

**CITY OF HELOTES ECONOMIC  
DEVELOPMENT CORPORATION**

**ANNUAL  
FINANCIAL REPORT**

**FISCAL YEAR ENDED  
SEPTEMBER 30, 2013**



**CULTIVATING COUNTRY**

CITY OF HELOTES ECONOMIC DEVELOPMENT CORPORATION  
ANNUAL FINANCIAL REPORT  
FOR THE YEAR ENDED SEPTEMBER 30, 2013

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## INDEPENDENT AUDITOR'S REPORT

To the Board of Directors  
City of Helotes Economic Development Corporation  
City of Helotes, Texas

### **Report on the Financial Statements**

We have audited the accompanying financial statements of the governmental activities and the major fund of the City of Helotes Economic Development Corporation (a component unit of the City of Helotes) as of and for the years ended September 30, 2013 and 2012, and the related notes to the financial statements which collectively comprise the City of Helotes Economic Development Corporation's basic financial statements as listed in the table of contents.

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

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

### ***Auditor's Responsibility***

Our responsibility is to express opinions on these financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

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

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

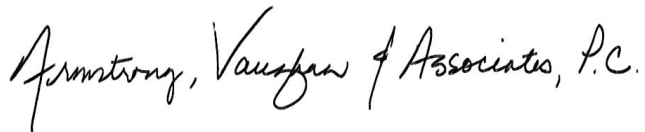
## ***Opinions***

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities and the major fund of City of Helotes Economic Development Corporation, as of September 30, 2013 and 2012, and the respective changes in financial position for the year then ended in accordance with accounting principles generally accepted in the United States of America.

## ***Other Matters***

### *Required Supplementary Information*

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



Armstrong, Vaughan & Associates, P.C.

January 31, 2014

CITY OF HELOTES ECONOMIC DEVELOPMENT CORPORATION  
MANAGEMENT'S DISCUSSION AND ANALYSIS

Our discussion and analysis of the City of Helotes Economic Development Corporation, a component unit of the City of Helotes, financial performance provides an overview of the Corporation's financial activity for the fiscal year ended September 30, 2013. It should be read in conjunction with the financial statements.

**Financial Highlights**

- The Corporation's net position was \$607,841 at September 30, 2013.
- The Corporation's total revenues were \$467,328, while total expenses were \$101,457.
- The Corporation's net position increased by \$37,458 after the transfer of pledged revenue to the primary government (City of Helotes).

**Corporation Highlights**

City of Helotes Economic Development Corporation was formed in February 6, 2003 under the Development Corporation Act of 1979, Texas Revised Civil Statutes Annotated, Article 5190.6, Section 4B. It receives all its proceeds from the 1/2 cent sales tax adopted in 2003 for economic development in the City of Helotes.

**Using this Annual Report**

This annual report consists of three parts: Management's Discussion and Analysis, Financial Statements and Required Supplementary Information. The Statement of Net Position and Activities provides information on the Corporation as a whole. The Corporation's net position—the difference between assets and liabilities—provides one way to measure financial health or financial position.

**Statement of Net Position**

Table 1 shows all of the assets and liabilities of the Corporation and is presented on the accrual basis. The total net position is \$607,841.

**Table 1**  
**City of Helotes Economic Development Corporation**  
**Net Position**

	2013	2012
Cash and Investments	\$ 544,321	\$ 583,875
Accounts Receivable	89,189	64,016
Prepaid Items	440	-
Land	48,140	48,140
<b>Total Assets</b>	<b>682,090</b>	696,031
Liabilities	74,249	125,648
<b>Total Liabilities</b>	<b>74,249</b>	125,648
Net Investment in Capital Assets	48,140	48,140
Unrestricted	559,701	522,243
<b>Total Net Position</b>	<b>\$ 607,841</b>	\$ 570,383

## Statement of Activities

Table 2 shows all of the expenses and revenues of the Corporation and is also presented on the accrual basis. General Revenues consist of the ½ cent sales tax the Corporation receives for economic development.

