

**ALAMO AREA
COUNCIL OF GOVERNMENTS**

SAN ANTONIO, TEXAS

ANNUAL FINANCIAL REPORT

**FOR THE FISCAL YEAR ENDED
DECEMBER 31, 2007**

ALAMO AREA COUNCIL OF GOVERNMENTS

TABLE OF CONTENTS

DECEMBER 31, 2007

	<u>Page Number</u>
FINANCIAL SECTION	
Independent Auditors' Report.....	1 – 2
Management Discussion and Analysis	3 – 7
Basic Financial Statements:	
Government-wide Financial Statements:	
Statement of Net Assets.....	8
Statement of Activities.....	9 – 10
Fund Financial Statements:	
Balance Sheet – Governmental Funds	11 – 12
Reconciliation of the Governmental Fund Balance Sheet to the Statement of Net Assets	13
Statement of Revenues, Expenditures and Changes in Fund Balances – Governmental Funds	14 – 15
Reconciliation of the Statement of Revenues, Expenditures and Changes in Fund Balances of Governmental Funds to the Statement of Activities.....	16
Statement of Fiduciary Assets and Liabilities	17
Notes to Financial Statements.....	18 – 29

(continued)

ALAMO AREA COUNCIL OF GOVERNMENTS

TABLE OF CONTENTS
(Continued)
DECEMBER 31, 2007

	<u>Page Number</u>
FINANCIAL SECTION (Continued)	
Nonmajor Governmental Funds:	
Combining Balance Sheet.....	30 – 33
Combining Statement of Revenues, Expenditures and Changes in Fund Balances.....	34 – 37
<u>Supplemental Schedules</u>	
Indirect Costs and Employee Benefit Schedules:	
Schedule of Indirect Costs	38
Bexar Mental Retardation Authority:	
Reconciliation of Total Revenue to First Quarter Financial Report.....	40 – 41
Reconciliation of Total Revenue to First Quarter FY 2008 Financial Report.....	42
Schedule of Revenues and Expenditures by Source of Funds.....	43
Schedule of Indirect Costs	44
Schedule of Insurance in Effect	45 – 46
Schedule of Professional and Consulting Services.....	47 – 48
Schedule of Legal Services.....	49
Schedule of Lease and Rental Commitments	50
Schedule of Space Occupied in a State-owned Facility.....	51
Schedule of Bonded Employees	52

(continued)

ALAMO AREA COUNCIL OF GOVERNMENTS

TABLE OF CONTENTS
(Continued)
DECEMBER 31, 2007

**Page
Number**

SINGLE AUDIT 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 <i>Government Auditing Standards</i>	53 – 54
Report on Compliance With Requirements Applicable to Each Major Program and Internal Control Over Compliance in Accordance With OMB Circular A-133 and the State of Texas Uniform Grant Management Standards	55 – 56
Schedule of Expenditures of Federal and State Awards.....	57 – 66
Notes to Schedule of Expenditures of Federal and State Awards	67
Schedule of Findings and Questioned Costs.....	68 – 72
Summary Schedule of Prior Audit Findings.....	73 – 74

THIS PAGE LEFT BLANK INTENTIONALLY

FINANCIAL SECTION

THIS PAGE LEFT BLANK INTENTIONALLY

INDEPENDENT AUDITORS' REPORT

To the Board of Directors
Alamo Area Council of Governments
San Antonio, Texas

We have audited the accompanying financial statements of the governmental activities, the discretely presented component unit, each major fund, and the aggregate remaining fund information of the Alamo Area Council of Governments ("Council") as of and for the year ended December 31, 2007, which collectively comprise the Council's basic financial statements, as listed in the table of contents. These financial statements are the responsibility of the Council'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 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 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, the discretely presented component unit, each major fund, and the aggregate remaining fund information of the Council, as of December 31, 2007, 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 a report dated April 17, 2008, on our consideration of the Council'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 conjunction with this report in considering the results of our audit.

The Management's Discussion and Analysis on pages 3 through 7 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 Council's basic financial statements. The combining nonmajor fund financial statements and supplementary schedules 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 and State Awards is presented for purposes of additional analysis as required by U. S. Office of Management and Budget Circular A-133, "*Audits of States, Local Governments and Nonprofit Organizations*," and the State of Texas Uniform Grant Management Standards, and also is not a required part of the basic financial statements of the Council. The combining nonmajor fund financial statements, supplementary schedules (except for those marked "unaudited," or which we express no opinion) and the Schedule of Expenditures of Federal and State 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 basic financial statements taken as a whole.

Pattillo, Brown & Hill, LLP

April 17, 2008

**MANAGEMENT'S
DISCUSSION AND ANALYSIS**

THIS PAGE LEFT BLANK INTENTIONALLY

MANAGEMENT'S DISCUSSION AND ANALYSIS

Alamo Area Council of Governments' (AACOG) discussion and analysis offers readers of the Council's financial statements a narrative overview and analysis of the Council's financial activities for the fiscal year ended December 31, 2007. We encourage readers to consider the information presented here in conjunction with the additional information that we have furnished in the financial statements and notes to the financial statements (which immediately follow this discussion).

FINANCIAL HIGHLIGHTS

- ◆ The assets of AACOG exceeded its liabilities at the close of the most recent fiscal year by \$7,399,967 (*net assets*). Of this amount, \$3,235,918 (*Unrestricted net assets*) is unrestricted. This reflects an increase of \$2,331,469.
- ◆ As of the close of the current fiscal year, AACOG's governmental funds financial statements reported combined ending fund balances of \$3,623,321. The unreserved and undesignated amount in the General Fund that is available for operations is \$886,362.

OVERVIEW OF THE FINANCIAL STATEMENTS

This discussion and analysis is intended to serve as an introduction to AACOG's basic financial statements. The Council'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.

Government-wide Financial Statements

The *government-wide financial statements* are designed to provide readers with a broad overview of AACOG's finances in a manner similar to a private-sector business.

The *statement of net assets* presents information on all of AACOG's assets and liabilities, with the difference between the two reported as *net assets*. Over time, fluctuations in net assets may serve as a useful indicator of whether the financial position of AACOG is improving or deteriorating.

The *statement of activities* presents information showing how the Council's net assets changed during the most recent fiscal year. All changes in net assets 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 in this statement for some items that will only result in cash flows in future fiscal periods (e.g. earned but unused vacation leave).

Fund Financial Statements – A *fund* is a grouping of related accounts that are used to maintain control over resources that have been segregated for specific activities or objectives. AACOG, like other similar governmental entities, uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements. All of the funds of the Council 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 expendable resources*, as well as on *balances of expendable resources* available at the end of the year. Such information may be useful in evaluating a government's near-term financing requirements.

The focus of governmental funds is narrower than that of the government-wide financial statements, therefore 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 Council's near-term financing decisions. Both the governmental fund balance sheet and the governmental fund statement of revenues, expenditures and changes in fund balance provide a reconciliation to facilitate this comparison between *governmental funds* and *governmental activities*.

AACOG maintains 22 governmental funds. Information is presented separately in the governmental fund balance sheet and in the governmental fund statement of revenues, expenditures and changes in fund balance for each major fund: the General Fund, the Bexar Area Agency on Aging Fund, the Texas Department of Transportation Fund, and the Bexar Mental Retardation Authority Fund. The basic governmental fund financial statements can be found on pages 11 through 15 of this report.

Notes to the Financial Statements – The notes provide additional information that is essential to a full understanding of the data provided in the government-wide and fund financial statements. The notes to the financial statements can be found immediately following the basic financial statements in this report.

GOVERNMENT-WIDE FINANCIAL ANALYSIS

As noted earlier, net assets may serve over time as a useful indicator of a government's financial position. AACOG's assets exceeded liabilities by \$7,399,967 at December 31, 2007. The following table reflects the condensed Statement of Net Assets compared to prior year.

Alamo Area Council of Government's Statement of Net Assets

	Total	
	2007	2006
Assets:		
Current and other assets	\$ 11,964,358	\$ 8,578,185
Capital assets	<u>4,276,232</u>	<u>3,296,469</u>
Total assets	<u>16,240,590</u>	<u>11,874,654</u>
Liabilities:		
Current liabilities	8,341,037	7,290,258
Noncurrent liabilities	<u>499,586</u>	<u>383,478</u>
Total liabilities	<u>8,840,623</u>	<u>7,673,736</u>
Net assets:		
Invested in capital assets	4,164,049	3,296,469
Unrestricted	<u>3,235,918</u>	<u>904,449</u>
Total net assets	<u>\$ 7,399,967</u>	<u>\$ 4,200,918</u>

The balance of *unrestricted net assets* (\$3,235,918) may be used to meet the Council's ongoing obligations.

Analysis of the Council's Operations – Management Additions

The following table provides a summary of the Council's operations for the year ended December 31, 2007, as compared to the year ended December 31, 2006. The Council's net assets increased by \$3,199,049.

The majority of the increase to the Council's fund balance is attributed to capital expenditures by various programs and recognition of earned program revenues.

The major capital expenditures are listed below by program including a brief overview of the purchase:

The Rural Public Transportation program purchased four Type II vehicles, the Shah Transportation software Module and the Kerrville Transportation Center in Kerrville Texas. The new vehicles will enhance the current Alamo Regional Transportation (ART) fleet by increasing services to the rural areas. In addition, vehicles will be replaced due to unsafe conditions and high maintenance costs.

The Homeland Security (HLS) program purchased a Command Center and numerous portable signs. The Command Center is equipped with equipment that will sustain operation in the field for six or more days and will be used to respond to disasters and may be used by any regional entity. This item was purchased using 2004 HLS regional funds and placed in service in May of 2007.

The portable signs were purchased with 2005 HLS funding as requested by Wilson County, Bexar County and the City of San Antonio. The signs are 5'X9' that are trailer mounted and solar powered which can be used to direct traffic, provide warning and other informational items during disasters. The signs are currently loaned to the entities mentioned.

The Weatherization program purchased an additional cargo van increasing the fleet from two to three vans. The need for an additional van was attributed to the higher demand for weatherization of households and the increased mandated goals set forth by the Texas Department of Housing and Community Affairs.

The Bexar Mental Retardation Authority (BMRA) and the Rural Public Transportation (RPT) programs experienced the greatest increase to the programs' fund balance. BMRA recognized \$365,099, and the RPT program recognized \$1,844,886 in earned revenues.

Alamo Area Council of Government's Changes in Net Assets

	Governmental Activities	
	2007	2006
Revenues:		
Program revenues:		
Charges for services	\$ 6,676,539	\$ 2,179,492
Operating grants and contributions	30,967,673	28,005,316
Capital grants and contributions	1,000,000	-
General revenues:		
Investment earnings	8,784	8,653
Member dues	208,287	209,537
Miscellaneous	1,577	254,575
Total revenues	<u>38,862,860</u>	<u>30,657,573</u>
Expenses:		
General government	93,612	269,469
Workforce development	3,304,905	3,273,005
Aging	12,888,509	13,324,920
Emergency communications	948,997	1,110,903
Economic development	77,239	74,548
Environmental quality	2,067,879	1,206,379
Community affairs	1,595,108	857,901
Homeland security	605,433	614,615
Transportation	3,480,655	2,882,786
Housing	684,602	884,806
Criminal justice	1,037,020	1,136,803
Health and welfare	10,112,162	3,055,744
Interest on long-term debt	6,091	-
Total expenses	<u>36,902,212</u>	<u>28,691,879</u>
Change in net assets	1,960,648	1,965,694
Net assets, beginning	4,200,918	2,235,224
Prior period adjustment	1,238,401	-
Net assets, ending	<u>\$ 7,399,967</u>	<u>\$ 4,200,918</u>

Comparisons to 2006 Expenditures/Funding

The Council increased revenues by \$7,205,287 and increased expenditures by \$6,483,521 from fiscal year 2006 to 2007.

Major increases in revenues are reflected in the Bexar Mental Retardation, Katrina, Rural Public Transportation, Environmental, Ryan White and Weatherization programs. The Major increases in expenditures are reflected in the Bexar Mental Retardation, Katrina, Environmental, Ryan White and Weatherization programs and the Rural Public Transportation programs.

Although the Council had an overall increase to revenues and expenditures from 2006 to 2007, the following programs did experience minor decreases in revenues and expenditures.

The Homeland Security program experienced the greatest decrease because of the volume of equipment purchases in the 2006 fiscal year. The decrease totaled \$2,104,304. The 911 program reflects a \$410,906 decrease in revenues and expenditures that are unexpended funds from grant years 2006 and 2007, which will be expended in the fiscal year 2008. Minor decreases were experienced in the Alamo Aging and Bexar Aging programs.

BUDGETARY HIGHLIGHTS

The financial plan for AACOG is drafted on a grant basis, which spans more than one fiscal year. Although the financial plan is reviewed and approved by the AACOG's Board, it is not considered a legally adopted annual budget. Accordingly, budgetary information is not presented in this report.

CAPITAL ASSET ADMINISTRATION

The Rural Public Transportation program purchased four Type II vehicles, the Shah Transportation software Module and the Kerrville Transportation Center land in Kerrville Texas. The total capital outlay for this program totaled \$416,526. The program also assumed ownership of the Transportation Center Building valued at \$1,000,000.

The Homeland Security program purchased a command center in the amount of \$250,000 and multiple portable signs totaling \$181,958.

The Weatherization program purchased a Ford Cargo Van in the amount of \$18,000.

Other various capital purchases totaled \$18,537. The total capital purchases for fiscal year ending 2007 is \$1,885,021.

Alamo Area Council of Governments' Capital Assets at Year-end

	Governmental Activities	
	2007	2006
Furniture, fixtures and equipment	\$ 7,637,808	\$ 6,053,556
Less: accumulated depreciation	(3,361,576)	(2,757,087)
Total capital assets	\$ <u>4,276,232</u>	\$ <u>3,296,469</u>

Detailed information on capital asset activity can be found in the notes to the financial statements on page 24.

ECONOMIC FACTORS AND NEXT YEAR'S FINANCIAL PLAN

The Alamo Area Council of Governments' projected annual budget is \$38,308,996 for the 2008 fiscal year. This budget represents an increase by 3.838% from the actual 2007 expenditures.

In reviewing the Council's financial monthly requirements, the Board of Directors approved a membership dues increase for fiscal year 2008. At year-end, the Council's unreserved fund balance that is available for operation expenditures is \$3,235,918 of that \$2,344,944 is dedicated to specific program areas, therefore leaving \$890,974 for all other program operational expenditures. With the additional membership dues revenues the Council is projecting an increase to the unreserved fund balance by \$179,793 for the year 2008.

The Council released a fiscal depository request for proposal October 17, 2007. The Council received a proposal from Frost Bank, Wells Fargo and the current fiscal depository Chase Bank. The fiscal depository contract was awarded to JP Morgan Chase beginning with January 1, 2008 through December 31, 2010.

The Council has implemented the investment sweep account agreement for the AACOG and AADC general accounts beginning with April 1, 2008. Chase has also waived all services fees for six months and has initiated changes to the positive pay and customer generated ACH transactions to decrease the risk of fraudulent transactions.

The Council has submitted an application to the Governor's Criminal Justice Division for \$164,007.43 in State Planning Assistance Grant funds. These funds are to support planning functions as authorized by the Local Government Code 391.001 – 391.014. Programs benefiting from these funds are the Bexar and Alamo Aging program, Economic Development, Community Development and Tourism.

The Council has managed to decrease the indirect rate by 6% from October 2005 to December 2007. The Council's indirect rate was at 19% from October 2005 through May 2006; the rate was decreased to 17% beginning June 2006 through December 2006. For fiscal year 2007, the rate decreased to 15% from January through June and decreased to 13% from July through December. This is primarily due to the Bexar Mental Retardation and Ryan White programs plus other various funding increases.

