTES TO BASIC FINANCIAL STATEMENTS
SEPTEMBER 30, 2008

NOTE 3: DETAILED NOTES FOR ALL FUNDS (CONTINUED)

G. Capital Leases (Continued)

The City entered into lease agreements as lessee for financing the acquisition of various capital assets.

The assets acquired through capital leases as of September 30, 2008 are as follows:

<u>ASSETS</u>	<u>GOVERNMENTAL ACTIVITIES</u>
Machinery and Equipment	\$ 157,848
Less: Accumulated Amortization	<u>(141,767)</u>
 TOTAL	 <u>\$ 16,081</u>

Amortization of capital leases is included with depreciation expense.

The future minimum lease obligations and the net present value of these minimum lease payments as of September 30, 2008 are as follows:

<u>FISCAL YEAR ENDING SEPTEMBER 30,</u>	<u>GOVERNMENTAL ACTIVITIES</u>
2009	\$ 30,795
2010	<u>20,414</u>
Total Minimum Lease Payments	51,209
Less Amount Representing Interest	<u>(2,302)</u>
 PRESENT VALUE OF MINIMUM LEASE PAYMENTS	 <u>\$ 48,907</u>

NOTE 4: OTHER INFORMATION

A. Risk Management

The City is exposed to various risks of loss related to torts; theft of, damages to, and destruction of assets; errors and omissions; injuries to employees; and natural disasters. These risks are covered by commercial insurance purchased from independent third parties. Settled claims from these risks have not exceeded commercial insurance coverage for the past three years. There have been no significant reductions in insurance coverage from the prior year.

The City provides its employees with health and life insurance coverage purchased from independent third parties. The City also maintains a cafeteria plan in accordance with Internal Revenue Code Section 125. This plan enables employees to add dependent coverage to their health insurance, as well as select additional types of insurance coverage. The costs of these benefits are recovered through payroll deductions.

CITY OF ALAMO HEIGHTS, TEXAS
NOTES TO BASIC FINANCIAL STATEMENTS
SEPTEMBER 30, 2008

NOTE 4: OTHER INFORMATION (CONTINUED)

B. Commitments and Contingent Liabilities

The City has an agreement with the San Antonio Water System (SAWS) for transportation and treatment of sewage. This agreement has been in effect since March 1, 1980. Provisions of the agreement allow for rate revisions by SAWS with a 45-day notice. The last residential rate increase was passed on to the City in December 2005. There have been no significant increases in surcharges for commercial users in the past year. The City has an ordinance that allows passing on third-party increases directly to the customer for these charges, without council approval. Currently, the residential rate in effect is \$1.7600 per hundred cubic feet.

C. Retirement System

Plan Description

The City provides pension benefits for all of its full-time employees through a nontraditional, joint contributory, hybrid defined benefit plan in the state-wide Texas Municipal Retirement System (TMRS), one of 827 currently administered by TRMS, an agent multiple-employer public employee retirement system.

Benefits depend upon the sum of the employee's contributions to the plan, with interest, and the city-financed monetary credits, with interest. At the date the plan began, the City granted monetary credits for service rendered before the plan began of a theoretical amount at least equal to two times what would have been contributed by the employee, with interest, prior to establishment of the plan. Monetary credits for service since the plan began are a percent (100%, 150%, or 200%) of the employee's accumulated contributions.

In addition, the City can grant, as often as annually, another type of monetary credit referred to as an updated service credit which is a theoretical amount which, when added to the employee's accumulated contributions and the monetary credits for service since the plan began, would be the total monetary credits and employee contributions accumulated with interest if the current employee contribution rate and City matching percent had always been in existence and if the employee's salary had always been the average of his or her salary in the last three years that are one year before the effective date.

At retirement, the benefit is calculated as if the sum of the employee's accumulated contributions with interest and the employer-financed monetary credits with interest were used to purchase an annuity.

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

Matching Ratio (City to Employee)	2-1
A Deposit Rate	6%
Member is Vested After	5 Years

Members can retire at certain ages, based on the years of service with the City.

The service retirement eligibilities for the City are: 5 years/age 60, 20 years/any age.

CITY OF ALAMO HEIGHTS, TEXAS
NOTES TO BASIC FINANCIAL STATEMENTS
SEPTEMBER 30, 2008

NOTE 4: OTHER INFORMATION (CONTINUED)

C. Retirement System (Continued)

Contributions

Under the state law governing TMRS, the actuary annually determines the City contribution rate. This rate consists of the normal cost contribution rate and the prior service contribution rate, both of which are calculated to be a level percent of payroll from year-to-year. The normal cost contribution rate finances the currently accruing monetary credits due to the City matching percent, which are the obligation of the City as of an employee's retirement date, not at the time the employee's contributions are made. The normal cost contribution rate is the actuarially determined level percent of payroll necessary to satisfy the obligation of the City to each employee at the time his/her retirement becomes effective. The prior service contribution rate amortizes the unfunded (overfunded) actuarial liability (asset) over the remainder of the plan's 30-year closed amortization period. The projected unit credit actuarial cost method is used for determining the City's contribution 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 (i.e., December 31, 2007 valuation is effective for rates beginning in January 2009).

The actuarial assumptions included (a) 7% investment rate of return, (b) projected salary increases varies by age and service, (c) 3.0% inflation and (d) 2.1% cost of living adjustments. The asset valuation method was determined based on amortized cost.

TREND INFORMATION
FOR THE RETIREMENT PLAN FOR THE EMPLOYEES OF CITY OF ALAMO HEIGHTS

<u>ACCOUNTING PERIOD ENDING</u>	<u>ANNUAL PENSION COST (APC)</u>	<u>PERCENTAGE OF APC CONTRIBUTION</u>	<u>NET PENSION OBLIGATION</u>
September 30, 2008	\$938,408	100%	-
March 31, 2007	582,113	100	-
March 31, 2006	356,556	100	-

The City is one of 827 municipalities having their benefit plan administered by TMRS. Each of the 827 municipalities have an annual, individual actuarial valuation performed. All assumptions for the December 31, 2007 valuations are contained in the 2007 TMRS Comprehensive Annual Financial Report, a copy of which may be obtained by writing to Post Office Box 149153, Austin, Texas 78714-9153.

D. Conduit Debt

On May 17, 2000, the City Council of the City passed and approved authorization for the creation of the "City of Alamo Heights, Texas Higher Education Facilities Corporation," to act for and on behalf of the City as its duly constituted authority and instrumentality to exercise the powers granted under the provisions of Sections 53.33 and 53.35(b) of the Texas Education Code (TEC). The corporation is a nonprofit corporation organized solely and exclusively for the purpose of aiding nonprofit educational institutions in providing educational, housing facilities which are incidental, subordinate, or related thereto or appropriate in connection therewith in accordance with and subject to the provisions of TEC.

CITY OF ALAMO HEIGHTS, TEXAS
NOTES TO BASIC FINANCIAL STATEMENTS
SEPTEMBER 30, 2008

NOTE 4: OTHER INFORMATION (CONTINUED)

D. Conduit Debt (Continued)

The City received a one-time fee of \$65,000 in July 2000 from the University of the Incarnate Word relating to the issuance of obligations designated as "City of Alamo Heights, Texas Higher Education Facilities Corporation Variable Rate Demand Education Tax-Exempt and Taxable Revenue and Refunding Bonds (University of the Incarnate Word Project) Series 1999". On July 13, 1999 Revenue and Refunding Bonds (University of the Incarnate Word Project), Series 1999-A in the amounts of \$15,075,000 were issued. The obligations issued by the corporation do not constitute a debt of the City, or a pledge of its faith and credit, but, such obligations shall be payable solely as provided in TEC and, accordingly, have not been reported in the basic financial statements.

