

**RFQ AUDITING SERVICES  
CITY OF ALAMO HEIGHTS**

1. Can you please provide a copy of the most recent engagement letter as well as the prior auditor fees for the last 5 years? Answer: Below are the auditor fees paid for the last 5 years and the engagement letter is attached.

2016	2015	2014	2013	2012
34,000	32,400	32,400	32,400	33,400

2. Will the discussions or questions asked at today's conference be posted on the City's website or added as an addendum to the RFQ? Answer: Yes, the answer and questions will be posted on the city's website.
3. It was mentioned that 19 journal entries were posted as a part of the previous audit. Could we have a copy or list of the adjusting entries posted as a result of the audit? Answer: The adjusting journal entries from last year's audit are attached.
4. Provide a copy of the most recent Communication with Those Charged with Governance letter for the financial audit (FYE September 30, 2015). Answer: A copy of the governance letter is attached.
5. How many adjusting journal entries did the external auditors for the fiscal year ended September 30, 2015, propose for the financial audit? Answer: There were 19 ajes and the ajes are attached.
6. Is the City satisfied with the past audit timeline or does the City prefer a revised timeline? Answer: Please see the RFQ for a proposed timeline which will be finalized with the selected firm from planning to field work to final presentation to the council and completing responses to the GFOA for the Certificate of Achievement for Excellence in Financial Reporting.
7. Does the City anticipate any growth or funding issues that would impact the scope of the financial audit in fiscal year ending September 30, 2016, as compared to fiscal year September 30, 2015? Answer: The City does not foresee any issues.
8. Has there been any significant turnover in the City's Finance Department? Answer: The previous Finance Director was here for 17 years and retired in May 2015. The current Finance Director is a CPA and has been here for 1 year and has 8 years of working in a municipal finance department and over 25 years in governmental accounting and budgeting.
9. When is the Preliminary Work scheduled? Answer: The preliminary work can start in late October or in early November and the final schedule will be coordinated with the audit firm.
10. Who prepares the CAFR? Answer: The selected audit firm will prepare the CAFR with assistance from the city's Finance Director. The audit firm will also assist in preparing comments and suggestions responses to the GFOA once the audit is completed. Normally the city will receive an electronic copy of the CAFR and 12 hard bound CAFRs.
11. Does the City have a capital lease? Answer: Yes, the city has a capital leases and the Finance Director will provide a schedule.

12. How do you account for capital assets? The city maintains capital assets that cost \$5,000 or more in an excel spreadsheet and will provide the audit firm with the schedule of fixed assets.
13. Does the city anticipate the need for a single audit? Answer: No, at this time the city expects minimal grant proceeds.
14. When is the field work scheduled and how long does it take? Answer: The field work can begin from late November to the first week of December. The field work in the past has taken 2-3 weeks but each firm has to provide a schedule of the field work timeline in their proposal.
15. What major projects does the city anticipate in the current year or in the near future? Answer: The city normally has a street maintenance program that is done by an outside contractor and it can range from \$240,000 to \$ 1 million. The funding source is a quarter cent street sales tax that needs re-authorization every 4 years and will be placed on the November 2016 ballot for reauthorization. The General Fund budget may also include a transfer to the Street Maintenance Fund each year. The city currently has a bid out for the 2016 street maintenance plan.

The City is currently exploring the possibility of placing two items in the November 2016 ballot. One is a possible \$12 million street maintenance bond issue and the other is to have voters approve an additional quarter-cent sales tax. The city's current sales tax is 8%.

The city did an advanced refunding in June 2016 of the 2007 C.O.s that resulted in NPV savings of \$195,000.

16. Are there any items in litigation? Answer: No, the city does not have any litigation issues.
17. Does the city pool its investments? Answer: Yes
18. Does the city collect its own property taxes? Answer: The city's property tax collections are collected by the Bexar County Tax Assessor-Collector's office.
19. What was the special item in the last audit? Answer: The city's fire truck had fire damage and the insurance proceeds from TML came in 2 years ago; however the repairs were made last fiscal year.

