

**ALAMO AREA
COUNCIL OF GOVERNMENTS**

SAN ANTONIO, TEXAS

ANNUAL FINANCIAL REPORT

**FOR THE FISCAL YEAR ENDED
DECEMBER 31, 2008**

ALAMO AREA COUNCIL OF GOVERNMENTS

TABLE OF CONTENTS

DECEMBER 31, 2008

**Page
Number**

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, 2008**

**Page
Number**

FINANCIAL SECTION (Continued)

Nonmajor Governmental Funds:

Combining Balance Sheet.....	30 – 33
Combining Statement of Revenues, Expenditures and Changes in Fund Balances.....	34 – 37

Supplemental Schedules

Indirect Costs and Employee Benefit Schedules:

Schedule of Indirect Costs	38
Schedule of Employee Benefits.....	39

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 – 50
Schedule of Legal Services.....	51
Schedule of Lease and Rental Commitments	52
Schedule of Space Occupied in a State-owned Facility.....	53
Schedule of Bonded Employees	54

(continued)

ALAMO AREA COUNCIL OF GOVERNMENTS

**TABLE OF CONTENTS
(Continued)
DECEMBER 31, 2008**

**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>	55 – 56
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	57 – 58
Schedule of Expenditures of Federal and State Awards	59 – 67
Notes to Schedule of Expenditures of Federal and State Awards	68
Schedule of Findings and Questioned Costs.....	69 – 72
Summary Schedule of Prior Audit Findings	73 – 76

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FINANCIAL SECTION

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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, 2008, 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, 2008, 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 27, 2009, 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, L.L.P.

April 27, 2009

**MANAGEMENT'S
DISCUSSION AND ANALYSIS**

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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, 2008. 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.

FINANCIAL HIGHLIGHTS

- ◆ The assets of AACOG exceeded its liabilities at the close of the most recent fiscal year by \$10,097,526 (net assets). Of this amount, \$4,773,617 (unrestricted net assets) is unrestricted. This reflects an increase of \$1,537,699.
- ◆ As of the close of the current fiscal year, AACOG's governmental funds financial statements reported combined ending fund balances of \$4,992,952. The unreserved and undesignated amount in the General Fund that is available for operations is \$999,417.

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 \$10,097,526 at December 31, 2008. 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	
	2008	2007
Assets:		
Current and other assets	\$ 9,956,431	\$ 11,964,358
Capital assets	<u>5,323,909</u>	<u>4,276,232</u>
Total assets	<u>15,280,340</u>	<u>16,240,590</u>
Liabilities:		
Current liabilities	4,862,679	8,341,037
Noncurrent liabilities	<u>320,135</u>	<u>499,586</u>
Total liabilities	<u>5,182,814</u>	<u>8,840,623</u>
Net assets:		
Invested in capital assets	5,323,909	4,164,049
Unrestricted	<u>4,773,617</u>	<u>3,235,918</u>
Total net assets	<u>\$ 10,097,526</u>	<u>\$ 7,399,967</u>

The balance of *unrestricted net assets* (\$4,773,617) may be used to meet the Council’s ongoing obligations.

Analysis of the Council’s Operations

The following table provides a summary of the Council’s operations for the year ended December 31, 2008, as compared to the year ended December 31, 2007. The Council’s net assets increased by \$2,697,559.

	Governmental Activities	
	2008	2007
Revenues:		
Program revenues:		
Charges for services	\$ 1,020,296	\$ 6,676,539
Operating grants and contributions	35,538,026	30,967,673
Capital grants and contributions	-	1,000,000
General revenues:		
Investment earnings	24,414	8,784
Member dues	242,618	208,287
Miscellaneous	5,683	1,577
Total revenues	<u>36,831,037</u>	<u>38,862,860</u>
Expenses:		
General government	168,274	93,612
Workforce development	2,891,519	3,304,905
Aging	13,691,487	12,888,509
Emergency communications	1,249,277	948,997
Economic development	53,874	77,239
Environmental quality	1,363,596	2,067,879
Community affairs	1,260,106	1,595,108
Homeland security	827,749	605,433
Transportation	3,877,107	3,480,655
Housing	558,323	684,602
Criminal justice	1,022,560	1,037,020
Health and welfare	7,166,280	10,112,162
Interest on long-term debt	3,326	6,091
Total expenses	<u>34,133,478</u>	<u>36,902,212</u>
Change in net assets	2,697,559	1,960,648
Net assets, beginning	7,399,967	4,200,918
Prior period adjustment	-	1,238,401
Net assets, ending	<u>\$ 10,097,526</u>	<u>\$ 7,399,967</u>

The Council's increase to net assets is primarily due to program capital purchases and the reinstatement of the State Planning Assistance Grant, which provides a portion of various programs' required match.

The 2008 capital purchases totaled \$2,044,708 which includes vehicles, communication equipment, distance learning center equipment, and property renovations for the following programs: Bexar Aging, Homeland Security, Criminal Justice, 911, Rural Public Transportation and Workforce. Below is a brief overview of the purchases by program.

The Bexar Aging program purchased phone equipment for the implementation of the Alamo Service Connection, the Aging and Disability Resource Center for Bexar County. The purchase of the equipment was necessary to connect the remote partners so that all partners could fully participate in answering phone calls and tracking consumer information.

The Homeland Security program (HLS) purchased an enhancement to the area wide communications system. It provides enhanced features to the current system and is a gateway device that bridges two or more radio channels together.

The Criminal Justice Department replaced a truck, which is used in hauling the trailer containing training gear to and from training sites. The program also purchased and installed a new Distance Learning Center at Lackland.

The Job Access Reverse Commute program purchased three vehicles that provide expanded and enhanced transportation services for eligible people in the Frio, Atascosa and Medina Counties.

The 911 program purchased Public Safety Answering Point equipment for Wilson, Gillespie, Atascosa, Kendall and Wilson counties. These systems are the first step in implementing an integrated network that provides internet protocol and supports the Homeland Security radios and serves as a link between the

AACOG back-up/training center and the counties. The new system will also support new technologies currently being developed.

The 911 program also purchased the Mapped Automatic Location Identification (ALI) software and equipment that supports the maps both at AACOG and the seven 911 counties. The software also serves in locating wireless calls within 50 feet.

The Rural Public Transportation Program (RPT) purchased a total of twenty-four vehicles and installed a fence around the Kerrville Transportation Center as well as building improvements.

Of the 24 vehicles purchased, 8 were designated fleet replacement vehicles and the additional vehicles are to increase the transportation availability in the region and to begin a vanpool program.

The RPT program installed a security fence around the Kerrville Transportation Center to secure the vehicle area and to decrease the graffiti and vandalism to the ART vehicles. The program also renovated the flooring.

Comparisons to 2007 Expenditures/Funding

The Council’s revenues decreased by \$1,132,623 and expenditures decreased by \$1,532,261 from fiscal year 2007 to 2008.

The Council’s overall budget for 2008 experienced a decrease due primarily to the Ryan White program and the Katrina grant that began in the later part of 2006. The Ryan White program was transferred back to Bexar County April 1, 2008 and the remaining funds for Katrina were minimal when compared to 2007. The Bexar Aging, Rural Public Transportation, Bexar Mental Retardation, and the Criminal Justice Department experienced a slight increase from 2007.

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

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

	Governmental Activities	
	2008	2007
Capital assets	\$ 9,682,516	\$ 7,637,808
Less: accumulated depreciation	(4,358,607)	(3,361,576)
Total capital assets, net	\$ <u>5,323,909</u>	\$ <u>4,276,232</u>

The Bexar Aging program purchased phone equipment for the implementation of the Alamo Service Connection, the Aging and Disability Resource Center for Bexar County. The total capital outlay for this program was \$13,760.

The Homeland Security program (HLS) purchased an enhancement to the area wide communications system for a total capital outlay cost of \$21,896.

The Criminal Justice Department replaced the truck and purchased and installed a new Distance Learning Center at Lackland Air Force Base for a total capital outlay of \$77,856.

The Job Access Reverse Commute program (JARC) purchased three vehicles for a total capital outlay of \$176,199.

The 911 program purchased Public Safety Answering Point (PSAP) equipment for Wilson, Gillespie, Atascosa, Kendall and Wilson counties for a total capital outlay of \$283,719. The program also purchased Mapped Automatic Location Identification (ALI) software and equipment for \$199,175.

The Rural Public Transportation Program (RPT) purchased a total of twenty-four vehicles for a total capital outlay of \$1,243,323. A total of \$28,781 was expended on building improvements to include a security fence around the Kerrville Transportation Center and new flooring.

The total capital purchases for the fiscal year ending 2008 totaled \$2,044,708.

ECONOMIC FACTORS AND NEXT YEAR'S FINANCIAL PLAN

The Council's projected 2009 annual budget is \$37,375,138. This budget represents an increase of \$2,014,532 or a 5.69% from the actual 2008 expenditures.

The Council's combined ending fund balances of \$4,992,952 include \$3,541,665 of dedicated program fund balances and \$1,451,287 of general fund balance. From the general fund balance, \$320,135 is designated for compensated absences and \$999,417 is available for the agency's operational costs.

The Council approved an increase to the membership dues effective January 1, 2008. Because of the dues increase and the reinstatement of the State Planning Assistance Grant the Council was able to increase the operating general fund balance by \$172,910 and is projecting an increase of \$107,499 for 2009.

The Council completed the first year of a three year fiscal depository agreement with JP Morgan Chase Bank on December 31, 2008. As part of the agreement Chase waived all service fees for six months beginning April 1, 2008. At the same time the Council also implemented the investment sweep account agreement for the AACOG and AADC general accounts. As a result, the Council earned \$24,414 of interest revenue, an increase of \$15,630 from 2007.

The Council negotiated an expansion to the current lease with R.M. Crowe with an effective date of October 2008. The expansion is for an additional 5,142 sq ft to accommodate the increasing space requirements for the Administration, Bexar Mental Retardation, Workforce and Housing programs. The term of the amended lease remained the same and terminates on December 31, 2012.

During 2008, the Council paid the Chase Bank note in full for the Kerrville Transportation Center, which was negotiated in May 2007. Payment in full saved the Rural Transportation program a total of \$8,736 of interest expense over the term of the loan.

The Council's indirect rate continues to decrease due to the increased revenues in various programs. The rate for 2009 is 12% which represents a decrease of 7% from 2005 to 2008.

The Council is expecting additional funding from The Texas Department of Transportation, Texas Department of Housing and Community Affairs, Texas Workforce Commission and other various programs as part of the President's Stimulus package. The amount of the increase has not been determined.

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 Tesoro Drive, San Antonio, Texas 78217.

