

SHAREHOLDERS:  
Nancy L. Vaughan, CPA  
Deborah F. Fraser, CPA  
Phil S. Vaughan, CPA



Armstrong, Vaughan & Associates, P.C.  
Certified Public Accountants

January 30, 2015

Board of Directors  
Helotes Economic Development Corporation

We have audited the financial statements of the governmental activities and the major fund of Helotes Economic Development Corporation for the year ended September 30, 2014. Professional standards require that we advise you of the following matters related to our audit.

### **Our Responsibility in Relation to the Financial Statement Audit**

As communicated in our engagement letter dated August 15, 2014, our responsibility as described by professional standards, is to form and express an opinion about whether the financial statements that have been prepared by management with your oversight are presented fairly, in all material aspects, in conformity with accounting principles generally accepted in the United States of America. Our audit of the financial statements does not relieve you or management of your respective responsibilities.

Our responsibility, as prescribed by professional standards, is to plan and perform our audit to obtain reasonable, rather than absolute, assurance about whether the financial statements are free of material misstatement. An audit of financial statements includes consideration of internal control over financial reporting as a basis for designing 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 over financial reporting. Accordingly, as part of our audit, we considered the internal control of City of Helotes solely for the purpose of determining our audit procedures and not to provide any assurance concerning such internal control.

We are also responsible for communicating significant matters related to the audit that are, in our professional judgment, relevant to your responsibilities in overseeing the financial reporting process. However, we are not required to design procedures for the purpose of identifying other matters to communicate to you.

### **Planned Scope and Timing of the Audit**

We conducted our audit consistent with the planned scope and timing we previously communicated to you.

### **Compliance with All Ethical Requirements Regarding Independence**

The engagement team, others in our firm, as appropriate, and our firm have complied with all relevant ethical requirements regarding independence.

## **Qualitative Aspects of the Entity's Significant Accounting Practices**

### *Significant Accounting Policies*

Management has the responsibility to select and use appropriate accounting policies. A summary of the significant accounting policies adopted by the Corporation are described in Note A to the financial statements. No new accounting policies were adopted and the application of existing policies was not changed during 2014. No matters have come to our attention that would require us, under professional standards, to inform you about (1) the methods used to account for significant unusual transactions and (2) the effect of significant accounting policies in controversial or emerging areas for which there is a lack of authoritative guidance or consensus.

### *Significant Accounting Estimates*

Accounting estimates are an integral part of the financial statements prepared by management and are based on management's current judgments. Those judgments are normally based on 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 management's current judgments. There were no sensitive estimates affecting the financial statements.

### *Financial Statement Disclosures*

Certain financial statement disclosures involve significant judgment and are particularly sensitive because of their significance to financial statement users. The Corporation does not have any sensitive financial statement disclosures.

## **Significant Difficulties Encountered during the Audit**

We encountered no difficulties in dealing with management relating to the performance of the audit.

## **Uncorrected and Corrected Misstatements**

For purposes of this communication, professional standards require us to accumulate all known and likely misstatements identified during the audit, other than those that we believe are trivial, and communicate them to the appropriate level of management. Further, professional standards require us to also communicate the effect of uncorrected misstatements related to prior periods on the relevant classes of transactions, account balances or disclosures, and the financial statements as a whole and each applicable opinion unit. Management has corrected all such audit differences.

In addition, professional standards require us to communicate to you all material, corrected misstatements that were brought to the attention of management as a result of our audit procedures. In addition, professional standards require us to communicate to you all material, corrected misstatements that were brought to the attention of management as a result of our audit procedures. The following misstatements that we identified as a result of our audit procedures were brought to the attention of, and corrected by, management:

1. Corrected balances of interfund transfers between the City and Economic Development Corporation.

### **Disagreements with Management**

For purposes of this letter, professional standards define a disagreement with management as 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.

### **Representations Requested from Management**

We have requested certain representations from management that are included in the management representation letter dated January 30, 2015.

### **Management Consultations with Other Independent Accountants**

In some cases, management may decide to consult with other accountants about auditing and accounting matters. Management informed us that, and to our knowledge, there were no consultations with other accountants regarding auditing and accounting matters.

