

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

**FINANCIAL STATEMENTS  
AND FEDERAL AWARDS REPORTS**

**DECEMBER 31, 2006**

ALAMO AREA DEVELOPMENT CORPORATION

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ALAMO AREA DEVELOPMENT CORPORATION

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# **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, 2006, 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 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 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, 2006, 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.

In accordance with *Government Auditing Standards*, we have also issued our report dated April 24, 2007, 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.

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 Development 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 accompanying Schedule of Expenditures of Federal 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 also not a required part of the basic financial statements of the Development Corporation. The combining nonmajor fund financial statements and the Schedule of Expenditures of Federal Awards 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.

*Pattillo, Brown & Hill, LLP*

April 24, 2007

## 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, 2006. 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, 2006, by \$747 (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 \$72 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, 2006, the AADC's assets exceeded liabilities by \$747.

#### **ALAMO AREA DEVELOPMENT CORPORATION'S NET ASSETS**

	<u>2006</u>	<u>2005</u>
Total assets	\$ 1,395,969	\$ 626,724
Total liabilities	<u>1,395,222</u>	<u>626,049</u>
Total unrestricted net assets	<u>\$ 747</u>	<u>\$ 675</u>

**Analysis of the AADC's Operations** – Overall, the Corporation had an increase in net assets of \$72.

#### **ALAMO AREA DEVELOPMENT CORPORATION'S CHANGE IN NET ASSETS**

	<u>2006</u>	<u>2005</u>
Revenues:		
Operating grants and contributions	\$ 7,339,040	\$ 4,373,765
General revenues:		
Interest	72	79
Other	<u>-</u>	<u>13</u>
Total revenues	<u>7,339,112</u>	<u>4,373,857</u>
Expenses:		
General government	-	15,319
Workforce development	4,189,345	4,281,590
Aging	80,508	66,300
Disaster recovery	-	10,597
Health and welfare	<u>3,069,187</u>	<u>-</u>
Total expenses	<u>7,339,040</u>	<u>4,373,806</u>
Change in net assets	72	51
Net assets, beginning	<u>675</u>	<u>624</u>
Net assets, ending	<u>\$ 747</u>	<u>\$ 675</u>

When comparing 2005 to 2006, the Alamo Area Development Corporation experienced an increase in both revenues and expenses. This increase is primarily due to the addition of the Ryan White Administrative Services program beginning June 1, 2006.

The total expenses for seven months of the Ryan White program equaled \$3,069,187. The Alamo Area Development Corporation is projecting an increase of \$2.1 million dollars for the 2007 annual budget.



***Discussion of Currently Known Facts, Decisions or Conditions in Fiscal Year 2007:***

The Alamo Area Development Corporation primarily receives funding from Alamo WorkSource for administrative, operational and support service costs for the workforce program in the rural areas and Bexar County for the Ryan White Administrative Services program. AADC also receives funding from the City of San Antonio, National Council of Aging, and Center for Medicare/Medicaid Services.

***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, 2006**

	<u>Governmental Activities</u>
<b>ASSETS</b>	
Cash and investments	\$ 12,881
Receivables	<u>1,383,088</u>
Total assets	<u>1,395,969</u>
<b>LIABILITIES</b>	
Accounts payable and other current liabilities	1,385,232
Unearned revenue	<u>9,990</u>
Total liabilities	<u>1,395,222</u>
<b>NET ASSETS</b>	
Unrestricted	<u>747</u>
Total net assets	<u>\$ 747</u>