**Table 2**  
**City of Helotes Economic Development Corporation**  
**Changes in Net Position**

	<u>2013</u>	<u>2012</u>
Program Revenues	\$ -	\$ -
General Revenues	<u>467,328</u>	<u>346,254</u>
<b>Total Revenues</b>	<b><u>467,328</u></b>	<b><u>346,254</u></b>
Total Expenses	<u>(101,457)</u>	<u>(121,959)</u>
Transfers In (Out) from Primary Government	<u>(328,413)</u>	<u>(289,701)</u>
<b>Total Expenditures</b>	<b><u>(429,870)</u></b>	<b><u>(411,660)</u></b>
<b>Change in Net Position</b>	<b><u>\$ 37,458</u></b>	<b><u>\$ (65,406)</u></b>

## Balance Sheet

The Balance Sheet shows the assets, liabilities, and fund balances of the Corporation.

## Statement of Revenues, Expenditures, and Changes in Fund Balance

This Statement shows the revenues and expenditures for the Corporation. The largest income is from the 1/2 cent sales tax adopted in 2003 for economic development.

## Budget to Actual

The Corporation's total actual expenditures were less than budgeted amounts.

## Description of Current and Expected Conditions

The City of Helotes Economic Development Corporation initiated several projects during fiscal year ending September 30, 2013 due to increases in sales tax revenue. The following list highlights some of those projects funded:

- Update and publish the City of Helotes Retail Brochure and Map;
- Selection of LNV Engineering to design a water and sewer line located along Bandera Road from Circle A Trail to Scenic Loop Road;
- Selection of a web-design firm to redesign the EDC and business directory website;
- Approval of a Chapter 380 Agreement with Ken Dempsey to promote development of Old Town Helotes.

As sales tax revenues within the City continue to rise, the number of projects funded by the Corporation to promote new and expanding business opportunities continues to rise. Overall, the EDC continues to ensure their expected and real revenues are in line with expected and real expenditures.

## **Contacting the Corporation's Financial Management**

This financial report is designed to provide a general overview of the Corporation's finances and show the Corporation's accountability to its taxpayers. If you have any questions about this report or need additional financial information, contact the City of Helotes Economic Development Corporation at P.O. Box 507, Helotes, Texas 78023 or at (210) 695-8877.

CITY OF HELOTES ECONOMIC DEVELOPMENT CORPORATION  
 COMPARATIVE STATEMENTS OF NET POSITION  
 SEPTEMBER 30, 2013 AND 2012

	2013	2012
<b>ASSETS</b>		
Cash and Investments	\$ 544,321	\$ 93,836
Certificates of Deposit	-	490,039
Accounts Receivable - State	89,189	64,016
Prepaid Items	440	-
Capital Assets:		
Land	48,140	48,140
<b>TOTAL ASSETS</b>	<b>682,090</b>	<b>696,031</b>
 <b>LIABILITIES</b>		
<i>Liabilities:</i>		
Accounts Payable	4,964	225
Accrued Liabilities	6,011	5,767
Accrued Compensated Absences	3,855	2,669
Due to Primary Government	59,419	116,987
<b>TOTAL LIABILITIES</b>	<b>74,249</b>	<b>125,648</b>
 <b>NET POSITION</b>		
Net Investment in Capital Assets	48,140	48,140
Unrestricted	559,701	522,243
<b>TOTAL NET POSITION</b>	<b>\$ 607,841</b>	<b>\$ 570,383</b>

The accompanying notes are an integral part of these statements.



CITY OF HELOTES ECONOMIC DEVELOPMENT CORPORATION  
 COMPARATIVE STATEMENTS OF ACTIVITIES  
 FOR THE YEARS ENDED SEPTEMBER 30, 2013 AND 2012

	<b>2013</b>	2012
<b>EXPENSES</b>		
Personnel	\$ 58,652	\$ 56,011
Professional Services	27,464	10,306
City Administration Cost Reimbursement	8,000	8,000
Training and Seminars	4,637	2,757
Office Supplies and Expenses	2,539	2,832
Other Expenses	165	41,093
Insurance	-	960
<b>TOTAL EXPENSES</b>	<b>101,457</b>	121,959
 <b>REVENUES</b>		
<i>Program Revenues:</i>		
Charges for Services	-	-
<i>Total Program Revenues</i>	-	-
<i>Net Governmental Activities</i>	<b>(101,457)</b>	(121,959)
 <i>General Revenues:</i>		
Sales Tax	465,886	344,590
Interest	1,442	1,664
<i>Total General Revenues</i>	467,328	346,254
<i>Transfers From (To) Primary Government</i>	<b>(328,413)</b>	(289,701)
<i>Change in Net Position</i>	37,458	(65,406)
 <b>BEGINNING NET POSITION</b>	<b>570,383</b>	635,789
<b>ENDING NET POSITION</b>	<b>\$ 607,841</b>	\$ 570,383

The accompanying notes are an integral part of these statements.

