

Alamo Area Development Corporation

Financial Statements
and Federal Awards Reports

December 31, 2004 and 2003

Alamo Area Development Corporation

Table of Contents

Audited Financial Statements	Page
Independent Auditors' Report	5
Statements of Financial Position	7
Statements of Activities	8
Statements of Cash Flows	9
Notes to Financial Statements	11
Supplementary Schedules	
Schedule of Functional Expenses – 2004	20
Schedule of Functional Expenses – 2003	21
Combining Schedule of Financial Position by Program	22
Combining Schedule of Activities by Program	28
Federal and State Awards Reports	
Independent Auditors' Report on Internal Control Over Financial Reporting and on Compliance and Other Matters Based on an Audit of Financial Statements Performed in Accordance With <i>Government Auditing Standards</i>	37
Independent Auditors' Report on Compliance With Requirements Applicable to Each Major Program and Internal Control Over Compliance in Accordance With OMB Circular A-133	39
Schedule of Expenditures of Federal and State Awards	41
Notes to Schedule of Expenditures of Federal and State Awards	43
Schedule of Findings and Questioned Costs	44
Schedule of Status of Prior Year Findings	45

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Audited Financial Statements

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PADGETT, STRATEMANN & CO., L.L.P.

Certified Public Accountants and Business Advisors

Independent Auditors' Report

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

We have audited the accompanying statements of financial position of Alamo Area Development Corporation (a nonprofit corporation) as of December 31, 2004 and 2003, and the related statements of activities and cash flows for the years then ended. 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 audits in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. 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 audits provide a reasonable basis for our opinion.

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of Alamo Area Development Corporation as of December 31, 2004 and 2003, and the changes in its net assets and its cash flows for the years then ended in conformity with accounting principles generally accepted in the United States of America.

In accordance with *Government Auditing Standards*, we have also issued our report dated April 8, 2005, on our consideration of Alamo Area Development Corporation's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be considered in assessing the results of our audits.

Our audits were conducted for the purpose of forming an opinion on the financial statements taken as a whole. The accompanying Schedule of Expenditures of Federal and State Awards is presented for purposes of additional analysis as required by U.S. Office of Management and Budget Circular A-133, *Audits of States, Local Governments, and Nonprofit Organizations*, and is not a required part of the basic financial statements. Also, the accompanying schedules of functional expenses, combining schedule of financial position by program, and combining schedule of activities by program are presented for purposes of additional analysis and are not a required part of the basic financial statements. Such information has been subjected to the auditing procedures applied in the audits of the basic financial statements and, in our opinion, is fairly presented in all material respects, in relation to the basic financial statements taken as a whole.

Padgett, Stratenmann + Co., L.L.P.

Certified Public Accountants
April 8, 2005

Alamo Area Development Corporation

Statements of Financial Position

December 31, 2004 and 2003

	<u>2004</u>	<u>2003</u>
Assets		
Cash	\$ 62,794	\$ 32,007
Accounts receivable – grants	897,900	704,340
Due from other funds	<u>355,855</u>	<u>156,732</u>
Total assets	<u>\$ 1,316,549</u>	<u>\$ 893,079</u>
Liabilities and Net Assets		
Liabilities:		
Accounts payable	\$ 894,847	\$ 719,397
Due to other funds	355,855	156,732
Deferred revenue	<u>65,224</u>	<u>16,403</u>
Total liabilities	<u>1,315,926</u>	<u>892,532</u>
Net assets:		
Unrestricted:		
Undesignated	<u>623</u>	<u>547</u>
Total net assets	<u>623</u>	<u>547</u>
Total liabilities and net assets	<u>\$ 1,316,549</u>	<u>\$ 893,079</u>

Notes to financial statements form an integral part of these statements.

Alamo Area Development Corporation

Statements of Activities

Years Ended December 31, 2004 and 2003

	<u>2004</u>	<u>2003</u>
Revenue:		
Federal	\$ 4,993,031	\$ 5,068,582
State	20,338	14,215
Local	8,400	-
In-kind	5,212	6,364
Interest	76	81
	<u>5,027,057</u>	<u>5,089,242</u>
Total revenue		
Expenses:		
Program services:		
Operational	3,447,366	3,321,943
Training and support	1,350,998	1,655,529
General and administrative services	228,617	111,919
	<u>5,026,981</u>	<u>5,089,391</u>
Total expenses		
Change in net assets	76	(149)
Net assets at beginning of year	<u>547</u>	<u>696</u>
Net assets at end of year	<u>\$ 623</u>	<u>\$ 547</u>

Notes to financial statements form an integral part of these statements.

Alamo Area Development Corporation

Statements of Cash Flows

Years Ended December 31, 2004 and 2003

	<u>2004</u>	<u>2003</u>
Cash Flows From Operating Activities		
Change in net assets	\$ <u>76</u>	\$ <u>(149)</u>
Adjustments to reconcile change in net assets to net cash provided by (used in) operating activities:		
Changes in:		
Accounts receivable – grants	(193,560)	345,834
Accounts payable	175,450	(361,355)
Deferred revenue	<u>48,821</u>	<u>(1,671)</u>
Total adjustments	<u>30,711</u>	<u>(17,192)</u>
Net cash provided by (used in) operating activities	<u>30,787</u>	<u>(17,341)</u>
Net increase (decrease) in cash	30,787	(17,341)
Cash at beginning of year	<u>32,007</u>	<u>49,348</u>
Cash at end of year	<u>\$ 62,794</u>	<u>\$ 32,007</u>

Notes to financial statements form an integral part of these statements.

