

**Alamo Area Council of Governments**

Financial Statements and  
Independent Auditors' Report

December 31, 2004

# Alamo Area Council of Governments

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## Financial Section

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**PADGETT, STRATEMANN & CO., L.L.P.**

Certified Public Accountants and Business Advisors

**Independent Auditors' Report**

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

We have audited the accompanying basic financial statements of Alamo Area Council of Governments ("AACOG") as of and for the year ended December 31, 2004 as listed in the table of contents. These basic financial statements are the responsibility of AACOG's management. Our responsibility is to express an opinion 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 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 opinion.

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the basic financial statements of AACOG as of December 31, 2004, and the respective changes in financial position, thereof for the year then ended in conformity with accounting principles generally accepted in the United States of America.

In accordance with *Government Auditing Standards*, we have also issued our report dated April 8, 2005 on our consideration of AACOG's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be considered in assessing the results of our audit.

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The Management's Discussion and Analysis, Schedule of Funding Progress, and Budgetary Comparison Schedule are not a required part of the basic financial statements but are 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 an opinion on the basic financial statements taken as a whole. The other supplemental schedules listed in the accompanying table of contents are presented for purposes of additional analysis and are not a required part of the basic financial statements of AACOG. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and, in our opinion, is fairly stated in all material respects in relation to the basic financial statements taken as a whole.

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 Single Audit Circular, issued by the Office of the Governor of the State of Texas, and is not a required part of the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and, in our opinion, is fairly stated, in all material respects, in relation to the basic financial statements taken as a whole.

*Padgett, Stratemann & Co., L.L.P.*

Certified Public Accountants  
April 8, 2005

## ***MANAGEMENT'S DISCUSSION AND ANALYSIS***

Alamo Area Council of Governments' ("AACOG") discussion and analysis offer readers of AACOG's financial statements a narrative overview and analysis of AACOG's financial activities for the year ended December 31, 2004. We encourage readers to consider the information presented here in conjunction with additional information that we have furnished and the financial statements and notes to financial statements, which immediately follow this discussion.

### **Financial Highlights**

- The assets of AACOG exceeded its liabilities as of December 31, 2004 by \$2,668,813 (*net assets*). Of this amount, \$839,032 (*unrestricted net assets*) may be used to meet AACOG's ongoing obligations to citizens and creditors in accordance with AACOG's fund designation and fiscal policies.
- AACOG's net assets decreased by \$93,151 due in part to loss on disposal of assets and depreciation expense booked during the current year. Additionally, AACOG utilized \$8,508 of the General Fund's net assets to meet required match on various grants.
- As of the close of the 2004 year, AACOG's Governmental Funds reported combined ending fund balances of \$839,032. Of this amount, \$839,032 is unreserved fund balance available for use within AACOG's fund designation and fiscal policies.
- As of December 31, 2004, unreserved, undesignated fund balance for the General Fund was \$838,408 and \$624 for the AADC Pass-Through Fund.

### **Overview of the Financial Statements**

This discussion and analysis are intended to serve as an introduction to AACOG's basic financial statements. AACOG's basic financial statements comprise three components: government-wide financial statements, fund financial statements, and notes to financial statements. This report also contains other supplementary information in addition to the basic financial statements themselves.

#### ***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, increases or decreases 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 AACOG'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).

Both of the government-wide financial statements distinguish functions of AACOG that are principally supported by grants and regional appropriations (*governmental activities*) from other functions that are intended to recover all or a significant portion of their costs through user fees and charges (*business-type activities*). However, all of AACOG's activities are considered governmental activities and, accordingly, there are no business-type activities.

AACOG's management has reviewed other entities and activities for possible inclusion in the reporting entity. Based on this review, the Alamo Area Development Corporation ("AADC") has been included in the financial reporting entity as a blended component unit. During 1998, AADC contracted with Alamo Workforce Development, Inc., subsequently renamed Alamo WorkSource ("AWS") during 2005, to administer programs consisting primarily of Texas Workforce Commission grants. AADC is governed by a Board of five directors, which are also members of the governing body, AACOG. AADC is presented as a Special Revenue Fund. Complete financial statements may be obtained at the entity's administrative offices.

### ***Fund Financial Statements***

A *fund* is a grouping of related accounts that is used to maintain control over resources that have been segregated for specific activities or objectives. AACOG, like other similar governmental entities, uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements. All of the funds of AACOG are classified as *Governmental Funds*.