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**BASIC
FINANCIAL STATEMENTS**

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ALAMO AREA COUNCIL OF GOVERNMENTS

STATEMENT OF NET ASSETS

DECEMBER 31, 2008

	<u>Primary Government</u>	<u>Component Unit</u>
	Governmental Activities	Alamo Area Development Corporation
ASSETS		
Cash and investments	\$ 5,592,161	\$ 242,296
Receivables:		
Grantors	3,926,903	544,985
Other	295,632	-
Deposits	10,000	-
Prepaid items	131,735	-
Capital assets, net of accumulated depreciation	<u>5,323,909</u>	<u>-</u>
Total assets	<u>15,280,340</u>	<u>787,281</u>
LIABILITIES		
Accounts payable	2,257,404	775,255
Accrued liabilities	370,404	-
Unearned revenue	1,653,758	1,019
Other liabilities	37,809	-
Over recovered indirect costs and employee benefits	443,325	-
Over recovered central service costs	99,979	-
Noncurrent liabilities:		
Due within one year	160,068	-
Due in more than one year	<u>160,067</u>	<u>-</u>
Total liabilities	<u>5,182,814</u>	<u>776,274</u>
NET ASSETS		
Invested in capital assets	5,323,909	-
Unrestricted	<u>4,773,617</u>	<u>11,007</u>
Total net assets	<u>\$ 10,097,526</u>	<u>\$ 11,007</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, 2008

Functions/Programs	Expenses	Indirect Cost Allocation	Expenses After Allocation of Indirect Costs	Program Revenues	
				Charges for Services	Operating Grants and Contributions
Primary government:					
Governmental activities:					
General government	\$ 165,243	\$ 3,031	\$ 168,274	\$ -	\$ 264,200
Workforce development	2,746,047	145,472	2,891,519	-	3,054,980
Aging	13,285,762	405,725	13,691,487	694,982	12,876,357
Emergency communications	1,219,915	29,362	1,249,277	-	1,580,380
Economic development	47,810	6,064	53,874	-	66,850
Environmental quality	1,261,072	102,524	1,363,596	-	1,349,388
Community affairs	1,199,944	60,162	1,260,106	-	1,643,794
Homeland security	790,958	36,791	827,749	-	442,979
Transportation	3,655,845	221,262	3,877,107	-	5,539,786
Housing	551,233	7,090	558,323	-	385,507
Criminal justice	906,933	115,627	1,022,560	325,314	791,535
Health and welfare	6,680,211	486,069	7,166,280	-	7,542,270
Indirect costs	1,619,179	(1,619,179)	-	-	-
Interest on long-term debt	3,326	-	3,326	-	-
Total governmental activities	<u>34,133,478</u>	<u>-</u>	<u>34,133,478</u>	<u>1,020,296</u>	<u>35,538,026</u>
Total primary government	<u>\$ 34,133,478</u>	<u>\$ -</u>	<u>\$ 34,133,478</u>	<u>\$ 1,020,296</u>	<u>\$ 35,538,026</u>
Component unit:					
Alamo Area Development Corporation	\$ 6,382,866	\$ -	\$ 6,382,866	\$ -	\$ 6,392,046
Total component unit	<u>\$ 6,382,866</u>	<u>\$ -</u>	<u>\$ 6,382,866</u>	<u>\$ -</u>	<u>\$ 6,392,046</u>

General revenues:
 Investment earnings
 Member dues
 Miscellaneous
 Total general revenues
 Change in net assets
 Net assets, beginning
 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
\$ 95,926	\$ -
163,461	-
(120,148)	-
331,103	-
12,976	-
(14,208)	-
383,688	-
(384,770)	-
1,662,679	-
(172,816)	-
94,289	-
-	-
-	-
(3,326)	-
<u>2,048,854</u>	<u>-</u>
<u>2,424,844</u>	<u>-</u>
<u>-</u>	<u>9,180</u>
<u>-</u>	<u>9,180</u>
24,414	1,145
242,618	-
5,683	-
<u>272,715</u>	<u>1,145</u>
2,697,559	10,325
<u>7,399,967</u>	<u>682</u>
<u>\$ 10,097,526</u>	<u>\$ 11,007</u>

ALAMO AREA COUNCIL OF GOVERNMENTS

BALANCE SHEET

GOVERNMENTAL FUNDS

DECEMBER 31, 2008

	<u>General</u>	<u>Bexar Area Agency on Aging</u>	<u>Texas Department of Transportation</u>
ASSETS			
Cash and investments	\$ 2,648,068	\$ -	\$ 927,426
Accounts receivable:			
Grantors	35,422	642,593	1,476,732
Other	280,014	-	-
Due from other funds	2,189,088	367,036	511,420
Deposits	10,000	-	-
Prepaid items	<u>131,735</u>	<u>-</u>	<u>-</u>
 Total assets	 <u>\$ 5,294,327</u>	 <u>\$ 1,009,629</u>	 <u>\$ 2,915,578</u>
LIABILITIES			
Liabilities:			
Accounts payable	270,520	779,716	165,364
Accrued liabilities	370,404	-	-
Due to other funds	2,479,004	223,820	81,487
Over recovered indirect costs and employee benefits	443,325	-	-
Over recovered central service costs	99,979	-	-
Other liabilities	37,809	-	-
Deferred revenue	<u>141,999</u>	<u>3,777</u>	<u>3,418</u>
Total liabilities	<u>3,843,040</u>	<u>1,007,313</u>	<u>250,269</u>
FUND BALANCES			
Reserved for:			
Prepaid items	131,735	-	-
Unreserved, reported in:			
General fund			
Designated for compensated absences	320,135	-	-
Undesignated	<u>999,417</u>	<u>2,316</u>	<u>2,665,309</u>
Total fund balances	<u>1,451,287</u>	<u>2,316</u>	<u>2,665,309</u>
 Total liabilities and fund balances	 <u>\$ 5,294,327</u>	 <u>\$ 1,009,629</u>	 <u>\$ 2,915,578</u>

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

Bexar Mental Retardation Authority	Other Governmental Funds	Total Governmental Funds
\$ 1,458,844	\$ 557,823	\$ 5,592,161
-	1,772,156	3,926,903
-	15,618	295,632
1,236,035	354,424	4,658,003
-	-	10,000
-	-	131,735
<u>\$ 2,694,879</u>	<u>\$ 2,700,021</u>	<u>\$ 14,614,434</u>
232,418	799,297	2,247,315
-	-	370,404
409,940	1,473,841	4,668,092
-	-	443,325
-	-	99,979
-	-	37,809
1,325,160	280,204	1,754,558
<u>1,967,518</u>	<u>2,553,342</u>	<u>9,621,482</u>
-	-	131,735
-	-	320,135
727,361	146,679	4,541,082
<u>727,361</u>	<u>146,679</u>	<u>4,992,952</u>
<u>\$ 2,694,879</u>	<u>\$ 2,700,021</u>	<u>\$ 14,614,434</u>

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ALAMO AREA COUNCIL OF GOVERNMENTS
RECONCILIATION OF THE GOVERNMENTAL FUND BALANCE
SHEET TO THE STATEMENT OF NET ASSETS
FOR THE YEAR ENDED DECEMBER 31, 2008

Total fund balance - governmental funds (page 12)	\$ 4,992,952
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.	5,323,909
Other long-term assets are not available to pay for current-period expenditures and, therefore, deferred in the funds.	100,800
Long-term liabilities (compensated absences) are not due and payable in the current period and therefore are not reported in the funds.	<u>(320,135)</u>
Net assets of governmental activities in the statement of net assets	\$ <u>10,097,526</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, 2008

	<u>General</u>	<u>Bexar Area Agency on Aging</u>	<u>Texas Department of Transportation</u>
REVENUES			
Federal	\$ -	\$ 5,868,835	\$ 2,643,476
State	236,189	134,505	912,738
Local	16,254	21,081	1,983,572
Delegate agencies:			
Cash match	-	3,215,402	-
In-kind	-	633,924	-
Program income	-	326,320	-
Membership dues	242,618	-	-
Investment income	24,414	-	-
Miscellaneous	<u>16,542</u>	<u>-</u>	<u>-</u>
Total revenues	<u>536,017</u>	<u>10,200,067</u>	<u>5,539,786</u>
EXPENDITURES			
General government	112,628	-	-
Aging	-	10,324,585	-
Health and welfare	-	-	-
Transportation	-	-	4,603,848
Workforce development	-	-	-
Environmental quality	-	-	-
Community affairs	-	-	-
Criminal justice	-	-	-
Emergency communications	-	-	-
Homeland security	-	-	-
Housing	-	-	-
Economic development	-	-	-
Debt service	<u>-</u>	<u>-</u>	<u>115,515</u>
Total expenditures	<u>112,628</u>	<u>10,324,585</u>	<u>4,719,363</u>
EXCESS (DEFICIENCY) OF REVENUES OVER (UNDER) EXPENDITURES	<u>423,389</u>	<u>(124,518)</u>	<u>820,423</u>
OTHER FINANCING SOURCES (USES)			
Transfers in	-	124,071	-
Transfers out	<u>(250,479)</u>	<u>-</u>	<u>-</u>
Total other financing sources (uses)	<u>(250,479)</u>	<u>124,071</u>	<u>-</u>
NET CHANGE IN FUND BALANCES	172,910	(447)	820,423
FUND BALANCES, BEGINNING	<u>1,278,377</u>	<u>2,763</u>	<u>1,844,886</u>
FUND BALANCES, ENDING	<u>\$ 1,451,287</u>	<u>\$ 2,316</u>	<u>\$ 2,665,309</u>

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

Bexar Mental Retardation Authority	Other Governmental Funds	Total Governmental
\$ -	\$ 8,521,161	\$ 17,033,472
4,941,906	4,066,611	10,291,949
1,344,013	283,653	3,648,573
-	314,702	3,530,104
-	406,697	1,040,621
-	561,028	887,348
-	-	242,618
14,596	-	39,010
-	-	16,542
<u>6,300,515</u>	<u>14,153,852</u>	<u>36,730,237</u>
-	21,262	133,890
-	3,393,115	13,717,700
5,938,253	1,241,755	7,180,008
-	232,986	4,836,834
-	3,054,979	3,054,979
-	1,362,579	1,362,579
-	1,262,520	1,262,520
-	1,054,552	1,054,552
-	1,580,381	1,580,381
-	455,744	455,744
-	551,927	551,927
-	53,977	53,977
-	-	115,515
<u>5,938,253</u>	<u>14,265,777</u>	<u>35,360,606</u>
<u>362,262</u>	<u>(111,925)</u>	<u>1,369,631</u>
-	126,418	250,489
-	(10)	(250,489)
-	<u>126,408</u>	-
362,262	14,483	1,369,631
<u>365,099</u>	<u>132,196</u>	<u>3,623,321</u>
<u>\$ 727,361</u>	<u>\$ 146,679</u>	<u>\$ 4,992,952</u>

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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, 2008

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

Net change in fund balances - total governmental funds (pages 14 - 15)	\$ 1,369,631
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.	1,047,677
Revenues in the statement of activities that do not provide current financial resources are not reported as revenue in the funds.	100,800
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.	<u>179,451</u>
Change in net assets of governmental activities (pages 9 - 10)	<u><u>\$ 2,697,559</u></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, 2008

	<u>Social Security Administration</u>
ASSETS	
Due from other funds	\$ <u>10,089</u>
Total assets	\$ <u><u>10,089</u></u>
LIABILITIES	
Due to others	\$ <u>10,089</u>
Total liabilities	\$ <u><u>10,089</u></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, 2008

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 12-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 Workforce Solutions Alamo ("WSA") 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, 2008.