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Alamo Area Development Corporation

Notes to Financial Statements

Note A – Summary of Significant Accounting Policies

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

1. 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 five directors which are also members of the governing body of AACOG. During 1998, AADC contracted with Alamo Workforce Development, Inc., subsequently renamed Alamo WorkSource (“AWS”) during 2005, 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 AWS, 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 AWS, with funds provided by TWC, a state agency receiving pass-through funds from the U.S. Department of Labor. The following is a description of the programs AADC administered during the year:

Workforce Investment Act (“WIA”)

Adult Program

Each year, this program serves economically disadvantaged adults, ages 18 and over. The purpose of the program is to prepare adults in the labor force by increasing their occupational and educational skills, resulting in long-term employability, increased employment and earnings, and reduced welfare dependency.

Youth Program

Each year, this program serves economically disadvantaged youths, ages 14-21. The purpose of this program is to encourage school completion or enrollment in alternative school programs, thereby increasing employment and earnings and reducing welfare dependency.

Dislocated Workers

This program’s purpose is to provide retraining and employment services to individuals experiencing employment layoffs due to downturns in local labor market conditions, global competition, structural shifts in the manufacturing/production industry, and plant closures, as a result of defense cutbacks and military base realignments.

Alamo Area Development Corporation

Notes to Financial Statements

Note A – Summary of Significant Accounting Policies (continued)

Temporary Assistance for Needy Families (“TANF”)

TANF/Choices services help applicants and recipients of temporary cash assistance prepare for employment through immediate immersion into the world of work and the local labor market. The mission of the program is to promote and enable TANF recipients to assume their personal responsibility to work and support their families. The goal of the TANF/Choices program is for all applicants and recipients of temporary cash assistance to obtain employment that leads to self-sufficiency at the earliest opportunity. The purpose of the program is to provide work-related activities and support to assist eligible clients to prepare for and retain employment and avoid becoming or remaining dependent on public assistance.

Food Stamps Employment and Training (“FSE&T”)

The FSE&T program is designed to assist eligible food stamp recipients to enter into gainful employment, or to successfully access, enter, participate, and complete training activities that will further support the achievement of gainful employment. The central focus of FSE&T is employment that promotes personal dignity, self-worth, independence, and the achievement of maximum self-sufficiency. The program design utilizes the “work first” paradigm, which is kinetic, dynamic, flexible, and responsive. The system allows for intervention based upon the ongoing assessment of client needs.

Welfare to Work (“WTW”)

The WTW program receives an allocation based on AWS’s relative share of its population on welfare benefits. The program’s purpose is to facilitate the welfare recipients’ transition from welfare to work.

Child Care Development Services (“CCDS”)

AADC’s Board has the responsibility in a joint venture with the City of San Antonio for operating child care management contracts in the region. The Board sees that state policies and procedures are put into practice and evaluates the field effectiveness of those policies and procedures. The goals of CCDS are 1) to enable low-income parents to work or attend training for work, 2) to support the physical, social, emotional, and intellectual development of children, and 3) to help prevent abuse or neglect of children.

Alamo Area Development Corporation

Notes to Financial Statements

Note A – Summary of Significant Accounting Policies (continued)

Juvenile Alternative Incentive Block Grant (“JAIBG”)

The JAIBG is a pass-through grant that provides funding for 9 participating Juvenile Probation departments. They select from 12 eligible purpose areas in the legislation for the expenditure of funds. The majority of the jurisdictions use the funding to pay for residential treatment and hire juvenile prosecutors.

2. Basis of Accounting

The financial statements of AADC have been prepared on the accrual basis of accounting. The accompanying statements of financial position and activities focus on the organization as a whole and report the amounts of total assets, liabilities, net assets, and change in net assets in accordance with FASB Statement No. 117, *Financial Statements of Not-for-Profit Organizations*.

AADC classifies its financial statements to present three classes of net assets:

- *Unrestricted Net Assets* – net assets that are not subject to donor-imposed stipulations. Restricted grant proceeds or contributions whose restrictions are met in the same reporting period are reported as unrestricted revenue.
- *Temporarily Restricted Net Assets* – net assets subject to donor-imposed restrictions that may or will be satisfied by the passage of time or by actions of AADC. AADC has no temporarily restricted net assets.
- *Permanently Restricted Net Assets* – net assets subject to donor-imposed restrictions that such assets be maintained permanently. Generally, the donor permits the organization to expend all or part of the income earned from the related assets for general or specific purposes. AADC has no permanently restricted net assets.

Alamo Area Development Corporation

Notes to Financial Statements

Note A – Summary of Significant Accounting Policies (continued)

3. 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.

4. 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 years ended December 31, 2004 or 2003. Accordingly, no provision for income taxes is made in the accompanying financial statements.