As of September 30, 2008, the principal amount payable of Revenue and Refunding Bonds outstanding Series 1999-A were \$14,165,000.

E. Change in Fiscal Year

Financial information presented in the financial statements is for the eighteen months ended September 30, 2008. The City changed its fiscal year from March 31 to September 30 to improve the budgetary reporting and processing.

F. Transfer of Swimming Pool Fund

Effective September 30, 2008, the assets and operations of the swimming pool fund were transferred to the general fund.

REQUIRED SUPPLEMENTARY INFORMATION

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CITY OF ALAMO HEIGHTS, TEXAS
GENERAL FUND
SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE -
BUDGET AND ACTUAL
EIGHTEEN MONTHS ENDED SEPTEMBER 30, 2008

	<u>BUDGETED AMOUNTS</u>			VARIANCE WITH FINAL BUDGET POSITIVE (NEGATIVE)
	<u>ORIGINAL</u>	<u>FINAL</u>	<u>ACTUAL</u>	
<u>REVENUES</u>				
<u>Taxes</u>				
Property	\$4,120,031	\$ 4,277,031	\$ 4,142,614	\$ (134,417)
Sales	771,528	1,157,292	1,205,221	47,929
Beverage	60,000	92,000	100,136	8,136
Franchise	513,540	770,560	801,320	30,760
Total Taxes	<u>5,465,099</u>	<u>6,296,883</u>	<u>6,249,291</u>	<u>(47,592)</u>
<u>Licenses and Permits</u>				
Building	430,500	610,500	683,031	72,531
Electric	10,000	25,000	52,197	27,197
Liquor and Food	8,000	11,500	14,995	3,495
Planning and Zoning	35,000	51,000	49,325	(1,675)
Plumbing	20,000	35,000	52,997	17,997
Signs	5,000	7,000	7,151	151
Permits	38,330	60,720	76,641	15,921
Certificate of Occupancy	4,700	7,050	15,321	8,271
Other	6,000	10,050	11,762	1,712
Total Licenses and Permits	<u>557,530</u>	<u>817,820</u>	<u>963,420</u>	<u>145,600</u>
<u>Intergovernmental</u>				
Dispatch	106,602	149,256	143,211	(6,045)
AANTF	-	-	6	6
EMS	200,076	293,426	286,898	(6,528)
Other	-	-	40,999	40,999
Total Intergovernmental	<u>306,678</u>	<u>442,682</u>	<u>471,114</u>	<u>28,432</u>
<u>Charges for Services</u>				
Recycling	7,500	12,500	24,789	12,289
EMS	211,851	309,454	373,434	63,980
Court	204,000	308,200	366,731	58,531
Wrecker Fees	20,150	20,150	16,585	(3,565)
Garbage	343,140	514,710	481,617	(33,093)
Other	-	500	2,747	2,247
Total Charges for Services	<u>786,641</u>	<u>1,165,514</u>	<u>1,265,903</u>	<u>100,389</u>
<u>Fines</u>	<u>169,800</u>	<u>259,800</u>	<u>315,618</u>	<u>55,818</u>
<u>Investment Earnings</u>	<u>201,700</u>	<u>316,700</u>	<u>490,301</u>	<u>173,601</u>
<u>Miscellaneous</u>	<u>55,770</u>	<u>83,945</u>	<u>117,356</u>	<u>33,411</u>
Total Revenues	<u>7,543,218</u>	<u>9,383,344</u>	<u>9,873,003</u>	<u>489,659</u>

(CONTINUED)

CITY OF ALAMO HEIGHTS, TEXAS
GENERAL FUND
SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE -
BUDGET AND ACTUAL (CONTINUED)
EIGHTEEN MONTHS ENDED SEPTEMBER 30, 2008

	<u>BUDGETED AMOUNTS</u>			VARIANCE WITH FINAL BUDGET POSITIVE (NEGATIVE)
	<u>ORIGINAL</u>	<u>FINAL</u>	<u>ACTUAL</u>	
<u>EXPENDITURES</u>				
<u>General Government</u>				
Public Works Administration				
Personnel	\$ 119,599	\$ 181,036	\$ 186,600	\$ (5,564)
Commodities	150,206	219,331	230,049	(10,718)
Contractual	98,800	102,000	50,136	51,864
Capital Equipment	-	50,000	23,473	26,527
Total Public Works Administration	<u>368,605</u>	<u>552,367</u>	<u>490,258</u>	<u>62,109</u>
Court				
Personnel	90,273	132,565	143,891	(11,326)
Commodities	1,300	1,700	5,427	(3,727)
Contractual	15,000	30,200	47,038	(16,838)
Total Court	<u>106,573</u>	<u>164,465</u>	<u>196,356</u>	<u>(31,891)</u>
Administration				
Personnel	521,447	809,627	790,635	18,992
Commodities	82,521	121,363	106,556	14,807
Contractual	179,593	257,203	239,897	17,306
Capital Equipment	168,027	208,027	74,150	133,877
Total Administration	<u>951,588</u>	<u>1,396,220</u>	<u>1,211,238</u>	<u>184,982</u>
Information Systems				
Commodities	86,300	129,900	111,282	18,618
Contractual	164,552	251,222	235,714	15,508
Capital Equipment	123,050	131,100	65,186	65,914
Total Information Systems	<u>373,902</u>	<u>512,222</u>	<u>412,182</u>	<u>100,040</u>
Total General Government	<u>1,800,668</u>	<u>2,625,274</u>	<u>2,310,034</u>	<u>315,240</u>
<u>Public Safety</u>				
Police				
Personnel	1,405,797	2,122,911	1,951,379	171,532
Commodities	98,552	156,367	153,447	2,920
Contractual	61,524	91,174	63,755	27,419
Capital Equipment	45,200	75,200	73,194	2,006
Total Police	<u>1,611,073</u>	<u>2,445,652</u>	<u>2,241,775</u>	<u>203,877</u>
Police Dispatch				
Personnel	409,938	636,005	624,636	11,369
Commodities	6,662	10,124	7,072	3,052
Contractual	14,800	15,700	11,576	4,124
Total Police Dispatch	<u>431,400</u>	<u>661,829</u>	<u>643,284</u>	<u>18,545</u>

(CONTINUED)

CITY OF ALAMO HEIGHTS, TEXAS
GENERAL FUND
SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE -
BUDGET AND ACTUAL (CONTINUED)
EIGHTEEN MONTHS ENDED SEPTEMBER 30, 2008