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, 2008.

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, 2008.

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 \$443,325 were over-recovered as of December 31, 2008.

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 \$1,047,677 difference are as follows:

Capital outlay	\$ 2,044,708
Depreciation expense	(997,031)
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>1,047,677</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, 2008, the primary government had the following investment:

<u>Investment Type</u>	<u>Fair Value</u>	<u>Weighted Average Maturity (Days)</u>
Tex Pool	\$ 3,056,332	37

(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, 2008, \$2,388,520 of the Council's \$2,673,309 deposit balance was collateralized with securities held by the pledging financial institution. The remaining balance, \$284,789, was covered by FDIC insurance.

(continued)

4. DETAILED NOTES ON ALL FUNDS (Continued)

Capital Assets

Capital asset activity for the year ended December 31, 2008, was as follows:

	<u>Beginning Balance</u>	<u>Increases</u>	<u>Decreases</u>	<u>Ending Balance</u>
Government activities:				
Capital assets, not being depreciated:				
Land	\$ 127,000	\$ -	\$ -	\$ 127,000
Total capital assets not being depreciated	<u>127,000</u>	<u>-</u>	<u>-</u>	<u>127,000</u>
Capital assets, being depreciated:				
Buildings	1,000,000	-	-	1,000,000
Improvements	-	28,781	-	28,781
Furniture, fixtures and equipment	<u>6,510,808</u>	<u>2,015,927</u>	<u>-</u>	<u>8,526,735</u>
Total capital assets being depreciated	<u>7,510,808</u>	<u>2,044,708</u>	<u>-</u>	<u>9,555,516</u>
Less accumulated depreciation:				
Buildings	(30,303)	(45,454)	-	(75,757)
Improvements	-	(343)	-	(343)
Furniture, fixtures and equipment	<u>(3,331,273)</u>	<u>(951,234)</u>	<u>-</u>	<u>(4,282,507)</u>
Total accumulated depreciation	<u>(3,361,576)</u>	<u>(997,031)</u>	<u>-</u>	<u>(4,358,607)</u>
Total capital assets, being depreciated, net	<u>4,149,232</u>	<u>1,047,677</u>	<u>-</u>	<u>5,196,909</u>
Governmental activities capital assets, net	<u>\$ 4,276,232</u>	<u>\$ 1,047,677</u>	<u>\$ -</u>	<u>\$ 5,323,909</u>

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

Governmental activities:

General government	\$ 34,515
Workforce development	18,580
Aging	13,775
Emergency communications	154,811
Environmental quality	3,622
Homeland security	394,772
Transportation	321,625
Housing	7,451
Criminal justice	<u>47,880</u>
Total depreciation expense - governmental activities	<u>\$ 997,031</u>

(continued)

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

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, 2008, is as follows:

<u>Receivable Fund</u>	<u>Payable Fund</u>	<u>Amount</u>
General fund	Bexar Area Agency on Aging	\$ 223,820
	Texas Department of Transportation	81,487
	Bexar Mental Retardation Authority	409,940
	Other governmental funds	1,473,841
Bexar Area Agency on Aging	General fund	367,036
Texas Department of Transportation	General fund	511,420
Other governmental funds	General fund	354,424
Bexar Mental Retardation Authority	General fund	1,236,035
Agency Fund	General fund	<u>10,089</u>
		<u>\$ 4,668,092</u>

Long-term Debt

During 2007, a promissory note in the amount of \$127,000 was issued for the purchase of land associated with the Kerrville Multimodal Transportation Facility. As of December 31, 2008, the outstanding balance of this note payable was paid in full.

Long-term liability activity for the year ended December 31, 2008, was as follows:

	<u>Beginning</u>			<u>Ending</u>	<u>Due Within</u>
	<u>Balance</u>	<u>Additions</u>	<u>Reductions</u>	<u>Balance</u>	<u>One Year</u>
Governmental activities					
Note payable	\$ 112,183	\$ -	\$ 112,183	\$ -	\$ -
Compensated absences	<u>387,403</u>	<u>455,256</u>	<u>522,524</u>	<u>320,135</u>	<u>160,068</u>
Governmental activity					
long-term liabilities	<u>\$ 499,586</u>	<u>\$ 455,256</u>	<u>\$ 634,707</u>	<u>\$ 320,135</u>	<u>\$ 160,068</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.

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 to 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 574 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.

(continued)

5. OTHER INFORMATION (Continued)

Retirement Plan (Continued)

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

Plan Description (Continued)

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.

Funding Policy

The Council has elected the annually determined contribution rate (variable-rate) plan provisions of the TCDRS 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 TCDRS Act, the contribution rate of the Council is actuarially determined annually. The Council contributed using the actuarially determined rate of 8.46% for the months of the accounting year in 2007, and 7.99% for the months of the accounting year in 2008.

The deposit rate payable by the employee members of the plan for calendar year 2008 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 TCDRS Act.

Annual Pension Cost

For the Council's accounting year ended December 31, 2008, the annual pension cost for the TCDRS plan was \$672,227 and the actual contributions were \$672,227.

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, 2005 and December 31, 2006, the basis for determining the contribution rates for calendar years 2007 and 2008. The December 31, 2007, 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	12/31/05	12/31/06	12/31/07
Actuarial cost method	entry age	entry age	entry age
Amortization method	level percentage of payroll, open	level percentage of payroll, closed	level percentage of payroll, closed
Amortization period	20	15	15
Asset valuation method	long-term appreciation with adjustment	SAF: 10-yr smoothed value ESF: fund value	SAF: 10-yr smoothed value ESF: fund value
Actuarial Assumptions:			
Investment return (1)	8.00%	8.00%	8.00%
Projected salary increases (1)	5.3%	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
12/31/06	\$ 560,476	100%	\$ -
12/31/07	685,978	100%	-
12/31/08	672,227	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)
2005	\$ 5,548,714	\$ 7,271,459	\$ 1,722,745	76.31%	\$ 6,223,844	27.68%
2006	6,865,197	8,312,024	1,446,827	82.59%	6,704,005	21.58%
2007	8,055,754	9,427,148	1,371,394	85.45%	8,108,479	16.91%

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

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 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 and state 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.

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ALAMO AREA COUNCIL OF GOVERNMENTS

COMBINING BALANCE SHEET

NONMAJOR GOVERNMENTAL FUNDS

DECEMBER 31, 2008

	Special Revenue		
	Texas Commission on Environmental Quality	Alamo Area Development Corporation	Alamo Area Agency on Aging
ASSETS			
Cash and investments	\$ 468,057	\$ -	\$ -
Accounts receivable:			
Grantors	133,638	515,196	248,498
Other	-	-	-
Due from other funds	39,854	3,230	83,016
 Total assets	\$ 641,549	\$ 518,426	\$ 331,514
LIABILITIES AND FUND BALANCE			
Liabilities:			
Accounts payable	\$ 290,404	\$ 4,891	\$ 215,715
Due to other funds	114,830	511,273	113,353
Deferred revenue	225,726	2,262	2,446
Total liabilities	630,960	518,426	331,514
 Fund balance	10,589	-	-
 Total liabilities and fund balance	\$ 641,549	\$ 518,426	\$ 331,514

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>
\$ -	\$ 11,203	\$ -	\$ -	\$ 2,591	\$ 47,813
-	4,248	103,577	10,952	115,338	-
-	-	-	-	-	-
<u>196</u>	<u>71,541</u>	<u>2,716</u>	<u>2,279</u>	<u>9,661</u>	<u>87,958</u>
<u>\$ 196</u>	<u>\$ 86,992</u>	<u>\$ 106,293</u>	<u>\$ 13,231</u>	<u>\$ 127,590</u>	<u>\$ 135,771</u>
\$ 19	\$ 86,992	\$ 367	\$ 110	\$ 90,899	\$ 512
-	-	103,210	10,489	10,621	45,328
-	-	-	-	26,070	804
<u>19</u>	<u>86,992</u>	<u>103,577</u>	<u>10,599</u>	<u>127,590</u>	<u>46,644</u>
<u>177</u>	<u>-</u>	<u>2,716</u>	<u>2,632</u>	<u>-</u>	<u>89,127</u>
<u>\$ 196</u>	<u>\$ 86,992</u>	<u>\$ 106,293</u>	<u>\$ 13,231</u>	<u>\$ 127,590</u>	<u>\$ 135,771</u>

(continued)

ALAMO AREA COUNCIL OF GOVERNMENTS

COMBINING BALANCE SHEET

NONMAJOR GOVERNMENTAL FUNDS

(Continued)

DECEMBER 31, 2008

	Special Revenue		
	Texas Department of Public Safety	Capital Area Council of Governments	State Energy Conservation Office
ASSETS			
Cash and investments	\$ -	\$ -	\$ -
Accounts receivable:			
Grantors	-	-	3,571
Other	-	-	-
Due from other funds	2,261	288	5,098
 Total assets	\$ 2,261	\$ 288	\$ 8,669
LIABILITIES AND FUND BALANCE			
Liabilities:			
Accounts payable	\$ -	\$ -	\$ 32
Due to other funds	-	-	-
Deferred revenue	-	-	-
Total liabilities	-	-	32
 Fund balance	2,261	288	8,637
 Total liabilities and fund balance	\$ 2,261	\$ 288	\$ 8,669

Special Revenue

Office of the Governor	Environmental Protection Agency	City of San Antonio	Local Projects	Ryan White	Katrina	Totals
\$ 28,159	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 557,823
290,722	-	155,025	62,867	-	128,524	1,772,156
15,618	-	-	-	-	-	15,618
<u>23,604</u>	<u>1,228</u>	<u>-</u>	<u>17,159</u>	<u>4,335</u>	<u>-</u>	<u>354,424</u>
<u>\$ 358,103</u>	<u>\$ 1,228</u>	<u>\$ 155,025</u>	<u>\$ 80,026</u>	<u>\$ 4,335</u>	<u>\$ 128,524</u>	<u>\$ 2,700,021</u>
\$ 51,238	\$ -	\$ 4,286	\$ 53,832	\$ -	\$ -	\$ 799,297
285,025	-	150,509	679	-	128,524	1,473,841
18,331	-	230	-	4,335	-	280,204
<u>354,594</u>	<u>-</u>	<u>155,025</u>	<u>54,511</u>	<u>4,335</u>	<u>128,524</u>	<u>2,553,342</u>
<u>3,509</u>	<u>1,228</u>	<u>-</u>	<u>25,515</u>	<u>-</u>	<u>-</u>	<u>146,679</u>
<u>\$ 358,103</u>	<u>\$ 1,228</u>	<u>\$ 155,025</u>	<u>\$ 80,026</u>	<u>\$ 4,335</u>	<u>\$ 128,524</u>	<u>\$ 2,700,021</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, 2008

