

**ALAMO AREA
DEVELOPMENT CORPORATION**

FINANCIAL REPORT

DECEMBER 31, 2018

ALAMO AREA DEVELOPMENT CORPORATION

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INDEPENDENT AUDITORS' REPORT

Board of Directors
Alamo Area Development Corporation
San Antonio, Texas

Report on the Financial Statements

We have audited the accompanying financial statements of the governmental activities and the major fund of Alamo Area Development Corporation (the "Corporation"), a component unit of Alamo Area Council of Governments, as of and for the year ended December 31, 2018, and the related notes to the financial statements, which collectively comprise the Corporation's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with accounting principles generally accepted in the United States of America; this includes the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditors' Responsibility

Our responsibility is to express opinions on these financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America 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 audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

OFFICE LOCATIONS

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An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditors' judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinions.

Opinions

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities and the major fund of Alamo Area Development Corporation, as of December 31, 2018, and the respective changes in financial position for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated July 23, 2019, on our consideration of the 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 internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the Corporation's internal control over financial reporting and compliance.

Pattillo, Brown & Hill, L.L.P.

Waco, Texas
July 23, 2019

Management's Discussion and Analysis

As management of the Alamo Area Development Corporation (the "Corporation"), we offer readers of the Corporation's financial statements this narrative overview and analysis of the financial activities of the Corporation for the fiscal year ended December 31, 2018.

Financial Highlights

- The Corporation ended the fiscal year with a net position of \$54,738, an increase of \$3,040 from the prior year.
- The Corporation did not actively pursue funding during the fiscal year.

Overview of the Financial Statements

The discussion and analysis provided here are intended to serve as an introduction to the Corporation's basic financial statements. The Corporation's basic financial statements consist of three components: 1) government-wide financial statements, 2) fund financial statements, and 3) the notes to financial statements.

Government-wide Financial Statements. The government-wide financial statements are designed to provide readers with a broad overview of the Corporation's finances, in a manner similar to a private-sector business.

The statement of net position presents financial information on all of the Corporation's assets, liabilities, and deferred inflows/outflows of resources, with the difference reported as net position. Over time, increases or decreases in net position may serve as a useful indicator of whether the financial position of the Corporation is improving or deteriorating.

The statement of activities presents information showing how the Corporation's net position changed during the most recent fiscal year. All changes in net position are reported as soon as the underlying event giving rise to the change occurs, regardless of the timing of related cash flows. Thus, revenues and expenses are reported for some items that will only result in cash flows in future fiscal periods.

The government-wide financial statements can be found on pages 7-8 of this report.

Fund Financial Statements. A fund is a grouping of related accounts that is used to maintain control over resources that have been segregated for specific activities or objectives. The Corporation, like other state and local governments, uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements. All of the funds of the Corporation are classified as *governmental funds*.

Governmental Funds. Governmental funds are used to account for essentially the same functions reported as governmental activities in the government-wide financial statements. However, unlike the government-wide financial statements, governmental fund financial statements focus on near-term inflows and outflows 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 assessing a government's near-term financing requirements.

Because the focus of governmental funds is narrower than that of the government-wide financial statements, it is useful to compare the information presented for governmental funds with similar information presented for governmental activities in the government-wide financial statements. By doing so, readers may better understand the long-term impact of the Corporation’s near-term financing decisions. Both the governmental fund balance sheet and the governmental fund statement of revenues, expenditures, and changes in fund balances provide a reconciliation to facilitate this comparison between governmental funds and governmental activities when there are differences between them.

The Corporation maintains one governmental fund, the General Fund.

The basic governmental fund financial statements can be found on pages 9-10 of this report.

Notes to the Financial Statements. The notes provide additional information that is necessary to acquire a full understanding of the data provided in the government-wide and fund financial statements. The notes to the financial statements can be found on pages 11-15 of this report.

Government-Wide Overall Financial Analysis

As noted earlier, net position over time may serve as a useful indicator of a government’s financial position. In the case of the Corporation, assets exceeded liabilities by \$54,738 at the close of the most recent fiscal year.

	<u>Governmental Activities</u>	
	<u>2018</u>	<u>2017</u>
Total assets	\$ 54,912	\$ 56,785
Total liabilities	<u>174</u>	<u>5,087</u>
Total net position	<u>\$ 54,738</u>	<u>\$ 51,698</u>

The Corporation’s overall net position increased \$3,040 from the prior year. The Corporation did not actively pursue funding during the fiscal year.