	<u>BUDGETED AMOUNTS</u>			VARIANCE WITH FINAL BUDGET POSITIVE (NEGATIVE)
	<u>ORIGINAL</u>	<u>FINAL</u>	<u>ACTUAL</u>	
<u>EXPENDITURES (CONTINUED)</u>				
<u>Public Safety (Continued)</u>				
Fire				
Personnel	\$1,250,118	\$ 1,894,286	\$ 1,891,467	\$ 2,819
Commodities	62,686	97,079	94,223	2,856
Contractual	45,965	85,380	72,040	13,340
Capital Equipment	<u>72,900</u>	<u>146,400</u>	<u>218,493</u>	<u>(72,093)</u>
Total Fire	<u>1,431,669</u>	<u>2,223,145</u>	<u>2,276,223</u>	<u>(53,078)</u>
EMS				
Personnel	578,590	927,449	913,290	14,159
Commodities	56,892	81,422	74,487	6,935
Contractual	22,410	37,705	49,300	(11,595)
Capital Equipment	<u>150,225</u>	<u>167,725</u>	<u>137,110</u>	<u>30,615</u>
Total EMS	<u>808,117</u>	<u>1,214,301</u>	<u>1,174,187</u>	<u>40,114</u>
Total Public Safety	<u>4,282,259</u>	<u>6,544,927</u>	<u>6,335,469</u>	<u>209,458</u>
<u>Streets</u>				
Personnel	193,073	324,227	143,301	180,926
Commodities	201,700	397,726	368,238	29,488
Contractual	3,500	19,000	3,027	15,973
Capital Equipment	<u>271,373</u>	<u>678,873</u>	<u>506,412</u>	<u>172,461</u>
Total Streets	<u>669,646</u>	<u>1,419,826</u>	<u>1,020,978</u>	<u>398,848</u>
<u>Sanitation</u>				
Personnel	427,887	710,864	759,458	(48,594)
Commodities	79,200	130,500	154,582	(24,082)
Contractual	160,000	240,000	199,978	40,022
Capital Equipment	<u>18,000</u>	<u>27,000</u>	-	<u>27,000</u>
Total Sanitation	<u>685,087</u>	<u>1,108,364</u>	<u>1,114,018</u>	<u>(5,654)</u>
<u>Community Development</u>				
Personnel	237,007	365,889	392,677	(26,788)
Commodities	21,100	31,350	22,282	9,068
Contractual	<u>112,060</u>	<u>128,340</u>	<u>19,905</u>	<u>108,435</u>
Total Community Development	<u>370,167</u>	<u>525,579</u>	<u>434,864</u>	<u>90,715</u>

(CONTINUED)

CITY OF ALAMO HEIGHTS, TEXAS
GENERAL FUND
SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE -
BUDGET AND ACTUAL (CONTINUED)
EIGHTEEN MONTHS ENDED SEPTEMBER 30, 2008

	<u>BUDGETED AMOUNTS</u>			VARIANCE WITH FINAL BUDGET POSITIVE (NEGATIVE)
	<u>ORIGINAL</u>	<u>FINAL</u>	<u>ACTUAL</u>	
<u>EXPENDITURES (CONTINUED)</u>				
<u>Parks and Recreation</u>				
Personnel	\$ 166,020	\$ 256,357	\$ 250,285	\$ 6,072
Commodities	26,050	41,275	27,201	14,074
Contractual	21,000	34,000	15,125	18,875
Capital Equipment	<u>24,000</u>	<u>24,000</u>	<u>23,577</u>	<u>423</u>
Total Parks and Recreation	<u>237,070</u>	<u>355,632</u>	<u>316,188</u>	<u>39,444</u>
Total Expenditures	<u>8,044,897</u>	<u>12,579,602</u>	<u>11,531,551</u>	<u>1,048,051</u>
Excess (Deficiency) of Revenues Over (Under) Expenditures	(501,679)	(3,196,258)	(1,658,548)	1,537,710
<u>OTHER FINANCING SOURCES (USES)</u>				
Transfer In	<u>-</u>	<u>-</u>	<u>98,027</u>	<u>98,027</u>
Net Change in Fund Balance	<u>\$ (501,679)</u>	<u>\$ (3,196,258)</u>	<u>(1,560,521)</u>	<u>\$ 1,635,737</u>
<u>FUND BALANCE AT APRIL 1, 2007</u>			<u>5,777,023</u>	
FUND BALANCE AT SEPTEMBER 30, 2008			<u>\$ 4,216,502</u>	
<u>SUMMARY OF GENERAL FUND</u>				
<u>EXPENDITURES BY COST CATEGORY</u>				
Personnel	\$5,399,749	\$ 8,361,216	\$ 8,047,619	\$ 313,597
Commodities	873,169	1,418,137	1,354,846	63,291
Contractual	899,204	1,291,924	1,007,491	284,433
Capital Equipment	<u>872,775</u>	<u>1,508,325</u>	<u>1,121,595</u>	<u>386,730</u>
TOTAL EXPENDITURES	<u>\$8,044,897</u>	<u>\$12,579,602</u>	<u>\$ 11,531,551</u>	<u>\$ 1,048,051</u>

CITY OF ALAMO HEIGHTS, TEXAS
NOTE TO REQUIRED SUPPLEMENTARY INFORMATION
SEPTEMBER 30, 2008

NOTE 1: BUDGETARY INFORMATION

The budget for the general fund is adopted on a basis consistent with generally accepted accounting principles. Annual appropriations lapse at fiscal year end.

Budgetary preparation and control is exercised at the fund level. The city manager is authorized to transfer budget amounts between accounts within a department and from one department to another. These transfers can not increase the overall budgeted expenditures.

CITY OF ALAMO HEIGHTS, TEXAS
SCHEDULE OF FUNDING PROGRESS
TEXAS MUNICIPAL RETIREMENT SYSTEM
SEPTEMBER 30, 2008

ACTUARIAL VALUATION DATE	ACTUARIAL VALUE OF ASSETS (a)	ACTUARIAL ACCRUED LIABILITY (AAL) (b)	UNFUNDED AAL (UAAL) (b-a)	FUNDED RATIO (a/b)	COVERED PAYROLL (c)	UAAL AS A PERCENTAGE OF COVERED PAYROLL ((b-a)/c)
12/31/2005	\$ 5,311,461	\$ 8,789,119	\$ 3,477,658	60.4%	\$ 3,497,405	99.44%
12/31/2006	3,842,664	7,535,712	3,693,048	51.0	3,757,836	98.28
12/31/2007	4,123,174	10,244,704	6,121,530	40.2	3,893,686	157.20

OTHER SUPPLEMENTARY INFORMATION

CITY OF ALAMO HEIGHTS, TEXAS
COMBINING BALANCE SHEET
NONMAJOR GOVERNMENTAL FUNDS
SEPTEMBER 30, 2008

	<u>SPECIAL REVENUE</u>			
	<u>CONFISCATED</u>	<u>COURT</u>	<u>COMMUNITY</u>	<u>LEOSE</u>
	<u>PROPERTY</u>	<u>SECURITY</u>	<u>BENEFIT</u>	<u>EMPLOYEE</u>
				<u>CENTER</u>
				<u>EDUCATION</u>
<u>ASSETS</u>				
Cash	\$ 4,269	\$61,469	\$ 60,045	\$ 31,816
Receivables - Net of Allowances for Uncollectibles	-	-	-	-
Due from Other Funds	-	-	47	-
	<u>4,269</u>	<u>61,469</u>	<u>60,092</u>	<u>31,816</u>
TOTAL ASSETS	<u>\$ 4,269</u>	<u>\$61,469</u>	<u>\$ 60,092</u>	<u>\$ 31,816</u>
<u>LIABILITIES</u>				
Accounts Payable	\$ -	\$ -	\$ 64	\$ -
Due to Other Funds	-	-	-	-
Deferred Revenue	-	-	-	-
Total Liabilities	-	-	64	-
<u>FUND BALANCES (DEFICIT)</u>				
Reserved for				
Police	4,269	-	-	-
Security	-	61,469	-	-
Community Programs	-	-	60,028	-
Police Training	-	-	-	31,816
Technology	-	-	-	-
Debt Service	-	-	-	-
Unreserved	-	-	-	-
Total Fund Balances (Deficit)	<u>4,269</u>	<u>61,469</u>	<u>60,028</u>	<u>31,816</u>
TOTAL LIABILITIES AND FUND BALANCES	<u>\$ 4,269</u>	<u>\$61,469</u>	<u>\$ 60,092</u>	<u>\$ 31,816</u>