**Attachment A – Engagement Letter from current Auditor**

**Attachment B – COAH Adjusted Journal Entries**

**Attachment C – Letter of Conduct of Audit**



September 30, 2015

Mr. Mark Browne, City Manager  
City of Alamo Heights, Texas  
6116 Broadway  
Alamo Heights, Texas 78209

We are pleased to confirm our understanding of the services we are to provide the City of Alamo Heights, Texas, for the year ended September 30, 2015. We will audit the financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information, including the related notes to the financial statements, which collectively comprise the basic financial statements of the City of Alamo Heights, Texas, as of and for the year ended September 30, 2015. Accounting standards generally accepted in the United States of America provide for certain required supplementary information (RSI), such as management's discussion and analysis (MD&A), to supplement the City of Alamo Heights, Texas' basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. As part of our engagement, we will apply certain limited procedures to the City of Alamo Heights, Texas' RSI in accordance with auditing standards generally accepted in the United States of America. These limited procedures will consist of inquiries of management regarding the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We will not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance. The following RSI is required by generally accepted accounting principles and will be subjected to certain limited procedures, but will not be audited:

1. Management's Discussion and Analysis
2. Budgetary Comparison Schedules
3. Texas Municipal Retirement System -  
Schedules on Net Pension Liability and Contributions

We have also been engaged to report on supplementary information other than RSI that accompanies the City of Alamo Heights, Texas' financial statements. We will subject the following supplementary information to the auditing procedures applied in our audit of the financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements or to the financial statements themselves, and other additional

City of Alamo Heights, Texas – September 30, 2015 – Page 2

procedures in accordance with auditing standards generally accepted in the United States of America and will provide an opinion on it in relation to the financial statements as a whole in a report combined with our auditor's report on the financial statements:

1. Other Supplementary Information

The following other information accompanying the financial statements will not be subjected to the auditing procedures applied in our audit of the financial statements, and our auditor's report will not provide an opinion or any assurance on that other information:

1. Introductory Section
2. Statistical Section

### **Audit Objective**

The objective of our audit is the expression of opinions as to whether your financial statements are fairly presented, in all material respects, in conformity with generally accepted accounting principles and to report on the fairness of the supplementary information referred to in the second paragraph when considered in relation to the financial statements as a whole. Our audit will be conducted in accordance with auditing standards generally accepted in the United States of America and will include tests of the accounting records and other procedures we consider necessary to enable us to express such opinions. We will issue a written report upon completion of our audit of the City of Alamo Heights' financial statements. Our report will be addressed to the Honorable Mayor and Members of City Council. We cannot provide assurance that unmodified opinions will be expressed. Circumstances may arise in which it is necessary for us to modify our opinions or add emphasis-of-matter or other matter paragraphs. If our opinion on the financial statements is other than unmodified, we will discuss the reasons with you in advance. If, for any reason, we are unable to complete the audit or are unable to form or have not formed opinions, we may decline to express opinions, or may withdraw from this engagement.

### **Audit Procedures—General**

An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements; therefore, our audit will involve judgment about the number of transactions to be examined and the areas to be tested. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements. We will plan and perform the audit to obtain reasonable rather than absolute assurance about whether the financial statements are free of material misstatement, whether from (1) errors, (2) fraudulent financial reporting, (3) misappropriation of assets, or (4) violations of laws or governmental regulations that are attributable to the City or to acts by management or employees acting on behalf of the City.

Because of the inherent limitations of an audit, combined with the inherent limitations of internal control, and because we will not perform a detailed examination of all transactions, there is a risk that material misstatements may exist and not be detected by us, even though the audit is properly planned and performed in accordance with U.S. generally accepted auditing standards. In addition, an audit is not designed to detect immaterial misstatements, or violations of laws or governmental regulations that do not have a direct and material effect on the financial statements. However, we will inform the appropriate level of management of any material errors, any fraudulent financial reporting, or misappropriation of assets that

City of Alamo Heights, Texas – September 30, 2015 – Page 3

come to our attention. We will also inform the appropriate level of management of any violations of laws or governmental regulations that come to our attention, unless clearly inconsequential. Our responsibility as auditors is limited to the period covered by our audit and does not extend to any later periods for which we are not engaged as auditors.