New programs for 2008

The Council's Workforce program partially implemented the Job Access and Reverse Commute Program funded by the Texas Department of Transportation (TxDOT) that will provide expanded and enhanced transportation services for eligible people in Frio, Atascosa, and Medina Counties in 2007. The program will complete 12 months of operation in fiscal year 2008.

The Bexar Aging Program is completing the implementation of the Alamo Service Connection and The Texas Healthy Lifestyles grant. The Alamo Service Connection is a comprehensive, Internet-based resource for the elderly and people with disabilities as well as their caregivers and service providers. The Texas Healthy Lifestyle grant is to empower older persons with chronic diseases to manage their health and maintain active, fulfilling lives.

REQUESTS FOR INFORMATION

This financial report is designed to provide general overview of AACOG's finances for all those with an interest in the organization. Questions concerning any of the information provided in this report or requests for additional information should be addressed to the Controller's Office, Alamo Area Council of Governments, 8700 Tesovo Drive, San Antonio, Texas 78217.

THIS PAGE LEFT BLANK INTENTIONALLY

**BASIC
FINANCIAL STATEMENTS**

THIS PAGE LEFT BLANK INTENTIONALLY

ALAMO AREA COUNCIL OF GOVERNMENTS

STATEMENT OF NET ASSETS

DECEMBER 31, 2007

	<u>Primary Government</u>	<u>Component Unit</u>
	<u>Governmental Activities</u>	<u>Alamo Area Development Corporation</u>
ASSETS		
Cash and investments	\$ 7,275,381	\$ 11,237
Receivables:		
Grantors	4,564,397	2,068,648
Other	109,968	-
Deposits	10,000	-
Prepaid items	4,612	-
Capital assets	<u>4,276,232</u>	<u>-</u>
Total assets	<u>16,240,590</u>	<u>2,079,885</u>
LIABILITIES		
Accounts payable	4,181,399	2,069,956
Accrued liabilities	129,114	-
Unearned revenue	3,402,494	9,247
Other liabilities	24,419	-
Over recovered indirect costs and employee benefits	486,288	-
Over recovered central service costs	117,323	-
Noncurrent liabilities:		
Due within one year	219,101	-
Due in more than one year	<u>280,485</u>	<u>-</u>
Total liabilities	<u>8,840,623</u>	<u>2,079,203</u>
NET ASSETS		
Invested in capital assets	4,164,049	-
Unrestricted	<u>3,235,918</u>	<u>682</u>
Total net assets	<u>\$ 7,399,967</u>	<u>\$ 682</u>

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

ALAMO AREA COUNCIL OF GOVERNMENTS

STATEMENT OF ACTIVITIES

FOR THE YEAR ENDED DECEMBER 31, 2007

Functions/Programs	Expenses	Indirect Cost Allocation	Expenses After Allocation of Indirect Costs	Program Revenues		
				Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions
Primary government:						
Governmental activities:						
General government	\$ 89,787	\$ 3,825	\$ 93,612	\$ -	\$ 11,775	\$ -
Workforce development	3,155,490	149,415	3,304,905	-	3,301,008	-
Aging	12,527,678	360,831	12,888,509	6,672,988	6,033,091	-
Emergency communications	908,955	40,042	948,997	-	829,526	-
Economic development	67,754	9,485	77,239	-	57,966	-
Environmental quality	1,949,841	118,038	2,067,879	-	2,068,870	-
Community affairs	1,537,943	57,165	1,595,108	-	2,297,982	-
Homeland security	564,181	41,252	605,433	-	681,355	-
Transportation	3,268,675	211,980	3,480,655	2,081	4,164,108	1,000,000
Housing	676,106	8,496	684,602	-	396,499	-
Criminal justice	921,574	115,446	1,037,020	1,470	784,065	-
Health and welfare	9,632,289	479,873	10,112,162	-	10,341,428	-
Indirect costs	1,595,848	(1,595,848)	-	-	-	-
Interest on long-term debt	6,091	-	6,091	-	-	-
Total governmental activities	<u>36,902,212</u>	<u>-</u>	<u>36,902,212</u>	<u>6,676,539</u>	<u>30,967,673</u>	<u>1,000,000</u>
Total primary government	\$ <u>36,902,212</u>	\$ <u>-</u>	\$ <u>36,902,212</u>	\$ <u>6,676,539</u>	\$ <u>30,967,673</u>	\$ <u>1,000,000</u>
Component unit:						
Alamo Area Development Corporation	\$ <u>10,094,489</u>	\$ <u>-</u>	\$ <u>10,094,489</u>	\$ <u>-</u>	\$ <u>10,094,343</u>	\$ <u>-</u>
Total component unit	\$ <u>10,094,489</u>	\$ <u>-</u>	\$ <u>10,094,489</u>	\$ <u>-</u>	\$ <u>10,094,343</u>	\$ <u>-</u>

General revenues:
 Investment earnings
 Member dues
 Miscellaneous
 Total general revenues
 Change in net assets
 Net assets, beginning
 Prior period adjustment
 Net assets, ending

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

Net (Expense) Revenue and Changes in Net Assets	Component Unit
Primary Government Governmental Activities	Alamo Area Development Corporation
\$ (81,837)	\$ -
(3,897)	-
(182,430)	-
(119,471)	-
(19,273)	-
991	-
702,874	-
75,922	-
1,685,534	-
(288,103)	-
(251,485)	-
-	-
-	-
(6,091)	-
<u>1,512,734</u>	<u>-</u>
<u>1,742,000</u>	<u>-</u>
<u>-</u>	<u>(146)</u>
<u>-</u>	<u>(146)</u>
8,784	81
208,287	-
<u>1,577</u>	<u>-</u>
<u>218,648</u>	<u>81</u>
1,960,648	(65)
4,200,918	747
<u>1,238,401</u>	<u>-</u>
<u>\$ 7,399,967</u>	<u>\$ 682</u>

ALAMO AREA COUNCIL OF GOVERNMENTS

BALANCE SHEET

GOVERNMENTAL FUNDS

DECEMBER 31, 2007

	<u>General</u>	<u>Bexar Area Agency on Aging</u>	<u>Texas Department of Transportation</u>
ASSETS			
Cash and investments	\$ 2,389,802	\$ -	\$ 904,610
Accounts receivable:			
Grantors	-	622,893	796,439
Other	91,425	-	-
Due from other funds	1,969,481	565,247	334,962
Deposits	10,000	-	-
Prepaid items	<u>4,612</u>	<u>-</u>	<u>-</u>
 Total assets	 <u>\$ 4,465,320</u>	 <u>\$ 1,188,140</u>	 <u>\$ 2,036,011</u>
LIABILITIES			
Liabilities:			
Accounts payable	271,175	1,040,271	151,184
Accrued liabilities	110,177	220	1,617
Due to other funds	2,128,090	132,466	21,946
Over recovered indirect costs and employee benefits	481,218	-	-
Over recovered central service costs	117,323	-	-
Other liabilities	29,489	-	-
Deferred revenue	<u>49,471</u>	<u>12,420</u>	<u>16,378</u>
Total liabilities	<u>3,186,943</u>	<u>1,185,377</u>	<u>191,125</u>
FUND BALANCES			
Reserved for:			
Prepaid items	4,612	-	-
Unreserved, reported in:			
General fund			
Designated for compensated absences	387,403	-	-
Undesignated	<u>886,362</u>	<u>2,763</u>	<u>1,844,886</u>
Total fund balances	<u>1,278,377</u>	<u>2,763</u>	<u>1,844,886</u>
 Total liabilities and fund balances	 <u>\$ 4,465,320</u>	 <u>\$ 1,188,140</u>	 <u>\$ 2,036,011</u>

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

<u>Bexar Mental Retardation Authority</u>	<u>Other Governmental Funds</u>	<u>Total Governmental Funds</u>
\$ 3,021,381	\$ 959,588	\$ 7,275,381
887,049	2,258,016	4,564,397
-	18,543	109,968
756,152	471,729	4,097,571
-	-	10,000
-	-	<u>4,612</u>
<u>\$ 4,664,582</u>	<u>\$ 3,707,876</u>	<u>\$ 16,061,929</u>
1,032,120	1,686,649	4,181,399
16,407	693	129,114
488,524	1,326,545	4,097,571
-	-	481,218
-	-	117,323
-	-	29,489
<u>2,762,432</u>	<u>561,793</u>	<u>3,402,494</u>
<u>4,299,483</u>	<u>3,575,680</u>	<u>12,438,608</u>
-	-	4,612
-	-	387,403
<u>365,099</u>	<u>132,196</u>	<u>3,231,306</u>
<u>365,099</u>	<u>132,196</u>	<u>3,623,321</u>
<u>\$ 4,664,582</u>	<u>\$ 3,707,876</u>	<u>\$ 16,061,929</u>

THIS PAGE LEFT BLANK INTENTIONALLY

ALAMO AREA COUNCIL OF GOVERNMENTS
RECONCILIATION OF THE GOVERNMENTAL FUND BALANCE
SHEET TO THE STATEMENT OF NET ASSETS
FOR THE YEAR ENDED DECEMBER 31, 2007

Total fund balance - governmental funds (page 12)	\$ 3,623,321
Amounts reported for governmental activities in the Statement of Net Assets (page 8) are different because:	
Capital assets used in governmental activities are not financial resources and therefore are not reported in the funds.	4,276,232
Long-term liabilities (compensated absences) are not due and payable in the current period and therefore are not reported in the funds.	<u>(499,586)</u>
Net assets of governmental activities in the statement of net assets	<u>\$ 7,399,967</u>

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

ALAMO AREA COUNCIL OF GOVERNMENTS

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

GOVERNMENTAL FUNDS

FOR THE YEAR ENDED DECEMBER 31, 2007

	<u>General</u>	<u>Bexar Area Agency on Aging</u>	<u>Texas Department of Transportation</u>
REVENUES			
Federal	\$ -	\$ 5,929,376	\$ 1,396,610
State	-	277,024	1,203,006
Local	11,775	97,514	1,554,432
Delegate agencies:			
Cash match	-	2,067,964	10,060
In-kind	-	467,887	-
Program income	-	298,490	1,419
Membership dues	208,287	-	-
Investment income	8,784	-	-
Miscellaneous	1,577	-	662
Total revenues	<u>230,423</u>	<u>9,138,255</u>	<u>4,166,189</u>
EXPENDITURES			
General government	49,157	-	-
Aging	-	9,234,679	-
Health and welfare	-	-	-
Transportation	-	-	3,198,141
Workforce development	-	-	-
Environmental quality	-	-	-
Community affairs	-	-	-
Criminal justice	-	-	-
Emergency communications	-	-	-
Homeland security	-	-	-
Housing	-	-	-
Economic development	-	-	-
Debt service	-	-	20,908
Total expenditures	<u>49,157</u>	<u>9,234,679</u>	<u>3,219,049</u>
EXCESS (DEFICIENCY) OF REVENUES OVER (UNDER) EXPENDITURES	<u>181,266</u>	<u>(96,424)</u>	<u>947,140</u>
OTHER FINANCING SOURCES (USES)			
Proceeds from debt issuance	-	-	127,000
Transfers in	-	99,187	-
Transfers out	<u>(191,893)</u>	<u>-</u>	<u>-</u>
Total other financing sources (uses)	<u>(191,893)</u>	<u>99,187</u>	<u>127,000</u>
NET CHANGE IN FUND BALANCES	<u>(10,627)</u>	<u>2,763</u>	<u>1,074,140</u>
FUND BALANCES, BEGINNING	1,287,927	-	-
PRIOR PERIOD ADJUSTMENT	<u>1,077</u>	<u>-</u>	<u>770,746</u>
FUND BALANCES, BEGINNING, AS RESTATED	<u>1,289,004</u>	<u>-</u>	<u>770,746</u>
FUND BALANCES, ENDING	<u>\$ 1,278,377</u>	<u>\$ 2,763</u>	<u>\$ 1,844,886</u>

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

Bexar Mental Retardation Authority	Other Governmental Funds	Total Governmental
\$ -	\$ 12,727,433	\$ 20,053,419
4,781,695	4,166,075	10,427,800
1,017,212	430,639	3,111,572
-	418,952	2,496,976
-	508,153	976,040
-	277,834	577,743
-	-	208,287
-	-	8,784
-	-	2,239
<u>5,798,907</u>	<u>18,529,086</u>	<u>37,862,860</u>
-	20,876	70,033
-	3,639,613	12,874,292
5,569,641	4,542,521	10,112,162
-	385,526	3,583,667
-	3,301,008	3,301,008
-	2,062,937	2,062,937
-	1,595,108	1,595,108
-	994,953	994,953
-	829,526	829,526
-	673,740	673,740
-	697,294	697,294
-	77,239	77,239
-	-	20,908
<u>5,569,641</u>	<u>18,820,341</u>	<u>36,892,867</u>
<u>229,266</u>	<u>(291,255)</u>	<u>969,993</u>
-	-	127,000
-	95,116	194,303
-	<u>(2,410)</u>	<u>(194,303)</u>
-	<u>92,706</u>	<u>127,000</u>
229,266	<u>(198,549)</u>	1,096,993
-	-	1,287,927
<u>135,833</u>	<u>330,745</u>	<u>1,238,401</u>
<u>135,833</u>	<u>330,745</u>	<u>2,526,328</u>
<u>\$ 365,099</u>	<u>\$ 132,196</u>	<u>\$ 3,623,321</u>

THIS PAGE LEFT BLANK INTENTIONALLY

ALAMO AREA COUNCIL OF GOVERNMENTS

**RECONCILIATION OF THE STATEMENT OF REVENUES, EXPENDITURES
AND CHANGES IN FUND BALANCES OF GOVERNMENTAL FUNDS
TO THE STATEMENT OF ACTIVITIES**

FOR THE YEAR ENDED DECEMBER 31, 2007

Amounts reported for governmental activities in the Statement of Activities are different because:

Net change in fund balances - total governmental funds (pages 14 - 15)	\$ 1,096,993
Governmental funds report capital outlays as expenditures. However, in the statement of activities the cost of those assets is allocated over their estimated useful lives and reported as depreciation expense. This is the amount by which capital outlays exceeded depreciation in the current period.	47,223
The net effect of various disposals of capital assets is to decrease net assets.	(67,460)
Revenues in the statement of activities that do not provide current financial resources are not reported as revenue in the funds.	1,000,000
Some expenses (e.g., compensated absences) reported in the statement of activities do not require the use of current financial resources and, therefore, are not reported as expenditures in governmental funds.	(116,108)
Change in net assets of governmental activities (pages 9 - 10)	\$ <u>1,960,648</u>

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

ALAMO AREA COUNCIL OF GOVERNMENTS
STATEMENT OF FIDUCIARY ASSETS AND LIABILITIES
AGENCY FUNDS
AS OF DECEMBER 31, 2007

	<u>Social Security Administration</u>
ASSETS	
Due from other funds	\$ <u>692</u>
Total assets	\$ <u>692</u>
LIABILITIES	
Due to others	\$ <u>692</u>
Total liabilities	\$ <u>692</u>

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

ALAMO AREA COUNCIL OF GOVERNMENTS

NOTES TO FINANCIAL STATEMENTS

DECEMBER 31, 2007

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The financial statements of the Alamo Area Council of Governments (the "Council") have been prepared in conformity with generally accepted accounting principles (GAAP) as applied to governmental units. The Governmental Accounting Standards Board (GASB) is the accepted standard-setting body for establishing governmental accounting and financial reporting principles. The following represents the significant accounting policies and practices used by the Council.