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

**ALAMO AREA DEVELOPMENT CORPORATION**

**STATEMENT OF ACTIVITIES**

**FOR THE YEAR ENDED DECEMBER 31, 2006**

<u>Functions/Programs</u>	<u>Expenses</u>	<u>Program Revenues</u>	<u>Net (Expense) Revenues and Changes in Net Assets</u>
		<u>Operating Grants and Contributions</u>	<u>Governmental Activities</u>
Governmental activities:			
Workforce development	\$ 4,189,345	\$ 4,189,345	\$ -
Aging	80,508	80,508	-
Health and welfare	3,069,187	3,069,187	-
Total governmental activities	<u>\$ 7,339,040</u>	<u>\$ 7,339,040</u>	<u>-</u>
			General revenues:
			Investment earnings <u>72</u>
			Total general revenues <u>72</u>
			Change in net assets <u>72</u>
			Net assets, beginning <u>675</u>
			Net assets, ending <u>\$ 747</u>

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

**ALAMO AREA DEVELOPMENT CORPORATION**

**BALANCE SHEET**

**GOVERNMENTAL FUNDS**

**DECEMBER 31, 2006**

	<u>General</u>	<u>Alamo WorkSource</u>	<u>Ryan White</u>	<u>Other Governmental Funds</u>	<u>Total Governmental Funds</u>
<b>ASSETS</b>					
Cash and investments	\$ 12,881	\$ -	\$ -	\$ -	\$ 12,881
Intergovernmental receivables	-	513,744	743,229	126,115	1,383,088
Due from other funds	<u>10,634</u>	<u>3,301</u>	<u>-</u>	<u>10,172</u>	<u>24,107</u>
Total assets	<u>23,515</u>	<u>517,045</u>	<u>743,229</u>	<u>136,287</u>	<u>1,420,076</u>
<b>LIABILITIES</b>					
Liabilities:					
Accounts payable	-	505,922	743,229	126,786	1,375,937
Deferred revenue	-	563	-	9,427	9,990
Due to other funds	13,473	10,560	-	74	24,107
Other liabilities	<u>9,295</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>9,295</u>
Total liabilities	<u>22,768</u>	<u>517,045</u>	<u>743,229</u>	<u>136,287</u>	<u>1,419,329</u>
<b>FUND BALANCES</b>					
Unreserved, reported in:					
General fund	<u>747</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>747</u>
Total fund balances	<u>747</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>747</u>
Total liabilities and fund balances	<u>\$ 23,515</u>	<u>\$ 517,045</u>	<u>\$ 743,229</u>	<u>\$ 136,287</u>	<u>\$ 1,420,076</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, 2005**

	<u>General</u>	<u>Alamo WorkSource</u>	<u>Ryan White</u>	<u>Other Governmental Funds</u>	<u>Total Governmental Funds</u>
<b>REVENUES</b>					
Federal	\$ -	\$ 3,462,941	\$ 3,069,187	\$ 757,664	\$ 7,289,792
Local	<u>72</u>	<u>-</u>	<u>-</u>	<u>49,248</u>	<u>49,320</u>
Total revenues	<u>72</u>	<u>3,462,941</u>	<u>3,069,187</u>	<u>806,912</u>	<u>7,339,112</u>
<b>EXPENDITURES</b>					
Current:					
Workforce development	-	3,462,941	-	726,404	4,189,345
Aging	-	-	-	80,508	80,508
Health and welfare	<u>-</u>	<u>-</u>	<u>3,069,187</u>	<u>-</u>	<u>3,069,187</u>
Total expenditures	<u>-</u>	<u>3,462,941</u>	<u>3,069,187</u>	<u>806,912</u>	<u>7,339,040</u>
<b>EXCESS OF REVENUES OVER EXPENDITURES</b>	72	-	-	-	72
<b>FUND BALANCES, BEGINNING</b>	<u>675</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>675</u>
<b>FUND BALANCES, ENDING</b>	<u>\$ 747</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 747</u>

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

# ALAMO AREA DEVELOPMENT CORPORATION

## NOTES TO FINANCIAL STATEMENTS

DECEMBER 31, 2006 AND 2005

### 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 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 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 Alamo WorkSource Fund is used to account for federal grants awarded to Alamo Area Development Corporation by Alamo WorkSource.

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

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 years ended December 31, 2006 or 2005. 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, 2006.

