

**ALAMO AREA
DEVELOPMENT CORPORATION**
A Component Unit of Alamo Area Council of Governments

FINANCIAL STATEMENTS

DECEMBER 31, 2008

ALAMO AREA DEVELOPMENT CORPORATION

TABLE OF CONTENTS

DECEMBER 31, 2008 AND 2007

	<u>Page Number</u>
FINANCIAL SECTION	
Independent Auditors' Report.....	1 – 2
Management's Discussion and Analysis	3 – 5
Basic Financial Statements:	
Government-wide Financial Statements:	
Statements of Net Assets	6
Statements of Activities	7
Fund Financial Statements:	
Balance Sheet – Governmental Funds	8
Statement of Revenues, Expenditures and Changes in Fund Balances – Governmental Funds	9
Notes to Financial Statements.....	10 – 15
Nonmajor Governmental Funds:	
Combining Balance Sheet.....	16 – 17
Combining Statement of Revenues, Expenditures and Changes in Fund Balances	18 – 19

FINANCIAL SECTION

INDEPENDENT AUDITORS' REPORT

To the Board of Directors
Alamo Area Development Corporation
San Antonio, Texas

We have audited the accompanying financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of Alamo Area Development Corporation (a component unit of Alamo Area Council of Governments) as of and for the year ended December 31, 2008, which collectively comprise the Development Corporation's basic financial statements as listed in the table of contents. These financial statements are the responsibility of Alamo Area Development Corporation's management. Our responsibility is to express an opinion on these financial statements based on our audits.

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 audits to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and the significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinions.

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, each major fund, and the aggregate remaining fund information of Alamo Area Development Corporation as of December 31, 2008, and the respective changes in financial position, thereof for the year then ended in conformity with accounting principles generally accepted in the United States of America.

The Management's Discussion and Analysis on pages 3 through 5 is not a required part of the basic financial statements but is supplementary information required by accounting principles generally accepted in the United States of America. We have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the required supplementary information. However, we did not audit the information and express no opinion on it.

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the Corporation's basic financial statements. The combining nonmajor fund financial statements are presented for purposes of additional analysis and are not a required part of the basic financial statements. The combining nonmajor fund financial statements have been subjected to the auditing procedures applied in the audit of the basic financial statements and, in our opinion, are fairly stated in all material respects in relation to the basis financial statements taken as a whole.

April 27, 2009

Management's Discussion and Analysis

As management of the Alamo Area Development Corporation (AADC), we offer readers of the Corporation's financial statements this narrative overview and analysis of the financial activities of the AADC for the fiscal year ended December 31, 2008. We encourage readers to consider the information presented here in conjunction with the basic financial statements which follow this section.

Financial Highlights:

- The assets of the Alamo Area Development Corporation exceeded its liabilities as of December 31, 2008, by \$11,007 (Net assets). This entire amount is unrestricted and may be used to meet the Corporation's ongoing obligations to citizens in accordance with the AADC's bylaws and fiscal policies.
- The AADC's total net assets increased by \$10,325 during the year.

Overview of the Financial Statements:

This discussion and analysis are intended to serve as an introduction to the Alamo Area Development Corporation's basic financial statements. The AADC's basic financial statements are comprised of three components: (1) government-wide financial statements, (2) fund financial statements, and (3) notes to the financial statements.

The Statement of Net Assets presents information showing how the AADC's net assets changed during the fiscal year. All changes in net assets are reported when the underlying event giving rise to the change occurs, regardless of the timing of related cash flows. Thus, revenues and expenses are reported in this statement for some items that will only result in cash flows in the future fiscal periods.

The AADC, like other state and local governments, uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements. The AADC uses only governmental funds. Governmental fund financial statements focus on current sources and uses of spendable resources, as well as on balances of spendable resources available at the end of the fiscal year. Such information may be useful in evaluating a government's near-term financing requirements.

Notes to the Financial Statements – The notes provide additional information that is essential to a full understanding of the data provided in the financial statements.

Financial Analysis:

As noted earlier, net assets may serve over time as a useful indicator of the AADC's financial position. As of December 31, 2008, the AADC's assets exceeded liabilities by \$11,007.

ALAMO AREA DEVELOPMENT CORPORATION'S NET ASSETS

	<u>2008</u>	<u>2007</u>
Total assets	\$ 787,281	\$ 2,079,885
Total liabilities	<u>776,274</u>	<u>2,079,203</u>
Total unrestricted net assets	\$ <u>11,007</u>	\$ <u>682</u>

Analysis of the AADC's Operations – Overall, the Corporation had an increase in net assets of \$10,325.