Reporting Entity

The Alamo Area Council of Governments is a political subdivision of the State of Texas and a voluntary association of local governments within the twelve-county region. The Council was established in 1967 to study and resolve area-wide problems through the cooperation and coordinated action of member cities, counties, school districts and special purpose districts of the region.

Membership in the Council is voluntary. Any county, city or special purpose district within the region may become a member of the independent association by passing a resolution to join the Council and paying annual dues. Each member government is entitled to have voting representation on the Board of Directors, which is the Council's governing body.

The Council's basic financial statements include the accounts of all the Council operations. The criteria for including organizations within the Council's reporting entity is financial accountability. Financial accountability is defined as appointment of a voting majority of the component unit's board and either the ability to impose will by the primary government or the possibility that the component unit will provide a financial benefit to or impose a financial burden on the primary government. The following organization has been included within the Council's reporting entity:

Discretely Presented Component Unit

During 1995, 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. During 1998, AADC contracted with Alamo Workforce Development, Inc., subsequently renamed Alamo WorkSource ("AWS") during 2006, to administer various grant programs, consisting primarily of Texas Workforce Commission grants as presented on the accompanying Schedule of Expenditures of Federal and State Awards. Complete financial statements may be obtained at the entity's administrative office.

(continued)

1. **SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)**

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 and its component units. 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.

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 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. 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 membership dues are considered susceptible to accrual. All other revenue items are considered to be measurable and available only when cash is received by the Council.

(continued)

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Measurement Focus, Basis of Accounting and Financial Statement Presentation (Continued)

The Council reports the following major governmental funds:

The General Fund is the Council'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 Bexar Area Agency on Aging Fund is used to account for federal and state grants awarded to Alamo Area Council of Governments by the Texas Department of Aging and Disability Services.

The Texas Department of Transportation Fund is used to account for federal and state funds awarded to Alamo Area Council of Governments by the Texas Department of Transportation.

The Bexar Mental Retardation Authority Fund is used to account for state funds awarded to AACOG by the Texas Department of Aging and Disability Services as the mental retardation authority of Bexar County.

Additionally, the Council reports the following fund type:

Agency Funds are used to report funds held in a custodial capacity for others.

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

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

Use of Estimates

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

Assets, Liabilities and Net Assets or Equity

Cash and Investments

Cash in the Council's financial statements include amounts in demand deposits. State statutes authorize the Council to invest in obligations of the United States, its agencies, certificates of deposit 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 Council are reported at fair value.

(continued)

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Assets, Liabilities and Net Assets or Equity (Continued)

Grants Receivable

Grants receivable represent amounts due from federal and state agencies for the various programs administered by the Council. The receivable includes amounts due on programs closed-out and those in progress as of December 31, 2007.

Other Receivables

Other receivables represent amounts due for Medicaid and other miscellaneous receivables.

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 Council had no "advances to/from other funds" at December 31, 2007.

Prepaid Items

Certain payments to vendors reflect costs applicable to future accounting periods and are recorded as prepaid items in both the government-wide and fund financial statements.

Deferred Revenue

Deferred revenue represents amounts received from grantors in excess of expenditures for programs in progress as of December 31, 2007.

Capital Assets

Capital assets, which include equipment, are reported in the governmental activities column in the government-wide financial statements. Capital assets are defined by the Council as assets with an initial, individual cost of \$5,000 or greater and an estimated useful life in excess of one year. Such assets are recorded at historical cost or estimated historical cost if purchased or constructed. Donated capital assets are recorded at estimated fair market value at the date of donation.

The costs of normal maintenance and repairs that do not add to the value of the asset or materially extend assets' lives are not capitalized.

Equipment of the primary government is depreciated using the straight-line method with a useful life of 3 -15 years.

(continued)

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Assets, Liabilities and Net Assets or Equity (Continued)

Compensated Absences

Employees earn twelve (12) days of annual leave per year and may accrue up to a maximum of twenty (20) days. Employees will be paid for accrued annual leave upon termination of employment provided they have been in a fulltime position for three months or more. All annual leave pay is accrued when incurred in the government-wide statements. A liability is reported in governmental funds only if they have matured, for example, as a result of employee resignations and retirements.

Fulltime employees are eligible for a maximum of ten (10) personal leave days per year. Eligible employees may be compensated for accrued personal leave days upon termination of employment as outlined in the personnel policies. Personal leave is charged to expenditures as taken, therefore, a liability is not reported for unused personal leave.

Fund Equity

In the fund financial statements, governmental funds report reservations of fund balance for amounts that are not available for appropriation or are legally restricted by outside parties for use for a specific purpose. Designations of fund balance represent tentative management plans that are subject to change.

Indirect Costs and Fringe Benefit and Leave Pool Allocations

General administrative and employee fringe benefits costs are recorded in cost pools. The costs are partially recovered from Special Revenue Funds based on negotiated indirect and fringe benefit rates. These rates are negotiated with the Texas Department of Aging and Disability Services, which is AACOG's designated cognizant agency for the negotiation and approval of indirect and fringe benefit rates for use on federal grants. Indirect costs are defined by the U. S. Office of Management and Budget Circular A-87 as costs "(a) incurred for a common or joint purpose benefiting more than one cost objective, and (b) not readily achieved." AACOG uses a fixed-rate plus carry-forward provision. The rates are submitted with the cognizant agency on an annual basis, based on projected costs submitted on a Cost Allocation Plan for indirect fringe benefit and leave pool costs. The negotiated rates approved are used for billing purposes. Final costs not recovered by the billing rates are allowed by the oversight federal agency to be recovered in succeeding years.

Over-recovered Employee Benefits and Indirect Costs

Over-recovered employee benefits and indirect costs consist of costs incurred for employee benefits and general administrative costs. This liability will be reduced in succeeding years through AACOG's indirect and fringe benefit rate. Total employee benefits and indirect costs of \$486,288 were over-recovered as of December 31, 2007.

2. RECONCILIATION OF GOVERNMENT-WIDE AND FUND FINANCIAL STATEMENTS

Explanation of Certain Differences Between the Governmental Fund Statement of Revenue, Expenditures and Changes in Fund Balances and the Government-wide Statement of Activities

The governmental fund statement of revenue, expenditures and changes in fund balances includes a reconciliation between *net changes in fund balances – total governmental fund* and *changes in net assets of governmental activities* as reported in the government-wide statement of activities. One element of that reconciliation explains, “Governmental funds report capital outlays as expenditures. However, in the statement of activities the cost of those assets is allocated over their estimated useful lives and reported as depreciation expense.” The details of this \$47,223 difference are as follows:

Capital outlay	\$ 885,021
Depreciation expense	(837,798)
Net adjustment to increase <i>net changes in fund balances - total governmental funds</i> to arrive at <i>changes in net assets of governmental activities</i>	\$ <u>47,223</u>

3. STEWARDSHIP, COMPLIANCE AND ACCOUNTABILITY

Budgetary Information

The Council’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 fund or 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 Council. Although the financial plans are reviewed and approved by the Council’s Board, they are not considered legally adopted annual budgets or appropriations. Accordingly, comparative budget and actual results are not presented in this report.

4. DETAILED NOTES ON ALL FUNDS

Deposits and Investments

As of December 31, 2007, the primary government had the following investment:

<u>Investment Type</u>	<u>Fair Value</u>	<u>Weighted Average Maturity (Days)</u>
Tex Pool	\$ 4,995,057	28

(continued)

4. DETAILED NOTES ON ALL FUNDS (Continued)

Deposits and Investments (Continued)

The Public Funds Investment Act (Government Code Chapter 2256) contains specific provisions in the areas of investment practices, management reports and establishment of appropriate policies. Among other things, it requires the Council to adopt, implement, and publicize an investment policy. That policy must address the following areas: (1) safety of principal and liquidity, (2) portfolio diversification, (3) allowable investments, (4) acceptable risk levels, (5) expected rates of return, (6) maximum allowable stated maturity of portfolio investments, (7) maximum average dollar-weighted maturity allowed based on the stated maturity date for the portfolio, (8) investment staff quality and capabilities, and (9) bid solicitation preferences for certificates of deposit. Statutes authorize the Council to invest in (1) obligations of the U. S. Treasury, certain U. S. agencies, and the State of Texas; (2) certificates of deposit, (3) certain municipal securities, (4) money market savings accounts, (5) repurchase agreements, (6) bankers acceptances, (7) Mutual Funds, (8) investment pools, (9) guaranteed investment contracts, and (10) common trust funds. The Act also requires the Council to have independent auditors perform test procedures related to investment practices as provided by the Act. The Council is in substantial compliance with the requirements of the Act and with local policies.

The Council's investment pool is 2a7-like pool. A 2a7-like pool is one which is not registered with the Securities and Exchange Commission ("SEC") as an investment company, but nevertheless has a policy that it will, and does, operate in a manner consistent with the SEC's Rule 2a7 of the Investment Company Act of 1940.

Custodial Credit Risk. In the case of deposits, this is the risk that in the event of a bank failure, the Council'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, 2007, \$2,239,121 of the Council's \$2,373,677 deposit balance was collateralized with securities held by the pledging financial institution. The remaining balance, \$134,556, was covered by FDIC insurance.

Capital Assets

Capital asset activity for the year ended December 31, 2007, was as follows:

	Beginning Balance	Increases	Decreases	Ending Balance
Government activities:				
Capital assets, not being depreciated:				
Land	\$ -	\$ 127,000	\$ -	\$ 127,000
Total capital assets not being depreciated	-	127,000	-	127,000
Capital assets, being depreciated:				
Buildings	-	1,000,000	-	1,000,000
Furniture, fixtures and equipment	6,053,556	758,021	(300,769)	6,510,808
Total capital assets being depreciated	6,053,556	1,758,021	(300,769)	7,510,808
Less accumulated depreciation:				
Buildings	-	(30,303)	-	(30,303)
Furniture, fixtures and equipment	(2,757,087)	(807,495)	233,309	(3,331,273)
Total accumulated depreciation	(2,757,087)	(837,798)	233,309	(3,361,576)
Total capital assets, being depreciated, net	3,296,469	920,223	(67,460)	4,149,232
Governmental activities capital assets, net	\$ 3,296,469	\$ 1,047,223	\$(67,460)	\$ 4,276,232

(continued)

4. DETAILED NOTES ON ALL FUNDS (Continued)

Depreciation expense was charged to functions/programs of the Council as follows:

Governmental activities:

General government	\$ 38,191
Workforce development	3,897
Aging	14,217
Emergency communications	119,471
Environmental quality	4,942
Homeland security	363,651
Transportation	246,054
Housing	5,308
Criminal justice	<u>42,067</u>

Total depreciation expense - governmental activities \$ 837,798

Interfund Receivables and Payables

The Council pools cash in one bank account which 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, 2007, is as follows:

<u>Receivable Fund</u>	<u>Payable Fund</u>	<u>Amount</u>
General fund	Bexar Area Agency on Aging	\$ 132,466
	Alamo Area Agency on Aging	73,424
	Office of the Governor - Criminal Justice Division	207,497
	Bexar Mental Retardation Authority	488,524
	Other governmental funds	1,067,570
	Bexar Area Agency on Aging	General fund
Alamo Area Agency on Aging	General fund	55,952
Office of the Governor - Criminal Justice Division	General fund	44,079
Other governmental funds	General fund	706,660
Bexar Mental Retardation Authority	General fund	<u>756,152</u>
		<u>\$ 4,097,571</u>

Long-term Debt

During the current fiscal year, a promissory note in the amount of \$127,000 was issued for the purchase of land associated with the Kerrville Multimodal Transportation Facility. The interest rate associated with this note payable is variable and as of December 31, 2007, the rate was 7.25%. Monthly principal payments for this note are \$2,116 per month for a period of 60 months. As of December 31, 2007, the outstanding balance of this note payable is \$112,183.

(continued)

4. **DETAILED NOTES ON ALL FUNDS (Continued)**

Long-term Debt (Continued)

Debt service requirements of the note payable are as follows:

<u>Fiscal Year Ending</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2008	\$ 25,400	\$ 7,289	\$ 32,689
2009	25,400	5,448	30,848
2010	25,400	3,606	29,006
2011	25,400	1,765	27,165
2012	<u>10,583</u>	<u>192</u>	<u>10,775</u>
	<u>\$ 112,183</u>	<u>\$ 18,300</u>	<u>\$ 130,483</u>

Variable rate terms – The note payable outstanding as of December 31, 2007, has a variable interest rate set at the lender’s “prime” rate which can change at the lender’s discretion. Interest requirements for the variable rate note are calculated using the interest rate effective at the end of the reporting period, 7.25%.

Long-term liability activity for the year ended December 31, 2007, was as follows:

	<u>Beginning Balance</u>	<u>Additions</u>	<u>Reductions</u>	<u>Ending Balance</u>	<u>Due Within One Year</u>
Governmental activities					
Note payable	\$ -	\$ 127,000	\$ 14,817	\$ 112,183	\$ 25,400
Compensated absences	<u>383,478</u>	<u>521,934</u>	<u>518,009</u>	<u>387,403</u>	<u>193,701</u>
Governmental activity long-term liabilities	<u>\$ 383,478</u>	<u>\$ 648,934</u>	<u>\$ 532,826</u>	<u>\$ 499,586</u>	<u>\$ 219,101</u>

Typically, all governmental funds assist in liquidating compensated absences based on corresponding personnel costs.

5. **OTHER INFORMATION**

Risk Management

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

(continued)

5. **OTHER INFORMATION (Continued)**

Contingencies

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

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

Retirement Plan

Texas County and District Retirement System (TCDRS)

Plan Description

Alamo Area Council of Governments provides pension, disability, and death benefits for all of its fulltime employees through a nontraditional defined benefit pension plan in the statewide Texas County and District Retirement system (TCDRS). The Board of Trustees of TCDRS is responsible for the administration of the statewide agent multiple-employer public employee retirement system consisting of 573 nontraditional defined benefit pension plans. TCDRS in the aggregate issues a comprehensive annual financial report (CAFR) on a calendar year basis. The CAFR is available upon written request from the TCDRS Board of Trustees at P. O. Box 2034, Austin, Texas 78768-2034.

The plan provisions are adopted by the government body of the Council, within the options available in the state statutes governing TCDRS (TCDRS Act). Members can retire at age 60 and up with 10 years of service or prior to age 60 with 80 years of total age plus service. Members are vested after 10 years of service, but must leave their accumulated deposits in the plan to receive any employer-financed benefit. Members who withdraw their personal contributions in a lump sum are not entitled to any amounts contributed by their employer.

Benefit amounts are determined by the sum of the employee's contributions to the plan, with interest, and employer-financed monetary credits. The level of these monetary credits is adopted by the governing body of the Council within the actuarial constraints imposed by the TCDRS Act so that the resulting benefits can be expected to be adequately financed by the employer's commitment to contribute. At retirement, death, or disability, the benefit is calculated by converting the sum of the employee's accumulated deposits and the employer-financed monetary credits to a monthly annuity using annuity purchase rates prescribed by the TCDRS Act.

(continued)

5. **OTHER INFORMATION** (Continued)

Retirement Plan (Continued)

Texas County and District Retirement System (TCDRS)

Funding Policy

The Council has elected the annually determined contribution rate (variable-rate) plan provisions of the TCERS Act. The plan is funded by monthly contributions from both employee members and the Council based on the covered payroll of employee members. Under the TCERS Act, the contribution rate of the Council is actuarially determined annually. The Council contributed using the actuarially determined rate of 8.36% for the months of the accounting year in 2006, and 8.46% for the months of the accounting year in 2007.

The deposit rate payable by the employee members of the plan for calendar year 2007 is the rate of 6% as adopted by the governing body of the Council. The employee deposit rate and the employer contribution rate may be changed by the Board of Directors of the Council within the options available in the TCERS Act.