F U N D S

<u>COURT TECHNOLOGY</u>	<u>PRIVATE CONTRIBUTIONS</u>	<u>DEBT SERVICE</u>	<u>TOTAL NONMAJOR GOVERNMENTAL FUNDS</u>
\$ 30,663	\$ -	\$ 110,189	\$ 298,451
-	-	4,464	4,464
<u>-</u>	<u>-</u>	<u>-</u>	<u>47</u>
<u>\$ 30,663</u>	<u>\$ -</u>	<u>\$ 114,653</u>	<u>\$ 302,962</u>
\$ -	\$ -	\$ -	\$ 64
-	47	-	47
<u>-</u>	<u>-</u>	<u>4,464</u>	<u>4,464</u>
-	47	4,464	4,575
-	-	-	4,269
-	-	-	61,469
-	-	-	60,028
-	-	-	31,816
30,663	-	-	30,663
-	-	110,189	110,189
<u>-</u>	<u>(47)</u>	<u>-</u>	<u>(47)</u>
<u>30,663</u>	<u>(47)</u>	<u>110,189</u>	<u>298,387</u>
<u>\$ 30,663</u>	<u>\$ -</u>	<u>\$ 114,653</u>	<u>\$ 302,962</u>

CITY OF ALAMO HEIGHTS, TEXAS
COMBINING STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES
NONMAJOR GOVERNMENTAL FUNDS
EIGHTEEN MONTHS ENDED SEPTEMBER 30, 2008

	<u>SPECIAL REVENUE</u>			
	<u>CONFISCATED PROPERTY</u>	<u>COURT SECURITY</u>	<u>COMMUNITY BENEFIT</u>	<u>EMPLOYEE EDUCATION</u>
<u>REVENUES</u>				
Property Taxes	\$ -	\$ -	\$ -	\$ -
Intergovernmental	-	15,790	23,884	47,650
Property Forfeitures	999	-	-	-
Investment Earnings	-	-	-	-
Miscellaneous	-	-	3,741	1,550
Total Revenues	999	15,790	27,625	49,200
<u>EXPENDITURES</u>				
Current				
General Government	-	-	-	-
Public Safety	11,358	-	4,180	17,478
Capital Outlay	-	-	37,700	22,043
Debt Service				
Principal	-	-	-	-
Interest and Fiscal Charges	-	-	-	-
Total Expenditures	11,358	-	41,880	39,521
Net Change in Fund Balance	(10,359)	15,790	(14,255)	9,679
<u>FUND BALANCES (DEFICIT) AT BEGINNING OF PERIOD</u>	14,628	45,679	74,283	22,137
FUND BALANCES (DEFICIT) AT END OF PERIOD	\$ 4,269	\$61,469	\$ 60,028	\$ 31,816

F U N D S

<u>COURT TECHNOLOGY</u>	<u>PRIVATE CONTRIBUTIONS</u>	<u>DEBT SERVICE</u>	<u>TOTAL NONMAJOR GOVERNMENTAL FUNDS</u>
\$ -	\$ -	\$424,627	\$ 424,627
21,510	-	-	108,834
-	-	-	999
-	-	102,603	102,603
-	<u>6,374</u>	-	<u>11,665</u>
<u>21,510</u>	<u>6,374</u>	<u>527,230</u>	<u>648,728</u>
11,049	2,913	-	13,962
-	-	-	33,016
17,400	-	-	77,143
-	-	235,000	235,000
-	-	<u>182,041</u>	<u>182,041</u>
<u>28,449</u>	<u>2,913</u>	<u>417,041</u>	<u>541,162</u>
(6,939)	3,461	110,189	107,566
<u>37,602</u>	<u>(3,508)</u>	<u>-</u>	<u>190,821</u>
<u>\$ 30,663</u>	<u>\$ (47)</u>	<u>\$110,189</u>	<u>\$ 298,387</u>

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STATISTICAL SECTION

STATISTICAL SECTION

This part of the City of Alamo Heights comprehensive annual financial report presents detailed information as a context for understanding what the information in the financial statements, note disclosures, and required supplementary information says about the City's overall financial health.

<u>Contents</u>	<u>Schedules</u>
Financial Trends These schedules contain trend information to help readers understand how the City's financial performance and well-being have changed over time.	1 through 4
Revenue Capacity These schedules contain information to help readers assess the City's most significant local revenue source – its property tax.	5 through 8
Debt Capacity These schedules present information to help readers assess the affordability of the City's current levels of outstanding debt and the City's ability to issue additional debt in the future.	9 through 10
Demographic and Economic Information These schedules offer demographic and economic indicators to help readers understand the environment within which the City's financial activities take place.	11 through 12
Operating Information These schedules contain service and infrastructure data to help readers understand how the information in the City's financial report relates to the services the City provides and the activities it performs.	13 through 15

Except where noted, the information in these schedules is derived from the City of Alamo Heights comprehensive annual financial reports for the relevant year. The City implemented GASB Statement 34 in 2005; schedules presenting government-wide information include information beginning that year.

CITY OF ALAMO HEIGHTS, TEXAS
NET ASSETS, BY COMPONENT
LAST FOUR FISCAL PERIODS
(ACCRUAL BASIS OF ACCOUNTING)

TABLE 1

	<u>2008*</u>	<u>2007</u>	<u>2006</u>	<u>2005</u>
<u>GOVERNMENTAL ACTIVITIES</u>				
Invested in Capital Assets, Net of Related Debt	\$ 2,191,210	\$ 2,371,777	\$ 2,317,526	\$ 2,362,813
Restricted	298,387	190,821	96,322	114,299
Unrestricted	<u>5,028,214</u>	<u>5,607,907</u>	<u>5,194,449</u>	<u>5,667,743</u>
 TOTAL GOVERNMENTAL ACTIVITIES NET ASSETS	 <u>\$ 7,517,811</u>	 <u>\$ 8,170,505</u>	 <u>\$ 7,608,297</u>	 <u>\$ 8,144,855</u>
<u>BUSINESS-TYPE ACTIVITIES</u>				
Invested in Capital Assets, Net of Related Debt	\$ 2,770,279	\$ 2,566,168	\$ 2,439,771	\$ 2,504,475
Unrestricted	<u>2,448,708</u>	<u>1,323,013</u>	<u>1,011,660</u>	<u>12,595</u>
 TOTAL BUSINESS-TYPE ACTIVITIES NET ASSETS	 <u>\$ 5,219,087</u>	 <u>\$ 3,889,181</u>	 <u>\$ 3,451,431</u>	 <u>\$ 2,517,070</u>
<u>PRIMARY GOVERNMENT</u>				
Invested in Capital Assets, Net of Related Debt	\$ 4,961,589	\$ 4,937,945	\$ 4,757,297	\$ 4,867,288
Restricted	298,387	190,821	96,322	114,299
Unrestricted	<u>7,476,922</u>	<u>6,930,920</u>	<u>6,206,109</u>	<u>5,680,338</u>
 TOTAL PRIMARY GOVERNMENT NET ASSETS	 <u>\$12,736,898</u>	 <u>\$12,059,686</u>	 <u>\$11,059,728</u>	 <u>\$10,661,925</u>

NOTES

Less than ten (10) periods of data has been presented because this is the fourth period of implementation of GASB 34. The information will be presented on a prospective basis.

* 18-month period. The City changed its year end from March 31 to September 30.