ALAMO AREA DEVELOPMENT CORPORATION'S CHANGE IN NET ASSETS

	<u>2008</u>	<u>2007</u>
Revenues:		
Operating grants and contributions	\$ 6,392,046	\$ 10,094,343
General revenues:		
Interest	<u>1,145</u>	<u>81</u>
Total revenues	<u>6,393,191</u>	<u>10,094,424</u>
Expenses:		
General government	8,272	17,304
Workforce development	4,336,897	4,627,247
Transportation	320,660	289
Health and welfare	<u>1,717,037</u>	<u>5,449,649</u>
Total expenses	<u>6,382,866</u>	<u>10,094,489</u>
Change in net assets	10,325	(65)
Net assets, beginning	<u>682</u>	<u>747</u>
Net assets, ending	\$ <u>11,007</u>	\$ <u>682</u>

Requests for Information:

This financial report is designed to provide users with a general overview of the AADC's finances. If you have any questions about this report or need any additional information, please contact the Finance Department, Attn: Controller.

ALAMO AREA DEVELOPMENT CORPORATION

STATEMENT OF NET ASSETS

DECEMBER 31, 2008

	<u>Governmental Activities</u>
ASSETS	
Cash and investments	\$ 242,296
Receivables	<u>544,985</u>
Total assets	<u>787,281</u>
LIABILITIES	
Accounts payable and other current liabilities	775,255
Unearned revenue	<u>1,019</u>
Total liabilities	<u>776,274</u>
NET ASSETS	
Unrestricted	<u>11,007</u>
Total net assets	<u>\$ 11,007</u>

The notes to the financial statements are an integral part of this statement.

ALAMO AREA DEVELOPMENT CORPORATION

BALANCE SHEET

GOVERNMENTAL FUNDS

DECEMBER 31, 2008

	<u>General</u>	<u>Workforce Solutions Alamo</u>	<u>Ryan White</u>	<u>City of San Antonio</u>	<u>Other Governmental Funds</u>	<u>Total Governmental Funds</u>
ASSETS						
Cash and investments	\$ 242,296	\$ -	\$ -	\$ -	\$ -	\$ 242,296
Intergovernmental receivables	-	329,999	1,602	137,991	75,393	544,985
Due from other funds	<u>71,439</u>	<u>278,418</u>	<u>-</u>	<u>14,958</u>	<u>3,678</u>	<u>368,493</u>
Total assets	<u>313,735</u>	<u>608,417</u>	<u>1,602</u>	<u>152,949</u>	<u>79,071</u>	<u>1,155,774</u>
LIABILITIES						
Liabilities:						
Accounts payable	-	595,960	-	152,767	13,547	762,274
Accrued liabilities	-	3,685	-	-	-	3,685
Deferred revenue	-	781	-	182	56	1,019
Due to other funds	297,054	7,991	1,602	-	61,846	368,493
Other liabilities	<u>9,296</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>9,296</u>
Total liabilities	<u>306,350</u>	<u>608,417</u>	<u>1,602</u>	<u>152,949</u>	<u>75,449</u>	<u>1,144,767</u>
FUND BALANCES						
Unreserved, reported in:						
General fund	7,385	-	-	-	-	7,385
Special revenue	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>3,622</u>	<u>3,622</u>
Total fund balances	<u>7,385</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>3,622</u>	<u>11,007</u>
Total liabilities and fund balances	<u>\$ 313,735</u>	<u>\$ 608,417</u>	<u>\$ 1,602</u>	<u>\$ 152,949</u>	<u>\$ 79,071</u>	<u>\$ 1,155,774</u>

The notes to the financial statements are an integral part of this statement.