Annual Pension Cost

For the Council's accounting year ended December 31, 2007, the annual pension cost for the TCERS plan for its employees was \$685,978 and the actual contributions were \$735,978.

The annual required contributions were actuarially determined as a percent of the covered payroll of the participating employees, and were in compliance with the GASB Statement No. 27 parameters based on the actuarial valuations as of December 31, 2004 and December 31, 2005, the basis for determining the contribution rates for calendar years 2006 and 2007. The December 31, 2006, actuarial valuation is the most recent valuation.

(continued)

5. OTHER INFORMATION (Continued)

Pension Plans – Primary Government (Continued)

Texas County and District Retirement System (TCDRS) (Continued)

Annual Pension Cost (Continued)

Actuarial Valuation Date	12/31/04	12/31/05	12/31/06
Actuarial cost method	entry age	entry age	entry age
Amortization method	level percentage of payroll, open	level percentage of payroll, open	level percentage of payroll, open
Amortization period	20	20	20
Asset valuation method	long-term appreciation with adjustment	long-term appreciation with adjustment	long-term appreciation with adjustment
Actuarial Assumptions:			
Investment return (1)	8.00%	8.00%	8.00%
Projected salary increases (1)	5.5%	5.3%	5.3%
Inflation	3.5%	3.5%	3.5%
Cost-of-living adjustments	0.0%	0.0%	0.0%

(1) includes inflation at the stated rate

Trend Information

Accounting Year Ending	Annual Pension Cost (APC)	Percentage of APC Contributed	Net Pension Obligation
12/31/05	\$ 347,608	100%	\$ -
12/31/06	560,476	100%	-
12/31/07	685,978	100%	-

Schedule of Funding Progress

Year	Actuarial Value of Assets (a)	Actuarial Accrued Liability (AAL) (b)	Unfunded AAL (UAAL) (b-a)	Funded Ratio (a/b)	Annual Covered Payroll (1) (c)	UAAL as a Percentage of Covered Payroll ((b-a)/c)
2004	\$ 4,768,261	\$ 6,335,107	\$ 1,566,846	75.27%	\$ 5,996,306	26.13%
2005	5,548,714	7,271,459	1,722,745	76.31%	6,223,844	27.68%
2006	6,865,197	8,267,078	1,401,881	83.04%	6,704,005	20.91%

(1) The annual covered payroll is based on the employee contributions received by TCERS for the year ending with the valuation date.

Prior Period Adjustment

In previous years, the Council had deferred certain revenues that should have been recognized in the period they were earned and became measurable and available to finance expenditures of the related fiscal period. As a result, the beginning equity in the accompanying financial statements has been restated. The result of this restatement is an increase in the amount of \$1,238,401 to the beginning fund balance in the fund financial statements and the beginning net assets in the government-wide financial statements.

THIS PAGE LEFT BLANK INTENTIONALLY

NONMAJOR GOVERNMENTAL FUNDS

SPECIAL REVENUE FUNDS

Special revenue funds are used to account for specific revenues that are legally restricted to expenditure for particular purposes.

Texas Commission on Environmental Quality – This fund is used to account for federal and state grants awarded to Alamo Area Council of Governments by the Texas Commission on Environmental Quality.

Alamo Area Development Corporation – This fund is used to account for federal funds awarded to Alamo Area Council of Governments by the Alamo Area Development Corporation, a discretely presented component unit of the Council.

Alamo Area Agency on Aging Fund – This fund is used to account for federal and state grants awarded to Alamo Area Council of Governments by the Texas Department of Aging and Disability Services.

Economic Development Administration – This fund is used to account for federal funds awarded to Alamo Area Council of Governments by the Economic Development Administration.

Commission on State Emergency Communications – This fund is used to account for state funds awarded to Alamo Area Council of Governments by the Commission on State Emergency Communications.

Metropolitan Planning Organization – This fund is used to account for federal grants awarded to Alamo Area Council of Governments by the Metropolitan Planning Organization.

Office of Rural and Community Affairs – This fund is used to account for federal grants awarded to Alamo Area Council of Governments by the Office of Rural and Community Affairs.

Texas Department of Housing and Community Affairs – This fund is used to account for federal grants awarded to Alamo Area Council of Governments by the Texas Department of Housing and Community Affairs.

U. S. Department of Housing and Urban Development – This fund is used to account for federal grants awarded to Alamo Area Council of Governments by the U. S. Department of Housing and Urban Development.

Texas Department of Public Safety – This fund is used to account for federal grants awarded to Alamo Area Council of Governments by the Texas Department of Public Safety.

Capital Area Council of Governments – This fund is used to account for state grants awarded to Alamo Area Council of Governments by the Capital Area Council of Governments.

State Energy Conservation Office – This fund is used to account for state grants awarded to Alamo Area Council of Governments by the State Energy Conservation Office.

Office of the Governor – This fund is used to account for the federal and state funds passed through the Office of the Governor.

Environmental Protection Agency – This fund is used to account for federal grants awarded to Alamo Area Council of Governments by the Environmental Protection Agency.

City of San Antonio – This fund is used to account for federal grants awarded to Alamo Area Council of Governments by the City of San Antonio.

Local Projects – This fund is used to account for projects funded by local donations.

Ryan White – This fund is used to account for the Ryan White grant program.

Katrina – This fund is used to account for the Katrina federal grant program awarded to AACOG by the Texas Health and Human Services Commission.

ALAMO AREA COUNCIL OF GOVERNMENTS

COMBINING BALANCE SHEET

NONMAJOR GOVERNMENTAL FUNDS

DECEMBER 31, 2007

	Special Revenue		
	Texas Commission on Environmental Quality	Alamo Area Development Corporation	Alamo Area Agency on Aging
ASSETS			
Cash and investments	\$ 544,311	\$ -	\$ -
Accounts receivable:			
Grantors	197,449	499,147	264,694
Other	-	-	-
Due from other funds	<u>285</u>	<u>2,651</u>	<u>55,952</u>
Total assets	<u>\$ 742,045</u>	<u>\$ 501,798</u>	<u>\$ 320,646</u>
LIABILITIES AND FUND BALANCE			
Liabilities:			
Accounts payable	\$ 425,047	\$ 3,683	\$ 225,884
Accrued liabilities	-	693	-
Due to other funds	205,918	495,094	73,424
Deferred revenue	<u>111,080</u>	<u>2,328</u>	<u>1,724</u>
Total liabilities	<u>742,045</u>	<u>501,798</u>	<u>301,032</u>
Fund balance	<u>-</u>	<u>-</u>	<u>19,614</u>
Total liabilities and fund balance	<u>\$ 742,045</u>	<u>\$ 501,798</u>	<u>\$ 320,646</u>

Special Revenue

<u>Economic Development Administration</u>	<u>Commission on State Emergency Communications</u>	<u>Metropolitan Planning Organization</u>	<u>Office of Rural and Community Affairs</u>	<u>Texas Department of Housing and Community Affairs</u>	<u>U. S. Department of Housing and Urban Development</u>
\$ -	\$ 288,235	\$ -	\$ -	\$ 2,527	\$ 97,049
-	-	109,596	5,869	70,695	-
-	-	-	-	-	-
<u>7,561</u>	<u>116,940</u>	<u>-</u>	<u>2,279</u>	<u>14,973</u>	<u>22,922</u>
<u>\$ 7,561</u>	<u>\$ 405,175</u>	<u>\$ 109,596</u>	<u>\$ 8,148</u>	<u>\$ 88,195</u>	<u>\$ 119,971</u>
\$ 45	\$ 141,949	\$ 1,505	\$ 35	\$ 58,718	\$ 551
-	-	-	-	-	-
-	-	107,011	5,481	-	52,588
<u>7,502</u>	<u>263,226</u>	<u>-</u>	<u>-</u>	<u>29,477</u>	<u>489</u>
<u>7,547</u>	<u>405,175</u>	<u>108,516</u>	<u>5,516</u>	<u>88,195</u>	<u>53,628</u>
<u>14</u>	<u>-</u>	<u>1,080</u>	<u>2,632</u>	<u>-</u>	<u>66,343</u>
<u>\$ 7,561</u>	<u>\$ 405,175</u>	<u>\$ 109,596</u>	<u>\$ 8,148</u>	<u>\$ 88,195</u>	<u>\$ 119,971</u>

(continued)

ALAMO AREA COUNCIL OF GOVERNMENTS

COMBINING BALANCE SHEET

NONMAJOR GOVERNMENTAL FUNDS

(Continued)

DECEMBER 31, 2007

	Special Revenue		
	Texas Department of Public Safety	Capital Area Council of Governments	State Energy Conservation Office
ASSETS			
Cash and investments	\$ -	\$ -	\$ -
Accounts receivable:			
Grantors	-	-	2,691
Other	-	-	-
Due from other funds	<u>2,261</u>	<u>288</u>	<u>2,237</u>
Total assets	<u>\$ 2,261</u>	<u>\$ 288</u>	<u>\$ 4,928</u>
LIABILITIES AND FUND BALANCE			
Liabilities:			
Accounts payable	\$ -	\$ -	\$ 75
Accrued liabilities	-	-	-
Due to other funds	-	-	-
Deferred revenue	<u>-</u>	<u>288</u>	<u>-</u>
Total liabilities	<u>-</u>	<u>288</u>	<u>75</u>
Fund balance	<u>2,261</u>	<u>-</u>	<u>4,853</u>
Total liabilities and fund balance	<u>\$ 2,261</u>	<u>\$ 288</u>	<u>\$ 4,928</u>

Special Revenue

Office of the Governor	Environmental Protection Agency	City of San Antonio	Local Projects	Ryan White	Katrina	Totals
\$ 27,466	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 959,588
267,147	-	153,973	62,279	342,277	282,199	2,258,016
18,543	-	-	-	-	-	18,543
<u>44,079</u>	<u>1,228</u>	<u>-</u>	<u>41,407</u>	<u>156,666</u>	<u>-</u>	<u>471,729</u>
<u>\$ 357,235</u>	<u>\$ 1,228</u>	<u>\$ 153,973</u>	<u>\$ 103,686</u>	<u>\$ 498,943</u>	<u>\$ 282,199</u>	<u>\$ 3,707,876</u>
\$ 13,919	\$ -	\$ 3,721	\$ 67,894	\$ 464,335	\$ 279,288	\$ 1,686,649
-	-	-	-	-	-	693
207,497	-	150,132	1,881	24,608	2,911	1,326,545
134,331	1,228	120	-	10,000	-	561,793
<u>355,747</u>	<u>1,228</u>	<u>153,973</u>	<u>69,775</u>	<u>498,943</u>	<u>282,199</u>	<u>3,575,680</u>
<u>1,488</u>	<u>-</u>	<u>-</u>	<u>33,911</u>	<u>-</u>	<u>-</u>	<u>132,196</u>
<u>\$ 357,235</u>	<u>\$ 1,228</u>	<u>\$ 153,973</u>	<u>\$ 103,686</u>	<u>\$ 498,943</u>	<u>\$ 282,199</u>	<u>\$ 3,707,876</u>

ALAMO AREA COUNCIL OF GOVERNMENTS
COMBINING STATEMENT OF REVENUES, EXPENDITURES
AND CHANGES IN FUND BALANCES
NONMAJOR GOVERNMENTAL FUNDS

FOR THE YEAR ENDED DECEMBER 31, 2007

	Special Revenue		
	Texas Commission on Environmental Quality	Alamo Area Development Corporation	Alamo Area Agency on Aging
REVENUES			
Federal	\$ -	\$ 2,549,140	\$ 2,273,597
State	1,962,037	34,244	110,314
Local	14	-	11,997
Program income	-	-	262,933
Delegate agencies:			
Cash match	-	-	418,952
In-kind	-	-	487,532
Total revenues	<u>1,962,051</u>	<u>2,583,384</u>	<u>3,565,325</u>
EXPENDITURES			
General government	-	-	-
Workforce development	-	2,583,384	-
Aging	-	-	3,613,292
Emergency communications	-	-	-
Economic development	-	-	-
Environmental quality	1,962,051	-	-
Community affairs	-	-	-
Homeland security	-	-	-
Transportation	-	-	-
Housing	-	-	-
Criminal justice	-	-	-
Health and welfare	-	-	-
Total expenditures	<u>1,962,051</u>	<u>2,583,384</u>	<u>3,613,292</u>
EXCESS (DEFICIENCY) OF REVENUES OVER (UNDER) EXPENDITURES	<u>-</u>	<u>-</u>	<u>(47,967)</u>
OTHER FINANCING SOURCES AND USES			
Transfers in	-	-	54,581
Transfers out	-	-	-
Total other financing sources and uses	<u>-</u>	<u>-</u>	<u>54,581</u>
NET CHANGE IN FUND BALANCES	-	-	6,614
FUND BALANCES, BEGINNING	-	-	-
PRIOR PERIOD ADJUSTMENT	<u>-</u>	<u>-</u>	<u>13,000</u>
FUND BALANCES, BEGINNING, AS RESTATED	<u>-</u>	<u>-</u>	<u>13,000</u>
FUND BALANCES, ENDING	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 19,614</u>

Special Revenue

Economic Development Administration	Commission on State Emergency Communications	Metropolitan Planning Organization	Office of Rural and Community Affairs	Texas Department of Housing and Community Affairs	U. S. Department of Housing and Urban Development
\$ 57,952	\$ -	\$ 385,526	\$ 13,062	\$ 1,545,865	\$ 389,174
-	829,526	-	-	-	-
14	-	1,080	2,632	-	-
-	-	-	-	-	-
-	-	-	-	-	-
<u>57,966</u>	<u>829,526</u>	<u>386,606</u>	<u>15,694</u>	<u>1,545,865</u>	<u>389,174</u>
-	-	-	-	-	-
-	-	-	-	-	-
-	-	-	-	-	-
-	829,526	-	-	-	-
77,239	-	-	-	-	-
-	-	-	-	-	-
-	-	-	23,764	1,562,293	-
-	-	-	-	-	-
-	-	385,526	-	-	-
-	-	-	-	-	347,901
-	-	-	-	-	-
<u>77,239</u>	<u>829,526</u>	<u>385,526</u>	<u>23,764</u>	<u>1,562,293</u>	<u>347,901</u>
(19,273)	-	1,080	(8,070)	(16,428)	41,273
19,287	-	-	13,112	-	-
-	-	-	(2,410)	-	-
<u>19,287</u>	<u>-</u>	<u>-</u>	<u>10,702</u>	<u>-</u>	<u>-</u>
14	-	1,080	2,632	(16,428)	41,273
-	-	-	-	-	-
-	-	-	-	16,428	25,070
-	-	-	-	16,428	25,070
<u>\$ 14</u>	<u>\$ -</u>	<u>\$ 1,080</u>	<u>\$ 2,632</u>	<u>\$ -</u>	<u>\$ 66,343</u>

(continued)

ALAMO AREA COUNCIL OF GOVERNMENTS
COMBINING STATEMENT OF REVENUES, EXPENDITURES
AND CHANGES IN FUND BALANCES
NONMAJOR GOVERNMENTAL FUNDS
(Continued)
FOR THE YEAR ENDED DECEMBER 31, 2007