### 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, 2006, all of the Development Corporation's deposit balance was covered by FDIC insurance.

#### 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, 2006, is as follows:

<u>Receivable Fund</u>	<u>Payable Fund</u>	<u>Amount</u>
General	Alamo WorkSource	\$ 10,560
General	City of San Antonio	74
Alamo WorkSource	General	3,301
Other governmental funds	General	<u>10,172</u>
		<u>\$ 24,107</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.

**ALAMO AREA DEVELOPMENT CORPORATION**

**COMBINING BALANCE SHEET**

**NONMAJOR GOVERNMENTAL FUNDS**

**DECEMBER 31, 2006**

	Special Revenue		
	Office of the Governor- Criminal Justice Division	Bexar Area Agency on Aging	Alamo Area Agency on Aging
<b>ASSETS</b>			
Intergovernmental receivables	\$ -	\$ -	\$ -
Due from other funds	<u>3,622</u>	<u>1,772</u>	<u>369</u>
Total assets	<u>3,622</u>	<u>1,772</u>	<u>369</u>
<b>LIABILITIES</b>			
Liabilities:			
Accounts payable	-	432	313
Deferred revenue	3,622	1,340	56
Due to other funds	<u>-</u>	<u>-</u>	<u>-</u>
Total liabilities	<u>3,622</u>	<u>1,772</u>	<u>369</u>
<b>FUND BALANCES</b>	<u>-</u>	<u>-</u>	<u>-</u>
Total liabilities and fund balances	<u>\$ 3,622</u>	<u>\$ 1,772</u>	<u>\$ 369</u>

<u>Special Revenue</u>			
<u>Tree Project</u>	<u>Other Local Funds</u>	<u>City of San Antonio</u>	<u>Total Nonmajor Governmental Funds</u>
\$ -	\$ 728	\$ 125,387	\$ 126,115
<u>1,277</u>	<u>3,132</u>	<u>-</u>	<u>10,172</u>
<u>1,277</u>	<u>3,860</u>	<u>125,387</u>	<u>136,287</u>
-	728	125,313	126,786
<u>1,277</u>	<u>3,132</u>	<u>-</u>	<u>9,427</u>
-	-	74	74
<u>1,277</u>	<u>3,860</u>	<u>125,387</u>	<u>136,287</u>
-	-	-	-
<u>\$ 1,277</u>	<u>\$ 3,860</u>	<u>\$ 125,387</u>	<u>\$ 136,287</u>

**ALAMO AREA DEVELOPMENT CORPORATION**  
**COMBINING STATEMENT OF REVENUES, EXPENDITURES**  
**AND CHANGES IN FUND BALANCES**  
**NONMAJOR GOVERNMENTAL FUNDS**  
**FOR THE YEAR ENDED DECEMBER 31, 2006**

	Special Revenue		
	Office of the Governor- Criminal Justice Division	Bexar Area Agency on Aging	Alamo Area Agency on Aging
<b>REVENUES</b>			
Federal	\$ -	\$ 17,252	\$ 14,008
Local	<u>-</u>	<u>49,248</u>	<u>-</u>
Total revenues	<u>-</u>	<u>66,500</u>	<u>14,008</u>
<b>EXPENDITURES</b>			
Current:			
Workforce development	-	-	-
Aging	<u>-</u>	<u>66,500</u>	<u>14,008</u>
Total expenditures	<u>-</u>	<u>66,500</u>	<u>14,008</u>
<b>EXCESS REVENUES OVER EXPENDITURES</b>	-	-	-
<b>FUND BALANCES, BEGINNING</b>	<u>-</u>	<u>-</u>	<u>-</u>
<b>FUND BALANCES, ENDING</b>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>