CITY OF HELOTES ECONOMIC DEVELOPMENT CORPORATION  
 COMPARATIVE BALANCE SHEETS  
 SEPTEMBER 30, 2013 AND 2012

	2013	2012
<b>ASSETS</b>		
Cash and Investments	\$ 544,321	\$ 93,836
Certificates of Deposit	-	490,039
Accounts Receivable - State	89,189	64,016
Prepaid Items	440	-
	<b>\$ 633,950</b>	<b>\$ 647,891</b>
 <b>LIABILITIES AND FUND BALANCE</b>		
<i>Liabilities:</i>		
Accounts Payable	\$ 4,964	\$ 225
Accrued Liabilities	6,011	5,767
Due to Primary Government	59,419	116,987
<i>Total Liabilities</i>	<b>70,394</b>	<b>122,979</b>
 <i>Fund Balance:</i>		
Nonspendable:		
Prepaid Items	440	-
Committed:		
Capital Replacement	171,999	171,999
Unassigned	391,117	352,913
<i>Unassigned Fund Balance</i>	<b>563,556</b>	<b>524,912</b>
	<b>\$ 633,950</b>	<b>\$ 647,891</b>
 <b>RECONCILIATION OF THE BALANCE SHEETS TO THE STATEMENTS OF NET POSITION:</b>		
<b>TOTAL FUND BALANCES</b>	<b>\$ 563,556</b>	<b>\$ 524,912</b>
Capital Assets used in governmental activities are not financial resources and, therefore, are not reported in the governmental fund financial statements	48,140	48,140
Accrued compensated absences are not due and payable from current financial resources and, therefore, are not reported in the governmental funds	(3,855)	(2,669)
	<b>\$ 607,841</b>	<b>\$ 570,383</b>

The accompanying notes are an integral part of these statements.

CITY OF HELOTES ECONOMIC DEVELOPMENT CORPORATION  
 COMPARATIVE STATEMENTS OF REVENUES, EXPENDITURES AND  
 CHANGES IN FUND BALANCE  
 FOR THE YEARS ENDED SEPTEMBER 30, 2013 AND 2012

	2013	2012
<b>REVENUES</b>		
Sales Tax	\$ 465,886	\$ 344,590
Interest	1,442	1,664
<b>TOTAL REVENUES</b>	<b>467,328</b>	<b>346,254</b>
 <b>EXPENDITURES</b>		
Personnel	57,466	55,454
Professional Services	27,464	10,306
City Administration Cost Reimbursement	8,000	8,000
Training and Seminars	4,637	2,757
Office Supplies and Expenses	2,539	2,832
Other Expenses	165	41,093
Insurance	-	960
<b>TOTAL EXPENDITURES</b>	<b>100,271</b>	<b>121,402</b>
 <b>Excess (Deficiency) of Revenues Over (Under) Expenditures</b>	<b>367,057</b>	<b>224,852</b>
 <b>OTHER FINANCING SOURCES (USES)</b>		
Transfer In (Out) to Primary Government	(328,413)	(289,701)
<b>TOTAL OTHER FINANCING SOURCES (USES)</b>	<b>(328,413)</b>	<b>(289,701)</b>
 <b>Net Change in Fund Balance</b>	<b>38,644</b>	<b>(64,849)</b>
 <b>BEGINNING FUND BALANCE</b>	<b>524,912</b>	<b>589,761</b>
 <b>ENDING FUND BALANCE</b>	<b>\$ 563,556</b>	<b>\$ 524,912</b>
 <b>RECONCILIATION OF THE STATEMENTS OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE TO STATEMENTS OF NET POSITION:</b>		
 <b>NET CHANGE IN FUND BALANCE</b>	<b>\$ 38,644</b>	<b>\$ (64,849)</b>
 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 fund financial statements	<b>(1,186)</b>	<b>(557)</b>
 <b>CHANGE IN NET POSITION</b>	<b>\$ 37,458</b>	<b>\$ (65,406)</b>

The accompanying notes are an integral part of these statements.