5. 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 and the accounts receivable because the receivables are considered to be collectible.

6. 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.

7. In-Kind Contributions and Donated Services

Donated services are valued at their estimated fair market value at the time of donation and are included in the statements of activities.

Alamo Area Development Corporation

Notes to Financial Statements

Note A – Summary of Significant Accounting Policies (continued)

8. Local Match Funds

The WTW program requires TWC to match the WTW funds at 50% through cash or in-kind contributions. Each Board has a specific local match target amount that represents its share for Year 1 and Year 2 WTW formula grant allocations. A Board's allocation is not contingent upon an ability to provide local matching funds. However, the entire Texas WTW formula grant allocation and subsequently each Board's allocation will be reduced if the total required match is not met. The match requirement is 25% of the WTW formula allocation. Match funds are recorded in the financial statements. The 25% required local match was satisfied during the previous year (i.e., December 31, 2003).

9. Cost Allocation Plan

AADC uses an administrative cost pool to allocate administrative costs which cannot be identified by Workforce Funding title. 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 will be reviewed 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.

10. Functional Allocation of Expenses

Certain salaries, employee benefits, and other expenses benefiting programs and administrative activities are allocated on a functional basis in the statements of activities and schedules of functional expenses.

Note B – Cash

AADC maintains cash balances at a financial institution located in San Antonio. The account is insured by the Federal Deposit Insurance Corporation ("FDIC") up to \$100,000.

AADC's cash deposits at December 31, 2004 and 2003 were entirely covered by FDIC insurance.

Alamo Area Development Corporation

Notes to Financial Statements

Note C – Interfund Receivables and Payables

The following is a summary of due from and due to other funds:

	<u>December 31, 2004</u>	
	<u>Due From Other Funds</u>	<u>Due to Other Funds</u>
General Fund	\$ -	\$ 55,365
Special Revenue Funds	<u>355,855</u>	<u>300,490</u>
	<u>\$ 355,855</u>	<u>\$ 355,855</u>

	<u>December 31, 2003</u>	
	<u>Due From Other Funds</u>	<u>Due to Other Funds</u>
General Fund	\$ -	\$ 24,654
Special Revenue Funds	<u>156,732</u>	<u>132,078</u>
	<u>\$ 156,732</u>	<u>\$ 156,732</u>

Note D – Concentration of Credit Risk

Management believes concentration of credit risk in grants receivable is limited due to contracts with state government agencies which management believes are credit-quality. Also, management believes the receivables from these contracts are collectible.

Note E – Commitments and Contingent Liabilities

AADC receives a majority of its funding from federally assisted, pass-through grants from the U.S. Departments of Labor, Health and Human Services, and Agriculture through TWC. Program expenditures are subject to program compliance audits by the grantor. Any liability reimbursement, which may arise as a result of these audits, would require reimbursement from nonfederal sources. It is the position of AADC that all costs incurred and charged against these funds for the year ended December 31, 2004 are considered eligible under the terms of the contracts and grants.

Alamo Area Development Corporation

Notes to Financial Statements

Note E – Commitments and Contingent Liabilities (continued)

Risk Related to Grantor Concentration

AADC's funding is concentrated in pass-through federal grants. If funding or contracts were discontinued, it would have a severe impact on operations. Services would be curtailed or discontinued, and uncertainty would exist in continuing operations in their present form.

Note F – Risk Management

AADC is exposed to various risks of loss related to torts; theft of, damage to, and destruction of assets; errors and omissions; and natural disasters. For all such risks, AADC has purchased insurance through the Texas Municipal League in varying amounts to mitigate the risk of loss.

Note G – Leased Employees

On February 27, 1998, AADC's Board of Directors agreed to lease its employees from AACOG in order to operate the Alamo Workforce Centers effective March 2, 1998. These rural one-stop centers are operated in accordance with the requirements of TWC's *Financial Manual for Grants and Contracts*. During the years ended December 31, 2004 and 2003, AADC paid \$3,073,826 and \$2,976,235, respectively, to AACOG for salaries and employee benefits of these leased employees.

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Supplementary Schedules

Alamo Area Development Corporation

Schedule of Functional Expenses

Year Ended December 31, 2004

	<u>Program Services</u>	<u>General and Administrative Services</u>	<u>Total</u>
Expenses:			
Leased employees' expenses:			
Salaries	\$ 2,298,864	\$ 63,537	\$ 2,362,401
Employee benefits	<u>691,729</u>	<u>19,696</u>	<u>711,425</u>
 Total leased employees' expenses	 <u>2,990,593</u>	 <u>83,233</u>	 <u>3,073,826</u>
Other expenses:			
Contractual services	1,447,245	10,612	1,457,857
Travel	100,065	759	100,824
Space and utilities	54,784	5,547	60,331
Material and supplies	53,314	350	53,664
Equipment	1,252		1,252
Public notices	10,468	740	11,208
Maintenance and repair	11,356		11,356
Communications	53,805	3,409	57,214
Leasing fee	44,603	123,074	167,677
Other expense	<u>30,879</u>	<u>893</u>	<u>31,772</u>
 Total other expenses	 <u>1,807,771</u>	 <u>145,384</u>	 <u>1,953,155</u>
 Total expenses	 <u>\$ 4,798,364</u>	 <u>\$ 228,617</u>	 <u>\$ 5,026,981</u>