	Special Revenue		
	Texas Department of Public Safety	Capital Area Council of Governments	State Energy Conservation Office
REVENUES			
Federal	\$ -	\$ -	\$ 14,378
State	-	-	17,001
Local	-	-	18,238
Program income	2,261	-	-
Delegate agencies:			
Cash match	-	-	-
In-kind	-	-	-
Total revenues	<u>2,261</u>	<u>-</u>	<u>49,617</u>
EXPENDITURES			
General government	-	-	-
Workforce development	-	-	-
Aging	-	-	-
Emergency communications	-	-	-
Economic development	-	-	-
Environmental quality	-	-	44,764
Community affairs	-	-	-
Homeland security	-	-	-
Transportation	-	-	-
Housing	-	-	-
Criminal justice	-	-	-
Health and welfare	-	-	-
Total expenditures	<u>-</u>	<u>-</u>	<u>44,764</u>
EXCESS (DEFICIENCY) OF REVENUES OVER (UNDER) EXPENDITURES	<u>2,261</u>	<u>-</u>	<u>4,853</u>
OTHER FINANCING SOURCES (USES)			
Transfers in	-	-	-
Transfers out	-	-	-
Total other financing sources (uses)	<u>-</u>	<u>-</u>	<u>-</u>
NET CHANGE IN FUND BALANCES	2,261	-	4,853
FUND BALANCES, BEGINNING	-	-	-
PRIOR PERIOD ADJUSTMENT		-	-
FUND BALANCES, BEGINNING, AS RESTATED	<u>-</u>	<u>-</u>	<u>-</u>
FUND BALANCES, ENDING	<u>\$ 2,261</u>	<u>\$ -</u>	<u>\$ 4,853</u>

Special Revenue

Office of the Governor	Environmental Protection Agency	City of San Antonio	Local Projects	Ryan White	Katrina	Totals
\$ 796,388	\$ 56,122	\$ 717,624	\$ -	\$ 1,973,467	\$ 1,955,138	\$ 12,727,433
599,037	-	-	-	613,916	-	4,166,075
7,114	-	-	389,550	-	-	430,639
7,607	-	-	5,033	-	-	277,834
-	-	-	-	-	-	418,952
20,621	-	-	-	-	-	508,153
<u>1,430,767</u>	<u>56,122</u>	<u>717,624</u>	<u>394,583</u>	<u>2,587,383</u>	<u>1,955,138</u>	<u>18,529,086</u>
-	-	-	20,876	-	-	20,876
-	-	717,624	-	-	-	3,301,008
-	-	-	26,321	-	-	3,639,613
-	-	-	-	-	-	829,526
-	-	-	-	-	-	77,239
-	56,122	-	-	-	-	2,062,937
-	-	-	9,051	-	-	1,595,108
673,740	-	-	-	-	-	673,740
-	-	-	-	-	-	385,526
-	-	-	349,393	-	-	697,294
987,144	-	-	7,809	-	-	994,953
-	-	-	-	2,587,383	1,955,138	4,542,521
<u>1,660,884</u>	<u>56,122</u>	<u>717,624</u>	<u>413,450</u>	<u>2,587,383</u>	<u>1,955,138</u>	<u>18,820,341</u>
(230,117)	-	-	(18,867)	-	-	(291,255)
-	-	-	8,136	-	-	95,116
-	-	-	-	-	-	(2,410)
-	-	-	8,136	-	-	92,706
(230,117)	-	-	(10,731)	-	-	(198,549)
-	-	-	-	-	-	-
<u>231,605</u>	-	-	<u>44,642</u>	-	-	<u>330,745</u>
<u>231,605</u>	-	-	<u>44,642</u>	-	-	<u>330,745</u>
<u>\$ 1,488</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 33,911</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 132,196</u>

THIS PAGE LEFT BLANK INTENTIONALLY

SUPPLEMENTAL SCHEDULES

THIS PAGE LEFT BLANK INTENTIONALLY

INDIRECT COSTS AND EMPLOYEE BENEFIT SCHEDULES

This section of the annual financial report contains supplemental schedules required by regional planning commissions in the State of Texas.

THIS PAGE LEFT BLANK INTENTIONALLY

ALAMO AREA COUNCIL OF GOVERNMENTS

SCHEDULE OF INDIRECT COSTS

YEAR ENDED DECEMBER 31, 2007

Personnel services	\$ 1,067,936
Employee benefits	313,523
Audit	38,925
Other contract services	119,100
Travel	12,161
Rent administration	30,537
Rent	595,885
Supplies	88,926
Equipment	64,172
Insurance and bonding	7,383
Public notices	2,466
Printing and reproduction	20,769
Repairs and maintenance	52,122
Fuel/oil	1,367
Employee recruitment	5,474
Communications	79,697
Postage	50,252
Meetings other	11,241
Training in region	3,048
Publications	359
Professional dues	29,828
Equipment rental	<u>70,061</u>
Total indirect costs	2,665,232
Less: administration cost received	<u>1,301,401</u>
NET INDIRECT COSTS	1,363,831
ACTUAL INDIRECT COSTS RECOVERED	(1,595,848)
OVER RECOVERY OF INDIRECT COSTS PER 2006 AUDIT	<u>(140,341)</u>
ACCUMULATED COST OVER RECOVERY	<u><u>\$ (372,358)</u></u>

ALAMO AREA COUNCIL OF GOVERNMENTS

SCHEDULE OF EMPLOYEE BENEFITS (FRINGE AND RELEASE TIME)

YEAR ENDED DECEMBER 31, 2007

Benefits:		
FICA	\$	608,293
Group life insurance		39,947
Unemployment insurance		670
Workers' compensation		61,398
Health insurance		925,928
Retirement		735,430
Release time		<u>1,131,653</u>
Total employee benefits		3,503,319
ACTUAL EMPLOYEE BENEFITS RECOVERED	(3,479,820)
OVER RECOVERY OF INDIRECT COST PER 2006 AUDIT	(<u>137,433</u>)
ACCUMULATED OVER RECOVERY	\$	<u>(113,934)</u>

SUPPLEMENTAL SCHEDULES – BEXAR MENTAL RETARDATION AUTHORITY

This section of the annual financial report contains supplemental schedules required by mental retardation authorities in the State of Texas. Mental retardation authorities report to granting agencies on a 12-month grant period that ends on August 31. Accordingly, these schedules have been prepared in a manner that facilitates reconciliation to a 12-month period ending August 31.

THIS PAGE LEFT BLANK INTENTIONALLY

ALAMO AREA COUNCIL OF GOVERNMENTS

BEXAR MENTAL RETARDATION AUTHORITY
RECONCILIATION OF TOTAL EXPENDITURES
TO FOURTH QUARTER FINANCIAL REPORT

FOR THE YEAR ENDED DECEMBER 31, 2007
(UNAUDITED)

	<u>CARE *</u> <u>Report III</u>	<u>Additions**</u>	<u>Deletions***</u>	<u>Audited***</u> <u>Financial</u> <u>Statements</u>
EXPENDITURES				
Salaries	\$ 1,336,506	\$ 6,122,685	\$ 416,307	\$ 7,042,884
Employee benefits	406,287	1,773,385	130,158	2,049,514
Professional consulting services	2,405,947	20,350,600	555,697	22,200,850
Training/travel	70,389	302,377	28,822	343,944
Debt service	-	20,907	-	20,907
Capital outlay	181,927	929,641	995	1,110,573
Non-capital equipment	6,281	128,609	(1,440)	136,330
Other operating expenditures	<u>945,718</u>	<u>3,458,204</u>	<u>416,057</u>	<u>3,987,865</u>
Total expenditures	<u>\$ 5,353,055</u>	<u>\$ 33,086,408</u>	<u>\$ 1,546,596</u>	<u>\$ 36,892,867</u>

* CARE Report III

** Other Agency Programs

*** Sept - December 2006 MR Expenses

ALAMO AREA COUNCIL OF GOVERNMENTS

BEXAR MENTAL RETARDATION AUTHORITY
RECONCILIATION OF TOTAL REVENUE
TO FOURTH QUARTER FINANCIAL REPORT

FOR THE YEAR ENDED DECEMBER 31, 2007
(UNAUDITED)

	<u>CARE *</u> <u>Report III</u>	<u>Additions**</u>	<u>Deletions***</u>	<u>Audited</u> <u>Financial</u> <u>Statements</u>
LOCAL AND EARNED REVENUES				
Medicaid	\$ -	\$ 229,266	\$ -	\$ 229,266
Medicaid administrative claiming	380,476	-	-	380,476
Membership dues	-	208,287	-	208,287
Local	-	2,094,360	-	2,094,360
Contributions	407,470	-	-	407,470
Delegate agency match	-	4,050,759	-	4,050,759
Interest	-	8,784	-	8,784
Other	-	2,239	-	2,239
Total local and earned revenues	<u>787,946</u>	<u>6,593,695</u>	<u>-</u>	<u>7,381,641</u>
STATE PROGRAM REVENUES				
General revenue	4,189,340	7,358,218	1,469,994	10,077,564
In-home and Family Support	341,416	28,961	19,255	351,122
Permanency planning	17,228	22,108	21,893	17,443
OBRA funds	17,125	-	35,454	(18,329)
Total state program revenues	<u>4,565,109</u>	<u>7,409,287</u>	<u>1,546,596</u>	<u>10,427,800</u>
FEDERAL PROGRAM REVENUES				
Federal revenue	-	20,053,419	-	20,053,419
Total federal program revenues	<u>-</u>	<u>20,053,419</u>	<u>-</u>	<u>20,053,419</u>
 Total revenues	 <u>\$ 5,353,055</u>	 <u>\$ 34,056,401</u>	 <u>\$ 1,546,596</u>	 <u>\$ 37,862,860</u>

* CARE Report III

** Other Agency Programs and Sept-Dec MR

*** Sept - December 2006 MR revenues

ALAMO AREA COUNCIL OF GOVERNMENTS

**BEXAR MENTAL RETARDATION AUTHORITY
RECONCILIATION OF TOTAL REVENUE
TO FIRST QUARTER FY 2008 FINANCIAL REPORT**

**FOR THE YEAR ENDED DECEMBER 31, 2007
(UNAUDITED)**

	1st Qtr * CARE Report III	(Dec 07)** Additions	All other Agency	Deletions	Audited Financial Statements
LOCAL AND EARNED REVENUES					
Medicaid	\$ -	\$ -	\$ 229,266	\$ -	\$ 229,266
Medicaid administrative claiming	-	-	380,478	-	380,478
Membership dues	-	-	208,287	-	208,287
Local	-	-	2,094,360	-	2,094,360
Contributions	102,598	34,199	407,470	136,797	407,470
Delegate agency match	-	-	4,050,759	-	4,050,759
Interest	-	-	8,784	-	8,784
Other	-	-	2,239	-	2,239
Total local and earned revenues	<u>102,598</u>	<u>34,199</u>	<u>7,381,643</u>	<u>136,797</u>	<u>7,381,643</u>
STATE PROGRAM REVENUES					
General revenue	924,190	453,435	8,699,939	-	10,077,564
In-home and family support	18,744	22,363	310,015	-	351,122
Permanency planning	19,896	5,528	(7,981)	-	17,443
OBRA funds	-	475	(18,804)	-	(18,329)
Total state program revenues	<u>962,830</u>	<u>481,801</u>	<u>8,983,169</u>	<u>-</u>	<u>10,427,800</u>
FEDERAL PROGRAM REVENUES					
Federal revenue	-	-	20,053,419	-	20,053,419
Total federal program revenues	<u>-</u>	<u>-</u>	<u>20,053,419</u>	<u>-</u>	<u>20,053,419</u>
Total revenues	<u>\$ 1,065,428</u>	<u>\$ 516,000</u>	<u>\$ 36,418,231</u>	<u>\$ 136,797</u>	<u>\$ 37,862,862</u>

* 1st qtr FY08 Sept - Nov

** December 2007 MR Revenues

ALAMO AREA COUNCIL OF GOVERNMENTS

BEXAR MENTAL RETARDATION AUTHORITY
SCHEDULE OF REVENUES AND EXPENDITURES BY SOURCE OF FUNDS

FOR THE YEAR ENDED DECEMBER 31, 2007
(UNAUDITED)

Fund Sources	Total Revenue	Jan - Aug Mental Retardation Expenditures	Sept - Dec Mental Retardation Expenditures	All other Program Expenditures	Excess Revenue Over Expenditures
Objects of expense:					
Personnel	\$ 7,042,884	\$ 999,814	\$ 413,239	\$ 5,629,831	\$ -
Employee benefits	2,049,514	296,394	114,388	1,638,732	-
Debt service	20,907	-	-	20,907	-
Capital outlay	1,246,903	189,647	-	1,057,256	-
Other operating expense	24,762,167	2,018,293	940,383	21,803,491	-
Allocation of general administration to strategies	1,581,568	297,248	46,616	1,237,704	-
Allocation of authority administration to strategies	188,924	122,122	66,802	-	-
Total expenditures	36,892,867	3,923,517	1,581,428	31,387,922	-
Method of finance:					
General revenue - Mental Retardation	4,431,459	2,836,405	1,377,625	217,429	-
In-Home and Family Support - Mental Retardation	351,122	322,161	41,107	(12,146)	-
Permanency planning	17,443	(4,665)	25,424	(3,316)	-
OBRA Funds	(18,329)	(18,329)	475	(475)	-
Earned income	609,742	609,742	-	-	-
Additional local funds	407,470	407,470	136,797	(136,797)	-
Other services revenues	32,063,953	-	-	31,093,960	969,993
Total expended sources	\$ 37,862,860	\$ 4,152,784	\$ 1,581,428	\$ 31,158,655	\$ 969,993

ALAMO AREA COUNCIL OF GOVERNMENTS

**BEXAR MENTAL RETARDATION AUTHORITY
SCHEDULE OF INDIRECT COSTS**

**FOR THE YEAR ENDED DECEMBER 31, 2007
(UNAUDITED)**

	<u>Total Costs</u>	<u>Nonallowable Costs</u>	<u>Depreciation</u>	<u>Total Adjusted Cost</u>	<u>Direct Costs</u>	<u>Indirect Costs</u>
Personnel	\$ 7,042,884	\$ -	\$ -	\$ 7,042,884	\$ 6,201,669	\$ 841,215
Fringe benefits	2,049,514	-	-	2,049,514	1,802,656	246,858
Debt service	20,907	14,817	-	6,090	6,090	-
Capital outlay	1,246,903	885,021	-	361,882	353,911	7,971
Depreciation	-	-	837,798	837,798	837,798	-
Other operating expense	<u>26,532,659</u>	<u>-</u>	<u>-</u>	<u>26,532,659</u>	<u>26,264,873</u>	<u>267,786</u>
Total expenses	<u>\$ 36,892,867</u>	<u>\$ 899,838</u>	<u>\$ 837,798</u>	<u>\$ 36,830,827</u>	<u>\$ 35,466,996</u>	<u>\$ 1,363,831</u>
Indirect costs						\$ 1,363,831
Direct costs						35,466,996
Indirect cost rate						3.85%

ALAMO AREA COUNCIL OF GOVERNMENTS

**BEXAR MENTAL RETARDATION AUTHORITY
SCHEDULE OF INSURANCE IN EFFECT**

**FOR THE YEAR ENDED DECEMBER 31, 2007
(UNAUDITED)**

Insurer	Policy Period		Coverage	Amount
	Begins	Ends		
Texas Municipal League Risk Management Fund	10/01/06	10/01/07	Workers' Compensation	Statutory
Texas Municipal League Risk Management Fund	10/01/06	10/01/07	Automobile Liability	
			Per Occurrence Limit	\$ 5,000,000
			Deductible	-
			Annual Aggregate	-
			Medical Payments per person	25,000
			Deductible	-
			Automobile Physical Damage	
			Per Occurrence Limit	10,000
			Deductible	250
Texas Municipal League Risk Management Fund	10/01/06	10/01/07	General Liability	
			Per Occurrence Limit	10,000,000
			Deductible	-
			Sudden Events Each Occurrence	2,000,000
			Annual Aggregate	10,000,000
Texas Municipal League Risk Management Fund	10/01/06	10/01/07	Law Enforcement Liability	
			Per Occurrence Limit	2,000,000
			Annual Aggregate	4,000,000
			Deductible	1,000
Texas Municipal League Risk Management Fund	10/01/06	10/01/07	Errors and Omissions Liability	
			Each Wrongful Act	2,000,000
			Annual Aggregate	4,000,000
			Deductible	1,000
Texas Municipal League Risk Management Fund	10/01/06	10/01/07	All Risk Property Coverage	
			Coverage Basis	
			Building : Replacement Cost Valuation	2,448,800
			Deductible	250
			Transit Limit	1,000,000
			Valuable Papers and EDP Media	10,000
			Accounts Receivable	10,000
			Loss of Revenue Extra Expense and Rev	25,000
			Personal Property of Employees and Officials	5,000
			Leasehold Interest	65,000
			Outdoor Trees and Shrubs	10,000