CITY OF HELOTES ECONOMIC DEVELOPMENT CORPORATION  
NOTES TO THE FINANCIAL STATEMENTS  
SEPTEMBER 30, 2013 AND 2012

NOTE A -- SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

1. Financial Reporting Entity

City of Helotes Economic Development Corporation is a nonprofit industrial corporation, with powers of taxation, created pursuant to Section 4B Article 5190.6 of Vernons Texas Civil Statutes (V.T.C.S.), as amended. City of Helotes Economic Development Corporation (hereafter referred to as the Corporation) was created February 6, 2003 to act on behalf of the City for promotion, development, and enhancement of economic development within the City of Helotes. The Corporation is a component unit of the City of Helotes. A component unit is a legally separate corporation for which the elected officials of the governmental unit are financially accountable. The Corporation is presented in the City's financial statements as a blended component unit.

The financial statements of the Corporation have been prepared in conformity with generally accepted accounting principles (GAAP), as applied to government units. The Governmental Accounting Standards Board (GASB) is the accepted standard-setting body for establishing governmental accounting and financial reporting principles. The financial statements present the financial position and results of operations of the Corporation only.

2. Basis of Presentation

The government-wide financial statements are presented in accordance with GASB 34, which mandates government-wide financial statements of net position and activities, and are presented on the economic resources measurement focus and accrual basis of accounting. Revenues are recorded when earned and expenses are recorded when incurred, regardless of the timing of the related cash flows. It also requires that capital assets be recorded at cost less accumulated depreciation.

Governmental funds use the modified accrual basis of accounting. Under this method, revenues are recognized in the accounting period in which they become both available and measurable (flow of current financial resources measurement focus). Expenditures are recognized in the accounting period in which the fund liability is incurred, if measurable.

3. Budgets

The Corporation adopts annual operating (and if necessary capital) budget which is approved by the City Council. Formal budgetary accounting is employed as a management control. The budgets can be amended by the Board of Directors, subject to City Council approval. Actual expenditures cannot legally exceed budgeted appropriations at the fund level. All budgeted appropriations lapse at the end of each fiscal year. The budget is presented on the modified accrual basis of accounting.

4. Cash

Cash includes cash deposits and investments with maturity dates within three (3) months of the date acquired by the Development Corporation.

CITY OF HELOTES ECONOMIC DEVELOPMENT CORPORATION  
NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)  
SEPTEMBER 30, 2013 AND 2012

NOTE A -- SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

5. Related Party Transactions

During the course of operations, numerous transactions occur between the Corporation and the City. These receivables and payables are classified as “due from primary government” or “due to primary government” on the Balance Sheet and Statement of Net Position. The Corporation reimburses the City for its share of personnel costs and paid an agreed upon rate of \$8,000 for general administrative overhead. The Corporation has also pledged revenue to cover a portion of the City’s debt service (see note E).

During the normal course of operations, payables and receivables occur between the Corporation and City based on the timing of transactions between the two entities. These balances are expected to be paid/received in the next fiscal year.

6. Capital Assets

Capital assets, which include land, are capitalized at total acquisition cost or fair market value at the time of donation if donated. Depreciation (where applicable) is recorded on all depreciable capital assets on a straight-line basis over the estimated useful lives. Land held for future development is not depreciated.

7. Sales Tax Revenue

The citizens of the City of Helotes voted to adopt an additional one-half of one percent (1/2 cent or \$0.0050) local sales and use tax to be used by the Corporation for the promotion and development of new and expanded business enterprises and any other purposes authorized by Section 4B, Article 5190.6, V.T.C.S., as amended (the Development Corporation Act of 1979).

8. Fund Balance

Fund Balance is classified as follows:

Nonspendable – Represents amounts that cannot be spent because they are either not in spendable form (such as inventory or prepaid items) or legally required to remain intact.

Restricted – Represents amounts that are constrained by external parties, constitutional provisions, or enabling legislation.

Committed – Represents amounts that can be used only for the specific purposes determined by a formal action of the government’s highest decision-making authority. The governing board is the highest level of decision-making authority for the corporation that can commit fund balance. Once adopted, the limitation imposed remains in place until a similar action is taken to remove or revise the limitation.