Alamo Area Development Corporation

Schedule of Functional Expenses

Year Ended December 31, 2003

	<u>Program Services</u>	<u>General and Administrative Services</u>	<u>Total</u>
Expenses:			
Leased employees' expenses:			
Salaries	\$ 2,082,693	\$ 9,712	\$ 2,092,405
Employee benefits	<u>880,885</u>	<u>2,945</u>	<u>883,830</u>
Total leased employees' expenses	<u>2,963,578</u>	<u>12,657</u>	<u>2,976,235</u>
Other expenses:			
Contractual services	1,479,672	4,833	1,484,505
Travel	119,618	55	119,673
Space and utilities	54,803	851	55,654
Material and supplies	104,126	24	104,150
Equipment	38,968	-	38,968
Public notices	7,801	-	7,801
Maintenance and repair	7,268	-	7,268
Communications	58,942	531	59,473
Leasing fee	133,163	45,359	178,522
Other expense	<u>9,533</u>	<u>47,609</u>	<u>57,142</u>
Total other expenses	<u>2,013,894</u>	<u>99,262</u>	<u>2,113,156</u>
Total expenses	<u>\$ 4,977,472</u>	<u>\$ 111,919</u>	<u>\$ 5,089,391</u>

Alamo Area Development Corporation

Combining Schedule of Financial Position by Program

December 31, 2004

	<u>General Fund</u>	<u>CCDS</u>	<u>Alamo CMS</u>	<u>Bexar CMS</u>	<u>IIB</u>
Assets					
Cash	\$ 62,794	\$ -	\$ -	\$ -	\$ -
Accounts receivable – grants	-	159,152	-	-	75
Due from other funds	-	62,522	7,500	25,000	-
	<u>-</u>	<u>62,522</u>	<u>7,500</u>	<u>25,000</u>	<u>-</u>
Total assets	<u>\$ 62,794</u>	<u>\$ 221,674</u>	<u>\$ 7,500</u>	<u>\$ 25,000</u>	<u>\$ 75</u>
Liabilities and Net Assets					
Liabilities:					
Accounts payable	\$ 6,807	\$ 221,674	\$ -	\$ -	\$ -
Due to other funds	55,364	-	-	-	75
Deferred revenue	-	-	7,500	25,000	-
	<u>-</u>	<u>-</u>	<u>7,500</u>	<u>25,000</u>	<u>-</u>
Total liabilities	<u>62,171</u>	<u>221,674</u>	<u>7,500</u>	<u>25,000</u>	<u>75</u>
Net assets:					
Unrestricted:					
Undesignated	623	-	-	-	-
	<u>623</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Total net assets	<u>623</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Total liabilities and net assets	<u>\$ 62,794</u>	<u>\$ 221,674</u>	<u>\$ 7,500</u>	<u>\$ 25,000</u>	<u>\$ 75</u>

<u>Americans With Disabilities</u>	<u>Food Stamps</u>	<u>TANF</u>	<u>Rural Expansion</u>	<u>Rider 25</u>	<u>WIA Admin.</u>
\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
18,496	32,247	121,687	662	7,077	60
<u>8,755</u>	<u>1,531</u>	<u>192,815</u>	<u>-</u>	<u>-</u>	<u>-</u>
\$ <u>27,251</u>	\$ <u>33,778</u>	\$ <u>314,502</u>	\$ <u>662</u>	\$ <u>7,077</u>	\$ <u>60</u>
\$ 18,715	\$ 24,382	\$ 314,142	\$ (89)	\$ -	\$ (1,270)
8,536	9,396	-	751	7,077	1,330
<u>-</u>	<u>-</u>	<u>360</u>	<u>-</u>	<u>-</u>	<u>-</u>
<u>27,251</u>	<u>33,778</u>	<u>314,502</u>	<u>662</u>	<u>7,077</u>	<u>60</u>
<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
\$ <u>27,251</u>	\$ <u>33,778</u>	\$ <u>314,502</u>	\$ <u>662</u>	\$ <u>7,077</u>	\$ <u>60</u>

Alamo Area Development Corporation

Combining Schedule of Financial Position by Program – Continued

December 31, 2004

	WIA Adult	WIA Youth	TANF Transportation	Youth Services (ISY)	Youth Services (OSY)
Assets					
Cash	\$ -	\$ -	\$ -	\$ -	\$ -
Accounts receivable – grants	138,976	31,521	2,927	82,933	82,365
Due from other funds	-	-	-	-	-
	<u>138,976</u>	<u>31,521</u>	<u>2,927</u>	<u>82,933</u>	<u>82,365</u>
Total assets	<u>\$ 138,976</u>	<u>\$ 31,521</u>	<u>\$ 2,927</u>	<u>\$ 82,933</u>	<u>\$ 82,365</u>
Liabilities and Net Assets					
Liabilities:					
Accounts payable	\$ 67,463	\$ 29,555	\$ 1,941	\$ 16,651	\$ 61,207
Due to other funds	71,513	1,966	986	66,282	21,158
Deferred revenue	-	-	-	-	-
	<u>138,976</u>	<u>31,521</u>	<u>2,927</u>	<u>82,933</u>	<u>82,365</u>
Total liabilities	<u>138,976</u>	<u>31,521</u>	<u>2,927</u>	<u>82,933</u>	<u>82,365</u>
Net assets:					
Unrestricted:					
Undesignated	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Total net assets	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Total liabilities and net assets	<u>\$ 138,976</u>	<u>\$ 31,521</u>	<u>\$ 2,927</u>	<u>\$ 82,933</u>	<u>\$ 82,365</u>