	Special Revenue		
	Texas Commission on Environmental Quality	Alamo Area Development Corporation	Alamo Area Agency on Aging
REVENUES			
Federal	\$ -	\$ 2,344,524	\$ 2,197,229
State	1,304,510	111,188	147,707
Local	14,580	-	720
Program income	-	-	228,179
Delegate agencies:			
Cash match	-	-	314,702
In-kind	-	-	406,697
Total revenues	<u>1,319,090</u>	<u>2,455,712</u>	<u>3,295,234</u>
EXPENDITURES			
General government	-	-	-
Workforce development	-	2,455,712	-
Aging	-	-	3,378,731
Emergency communications	-	-	-
Economic development	-	-	-
Environmental quality	1,308,501	-	-
Community affairs	-	-	-
Homeland security	-	-	-
Transportation	-	-	-
Housing	-	-	-
Criminal justice	-	-	-
Health and welfare	-	-	-
Total expenditures	<u>1,308,501</u>	<u>2,455,712</u>	<u>3,378,731</u>
EXCESS (DEFICIENCY) OF REVENUES OVER (UNDER) EXPENDITURES	<u>10,589</u>	<u>-</u>	<u>(83,497)</u>
OTHER FINANCING SOURCES AND USES			
Transfers in	-	-	63,893
Transfers out	-	-	(10)
Total other financing sources and uses	<u>-</u>	<u>-</u>	<u>63,883</u>
NET CHANGE IN FUND BALANCES	10,589	-	(19,614)
FUND BALANCES, BEGINNING	<u>-</u>	<u>-</u>	<u>19,614</u>
FUND BALANCES, ENDING	<u>\$ 10,589</u>	<u>\$ -</u>	<u>\$ -</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
\$ 37,758	\$ -	\$ 232,986	\$ 24,312	\$ 1,190,073	\$ 380,192
-	1,580,381	-	-	-	-
908	-	1,636	-	-	231
-	-	-	-	-	-
-	-	-	-	-	-
<u>38,666</u>	<u>1,580,381</u>	<u>234,622</u>	<u>24,312</u>	<u>1,190,073</u>	<u>380,423</u>
-	-	-	-	-	-
-	-	-	-	-	-
-	-	-	-	-	-
-	1,580,381	-	-	-	-
53,977	-	-	-	-	-
-	-	-	-	-	-
-	-	-	55,827	1,190,073	-
-	-	-	-	-	-
-	-	232,986	-	-	-
-	-	-	-	-	357,639
-	-	-	-	-	-
<u>53,977</u>	<u>1,580,381</u>	<u>232,986</u>	<u>55,827</u>	<u>1,190,073</u>	<u>357,639</u>
(15,311)	-	1,636	(31,515)	-	22,784
15,474	-	-	31,515	-	-
-	-	-	-	-	-
<u>15,474</u>	<u>-</u>	<u>-</u>	<u>31,515</u>	<u>-</u>	<u>-</u>
163	-	1,636	-	-	22,784
14	-	1,080	2,632	-	66,343
<u>\$ 177</u>	<u>\$ -</u>	<u>\$ 2,716</u>	<u>\$ 2,632</u>	<u>\$ -</u>	<u>\$ 89,127</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, 2008

	Special Revenue		
	Texas Department of Public Safety	Capital Area Council of Governments	State Energy Conservation Office
REVENUES			
Federal	\$ -	\$ -	\$ -
State	-	-	13,581
Local	-	288	16,097
Program income	-	-	-
Delegate agencies:			
Cash match	-	-	-
In-kind	-	-	-
Total revenues	<u>-</u>	<u>288</u>	<u>29,678</u>
EXPENDITURES			
General government	-	-	-
Workforce development	-	-	-
Aging	-	-	-
Emergency communications	-	-	-
Economic development	-	-	-
Environmental quality	-	-	25,894
Community affairs	-	-	-
Homeland security	-	-	-
Transportation	-	-	-
Housing	-	-	-
Criminal justice	-	-	-
Health and welfare	-	-	-
Total expenditures	<u>-</u>	<u>-</u>	<u>25,894</u>
EXCESS (DEFICIENCY) OF REVENUES OVER (UNDER) EXPENDITURES	<u>-</u>	<u>288</u>	<u>3,784</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	-	288	3,784
FUND BALANCES, BEGINNING	<u>2,261</u>	<u>-</u>	<u>4,853</u>
FUND BALANCES, ENDING	<u>\$ 2,261</u>	<u>\$ 288</u>	<u>\$ 8,637</u>

Special Revenue

Office of the Governor	Environmental Protection Agency	City of San Antonio	Local Projects	Ryan White	Katrina	Totals
\$ 494,838	\$ -	\$ 599,267	\$ -	\$ 660,269	\$ 359,713	\$ 8,521,161
689,788	-	-	-	219,456	-	4,066,611
2,020	1,228	28,184	215,444	2,317	-	283,653
325,314	-	-	7,535	-	-	561,028
-	-	-	-	-	-	314,702
-	-	-	-	-	-	406,697
<u>1,511,960</u>	<u>1,228</u>	<u>627,451</u>	<u>222,979</u>	<u>882,042</u>	<u>359,713</u>	<u>14,153,852</u>
-	-	-	21,262	-	-	21,262
-	-	599,267	-	-	-	3,054,979
-	-	-	14,384	-	-	3,393,115
-	-	-	-	-	-	1,580,381
-	-	-	-	-	-	53,977
-	-	28,184	-	-	-	1,362,579
-	-	-	16,620	-	-	1,262,520
455,744	-	-	-	-	-	455,744
-	-	-	-	-	-	232,986
-	-	-	194,288	-	-	551,927
1,054,195	-	-	357	-	-	1,054,552
-	-	-	-	882,042	359,713	1,241,755
<u>1,509,939</u>	<u>-</u>	<u>627,451</u>	<u>246,911</u>	<u>882,042</u>	<u>359,713</u>	<u>14,265,777</u>
<u>2,021</u>	<u>1,228</u>	<u>-</u>	<u>(23,932)</u>	<u>-</u>	<u>-</u>	<u>(111,925)</u>
-	-	-	15,536	-	-	126,418
-	-	-	-	-	-	(10)
-	-	-	15,536	-	-	126,408
2,021	1,228	-	(8,396)	-	-	14,483
<u>1,488</u>	<u>-</u>	<u>-</u>	<u>33,911</u>	<u>-</u>	<u>-</u>	<u>132,196</u>
<u>\$ 3,509</u>	<u>\$ 1,228</u>	<u>\$ -</u>	<u>\$ 25,515</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 146,679</u>

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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.

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ALAMO AREA COUNCIL OF GOVERNMENTS

SCHEDULE OF INDIRECT COSTS

YEAR ENDED DECEMBER 31, 2008

Personnel services	\$ 1,174,928
Employee benefits	340,538
Other contract services	240,255
Travel	22,467
Rent administration	922
Rent	736,696
Supplies	65,764
Equipment	21,750
Insurance and bonding	6,962
Public notices	775
Printing and reproduction	26,062
Repairs and maintenance	54,177
Fuel/oil	2,430
Employee recruitment	2,792
Communications	95,818
Postage	65,960
Meetings other	19,142
Training in region	1,430
Publications	743
Professional dues	29,032
Tuition staff	1,324
Equipment rental	<u>85,233</u>
Total indirect costs	2,995,200
Less: administration cost received	<u>1,288,094</u>
NET INDIRECT COSTS	1,707,106
ACTUAL INDIRECT COSTS RECOVERED	(1,619,179)
OVER RECOVERY OF INDIRECT COSTS PER 2007 AUDIT	<u>(372,358)</u>
ACCUMULATED COST OVER RECOVERY	<u><u>\$ (284,431)</u></u>

ALAMO AREA COUNCIL OF GOVERNMENTS

SCHEDULE OF EMPLOYEE BENEFITS (FRINGE AND RELEASE TIME)

YEAR ENDED DECEMBER 31, 2008

Benefits:	
FICA	\$ 649,815
Group life insurance	51,332
Unemployment insurance	51,437
Workers' compensation	44,094
Health insurance	943,283
Retirement	722,818
Travel - via bus pass	3,847
Release time	<u>1,204,849</u>
Total employee benefits	3,671,475
ACTUAL EMPLOYEE BENEFITS RECOVERED	(3,716,435)
OVER RECOVERY OF EMPLOYEE BENEFITS PER 2007 AUDIT	(<u>113,934</u>)
ACCUMULATED OVER RECOVERY	<u><u>\$ (158,894)</u></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.

ALAMO AREA COUNCIL OF GOVERNMENTS

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

**FOR THE YEAR ENDED DECEMBER 31, 2008
(UNAUDITED)**

	<u>CARE *</u>			<u>Audited***</u>
	<u>Report III</u>	<u>Additions**</u>	<u>Deletions***</u>	<u>Financial</u>
				<u>Statements</u>
EXPENDITURES				
Salaries	\$ 1,497,511	\$ 6,321,459	\$ 456,346	\$ 7,362,624
Employee benefits	420,889	1,821,968	126,164	2,116,693
Professional consulting services	2,427,645	11,997,997	785,529	13,640,113
Training/travel	61,747	304,061	16,474	349,334
Debt service	-	115,515	-	115,515
Capital outlay	-	1,569,396	-	1,569,396
Non-capital equipment	12,905	449,005	-	461,910
Other operating expenditures	<u>1,126,091</u>	<u>8,880,539</u>	<u>261,609</u>	<u>9,745,021</u>
 Total expenditures	 <u>\$ 5,546,788</u>	 <u>\$ 31,459,940</u>	 <u>\$ 1,646,122</u>	 <u>\$ 35,360,606</u>

* CARE Report III

** Other Agency Programs

*** Sept - December 2007 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, 2008
(UNAUDITED)**

	<u>CARE *</u> <u>Report III</u>	<u>Additions**</u>	<u>Deletions***</u>	<u>Audited Financial Statements</u>
LOCAL AND EARNED REVENUES				
Medicaid	\$ 633,055	\$ -	\$ 235,476	\$ 397,579
Medicaid administrative claiming	290,446	-	-	290,446
Membership dues	-	242,618	-	242,618
Local	-	2,550,156	-	2,550,156
Contributions	410,392	-	-	410,392
Delegate agency match	-	4,570,725	-	4,570,725
Interest	146,382	-	107,372	39,010
Other	-	903,890	-	903,890
Total local and earned revenues	<u>1,480,275</u>	<u>8,267,389</u>	<u>342,848</u>	<u>9,404,816</u>
STATE PROGRAM REVENUES				
General revenue	4,142,646	6,786,411	1,324,522	9,604,535
In-home and Family Support	360,000	321,971	197,651	484,320
Permanency planning	66,323	38,040	58,814	45,549
CLOIP	154,938	58,227	62,270	150,895
OBRA funds	106,359	(96,844)	2,865	6,650
Total state program revenues	<u>4,830,266</u>	<u>7,107,805</u>	<u>1,646,122</u>	<u>10,291,949</u>
FEDERAL PROGRAM REVENUES				
Federal revenue	-	17,033,472	-	17,033,472
Total federal program revenues	<u>-</u>	<u>17,033,472</u>	<u>-</u>	<u>17,033,472</u>
 Total revenues	 <u>\$ 6,310,541</u>	 <u>\$ 32,408,666</u>	 <u>\$ 1,988,970</u>	 <u>\$ 36,730,237</u>