Our procedures will include tests of documentary evidence supporting the transactions recorded in the accounts, and may include tests of the physical existence of inventories, and direct confirmation of receivables and certain other assets and liabilities by correspondence with selected individuals, funding sources, creditors, and financial institutions. We will request written representations from your attorneys as part of the engagement, and they may bill you for responding to this inquiry. At the conclusion of our audit, we will require certain written representations from you about the financial statements and related matters.

### **Audit Procedures—Internal Control**

Our audit will include obtaining an understanding of the entity and its environment, including internal control, sufficient to assess the risks of material misstatement of the financial statements and to design the nature, timing, and extent of further audit procedures. An audit is not designed to provide assurance on internal control or to identify deficiencies in internal control. However, during the audit, we will communicate to management and those charged with governance internal control related matters that are required to be communicated under AICPA professional standards.

### **Audit Procedures—Compliance**

As part of obtaining reasonable assurance about whether the financial statements are free of material misstatement, we will perform tests of City of Alamo Heights, Texas' compliance with the provisions of applicable laws, regulations, contracts and agreements. However, the objective of our audit will not be to provide an opinion on overall compliance and we will not express such an opinion.

### **Other Services**

We will also prepare the financial statements of the City of Alamo Heights in conformity with U.S. generally accepted accounting principles based on information provided by you.

### **Management Responsibilities**

Management is responsible for establishing and maintaining effective internal controls, including monitoring ongoing activities, for the selection and application of accounting principles, and for the preparation and fair presentation of the financial statements in conformity with U.S. generally accepted accounting principles.

Management is also responsible for making all financial records and related information available to us and for the accuracy and completeness of that information. You are also responsible for providing us with (1) access to all information of which you are aware that is relevant to the preparation and fair presentation of the financial statements, (2) additional information that we may request for the purpose of the audit, and (3) unrestricted access to persons within the government from whom we determine it necessary to obtain audit evidence.

City of Alamo Heights, Texas - September 30, 2015 - Page 4

Your responsibilities include adjusting the financial statements to correct material misstatements and confirming to us in the management representation letter that the effects of any uncorrected misstatements aggregated by us during the current engagement and pertaining to the latest period presented are immaterial, both individually and in the aggregate, to the financial statements taken as a whole.

You are responsible for the design and implementation of programs and controls to prevent and detect fraud, and for informing us about all known or suspected fraud affecting the government involving (1) management, (2) employees who have significant roles in internal control, and (3) others where the fraud could have a material effect on the financial statements. Your responsibilities include informing us of your knowledge of any allegations of fraud or suspected fraud affecting the government received in communications from employees, former employees, regulators, or others. In addition, you are responsible for identifying and ensuring that the government complies with applicable laws and regulations.

You are responsible for the preparation of the supplementary information in conformity with U.S. generally accepted accounting principles. You agree to include our report on the supplementary information in any document that contains and indicates that we have reported on the supplementary information. You also agree to include the audited financial statements with any presentation of the supplementary information that includes our report thereon. Your responsibilities include acknowledging to us in the representation letter that (1) you are responsible for presentation of the supplementary information in accordance with GAAP; (2) you believe the supplementary information, including its form and content, is fairly presented in accordance with GAAP; (3) the methods of measurement or presentation have not changed from those used in the prior period (or, if they have changed, the reasons for such changes); and (4) you have disclosed to us any significant assumptions or interpretations underlying the measurement or presentation of the supplementary information.

You agree to assume all management responsibilities for financial statements preparation services and any other nonattest services we provide; oversee the services by designating an individual, preferably from senior management, with suitable skill, knowledge, or experience; evaluate the adequacy and results of those services; and accept responsibility for them.