### **Other Significant Matters, Findings, or Issues**

In the normal course of our professional association with City of Helotes, we generally discuss a variety of matters, including the application of accounting principles and auditing standards, operating and regulatory conditions affecting the entity, and operational plans and strategies that may affect the risks of material misstatement. None of the matters discussed resulted in a condition to our retention as City of Helotes's auditors.

### **Compliance with Public Funds Investment Act**

The Public Funds Investment Act requires that we include, as part of our audit, procedures to determine if the Corporation complied with the provisions of the Act. We found, as a result of our tests, that the City has complied in all material respects, with the provisions of the Act and the Corporation's internal investment policy.

This report is intended solely for the information and use of the board of directors and management of the Helotes Economic Development Corporation and is not intended to be and should not be used by anyone other than these specified parties.



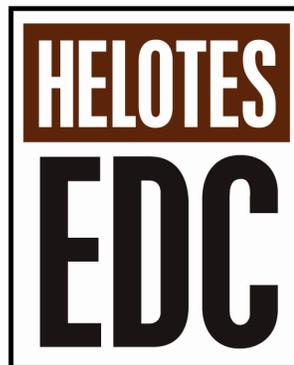
Armstrong, Vaughan & Associates, P.C.

January 30, 2015

**CITY OF HELOTES ECONOMIC  
DEVELOPMENT CORPORATION**

**ANNUAL  
FINANCIAL REPORT**

**FISCAL YEAR ENDED  
SEPTEMBER 30, 2014 AND 2013**



**CULTIVATING COUNTRY**

CITY OF HELOTES ECONOMIC DEVELOPMENT CORPORATION  
ANNUAL FINANCIAL REPORT  
FOR THE YEAR ENDED SEPTEMBER 30, 2014

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CITY OF HELOTES ECONOMIC DEVELOPMENT CORPORATION  
ANNUAL FINANCIAL REPORT  
FOR THE YEAR ENDED SEPTEMBER 30, 2014

PRINCIPAL OFFICERS

PRESIDENT ..... Ardith Garner  
VICE PRESIDENT ..... Drue Helms  
SECRETARY ..... Keith Muhlestein  
BOARD MEMBER ..... Cynthia Massey  
BOARD MEMBER ..... Pat Wootton  
BOARD MEMBER ..... Caleb Rackley  
BOARD MEMBER ..... Bert Buys

SHAREHOLDERS:  
Nancy L. Vaughan, CPA  
Deborah F. Fraser, CPA  
Phil S. Vaughan, CPA



Armstrong, Vaughan & Associates, P.C.  
Certified Public Accountants

## 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, 2014 and 2013, 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, 2014 and 2013, 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 30, 2015

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, 2014. It should be read in conjunction with the financial statements.

**Financial Highlights**

- The Corporation’s net position was \$728,731 at September 30, 2014.
- The Corporation’s total revenues were \$539,195, while total expenses were \$162,238.
- The Corporation’s net position increased by \$120,890 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 \$728,731.

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

	2014	2013
Cash and Investments	\$ 586,250	\$ 544,321
Accounts Receivable	108,210	89,189
Prepaid Items	440	440
Land	48,140	48,140
<b>Total Assets</b>	<b>743,040</b>	<b>682,090</b>
Liabilities	14,309	74,249
<b>Total Liabilities</b>	<b>14,309</b>	<b>74,249</b>
Net Investment in Capital Assets	48,140	48,140
Unrestricted	680,591	559,701
<b>Total Net Position</b>	<b>\$ 728,731</b>	<b>\$ 607,841</b>

## 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**  
**Statement of Activities and Changes in Net Position**

	<u>2014</u>	<u>2013</u>
Program Revenues	\$ -	\$ -
General Revenues	<u>539,195</u>	<u>467,328</u>
<b>Total Revenues</b>	<b><u>539,195</u></b>	<b><u>467,328</u></b>
Total Expenses	<u>(162,238)</u>	<u>(101,457)</u>
Transfers In (Out) from Primary Government	<u>(256,067)</u>	<u>(328,413)</u>
<b>Total Expenditures</b>	<b><u>(418,305)</u></b>	<b><u>(429,870)</u></b>
<b>Change in Net Position</b>	<b><u>\$ 120,890</u></b>	<b><u>\$ 37,458</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 the fiscal year, as well as various new projects. The following list highlights some of those projects funded:

- Contracted with Terra Design Group to provide design services for the Helotes Creek Linear Park Transportation Enhancement Project;
- LNV Engineering is designing a water and sewer line located along Bandera Road from Circle A Trail to Scenic Loop Road that will be presented in March of 2015;
- Selected Giles-Parscale to provide a print and digital marketing collateral.