* CARE Report III

** Other Agency Programs and Sept-Dec MR

*** Sept - December 2007 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, 2008
(UNAUDITED)**

	<u>1st Qtr *</u> <u>CARE</u> <u>Report III</u>	<u>(Dec 08)**</u> <u>Additions</u>	<u>All other</u> <u>Agency</u>	<u>Deletions</u>	<u>Audited</u> <u>Financial</u> <u>Statements</u>
LOCAL AND EARNED REVENUES					
Medicaid	\$ -	\$ 111,483	\$ 286,096	\$ -	\$ 397,579
Medicaid administrative claiming	-	-	290,446	-	290,446
Membership dues	-	-	242,618	-	242,618
Local	100,800	230	2,449,126	-	2,550,156
Contributions	-	-	410,392	-	410,392
Delegate agency match	-	-	4,570,725	-	4,570,725
Interest	-	-	146,382	107,372	39,010
Other	-	-	903,890	-	903,890
Total local and earned revenues	<u>100,800</u>	<u>111,713</u>	<u>9,299,675</u>	<u>107,372</u>	<u>9,404,816</u>
STATE PROGRAM REVENUES					
General revenue	1,155,552	549,493	7,899,500	-	9,604,545
In-home and family support	79,732	66,958	535,281	197,651	484,320
Permanency planning	19,020	-	85,343	58,814	45,549
CLOIP	41,961	8,217	162,987	62,270	150,895
OBRA funds	1,908	-	7,607	2,865	6,650
Total state program revenues	<u>1,298,173</u>	<u>624,668</u>	<u>8,690,718</u>	<u>321,600</u>	<u>10,291,959</u>
FEDERAL PROGRAM REVENUES					
Federal revenue					
Total federal program revenues	<u>-</u>	<u>-</u>	<u>17,033,472</u>	<u>-</u>	<u>17,033,472</u>
 Total revenues	 <u>\$ 1,398,973</u>	 <u>\$ 736,381</u>	 <u>\$ 35,023,865</u>	 <u>\$ 428,972</u>	 <u>\$ 36,730,247</u>

* 1st qtr FY09 Sept - Nov

** December 2008 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, 2008
(UNAUDITED)**

<u>Fund Sources</u>	<u>Total Revenue</u>	<u>Jan - Aug Mental Retardation Expenditures</u>	<u>Sept - Dec Mental Retardation Expenditures</u>	<u>All other Program Expenditures</u>	<u>Excess Revenue Over Expenditures</u>
Objects of expense:					
Personnel	\$ 7,362,623	\$ 1,252,641	\$ 636,829	\$ 5,473,153	\$ -
Employee benefits	2,116,693	354,608	189,291	1,572,794	-
Debt service	115,515	-	-	115,515	-
Capital outlay	1,569,396	19,484	17,442	1,532,470	-
Other operating expense	23,231,370	1,994,087	1,012,322	20,224,961	-
Allocation of general administration to strategies	565,705	293,512	168,036	104,157	-
Allocation of authority administration to strategies	<u>399,303</u>	<u>-</u>	<u>-</u>	<u>399,303</u>	<u>-</u>
Total expenditures	35,360,605	3,914,332	2,023,920	29,422,353	-
Method of finance:					
General revenue - Mental Retardation	9,604,535	2,765,021	1,705,086	5,134,428	-
In-Home and Family Support - Mental Retardation	484,320	318,893	146,690	18,737	-
Permanency planning	45,549	40,899	19,020	(14,370)	-
OBRA Funds	6,650	5,225	1,425	-	-
CLOIP	150,895	89,806	50,178	10,911	-
Earned income	688,025	-	-	688,025	-
Additional local funds	3,738,598	1,146,096	212,513	2,379,989	-
Other services revenues	<u>22,011,665</u>	<u>-</u>	<u>-</u>	<u>20,642,034</u>	<u>1,369,631</u>
Total expended sources	\$ <u>36,730,237</u>	\$ <u>4,365,940</u>	\$ <u>2,134,912</u>	\$ <u>28,859,754</u>	\$ <u>1,369,631</u>

ALAMO AREA COUNCIL OF GOVERNMENTS

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

**FOR THE YEAR ENDED DECEMBER 31, 2008
(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	\$ 7,662,623	\$ -	\$ -	\$ 7,662,623	\$ 6,656,555	\$ 1,006,068
Fringe benefits	2,082,056	-	-	2,082,056	1,790,538	291,518
Debt service	115,516	112,183	-	3,333	3,332	-
Capital outlay	2,044,708	2,044,708	-	-	-	-
Depreciation	-	-	997,031	997,031	997,031	-
Other operating expense	<u>23,455,703</u>	<u>-</u>	<u>-</u>	<u>23,455,703</u>	<u>23,046,184</u>	<u>409,519</u>
Total expenses	<u>\$ 35,360,606</u>	<u>\$ 2,156,891</u>	<u>\$ 997,031</u>	<u>\$ 34,200,746</u>	<u>\$ 32,493,640</u>	<u>\$ 1,707,105</u>
Indirect costs						\$ 1,707,105
Direct costs						32,493,640
Indirect cost rate						5.25%

ALAMO AREA COUNCIL OF GOVERNMENTS

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

**FOR THE YEAR ENDED DECEMBER 31, 2008
(UNAUDITED)**

Insurer	Policy Period		Coverage	Amount
	Begins	Ends		
Texas Municipal League Risk Management Fund	10/01/07	10/01/08	Workers' Compensation	Statutory
Texas Municipal League Risk Management Fund	10/01/07	10/01/08	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	10/01/07	10/01/08	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	10/01/07	10/01/08	Law Enforcement Liability	
			Per Occurrence Limit	2,000,000
			Annual Aggregate	4,000,000
			Deductible	1,000
Texas Municipal League Risk Management Fund	10/01/07	10/01/08	Errors and Omissions Liability	
			Each Wrongful Act	2,000,000
			Annual Aggregate	4,000,000
			Deductible	1,000
Texas Municipal League Risk Management Fund	10/01/07	10/01/08	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, 2008

(UNAUDITED)

Insurer	Employment Assistance Policy Period		Coverage	Amount
	Begins	Ends		
			Flood & Earthquake Deductible	\$ 2,448,800 25,000
			Boiler & Machinery Per Accident Limit Deductible	100,000 250
Texas Municipal League Risk Management Fund	10/01/07	10/01/08	Public Employee Dishonesty Limit of Coverage Deductible Coverage Includes Faithful Performance of Duty	500,000 5,000

ALAMO AREA COUNCIL OF GOVERNMENTS

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

**DECEMBER 31, 2008
(UNAUDITED)**

<u>Name</u>	<u>City</u>	<u>Type of Service</u>	<u>Amount</u>
January - August 2008			
THE CENTER FOR HEALTH CARE SER	San Antonio	OBRA	\$ 5,225
RESPIRE CARE OF SAN ANTONIO	San Antonio	Respite	12,555
CHILDREN'S ASSOCIATION FOR	San Antonio	Respite	3,120
MOSIAC	San Antonio	Respite	7,674
LIFETIME LIVING, INC.	San Antonio	Respite	6,145
MILAGRO DISCOVERY	San Antonio	Respite	3,288
HOMELIFE COMMUNITY SERVICES	San Antonio	Respite	63,858
CALIDAD-CONVERSE	San Antonio	Respite	57,918
REHABILITATION COUNSELING	San Antonio	Respite	8,736
EDUCARE COMMUNITY LIVING	San Antonio	Respite	2,889
LIFETIME LIVING, INC.	San Antonio	Respite	10,247
UNICORN CENTER, INC.	San Antonio	Day Program	150
MISSION ROAD MINISTRIES	San Antonio	Day Program	14,409
ESTRELLA DE MAR, INC.	San Antonio	Day Program	13,571
MOSIAC	San Antonio	Day Program	3,818
MILAGRO DISCOVERY	San Antonio	Day Program	5,709
LIFETIME LIVING, INC.	San Antonio	Day Program	540
THE ARC OF SAN ANTONIO	San Antonio	Day Program	89,276
HOMELIFE COMMUNITY SERVICES	San Antonio	Day Program	4,563
UNICORN CENTER, INC.	San Antonio	Day Program	86,294
CALIDAD-DREXEL	San Antonio	Day Program	168,459
EDUCARE COMMUNITY LIVING	San Antonio	Community Support	2,075
MOSAIC	San Antonio	Community Support	2,505
LIFETIME LIVING, INC.	San Antonio	Community Support	18,855
COMMUNITY OPTIONS, INC.	San Antonio	Community Support	555
MILAGRO DISCOVERY	San Antonio	Community Support	9,713
HOMELIFE COMMUNITY SERVICES	San Antonio	Community Support	23,288
UNICORN CENTER, INC.	San Antonio	Community support	30,840
CALIDAD-DREXEL	San Antonio	Community Support	130,740
REHABILITATION COUNSELING	San Antonio	Community Support	60,225
EDUCARE COMMUNITY LIVING	San Antonio	Community support	8,668
CLINICAL BEHAVIOR ANALYSIS, LL	San Antonio	Community Support	3,758
CLINICAL BEHAVIOR ANALYSIS, LL	San Antonio	Community Support	18,315
COMMUNITY OPTIONS, INC.	San Antonio	Support Employment	1,099

(continued)

ALAMO AREA COUNCIL OF GOVERNMENTS

**BEXAR MENTAL RETARDATION AUTHORITY
SCHEDULE OF PROFESSIONAL AND CONSULTING SERVICES
(Continued)
DECEMBER 31, 2008
(UNAUDITED)**