### **Engagement Administration, Fees, and Other**

We may from time to time, and depending on the circumstances, use third party service providers in serving your account, we may share confidential information about you with these service providers, but remain committed to maintaining the confidentiality and security of your information. Accordingly, we maintain internal policies, procedures, and safeguards to protect the confidentiality of your personal information. In addition we will secure confidentiality agreements with all service providers to maintain the confidentiality of your information and we will take reasonable precautions to determine that they have appropriate procedures in place to prevent the unauthorized release of your confidential information to others. In the event that we are unable to secure an appropriate confidentiality agreement, you will be asked to provide your consent prior to the sharing of your confidential information with the third-party service provider. Furthermore, we will remain responsible for the work provided by any such third-party service providers.

We understand that your employees will prepare all cash or other confirmations we request and will locate any documents selected by us for testing.

City of Alamo Heights, Texas - September 30, 2015 - Page 5

The audit documentation for this engagement is the property of ABIP, P.C. and constitutes confidential information. However, subject to applicable laws and regulations, audit documentation and appropriate individuals will be made available upon request and in a timely manner to any state or federal regulators or its designee. We will notify you of any such request. If requested, access to such audit documentation will be provided under the supervision of ABIP, P.C. personnel. Furthermore, upon request, we may provide copies of selected audit documentation to the aforementioned parties. These parties may intend, or decide, to distribute the copies or information contained therein to others, including other governmental agencies.

We expect to begin our audit on approximately December 15, 2015 and to issue our reports no later than March 1, 2016. Michael Del Toro is the engagement partner and is responsible for supervising the engagement and signing the report or authorizing another individual to sign it.

Our fee for these services will be at our standard hourly rates plus out-of-pocket costs (such as report reproduction, word processing, postage, travel, copies, telephone, etc.) except that we agree that our gross fee, including expenses will not exceed \$34,000. Our standard hourly rates vary according to the degree of responsibility involved and the experience level of the personnel assigned to your audit. Our invoices for these fees will be rendered each month as work progresses and are payable on presentation. In accordance with our firm policies, work may be suspended if your account becomes 30 days or more overdue and may not be resumed until your account is paid in full. If we elect to terminate our services for nonpayment, our engagement will be deemed to have been completed upon written notification of termination, even if we have not completed our report. You will be obligated to compensate us for all time expended and to reimburse us for all out-of-pocket costs through the date of termination. The above fee is based on anticipated cooperation from your personnel and the assumption that unexpected circumstances will not be encountered during the audit. If significant additional time is necessary, we will discuss it with you and arrive at a new fee estimate before we incur the additional costs.

We appreciate the opportunity to be of service to the City of Alamo Heights, Texas and believe this letter accurately summarizes the significant terms of our engagement. If you have any questions, please let us know. If you agree with the terms of our engagement as described in this letter, please sign the enclosed copy and return it to us.

Sincerely,

ABIP, PC

ABIP, P.C.  
San Antonio, Texas

RESPONSE: This letter correctly sets forth the understanding of the City of Alamo Heights, TX.

By: JM Brown

Title: City Manager

Date: 2 Feb 2016

Client: **COAH - City of Alamo Heights**  
 Engagement: **COAH Audit - City of Alamo Heights, Texas**  
 Period Ending: **09/30/2015**  
 Trial Balance: **TB**  
 Workpaper:

Account	Description	W/P Ref	Debit	Credit
<b>Adjusting Journal Entries JE # 1</b>		<b>5101.00</b>		
AJE to accrue back Street Improvements/Retainage				
26-531-9200	STREET IMPROVEMENT PROJECT		39,083.37	
26-cpa-2060	AP- Other			39,083.37
<b>Total</b>			<b>39,083.37</b>	<b>39,083.37</b>
<b>Adjusting Journal Entries JE # 2</b>		<b>5600.01</b>		
AJE to reclass beginning deferred on warrants and deferred on delinquent taxes				
10-000-2510	DEFERRED REVENUES		77,915.32	
10-000-2520	DEFERRED REVENUES WARRANTS			77,915.32
<b>Total</b>			<b>77,915.32</b>	<b>77,915.32</b>
<b>Adjusting Journal Entries JE # 3</b>		<b>4207.01</b>		
entry to adjust for delinquent taxes				
10-000-1219	ALLOWANCE FOR UNCOLLECTED TAX		5,459.31	
10-000-2510	DEFERRED REVENUES		51,005.16	
30-000-2510	DEFERRED REVENUES		11,052.30	
10-000-1210	A/R CURRENT YEAR TAXES			53,861.69
10-000-4011	PROPERTY TAXES - DELINQUENT			2,602.78
30-000-1210	A/R CURRENT YEAR TAXES			9,250.42
30-000-1219	Allowance for uncollected Taxes			1,377.86
30-000-4011	PROPERTY TAXES DELINQUENT			424.02
<b>Total</b>			<b>67,516.77</b>	<b>67,516.77</b>
<b>Adjusting Journal Entries JE # 4</b>		<b>4203.01</b>		
entry to adjust warrant receivables and allowance and deferred				
10-000-1310	A/R OTHER		90,180.16	
10-000-1220	ALLOWANCE FOR WARRANTS RECEIVA			45,090.08
10-000-2520	DEFERRED REVENUES WARRANTS			45,090.08
<b>Total</b>			<b>90,180.16</b>	<b>90,180.16</b>
<b>Adjusting Journal Entries JE # 5</b>		<b>4200.01</b>		
entry to record allowance on returned checks				
10-cpa-6000	Bad Debt Expense on Returned Checks		3,485.00	
10-cpa-1351	Allowance on Returned Checks			3,485.00
<b>Total</b>			<b>3,485.00</b>	<b>3,485.00</b>
<b>Adjusting Journal Entries JE # 6</b>		<b>7200</b>		
entry to adjust solid waste revenue for prior year entry effecting receivable balance				
10-000-1330	ACCRUED REVENUE		8,486.18	
10-000-4355	SOLID WASTE REVENUES		1,071.82	
10-000-1316	AR - OLMOS PARK RADIO MAINT			4,428.00
10-000-1318	AR - TERRELL HILLS RADIO MAINT			5,130.00
<b>Total</b>			<b>9,558.00</b>	<b>9,558.00</b>
<b>Adjusting Journal Entries JE # 7</b>		<b>4208.02</b>		
aje to adjust allowance on water utilities				

Client: **COAH - City of Alamo Heights**  
 Engagement: **COAH Audit - City of Alamo Heights, Texas**  
 Period Ending: **09/30/2015**  
 Trial Balance: **TB**  
 Workpaper:

Account	Description	W/P Ref	Debit	Credit
50-535-8005	BAD DEBT EXPENSE		7,313.46	
50-000-1229	ALLOWANCE FOR DOUBTFUL ACCTS			7,313.46
<b>Total</b>			<b>7,313.46</b>	<b>7,313.46</b>
<b>Adjusting Journal Entries JE # 8</b>		<b>5100.01</b>		
entry to reverse PY A/P entries to the pooled cash op invoice accounts				
10-cpa-2060	Contra AP Pooled account		8,852.94	
50-cpa-2060	Contra AP pooled account		14,932.68	
10-542-6550	MISCELLANEOUS			8,852.94
50-000-4660	MISCELLANEOUS REVENUES			9,817.37
50-535-6550	MISCELLANEOUS			5,115.31
<b>Total</b>			<b>23,785.62</b>	<b>23,785.62</b>
<b>Adjusting Journal Entries JE # 9</b>		<b>5202.02</b>		
entry to adjust TMRS payable to actual				
10-511-5210	TMRS		2,630.56	
10-512-5210	TMRS		755.60	
10-521-5210	TMRS		2,243.75	
10-522-5210	TMRS		777.71	
10-531-5210	TMRS		347.87	
10-532-5210	TMRS		491.62	
10-533-5210	TMRS		349.34	
10-534-5210	TMRS		311.85	
10-539-5210	TMRS		90.86	
10-541-5210	TMRS		93.08	
10-542-5210	TMRS		759.91	
50-535-5210	TMRS		4,518.88	
10-000-2110	TMRS PAYABLE			8,852.15
50-000-2110	TMRS PAYABLE			4,518.88
<b>Total</b>			<b>13,371.03</b>	<b>13,371.03</b>
<b>Adjusting Journal Entries JE # 10</b>				
entry to writeoff HMO Clearing of the balance sheet				
10-511-5410	HEALTH INSURANCE		3,208.74	
10-512-5410	HEALTH INSURANCE		1,331.96	
10-521-5410	HEALTH INSURANCE		2,739.45	
10-522-5410	HEALTH INSURANCE		1,093.70	
10-531-5410	HEALTH INSURANCE		699.81	
10-532-5410	HEALTH INSURANCE		1,183.19	
10-533-5410	HEALTH INSURANCE		410.58	
10-534-5410	HEALTH INSURANCE		597.44	
10-539-5410	HEALTH INSURANCE		104.88	
10-541-5410	HEALTH INSURANCE		140.05	
10-542-5410	HEALTH INSURANCE		778.63	
10-000-2150	HMO CLEARING ACCT			12,288.43
<b>Total</b>			<b>12,288.43</b>	<b>12,288.43</b>

**Adjusting Journal Entries JE # 11**  
 aje to reclass fire truck expenses from insurance recover to other uses account

tb

10-CPA-5100	Other Uses - Fire truck repairs from insurance loss	56,776.00
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Client: **COAH - City of Alamo Heights**  
 Engagement: **COAH Audit - City of Alamo Heights, Texas**  
 Period Ending: **09/30/2015**  
 Trial Balance: **TB**  
 Workpaper:

Account	Description	W/P Ref	Debit	Credit
10-521-6300	MAINTENANCE-VEHICLE & EQUIP			56,776.00
<b>Total</b>			<u><b>56,776.00</b></u>	<u><b>56,776.00</b></u>
<b>Adjusting Journal Entries JE # 12</b>		<b>4400s</b>		
Entry to adjust prepaid down to actual				
10-511-5440	WORKERS COMP INSURANCE		1,253.50	
10-521-5440	WORKERS COMP INSURANCE		1,253.50	
10-531-5440	WORKERS COMP INSURANCE		1,253.50	
10-532-5440	WORKERS COMP INSURANCE		1,253.50	
10-533-5440	WORKERS COMP INSURANCE		1,253.50	
10-541-5440	WORKERS COMP INSURANCE		1,253.50	
10-000-1520	PREPAID EXPENDITURES			7,521.00
<b>Total</b>			<u><b>7,521.00</b></u>	<u><b>7,521.00</b></u>
<b>Adjusting Journal Entries JE # 13</b>				
entry to restate fund where retainage payable is recorded.				
10-000-2060	A/P OTHER		51,983.00	
10-542-8600	OPERATING TRANSFER OUT		243,175.00	
40-543-9540	FACILITIES - 2012 GO'S		295,158.00	
10-542-9700	CAPITAL ACQUISITION			295,158.00
40-000-2060	A/P OTHER			51,983.00
40-000-4720	Interfund Transfer			243,175.00
<b>Total</b>			<u><b>590,316.00</b></u>	<u><b>590,316.00</b></u>
<b>Adjusting Journal Entries JE # 14</b>		<b>4601.02</b>		
To remove noncapital expenditures from capital outlay				
10-531-6300	MAINTENANCE - EQUIPMENT & VEH		10,104.62	
10-531-6400	MATERIALS & TOOLS		3,638.76	
10-542-6300	EQUIPMENT MAINTENANCE		2,555.00	
10-531-9400	STREET IMPROVEMENTS			10,104.62
10-531-9650	PHASE 2 STORM WATER			3,638.76
10-542-9200	OFFICE FURNITURE & EQUIPMENT			2,555.00
<b>Total</b>			<u><b>16,298.38</b></u>	<u><b>16,298.38</b></u>
<b>Adjusting Journal Entries JE # 15</b>		<b>4602.02</b>		
To move capital assets out of expenses and into property plant and equipment				
50-000-1830	UTILITY SYSTEM		232,504.60	
50-000-1850	FURNITURE FIXTURES & EQUIP		48,689.75	
50-536-9600	SEWER IMPROVEMENTS			232,504.60
50-536-9910	EQUIPMENT REPLACEMENT RESERVE			48,689.75
<b>Total</b>			<u><b>281,194.35</b></u>	<u><b>281,194.35</b></u>
<b>Adjusting Journal Entries JE # 16</b>		<b>5206.01</b>		
entry to record GASB 68				
50-000-3220	UNRESERVED RETAINED EARNINGS		548,814.64	
50-CPA-1998	Deferred Outflow - projected vs actual inv earnings		17,040.10	
50-CPA-1999	Deferred Outflow - Contributions		61,376.26	
50-CPA-1999	Deferred Outflow - Contributions		73,478.39	
50-CPA-2999	Net Pension Liability		21,508.63	
50-CPA-5999	Pension Expense		86,639.08	
50-535-5210	TMRS			93,110.31
50-CPA-1999	Deferred Outflow - Contributions			61,376.26
50-CPA-2998	Deferred Inflow - expected and actual experience			44,179.63
50-CPA-2999	Net Pension Liability			610,190.90
<b>Total</b>			<u><b>808,857.10</b></u>	<u><b>808,857.10</b></u>
<b>Adjusting Journal Entries JE # 17</b>		<b>5301.00</b>		
entry to reclass interest on capital lease				
10-542-6210	INTEREST EXPENSE		4,346.00	