ALAMO AREA DEVELOPMENT CORPORATION

**STATEMENT OF REVENUES, EXPENDITURES AND
CHANGES IN FUND BALANCES**

GOVERNMENTAL FUNDS

FOR THE YEAR ENDED DECEMBER 31, 2008

	<u>General</u>	<u>Workforce Solutions Alamo</u>	<u>Ryan White</u>	<u>City of San Antonio</u>	<u>Other Governmental Funds</u>	<u>Total Governmental Funds</u>
REVENUES						
Federal	\$ -	\$ 3,522,576	\$ 1,497,129	\$ 599,267	\$ 275,845	\$ 5,894,817
State	-	215,054	219,908	-	44,815	479,777
Local	<u>6,703</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>11,894</u>	<u>18,597</u>
Total revenues	<u>6,703</u>	<u>3,737,630</u>	<u>1,717,037</u>	<u>599,267</u>	<u>332,554</u>	<u>6,393,191</u>
EXPENDITURES						
Current:						
General government	-	-	-	-	8,272	8,272
Workforce development	-	3,737,630	-	599,267	-	4,336,897
Transportation	-	-	-	-	320,660	320,660
Health and welfare	-	-	<u>1,717,037</u>	-	-	<u>1,717,037</u>
Total expenditures	<u>-</u>	<u>3,737,630</u>	<u>1,717,037</u>	<u>599,267</u>	<u>328,932</u>	<u>6,382,866</u>
EXCESS OF REVENUES OVER (UNDER) EXPENDITURES	6,703	-	-	-	3,622	10,325
FUND BALANCES, BEGINNING	<u>682</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>682</u>
FUND BALANCES, ENDING	<u>\$ 7,385</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 3,622</u>	<u>\$ 11,007</u>

The notes to the financial statements are an integral part of this statement.

ALAMO AREA DEVELOPMENT CORPORATION

NOTES TO FINANCIAL STATEMENTS

DECEMBER 31, 2008

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

A summary of the significant accounting policies applied in the preparation of the accompanying financial statements is as follows:

Reporting Entity

In 1995, Alamo Area Council of Governments (“AACOG”) formed a nonprofit organization, Alamo Area Development Corporation (“AADC”). AADC is governed by a board of seven directors which are also members of the governing body of AACOG. AADC is presented as a discretely presented component unit of AACOG. During 1998, AADC contracted with Alamo Workforce Development, Inc., subsequently renamed Workforce Solutions Alamo (“WSA”) during 2006, to administer programs, consisting primarily of Texas Workforce Commission (“TWC”) grants.

AADC has been selected as the operator of the rural one-stop centers in the 11 rural counties serviced by WSA, the local workforce development board, for purposes of planning and implementing employment and training programs. The majority of AADC’s funding is derived from contracts awarded by WSA, with funds provided by TWC, a state agency receiving federal pass-through funds.

Government-wide and Fund Financial Statements

The government-wide financial statements (i.e., the statement of net assets and the statement of activities) report information on all of the activities of the government. For the most part, the effect of interfund activity has been removed from these statements. *Governmental activities* are generally supported by intergovernmental revenue.

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

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

(continued)

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Measurement Focus, Basis of Accounting and Financial Statement Presentation

The government-wide financial statements are reported using the *economic resources measurement focus* and the *accrual basis of accounting*. Revenue is recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of related cash flows. Grants and similar items are recognized as revenue as soon as all eligibility requirements imposed by the provider have been met.

Governmental fund financial statements are reported using the *current financial resources measurement focus* and the *modified accrual basis of accounting*. Revenue is recognized as soon as it is both measurable and available. Revenue is considered to be *available* when it is collectible within the current period or soon enough thereafter to pay liabilities of the current period. For this purpose, the Development Corporation considers revenue to be available if it is collected within 60 days of the end of the current fiscal period. Expenditures generally are recorded when a liability is incurred, as under accrual accounting. However, debt service expenditures, as well as expenditures related to compensated absences and claims and judgments, are recorded only when payment is due.

Expenditure-driven grants are recognized as revenue when the qualifying expenditures have been incurred and all other grant requirements have been met. Grant revenue and interest are susceptible to accrual. All other revenue items are considered to be measurable and available only when cash is received by the Development Corporation.

The Development Corporation reports the following major governmental funds:

The **General Fund** is the Development Corporation's primary operating fund. It accounts for all financial resources of the general government, except those required to be accounted for in another fund.

The **Workforce Solutions Alamo Fund** is used to account for federal grants awarded to Alamo Area Development Corporation by Workforce Solutions Alamo.

The **Ryan White Fund** is used to account for federal grants awarded to Alamo Area Development Corporation under the Ryan White program.

The **City of San Antonio Fund** is used to account for federal grants awarded to Alamo Area Development Corporation by the City of San Antonio, Texas.

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

(continued)

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Estimates

The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect certain reported amounts and disclosures. Accordingly, actual results could differ from those estimates.

Income Tax

AADC is exempt from federal income taxes under Section 501(c) (3) of the Internal Revenue Code. AADC had no unrelated business income during the year ended December 31, 2008. Accordingly, no provision for income taxes is made in the accompanying financial statements.