(continued)

ALAMO AREA COUNCIL OF GOVERNMENTS

**BEXAR MENTAL RETARDATION AUTHORITY
SCHEDULE OF INSURANCE IN EFFECT**

(Continued)

FOR THE YEAR ENDED DECEMBER 31, 2007

(UNAUDITED)

Insurer	Policy Period		Coverage	Amount
	Begins	Ends		
			Flood & Earthquake	\$ 2,448,800
			Deductible	25,000
			Boiler & Machinery	
			Per Accident Limit	100,000
			Deductible	250
Texas Municipal League Risk Management Fund	10/01/06	10/01/07	Public Employee Dishonesty	
			Limit of Coverage	500,000
			Deductible	5,000

Coverage Includes Faithful Performance of Duty

ALAMO AREA COUNCIL OF GOVERNMENTS
BEXAR MENTAL RETARDATION AUTHORITY
SCHEDULE OF PROFESSIONAL AND CONSULTING SERVICES

DECEMBER 31, 2007
(UNAUDITED)

Name	City	Type of Service	Amount
Sept - December 2006 - Memo Only			
CALIDAD - CONVERSE	San Antonio	Respite	\$ 49,357
CALIDAD-DREXEL	San Antonio	Day program	80,036
CALIDAD-DREXEL	San Antonio	Community support	47,801
EDUCARE COMMUNITY LIVING	San Antonio	Respite	6,130
EDUCARE COMMUNITY LIVING	San Antonio	Community support	13,431
HOMELIFE COMMUNITY SERVICES	San Antonio	Day program	7,577
HOMELIFE COMMUNITY SERVICES	San Antonio	Community support	18,238
HOMELIFE COMMUNITY SERVICES	San Antonio	Behavioral supp	3,258
MISSION ROAD	San Antonio	Day program	6,929
REHABILITATION COUNSELING	San Antonio	Employment assistance	8,065
REHABILITATION COUNSELING	San Antonio	Behavioral supp	1,359
UNICORN CENTER, INC.	San Antonio	Day program	28,269
UNICORN CENTER, INC.	San Antonio	Community support	12,656
January - August 2007			
BETTY BRUNE, PhD	San Antonio	Contractual services	7,475
CALIDAD-DREXEL	San Antonio	Employment assistance	3,316
CALIDAD-DREXEL	San Antonio	Applied behavior analysis	13,435
CLINICAL BEHAVIOR ANALYSIS, LL	San Antonio	Behavioral supp	11,569
CLINICAL BEHAVIOR ANALYSIS, LL	San Antonio	Applied behavior analysis	4,073
ESTRELLA DE MAR, INC.	San Antonio	Day program	10,041
ESTRELLA DE MAR, INC.	San Antonio	Community support	3,056
HOMELIFE COMMUNITY SERVICES	San Antonio	Employment assistance	858
HOMELIFE COMMUNITY SERVICES	San Antonio	Behavioral supp	6,676
MOSAIC	San Antonio	Community support	495
PATRICK J. HOPKINS, Psy. D.	San Antonio	Contractual services	4,550
REHABILITATION COUNSELING	San Antonio	Employment assistance	7,593
REHABILITATION COUNSELING	San Antonio	Behavioral supp	2,731
THE CENTER FOR HEALTH CARE SER	San Antonio	Day programming	16,625
THE CENTER FOR HEALTH CARE SER	San Antonio	Contractual services	2,696
UNICORN CENTER, INC.	San Antonio	Employment assistance	7,473

(continued)

ALAMO AREA COUNCIL OF GOVERNMENTS

**BEXAR MENTAL RETARDATION AUTHORITY
SCHEDULE OF PROFESSIONAL AND CONSULTING SERVICES**

(Continued)

DECEMBER 31, 2007

(UNAUDITED)

<u>Name</u>	<u>City</u>	<u>Type of Service</u>	<u>Amount</u>
September - December 2007			
CALIDAD - CONVERSE	San Antonio	Respite	\$ 11,304
CALIDAD - DREXEL	San Antonio	Day program	116,672
CALIDAD - DREXEL	San Antonio	Community support	54,443
CALIDAD - DREXEL	San Antonio	Supp employ	2,442
CALIDAD - DREXEL	San Antonio	Employment assistance	1,441
CHILDREN'S ASSOCIATION FOR	San Antonio	Respite	3,600
CLINICAL BEHAVIOR ANALYSIS, LL	San Antonio	Community support	3,360
CLINICAL BEHAVIOR ANALYSIS, LL	San Antonio	Behavioral support	18,938
CLINICAL BEHAVIOR ANALYSIS, LL	San Antonio	Physical therapy	12,015
COMMUNITY OPTIONS, INC.	San Antonio	Community support	240
COMMUNITY OPTIONS, INC.	San Antonio	Supp employ	28
EDUCARE COMMUNITY LIVING	San Antonio	Respite	11,030
EDUCARE COMMUNITY LIVING	San Antonio	Community support	11,729
EDUCARE COMMUNITY LIVING	San Antonio	Behavioral support	169
ESTRELLA DE MAR, INC.	San Antonio	Day program	5,516
HOMELIFE COMMUNITY SERVICES	San Antonio	Respite	87,967
HOMELIFE COMMUNITY SERVICES	San Antonio	Day program	6,237
HOMELIFE COMMUNITY SERVICES	San Antonio	Community support	19,373
HOMELIFE COMMUNITY SERVICES	San Antonio	Physical therapy	70
HOMELIFE COMMUNITY SERVICES	San Antonio	Counseling services	1,098
MILAGRO DISCOVERY	San Antonio	Community support	90
MISSION ROAD MINISTRIES	San Antonio	Day program	8,172
MOSAIC	San Antonio	Respite	1,200
MOSAIC	San Antonio	Day program	1,583
MOSAIC	San Antonio	Community support	2,476
MOSAIC	San Antonio	Employment assistance	1,764
REHABILITATION COUNSELING	San Antonio	Respite	40,013
REHABILITATION COUNSELING	San Antonio	Community support	50,558
REHABILITATION COUNSELING	San Antonio	Supp employ	742
REHABILITATION COUNSELING	San Antonio	Employment assistance	1,757
REHABILITATION COUNSELING	San Antonio	Behavioral support	450
REHABILITATION COUNSELING	San Antonio	Physical therapy	7,380
RESPITE CARE OF SAN ANTONIO	San Antonio	Respite	2,389
THE ARC OF SAN ANTONIO	San Antonio	Day program	51,213
THE CENTER FOR HEALTH CARE SERVICES	San Antonio	Day program	475
THE CENTER FOR HEALTH CARE SERVICES	San Antonio	Respite	3,750
THE CENTER FOR HEALTH CARE SERVICES	San Antonio	Behavioral support	4,250
UNICORN CENTER, INC.	San Antonio	Day program	43,177
UNICORN CENTER, INC.	San Antonio	Community support	14,348
UNICORN CENTER, INC.	San Antonio	Supp employ	4,389
UNICORN CENTER, INC.	San Antonio	Employment assistance	3,381

ALAMO AREA COUNCIL OF GOVERNMENTS

BEXAR MENTAL RETARDATION AUTHORITY
SCHEDULE OF LEGAL SERVICES

FOR THE YEAR ENDED DECEMBER 31, 2007
(UNAUDITED)

<u>Name</u>	<u>City</u>	<u>Type of Service</u>	<u>Amount</u>
-------------	-------------	------------------------	---------------

None

ALAMO AREA COUNCIL OF GOVERNMENTS

BEXAR MENTAL RETARDATION AUTHORITY
SCHEDULE OF LEASE AND RENTAL COMMITMENTS

FOR THE YEAR ENDED DECEMBER 31, 2007
(UNAUDITED)

<u>Lessor</u>	<u>Leased Property Location</u>	<u>Termination Date</u>	<u>Monthly Rental</u>
NONE			

ALAMO AREA COUNCIL OF GOVERNMENTS

BEXAR MENTAL RETARDATION AUTHORITY
SCHEDULE OF SPACE OCCUPIED IN A STATE-OWNED FACILITY

FOR THE YEAR ENDED DECEMBER 31, 2007
(UNAUDITED)

<u>Lessor</u>	<u>Leased Property</u>	<u>Termination Date</u>	<u>Monthly Rental</u>
---------------	------------------------	-----------------------------	---------------------------

NONE

ALAMO AREA COUNCIL OF GOVERNMENTS

**BEXAR MENTAL RETARDATION AUTHORITY
SCHEDULE OF BONDED EMPLOYEES**

**FOR THE YEAR ENDED DECEMBER 31, 2007
(UNAUDITED)**

<u>Name</u>	<u>Title</u>	<u>Surety Company</u>	<u>Bond Amount</u>
-------------	--------------	-----------------------	--------------------

THIS PAGE LEFT BLANK INTENTIONALLY

SINGLE AUDIT SECTION

THIS PAGE LEFT BLANK INTENTIONALLY



**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 Council of Governments
San Antonio, Texas

We have audited the financial statements of the governmental activities, the discretely presented component unit, each major fund, and the aggregate remaining fund information of Alamo Area Council of Governments (the "Council") as of and for the year ended December 31, 2007, and have issued our report thereon dated April 17, 2008. 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 Council'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 Council's internal control over financial reporting. Accordingly, we do not express an opinion on the effectiveness of the Council'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 2007-1 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 weaknesses. However, we believe Item 2007-1 described above is a material weakness.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the Council'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 an instance of noncompliance that is required to be reported under Government Auditing Standards and which is described in the accompanying Schedule of Findings and Questioned Costs as Item 2007-2.

We noted certain matters that we reported to management of the Council in a separate letter dated April 17, 2008.

The Council's responses to the findings identified in our audit are described in the accompanying Schedule of Findings and Questioned Costs. We did not audit the Council's responses, and accordingly, we express no opinion on them.

This report is intended solely for the information and use of management, the audit committee, others within the Council, and federal and state 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 17, 2008



PATTILLO, BROWN & HILL, L.L.P.
CERTIFIED PUBLIC ACCOUNTANTS ■ BUSINESS CONSULTANTS

**INDEPENDENT AUDITORS' REPORT ON COMPLIANCE
WITH REQUIREMENTS APPLICABLE TO EACH MAJOR PROGRAM
AND INTERNAL CONTROL OVER COMPLIANCE IN ACCORDANCE
WITH OMB CIRCULAR A-133 AND THE STATE OF TEXAS
UNIFORM GRANT MANAGEMENT STANDARDS**

Board of Directors
Alamo Area Council of Governments
San Antonio, Texas

Compliance

We have audited the compliance of Alamo Area Council of Governments (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 and state programs for the year ended December 31, 2007. The Council's major federal and state 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 and state 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; Office of Management and Budget (OMB) Circular A-133, *Audits of States, Local Governments and Nonprofit Organizations* and the *State of Texas Uniform Grant Management Standards ("UGMS")*. 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 or state 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 and state programs for the year ended December 31, 2007. However, the results of our auditing procedures disclosed an instance of noncompliance with these requirements, which is required to be reported in accordance with OMB Circular A-133, and which is described in the accompanying Schedule of Findings and Questioned Costs as Item 2007-3.

Internal Control Over Compliance

The management of the Council is responsible for establishing and maintaining effective internal control over compliance with the requirements of laws, regulations, contracts, and grants applicable to federal and state programs. In planning and performing our audit, we considered the Council's internal control over compliance with the requirements that could have a direct and material effect on a major federal or state program in order to determine our auditing procedures for the purpose of expressing our opinion on compliance, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of the Council's internal control over compliance.

Our consideration of internal control over compliance was for the limited purpose described in the preceding paragraph and would not necessarily identify all deficiencies in the Council's internal control that might be significant deficiencies or material weaknesses as defined below. However, as discussed below, we identified certain deficiencies in internal control over compliance that we consider to be material weaknesses.

A control deficiency in an entity's internal control over compliance 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 noncompliance with a type of compliance requirement of a federal or state program on a timely basis. A significant deficiency is a control deficiency, or combination of control deficiencies, that adversely affects the entity's ability to administer a federal or state program such that there is more than a remote likelihood that noncompliance with a type of compliance requirement of a federal or state program that is more than inconsequential will not be prevented or detected by the entity's internal control. We consider the deficiencies in internal control over compliance described in the accompanying Schedule of Findings and Questioned Costs as items 2007-3 and 2007-4 to be significant deficiencies.

A material weakness is a significant deficiency, or combination of significant deficiencies, that results in more than a remote likelihood that material noncompliance with a type of compliance requirement of a federal or state program will not be prevented or detected by the entity's internal control. Of the significant deficiencies in internal control over compliance described in the accompanying schedule of findings and questioned costs, we consider Items 2007-3 and 2007-4 to be material weaknesses.

The Council's responses to the findings identified in our audit are described in the accompanying Schedule of Findings and Questioned Costs. We did not audit the Council's responses and, accordingly, we express no opinion on them.

This report is intended solely for the information and use of management, the audit committee, others within the Council, 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.