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Engagement: **COAH Audit - City of Alamo Heights, Texas**  
Period Ending: **09/30/2015**  
Trial Balance: **TB**  
Workpaper:

Account	Description	W/P Ref	Debit	Credit
10-542-7730	LEASES			4,346.00
<b>Total</b>			<b>4,346.00</b>	<b>4,346.00</b>
<b>Adjusting Journal Entries JE # 18</b>				
entry to record utility fund depreciation				
50-535-8010	DEPRECIATION		327,185.00	
50-000-1890	ACCUMULATED DEPRECIATION			327,185.00
<b>Total</b>			<b>327,185.00</b>	<b>327,185.00</b>
<b>Adjusting Journal Entries JE # 19</b>				
journal entry to remove negative cash				
10-CPA-5999	Transfers Out		16.00	
23-000-1000	CLAIM ON POOLED CASH TNR		16.00	
10-000-1000	CLAIM ON POOLED CASH GENERAL F			16.00
23-cpa-5999	Transfer from General fund			16.00
<b>Total</b>			<b>32.00</b>	<b>32.00</b>

CITY OF ALAMO HEIGHTS, TEXAS

LETTER OF CONDUCT ON AUDIT

SEPTEMBER 30, 2015



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

We have audited the financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of the City of Alamo Heights, Texas for the year ended September 30, 2015. Professional standards require that we provide you with information about our responsibilities under generally accepted auditing standards as well as certain information related to the planned scope and timing of our audit. We have communicated such information in our letter to you dated September 30, 2015. Professional standards also require that we communicate to you the following information related to our audit.

#### Significant Accounting Policies

Management is responsible for the selection and use of appropriate accounting policies. The significant accounting policies used by the City are described in Note 1 to the financial statements. As described in Note 1 L to the financial statements, the City adopted GASB Statement No. 68, Accounting and Financial Reporting for Pensions – an Amendment of GASB Statement No. 27. Accordingly, the cumulative effect of the accounting change is reported on the Statement of Net Position and the Statement of Activities. We noted no transactions entered into by the City during the year for which there is a lack of authoritative guidance or consensus. All significant transactions have been recognized in the financial statements in the proper period.