Special Revenue

<u>Tree Project</u>	<u>Other Local Funds</u>	<u>City of San Antonio</u>	<u>Total Nonmajor Governmental Funds</u>
\$ -	\$ -	\$ 726,404	\$ 757,664
<u>-</u>	<u>-</u>	<u>-</u>	<u>49,248</u>
<u>-</u>	<u>-</u>	<u>726,404</u>	<u>806,912</u>
-	-	726,404	726,404
<u>-</u>	<u>-</u>	<u>-</u>	<u>80,508</u>
<u>-</u>	<u>-</u>	<u>726,404</u>	<u>806,912</u>
-	-	-	-
<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>

# **FEDERAL AWARDS SECTION**



**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 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, 2006, and have issued our report thereon dated April 24, 2007. 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 the Corporation's internal control over financial reporting as a basis for designing our auditing procedures for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the Corporation's internal control over financial reporting. Accordingly, we do not express an opinion on the effectiveness of the Corporation's internal control over financial reporting.

Our consideration of internal control over financial reporting was for the limited purpose described in the preceding paragraph and would not necessarily identify all deficiencies in internal control over financial reporting that might be significant deficiencies or material weaknesses. However, as discussed below, we identified a deficiency in internal control over financial reporting that we consider to be a significant deficiency.

A control deficiency exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect misstatements on a timely basis. A significant deficiency is a control deficiency, or combination of control deficiencies, that adversely affects the entity's ability to initiate, authorize, record, process, or report financial data reliably in accordance with generally accepted accounting principles such that there is more than a remote likelihood that a misstatement of the entity's financial statements that is more than inconsequential will not be prevented or detected by the entity's internal control. We consider the deficiency described in the accompanying Schedule of Findings and Questioned Costs as Item 2006-1 to be a significant deficiency in internal control over financial reporting.

A material weakness is a significant deficiency, or combination of significant deficiencies, that results in more than a remote likelihood that a material misstatement of the financial statements will not be prevented or detected by the entity's internal control.

Our consideration of the internal control over financial reporting was for the limited purpose described in the first paragraph of this section and would not necessarily identify all deficiencies in the internal control that might be significant deficiencies and, accordingly, would not necessarily disclose all significant deficiencies that are also considered to be material a weakness. However, of the significant deficiencies described above, we consider Item 2006-1 to be a material weakness.

### **Compliance and Other Matters**

As part of obtaining reasonable assurance about whether the 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*.

The Corporation's response to the finding identified in our audit is described in the accompanying Schedule of Findings and Questioned Costs. We did not audit the Corporation's response, and accordingly, we express no opinion on it.

This report is intended solely for the information and use of management, the audit committee, others within the Corporation, and federal and state awarding agencies and pass-through entities and is not intended to be an should not be used by anyone other than these specified parties.

*Pattillo, Brown & Hill, LLP*

April 24, 2007



**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 (the "Council") 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 September 30, 2006. The Council'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 the Council's management. Our responsibility is to express an opinion on the Council'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 Office of Management and Budget (OMB) Circular A-133, *Audits of States, Local Governments and Nonprofit Organizations*. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above could have a direct and material effect on a major federal program occurred. An audit includes examining on a test basis, evidence about the Council's compliance with those 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 on the Council's compliance with those requirements.

In our opinion, the Council 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 September 30, 2006.

## Internal Control Over Compliance

The management of Alamo Area Council of Governments 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 the Council'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 their normal course of performing their assigned functions. We noted no matters involving the internal control over compliance and its operation that we consider to be material weaknesses.

This report is intended solely for the information of the Board of Directors, management, others within the Council, and 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.