<u>Dislocated Workers</u>	<u>Welfare- to-Work</u>	<u>Worker Profiling</u>	<u>ART Transportation</u>	<u>Re-Integration of Offenders</u>	<u>Bexar Aging</u>
\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
173,076	1,727	1,869	241	3,244	-
-	-	-	10,702	-	1,050
<u>\$ 173,076</u>	<u>\$ 1,727</u>	<u>\$ 1,869</u>	<u>\$ 10,943</u>	<u>\$ 3,244</u>	<u>\$ 1,050</u>
\$ 126,664	\$ (59,546)	\$ -	\$ 10,943	\$ 1,377	\$ -
46,412	61,273	1,869	-	1,867	-
-	-	-	-	-	1,050
<u>173,076</u>	<u>1,727</u>	<u>1,869</u>	<u>10,943</u>	<u>3,244</u>	<u>1,050</u>
-	-	-	-	-	-
-	-	-	-	-	-
<u>\$ 173,076</u>	<u>\$ 1,727</u>	<u>\$ 1,869</u>	<u>\$ 10,943</u>	<u>\$ 3,244</u>	<u>\$ 1,050</u>

Alamo Area Development Corporation

Combining Schedule of Financial Position by Program – Continued

December 31, 2004

	<u>American Forests</u>	<u>UASI</u>	<u>Bexar NCOA ABC</u>	<u>JAIBG</u>
Assets				
Cash	\$ -	\$ -	\$ -	\$ -
Accounts receivable – grants	-	41,898	250	(3,622)
Due from other funds	<u>1,277</u>	<u>-</u>	<u>35,000</u>	<u>3,622</u>
Total assets	<u>\$ 1,277</u>	<u>\$ 41,898</u>	<u>\$ 35,250</u>	<u>\$ -</u>
Liabilities and Net Assets				
Liabilities:				
Accounts payable	\$ -	\$ 41,898	\$ 8,345	\$ -
Due to other funds	-	-	-	-
Deferred revenue	<u>1,277</u>	<u>-</u>	<u>26,905</u>	<u>-</u>
Total liabilities	<u>1,277</u>	<u>41,898</u>	<u>35,250</u>	<u>-</u>
Net assets:				
Unrestricted:				
Undesignated	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Total net assets	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Total liabilities and net assets	<u>\$ 1,277</u>	<u>\$ 41,898</u>	<u>\$ 35,250</u>	<u>\$ -</u>

<u>JABG</u>	<u>VET Travel</u>	<u>ES Travel</u>	<u>Other</u>	<u>Total</u>
\$ -	\$ -	\$ -	\$ -	\$ 62,794
1,039	-	-	-	897,900
<u>2,949</u>	<u>-</u>	<u>-</u>	<u>3,132</u>	<u>355,855</u>
<u>\$ 3,988</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 3,132</u>	<u>\$ 1,316,549</u>
\$ 3,988	\$ -	\$ -	\$ -	\$ 894,847
-	-	-	-	355,855
<u>-</u>	<u>-</u>	<u>-</u>	<u>3,132</u>	<u>65,224</u>
<u>3,988</u>	<u>-</u>	<u>-</u>	<u>3,132</u>	<u>1,315,926</u>
<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>623</u>
<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>623</u>
<u>\$ 3,988</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 3,132</u>	<u>\$ 1,316,549</u>

Alamo Area Development Corporation

Combining Schedule of Activities by Program

Year Ended December 31, 2004

	<u>General Fund</u>	<u>CCDS</u>	<u>Alamo CMS</u>	<u>Bexar CMS</u>	<u>IIB</u>
Revenue:					
Federal	\$ -	\$ 669,010	\$ -	\$ -	\$ -
State	-	-	-	-	-
Local	-	-	-	-	-
In-kind	-	-	-	-	-
Interest	76	-	-	-	-
	<u>76</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Total revenue	<u>76</u>	<u>669,010</u>	<u>-</u>	<u>-</u>	<u>-</u>
Expenses:					
Program services:					
Operational	-	670,152	-	-	-
Training and support	-	-	-	-	-
General and administrative services	-	(1,142)	-	-	-
	<u>-</u>	<u>(1,142)</u>	<u>-</u>	<u>-</u>	<u>-</u>
Total expenses	<u>-</u>	<u>669,010</u>	<u>-</u>	<u>-</u>	<u>-</u>
Change in net assets	<u>\$ 76</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>