CITY OF ALAMO HEIGHTS, TEXAS
CHANGE IN NET ASSETS
LAST FOUR FISCAL PERIODS
(ACCRUAL BASIS OF ACCOUNTING)

TABLE 2

	<u>2008</u>	<u>2007</u>	<u>2006</u>	<u>2005</u>
<u>EXPENSES</u>				
<u>Governmental Activities</u>				
General Government	\$2,176,707	\$1,358,952	\$1,495,944	\$ 1,259,711
Public Safety	6,226,320	3,922,178	4,036,564	3,664,502
Streets	801,052	434,835	301,233	293,055
Sanitation	1,152,448	673,018	855,816	795,399
Community Development	420,485	186,315	5,341	5,968
Parks and Recreation	310,268	167,646	187,882	129,767
Interest on Debt	209,454	17,296	10,491	-
Total Governmental Activities	<u>11,296,734</u>	<u>6,760,240</u>	<u>6,893,271</u>	<u>6,148,402</u>
<u>Business-Type Activities</u>				
Utility	3,285,496	2,213,837	1,627,247	1,467,352
Swimming Pool	104,820	3,894	3,895	3,894
Total Business-Type Activities	<u>3,390,316</u>	<u>2,217,731</u>	<u>1,631,142</u>	<u>1,471,246</u>
Total Primary Government Expenses	<u>14,687,050</u>	<u>8,977,971</u>	<u>8,524,413</u>	<u>7,619,648</u>
<u>PROGRAM REVENUES</u>				
<u>Governmental Activities</u>				
Charges for Service				
General Government	1,744,557	444,381	293,386	322,615
Public Safety	874,782	1,212,257	949,212	938,488
Streets	16,585	-	55,523	75,052
Sanitation	523,688	241,820	179,841	203,704
Community Development	-	-	1,182	1,528
Parks and Recreation	98,979	-	35,986	33,234
Total Governmental Activities				
Program Revenues	<u>3,258,591</u>	<u>1,898,458</u>	<u>1,515,130</u>	<u>1,574,621</u>
<u>Business-Type Activities</u>				
Charges for Service				
Utility	4,742,152	2,635,481	2,545,503	2,004,920
Swimming Pool	30,000	20,000	20,000	20,000
Total Business-Type Activities				
Program Revenues	<u>4,772,152</u>	<u>2,655,481</u>	<u>2,565,503</u>	<u>2,024,920</u>
Total Primary Government				
Program Revenues	<u>8,030,743</u>	<u>4,553,939</u>	<u>4,080,633</u>	<u>3,599,541</u>

CITY OF ALAMO HEIGHTS, TEXAS
CHANGE IN NET ASSETS (CONTINUED)
LAST FOUR FISCAL PERIODS
(ACCRUAL BASIS OF ACCOUNTING)

TABLE 2

	2008*	2007	2006	2005
<u>Net (Expense) Revenues</u>				
Governmental Activities	\$(8,038,143)	\$(4,861,782)	\$(5,378,141)	\$ (4,573,781)
Business-Type Activities	<u>1,381,836</u>	<u>437,750</u>	<u>934,361</u>	<u>553,674</u>
Total Primary Government Net Expenses	<u>(6,656,307)</u>	<u>(4,424,032)</u>	<u>(4,443,780)</u>	<u>(4,020,107)</u>
 <u>GOVERNMENTAL REVENUES AND OTHER</u>				
<u>CHANGES IN NET ASSETS</u>				
<u>Governmental Activities</u>				
Taxes				
Property Taxes	4,492,544	3,674,697	3,270,947	3,247,803
Sales Taxes	1,205,221	763,031	751,520	770,595
Other Taxes	901,456	583,775	539,259	475,208
Unrestricted Investment Earnings	592,904	324,131	177,247	104,018
Miscellaneous	95,297	78,356	82,185	73,706
Proceeds from Sale of Assets	-	-	20,425	51,231
Transfers	<u>98,027</u>	<u>-</u>	<u>-</u>	<u>-</u>
Total Governmental Activities	<u>7,385,449</u>	<u>5,423,990</u>	<u>4,841,583</u>	<u>4,722,561</u>
 <u>Business-Type Activities</u>				
Interest and Investment Earnings	49,097	-	-	-
Transfers	<u>(98,027)</u>	<u>-</u>	<u>-</u>	<u>-</u>
Total Business-Type Activities	<u>(51,930)</u>	<u>-</u>	<u>-</u>	<u>-</u>
 <u>CHANGES IN NET ASSETS</u>				
Governmental Activities	(652,694)	562,208	(536,558)	148,780
Business-Type Activities	<u>1,329,906</u>	<u>437,750</u>	<u>934,361</u>	<u>553,674</u>
TOTAL PRIMARY GOVERNMENT	<u>\$ 677,212</u>	<u>\$ 999,958</u>	<u>\$ 397,803</u>	<u>\$ 702,454</u>

NOTES

Less than ten (10) periods of data has been presented because this is the fourth period of implementation of GASB 34. The information will be presented on a prospective basis.

* 18-month period. The City changed its year end from March 31 to September 30.

CITY OF ALAMO HEIGHTS, TEXAS
FUND BALANCES, GOVERNMENTAL FUNDS
LAST TEN FISCAL PERIODS
(MODIFIED ACCRUAL BASIS OF ACCOUNTING)

	<u>2008*</u>	<u>2007</u>	<u>2006</u>	<u>Y E A R</u> <u>2005</u>
<u>GENERAL FUND</u>				
Reserved	\$ 46,187	\$ 63,963	\$ -	\$ -
Unreserved	<u>4,170,315</u>	<u>5,713,060</u>	<u>5,299,715</u>	<u>5,741,882</u>
TOTAL GENERAL FUND	<u>\$4,216,502</u>	<u>\$5,777,023</u>	<u>\$5,299,715</u>	<u>\$5,741,882</u>
<u>ALL OTHER GOVERNMENTAL FUNDS</u>				
Reserved	\$1,150,692	\$ 190,821	\$ 96,322	\$ 114,299
Unreserved, Reported In:				
Special Revenue Funds	-	-	-	-
Capital Project Funds	<u>3,837,766</u>	<u>-</u>	<u>-</u>	<u>14,161</u>
TOTAL ALL OTHER GOVERNMENTAL FUNDS	<u>\$4,988,458</u>	<u>\$ 190,821</u>	<u>\$ 96,322</u>	<u>\$ 128,460</u>

NOTE

* 18-month period. The City changed its year end from March 31 to September 30.

TABLE 3

ENDED MARCH 31,					
2004	2003	2002	2001	2000	1999
\$ 293,147	\$ -	\$ 16,920	\$ 191,292	\$ 483	\$ 23,300
<u>5,562,544</u>	<u>5,843,130</u>	<u>5,825,868</u>	<u>5,287,923</u>	<u>4,292,360</u>	<u>3,618,453</u>
<u>\$5,855,691</u>	<u>\$5,843,130</u>	<u>\$5,842,788</u>	<u>\$5,479,215</u>	<u>\$4,292,843</u>	<u>\$3,641,753</u>
\$ -	\$ -	\$ 53,945	\$ -	\$ -	\$ -
71,280	46,459	-	44,585	22,373	23,859
<u>49</u>	<u>42</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
<u>\$ 71,329</u>	<u>\$ 46,501</u>	<u>\$ 53,945</u>	<u>\$ 44,585</u>	<u>\$ 22,373</u>	<u>\$ 23,859</u>

CITY OF ALAMO HEIGHTS, TEXAS
CHANGES IN FUND BALANCE, GOVERNMENTAL FUNDS
LAST TEN FISCAL PERIODS
(MODIFIED ACCRUAL BASIS OF ACCOUNTING)

