

ALAMO AREA DEVELOPMENT CORPORATION

FINANCIAL REPORT

DECEMBER 31, 2010

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INDEPENDENT AUDITOR'S REPORT

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, the "Corporation") as of and for the year ended December 31, 2010, which collectively comprise the Corporation's basic financial statements as listed in the table of contents. These financial statements are the responsibility of the Corporation's management. 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 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 the Corporation as of December 31, 2010, and the respective changes in financial position 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 page 3 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

Board of Directors
Alamo Area Development Corporation

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financial statements and, in our opinion, are fairly stated in all materials respects in relation to the basis financial statements taken as a whole.

Weaver and Tidwell, L.L.P.

WEAVER AND TIDWELL, L.L.P.

San Antonio, Texas
May 31, 2011

MANAGEMENT'S DISCUSSION AND ANALYSIS

The Alamo Area Development Corporation (AADC) received its 2010 major funding from the Workforce Solutions Alamo and the City of San Antonio for the Workforce, and Child Care programs respectively. AADC also received funding from various local contributors for the Bexar Aging program.

	2010	2009
Revenues	\$ 5,028,806	\$ 4,386,137
Expenses		
General government	54,514	2,910
Workforce development	4,947,315	4,123,767
Transportation	3,679	255,085
Aging	200	4,375
Total expenses	5,005,708	4,386,137
Change in net assets	23,098	-
Net assets, beginning of year	11,007	11,007
Net assets, end of year	\$ 34,105	\$ 11,007

AADC's fiscal year 2010 reflects \$5,028,806 of federal, state and local revenue and \$5,005,708 in total expenditures. When comparing 2010 actual revenues and expenditures to 2009 the increase of \$642,669 in revenues and the increase of \$619,571 in expenditures are due to the American Recovery and Reinvestment Act (ARRA) funding received for the Workforce and Child Care programs.

	2010	2009
Total assets	\$ 1,328,729	\$ 1,310,344
Total liabilities	1,294,624	1,299,337
Total unrestricted net assets	\$ 34,105	\$ 11,007

AADC's fund balance at December 31, 2010 is \$34,105 of which \$7,351 is the general fund balance and \$26,754 includes \$3,622 fund balance for the Criminal Justice program and \$23,132 for the Bexar Agency on Aging program. The AADC's fund balance increased by \$23,098 when compared to the 2009 fund balance of \$11,007. The increase is primarily due to local contributions for the Aging program.

The Alamo Area Development Corporation's Board of Directors' approved a \$4,234,307 annual budget for fiscal year 2011 which represents a decrease of \$771,401 in funding when compared to the actual 2010 fiscal year. The decrease is primarily due to the Workforce and Child Care American Recovery and Reinvestment Act Program funding that was expended during fiscal year 2010.

FINANCIAL STATEMENTS

**ALAMO AREA DEVELOPMENT CORPORATION
STATEMENT OF NET ASSETS
DECEMBER 31, 2010**

ASSETS

Cash and investments	\$ 120,677
Intergovernmental receivables	<u>1,208,052</u>
Total assets	1,328,729

LIABILITIES

Accounts payable	1,207,089
Unearned revenue	<u>87,535</u>
Total liabilities	1,294,624

NET ASSETS

Unrestricted	<u>34,105</u>
Total net assets	<u><u>\$ 34,105</u></u>

The Notes to financial Statements are an integral part of this statement.

**ALAMO AREA DEVELOPMENT CORPORATION
STATEMENT OF ACTIVITIES
YEAR ENDED DECEMBER 31, 2010**

<u>Functions/Programs</u>	<u>Expenses</u>	<u>Program Revenues Operating Grants and Contributions</u>	<u>Net (Expense) Revenue and Changes in Net Assets</u> <u>Governmental Activities</u>
Governmental activities			
General government	\$ 54,514	\$ 62,029	\$ 7,515
Workforce development	4,947,315	4,947,315	-
Aging	3,679	26,811	23,132
Transportation	200	(7,349)	(7,549)
Total governmental activities	<u>\$ 5,005,708</u>	<u>\$ 5,028,806</u>	<u>23,098</u>
Change in net assets			23,098
NET ASSETS, beginning of year			<u>11,007</u>
NET ASSETS, end of year			<u>\$ 34,105</u>

The Notes to financial Statements are an integral part of this statement.