<u>Americans With Disabilities</u>	<u>Food Stamps</u>	<u>TANF</u>	<u>Rural Expansion</u>	<u>Rider 25</u>	<u>WIA Admin</u>
\$ 165,331	\$ 88,926	\$ 1,073,305	\$ -	\$ -	\$ -
-	-	-	-	-	-
-	-	-	-	-	-
-	-	-	-	-	-
<u>165,331</u>	<u>88,926</u>	<u>1,073,305</u>	<u>-</u>	<u>-</u>	<u>-</u>
152,307	44,500	817,820	-	-	-
13,264	14,195	204,185	-	-	-
<u>(240)</u>	<u>30,231</u>	<u>51,300</u>	<u>-</u>	<u>-</u>	<u>-</u>
<u>165,331</u>	<u>88,926</u>	<u>1,073,305</u>	<u>-</u>	<u>-</u>	<u>-</u>
\$ <u><u>-</u></u>	\$ <u><u>-</u></u>	\$ <u><u>-</u></u>	\$ <u><u>-</u></u>	\$ <u><u>-</u></u>	\$ <u><u>-</u></u>

Alamo Area Development Corporation

Combining Schedule of Activities by Program – Continued

Year Ended December 31, 2004

	<u>WIA Adult</u>	<u>WIA Youth</u>	<u>TANF Transportation</u>	<u>Youth Services (ISY)</u>	<u>Youth Services (OSY)</u>
Revenue:					
Federal	\$ 712,966	\$ 173,249	\$ 102,668	\$ 385,000	\$ 398,488
State	-	-	-	-	-
Local	-	-	-	-	-
In-kind	-	-	-	-	-
Interest	-	-	-	-	-
	<u>712,966</u>	<u>173,249</u>	<u>102,668</u>	<u>385,000</u>	<u>398,488</u>
Total revenue					
	<u>712,966</u>	<u>173,249</u>	<u>102,668</u>	<u>385,000</u>	<u>398,488</u>
Expenses:					
Program services:					
Operational	302,898	111,898	-	259,044	320,573
Training and support	377,180	50,912	102,668	109,498	56,810
General and administrative services	<u>32,888</u>	<u>10,439</u>	<u>-</u>	<u>16,458</u>	<u>21,105</u>
	<u>712,966</u>	<u>173,249</u>	<u>102,668</u>	<u>385,000</u>	<u>398,488</u>
Total expenses					
	<u>712,966</u>	<u>173,249</u>	<u>102,668</u>	<u>385,000</u>	<u>398,488</u>
Change in net assets	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>

<u>Dislocated Workers</u>	<u>Welfare- to-Work</u>	<u>Worker Profiling</u>	<u>ART Transportation</u>	<u>Re-Integration of Offenders</u>	<u>Bexar Aging</u>
\$ 994,687	\$ 134,108	\$ -	\$ -	\$ -	\$ -
-	-	-	-	20,338	-
-	-	-	-	-	-
-	-	-	-	-	-
-	-	-	-	-	-
<u>994,687</u>	<u>134,108</u>	<u>-</u>	<u>-</u>	<u>20,338</u>	<u>-</u>
568,716	127,285	-	-	20,146	-
374,133	(325)	-	-	-	-
<u>51,838</u>	<u>7,148</u>	<u>-</u>	<u>-</u>	<u>192</u>	<u>-</u>
<u>994,687</u>	<u>134,108</u>	<u>-</u>	<u>-</u>	<u>20,338</u>	<u>-</u>
<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>

Alamo Area Development Corporation

Combining Schedule of Activities by Program – Continued

Year Ended December 31, 2004

	<u>American Forests</u>	<u>UASI</u>	<u>Bexar NCOA ABC</u>	<u>JAIBG</u>
Revenue:				
Federal	\$ -	\$ 41,898	\$ -	\$ -
State	-	-	-	-
Local	54	-	8,346	-
In-kind	-	-	-	-
Interest	-	-	-	-
	<u>54</u>	<u>41,898</u>	<u>8,346</u>	<u>-</u>
Total revenue	<u>54</u>	<u>41,898</u>	<u>8,346</u>	<u>-</u>
Expenses:				
Program services:				
Operational	-	41,898	-	-
Training and support	-	-	-	-
General and administrative services	54	-	8,346	-
	<u>54</u>	<u>41,898</u>	<u>8,346</u>	<u>-</u>
Total expenses	<u>54</u>	<u>41,898</u>	<u>8,346</u>	<u>-</u>
Change in net assets	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>

<u>JABG</u>	<u>VET Travel</u>	<u>ES Travel</u>	<u>Other</u>	<u>Total</u>
\$ 43,266	\$ 886	\$ 9,243	\$ -	\$ 4,993,031
-	-	-	-	20,338
-	-	-	-	8,400
5,212	-	-	-	5,212
-	-	-	-	76
<u>48,478</u>	<u>886</u>	<u>9,243</u>	<u>-</u>	<u>5,027,057</u>
-	886	9,243	-	3,447,366
48,478	-	-	-	1,350,998
-	-	-	-	228,617
<u>48,478</u>	<u>886</u>	<u>9,243</u>	<u>-</u>	<u>5,026,981</u>
<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 76</u>

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Federal and State Awards Reports

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PADGETT, STRATEMANN & CO., L.L.P.