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, 2014 AND 2013

	2014	2013
<b>ASSETS</b>		
Cash and Investments	\$ 586,250	\$ 544,321
Accounts Receivable - State	94,170	89,189
Due from Primary Government	14,040	-
Prepaid Items	440	440
Capital Assets:		
Land	48,140	48,140
<b>TOTAL ASSETS</b>	<b>743,040</b>	<b>682,090</b>
 <b>LIABILITIES</b>		
<i>Liabilities:</i>		
Accounts Payable	118	4,964
Accrued Liabilities	9,972	6,011
Accrued Compensated Absences	4,219	3,855
Due to Primary Government	-	59,419
<b>TOTAL LIABILITIES</b>	<b>14,309</b>	<b>74,249</b>
 <b>NET POSITION</b>		
Net Investment in Capital Assets	48,140	48,140
Unrestricted	680,591	559,701
<b>TOTAL NET POSITION</b>	<b>\$ 728,731</b>	<b>\$ 607,841</b>

CITY OF HELOTES ECONOMIC DEVELOPMENT CORPORATION  
 COMPARATIVE STATEMENTS OF ACTIVITIES  
 FOR THE YEARS ENDED SEPTEMBER 30, 2014 AND 2013

	2014	2013
<b>EXPENSES</b>		
Personnel	\$ 62,730	\$ 58,652
Professional Services	81,943	27,464
City Administration Cost Reimbursement	8,000	8,000
Training and Seminars	7,619	4,637
Office Supplies and Expenses	1,946	2,539
Other Expenses	-	165
<b>TOTAL EXPENSES</b>	<b>162,238</b>	<b>101,457</b>
 <b>REVENUES</b>		
<i>Program Revenues:</i>		
Charges for Services	-	-
<i>Total Program Revenues</i>	-	-
 <i>Net Governmental Activities</i>	<b>(162,238)</b>	<b>(101,457)</b>
 <i>General Revenues:</i>		
Sales Tax	537,011	465,886
Interest	2,184	1,442
<i>Total General Revenues</i>	<b>539,195</b>	<b>467,328</b>
 <i>Transfers From (To) Primary Government</i>	<b>(256,067)</b>	<b>(328,413)</b>
 <i>Change in Net Position</i>	<b>120,890</b>	<b>37,458</b>
 <b>BEGINNING NET POSITION</b>	<b>607,841</b>	<b>570,383</b>
 <b>ENDING NET POSITION</b>	<b>\$ 728,731</b>	<b>\$ 607,841</b>

CITY OF HELOTES ECONOMIC DEVELOPMENT CORPORATION  
 COMPARATIVE BALANCE SHEETS  
 SEPTEMBER 30, 2014 AND 2013

	2014	2013
<b>ASSETS</b>		
Cash and Investments	\$ 586,250	\$ 544,321
Accounts Receivable - State	94,170	89,189
Due from Primary Government	14,040	-
Prepaid Items	440	440
	<b>694,900</b>	<b>633,950</b>
<b>TOTAL ASSETS</b>		
	<b>\$ 694,900</b>	<b>\$ 633,950</b>
 <b>LIABILITIES AND FUND BALANCE</b>		
<i>Liabilities:</i>		
Accounts Payable	\$ 118	\$ 4,964
Accrued Liabilities	9,972	6,011
Due to Primary Government	-	59,419
<i>Total Liabilities</i>	<b>10,090</b>	<b>70,394</b>
 <i>Fund Balance:</i>		
Nonspendable:		
Prepaid Items	440	440
Committed:		
Capital Replacement	171,999	171,999
Unassigned	512,371	391,117
<i>Unassigned Fund Balance</i>	<b>684,810</b>	<b>563,556</b>
	<b>\$ 694,900</b>	<b>\$ 633,950</b>
 <b>TOTAL LIABILITIES AND FUND BALANCE</b>		
	<b>\$ 694,900</b>	<b>\$ 633,950</b>
 <b>RECONCILIATION OF THE BALANCE SHEETS TO THE STATEMENTS OF NET POSITION:</b>		
<b>TOTAL FUND BALANCES</b>	<b>\$ 684,810</b>	<b>\$ 563,556</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	(4,219)	(3,855)
	<b>(4,219)</b>	<b>(3,855)</b>
<b>TOTAL NET POSITION</b>	<b>\$ 728,731</b>	<b>\$ 607,841</b>