#### ***Governmental Funds***

*Governmental Funds* are used to account for essentially the same functions reported as *governmental activities* in the government-wide financial statements. However, unlike the government-wide financial statements, Governmental Fund financial statements focus on *near-term inflows and outflows of spendable resources*, as well as on *balances of spendable resources* available at the end of the fiscal year. Such information may be useful in 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 AACOG's near-term financing decisions. Both the Governmental Fund balance sheet and the Governmental Fund statement of revenues, expenditures, and changes in fund balances provide a reconciliation to facilitate this comparison between *Governmental Funds* and *governmental activities*.

AACOG maintains a General Fund and 26 Special Revenue Funds. Information is presented separately in the Governmental Funds balance sheet and in the Governmental Funds statement of revenues, expenditures, and changes in funds balances for each fund, 6 of which are considered to be major funds: the General Fund, the AADC Fund, the AADC Pass-Through Fund, the Texas Department of Transportation, the Alamo Area Agency on Aging, and the Bexar Area Agency on Aging.

*Notes to 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.

**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 \$2,668,813 at December 31, 2004. The following table reflects the condensed Statement of Net Assets compared to prior year.

**Table A-1  
AACOG's Net Assets**

	<u>Governmental Activities</u>		<u>Total Percentage Change</u>
	<u>2004</u>	<u>2003</u>	
<b>Assets</b>			
Current and other assets	\$ 5,452,455	\$ 4,882,757	11.67%
Capital assets	<u>1,844,352</u>	<u>1,947,216</u>	(5.28%)
<b>Total assets</b>	<u>\$ 7,296,807</u>	<u>\$ 6,829,973</u>	6.84%
<b>Liabilities</b>			
Current liabilities	\$ 4,393,645	\$ 3,836,144	(14.53%)
Noncurrent liabilities	<u>234,349</u>	<u>231,865</u>	(1.07%)
<b>Total liabilities</b>	<u>4,627,994</u>	<u>4,068,009</u>	(13.77%)
<b>Net Assets</b>			
Invested in capital assets – net of related debt	1,829,781	1,914,500	(4.43%)
Unrestricted	<u>839,032</u>	<u>847,464</u>	(0.99%)
<b>Total net assets</b>	<u>2,668,813</u>	<u>2,761,964</u>	(3.37%)
<b>Total liabilities and net assets</b>	<u>\$ 7,296,807</u>	<u>\$ 6,829,973</u>	6.84%

The portion of AACOG's net assets, \$1,829,781, represents investments in capital assets net of related debt.

The balance of *unrestricted net assets*, \$839,032, may be used to meet AACOG's ongoing obligations in accordance with AACOG's fund designation and fiscal policies.

At the end of the current year, AACOG is able to report a positive balance in all categories of net assets.

### *Analysis of AACOG's Operations*

The following table provides a summary of AACOG's operations for the year ended December 31, 2004. Governmental activities decreased AACOG's net assets by \$93,151, accounting for 3.37% of the total decrease in net assets.

**Table A-2**  
**AACOG's Changes in Net Assets**

	<u>Governmental Activities</u>		<u>Total Percentage Change</u>
	<u>2004</u>	<u>2003</u>	
<b>Revenues</b>			
Program revenues:			
Charges for services	\$ 1,138,898	\$ 1,217,433	(6.45%)
Operating grants and contributions	25,666,215	25,035,156	2.52%
Capital grants and contributions	340,439	1,175,515	(71.04%)
General revenues:			
Grants and contributions not restricted to specific programs	-	94,081	(100.00%)
Investment earnings	3,864	3,665	5.43%
Member dues	210,385	210,082	0.14%
Loss on disposal of assets	(35,416)	-	(100.00%)
Miscellaneous	94	171	(45.03%)
<b>Total revenues</b>	<u>27,324,479</u>	<u>27,736,103</u>	(1.48%)
<b>Expenses</b>			
General Fund	40,387	41,957	3.74%
AADC Fund	1,372,757	1,298,908	(5.69%)
AADC Pass-Through Fund	3,745,153	4,012,223	6.66%
Texas Department of Transportation (A)	2,225,807	2,259,559	1.49%
Texas Commission on Environmental Quality	1,115,561	1,971,087	43.40%
Alamo Area Agency on Aging	3,951,357	3,131,384	(26.19%)
Bexar Area Agency on Aging	10,125,948	9,342,416	(8.39%)
Criminal Justice	1,010,289	1,024,776	1.41%
Housing and Community Affairs	1,606,057	1,170,414	(37.22%)
911 Program	911,617	1,313,313	30.59%
Other governmental funds	1,312,697	1,648,904	(20.39%)
<b>Total expenses</b>	<u>27,417,630</u>	<u>27,214,941</u>	(0.74%)
<b>Increase (decrease) in net assets</b>	(93,151)	521,162	(117.87%)
<b>Net assets at beginning of year</b>	<u>2,761,964</u>	<u>2,240,802</u>	23.26%
<b>Net assets at end of year</b>	<u>\$ 2,668,813</u>	<u>\$ 2,761,964</u>	(3.37%)