Governmental Activities. In fiscal year 2018, the Corporation earned revenue of \$3,272. The Corporation incurred nominal expenses of \$232. This is primarily due to the Corporation not actively pursuing funding during the year.

The Corporation is actively pursuing funding for fiscal year 2019.

	<u>Governmental Activities</u>	
	<u>2018</u>	<u>2017</u>
Revenues:		
Program revenues:		
Operating grants and contributions	\$ <u>3,272</u>	\$ <u>5,950</u>
Total revenues	<u>3,272</u>	<u>5,950</u>
Expenses:		
Aging	232	63
Community affairs	<u>-</u>	<u>3,000</u>
Total expenses	<u>232</u>	<u>3,063</u>
Change in net position	3,040	2,887
Net position, beginning of year	<u>51,698</u>	<u>48,811</u>
Net position, ending of year	<u>\$ 54,738</u>	<u>\$ 51,698</u>

Financial Analysis of Governmental Funds

The Corporation’s General Fund fund balance is \$54,738 at year end, an increase of \$3,040 over the prior year.

Economic Factors and Next Year’s Outlook

As mentioned earlier, the Corporation is actively pursuing funding for fiscal year 2019.

Requests for Information

This financial report is designed to provide a general overview of the Corporation’s finances for all those with an interest. Questions concerning any of the information provided in this report or requests for additional financial information should be addressed to the Chief Financial Officer, Alamo Area Council of Governments, 8700 Tesoro Drive, San Antonio, Texas 78217.

BASIC FINANCIAL STATEMENTS

ALAMO AREA DEVELOPMENT CORPORATION

STATEMENT OF NET POSITION

DECEMBER 31, 2018

	<u>Governmental Activities</u>
ASSETS	
Cash and investments	\$ <u>54,912</u>
Total assets	<u>54,912</u>
LIABILITIES	
Accrued liabilities	<u>174</u>
Total liabilities	<u>174</u>
NET POSITION	
Restricted for grant programs:	
Workforce development	203
Aging	47,351
Transportation	512
Criminal justice	3,622
Unrestricted	<u>3,050</u>
Total net position	<u>\$ 54,738</u>

ALAMO AREA DEVELOPMENT CORPORATION

STATEMENT OF ACTIVITIES

FOR THE YEAR ENDED DECEMBER 31, 2018

Functions/Programs	Expenses	Program Revenues	Net (Expense) Revenue and Changes in Net Position
		Operating Grants and Contributions	Governmental Activities
Governmental activities:			
Aging	\$ <u>232</u>	\$ <u>3,272</u>	\$ <u>3,040</u>
Total governmental activities	\$ <u><u>232</u></u>	\$ <u><u>3,272</u></u>	<u>3,040</u>
		Change in net position	3,040
		Net position, beginning	<u>51,698</u>
		Net position, ending	\$ <u><u>54,738</u></u>

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

ALAMO AREA DEVELOPMENT CORPORATION

BALANCE SHEET

GOVERNMENTAL FUNDS

DECEMBER 31, 2018

	<u>General Fund</u>
ASSETS	
Cash and investments	\$ 54,912
Total assets	<u>54,912</u>
LIABILITIES	
Accrued liabilities	174
Total liabilities	<u>174</u>
FUND BALANCES	
Restricted:	
Workforce development	203
Aging	47,351
Transportation	512
Criminal justice	3,622
Unrestricted	<u>3,050</u>
Total fund balances	<u>54,738</u>
Total liabilities	
and fund balances	<u>\$ 54,912</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, 2018

	<u>General Fund</u>
REVENUES	
Miscellaneous	\$ <u>3,272</u>
Total revenues	<u>3,272</u>
EXPENDITURES	
Aging	<u>232</u>
Total expenditures	<u>232</u>
EXCESS OF REVENUES OVER EXPENDITURES	3,040
FUND BALANCE, BEGINNING	\$ <u>51,698</u>
FUND BALANCE, ENDING	\$ <u><u>54,738</u></u>

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

ALAMO AREA DEVELOPMENT CORPORATION

NOTES TO FINANCIAL STATEMENTS

DECEMBER 31, 2018

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:

A. 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 that must reside within the jurisdictional boundaries of the following counties: Atascosa, Bandera, Bexar, Comal, Frio, Gillespie, Guadalupe, Karnes, Kendall, Kerr, Medina, McMullen, and Wilson. The Corporation is presented as a discretely presented component unit of AACOG.

B. Government-wide and Fund Financial Statements

The government-wide financial statements (i.e., the statement of net position 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 revenues. 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.