Certified Public Accountants and Business Advisors

**Independent Auditors' Report on Internal Control Over
Financial Reporting and on Compliance and Other Matters
Based on an Audit of Financial Statements Performed
in Accordance With *Government Auditing Standards***

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

We have audited the financial statements of Alamo Area Development Corporation (a nonprofit corporation) as of and for the year ended December 31, 2004, and have issued our report thereon dated April 8, 2005. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

Internal Control Over Financial Reporting

In planning and performing our audit, we considered Alamo Area Development Corporation's internal control over financial reporting in order to determine our auditing procedures for the purpose of expressing our opinion on the financial statements and not to provide an opinion on the internal control over financial reporting. Our consideration of the internal control system over financial reporting would not necessarily disclose all matters in the internal control that might be material weaknesses. A material weakness is a reportable condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that misstatements caused by error or fraud in amounts that would be material in relation to the financial statements being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. We noted no matters involving the internal control over financial reporting and its operations that we consider to be material weaknesses.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether Alamo Area Development Corporation's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit and, accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*. However, we noted other matters involving the internal control over compliance that we have reported to management of Alamo Area Development Corporation in a separate letter dated April 8, 2005.

This report is intended solely for the information and use of the Board of Directors, management, federal awarding agencies, and pass-through entities and is not intended to be and should not be used by anyone other than these specified parties.

Padgett, Stratemann & Co., L.L.P.

Certified Public Accountants
April 8, 2005



PADGETT, STRATEMANN & CO., L.L.P.

Certified Public Accountants and Business Advisors

**Independent Auditors' Report on Compliance With
Requirements Applicable to Each Major Program
and Internal Control Over Compliance in Accordance
With OMB Circular A-133**

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

Compliance

We have audited the compliance of Alamo Area Development Corporation (a nonprofit corporation) with the types of compliance requirements described in the U.S. Office of Management and Budget ("OMB") Circular A-133, *Compliance Supplement*, that are applicable to each of its major federal programs for the year ended December 31, 2004. Alamo Area Development Corporation's major federal programs are identified in the summary of auditors' results section of the accompanying schedule of findings and questioned costs. Compliance with the requirements of laws, regulations, contracts, and grants applicable to each of its major federal programs is the responsibility of Alamo Area Development Corporation's management. Our responsibility is to express an opinion on Alamo Area Development Corporation's compliance based on our audit.

We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and OMB Circular A-133, *Audits of States, Local Governments, and Nonprofit Organizations*. Those standards and OMB Circular A-133 require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about Alamo Area Development Corporation's compliance with those

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requirements and performing such other procedures as we considered necessary in the circumstances. We believe that our audit provides a reasonable basis for our opinion. Our audit does not provide a legal determination of Alamo Area Development Corporation's compliance with those requirements.

In our opinion, Alamo Area Development Corporation complied, in all material respects, with the requirements referred to above that are applicable to each of its major federal programs for the year ended December 31, 2004.

Internal Control Over Compliance

The management of Alamo Area Development Corporation is responsible for establishing and maintaining effective internal control over compliance with requirements of laws, regulations, contracts, and grants applicable to federal programs. In planning and performing our audit, we considered Alamo Area Development Corporation's internal control over compliance with requirements that could have a direct and material effect on a major federal program in order to determine our auditing procedures for the purpose of expressing our opinion on compliance and to test and report on internal control over compliance in accordance with OMB Circular A-133.

Our consideration of the internal control over compliance would not necessarily disclose all matters in the internal control that might be material weaknesses. A material weakness is a reportable condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that noncompliance with applicable requirements of laws, regulations, contracts, and grants caused by error or fraud that would be material in relation to a major federal program being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. We noted no matters involving the internal control over compliance and its operations that we consider to be material weaknesses. However, we noted other matters including the internal control over compliance that we have reported to management of Alamo Area Development Corporation in a separate letter dated April 8, 2005.

This report is intended solely for the information and use of the Board of Directors, management, federal awarding agencies, and pass-through entities and is not intended to be and should not be used by anyone other than these specified parties.

Padgett, Strickman & Co., L.L.P.