Pattille, Brown & Hill, LLP

April 17, 2008

ALAMO AREA COUNCIL OF GOVERNMENTS
SCHEDULE OF EXPENDITURES OF FEDERAL AND STATE AWARDS
FOR THE YEAR ENDED DECEMBER 31, 2007

Federal Grantor/Pass-through Grantor/ Program Title	Federal CFDA Number	Pass-through Grantor's Number	Expenditures
FEDERAL AWARDS			
Primary Government:			
<u>U. S. Department of Agriculture</u>			
Passed through Alamo Area Development Corporation:			
Able Bodied Americans Without Dependents	10.551	N/A	\$ 54,942
Able Bodied Americans Without Dependents	10.551	N/A	<u>6,537</u>
Subtotal			<u>61,479</u>
Food Stamps 50/50	10.561	N/A	50,815
Food Stamps 50/50	10.561	N/A	7,225
Food Stamps 100%	10.561	N/A	47,779
Food Stamps 100%	10.561	N/A	<u>10,094</u>
Subtotal			<u>115,913</u>
Total Alamo Area Development Corporation			<u>177,392</u>
Total U. S. Department of Agriculture			<u>177,392</u>
<u>U. S. Department of Commerce</u>			
Passed through Economic Development Administration:			
Economic Development Planning	11.302	08-83-04044	<u>57,952</u>
Total Economic Development Administration			<u>57,952</u>
Total U. S. Department of Commerce			<u>57,952</u>
<u>U. S. Department of Housing and Urban Development</u>			
Passed through Office of Rural and Community Affairs:			
Community Development Block Grant	14.228	C76221	7,193
Community Development Block Grant	14.228	C77221	<u>5,869</u>
Total Office of Rural and Community Affairs			<u>13,062</u>
Passed through Texas Department of State Health Services:			
Housing Opportunities for Persons with AIDS	14.241	2006-021430-003A	110,921
Housing Opportunities for Persons with AIDS	14.241	2007-022139-001A	<u>129,234</u>
Total passed through Texas Department of State Health Services			<u>240,155</u>
Direct programs:			
Housing Choice Vouchers	14.871	TX564	392,755
Housing Choice Vouchers	14.871	TX564	22,993
Housing Choice Vouchers	14.871	TX564	732
Housing Choice Vouchers	14.871	TX564	<u>(27,306)</u>
Total direct programs			<u>389,174</u>
Total U. S. Department of Housing and Urban Development			<u>642,391</u>

(continued)

ALAMO AREA COUNCIL OF GOVERNMENTS
SCHEDULE OF EXPENDITURES OF FEDERAL AND STATE AWARDS
(Continued)
FOR THE YEAR ENDED DECEMBER 31, 2007

Federal Grantor/Pass-through Grantor Program Title	Federal CFDA Number	Pass-through Grantor's Number	Expenditures
FEDERAL AWARDS (Continued)			
<u>U. S. Department of Justice</u>			
Passed through Office of the Governor, Criminal Justice Division:			
Sexual Assault Training for Law Enforcement	16.588	WF-06-V30-16537-04	\$ 37,706
Total Office of the Governor, Criminal Justice Division			<u>37,706</u>
Total U. S. Department of Justice			<u>37,706</u>
<u>U. S. Department of Labor</u>			
Passed through Alamo Area Development Corporation:			
Employment Services	17.207	CC2006001	17,059
Employment Services	17.207	CC2006001-01	7,260
Subtotal			<u>24,319</u>
WIA Adult Services	17.258	CC2006001	387,960
WIA Adult Services	17.258	CC2006001-01	119,839
Subtotal			<u>507,799</u>
WIA Youth	17.259	CC2006001	136,706
WIA Youth	17.259	CC2006001-01	52,135
Subtotal			<u>188,841</u>
WIA Dislocated Work	17.260	CC2006001	377,572
WIA Dislocated Work	17.260	CC2006001-01	173,333
Subtotal			<u>550,905</u>
Total Alamo Area Development Corporation			<u>1,271,864</u>
Total U. S. Department of Labor			<u>1,271,864</u>
<u>U. S. Department of Transportation</u>			
Passed through Metropolitan Planning Organization:			
Highway Planning and Construction	20.205	2006-07	320,745
Highway Planning and Construction	20.205	2008-09	64,781
Total Metropolitan Planning Organization			<u>385,526</u>
Passed through Texas Department of Transportation:			
Commute Solutions	20.205	0915-12-414	89,220
Commute Solutions	20.205	0915-12-436	96,946
Subtotal			<u>186,166</u>
Formula Grants for Other than Urbanized Areas	20.509	51615F7090	1,010,037
Kerrville Multimodal Transportation Facility	20.509	N/A	1,000,000
Subtotal			<u>2,010,037</u>

(continued)

ALAMO AREA COUNCIL OF GOVERNMENTS

SCHEDULE OF EXPENDITURES OF FEDERAL AND STATE AWARDS

(Continued)

FOR THE YEAR ENDED DECEMBER 31, 2007

Federal Grantor/Pass-through Grantor Program Title	Federal CFDA Number	Pass-through Grantor's Number	Expenditures
FEDERAL AWARDS (Continued)			
<u>U. S. Department of Transportation (Continued)</u>			
Capital Assistance Program for Elderly Persons and Persons with Disabilities	20.513	51615F7213	\$ 148,335
Regional Coordination - Public Transportation	20.515	517XXF7001	32,006
Total Texas Department of Transportation			<u>2,376,544</u>
Total U. S. Department of Transportation			<u>2,762,070</u>
<u>Environmental Protection Agency</u>			
Direct Program:			
U. S./Mexico Border AQ Management	66.034	XA-96606801-0	56,122
Total Direct Program			<u>56,122</u>
Total Environmental Protection Agency			<u>56,122</u>
<u>U. S. Department of Energy</u>			
Passed through Texas Comptroller of Public Accounts, State Energy Conservation Office:			
State Energy Program Special Projects - Clean Cities	81.119	CM629	9,347
State Energy Program - Adopt-A-School Bus	81.041	CM400	5,031
Total Texas Comptroller of Public Accounts, State Energy Conservation Office			<u>14,378</u>
Passed through Texas Department of Housing and Community Affairs:			
Weatherization Assistance for Low Income Persons	81.042	566001	210,428
Weatherization Assistance for Low Income Persons	81.042	567001	225,958
Total Texas Department of Housing and Community Affairs			<u>436,386</u>
Total U. S. Department of Energy			<u>450,764</u>
<u>U. S. Department of Education</u>			
Passed through Office of the Governor - Criminal Justice Division:			
Regional Youth CJD FY 2007	84.186	ED-06-J21-14864-08	69,769
Regional Youth CJD FY 2008	84.186	ED-07-J20-14864-09	23,348
Total Office of the Governor - Criminal Justice Division			<u>93,117</u>
Total U. S. Department of Education			<u>93,117</u>

(continued)

ALAMO AREA COUNCIL OF GOVERNMENTS
SCHEDULE OF EXPENDITURES OF FEDERAL AND STATE AWARDS
(Continued)
FOR THE YEAR ENDED DECEMBER 31, 2007

Federal Grantor/Pass-through Grantor Program Title	Federal CFDA Number	Pass-through Grantor's Number	Expenditures
FEDERAL AWARDS (Continued)			
<u>U. S. Department of Health and Human Services</u>			
Passed through Texas Department of Aging and Disability Services to the Bexar Area on Aging:			
Title VII-EAP FY 2007	93.041	539-06-0884-00001	\$ 10,651
Title VII-EAP FY 2008	93.041	539-07-0152-00001	7,222
Subtotal			17,873
Title VII-OAG FY 2007	93.042	539-06-0884-00001	48,866
Title VII-OAG FY 2008	93.042	539-07-0152-00001	14,189
Subtotal			63,055
Title III-D FY 2007	93.043	539-06-0884-00001	79,589
Title III-D FY 2008	93.043	539-07-0152-00001	14,703
Subtotal			94,292
Title III-B FY 2006	93.044	N/A	(122)
Title III-B FY 2007	93.044	539-06-0884-00001	1,018,210
Title III-B FY 2008	93.044	539-07-0152-00001	198,151
Subtotal			1,216,239
Title III-C FY 2007	93.045	539-06-0884-00001	2,258,645
Title III-C FY 2008	93.045	539-07-0152-00001	549,580
Subtotal			2,808,225
Special Programs for the Aging - Title IV and Title II	93.048	539-08-0162-00001	97,532
Special Programs for the Aging - Title IV and Title II	93.048	539-07-0152-00001	23,486
Subtotal			121,018
Title III-E FY 2006	93.052	N/A	(984)
Title III-E FY 2007	93.052	539-06-0884-00001	532,025
Title III-E FY 2008	93.052	539-07-0152-00001	127,227
Subtotal			658,268
Transportation Services FY 07 NSIP	93.053	539-06-0884-00001	460,902
Transportation Services FY 08 NSIP	93.053	539-07-0152-00001	204,926
Subtotal			665,828
CMS - Aging and Disability Resource Center	93.779	539-07-0152-00001	16,661
CMS FY 2007	93.779	539-06-0884-00001	32,254
CMS FY 2008	93.779	539-07-0152-00001	16,176
Subtotal			65,091
Total Bexar Area on Aging			5,709,889
Title VII-EAP FY 2007	93.041	539-06-0882-00001	52,767
Title VII-EAP FY 2008	93.041	539-07-0150-00001	3,272
Subtotal			56,039

(continued)

ALAMO AREA COUNCIL OF GOVERNMENTS
SCHEDULE OF EXPENDITURES OF FEDERAL AND STATE AWARDS
(Continued)
FOR THE YEAR ENDED DECEMBER 31, 2007

Federal Grantor/Pass-through Grantor Program Title	Federal CFDA Number	Pass-through Grantor's Number	Expenditures
FEDERAL AWARDS (Continued)			
<u>U. S. Department of Health and Human Services (Continued)</u>			
Passed through Texas Department of Aging and Disability Services to the Alamo Area on Aging: (Continued)			
Title VII-OAG FY 2007	93.042	539-06-0882-00001	\$ 30,214
Title VII-OAG FY 2008	93.042	539-07-0150-00001	10,669
Subtotal			<u>40,883</u>
Title III-D FY 2007	93.043	539-06-0882-00001	34,891
Title III-D FY 2008	93.043	539-07-0150-00001	13,570
Subtotal			<u>48,461</u>
Title III-B FY 2006	93.044	N/A	(209)
Title III-B FY 2007	93.044	539-06-0882-00001	479,583
Title III-B FY 2008	93.044	539-07-0150-00001	85,525
Subtotal			<u>564,899</u>
Title III-C FY 2007	93.045	539-06-0882-00001	914,362
Title III-C FY 2008	93.045	539-07-0150-00001	194,651
Subtotal			<u>1,109,013</u>
Title III-E FY 2006	93.052	N/A	(230)
Title III-E FY 2007	93.052	539-06-0882-00001	230,386
Title III-E FY 2008	93.052	539-07-0150-00001	55,230
Subtotal			<u>285,386</u>
Transportation Services FY 07 NSIP	93.053	539-06-0882-00001	74,624
Transportation Services FY 08 NSIP	93.053	539-07-0150-00001	53,057
Subtotal			<u>127,681</u>
CMS FY 2007	93.779	539-06-0884-00001	21,963
CMS FY 2008	93.779	539-07-0152-00001	19,272
Subtotal			<u>41,235</u>
Total Alamo Area on Aging			<u>2,273,597</u>
Total Texas Department of Aging and Disability Services			<u>7,983,486</u>
Passed through U.S. Administration on Aging:			
Special Programs for Aging Title IV & Title II	93.048	90AM2777	219,487
Total U.S. Administration on Aging			<u>219,487</u>
Passed through Texas Department of Housing and Community Affairs:			
Low-Income Home Energy Assistance Program	93.568	816001	717,111
Low-Income Home Energy Assistance Program	93.568	817001	392,368
Total Texas Department of Housing and Community Affairs			<u>1,109,479</u>

(continued)

ALAMO AREA COUNCIL OF GOVERNMENTS
SCHEDULE OF EXPENDITURES OF FEDERAL AND STATE AWARDS
(Continued)
FOR THE YEAR ENDED DECEMBER 31, 2007

Federal Grantor/Pass-through Grantor Program Title	Federal CFDA Number	Pass-through Grantor's Number	Expenditures
FEDERAL AWARDS (Continued)			
<u>U. S. Department of Health and Human Services (Continued)</u>			
Passed through Alamo Area Development Corporation:			
Child Care Development Services	93.575	N/A	\$ 567,858
Child Care Development Services	93.575	N/A	149,766
Subtotal			717,624
TANF Choices	93.558	N/A	881,096
TANF Choices	93.558	N/A	218,788
Subtotal			1,099,884
Ryan White Title I - FY 2007	93.914	N/A	25,651
Ryan White Title I - FY 2008	93.914	N/A	279,541
Subtotal			305,192
Total Alamo Area Development Corporation			2,122,700
Passed through Texas Department of State Health Services:			
Ryan White Title II - Admin. Agency	93.917	2006-021430-001A	51,004
Ryan White Title II - Admin. Agency	93.917	2007-022161-001A	177,413
Ryan White Title II - Service Delivery	93.917	2006-021430-002	386,549
Ryan White Title II - Service Delivery	93.917	2007-022162-001	813,154
Total Texas Department of State Health Services			1,428,120
Passed through Texas Health and Human Services Commission:			
Katrina Assistance Program	93.667	529-07-0028-00001	1,955,138
Total Texas Health and Human Services Commission			1,955,138
Total U. S. Department of Health and Human Services			14,818,410
<u>U. S. Department of Homeland Security</u>			
Passed through Office of the Governor, Division of Emergency Management			
Homeland Security 2006	97.067	2004-GE-T4-0015	(122)
Homeland Security 2007	97.067	2005-GE-T5-4025	217,713
Homeland Security 2008	97.067	2006-GE-T6-0068	101,103
Homeland Security Equipment	97.067	2005-GE-T4-0015	128,362
Homeland Security Equipment	97.067	2005-GE-T5-4025	197,314
Subtotal			644,370
Urban Areas Security Initiative (UASI)	97.008	2004 HSGP - 99001	21,195
Total Office of the Governor, Division of Emergency Management			665,565
Total U. S. Department of Homeland Security			665,565
Total Federal Awards - Primary Government			21,033,353

(continued)

ALAMO AREA COUNCIL OF GOVERNMENTS
SCHEDULE OF EXPENDITURES OF FEDERAL AND STATE AWARDS
(Continued)
FOR THE YEAR ENDED DECEMBER 31, 2007

Federal Grantor/Pass-through Grantor Program Title	Federal CFDA Number	Pass-through Grantor's Number	Expenditures
FEDERAL AWARDS (Continued)			
Discretely Presented Component Unit:			
<u>U. S. Department of Agriculture</u>			
Passed through Alamo WorkSource Development:			
Able Bodied Americans Without Dependents	10.551	CC2006001	\$ 64,303
Able Bodied Americans Without Dependents	10.551	CC2006001-01	9,422
Subtotal			73,725
Food Stamps 50/50	10.561	CC2006001	53,674
Food Stamps 50/50	10.561	CC2006001-01	8,242
Food Stamps 100%	10.561	CC2006001	47,779
Food Stamps 100%	10.561	CC2006001-01	10,094
Subtotal			119,789
Total Alamo WorkSource Development			193,514
Total U. S. Department of Agriculture			193,514
<u>U. S. Department of Housing and Urban Development</u>			
Passed through Alamo Area Council of Governments:			
Housing Opportunities for Persons with AIDS	14.241	2006-021430-003A	107,325
Housing Opportunities for Persons with AIDS	14.241	2007-022139-001A	129,234
Total Alamo Area Council of Governments			236,559
Total U. S. Department of Housing and Urban Development			236,559
<u>U. S. Department of Labor</u>			
Passed through Alamo WorkSource Development:			
Employment Services	17.207	CC2006001	17,059
Employment Services	17.207	CC2006001-01	7,260
Subtotal			24,319
WIA Adult Services	17.258	CC2006001	741,633
WIA Adult Services	17.258	CC2006001-01	296,712
Subtotal			1,038,345
WIA Youth	17.259	CC2006001	200,605
WIA Youth	17.259	CC2006001-01	73,141
Subtotal			273,746
WIA Dislocated Workers	17.260	CC2006001	719,409
WIA Dislocated Workers	17.260	CC2006001-01	306,679
Subtotal			1,026,088
Total Alamo WorkSource Development			2,362,498
Total U.S. Department of Labor			2,362,498

(continued)

ALAMO AREA COUNCIL OF GOVERNMENTS
SCHEDULE OF EXPENDITURES OF FEDERAL AND STATE AWARDS
(Continued)
FOR THE YEAR ENDED DECEMBER 31, 2007

Federal Grantor/Pass-through Grantor Program Title	Federal CFDA Number	Pass-through Grantor's Number	Expenditures
FEDERAL AWARDS (Continued)			
Discretely Presented Component Unit: (Continued)			
<u>U. S. Department of Transportation</u>			
Passed through Texas Department of Transportation:			
Job Access/Reverse Commute	20.516	51715F7085	\$ 14,658
Total Texas Department of Transportation			<u>14,658</u>
Total U. S. Department of Transportation			<u>14,658</u>
<u>U. S. Department of Health and Human Services</u>			
Passed through Alamo WorkSource Development:			
TANF Choices	93.558	CC2006001	987,931
TANF Choices	93.558	CC2006001-01	249,355
Total Alamo WorkSource Development			<u>1,237,286</u>
Passed through the City of San Antonio, Texas:			
Child Care Development Services	93.575	2006-09-14-1068	717,780
Total City of San Antonio, Texas			<u>717,780</u>
Passed through Bexar County:			
Ryan White Title I - FY 2007	93.914	N/A	844,211
Ryan White Title I - FY 2008	93.914	N/A	2,573,918
Total Bexar County			<u>3,418,129</u>
Passed through Alamo Area Council of Governments:			
Ryan White Title II - Admin. Agency	93.917	N/A	2,080
Ryan White Title II - Service Delivery	93.917	N/A	374,709
Ryan White Title II - Service Delivery	93.917	N/A	813,441
Total Alamo Area Council of Governments			<u>1,190,230</u>
Total U. S. Department of Health and Human Services			<u>6,563,425</u>
Total Federal Awards - Discretely Presented Component Unit			<u>9,370,654</u>
Total Federal Awards - Reporting Entity			<u>30,404,007</u>