(A) This was not a major fund in 2004, but was a major fund in 2003.

## Financial Analysis of AACOG's Funds

### *Governmental Funds*

The focus of AACOG's *Governmental Funds* is to provide information on near-term inflows, outflows, and balances of *spendable* resources. Such information is useful in assessing AACOG's financing requirements. In particular, *unreserved fund balance* may serve as a useful measure of a government's net resources available for spending at the end of the fiscal year.

At the end of the current year, AACOG's Governmental Funds reported a combined ending fund balance of \$839,032. One hundred percent of this total amount, \$839,032, constitutes *unreserved fund balance*.

### *Capital Assets Administration*

AACOG's investment in capital assets for its governmental activities as of December 31, 2004 amounts to \$1,844,352 (net of accumulated depreciation). This investment in capital assets comprises furniture, fixtures, and equipment. Major capital assets occurring during the current year included the following:

**Table A-3**  
**AACOG's Change in Capital Assets –**  
**Governmental Activities**

	<u>Governmental Activities</u>		<u>Total Percentage Change</u>
	<u>2004</u>	<u>2003</u>	
Furniture, fixtures, and equipment	\$ 3,565,544	\$ 3,219,084	10.76%
Less accumulated depreciation	<u>1,721,192</u>	<u>1,271,868</u>	35.33%
	<u>\$ 1,844,352</u>	<u>\$ 1,947,216</u>	(5.28%)

## Economic Factors

The 12 counties that make up our region all have unique character and appeal, as well as unique economic circumstances. The sections below summarize major components of our regional economy, giving an overview of the local and regional economies. AACOG's Board of Directors approved a \$25,770,137 million budget for the 2005 year. This is an 11% increase.

### *Overview of the Local Economy*

Our region consists of 12 counties. The Alamo Area Region has an overall unemployment rate of 5.33%, an average weekly wage of \$447, with 14.84% of the population living below the poverty level. The table below gives details of the economies of each county within our region by looking at the major factors affecting the economy, specifically as it relates to the individual citizens of our region.

**Table A-4  
Major Factors Affecting the Economy**

<u>County</u>	<u>Labor Force (1)</u>	<u>Unemployed (1)</u>	<u>Unemployment Rate (1)</u>	<u>Average Weekly Wage (3)</u>	<u>Population Below Poverty Level (2)</u>	<u>Percent Below Poverty Level (2)</u>
Atascosa	18,860	1,073	5.7%	\$ 453	7,701	20.2%
Bandera	9,578	470	4.9%	360	1,895	10.8%
Bexar	710,679	41,060	5.8%	541	215,736	15.9%
Comal	45,804	2,342	5.1%	476	6,585	8.6%
Frio	6,276	482	7.7%	388	4,091	29.0%
Gillespie	11,702	411	3.5%	476	2,067	10.2%
Guadalupe	49,768	2,384	4.8%	528	8,568	9.8%
Karnes	5,616	395	7.0%	415	2,575	21.9%
Kendall	13,387	603	4.5%	482	2,443	10.5%
Kerr	21,047	950	4.5%	444	6,074	14.5%
Medina	19,238	1,058	5.5%	420	5,764	15.4%
Wilson	16,967	844	5.0%	384	3,589	11.3%
	<u>928,922</u>	<u>52,072</u>			<u>267,088</u>	

- (1) Source: Texas Workforce 2004
- (2) Source: 2000 Census, Summary File 3
- (3) Source: [www.aacog.dst.tx.us](http://www.aacog.dst.tx.us)

**Major Industries**

The economy of any region is driven by the industries and business that make up that region. The Alamo Area Region is no exception. The heartbeat of our economy is the industries that keep it going. The table below summarizes the major employment sectors and employers within each of our counties.