Certified Public Accountants
April 8, 2005

Alamo Area Development Corporation

Schedule of Expenditures of Federal and State Awards

Year Ended December 31, 2004

<u>Federal Grantor/State Grantor Pass-Through Grantor/ Program Title</u>	<u>Federal CFDA Number</u>	<u>Project Number</u>	<u>Expenditures</u>	<u>Pass-Through Expenditures</u>
<u>U.S. Department of Health and Human Services:</u>				
Passed through Texas Workforce Commission and Alamo WorkSource:				
Child Care and Development Block Grant	93.575	09050Y00	\$ 669,010	\$ 669,010
Temporary Assistance for Needy Families	93.558	N/A	1,073,305	1,073,305
Transportation	93.558	N/A	102,668	102,668
Total for CFDA #93.558			<u>1,175,973</u>	<u>1,175,973</u>
Total U.S. Department of Health and Human Services			<u>1,844,983</u>	<u>1,844,983</u>
<u>U.S. Department of Agriculture:</u>				
Food Stamps Employment and Training	10.561	N/A	187,532	187,532
Passed through Texas Workforce Commission and Alamo WorkSource:				
Able Bodied Americans Without Dependents	10.551	N/A	66,725	66,725
Total U.S. Department of Agriculture			<u>254,257</u>	<u>254,257</u>
<u>U.S. Department of Labor:</u>				
Workforce Investment Act – Adult	17.258	N/A	712,966	712,966
Workforce Investment Act – Youth Services (ISY)	17.259	N/A	385,000	385,000
Workforce Investment Act – Youth Services (OSY)	17.259	N/A	571,737	571,737
Total for CFDA #17.259			<u>956,737</u>	<u>956,737</u>
Workforce Investment Act – Dislocated Workers	17.260	N/A	994,687	994,687
Welfare to Work – 70% State	17.253	N/A	99,138	99,138
Welfare to Work – 30% State	17.253	N/A	34,970	34,970
Total for CFDA #17.253			<u>134,108</u>	<u>134,108</u>
VET Travel	17.801	N/A	787	787
VET Travel	17.801	N/A	99	99
Total for CFDA #17.801			<u>886</u>	<u>886</u>

Alamo Area Development Corporation

Schedule of Expenditures of Federal and State Awards – Continued

Year Ended December 31, 2004

<u>Federal Grantor/State Grantor Pass-Through Grantor/ Program Title</u>	<u>Federal CFDA Number</u>	<u>Project Number</u>	<u>Expenditures</u>	<u>Pass-Through Expenditures</u>
<u>U.S. Department of Labor (continued):</u>				
ES Travel	17.207	N/A	\$ 1,598	\$ 1,598
ES Travel	17.207	N/A	<u>7,645</u>	<u>7,645</u>
Total for CFDA #17.207			<u>9,243</u>	<u>9,243</u>
Total U.S. Department of Labor			<u>2,808,627</u>	<u>2,808,627</u>
<u>Homeland Security Grant Program:</u>				
Passed through Texas Engineering Extension Service: Urban Area Security Initiative Grant	97.080	N/A	<u>41,898</u>	<u>41,898</u>
Total Homeland Security Grant Program			<u>41,898</u>	<u>41,898</u>
<u>U.S. Department of Justice:</u>				
Passed through Office of the Governor Criminal Justice Division and Alamo Area Council of Governments: Juvenile Accountability Block Grant	16.523		<u>43,266</u>	<u>43,266</u>
Total U.S. Department of Justice			<u>43,266</u>	<u>43,266</u>
Total Federal Awards			<u>4,993,031</u>	<u>4,993,031</u>
<u>Texas Workforce Commission:</u>				
Passed through Alamo WorkSource: Re-Integration of Offenders	N/A	N/A	<u>20,338</u>	<u>20,338</u>
Total Passed through Texas Workforce Commission			<u>20,338</u>	<u>20,338</u>
Total State Awards			<u>20,338</u>	<u>20,338</u>
Total Federal and State Awards			<u>\$ 5,013,369</u>	<u>\$ 5,013,369</u>

Alamo Area Development Corporation

Notes to Schedule of Expenditures of Federal and State Awards

Note 1 – General

The Schedule of Expenditures of Federal and State Awards presents expenditures for all federal and state assistance awards that were in effect for the year ended December 31, 2004 for AADC.

Note 2 – Basis of Accounting

Expenditures are reported on the accrual basis of accounting in accordance with accounting principles generally accepted in the United States of America as further described in the notes to financial statements. Total expenditures as reported in the Schedule of Expenditures of Federal and State Awards agree with expenditures reported in the basic financial statements.

Note 3 – Local Match Funds

The WTW program requires TWC to match the WTW funds at 50% through cash or in-kind contributions. Each Board has a specific local match target amount that represents its share for Year 1 and Year 2 WTW formula grant allocations. A Board's allocation is not contingent upon an ability to provide local matching funds. However, the entire Texas WTW formula grant allocation and subsequently each Board's allocation will be reduced if the total required match is not met. The match requirement is 25% of the WTW formula allocation. Match funds are recorded in the financial statements. The 25% required local match was satisfied during the previous year (i.e., December 31, 2003).

Alamo Area Development Corporation

Schedule of Findings and Questioned Costs

Year Ended December 31, 2004

Section I – Summary of Auditors’ Results

Type of Report on Financial Statements	Unqualified
Reportable Conditions	None
Material Weaknesses Involving Reportable Conditions	None
Noncompliance Material to the Financial Statements	None
Type of Report on Compliance With Major Programs	Unqualified
Findings and Questioned Costs for Federal Awards as Defined in Section .510(a) and OMB Circular A-133	None
Dollar Threshold Used to Distinguish Between Type A and Type B Federal and State Programs	\$300,000
Low-Risk Auditee Statement	AADC was classified as a low-risk auditee in the context of OMB Circular A-133 and the State of Texas Single Audit Circular issued by the Office of the Governor of the State of Texas
Major Federal Programs	ABAWD/Food Stamp Program – CFDA #10.551 and #10.561 Temporary Assistance for Needy Families – CFDA #93.558
Major State Programs	None

Alamo Area Development Corporation

Schedule of Status of Prior Year Findings

Year Ended December 31, 2004

None