**ALAMO AREA DEVELOPMENT CORPORATION
BALANCE SHEETS
GOVERNMENTAL FUNDS
DECEMBER 31, 2010**

	<u>General</u>	<u>Workforce Solutions Alamo</u>	<u>Other Governmental Funds</u>	<u>Total Governmental Funds</u>
ASSETS				
Cash and investments	\$ 120,677	\$ -	\$ -	\$ 120,677
Intergovernmental receivables	-	1,205,789	2,263	1,208,052
Due from other funds	201,048	184,792	118,196	504,036
Total assets	<u>\$ 321,725</u>	<u>\$ 1,390,581</u>	<u>\$ 120,459</u>	<u>\$ 1,832,765</u>
LIABILITIES				
Accounts payable	\$ 11,386	\$ 1,190,021	\$ 5,682	\$ 1,207,089
Deferred revenue	-	1,736	85,799	87,535
Due to other funds	302,988	198,824	2,224	504,036
Total liabilities	314,374	1,390,581	93,705	1,798,660
FUND BALANCES				
Unreserved reported in				
General fund	7,351	-	-	7,351
Special revenue	-	-	26,754	26,754
Total fund balances	<u>7,351</u>	<u>-</u>	<u>26,754</u>	<u>34,105</u>
Total liabilities and fund balances	<u>\$ 321,725</u>	<u>\$ 1,390,581</u>	<u>\$ 120,459</u>	<u>\$ 1,832,765</u>

The Notes to financial Statements are an integral part of this statement.

**ALAMO AREA DEVELOPMENT CORPORATION
STATEMENT OF REVENUES, EXPENDITURES AND
CHANGES IN FUND BALANCES
GOVERNMENTAL FUNDS
YEAR ENDED DECEMBER 31, 2010**

	<u>General</u>	<u>Workforce Solutions Alamo</u>	<u>Other Governmental Funds</u>	<u>Total Governmental Funds</u>
REVENUES				
Federal	\$ -	\$ 4,871,616	\$ (8,755)	\$ 4,862,861
State	-	75,699	-	75,699
Local	-	-	90,246	90,246
Total revenues	-	4,947,315	81,491	5,028,806
EXPENDITURES				
General government	34	-	54,480	54,514
Workforce development	-	4,947,315	-	4,947,315
Aging	-	-	3,679	3,679
Transportation	-	-	200	200
Total expenditures	34	4,947,315	58,359	5,005,708
EXCESS OF REVENUES OVER (UNDER) EXPENDITURES	(34)	-	23,132	23,098
FUND BALANCES, beginning of year	<u>7,385</u>	<u>-</u>	<u>3,622</u>	<u>11,007</u>
FUND BALANCES, end of year	<u>\$ 7,351</u>	<u>\$ -</u>	<u>\$ 26,754</u>	<u>\$ 34,105</u>

The Notes to financial Statements are an integral part of this statement.

**ALAMO AREA DEVELOPMENT CORPORATION
NOTES TO FINANCIAL STATEMENTS**

NOTE 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 (“the Corporation”). The Corporation is governed by a board of seven directors who are also members of the governing body of AACOG. The Corporation is presented as a discretely presented component unit of AACOG. The Corporation contracts with Workforce Solutions Alamo (“WSA”) to administer programs, consisting primarily of Texas Workforce Commission (“TWC”) grants.

The Corporation has been selected as the operator of the rural one-stop centers in the 12 rural counties serviced by WSA, the local workforce development board, for purposes of planning and implementing employment and training programs. The majority of the Corporation’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 primary 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 segments are offset by program revenue. *Direct expenses* are those that are clearly identifiable with a specific function or segment. Program revenues include 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 as general revenue. For the year ended December 31, 2010 there was no general revenue.

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

**ALAMO AREA DEVELOPMENT CORPORATION
NOTES TO FINANCIAL STATEMENTS**

NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – CONTINUED

Government-wide and Fund Financial Statements - Continued

The Corporation reports the following major governmental funds:

The *General Fund* is the 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 and state grants awarded to the Corporation by Workforce Solutions Alamo.

Measurement Focus, Basis of Accounting and Financial Statement Presentation

Measurement focus refers to what is being measured; basis of accounting refers to when revenues and expenditures are recognized in the accounts and reported in the financial statements. Basis of accounting relates to the timing of the measurement made, regardless of the measurement focus applied.