CITY OF HELOTES ECONOMIC DEVELOPMENT CORPORATION  
NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)  
SEPTEMBER 30, 2013 AND 2012

NOTE A -- SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

8. Fund Balance (Continued)

Assigned – Represents amounts which the Corporation intends to use for a specific purpose but does not meet the criteria of restricted or committed. The Board of Directors may make assignments and has chosen not to delegate that authority to any other individuals.

Unassigned - Represents the residual balance that may be spent on any other purpose for the Corporation.

When an expenditure is incurred for a purpose in which multiple classifications are available, the Corporation considers restricted balances spent first, committed second, and assigned third.

9. Net Position

Net position represents the difference between assets and liabilities. Net investment in capital assets, consists of capital assets, net of accumulated depreciation, reduced by the outstanding balances of any loans used to purchase, construct, or improve those assets.

10. Use of Estimates

The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

11. Implementation of New Accounting Principles

For the year ended September 30, 2013, the District implemented the following statements of financial accounting standards issued by the Governmental Accounting Standards Board:

GASB Statement No. 63, Financial Reporting of Deferred Outflows of Resources, Deferred Inflows of Resources, and Net Position

GASB Statement No. 65, Items Previously Reported as Assets and Liabilities

GASB Statements No. 63 and 65 established standards for reporting deferred outflows of resources, deferred inflows of resources, and net position in a financial statement position and related disclosures as well as reclassify certain items that were previously reported as assets and liabilities to deferred outflows of resources, deferred inflows of resources or recognize certain items that were previously reported as assets and liabilities as outflows or inflows of resources.

CITY OF HELOTES ECONOMIC DEVELOPMENT CORPORATION  
NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)  
SEPTEMBER 30, 2013 AND 2012

NOTE B -- DEPOSITS AND INVESTMENTS

1. Deposits

At September 30, 2013 and 2012, the carrying amount of deposits was \$529,142 and \$92,980, respectively, and the bank balance was \$529,142 and \$94,222, respectively. All cash deposits were federally insured up to \$250,000 at each financial institution and are also covered by the City of Helotes' collateral support.

2. Investments

The City of Helotes Economic Development Corporation is required by Government Code Chapter 2256, The Public Funds Investment Act, to adopt, implement, and publicize an investment policy. That policy must address the following areas: (1) safety of principal and liquidity, (2) portfolio diversification, (3) allowable investments, (4) acceptable risk levels, (5) expected rates of return, (6) maximum allowable stated maturity of portfolio investments, (7) maximum average dollar-weighted maturity allowed based on the stated maturity date for the portfolio, (8) investment staff quality and capabilities, and (9) bid solicitation preferences for certificates of deposit.

The Public Funds Investment Act ("Act") requires an annual audit of investment practices. Audit procedures in this area conducted as a part of the audit of the basic financial statements disclosed that in the areas of investment practices, management reports, and establishment of appropriate policies, the Corporation adhered to the requirements of the Act. Additionally, investment practices of the City of Helotes Economic Development Corporation were in accordance with local policies.

The Act determines the types of investments which are allowable for the City of Helotes Economic Development Corporation. These include, with certain restrictions: 1) Obligations of the U.S. Treasury, U.S. agencies, and the State of Texas; 2) certificates of deposit; 3) certain municipal securities; 4) securities lending program; 5) repurchase agreements; 6) bankers acceptances; 7) mutual funds; 8) investment pools; 9) guaranteed investment contracts; and 10) commercial paper.

The City of Helotes Economic Development Corporation's investments at September 30, 2013 and 2012 were in Texpool, a AAAM rated external public funds investment pool. Texpool is a 2a7-like pool and investments in Texpool are carried at share price, which approximates fair value. Financial statements for TexPool are included as part of the State of Texas Comprehensive Annual Financial Report. Amounts invested as of September 30, 2013 and 2012 were \$15,179 and \$856, respectively.