(continued)

ALAMO AREA COUNCIL OF GOVERNMENTS

SCHEDULE OF EXPENDITURES OF FEDERAL AND STATE AWARDS

(Continued)

FOR THE YEAR ENDED DECEMBER 31, 2007

State Grantor/Program Title	Grant Number	Expenditures
STATE AWARDS		
Primary Government:		
<u>Texas Department of Aging and Disability Services</u>		
Aging SGR - Alamo	N/A	\$ 110,314
Aging SGR - Bexar	N/A	277,024
State General Revenue - Mental Retardation	539-07-0005-00001	2,836,405
In-Home Family Support	539-07-0005-00001	322,161
Omnibus Reconciliation Act	539-07-0005-00001	(18,329)
Permanency Planning	539-07-0005-00001	(4,665)
State General Revenue - Mental Retardation	539-08-0005-00001	1,595,054
In-Home Family Support	539-08-0005-00001	28,961
Permanency Planning	539-08-0005-00001	22,108
Total Texas Department of Aging and Disability Services		5,169,033
<u>Texas Department of State Health Services</u>		
Ryan White Title II - State and Social Services	2007-020949-001	224,198
Ryan White Title II - State and Social Services	2007-022171-001	255,315
Ryan White Title II - State and Social Services	2008-023770-001	134,403
Total Texas Department of State Health Services		613,916
<u>Commission on State Emergency Communications</u>		
911	N/A	829,526
Total Commission on State Emergency Communications		829,526
<u>Office of the Governor - Criminal Justice Division</u>		
Regional Criminal Justice Coordination	SF-07-197-14468-08	128,199
Regional Criminal Justice Coordination	SF-08-197-14468-09	58,768
Regional Police Training Academy	SF-04-A10-14859-05	31
Regional Police Training Academy	SF-05-A10-14859-06	10
Regional Police Training Academy	SF-06-A10-14859-07	(141)
Regional Police Training Academy	SF-07-A10-14859-08	(7,367)
Regional Police Training Academy	SF-07-A10-14859-08	339,045
Regional Police Training Academy	SF-08-A10-14859-09	80,492
Total Office of the Governor - Criminal Justice Division		599,037
<u>Texas Commission on Environmental Quality</u>		
Air Quality	582-6-70886	565,697
Solid Waste	582-6-78026	1,343,955
Solid Waste	582-4-65524	(5)
Solid Waste	582-8-86680	52,390
Total Texas Commission on Environmental Quality		1,962,037
<u>State Energy Conservation Office</u>		
Clean Cities 2007	CM705	17,001
Total State Energy Conservation Office		17,001

(continued)

ALAMO AREA COUNCIL OF GOVERNMENTS

SCHEDULE OF EXPENDITURES OF FEDERAL AND STATE AWARDS

(Continued)

FOR THE YEAR ENDED DECEMBER 31, 2007

State Grantor/Program Title	Grant Number	Expenditures
STATE AWARDS (Continued)		
<u>Texas Department of Transportation</u>		
Rural Public Transportation	51715F7001	\$ 1,145,306
Regional Coordination - Public Transportation	516XXF7018	57,700
Total Texas Department of Transportation		<u>1,203,006</u>
<u>Texas Workforce Commission</u>		
Passed through Alamo Area Development Corporation:		
Project Rio	N/A	24,067
Project Rio	N/A	10,177
Total Alamo Area Development Corporation		<u>34,244</u>
Total Texas Workforce Commission		<u>34,244</u>
Total State Awards - Primary Government		<u>10,427,800</u>
Discretely Presented Component Unit:		
<u>Texas Workforce Commission</u>		
Passed through Alamo WorkSource Development:		
TANF Transportation	CC2006001	43,786
TANF Transportation	CC2006001-01	38,138
Project Rio	CC2006001	24,067
Project Rio	CC2006001-01	10,178
Total Alamo WorkSource Development		<u>116,169</u>
Total Texas Workforce Commission		<u>116,169</u>
<u>Texas Department of State Health Services</u>		
Passed through Alamo Area Council of Governments:		
Ryan White Title II - State and Social Services	N/A	604,731
Total Alamo Area Council of Governments		<u>604,731</u>
Total Texas Department of State Health Services		<u>604,731</u>
Total State Awards - Discretely Presented Component Unit		<u>720,900</u>
Total State Awards - Reporting Entity		<u>11,148,700</u>
Total Expenditures of Federal and State Awards - Reporting Entity		<u>\$ 41,552,707</u>

ALAMO AREA COUNCIL OF GOVERNMENTS

NOTES TO SCHEDULE OF EXPENDITURES OF FEDERAL AND STATE AWARDS

DECEMBER 31, 2007

1. GENERAL

The Schedule of Expenditures of Federal and State Awards presents the activity of all applicable federal and state awards programs of the reporting entity. The Council's reporting entity is defined in Note 1 of the basic financial statements. Federal and state awards received directly from federal and state agencies, as well as federal awards passed through other government agencies, are included on the Schedule of Expenditures of Federal and State Awards.

2. BASIS OF ACCOUNTING

The Schedule of Expenditures of Federal and State Awards is presented using the modified accrual basis of accounting. The modified accrual basis of accounting is described in Note 1 of the basic financial statements.

The information in this schedule is presented in accordance with the requirements of OMB Circular A-133, *Audits of States, Local Governments, and Nonprofit Organizations* and the *State of Texas Uniform Grant Management Standards*. Therefore, some of the amounts presented in this schedule may differ from amounts presented in, or used in the preparation of, the financial statements.

3. NEGATIVE AMOUNTS

Due to a revision in the allocation of certain costs, the funding agent has retroactively allocated certain grant expenditures. As a result of this, the effected grants reflect a negative balance on the current Schedule of Expenditures of Federal and State Awards.

ALAMO AREA COUNCIL OF GOVERNMENTS
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
FOR THE YEAR ENDED SEPTEMBER 30, 2007

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?	Yes
Significant deficiencies identified that are not considered to be material weakness(es)?	None reported
Noncompliance which is material to the basic financial statements	Yes
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 and state awards as defined by the State of Texas Uniform Grant Management Standards	Yes
Dollar threshold considered between Type A and Type B federal programs	\$912,120
Dollar threshold considered between Type A and Type B state programs	\$334,461
Low risk auditee statement	The Council was not classified as a low-risk auditee in the context of OMB Circular A-133 and the State of Texas Uniform Grant Management Standards.
Major federal programs	Ryan White Title I - CFDA #93.914 Aging Cluster - CFDA #93.044, 93.045, 93.053 WIA Cluster - CFDA #17.258, 17.259, 17.260 Low-income Home Energy Assistance - CFDA #93.568 TANF - CFDA #93.558 Social Services Block Grant - Katrina Assistance - CFDA #93.667
Major state programs	General Revenue - MR In-home Family Support 911

(continued)

ALAMO AREA COUNCIL OF GOVERNMENTS

SCHEDULE OF FINDINGS AND QUESTIONED COSTS

(Continued)

FOR THE YEAR ENDED DECEMBER 31, 2007

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

Item 2007-1

Condition: Generally accepted accounting principles direct that governmental funds recognize revenues in the accounting period in which they become both measurable and available to finance expenditures of the fiscal period. We identified certain revenues that the Council had deferred at year-end that should have been recognized in the current year or in previous years.

Effect: Deferred revenue was materially overstated at year-end.

Cause: Council personnel were unaware of the applicable revenue recognition principles.

Recommendation: The Council should properly design controls over the recognition of revenues so that revenues are recorded when they have been earned and become both measurable and available to finance expenditures of the fiscal period.

Management's Response: The Council utilizes an automated allocation management system for recognizing revenue. The software will be redesigned to accommodate grants that generate local funds from a fee for service agreement. Additionally, the Council personnel will comply with federal and state regulations governing the proper recording and use of program income.

(continued)

ALAMO AREA COUNCIL OF GOVERNMENTS

SCHEDULE OF FINDINGS AND QUESTIONED COSTS

(Continued)

FOR THE YEAR ENDED DECEMBER 31, 2007

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

Item 2007-2

Condition: Program income in the amount of \$132,311 for Police Training Academy grants was not properly recorded in the accounting records or deducted from program outlays in accordance with the requirements of the program.

Effect: The Council did not deduct these program income funds from program outlays in accordance with the requirements of the program. As a result, program income was incorrectly deferred in the financial statements and state grant revenues were overstated. Additionally, program income was not reported to the Office of the Governor – Criminal Justice Division properly.

Cause: Council personnel were unaware of the applicable revenue recognition principles and the compliance requirements related to program income for this grant.

Recommendation: Management should implement policies and procedures to ensure that all program income is properly recorded in the accounting records and reported and expended in accordance with grant contract requirements.

Management's Response: The Council properly reported all generated program income as required by the Criminal Justice Division (CJD) guidelines. The program income in the amount of \$81,382 represents encumbered expenditures from multiple prior periods that were not received or were billed at a lesser cost than anticipated. This amount will be added to the current year and will be included in the next budget adjustment request.

The CJD implemented egrants for all grant applications, reporting and request for reimbursements. During the application process, the Council was not allowed to enter projected Generated Program Income (GPI). The Council was instructed to submit a formal budget adjustment for any GPI as needed throughout the year. Until the budget adjustment is approved, the Council cannot report any GPI. The Council will report actual expenditures, less GPI, until the budget adjustments are approved, therefore there will be instances when the Council's ledgers do not match the reported expenditures in the egrants system.

(continued)

ALAMO AREA COUNCIL OF GOVERNMENTS

SCHEDULE OF FINDINGS AND QUESTIONED COSTS

(Continued)

FOR THE YEAR ENDED DECEMBER 31, 2007

Findings and Questioned Costs for Federal and State Awards

<u>Item 2007-3:</u>	Katrina Assistance Program, Federal CFDA # 93.667
<u>Compliance Requirement:</u>	Allowable Costs, Subrecipient Monitoring
<u>Criteria:</u>	According to OMB Circular A-87, "Contributions or donations, including cash, property, and services, made by the governmental unit, regardless of the recipient are unallowable."
<u>Condition:</u>	As part of this program, the Council passed through funding to a subrecipient. We reviewed the Council's documentation of during-the-award monitoring to ascertain if the Council's monitoring provided reasonable assurance that subrecipients used federal awards for authorized purposes, complied with laws, regulations, and the provisions of contracts and grant agreements. This review identified a charitable contribution in the amount of \$10,000 that the subrecipient charged to this program. The Council approved the expenditure and paid the subrecipient.
<u>Effect:</u>	The cost is subject to disallowance and is, therefore, considered a questioned cost.
<u>Cause:</u>	Council personnel were unaware that the cost was unallowable.
<u>Recommendation:</u>	Management should emphasize the importance of being knowledgeable about the compliance requirements of the program. Personnel should be adequately trained on unallowable costs of the program to ensure federal funds are expended only for allowable costs.
<u>Management's Response:</u>	<p>The \$10,000 expenditure funded the subrecipient's "Dress for Success Project." When submitting for reimbursement the subrecipient categorized it as a charitable contribution. The Council staff recognizes that a charitable contribution is not an allowable expense and should of denied the expense as labeled and requested clarification prior to payment issuance.</p> <p>The Council is prepared to offset this expense with additional allowable un-reimbursed provider expenditures.</p> <p>Management will ensure that personnel will attend adequate training on unallowable costs for new and existing programs.</p>

(continued)

ALAMO AREA COUNCIL OF GOVERNMENTS

SCHEDULE OF FINDINGS AND QUESTIONED COSTS

(Continued)

FOR THE YEAR ENDED DECEMBER 31, 2007

Findings and Questioned Costs for Federal and State Awards (Continued)

<u>Item 2007-4:</u>	All major programs
<u>Compliance Requirement:</u>	Suspension and debarment
<u>Criteria:</u>	Recipients of federal and state awards are prohibited from contracting with or making subawards under covered transactions to parties that are suspended or debarred. The Council should have control procedures in place to verify that each entity it contracts with under covered transactions or makes subawards to is not suspended or debarred or otherwise excluded. This verification may be accomplished by checking the <i>Excluded Parties List System (EPLS)</i> 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.
<u>Statement of Condition:</u>	We identified certain instances in which no documentation could be provided by the Council for the verification of subrecipient or vendor suspension or debarment status.
<u>Effect:</u>	The Council does not have controls in place to prevent it from contracting with or making subawards to parties that are suspended or debarred.
<u>Recommendation:</u>	Implement a policy to verify that each entity it contracts with or makes subawards to 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.
<u>Management's Response:</u>	The Council will implement a policy that will require a signed debarment certification from each entity it contracts with. A periodic review will be conducted on contracts exceeding a one-year term. Contractors with multiple year contracts will be required to submit an updated debarment certification.

ALAMO AREA COUNCIL OF GOVERNMENTS
SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS
FOR THE YEAR ENDED DECEMBER 31, 2007

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

Item 2006-1:

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 AACOG 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 procedures for recording year-end expenditures in the proper period.

Current Status: This matter has been resolved.

Item 2006-2:

Condition: Generally accepted accounting principles direct that governmental funds recognize revenues in the accounting period in which they become both measurable and available to finance expenditures of the fiscal period. We identified certain revenues that the Council had deferred at year-end that should have been recognized in the current year.

Effect: Liabilities were overstated and revenues were understated at year-end.

Cause: Personnel were unaware of the specific revenue recognition principles applicable to these transactions.

Recommendation: The Council should properly design controls over revenue recognition in governmental funds so that revenues are recorded when they become both measurable and available to finance expenditures of the fiscal period.

(continued)

ALAMO AREA COUNCIL OF GOVERNMENTS

SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS

(Continued)

FOR THE YEAR ENDED DECEMBER 31, 2007

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

Item 2006-2: (Continued)

Management's Response: The Council utilizes an automated allocation management system, which has been customized to recognize revenue on a monthly basis on all Special Revenue Funds. However, the liabilities and revenues identified in this item are of a miscellaneous nature. Beginning January 2007, the Council will recognize all miscellaneous revenue when it becomes measurable and available for use. All miscellaneous revenue will be tracked separately.

Current Status: This matter has not been resolved. See current year finding 2007-1.

Findings and Questioned Costs for Federal and State Awards

Item 2006-3: U. S. Department of Homeland Security, Federal CFDA #97.004

Compliance Requirement: Allowable costs

Condition: Legal expenditures in the amount of \$5,053 that are not allowable costs under OMB Circular A-87 were charged to this program.

Effect: The costs are subject to disallowance and are, therefore, considered questioned costs.

Cause: Management was unaware the costs were unallowable.

Recommendation: Management should emphasize the importance of being knowledgeable about the compliance requirements of the program. Personnel should be adequately trained on unallowable costs of the program to ensure federal funds are expended only for allowable costs.

Management's Response: Although the Council does have programs that allow legal fees, the staff will be trained to recognize allowable and unallowable legal fees that are specific to each program.

Current Status: This matter has been resolved.