The government-wide financial statements are reported using the *economic resources measurement focus* and the *accrual basis of accounting*. The economic resources measurement focus means all assets and liabilities (whether current or non-current) are included on the statement of net assets and the operating statements present increases (revenues) and decreases (expenses) in net total assets. 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.

Private-sector standards of accounting and financial reporting (as issued by the Financial Accounting Standards Board) issued prior to December 1, 1989, generally are followed in the government-wide financial statements to the extent that those standards do not conflict with or contradict guidance of the GASB.

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. For this purpose, the Council 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.

**ALAMO AREA DEVELOPMENT CORPORATION
NOTES TO FINANCIAL STATEMENTS**

NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – CONTINUED

Measurement focus, Basis of Accounting and Financial Statement Presentation - Continued

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

As a general rule, the effect of interfund activity has been eliminated from the government-wide financial statements.

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

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, 2010. Accordingly, no provision for income taxes is made in the accompanying financial statements.

Federal, State, and Local Grant Revenue

Grant revenue is recognized when program expenditures are incurred in accordance with program guidelines. Such revenue is subject to review by the funding agency and may result in disallowance in subsequent periods.

Deferred Revenue

Deferred revenue arises when potential revenue does not meet both the "measurable" and "available" criteria for recognition in the current period. Deferred revenue also arises when resources are received by the Corporation, before it has a legal claim to them, as when grant money is received prior to the occurrence of qualifying expenditures. In subsequent periods, when both revenue recognition criteria are met or when the Corporation has a legal claim to the resources, the liability for the deferred revenue is removed from the balance sheet and revenue is recognized.

**ALAMO AREA DEVELOPMENT CORPORATION
NOTES TO FINANCIAL STATEMENTS**

NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – CONTINUED

Cash and Investments

Cash and investments 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 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 authorizing the 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 pool's and repurchase agreements with underlying collateral of government securities. Investments for the Corporation are reported at fair value.

Intergovernmental 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). All the other outstanding balances between funds are reported as "due to/from other funds." The Corporation had no "advances to/from other funds" at December 31, 2010.

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, unassigned direct costs are pooled and distributed to the various programs.

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

**ALAMO AREA DEVELOPMENT CORPORATION
NOTES TO FINANCIAL STATEMENTS**

NOTE 2. STEWARDSHIP, COMPLIANCE AND ACCOUNTABILITY

Budgetary Information

The 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 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 Corporation. Although the financial plans are reviewed and approved by the 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.

NOTE 3. CASH AND INVESTMENTS

Deposits

Custodial Credit Risk. In the case of deposits, this is the risk that in the event of a bank failure, the 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.

NOTE 4. 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, 2010, is as follows:

Receivable Fund	Payable Fund	Amount
General	Workforce Solutions Alamo	\$ 198,824
General	Other Governmental funds	2,224
Workforce Solutions Alamo	General	184,792
Other Governmental funds	General	118,196
		\$ 504,036

**ALAMO AREA DEVELOPMENT CORPORATION
NOTES TO FINANCIAL STATEMENTS**

NOTE 5. DEFERRED REVENUE

Governmental funds report deferred revenue in connection with receivables for revenue that is not considered to be available to liquidate liabilities of the current period. Governmental funds also defer revenue recognition in connection with resources that have been received but not yet earned. At the end of the current fiscal year, the various components of deferred revenue and unearned revenue reported in the governmental funds were as follows:

	Unavailable	Unearned	Total
Grant funds	\$ -	\$ 87,535	\$ 87,535
	\$ -	\$ 87,535	\$ 87,535

NOTE 6. CONTINGENCIES

Risk Management

The 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 Corporation maintains worker's compensation and other risks of loss coverage through commercial insurance carriers. The Corporation's management believes such coverage is sufficient to preclude any significant uninsured losses to the Corporation. There were no significant reductions in insurance coverage in the prior year. There were no insurance settlements, which exceeded insurance coverage in any of the past three years.

Contingencies

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

Agencies expending \$500,000 or more in Corporation grant funds are required to have an independent audit each year. Copies of such audits are required to be submitted to the 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 Corporation or the subcontractor. The Corporation generally has the right of recovery from the subcontracted agencies.

**ALAMO AREA DEVELOPMENT CORPORATION
NOTES TO FINANCIAL STATEMENTS**

NOTE 7. FEDERAL AND STATE AWARDS

The Corporation is a discretely presented component unit of AACOG. The entire financial reporting entity of the AACOG is considered on a combined basis for single audit purposes. Accordingly, the Corporation's federal and state programs are included within the scope of the AACOG's single audit.