*Pattillo, Brown & Hill, LLP*

April 24, 2007

**ALAMO AREA DEVELOPMENT CORPORATION**

**SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS**

**YEAR ENDED DECEMBER 31, 2006**

<u>Federal Grantor/Pass-through Grantor/Program Title</u>	<u>Federal CFDA Number</u>	<u>Grantor's Pass-through Number</u>	<u>Federal Expenditures</u>
<b><u>U. S. Department of Agriculture</u></b>			
Passed through Alamo WorkSource Development:			
Food Stamps Employment and Training	10.561	N/A	\$ 70,320
Food Stamps Employment and Training	10.561	N/A	52,550
Able Bodied Americans Without Dependents	10.561	N/A	<u>51,741</u>
Total Passed through Alamo WorkSource Development			<u>174,611</u>
Total U. S. Department of Agriculture			<u>174,611</u>
<b><u>U. S. Department of Housing and Urban Development</u></b>			
Passed through Alamo Council of Governments:			
Ryan White Title II	14.241	N/A	<u>243,222</u>
Total Passed through Alamo Council of Governments			<u>243,222</u>
Total U. S. Department of Justice			<u>243,222</u>
<b><u>U. S. Department of Justice</u></b>			
Passed through Alamo WorkSource Development:			
Project Rio	16.202	N/A	15,306
Project Rio	16.202	N/A	<u>5,307</u>
Total Passed through Alamo WorkSource Development			<u>20,613</u>
Total U. S. Department of Justice			<u>20,613</u>
<b><u>U. S. Department of Labor</u></b>			
Passed through Alamo WorkSource Development:			
Employment Service	17.207	N/A	21,374
Employment Service	17.207	N/A	5,291
Workforce Investment Act - Adult	17.258	N/A	244
Workforce Investment Act - Adult	17.258	N/A	505,637
Workforce Investment Act - Adult	17.258	N/A	165,844
Workforce Investment Act - Youth Services	17.259	N/A	217,991
Workforce Investment Act - Youth Services	17.259	N/A	67,115
Youth - OSY	17.259	N/A	249,699
Youth - ISY	17.259	N/A	94,180
Workforce Investment Act - Dislocated Workers	17.260	N/A	( 156)
Workforce Investment Act - Dislocated Workers	17.260	N/A	876,862
Workforce Investment Act - Dislocated Workers	17.260	N/A	266,521
VET Travel	17.801	N/A	<u>2,844</u>
Total Passed through Alamo WorkSource Development			<u>2,473,446</u>
Total U. S. Department of Labor			<u>2,473,446</u>

(continued)

**ALAMO AREA DEVELOPMENT CORPORATION**

**SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS**

(Continued)

**YEAR ENDED DECEMBER 31, 2006**

Federal Grantor/Pass-through Grantor/Program Title	Federal CFDA Number	Grantor's Pass-through Number	Federal Expenditures
<b><u>U. S. Department of Health and Human Services</u></b>			
Passed through Alamo WorkSource Development:			
Temporary Assistance for Needy Families	93.558	N/A	\$ 262
Temporary Assistance for Needy Families	93.558	N/A	563,808
Temporary Assistance for Needy Families	93.558	N/A	151,720
TANF Transportation	93.558	N/A	62,534
TANF Transportation	93.558	N/A	<u>15,947</u>
Total Passed through Alamo WorkSource Development			<u>794,271</u>
Passed through City of San Antonio:			
Child Care and Development Block Grant	93.575	09060Y00	<u>726,404</u>
Total Passed through City of San Antonio			<u>726,404</u>
Passed through Ogilvy Public Relations World, Inc.:			
Alamo Aging	93.779	N/A	14,008
Bexar Aging	93.779	N/A	<u>17,252</u>
Total Passed through Ogilvy Public Relations World, Inc.			<u>31,260</u>
Passed through Bexar County:			
Ryan White Title I	93.917	N/A	<u>1,731,316</u>
Total Passed through Bexar County			<u>1,731,316</u>
Passed through Alamo Area Council of Governments:			
Ryan White Title II	93.917	N/A	<u>1,094,649</u>
Total Passed through Alamo Area Council of Governments			<u>1,094,649</u>
Total U. S. Department of Health and Human Services			<u>4,377,900</u>
Total Federal Expenditures			\$ <u>7,289,792</u>

**ALAMO AREA DEVELOPMENT CORPORATION**

**NOTES TO SCHEDULE OF EXPENDITURES  
OF FEDERAL AWARDS**

**DECEMBER 31, 2006**

**1. GENERAL**

The Schedule of Expenditures of Federal Awards presents expenditures for all federal and state awards that were in effect for the year ended December 31, 2006, for AADC.