CITY OF HELOTES ECONOMIC DEVELOPMENT CORPORATION  
 COMPARATIVE STATEMENTS OF REVENUES, EXPENDITURES AND  
 CHANGES IN FUND BALANCE  
 FOR THE YEARS ENDED SEPTEMBER 30, 2014 AND 2013

	2014	2013
<b>REVENUES</b>		
Sales Tax	\$ 537,011	\$ 465,886
Interest	2,184	1,442
<b>TOTAL REVENUES</b>	<b>539,195</b>	<b>467,328</b>
 <b>EXPENDITURES</b>		
Personnel	62,366	57,466
Professional Services	81,943	27,464
City Administration Cost Reimbursement	8,000	8,000
Training and Seminars	7,619	4,637
Office Supplies and Expenses	1,946	2,539
Other Expenses	-	165
<b>TOTAL EXPENDITURES</b>	<b>161,874</b>	<b>100,271</b>
 <b>Excess (Deficiency) of Revenues Over (Under) Expenditures</b>	<b>377,321</b>	<b>367,057</b>
 <b>OTHER FINANCING SOURCES (USES)</b>		
Transfer In (Out) to Primary Government	(256,067)	(328,413)
<b>TOTAL OTHER FINANCING SOURCES (USES)</b>	<b>(256,067)</b>	<b>(328,413)</b>
 <b>Net Change in Fund Balance</b>	<b>121,254</b>	<b>38,644</b>
 <b>BEGINNING FUND BALANCE</b>	<b>563,556</b>	<b>524,912</b>
 <b>ENDING FUND BALANCE</b>	<b>\$ 684,810</b>	<b>\$ 563,556</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>\$ 121,254</b>	<b>\$ 38,644</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>(364)</b>	<b>(1,186)</b>
 <b>CHANGE IN NET POSITION</b>	<b>\$ 120,890</b>	<b>\$ 37,458</b>

CITY OF HELOTES ECONOMIC DEVELOPMENT CORPORATION  
NOTES TO THE FINANCIAL STATEMENTS  
SEPTEMBER 30, 2014 AND 2013

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, 2014 AND 2013

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, 2014 AND 2013

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.

NOTE B -- DEPOSITS AND INVESTMENTS

1. Deposits

At September 30, 2014 and 2013, the carrying amount of the Corporation's deposits was \$517,991 and \$544,321, respectively, and the bank balance was \$518,132 and \$544,321, 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.

CITY OF HELOTES ECONOMIC DEVELOPMENT CORPORATION  
 NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)  
 SEPTEMBER 30, 2014 AND 2013

NOTE B -- DEPOSITS AND INVESTMENTS (Continued)

2. Investments

As of September 30, 2014, the Corporation had the following investments:

	Reported Value	Fair Value	
<i>Investment Pools:</i>			
TexPool	\$ 1,108	\$ 1,108	
LOGIC	67,151	67,151	
	\$ 68,259	\$ 68,259	

*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, 2014 and 2013, the City of Helotes Economic Development Corporation was not significantly exposed to credit risk.

*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, 2014 and 2013, the City of Helotes Economic Development Corporation was not exposed to custodial credit risk.

*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, 2014 and 2013, the City of Helotes Economic Development Corporation had no exposure to concentration of credit risk.

CITY OF HELOTES ECONOMIC DEVELOPMENT CORPORATION  
 NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)  
 SEPTEMBER 30, 2014 AND 2013

NOTE C -- CAPITAL ASSETS

Activity for assets capitalized by the Corporation is summarized below:

	Balance 10/1/2013	Additions	Deletions	Balance 9/30/2014
Land	\$ 48,140	\$ -	\$ -	\$ 48,140
	\$ 48,140	\$ -	\$ -	\$ 48,140

Land is not depreciated.