Assets, Liabilities and Net Assets or Equity

Cash and Investments

Cash and cash equivalents are defined as short-term, highly liquid investments that are both readily convertible to known amounts of cash and so near their maturity that they present insignificant risk of changes in value because of changes in interest rates. Cash and investments in the Development Corporation's financial statements include amounts in demand deposits and public investment pools. Interest is distributed according to each fund's relative percentage of the total pool.

State statutes authorize the Development Corporation to invest in obligations of the United States, its agencies, certificates of deposits with banks and savings and local associations, banker's acceptances, commercial paper, mutual funds, investment pools and repurchase agreements with underlying collateral of government securities. Investments for the Development Corporation are reported at fair value.

Receivables

Grants receivable primarily represent balances due from grantees for funds billed under the terms of the contract. AADC does not record an allowance for uncollectibles against the grants receivable because the receivables are considered to be collectible.

Revenue Recognition and Deferred Revenue

Grant revenue is recognized when expenditures are incurred in accordance with the terms of the respective contract. Amounts received but not yet earned on continuing contracts are recorded as deferred revenue; amounts payable to the grantor as a result of unexpended funds on hand at program completion are recorded as accounts payable – grantor; expenditures incurred in excess of receipts are reported as accounts receivable – grantor.

(continued)

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Interfund Receivables and Payables

Activity between funds that are representative of lending/borrowing arrangements outstanding at the end of the fiscal year are referred to as either “due to/from other funds” (i.e., the current portion of interfund loans) or “advances to/from other funds” (i.e., the noncurrent portion of interfund loans). All other outstanding balances between funds are reported as “due to/from other funds.” The Development Corporation had no “advances to/from other funds” at December 31, 2008.

Cost Allocation Plan

AADC uses an administrative cost pool to allocate administrative costs which cannot be identified by specific program. These costs are allocated based on some acceptable measure of benefits received. Only actual, not budgeted, unassignable direct costs are pooled and distributed to various titles.

The plan is reviewed annually for modification, for addition/deletion of funding sources, significant changes in programs or cost pool expenditures, or other events which could affect the reliability of the Cost Allocation Plan.

2. STEWARDSHIP, COMPLIANCE AND ACCOUNTABILITY

Budgetary Information

The Development Corporation’s financial plan is controlled at the fund and grant level with management authorized to make transfers of budgeted amounts between object class levels within a grant, within restrictions imposed by grantor agencies. The Board approves the financial plan for revenue and expenditures in all funds. The financial plan for the Special Revenue Funds is made on a project (grant) basis, spanning more than one year. Appropriations for all projects in the Special Revenue Funds lapse at the end of a contract period which may not coincide with the fiscal year-end of the Development Corporation. Although the financial plans are reviewed and approved by the Development Corporation’s Board, they are not considered legally adopted annual budgets or appropriations. Accordingly, comparative budget and actual results are not presented in this report.

3. DETAILED NOTES ON ALL FUNDS

Deposits

Custodial Credit Risk. In the case of deposits, this is the risk that in the event of a bank failure, the Development Corporation's deposits may not be returned to it. State statutes require that all deposits in financial institutions be fully collateralized by U. S. Government Securities or its agencies and instrumentalities or direct obligations of Texas or its agencies and instrumentalities that have a fair value of not less than the principal amount of deposits. As of December 31, 2008, all of the Development Corporation's deposit balance was covered by FDIC insurance. The Development Corporation also maintained an investment repurchase agreement (sweep account) with JP Morgan Chase Bank, N.A. As of December 31, 2008, the balance of the sweep account was \$259,522. This balance was secured by U. S. Treasury, government or agency securities held in the name of the Development Corporation.

Interfund Receivables and Payables

The Development Corporation pools cash in one bank account that is accounted for in the General Fund. All expenditures are paid out of this cash account, and appropriate interfund balances are recorded to reflect this activity. The composition of interfund balances as of December 31, 2008, is as follows:

<u>Receivable Fund</u>	<u>Payable Fund</u>	<u>Amount</u>
General	Ryan White	\$ 1,602
General	Workforce Solutions Alamo	7,991
City of San Antonio	General	14,958
Workforce Solutions Alamo	General	278,418
Other governmental funds	General	3,678
General	Other governmental funds	<u>61,846</u>
		<u>\$ 368,493</u>

Risk Management

The Development Corporation is exposed to various risks of loss related to torts; theft of, damage to and destruction of assets; errors and omissions; injuries to employees; and natural disasters. The Development Corporation maintains workers' compensation and other risks of loss coverage through commercial insurance carriers. The Development Corporation's management believes such coverage is sufficient to preclude any significant uninsured losses to the Development Corporation. There were no significant reductions in insurance coverage from coverage in the prior year. There were no insurance settlements, which exceeded insurance coverage in any of the past three years.