#### Accounting Estimates

Accounting estimates are an integral part of the financial statements prepared by management and are based on management's knowledge and experience about past and current events and assumptions about future events. Certain accounting estimates are particularly sensitive because of their significance to the financial statements and because of the possibility that future events affecting them may differ significantly from those expected. The most sensitive estimates affecting the financial statements include the net position liability, deferred inflow and outflow related to the Texas Municipal Retirement System (TMRS), fair value of investments, accumulated depreciation, depreciation expense, and the allowance for doubtful accounts. We evaluated the key factors and assumptions used to develop these estimates in determining that they are reasonable in relation to the financial statements taken as a whole.

### Financial Statement Disclosures

Certain financial statement disclosures are particularly sensitive because of their significance to financial statement users. The most sensitive disclosure affecting the financial statements is the disclosure of the restatement of net position in Note 5 related to the City's Net Pension Liability of TMRS.

### Difficulties Encountered in Performing the Audit

We encountered no difficulties in dealing with management in performing and completing our audit.

### Corrected and Uncorrected Misstatements

Professional standards require us to accumulate all known and likely misstatements identified during the audit, other than those that are clearly trivial, and communicate them to the appropriate level of management. Management has corrected all such misstatements.

### Disagreements with Management

For purposes of this letter, a disagreement with management is a financial accounting, reporting, or auditing matter, whether or not resolved to our satisfaction, that could be significant to the financial statements or the auditor's report. We are pleased to report that no such disagreements arose during the course of our audit.

### Management Representations

We have requested certain representations from management that are included in the management representation letter dated March 14, 2016.

### Management Consultations with Other Independent Accountants

In some cases, management may decide to consult with other accountants about auditing and accounting matters, similar to obtaining a "second opinion" on certain situations. If a consultation involves application of an accounting principle to the City's financial statements or a determination of the type of auditor's opinion that may be expressed on those statements, our professional standards require the consulting accountant to check with us to determine that the consultant has all the relevant facts. To our knowledge, there were no such consultations with other accountants.

### Other Audit Issues

We generally discuss a variety of matters, including the application of accounting principles and auditing standards, with management each year prior to retention as the City's auditors. However, these discussions occurred in the normal course of our professional relationship and our responses were not a condition to our retention.

### Other Matters

We applied certain limited procedures to Management's Discussion and Analysis, budgetary comparison information, schedule of changes in net pension liability and related ratios, and schedule of contributions which are required supplementary information (RSI) that supplements the basic financial statements. Our procedures consisted of inquiries of management regarding the methods of preparing the information and comparing the information for consistency with management's response to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We did not audit the RSI and do not express an opinion or provide any assurance on the RSI.

We were engaged to report on the combining and individual nonmajor fund financial statements and schedules, which accompany the financial statements but are not RSI. With respect to this supplementary information, we made certain inquiries of management and evaluated the form, content, and methods of preparing the information to determine that the information complies with accounting principles generally accepted in the United States of America, the method of preparing it has not changed from the prior period, and the information is appropriate and complete in relation to our audit of the financial statements. We compared and reconciled the supplementary information to the underlying accounting records used to prepare the financial statements or to the financial statements themselves.

We were not engaged to report on the introductory and statistical section, which accompany the financial statements but are not RSI. We did not audit or perform other procedures on this other information and we do not express an opinion or provide any assurance on it.

### Other Comment

#### *Public Funds Investment Act*

The Public Funds Investment Act (the Act) requires that we include, as part of our audit, procedures to determine if the City complied with the provisions of the Act. We found, as a result of our tests, that the City complied, in all material respects, with the provisions of the Act.

### Restriction on Use

The information is intended solely for the use of the Mayor, City Council, and management of the City, and is not intended to be and should not be used by anyone other than these specified parties.

We would like to take this opportunity to acknowledge the courtesy and assistance extended to us by the personnel of City of Alamo Heights, Texas during the course of our audit.



Certified Public Accountants  
San Antonio, Texas

March 14, 2016