NOTE D -- TRANSFERS

Transfers during the year ended September 30, 2014, were as follows:

Transfer Out	Transfer In	Amount	Purpose
Economic Development Corporation	Primary Government - Debt Service	\$ 291,830	<i>pledged revenue</i>
Primary Government - Capital Projects	Economic Development Corporation	(35,763)	<i>supplement funding</i>
		\$ 256,067	

NOTE E -- 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.

*380 Development Agreement*

The City of Helotes and the Economic Development Corporation have entered into 380 Development agreements to encourage growth within the City. The agreements involve 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
	City	EDC		
Bandera Helotes Plaza	50%	50%	\$ 300,000	10 years
Old Town Helotes Special District	50%	50%	\$ 2,000,000	N/A

CITY OF HELOTES ECONOMIC DEVELOPMENT CORPORATION  
 NOTES TO BASIC FINANCIAL STATEMENTS (CONTINUED)  
 SEPTEMBER 30, 2014 AND 2013

NOTE E -- COMMITMENTS AND CONTINGENCIES (Continued)

*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 \$291,830 and \$293,413 during the years ended September 30, 2014 and 2013, 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
2015	\$ 294,953
2016	292,780
2017	295,313
2018	292,552
2019	294,495
2020 - 2024	1,487,872
2025 - 2027	895,795
	<u>\$ 3,853,760</u>

REQUIRED SUPPLEMENTARY INFORMATION

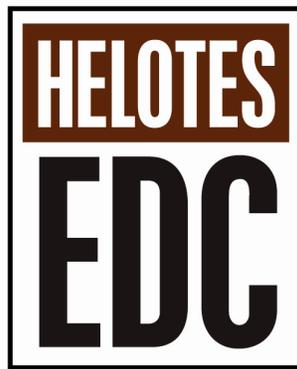
CITY OF HELOTES ECONOMIC DEVELOPMENT CORPORATION  
STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE  
BUDGET AND ACTUAL  
FOR THE YEAR ENDED SEPTEMBER 30, 2014  
(WITH COMPARATIVE ACTUAL AMOUNTS FOR 2013)

	Budgeted Amounts		Actual 2014	Variance Favorable (Unfavorable)	Actual 2013
	Original	Final			
<b>REVENUES</b>					
Taxes	\$ 580,000	\$ 580,000	\$ 537,011	\$ (42,989)	\$ 465,886
Interest	2,200	2,200	2,184	(16)	1,442
<b>TOTAL REVENUES</b>	582,200	582,200	539,195	(43,005)	467,328
<b>EXPENDITURES</b>					
Personnel	55,954	55,954	62,366	(6,412)	57,466
Professional Services	57,796	97,796	81,943	15,853	27,464
Reimbursement to City Administration	8,000	8,000	8,000	-	8,000
Schools and Seminars	7,750	7,750	7,619	131	4,637
Office Supplies and Expenses	2,250	2,250	1,946	304	2,539
Other Expenses	18,950	18,950	-	18,950	165
<b>TOTAL EXPENDITURES</b>	150,700	190,700	161,874	28,826	100,271
<b>Excess (Deficiency) of Revenues Over (Under) Expenditures</b>	431,500	391,500	377,321	(14,179)	367,057
<b>OTHER FINANCING SOURCES (USES)</b>					
Transfer In (Out) to Primary Government	(455,679)	(455,679)	(256,067)	199,612	(328,413)
<b>TOTAL OTHER FINANCING SOURCES (USES)</b>	(455,679)	(455,679)	(256,067)	199,612	(328,413)
<b>Net Change in Fund Balance</b>	(24,179)	(64,179)	121,254	185,433	38,644
<b>Fund Balance - October 1</b>	563,556	563,556	563,556	-	524,912
<b>Fund Balance - September 30</b>	\$ 539,377	\$ 499,377	\$ 684,810	\$ 185,433	\$ 563,556

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, 2014  
(WITH COMPARATIVE ACTUAL AMOUNTS FOR 2013)

**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