Contingencies

The Development Corporation contracts with local governments or other local agencies to perform the specific services set forth in certain grant agreements. The Development Corporation disburses grant funds to the agencies based on expenditure reports received from each agency.

(continued)

3. DETAILED NOTES ON ALL FUNDS (Continued)

Contingencies (Continued)

Agencies expending \$500,000 or more in Development Corporation grant funds are required to have an independent audit each year. Copies of such audits are required to be submitted to the Development Corporation. If such audits disclose expenditures not in accordance with terms of the grants, the grantor agency could disallow the costs and require reimbursements of the disallowed costs either from the Development Corporation or the subcontractor. The Development Corporation generally has the right of recovery from the subcontracted agencies.

4. FEDERAL AND STATE AWARDS

The Corporation is a discretely presented component unit of Alamo Area Council of Governments. The entire financial reporting entity of the Council is considered on a combined basis for single audit purposes. Accordingly, the Corporation's federal and state programs are included on the Council's Schedule of Expenditures of Federal and State Awards and are included within the scope of the Council's single audit.

ALAMO AREA DEVELOPMENT CORPORATION

COMBINING BALANCE SHEET

NONMAJOR GOVERNMENTAL FUNDS

DECEMBER 31, 2008

	<u>Special Revenue</u>	
	<u>Office of the Governor- Criminal Justice Division</u>	<u>Alamo Area Agency on Aging</u>
ASSETS		
Intergovernmental receivables	\$ -	\$ -
Due from other funds	<u>3,622</u>	<u>56</u>
Total assets	<u>3,622</u>	<u>56</u>
LIABILITIES		
Liabilities:		
Accounts payable	-	-
Deferred revenue	-	56
Due to other funds	<u>-</u>	<u>-</u>
Total liabilities	<u>-</u>	<u>56</u>
FUND BALANCES	<u>3,622</u>	<u>-</u>
Total liabilities and fund balances	<u>\$ 3,622</u>	<u>\$ 56</u>

<u>Special Revenue</u>		
<u>Other Local Funds</u>	<u>Texas Department of Transportation</u>	<u>Total Nonmajor Governmental Funds</u>
\$ -	\$ 75,393	\$ 75,393
-	-	3,678
-	75,393	79,071
-	13,547	13,547
-	-	56
-	61,846	61,846
-	75,393	75,449
-	-	3,622
<u>\$ -</u>	<u>\$ 75,393</u>	<u>\$ 79,071</u>

ALAMO AREA DEVELOPMENT CORPORATION
COMBINING STATEMENT OF REVENUES, EXPENDITURES
AND CHANGES IN FUND BALANCES
NONMAJOR GOVERNMENTAL FUNDS
FOR THE YEAR ENDED DECEMBER 31, 2008

	Special Revenue	
	Office of the Governor- Criminal Justice Division	Alamo Area Agency on Aging
REVENUES		
Federal	\$ -	\$ -
State	-	-
Local	<u>3,622</u>	<u>-</u>
Total revenues	<u>3,622</u>	<u>-</u>
EXPENDITURES		
Current:		
General government	-	-
Transportation	<u>-</u>	<u>-</u>
Total expenditures	<u>-</u>	<u>-</u>
EXCESS REVENUES OVER EXPENDITURES	3,622	-
FUND BALANCES, BEGINNING	<u>-</u>	<u>-</u>
FUND BALANCES, ENDING	<u>\$ 3,622</u>	<u>\$ -</u>

<u>Special Revenue</u>		
<u>Other Local Funds</u>	<u>Texas Department of Transportation</u>	<u>Total Nonmajor Governmental Funds</u>
\$ -	\$ 275,845	\$ 275,845
-	44,815	44,815
<u>8,272</u>	<u>-</u>	<u>11,894</u>
<u>8,272</u>	<u>320,660</u>	<u>332,554</u>
8,272	-	8,272
-	<u>320,660</u>	<u>320,660</u>
<u>8,272</u>	<u>320,660</u>	<u>328,932</u>
-	-	3,622
-	-	-
<u>\$ -</u>	<u>\$ -</u>	<u>\$ 3,622</u>