<u>Name</u>	<u>City</u>	<u>Type of Service</u>	<u>Amount</u>
January - August 2008 (Continued)			
COMMUNITY LEARNING CENTER OF SA	San Antonio	Support Employment	\$ 273
UNICORN CENTER, INC.	San Antonio	Support Employment	13,783
CALIDAD-DREXEL	San Antonio	Support Employment	4,802
REHABILITATION COUNSELING	San Antonio	Support Employment	1,722
MOSAIC	San Antonio	Employment Assistance	511
UNICORN CENTER, INC.	San Antonio	Employment Assistance	9,030
CALIDAD-DREXEL	San Antonio	Employment Assistance	2,296
REHABILITATION COUNSELING	San Antonio	Employment Assistance	1,820
LIFETIME LIVING, INC.	San Antonio	Employment Assistance	35
HOMELIFE COMMUNITY SERVICES	San Antonio	Behavioral Support	3,506
REHABILITATION COUNSELING	San Antonio	Behavioral Support	225
EDUCARE COMMUNITY LIVING	San Antonio	Behavioral Support	450
CLINICAL BEHAVIOR ANALYSIS, LL	San Antonio	Behavioral Support	20,513
CALIDAD-CONVERSE	San Antonio	Respite Camp	10,800
CHILDREN's ASSOCIATION	San Antonio	Respite Camp	7,480
CHILDREN's ASSOCIATION	San Antonio	Weeklong Respite Camp	71,720
CALIDAD-DREXEL	San Antonio	Day Hab Summer	12,058
REHABILITATION COUNSELING	San Antonio	ABA Therapies	1,665
CLINICAL BEHAVIOR ANALYSIS, LL	San Antonio	ABA Therapies	32,895
CLINICAL BEHAVIOR ANALYSIS, LL	San Antonio	Speech & Language	1,610
HOMELIFE COMMUNITY SERVICES	San Antonio	Counseling Services	2,831
September - December 2008			
THE CENTER FOR HEALTH CARE SERVICES	San Antonio	Day Program	1,425
HOMELIFE COMMUNITY SERVICES	San Antonio	Respite Hourly	17,389
RESPITE CARE OF SAN ANTONIO	San Antonio	Respite Hourly	5,085
CALIDAD-CONVERSE	San Antonio	Respite Hourly	25,000
CHILDREN'S ASSOCIATION	San Antonio	Respite Hourly	2,700
LIFETIME LIVING, INC.	San Antonio	Respite Hourly	2,479
MILAGRO DISCOVERY	San Antonio	Respite Hourly	1,110
HOMELIFE COMMUNITY SERVICES	San Antonio	Respite Hourly	29,974
CALIDAD-CONVERSE	San Antonio	Respite Hourly	17,368
LIFETIME LIVING, INC.	San Antonio	Respite Hourly	14,648

(continued)

ALAMO AREA COUNCIL OF GOVERNMENTS

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

**(Continued)
DECEMBER 31, 2008
(UNAUDITED)**

<u>Name</u>	<u>City</u>	<u>Type of Service</u>	<u>Amount</u>
September - December 2008 (Continued)			
THE ARC OF SAN ANTONIO	San Antonio	Day Program	\$ 25,000
HOMELIFE COMMUNITY SERVICES	San Antonio	Day Program	1,554
MISSION ROAD MINISTRIES	San Antonio	Day Program	6,732
UNICORN CENTER, INC.	San Antonio	Day Program	15,443
ESTRELLA DE MAR, INC.	San Antonio	Day Program	3,803
MILAGRO DISCOVERY	San Antonio	Day Program	2,436
LIFELINE CARE AND SERVICES, LL	San Antonio	Day Program	5,076
THE ARC OF SAN ANTONIO	San Antonio	Day Program	33,601
HOMELIFE COMMUNITY SERVICES	San Antonio	Day Program	3,933
UNICORN CENTER, INC.	San Antonio	Day Program	40,650
CALIDAD-DREXEL	San Antonio	Day Program	69,671
HOMELIFE COMMUNITY SERVICES	San Antonio	Community Support	4,490
UNICORN CENTER, INC.	San Antonio	Community Support	4,170
CALIDAD-DREXEL	San Antonio	Community Support	25,000
REHABILITATION COUNSELING	San Antonio	Community Support	21,940
CLINICAL BEHAVIOR ANALYSIS, LL	San Antonio	Community Support	430
LIFETIME LIVING, INC.	San Antonio	Community Support	22,290
MILAGRO DISCOVERY	San Antonio	Community Support	6,480
COMMUNITY LEARNING CENTER OF SA	San Antonio	Community Support	1,390
HOMELIFE COMMUNITY SERVICES	San Antonio	Community Support	22,440
UNICORN CENTER, INC.	San Antonio	Community Support	19,320
CALIDAD-DREXEL	San Antonio	Community Support	64,540
LIFETIME LIVING, INC.	San Antonio	Community Support	12,510
UNICORN CENTER, INC.	San Antonio	Support Employment	4,653
REHABILITATION COUNSELING	San Antonio	Support Employment	280
COMMUNITY LEARNING CENTER OF SA	San Antonio	Support Employment	1,225
UNICORN CENTER, INC.	San Antonio	Support Employment	5,708
CALIDAD-DREXEL	San Antonio	Support Employment	2,310
LIFETIME LIVING, INC.	San Antonio	Employment Assistance	343
UNICORN CENTER, INC.	San Antonio	Employment Assistance	735
REHABILITATION COUNSELING	San Antonio	Employment Assistance	84
LIFETIME LIVING, INC.	San Antonio	Employment Assistance	231
COMMUNITY LEARNING CENTER OF SA	San Antonio	Employment Assistance	959

(continued)

ALAMO AREA COUNCIL OF GOVERNMENTS

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

**(Continued)
DECEMBER 31, 2008
(UNAUDITED)**

<u>Name</u>	<u>City</u>	<u>Type of Service</u>	<u>Amount</u>
September - December 2008 (Continued)			
UNICORN CENTER, INC.	San Antonio	Employment Assistance	\$ 1,778
CALIDAD-DREXEL	San Antonio	Employment Assistance	1,470
LIFETIME LIVING, INC.	San Antonio	Employment Assistance	770
HOMELIFE COMMUNITY SERVICES	San Antonio	Behavioral Support	383
CLINICAL BEHAVIOR ANALYSIS, LL	San Antonio	Behavioral Support	3,510
HOMELIFE COMMUNITY SERVICES	San Antonio	Behavioral Support	4,995
CLINICAL BEHAVIOR ANALYSIS, LL	San Antonio	App Behav	17,550
CLINICAL BEHAVIOR ANALYSIS, LL	San Antonio	Speech & Language	680
HOMELIFE COMMUNITY SERVICES	San Antonio	Counseling Services	1,185
HOMELIFE COMMUNITY SERVICES	San Antonio	Counseling Services	1,440

ALAMO AREA COUNCIL OF GOVERNMENTS

**BEXAR MENTAL RETARDATION AUTHORITY
SCHEDULE OF LEGAL SERVICES**

**FOR THE YEAR ENDED DECEMBER 31, 2008
(UNAUDITED)**

<u>Name</u>	<u>City</u>	<u>Type of Service</u>	<u>Amount</u>
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None

ALAMO AREA COUNCIL OF GOVERNMENTS

**BEXAR MENTAL RETARDATION AUTHORITY
SCHEDULE OF LEASE AND RENTAL COMMITMENTS**

**FOR THE YEAR ENDED DECEMBER 31, 2008
(UNAUDITED)**

<u>Lessor</u>	<u>Leased Property Location</u>	<u>Termination Date</u>	<u>Monthly Rental</u>
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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, 2008
(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, 2008
(UNAUDITED)**

<u>Name</u>	<u>Title</u>	<u>Surety Company</u>	<u>Bond Amount</u>
NONE			

SINGLE AUDIT SECTION

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**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, 2008, and have issued our report thereon dated April 27, 2009. 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.

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 Council’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 Council’s financial statements that is more than inconsequential will not be prevented or detected by the Council’s internal control.

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 Council’s internal control.

Our consideration of 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 internal control that might be significant deficiencies or material weaknesses. We did not identify any deficiencies in internal control over financial reporting that we consider to be material weaknesses, as defined above.

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 2008-1.

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, L.L.P.

April 27, 2009



**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, 2008. 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.

As described in Item 2008-1 in the accompanying Schedule of Findings and Questioned Costs, the Council did not comply with requirements regarding allowable costs that are applicable to its major federal programs. Compliance with such requirements is necessary, in our opinion, for the Council to comply with the requirements applicable to those programs.

In our opinion, except for the noncompliance described in the preceding paragraph, 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, 2008. The results of our auditing procedures also disclosed other instances of noncompliance with those requirements, which are required to be reported in accordance with OMB-Circular A-133 and which are described in the accompanying Schedule of Findings and Questioned Costs as Item 2008-2.

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 2008-01 and 2008-02 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 2008-01 and 2008-02 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.

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

April 27, 2009

ALAMO AREA COUNCIL OF GOVERNMENTS
SCHEDULE OF EXPENDITURES OF FEDERAL AND STATE AWARDS
FOR THE YEAR ENDED DECEMBER 31, 2008

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	CC2006001-01	\$ 48,457
Able Bodied Americans Without Dependents	10.551	CC2006001-02	<u>1,763</u>
Subtotal			<u>50,220</u>
Food Stamps 50/50	10.561	CC2006001-01	20,524
Food Stamps 50/50	10.561	CC2006001-02	5,265
Food Stamps 100%	10.561	CC2006001-01	70,207
Food Stamps 100%	10.561	CC2006001-02	<u>6,811</u>
Subtotal			<u>102,807</u>
Total Alamo Area Development Corporation			<u>153,027</u>
Total U. S. Department of Agriculture			<u>153,027</u>
<u>U. S. Department of Commerce</u>			
Passed through Economic Development Administration:			
Economic Development Planning	11.305	08-83-04044	<u>37,758</u>
Total Economic Development Administration			<u>37,758</u>
Total U. S. Department of Commerce			<u>37,758</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	C77221	13,363
Community Development Block Grant	14.228	C78221	<u>10,949</u>
Total Office of Rural and Community Affairs			<u>24,312</u>
Direct programs:			
Housing Choice Vouchers	14.871	TX564	<u>380,192</u>
Total direct programs			<u>380,192</u>
Total U. S. Department of Housing and Urban Development			<u>404,504</u>

(continued)

ALAMO AREA COUNCIL OF GOVERNMENTS
SCHEDULE OF EXPENDITURES OF FEDERAL AND STATE AWARDS
(Continued)
FOR THE YEAR ENDED DECEMBER 31, 2008

Federal Grantor/Pass-through Grantor Program Title	Federal CFDA Number	Pass-through Grantor's Number	Expenditures
FEDERAL AWARDS (Continued)			
<u>U. S. Department of Labor</u>			
Passed through Alamo Area Development Corporation:			
Employment Services	17.207	CC2006001-01	\$ 14,876
Employment Services	17.207	CC2006001-02	<u>4,633</u>
Subtotal			<u>19,509</u>
WIA Adult Services	17.258	CC2006001-01	342,310
WIA Adult Services	17.258	CC2006001-02	<u>143,947</u>
Subtotal			<u>486,257</u>
WIA Youth	17.259	CC2006001-01	113,229
WIA Youth	17.259	CC2006001-02	<u>27,267</u>
Subtotal			<u>140,496</u>
WIA Dislocated Work	17.260	CC2006001	5
WIA Dislocated Work	17.260	CC2006001-01	432,606
WIA Dislocated Work	17.260	CC2006001-02	<u>119,703</u>
Subtotal			<u>552,314</u>
Total Alamo Area Development Corporation			<u>1,198,576</u>
Total U. S. Department of Labor			<u>1,198,576</u>
<u>U. S. Department of Transportation</u>			
Passed through Metropolitan Planning Organization:			
Highway Planning and Construction	20.205	2008-09	<u>232,986</u>
Total Metropolitan Planning Organization			<u>232,986</u>
Passed through Texas Department of Transportation:			
Commute Solutions	20.205	0915-12-436	116,710
Commute Solutions	20.205	0915-12-437	<u>105,370</u>
Subtotal			<u>222,080</u>
Formula Grants for Other than Urbanized Areas	20.509	51715F7226	778,217
Formula Grants for Other than Urbanized Areas	20.509	51715F7194	176,199
Formula Grants for Other than Urbanized Areas	20.509	51815F7080	1,071,726
Formula Grants for Other than Urbanized Areas	20.509	51815F7119	<u>36,005</u>
Subtotal			<u>2,062,147</u>