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

The Corporation reports the following major governmental fund:

The *General Fund* is the Corporation's only fund. It accounts for all financial resources of the Corporation.

C. 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, deferred inflows/outflows, and liabilities (whether current or non-current) are included on the statement of net position 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.

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 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.

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

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.

D. Income Tax

The Corporation is exempt from federal income taxes under Section 501 (c)(3) of the Internal Revenue Code. The Corporation has no unrelated business income during the year ended December 31, 2018. Accordingly, no provision for income taxes is made in the accompanying financial statements.

E. 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.

F. Cash and Cash Equivalents

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

G. Net Position and Fund Balance

Net position represents the difference between assets, deferred inflows/outflows, and liabilities. Net position is reported as restricted when there are limitations imposed on their use either through the enabling legislation adopted by the Corporation or through external restrictions imposed by creditors, grantors, or laws or regulations of other governments.

Fund balance classifications are non-spendable, restricted, committed, assigned, and unassigned. These classifications reflect not only the nature of funds, but also provide clarity to the level of restriction placed upon fund balance. Fund balance can have different levels of constraint such as external versus internal compliance requirements. Unassigned fund balance is a residual classification within the general fund. The general fund should be the only fund that reports a positive unassigned balance. In all other funds, unassigned is limited to negative residual fund balance.

The Corporation classifies governmental fund balance as follows:

Nonspendable – includes amounts that cannot be spent because they are either not in spendable form, or for legal or contractual reasons, must be kept intact. At December 31, 2018, the Corporation had no nonspendable fund balance amounts.

Restricted – includes fund balance amounts that are constrained for specific purposes, which are imposed by providers, such as grantors, or amounts restricted due to constitutional provisions or enabling legislation. This classification includes federal, state, and local grants.

Committed – includes fund balance amounts that are constrained for specific purposes that are internally imposed by the Corporation through formal action in an open meeting of the highest level of decision-making authority. Committed fund balance is reported pursuant to resolution passed by the Board of Directors. At December 31, 2018, the Corporation had no committed fund balance amounts.

Assigned – includes fund balance amounts that are self-imposed by the Corporation to be used for a particular purpose. Fund balance can be assigned by the Board of Directors

pursuant to the Corporation's fund balance policy. At December 31, 2018, the Corporation had no assigned fund balance amounts.

Unassigned – includes residual positive fund balance within the general fund, which has not been classified within the other above-mentioned categories and any negative fund balances in special revenue funds.

When both restricted and unrestricted fund balances are available for use, it is the Corporation's policy to use restricted fund balance first, then unrestricted. Similarly, committed fund balances are reduced first, followed by assigned amounts, and then unassigned amounts when expenditures are incurred for purposes for which amounts in any of those unrestricted fund balance classifications are available.

2. STEWARDSHIP, COMPLIANCE, AND ACCOUNTABILITY

A. 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.

3. CASH AND INVESTMENTS

A. 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.

4. CONTINGENCIES

A. Risk Management

The Corporation is exposed to various risks of loss related to torts; theft, or 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 not 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.

**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**

Board of Directors
Alamo Area Development Corporation
San Antonio, Texas

Members of the Board:

We have audited, 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, the financial statements of the governmental activities and the major fund of Alamo Area Development Corporation (the “Corporation”), a discretely presented component unit of Alamo Area Council of Governments, as of and for the year ended December 31, 2018, and the related notes to the financial statements, which collectively comprise the Corporation’s basic financial statements, and have issued our report thereon dated July 23, 2019.

Internal Control over Financial Reporting

In planning and performing our audit of the financial statements, we considered the Corporation’s internal control over financial reporting (internal control) to determine the audit procedures that are appropriate in the circumstances 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. Accordingly, we do not express an opinion on the effectiveness of the Corporation’s internal control.

A *deficiency in internal control* 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 and correct misstatements on a timely basis. A *material weakness* is a deficiency, or a combination of deficiencies, in internal control, such that there is a reasonable possibility that a material misstatement of the Corporation’s financial statements will not be prevented or detected and corrected on a timely basis. A *significant deficiency* is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

Our consideration of internal control over financial reporting was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control over financial reporting that might be material weaknesses or significant deficiencies. Given these limitations, during our audit we did not identify any deficiencies in internal control over financial reporting that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the Corporation's financial statements are free from 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*.

Purpose of this Report

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the Corporation's internal control or on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the Corporation's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

Pattillo, Brown & Hill, L.L.P.

Waco, Texas
July 23, 2019