3. Analysis of Specific Deposit and Investment Risks

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

CITY OF HELOTES ECONOMIC DEVELOPMENT CORPORATION  
NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)  
SEPTEMBER 30, 2013 AND 2012

NOTE B -- DEPOSITS AND INVESTMENTS (Continued)

3. Analysis of Specific Deposit and Investment Risks (Continued)

a. Credit Risk

Credit risk is the risk that an issuer or other counterparty to an investment will not fulfill its obligations. The ratings of securities by nationally recognized rating agencies are designed to give an indication of credit risk. At September 30, 2013 and 2012, the City of Helotes Economic Development Corporation was not significantly exposed to credit risk.

b. Custodial Credit Risk

Deposits are exposed to custodial credit risk if they are not covered by depository insurance and the deposits are uncollateralized, collateralized with securities held by the pledging financial institution, or collateralized with securities held by the pledging financial institution's trust department or agent but not in the City of Helotes Economic Development Corporation's name.

Investment securities are exposed to custodial credit risk if the securities are uninsured, are not registered in the name of the government, and are held by either the counterparty or the counterparty's trust department or agent but not in the City of Helotes Economic Development Corporation's name.

At September 30, 2013 and 2012, the City of Helotes Economic Development Corporation was not exposed to custodial credit risk.

c. Concentration of Credit Risk

The risk is the risk of loss attributed to the magnitude of a government's investment in a single issuer. As of September 30, 2013 and 2012, the City of Helotes Economic Development Corporation had no exposure to concentration of credit risk.

d. Interest Rate Risk

This is the risk that changes in interest rates will adversely affect the fair value of an investment. At September 30, 2013 and 2012, the City of Helotes Economic Development Corporation was not exposed to interest rate risk.

e. Foreign Currency Risk

This risk is the risk that exchange rates will adversely affect the fair value of an investment. At September 30, 2013 and 2012, the City of Helotes Economic Development Corporation was not exposed to foreign currency risk.



CITY OF HELOTES ECONOMIC DEVELOPMENT CORPORATION  
 NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)  
 SEPTEMBER 30, 2013 AND 2012

NOTE B -- DEPOSITS AND INVESTMENTS (Continued)

4. Investment Accounting Policy

The City of Helotes Economic Development Corporation has adopted an investment policy that limits the types of investments for which the corporation can invest in. It is also the Corporation's policy to report money market investments and short-term participating interest-earning investment contracts at amortized cost and to report nonparticipating interest-earning investment contracts using a cost-based measure. However, if the fair value of an investment is significantly affected by the impairment of the credit standing of the issuer or by other factors, it is reported at fair value. All other investments are reported at fair value, unless a legal contract exists which guarantees a higher value. The term "short-term" refers to investments which have a remaining term of one year or less at time of purchase. The term "nonparticipating" means that the investment's value does not vary with market interest rate changes. Nonnegotiable certificates of deposit are examples of nonparticipating interest-earning investment contracts.

5. Public Funds Investment Pools

Public funds investment pools in Texas ("Pools" are established under the authority of the Interlocal Cooperation Act, Chapter 791 of the Texas Government Code) are subject to the provisions of the Public Funds Investment Act (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 AAA-m 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.

NOTE C -- CAPITAL ASSETS

Activity for assets capitalized by the Corporation is summarized below:

	Balance 10/1/2012	Additions	Deletions	Balance 9/30/2013
Land	\$ 48,140	\$ -	\$ -	\$ 48,140
	\$ 48,140	\$ -	\$ -	\$ 48,140

Land is not depreciated.

NOTE D -- COMMITMENTS AND CONTINGENCIES

*Litigation*

Management is not aware of any pending or threatened litigation that may have a material impact on the Corporation's financial statements.

CITY OF HELOTES ECONOMIC DEVELOPMENT CORPORATION  
NOTES TO BASIC FINANCIAL STATEMENTS (CONTINUED)  
SEPTEMBER 30, 2013 AND 2012

NOTE D -- COMMITMENTS AND CONTINGENCIES (Continued)

*380 Development Agreement*

The City of Helotes and the Economic Development Corporation have entered into a 380 Development agreement to encourage growth within the City. The agreement involves the City and Corporation reimbursing the project costs through refunding a portion of the sales and use taxes generated by the projects up to a maximum amount. No reimbursements have been made as of the date of this report, but the City and Corporation are recording estimated rebate amounts. The terms of the agreements are as follows:

Development	Sales Tax Refund Agreement		Maximum Grant Amount	Term
	Corporation	City		
Bandera Helotes Plaza	50%	50%	\$ 300,000	10 years