	2008*	F I S C A L	
		2007	2006
<u>REVENUES</u>			
Taxes	\$6,673,918	\$5,037,871	\$4,533,565
Licenses and Permits	963,420	656,563	482,435
Intergovernmental	579,948	413,103	300,063
Charges for Services	1,265,903	644,866	469,981
Fines	315,618	162,819	260,383
Property Forfeitures	999	14,607	-
Investment Earnings	592,904	324,131	177,247
Miscellaneous	129,021	84,856	84,453
Total Revenues	<u>10,521,731</u>	<u>7,338,816</u>	<u>6,308,127</u>
<u>EXPENDITURES</u>			
General Government	2,161,187	1,563,761	1,682,805
Public Safety	5,939,688	3,864,711	3,809,941
Streets	514,566	336,491	301,730
Sanitation	1,114,018	799,174	809,469
Community Development	434,864	186,315	4,966
Parks and Recreation	292,611	175,034	193,946
Capital Outlay	1,634,153	-	-
Debt Service			
Principal	235,000	-	-
Interest and Fiscal Charges	182,041	-	-
Bond Issuance Cost	39,514	-	-
Total Expenditures	<u>12,547,642</u>	<u>6,925,486</u>	<u>6,802,857</u>
Excess (Deficiency) of Revenues Over (Under) Expenditures	<u>(2,025,911)</u>	<u>413,330</u>	<u>(494,730)</u>
<u>OTHER FINANCING SOURCES (USES)</u>			
Transfers In	98,027	-	14,161
Transfers Out	-	-	(14,161)
Capital Lease Obligation	-	158,477	-
Certificates of Obligation Issued	5,165,000	-	-
Proceeds from Sale of Asset	-	-	20,425
Total Other Financing Sources (Uses)	<u>5,263,027</u>	<u>158,477</u>	<u>20,425</u>
NET CHANGE IN FUND BALANCES	<u>\$3,237,116</u>	<u>\$ 571,807</u>	<u>\$ (474,305)</u>
Debt Service as a Percentage of Noncapital Expenditures	4.18%	NA	NA

NOTE

* 18-month period. The City changed its year end from March 31 to September 30.

TABLE 4

Y E A R E N D E D M A R C H 3 1,

2005	2004	2003	2002	2001	2000	1999
\$4,355,363	\$3,983,197	\$3,678,528	\$3,612,497	\$3,768,233	\$3,751,067	\$3,320,590
420,359	305,300	230,674	181,124	169,975	202,084	158,903
479,291	881,896	409,859	427,396	449,819	396,593	343,165
432,241	317,664	263,015	271,066	244,774	208,610	214,570
241,232	287,927	325,221	294,311	238,990	217,366	210,386
-	-	-	-	-	-	-
104,018	28,500	73,343	183,223	325,476	198,784	179,270
75,204	31,074	48,558	74,088	67,774	61,788	39,281
<u>6,107,708</u>	<u>5,835,558</u>	<u>5,029,198</u>	<u>5,043,705</u>	<u>5,265,041</u>	<u>5,036,292</u>	<u>4,466,165</u>
1,246,080	1,044,068	890,184	853,034	782,914	936,355	771,289
4,116,773	3,323,493	3,328,201	3,294,038	2,832,362	2,788,464	2,528,124
313,032	781,858	281,455	358,718	347,802	277,688	602,179
812,095	657,284	673,268	737,943	668,097	580,967	598,613
5,526	6,030	11,947	34,413	11,736	10,202	10,716
120,161	111,771	101,348	96,578	139,487	97,652	89,414
4,500	850,297	78,458	-	-	-	-
-	-	-	-	-	-	-
-	-	-	-	-	-	-
-	-	-	-	-	-	-
<u>6,618,167</u>	<u>6,774,801</u>	<u>5,364,861</u>	<u>5,374,724</u>	<u>4,782,398</u>	<u>4,691,328</u>	<u>4,600,335</u>
<u>(510,459)</u>	<u>(939,243)</u>	<u>(335,663)</u>	<u>(331,019)</u>	<u>482,643</u>	<u>344,964</u>	<u>(134,170)</u>
14,112	1,292,974	382,000	655,000	650,000	265,000	568,006
(14,112)	(342,974)	(78,500)	-	-	33,495	(17,708)
402,550	-	25,061	48,952	75,891	6,145	14,348
51,231	26,632	-	-	50	-	-
<u>453,781</u>	<u>976,632</u>	<u>328,561</u>	<u>703,952</u>	<u>725,941</u>	<u>304,640</u>	<u>564,646</u>
<u>\$ (56,678)</u>	<u>\$ 37,389</u>	<u>\$ (7,102)</u>	<u>\$ 372,933</u>	<u>\$1,208,584</u>	<u>\$ 649,604</u>	<u>\$ 430,476</u>
NA	NA	NA	NA	NA	NA	NA

CITY OF ALAMO HEIGHTS, TEXAS
ASSESSED VALUE AND ESTIMATED VALUE OF TAXABLE PROPERTY
LAST TEN FISCAL PERIODS

TABLE 5

	<u>TOTAL TAXABLE ASSESSED VALUE</u>	<u>TOTAL DIRECT TAX RATE</u>
18 Months Ended September 30, 2008	\$1,318,747,012	0.355662
Year Ended March 31, 2007	1,182,833,388	0.325161
Year Ended March 31, 2006	981,436,462	0.332022
Year Ended March 31, 2005	911,226,253	0.334169
Year Ended March 31, 2004	871,250,958	0.325394
Year Ended March 31, 2003	780,232,088	0.338752
Year Ended March 31, 2002	741,722,839	0.348740
Year Ended March 31, 2001	674,679,770	0.379510
Year Ended March 31, 2000	631,902,630	0.389413
Year Ended March 31, 1999	581,521,046	0.395061

NOTES

Source: Bexar County Appraisal District

Property in the City of Alamo Heights is reassessed every year at estimated actual value. For this reason, assessed value is equal to estimated actual value. Tax rates are per \$100 of assessed value.

CITY OF ALAMO HEIGHTS, TEXAS
DIRECT AND OVERLAPPING PROPERTY TAX RATES
LAST TEN FISCAL PERIODS

TABLE 6

FISCAL PERIOD	CITY DIRECT RATES	OVERLAPPING RATES					
	CITY	ALAMO HEIGHTS ISD	BEXAR COUNTY	COMMUNITY COLLEGE DISTRICT	HOSPITAL	OTHER	TOTAL
2008*	0.3557 %	1.1566 %	0.2951 %	0.1346 %	0.2374 %	0.0477 %	2.22710 %
2007	0.3252	1.4866	0.3142	0.1370	0.2439	0.0127	2.51960
2006	0.3320	1.6566	0.3185	0.1075	0.2439	0.0127	2.67118
2005	0.3342	1.6296	0.3185	0.1075	0.2439	0.0127	2.64633
2004	0.3254	1.6300	0.3210	0.1075	0.2439	0.0127	2.64043
2003	0.3388	1.6300	0.3176	0.1071	0.2439	0.0161	2.65339
2002	0.3487	1.6000	0.3208	0.1046	0.2439	0.0161	2.63407
2001	0.3795	1.5800	0.3395	0.1069	0.2439	0.0181	2.66783
2000	0.3894	1.5600	0.3320	0.1060	0.2439	0.0181	2.64929
1999	0.3951	1.5600	0.3419	0.1115	0.2439	0.0181	2.67044

NOTES

* 18-month period. The City changed its year end from March 31 to September 30.

Source: Bexar County Appraisal District

Overlapping rates are those of local and county governments that apply within the City of Alamo Heights.