(continued)

ALAMO AREA COUNCIL OF GOVERNMENTS
SCHEDULE OF EXPENDITURES OF FEDERAL AND STATE AWARDS
(Continued)
FOR THE YEAR ENDED DECEMBER 31, 2008

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	51715F7162	\$ 94,809
Capital Assistance Program for Elderly Persons and Persons with Disabilities	20.513	51815F7201	<u>12,000</u>
Subtotal			<u>106,809</u>
Regional Coordination - Public Transportation	20.515	517XXF7001	39,091
Job Access/Reverse Commute	20.516	51715F7085	89,910
Job Access/Reverse Commute	20.516	51715F7283	<u>123,439</u>
Subtotal			<u>213,349</u>
Total Texas Department of Transportation			<u>2,643,476</u>
Total U. S. Department of Transportation			<u>2,876,462</u>
<u>U. S. Department of Energy</u>			
Passed through Texas Department of Housing and Community Affairs:			
Weatherization Assistance for Low Income Persons	81.042	567001	198,214
Weatherization Assistance for Low Income Persons	81.042	568001	<u>280,527</u>
Total Texas Department of Housing and Community Affairs			<u>478,741</u>
Total U. S. Department of Energy			<u>478,741</u>
<u>U. S. Department of Education</u>			
Passed through Office of the Governor - Criminal Justice Division:			
Regional Youth CJD FY 2008	84.186	ED-07-J20-14864-09	64,196
Regional Youth CJD FY 2009	84.186	ED-07-J20-14864-10	<u>26,153</u>
Total Office of the Governor - Criminal Justice Division			<u>90,349</u>
Total U. S. Department of Education			<u>90,349</u>

(continued)

ALAMO AREA COUNCIL OF GOVERNMENTS

SCHEDULE OF EXPENDITURES OF FEDERAL AND STATE AWARDS

(Continued)

FOR THE YEAR ENDED DECEMBER 31, 2008

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 2008	93.041	539-07-0152-00001	\$ 14,458
Title VII-OAG FY 2008	93.042	539-07-0152-00001	52,355
Title III-D FY 2008	93.043	539-07-0152-00001	97,324
Title III-B FY 2008	93.044	539-07-0152-00001	1,274,239
Title III-C FY 2008	93.045	539-07-0152-00001	2,329,794
Special Programs for the Aging - Title IV and II	93.048	539-08-0162-00001	36,213
Special Programs for the Aging - Title IV and II	93.048	53900-9-0000032738	30,648
Special Programs for the Aging - Title IV and II	93.048	539-08-0162-00001	153,735
Title III-E FY 2008	93.052	539-07-0152-00001	638,842
Transportation Services FY 08 NSIP	93.053	539-07-0152-00001	1,020,865
CMS - Aging and Disability Resource Center	93.779	539-08-0162-00001	109,285
CMS	93.779	539-07-0152-00001	<u>111,034</u>
Total Bexar Area on Aging			<u>5,868,792</u>
Passed through Texas Department of Aging and			
Disability Services to the Alamo Area on Aging:			
Title VII-EAP FY 2008	93.041	539-07-0150-00001	5,288
Title VII-OAG FY 2008	93.042	539-07-0150-00001	31,576
Title III-D FY 2008	93.043	539-07-0150-00001	34,110
Title III-B FY 2008	93.044	539-07-0150-00001	565,608
Title III-C FY 2008	93.045	539-07-0150-00001	979,594
Title III-E FY 2008	93.052	539-07-0150-00001	267,683
Transportation Services FY 08 NSIP	93.053	539-07-0150-00001	221,133
CMS FY 2008	93.779	539-07-0152-00001	<u>92,237</u>
Total Alamo Area on Aging			<u>2,197,229</u>
Total Texas Department of Aging and Disability Services			
			<u>2,197,229</u>
Passed through U. S. Administration on Aging:			
Special Programs for Aging Title IV & Title II	93.048	90AM2777/03	<u>43</u>
Total U. S. Administration on Aging			<u>43</u>
Passed through Texas Department of Housing and Community Affairs:			
Low-Income Home Energy Assistance Program	93.568	817001	263,305
Low-Income Home Energy Assistance Program	93.568	818001	<u>448,027</u>
Total Texas Department of Housing and Community Affairs			<u>711,332</u>

(continued)

ALAMO AREA COUNCIL OF GOVERNMENTS
SCHEDULE OF EXPENDITURES OF FEDERAL AND STATE AWARDS
(Continued)
FOR THE YEAR ENDED DECEMBER 31, 2008

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 the City of San Antonio:			
Child Care Development Services	93.575	4600006866	\$ 461,276
Child Care Development Services	93.575	460000	<u>137,991</u>
Total City of San Antonio			<u>599,267</u>
Passed through Alamo Area Development Corporation:			
TANF Choices	93.558	CC2006001-01	790,862
TANF Choices	93.558	CC2006001-02	<u>202,059</u>
Subtotal			<u>992,921</u>
Ryan White Title I - FY 2008	93.914	N/A	161,581
Ryan White Title I - FY 2009	93.914	N/A	<u>44,285</u>
Subtotal			<u>205,866</u>
Total Alamo Area Development Corporation			<u>1,198,787</u>
Passed through Texas Department of State Health Services:			
Ryan White Title II - Service Delivery	93.917	2007-022161	<u>454,403</u>
Total Texas Department of State Health Services			<u>454,403</u>
Passed through Texas Health and Human Services Commission:			
Katrina Assistance Program	93.667	529-07-0028-00001	<u>359,713</u>
Total Texas Health and Human Services Commission			<u>359,713</u>
Total U. S. Department of Health and Human Services			<u>11,389,566</u>
<u>U. S. Department of Homeland Security</u>			
Passed through Office of the Governor, Division of Emergency Management			
Homeland Security 2006	97.067	2005-GE-T5-4025	1,804
Homeland Security 2007	97.067	2006-GE-T6-0068	145,714
Homeland Security 2008	97.067	2007-GE-T7-0024	170,558
Homeland Security Equipment	97.067	2005-GE-T5-4025	81,386
Homeland Security Equipment	97.067	2007-GE-T7-0024	<u>5,027</u>
Total Office of the Governor, Division of Emergency Management			<u>404,489</u>
Total U. S. Department of Homeland Security			<u>404,489</u>
Total Federal Awards - Primary Government			<u>17,033,472</u>

(continued)

ALAMO AREA COUNCIL OF GOVERNMENTS
SCHEDULE OF EXPENDITURES OF FEDERAL AND STATE AWARDS
(Continued)
FOR THE YEAR ENDED DECEMBER 31, 2008

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 Workforce Solutions Alamo:			
ABAWD	10.551	CC2006001-01	\$ 55,975
ABAWD	10.551	CC2006001-02	2,032
Food Stamps Employment and Training - 50/50	10.561	CC2006001-01	22,661
Food Stamps Employment and Training - 100%	10.561	CC2006001-01	70,207
Food Stamps Employment and Training - 50/50	10.561	CC2006001-02	6,931
Food Stamps Employment and Training - 100%	10.561	CC2006001-02	6,811
Total Passed through Workforce Solutions Alamo			<u>164,617</u>
Total U. S. Department of Agriculture			<u>164,617</u>
<u>U. S. Department of Labor</u>			
Passed through Workforce Solutions Alamo:			
Employment Service	17.207	CC2006001-01	14,876
Employment Service	17.207	CC2006001-02	4,633
Workforce Investment Act - Adult	17.258	CC2006001	(418)
Workforce Investment Act - Adult	17.258	CC2006001-01	774,666
Workforce Investment Act - Adult	17.258	CC2006001-02	246,760
Workforce Investment Act - Youth Services	17.259	CC2006001	(145)
Workforce Investment Act - Youth Services	17.259	CC2006001-01	174,724
Workforce Investment Act - Youth Services	17.259	CC2006001-02	57,244
Performance Award	17.259	CC2006001	(728)
Workforce Investment Act - Dislocated Workers	17.260	CC2006001-01	799,959
Workforce Investment Act - Dislocated Workers	17.260	CC2006001-02	230,669
Total Passed through Workforce Solutions Alamo			<u>2,302,240</u>
Total U. S. Department of Labor			<u>2,302,240</u>
<u>U. S. Department of Transportation</u>			
Passed through Texas Department of Transportation:			
Job Access/Reverse Commute	20.516	51715F7085	149,112
Job Access/Reverse Commute	20.516	51715F7283	126,733
Total Passed through Texas Department of Transportation			<u>275,845</u>
Total U. S. Department of Transportation			<u>275,845</u>

(continued)

ALAMO AREA COUNCIL OF GOVERNMENTS
SCHEDULE OF EXPENDITURES OF FEDERAL AND STATE AWARDS
(Continued)
FOR THE YEAR ENDED DECEMBER 31, 2008

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 Health and Human Services</u>			
Passed through Workforce Solutions Alamo:			
Temporary Assistance for Needy Families	93.558	CC2006001	\$ 48
Temporary Assistance for Needy Families	93.558	CC2006001-01	837,014
Temporary Assistance for Needy Families	93.558	CC2006001-02	<u>217,928</u>
Total Passed through Workforce Solutions Alamo			<u>1,054,990</u>
Passed through City of San Antonio:			
Child Care and Development Block Grant	93.575	4600006866	461,276
Child Care and Development Block Grant	93.575	460000	<u>137,991</u>
Total Passed through City of San Antonio			<u>599,267</u>
Passed through Bexar County:			
Ryan White Title I	93.914	N/A	859,410
Ryan White Title I	93.914	N/A	<u>245,497</u>
Total Passed through Bexar County			<u>1,104,907</u>
Passed through Texas Department of State Health Services:			
Ryan White Title II	93.917	N/A	<u>392,222</u>
Total Passed through Texas Department of State Health Services			<u>392,222</u>
Total U. S. Department of Health and Human Services			<u>3,151,386</u>
Total Federal Awards - Discretely Presented Component Unit			<u>5,894,088</u>
Total Federal Expenditures			<u>22,927,560</u>

(continued)

ALAMO AREA COUNCIL OF GOVERNMENTS
SCHEDULE OF EXPENDITURES OF FEDERAL AND STATE AWARDS
(Continued)
FOR THE YEAR ENDED DECEMBER 31, 2008