**2. BASIS OF ACCOUNTING**

Expenditures are reported on the modified 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 Awards agree with expenditures reported in the basic financial statements.

**ALAMO AREA DEVELOPMENT CORPORATION**  
**SCHEDULE OF FINDINGS AND QUESTIONED COSTS**  
**FOR THE YEAR ENDED DECEMBER 31, 2006**

**Summary of Auditors' Results**

Type of report on financial statements	Unqualified
Internal control over financial reporting: Material weakness(es) identified?	Yes
Significant deficiencies identified that are not considered to be material weakness(es)?	None reported
Internal control over major programs: Material weakness(es) identified?	No
Reportable conditions identified that are not considered to be material weakness(es)?	None reported
Noncompliance which is material to the basic financial statements	None
Type of report on compliance with major programs	Unqualified
Findings and questioned costs for federal awards as defined in Section 501(a), OMB Circular A-133	None
Dollar threshold considered between Type A and Type B federal programs	\$300,000
Low risk auditee statement	The Corporation was classified as a low-risk auditee in the context of OMB Circular A-133.
Major federal program	Ryan White, CFDA #93.917

(continued)



ALAMO AREA DEVELOPMENT CORPORATION

SCHEDULE OF FINDINGS AND QUESTIONED COSTS

(Continued)

YEAR ENDED DECEMBER 31, 2006

**Findings Relating to the Financial Statements Which are  
Required to be Reported in Accordance With Generally  
Accepted Auditing Standards**

Finding 2006-01:

Condition:

A search for unrecorded accounts payable identified invoices for goods and services received before year-end that were not recorded as a liability at year-end.

Effect:

Expenditures were not recorded in the proper period and liabilities were understated at year-end.

Cause:

Existing controls are properly designed. The control objective was not met due to a deficiency in operation.

Recommendation:

Management should increase its monitoring of the existing controls in place over the recording of expenditures to ensure they are recorded in the proper period.

Management's Response:

The AADC purchasing system will not allow staff to backdate an expense when transferring a purchase order into invoice stage. The accounting and purchasing staff will implement monitoring controls and procedure for recording year-end expenditures in the proper period.

**Findings and Questioned Costs for Federal Awards**

None

# ALAMO AREA DEVELOPMENT CORPORATION

## SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS

YEAR ENDED DECEMBER 31, 2006

Finding 2005-01: U. S. Department of Labor, Federal CFDA #17.258, 17.259, 17.260

Compliance Requirement: Suspension and debarment

Criteria: Non-federal recipients of federal awards are prohibited from contracting with or making subawards under covered transactions to parties that are suspended or debarred. AADC must verify that each entity it contracts with or makes subawards to under covered transactions is not suspended or debarred or otherwise excluded. This verification may be accomplished by checking the Excluded Parties List System (EPLS) maintained by the General Services Administration (GSA), collecting a certification from the entity, or adding a clause or condition to the covered transaction with that entity.

Statement of Condition: We noted subawards made by AADC without documentation of verification that the entity is not suspended or debarred.

Effect: AADC is not in compliance with OMB Circular A-133 requirements regarding suspension and debarment.

Cause: AADC does not have a policy in place to ensure it does not contract with entities that are suspended or debarred.

Recommendation: Implement a policy to verify that each entity it contracts with or makes subawards to under covered transactions is not suspended or debarred or otherwise excluded. This verification may be accomplished by checking the Excluded Parties List System (EPLS) maintained by the General Services Administration (GSA), collecting a certification from the entity, or adding a clause or condition to the covered transaction with that entity. Additionally, management or representatives of management should periodically conduct independent reviews of procurements and contracting activities to determine whether policies and procedures are being followed as intended.

Current Status: This matter has been resolved.