CITY OF ALAMO HEIGHTS, TEXAS
PRINCIPAL PROPERTY TAXPAYERS
CURRENT PERIOD AND NINE PERIODS AGO

TABLE 7

<u>TAXPAYERS</u>	<u>2008</u>			<u>1999</u>		
	<u>TAXABLE ASSESSED VALUE</u>	<u>RANK</u>	<u>PERCENTAGE OF TOTAL CITY TAXABLE ASSESSED VALUE</u>	<u>TAXABLE ASSESSED VALUE</u>	<u>RANK</u>	<u>PERCENTAGE OF TOTAL CITY TAXABLE ASSESSED VALUE</u>
H.E.B. Grocery Company LP	\$ 12,351,650	1	0.99%	\$ 4,236,000	2	0.73%
Southwestern Bell Telephone	11,218,010	2	0.90	13,685,000	1	2.36
Christopher Goldsbury	7,173,490	3	0.58	-		0.00
Alamo Heights Treehouse, Ltd.	5,653,480	4	0.46	-		0.00
George A. Geis	4,716,404	5	0.38	3,531,000	3	0.61
William Michael Barnes	4,389,270	6	0.35	-		0.00
Lucky Dog Development	4,278,200	7	0.34	-		0.00
Southwest Fnd for Research	4,153,990	8	0.33	2,587,000	6	0.45
Glenn H. Huddleston	3,887,030	9	0.31	2,708,000	5	0.47
Timothy Dean Word Family Trust	3,611,210	10	0.29	1,457,000	8	0.25
Midland Loan Services	-		0.00	3,300,000	4	0.57
Richard Stewart	-		0.00	1,698,000	7	0.29
Townsend Apartments	-		0.00	1,439,000	9	0.25
Broadway Theatre Office	-		<u>0.00</u>	<u>1,359,000</u>	10	<u>0.23</u>
TOTALS	<u>\$ 61,432,734</u>		<u>4.93%</u>	<u>\$ 36,000,000</u>		<u>6.21%</u>

NOTE

Source: Bexar County Appraisal District

CITY OF ALAMO HEIGHTS, TEXAS
PROPERTY TAX LEVIES AND COLLECTIONS
LAST TEN FISCAL PERIODS
(IN THOUSANDS)

TABLE 8

	TAXES LEVIED FOR THE FISCAL PERIOD	COLLECTED WITHIN THE FISCAL YEAR OF THE LEVY		COLLECTIONS IN SUBSEQUENT YEARS	TOTAL COLLECTIONS TO DATE	
		AMOUNT	PERCENTAGE OF LEVY		AMOUNT	PERCENTAGE OF LEVY
2008*	\$ 4,413	\$ 4,241	96.10%	\$ 255	\$ 4,496	101.88%
2007	3,846	3,691	95.97	177	3,868	100.57
2006	3,259	3,082	94.57	131	3,213	98.59
2005	3,045	2,909	95.53	141	3,050	100.16
2004	2,835	2,708	95.52	163	2,871	101.27
2003	2,643	2,493	94.32	112	2,605	98.56
2002	2,587	2,454	94.86	108	2,562	99.03
2001	2,560	2,453	95.82	91	2,544	99.38
2000	2,461	2,357	95.77	52	2,409	97.89
1999	2,297	2,246	97.78	89	2,335	101.65

NOTES

* 18-month period. The City changed its year end from March 31 to September 30.

Source: Bexar Appraisal District

CITY OF ALAMO HEIGHTS, TEXAS
RATIOS OF OUTSTANDING DEBT
LAST TEN FISCAL PERIODS

TABLE 9

FISCAL PERIOD	GOVERNMENTAL ACTIVITIES ^a		BUSINESS-TYPE ACTIVITIES ^a		TOTAL PRIMARY GOVERNMENT	PERCENTAGE OF PERSONAL INCOME ^c	PER CAPITA ^c
	CERTIFICATES OF OBLIGATION ^b	CAPITAL LEASES	CERTIFICATES OF OBLIGATION ^b				
2008*	\$ 4,930,000	\$ 48,907	\$ 2,255,000		\$ 7,233,907	0.02%	\$ 988
2007	-	244,882	-		244,882	0.07	33
2006	-	220,279	-		220,279	0.07	30
2005	-	302,609	-		302,609	0.09	41
2004	-	226,543	-		226,543	0.07	31
2003	-	-	-		-	0.00	-
2002	-	-	-		-	0.00	-
2001	-	13,476	-		13,476	0.00	2
2000	-	24,191	-		24,191	0.01	3
1999	-	14,245	-		14,245	0.01	2

NOTES

* 18-month period. The City changed its year end from March 31 to September 30.

a. Details regarding the City's outstanding debt can be found in Note 3F in the financial statements.

b. The City issued \$7,500,000 of Tax and Revenue Certificates of Obligation in 2008.

c. See Table 11 for personal income and population data for the City. These ratios are calculated using personal income and population for the year.

CITY OF ALAMO HEIGHTS, TEXAS
DIRECT AND OVERLAPPING GOVERNMENTAL ACTIVITIES DEBT AS OF
SEPTEMBER 30, 2008

TABLE 10

<u>GOVERNMENTAL UNIT</u>	<u>DEBT OUTSTANDING</u>	<u>ESTIMATED PERCENTAGE APPLICABLE</u>	<u>ESTIMATED SHARE OF OVERLAPPING DEBT</u>
Debt Repaid with Property Taxes			
Bexar County (1)	\$396,855,000	1.48%	\$ 5,873,454
Alamo Heights Independent School District (1)	76,781,930	22.98	17,644,488
San Antonio River Authority (2)	53,655,000	1.44	772,632
Alamo Community College District (1)	623,300,000	1.46	9,100,180
Other Debt			
Bexar County Commercial Paper	39,384,000	1.48	582,883
Bexar County Capital Leases (1)	7,087,785	1.48	104,899
Bexar County Notes Payable (1)	926,461	1.48	13,756
San Antonio River Authority Capital Leases (2)	712,202	1.44	<u>10,256</u>
Subtotal, Overlapping Debt			34,102,548
City Governmental Activities Direct Debt			
- Capital Leases			48,907
- Certificates of Obligation			<u>4,930,000</u>
 TOTAL NET OVERLAPPING DEBT			 <u>\$39,081,455</u>

NOTES

- (1) As of September 30, 2008
(2) As of June 30, 2008

The overlapping debt was received from the Municipal Advisory Council of Texas, except the Alamo Heights Independent School District which was obtained directly. Details regarding the City's outstanding debt can be found in Note 3 to the current financial statements.

CITY OF ALAMO HEIGHTS, TEXAS
DEMOGRAPHIC AND ECONOMIC STATISTICS
LAST TEN FISCAL PERIODS

TABLE 11

<u>YEAR</u>	<u>POPULATION</u>	<u>PERSONAL INCOME</u>	<u>PER CAPITA PERSONAL INCOME</u>	<u>MEDIAN AGE</u>	<u>EDUCATION LEVEL IN YEARS OF SCHOOLING</u>	<u>SCHOOL ENROLLMENT</u>	<u>UNEMPLOYMENT RATE</u>
2008*	7,319	\$334,039,160	\$ 45,640	40	15.73	4,570	4.30%
2007	7,319	334,039,160	45,640	40	15.73	4,513	4.00
2006	7,319	334,039,160	45,640	40	15.73	4,550	4.60
2005	7,319	334,039,160	45,640	40	15.73	4,161	5.60
2004	7,319	334,039,160	45,640	40	15.73	4,385	6.00
2003	7,319	334,039,160	45,640	40	15.73	4,483	4.50
2002	7,319	334,039,160	45,640	40	15.73	4,426	4.50
2001	7,319	334,039,160	45,640	40	15.73	4,459	3.20
2000	7,135	210,375,475	29,485	39	15.19	4,469	3.30
1999	7,135	210,375,475	29,485	39	15.19	4,375	4.30

NOTES

* 18-month period. The City changed its year end from March 31 to September 30.

Sources: Various city departments, Alamo Heights Independent School District, and Texas Workforce Commission.