State Grantor/Program Title	Grant Number	Expenditures
STATE AWARDS		
Primary Government:		
<u>Texas Department of Aging and Disability Services</u>		
Aging SGR - Alamo	539-07-0150-00001	\$ 147,707
Aging SGR - Bexar	539-07-0152-00001	119,505
Aging SGR - Bexar	539-08-0162-00001	15,000
State General Revenue - Mental Retardation - FY 2008	539-08-0005-00001	2,549,406
Community Living Options - FY 2008	539-08-0005-00001	100,717
In-Home Family Support	539-08-0005-00001	337,630
Omnibus Reconciliation Act	539-08-0005-00001	5,225
Permanency Planning	539-08-0005-00001	26,529
State General Revenue - Mental Retardation	539-08-0005-00001	1,705,086
Community Living Options - FY 2009	539-08-0005-00001	50,178
In-Home Family Support	539-08-0005-00001	146,690
Omnibus Reconciliation Act	539-08-0005-00001	1,425
Permanency Planning	539-08-0005-00001	19,020
Total Texas Department of Aging and Disability Services		<u>5,224,118</u>
<u>Texas Department of State Health Services</u>		
Ryan White Title II - State and Social Services	2007-020949-001	(452)
Ryan White Title II - State and Social Services	2008-023770-001	219,908
Total Texas Department of State Health Services		<u>219,456</u>
<u>Commission on State Emergency Communications</u>		
911 Emergency Communications	FY 2007	682,259
911 Emergency Communications	FY 2008	611,192
911 Emergency Communications	FY 2009	286,930
Total Commission on State Emergency Communications		<u>1,580,381</u>
<u>Office of the Governor - Criminal Justice Division</u>		
State Planning Assistance Grant - FY 2008	20059001	164,006
State Planning Assistance Grant - FY 2009	2059002	72,183
Regional Criminal Justice Coordination	SF-08-197-14468-09	137,482
Regional Criminal Justice Coordination	SF-08-197-14468-10	63,935
Regional Police Training Academy	SF-08-A10-14859-09	303,894
Regional Police Training Academy	SF-08-A10-14859-10	184,477
Total Office of the Governor - Criminal Justice Division		<u>925,977</u>
<u>Texas Commission on Environmental Quality</u>		
Air Quality	582-6-70886	57,609
Air Quality	582-8-86227	521,649
Solid Waste	582-8-86680	725,252
Total Texas Commission on Environmental Quality		<u>1,304,510</u>
<u>State Energy Conservation Office</u>		
Clean Cities 2007	CM705	13,581
Total State Energy Conservation Office		<u>13,581</u>

(continued)

ALAMO AREA COUNCIL OF GOVERNMENTS

SCHEDULE OF EXPENDITURES OF FEDERAL AND STATE AWARDS (Continued) FOR THE YEAR ENDED DECEMBER 31, 2008

State Grantor/Program Title	Grant Number	Expenditures
STATE AWARDS(Continued)		
<u>Texas Department of Transportation</u>		
Rural Public Transportation	51815F7001	\$ 521,440
Rural Public Transportation	51915F7001	324,677
Job Access Reverse Commute	51715F7085	51,990
Job Access Reverse Commute	51715F7283	7,771
Regional Coordination Planning Grant	517XXF7001	6,860
Total Texas Department of Transportation		912,738
<u>Texas Workforce Commission</u>		
Passed through Alamo Area Development Corporation:		
Food Stamps - 50/50	CC2006001-01	20,524
Food Stamps - 50/50	CC2006001-02	5,265
Project Rio	CC2006001-01	71,957
Project Rio	CC2006001-02	13,442
Total Alamo Area Development Corporation		111,188
Total Texas Workforce Commission		111,188
Total State Awards - Primary Government		10,291,949
Discretely Presented Component Unit:		
<u>Workforce Solutions Alamo</u>		
TANF Transportation	CC2006001-01	65,180
TANF Transportation	CC2006001-02	33,786
RIO	CC2006001-01	71,957
RIO	CC2006001-02	14,538
Food Stamps Employment and Training - 50/50	CC2006001-01	22,661
Food Stamps Employment and Training - 50/50	CC2006001-02	6,932
Total Workforce Solutions Alamo		215,054
<u>Texas Department of Transportation:</u>		
Job Access/Reverse Commute	51715F7085	35,549
Job Access/Reverse Commute	51715F7283	9,266
Total Texas Department of Transportation		44,815
<u>Texas Department of State Health Services:</u>		
Ryan White Title II	N/A	219,908
Total Texas Department of State Health Services		219,908
Total State Awards - Discretely Presented Component Unit		479,777
Total State Expenditures		10,771,726
Total Expenditures of Federal and State Awards - Reporting Entity		\$ 33,699,286

ALAMO AREA COUNCIL OF GOVERNMENTS

NOTES TO SCHEDULE OF EXPENDITURES OF FEDERAL AND STATE AWARDS

DECEMBER 31, 2008

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, 2008

Summary of Auditors' Results

Type of report on financial statements	Unqualified
Internal control over financial reporting: Material weakness(es) identified?	No
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	Qualified
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	\$687,827
Dollar threshold considered between Type A and Type B state programs	\$323,152
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	Aging Cluster - CFDA #93.044, 93.045, 93.053 WIA Cluster - CFDA #17.258, 17.259, 17.260 Formula Grants for Other than Urbanized Areas, CFDA #20.509 Title III E - CFDA #93.052
Major state programs	General Revenue - MR Community Living Options In-Home Family Support Omnibus Reconciliation Act Permanency Planning Rural Public Transportation

(continued)

ALAMO AREA COUNCIL OF GOVERNMENTS

SCHEDULE OF FINDINGS AND QUESTIONED COSTS

(Continued)

FOR THE YEAR ENDED DECEMBER 31, 2008

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

<u>Item 2008-1:</u>	All major federal programs
<u>Compliance Requirement:</u>	Allowable Costs/Costs Principles
<u>Criteria:</u>	<p>Documentation of allowable salaries and wages in accordance with OMB Circular A-87 include the following:</p> <ul style="list-style-type: none">• Where employees work on multiple activities or cost objectives, a distribution of their salaries or wages will be supported by personnel activity reports or equivalent documentation. Such documentary support will be required where employees work on:<ul style="list-style-type: none">○ More than one federal award;○ A federal award and a non-federal award;○ An indirect cost activity and a direct cost activity;○ Two or more indirect activities which are allocated using different allocation basis; or○ An unallowable activity and a direct or indirect cost activity. <p>Personnel activity reports must reflect an after-the-fact distribution of the actual activity of each employee. Budget estimates or other distribution percentages determined before the services are performed do not qualify as support for the charges to federal awards.</p>
<u>Condition:</u>	We selected a sample of 40 employees to test the allowability of salaries charged to each program (160 total). Of these, we noted 14 employees that only had budget estimates to support the allocation of their time charged to federal awards.
<u>Effect:</u>	As noted earlier, personnel activity reports must reflect an after-the-fact distribution of the actual activity of each employee. Budget estimates or other distribution percentages determined before the services are performed do not qualify as support for the charges to federal awards.
<u>Questioned Costs:</u>	A quantification of questioned costs could not be reasonably determined. However, the total amount of salary costs charged to federal programs using only budgeted estimates exceeded \$350,000.
<u>Recommendation:</u>	Management should implement policies and procedures to ensure all employees certify time and effort in accordance with the requirements of OMB Circular A-87.

(continued)

ALAMO AREA COUNCIL OF GOVERNMENTS

SCHEDULE OF FINDINGS AND QUESTIONED COSTS

(Continued)

FOR THE YEAR ENDED DECEMBER 31, 2008

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

Item 2008-1: (Continued)

Management's Response:

The Council understands that program budgets serve as a tool by program management for monitoring expenditures and activities. Management also understands that budget percentages are not for staff to use in charging their work hours. Management has reviewed and explained the allowable costs/costs principles of personnel activity reports (timesheets) as defined in OMB Circular A-87.

The Council shall implement a policy and procedure to ensure all employees certify time and effort in accordance with the requirements of the OMB Circular A-87.

The accounting department will develop a monitoring tool and methodology for reviewing employee timesheets to ensure the time reflects an after-the-fact distribution of the employee activities.

Contact Person Responsible
for corrective action:

Blanca L. Tapia, Controller – (210) 362-5205

Anticipated Completion Date:

June 30, 2009

Item 2008-2:

CFDA #20.509

Compliance Requirement:

Davis-Bacon Act

Criteria:

Entities shall include in their construction contracts subject to the Davis-Bacon Act a requirement that the contractor or subcontractor comply with the requirements of the Davis-Bacon Act and the DOL regulations. This includes a requirement for the contractor or subcontractor to submit to the non-federal entity weekly, for each week in which any contract work is performed, a copy of the payroll and a statement of compliance (certified payrolls). This reporting is often done using Optional Form WH-347, which includes the required statement of compliance (*OMB No. 1215-0149*).

(continued)

ALAMO AREA COUNCIL OF GOVERNMENTS

SCHEDULE OF FINDINGS AND QUESTIONED COSTS

(Continued)

FOR THE YEAR ENDED DECEMBER 31, 2008

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

Item 2008-2: (Continued)

Condition: The Council used grant funding to pay for construction expenditures exceeding \$2,000 and there were no procedures in place to ensure the contractors complied with the Davis-Bacon Act. The Council also does not have a provision in their contracts that contractors or subcontractors are required to comply with the Davis-Bacon Act.

Effect: Grant funds could be paid to contractors that are not meeting the Department of Labor's requirements, which would make the expenditures unallowable.

Questioned Costs: \$28,781.09

Recommendation: The Council should implement policies and procedures that will ensure that the requirements of the Davis-Bacon Act are met.

Management's Response: The Council has reviewed the Texas Department of Transportation Master Grant Agreement and acknowledges the compliance to the Davis-Bacon Act.

The Council shall implement a policy and procedure that will ensure compliance with this Act.[]

Contact Person Responsible
for corrective action: Blanca L. Tapia, Controller
Program Directors for respective grants
(210) 362-5205

Anticipated Completion Date: June 30, 2009

ALAMO AREA COUNCIL OF GOVERNMENTS

SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS

FOR THE YEAR ENDED DECEMBER 31, 2008

**Findings Relating to the Financial Statements Which
are Required to be Reported in Accordance With
Generally Accepted Government 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.
- Current Status: This matter has been resolved.

(continued)

ALAMO AREA COUNCIL OF GOVERNMENTS

**SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS
(Continued)
FOR THE YEAR ENDED DECEMBER 31, 2008**

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

Current Status: This matter has been resolved.

(continued)

ALAMO AREA COUNCIL OF GOVERNMENTS

**SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS
(Continued)
FOR THE YEAR ENDED DECEMBER 31, 2008**

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>
<u>Current Status:</u>	This matter has been resolved.

(continued)

ALAMO AREA COUNCIL OF GOVERNMENTS

SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS

(Continued)

FOR THE YEAR ENDED DECEMBER 31, 2008

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.
<u>Current Status:</u>	This matter has been resolved.