*Pledged Revenue*

Through an Interlocal Agreement with the City of Helotes, the Economic Development Corporation has pledged a portion of its revenue over the next 20 years to reimburse the City for debt service on \$4,000,000 for the Certificates of Obligation Series 2007 issued by the City. This portion of the debt issuance was used by the Corporation for implementation of The Old Town Helotes Improvements. The Corporation transferred \$293,413 and \$289,701 during the years ended September 30, 2013 and 2012, respectively, for the debt service requirements and is up to date on payments required by the agreement. The Economic Development Corporation's future pledged revenues are as follows:

Fiscal Year Ending September 30,	Pledged Revenue
2014	\$ 291,830
2015	294,953
2016	292,780
2017	295,313
2018	292,552
2019 - 2023	1,484,050
2024 - 2027	1,194,113
	<u>\$ 4,145,591</u>

NOTE E -- TRANSFERS

Transfers during the year ended September 30, 2013, were as follows:

Transfer Out	Transfer In	Amount	Purpose
Economic Development Corporation	Primary Government - Debt Service	\$ 293,413	<i>pledged revenue</i>
Economic Development Corporation	Primary Government - Capital Projects	35,000	<i>supplement funding</i>
		<u>\$ 328,413</u>	

REQUIRED SUPPLEMENTARY INFORMATION

CITY OF HELOTES ECONOMIC DEVELOPMENT CORPORATION  
STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE  
BUDGET AND ACTUAL  
FOR THE YEAR ENDED SEPTEMBER 30, 2013  
(WITH COMPARATIVE ACTUAL AMOUNTS FOR 2012)

	Budgeted Amounts		Actual 2013	Variance Favorable (Unfavorable)	Actual 2012
	Original	Final			
<b>REVENUES</b>					
Taxes	\$ 447,939	\$ 447,939	\$ 465,886	\$ 17,947	\$ 344,590
Interest	2,150	2,150	1,442	(708)	1,664
<b>TOTAL REVENUES</b>	450,089	450,089	467,328	17,239	346,254
<b>EXPENDITURES</b>					
Personnel	57,283	57,283	57,466	(183)	55,454
Professional Services	47,356	47,356	27,464	19,892	10,306
Reimbursement to City Administration	8,000	8,000	8,000	-	8,000
Schools and Seminars	4,847	4,847	4,637	210	2,757
Office Supplies and Expenses	3,940	3,940	2,539	1,401	2,832
Insurance	-	-	-	-	960
Other Expenses	250	250	165	85	41,093
<b>TOTAL EXPENDITURES</b>	121,676	121,676	100,271	21,405	121,402
<b>Excess (Deficiency) of Revenues Over (Under) Expenditures</b>	328,413	328,413	367,057	38,644	224,852
<b>OTHER FINANCING SOURCES (USES)</b>					
Transfer In (Out) to Primary Government	(328,413)	(328,413)	(328,413)	-	(289,701)
<b>TOTAL OTHER FINANCING SOURCES (USES)</b>	(328,413)	(328,413)	(328,413)	-	(289,701)
<b>Net Change in Fund Balance</b>	-	-	38,644	38,644	(64,849)
<b>Fund Balance - October 1</b>	524,912	524,912	524,912	-	589,761
<b>Fund Balance - September 30</b>	\$ 524,912	\$ 524,912	\$ 563,556	\$ 38,644	\$ 524,912

CITY OF HELOTES ECONOMIC DEVELOPMENT CORPORATION  
NOTES TO REQUIRED SUPPLEMENTARY INFORMATION  
STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE  
BUDGET AND ACTUAL  
FOR THE YEAR ENDED SEPTEMBER 30, 2013  
(WITH COMPARATIVE ACTUAL AMOUNTS FOR 2012)

**Budgetary Information** – The budget is prepared in accordance with accounting principles generally accepted in the United States of America. The Corporation maintains strict budgetary controls. The objective of these controls is to ensure compliance with legal provision embodied in the annual appropriated budget approved by the City Council and as such is a good management control device. The following are the funds which have legally adopted annual budgets: General Fund.

Budgetary preparation and control is exercised at the department level. Actual expenditures may not legally exceed appropriations at the fund level.



CULTIVATING COUNTRY