NONMAJOR GOVERNMENTAL FUNDS

**ALAMO AREA DEVELOPMENT CORPORATION
COMBINING BALANCE SHEET
DECEMBER 31, 2010**

	<u>Special Revenue</u>			
	<u>Office of the Governor Criminal Justice Division</u>	<u>Alamo Area Agency on Aging</u>	<u>Ryan White</u>	<u>Bexar Agency on Aging</u>
ASSETS				
Intergovernmental receivables	\$ -	\$ -	\$ 1,602	\$ 39
Due from other funds	3,622	-	-	31,060
Total assets	<u>\$ 3,622</u>	<u>\$ -</u>	<u>\$ 1,602</u>	<u>\$ 31,099</u>
LIABILITIES				
Accounts payable	\$ -	\$ -	\$ -	\$ -
Unearned revenue	-	-	-	7,967
Due to other funds	-	-	1,602	-
Total liabilities	-	-	1,602	7,967
FUND BALANCES	<u>3,622</u>	<u>-</u>	<u>-</u>	<u>23,132</u>
Total liabilities and fund balance	<u>\$ 3,622</u>	<u>\$ -</u>	<u>\$ 1,602</u>	<u>\$ 31,099</u>

**ALAMO AREA DEVELOPMENT CORPORATION
COMBINING BALANCE SHEET
DECEMBER 31, 2010**

	Special Revenue			Total Nonmajor Governmental Funds
	Other Local Funds	VIA Metropolitan Transit	Texas Department of Transportation	
ASSETS				
Intergovernmental receivables	\$ -	\$ -	\$ 622	\$ 2,263
Due from other funds	82,014	1,500	-	118,196
Total assets	\$ 82,014	\$ 1,500	\$ 622	\$ 120,459
LIABILITIES				
Accounts payable	\$ 5,682	\$ -	\$ -	\$ 5,682
Unearned revenue	76,332	1,500	-	85,799
Due to other funds	-	-	622	2,224
Total liabilities	82,014	1,500	622	93,705
FUND BALANCES	-	-	-	26,754
Total liabilities and fund balance	\$ 82,014	\$ 1,500	\$ 622	\$ 120,459

**ALAMO AREA DEVELOPMENT CORPORATION
 COMBINING STATEMENT OF REVENUES, EXPENDITURES AND CHANGES
 IN FUNDS BALANCES
 YEAR ENDED DECEMBER 31, 2010**

	Special Revenue			
	Office of the Governor Criminal Justice Division	Alamo Area Agency on Aging	Ryan White	Bexar Agency on Aging
REVENUES				
Federal	\$ -	\$ -	\$ -	\$ (1,406)
State	-	-	-	-
Local	-	-	-	28,217
Total revenues	-	-	-	26,811
EXPENDITURES				
General government	-	-	-	-
Transportation	-	-	-	-
Aging	-	-	-	3,679
Total expenditures	-	-	-	3,679
EXCESS OF REVENUES OVER EXPENDITURES	-	-	-	23,132
FUND BALANCES, beginning of year	3,622	-	-	-
FUND BALANCES, end of year	\$ 3,622	\$ -	\$ -	\$ 23,132

**ALAMO AREA DEVELOPMENT CORPORATION
 COMBINING STATEMENT OF REVENUES, EXPENDITURES AND CHANGES
 IN FUNDS BALANCES
 YEAR ENDED DECEMBER 31, 2010**

	Special Revenue			Total Nonmajor Governmental Funds
	Other Local Funds	VIA Metropolitan Transit	Texas Department of Transportation	
REVENUES				
Federal	\$ -	\$ -	\$ (7,349)	\$ (8,755)
State	-	-	-	-
Local	62,029	-	-	90,246
Total revenues	62,029	-	(7,349)	81,491
EXPENDITURES				
General government	62,029	-	(7,549)	54,480
Transportation	-	-	200	200
Aging	-	-	-	3,679
Total expenditures	62,029	-	(7,349)	58,359
EXCESS OF REVENUES OVER EXPENDITURES	-	-	-	23,132
FUND BALANCES, beginning of year	-	-	-	3,622
FUND BALANCES, end of year	\$ -	\$ -	\$ -	\$ 26,754