CITY OF ALAMO HEIGHTS, TEXAS
PRINCIPAL EMPLOYERS
CURRENT PERIOD AND NINE PERIODS AGO

TABLE 12

EMPLOYER	2008			1999		
	EMPLOYEES	RANK	PERCENTAGE OF TOTAL CITY EMPLOYMENT (1)	EMPLOYEES	RANK	PERCENTAGE OF TOTAL CITY EMPLOYMENT (2)
Lackland Air Force Base	33,893	1	4.11%	-	-	0.00%
H.E.B Grocery Stores	23,000	2	2.79	10,900	4	1.65
United Services Automobile Association	13,500	4	1.64	11,498	2	1.74
City of San Antonio	9,830	7	1.19	11,239	3	1.70
Northside Independent School District	12,810	5	1.55	7,465	6	1.13
Fort Sam Houston	15,200	3	1.84	5,000	10	0.76
San Antonio Independent School District	8,000	9	0.97	9,157	5	1.38
North East Independent School District	8,360	8	1.01	6,681	7	1.01
Humana/Methodist Healthcare System	7,496	10	0.91	5,877	8	0.89
Randolph Air Force Base	10,733	6	1.30	-	-	-
Kelly Air Force Base	-	-	0.00	14,397	1	2.17
Baptist Health System	-	-	0.00	5,305	9	0.80
TOTALS	<u>142,822</u>		<u>17.31%</u>	<u>87,519</u>		<u>13.23%</u>

NOTES

Statistics for the San Antonio Metropolitan area are relevant to the City of Alamo Heights which is totally landlocked by the City of San Antonio.

Source: Economic Development Division, City of San Antonio, Texas, Greater San Antonio Chamber of Commerce, Economic Development Foundation, and San Antonio Business Journal Book of Lists as of January 2008.

(1) Percent based on an Employment Estimate of 823,900 of Non-Farm jobs in the San Antonio Metropolitan Statistical Area as of January 2008. Figure provided by the Texas Workforce Commission.

(2) Percent based on an Employment Estimate of 662,100 of Non-Farm jobs in the San Antonio Metropolitan Statistical Area as of January 1997.

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CITY OF ALAMO HEIGHTS, TEXAS
FULL-TIME EQUIVALENT CITY GOVERNMENT EMPLOYEES BY FUNCTION
LAST EIGHT FISCAL PERIODS

TABLE 13

<u>FUNCTION/PROGRAM</u>	<u>FULL-TIME EQUIVALENT EMPLOYEES AS OF MARCH 31,</u>							
	<u>2008*</u>	<u>2007</u>	<u>2006</u>	<u>2005</u>	<u>2004</u>	<u>2003</u>	<u>2002</u>	<u>2001</u>
General Government								
Administration	10	8	9	7	7	6	5	7
Municipal Court	1	1	1	1	1	1	1	1
Public Safety								
Police	25	23	26	26	30	31	31	29
Communications Center	13	9	9	8	8	8	8	8
Fire	23	20	23	20	20	20	20	21
EMS	8	6	6	6	6	6	6	6
Public Works								
Public Works Administration	2	2	4	4	5	4	6	4
Community Development	4	4						
Parks	4	4	4	4	3	3	3	4
Streets	2	5	4	4	5	2	4	4
Solid Waste	12	10	9	11	9	17	16	14
Utilities	<u>6</u>	<u>5</u>	<u>7</u>	<u>5</u>	<u>6</u>	<u>6</u>	<u>5</u>	<u>5</u>
TOTALS	<u>110</u>	<u>97</u>	<u>102</u>	<u>96</u>	<u>100</u>	<u>104</u>	<u>105</u>	<u>103</u>

NOTES

* 18-month period. The City changed its year end from March 31 to September 30.

Source: Fiscal Periods 2008, 2007 and 2006 provided by City Adopted Budget. Prior periods are obtained from Texas Workforce Commission Worksite reports.

Less than 10 years of data is available. The information will be presented on a prospective basis.

CITY OF ALAMO HEIGHTS, TEXAS
OPERATING INDICATORS BY FUNCTION/PROGRAM
LAST TEN FISCAL PERIODS

<u>FUNCTION/PROGRAM</u>	<u>2008*</u>	<u>Y E A R</u>	
		<u>2007</u>	<u>2006</u>
General Government			
Building permits issued	747	524	458
Police			
Arrests	817	N/A	N/A
Parking Violations	536	221	317
Traffic Violations	11,284	7,148	8,234
Fire			
Number of calls answered	1,799	1,172	1,193
Number of fire responses	625	382	345
Number of EMS responses	1,174	790	848
Number of Inspections	1,732	1,181	1,046
Number of training classes	850	626	508
Water			
New connections	32	107	16
Water Main Breaks	71	N/A	N/A
Total consumption (gallons)	855,352,863	669,899,977	705,892,237
Daily average consumption (gallons)	1,583,986	1,860,833	1,960,812
Number of Service Connections	2,907	2,875	2,768
Average daily use per connection	545	647	708
Sewer			
Total customers	2,671	2,658	2,630

NOTES

* 18-month period. The City changed its year end from March 31 to September 30.

Source: Various City Departments

TABLE 14

ENDED MARCH 31,						
2005	2004	2003	2002	2001	2000	1999
762	619	411	313	299	274	333
N/A	N/A	N/A	N/A	N/A	N/A	N/A
1,003	525	115	33	N/A	N/A	N/A
9,181	8,699	9,081	9,318	N/A	N/A	N/A
1,163	N/A	N/A	N/A	N/A	N/A	N/A
374	N/A	N/A	N/A	N/A	N/A	N/A
789	N/A	N/A	N/A	N/A	N/A	N/A
10	N/A	N/A	N/A	N/A	N/A	N/A
166	N/A	N/A	N/A	N/A	N/A	N/A
0	0	0	27	0	0	0
N/A	N/A	N/A	N/A	N/A	N/A	N/A
722,799,504	588,870,752	642,329,516	N/A	N/A	N/A	N/A
2,007,776	1,635,752	1,784,249	N/A	N/A	N/A	N/A
2,752	2,752	2,752	2,752	2,725	2,725	2,725
730	594	648	N/A	N/A	N/A	N/A
2,630	2,630	2,630	2,630	2,633	2,633	2,783

CITY OF ALAMO HEIGHTS, TEXAS
CAPITAL ASSET STATISTICS BY FUNCTION/PROGRAM
LAST TEN FISCAL PERIODS

<u>FUNCTION/PROGRAM</u>	<u>2008*</u>	<u>FISCAL</u>			
		<u>2007</u>	<u>2006</u>	<u>2005</u>	<u>2004</u>
Police					
Stations	1	1	1	1	1
Patrol Units	6	6	6	6	6
Fire					
Stations	1	1	1	1	1
Fire Apparatus	2	2	2	2	2
EMS					
Ambulance	3	3	3	3	3
Sanitation					
Garbage Trucks	6	6	6	6	6
Streets					
Streets paved (miles)	40.25	40.25	40.25	40.25	40.25
Parks					
Swimming pools	1	1	1	1	1
Baseball/softball diamonds	2	2	2	2	2
Animal Control					
Control Vehicle	1	1	1	1	1
Water					
Number of reservoirs	1	1	1	1	1
Number of pump stations	6	6	6	6	6
Number of water mains (miles)	44.2	44.2	44.2	44.2	44.2
Sewer					
Sanitary sewers (miles)	32	32	32	32	32

NOTES

* 18-month period. The City changed its year end from March 31 to September 30.

Source: City Asset Listing and Various City Departments.

TABLE 15

<u>YEAR ENDED MARCH 31,</u>				
<u>2003</u>	<u>2002</u>	<u>2001</u>	<u>2000</u>	<u>1999</u>
1 6	1 6	1 6	1 6	1 6
1 2	1 2	1 2	1 2	1 2
3	3	3	3	3
6	6	5	5	5
40.25	40.25	40.25	40.25	40.53
1 2	1 2	1 2	1 2	1 2
1	1	1	0	0
1 6 44.2	1 6 44.2	1 6 44.2	1 6 44.2	1 6 44.2
32	32	32	32	32

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