**Table A-5  
Major Employment Sectors and Employers**

<b>County</b>	<b>Major Employment Sectors</b>	<b>Major Employers*</b>
Atascosa	Trade, services, and local government	Pleasanton ISD, Wal-Mart, Tri-City Community Hospital, Poteet ISD, Lytle ISD
Bandera	Service, local government, and trade	Flying L Guest Ranch, Medina ISD, Bandera Electric Co-op, Medina Home Inc., Bandera Nursing Center
Bexar	Service, local government, and trade	Fort Sam Houston, USAA, Lackland AFB, H. B. Zachry, H. E. Butt Grocery Co., City of San Antonio, Valero, SBC, Northside ISD Methodist Healthcare System
Comal	Trade, service, and manufacturing	Comal ISD, Wal-Mart Association, Inc., Schlitterbahn Waterpark, New Braunfels ISD, McKenna Health Management
Frio	Trade, services, and local government	Pearsall ISD, Texas Department of Criminal Justice, Dilley ISD, Outreach Health Community Care Services, Corrective Services Corporation
Gillespie	Trade, services, and local government	Hill Country Memorial Hospital, Fredericksburg ISD, H. E. Butt Grocery Co., Knopp Nursing Home, Inc., Wal-Mart
Guadalupe	Manufacturing, trade, and local government	Motorola, Inc., Seguin ISD, Schertz-Cibolo-Universal City ISD, Structural Metals, Guadalupe Valley
Karnes	Services, state government, and trade	Texas Department of Criminal Justice, Karnes City ISD, Kenedy ISD, Girling Health Care, Inc., Wackenhut Corrections Corporation
Kendall	Trade, services, and local government	Kendall County, Benefit Planners Ltd., Mission Pharmacal Company, H. E. Butt Grocery Co., Boerne ISD

**Table A-5**  
**Major Employment Sectors and Employers**  
**(Continued)**

<u>County</u>	<u>Major Employment Sectors</u>	<u>Major Employers*</u>
Kerr	Services, trade, and local government	Kerrville ISD, Sid Peterson Memorial Hospital, Wal-Mart, VA Hospital, Ingram ISD
Medina	Local government, trade, and services	Strom Aviation, Inc., Medina Valley ISD, Texas Department of Criminal Justice, Hondo ISD, Devine ISD
Wilson	Local government, trade, and services	Floresville ISD, La Vernia ISD, Nurses in Touch, Inc., Floresville Memorial Hospital, Poth ISD

\* Source: [www.community.tded.state.tx.us](http://www.community.tded.state.tx.us)

***Future Economic Outlook***

The Alamo Area Region, like most regions in the state of Texas, has been affected by the recent economic downturn. AACOG receives most of its funding from state and federal sources which means the funding is secure, but can be reduced as determined by legislative priorities. However, we believe the Alamo Area Region is an emerging community whose quality of life serves as an excellent foundation for future growth and development through the cooperative capitalization of regional assets. The consistent low unemployment and growth of new industries mean the future looks as bright as ever for the Alamo Area Region. The regional cooperation that exists in this region only serves to enhance the positive outlook.

**Contacting AACOG's Financial Management**

This financial report is designed to provide a 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 directed to the Controller's Office, Alamo Area Council of Governments, 8700 Tesoro Drive, San Antonio, Texas 78209.

## *Basic Financial Statements*



# Alamo Area Council of Governments

## Statement of Net Assets

December 31, 2004

	<u>Primary Government</u>	<u>Governmental Activities</u>
<b>Assets</b>		
Current assets:		
Cash and investments	\$ 1,921,814	
Accounts receivable:		
Grantors	3,321,977	
Other	190,592	
Deposits	10,265	
Prepaid items	7,807	
	<hr/>	
Total current assets	5,452,455	
	<hr/>	
Noncurrent assets:		
Capital assets:		
Furniture, fixtures, and equipment	3,565,544	
	<hr/>	
Total capital assets	3,565,544	
Less accumulated depreciation	1,721,192	
	<hr/>	
Total noncurrent assets – net	1,844,352	
	<hr/>	
<b>Total assets</b>	\$ 7,296,807	
	<hr/> <hr/>	

*The accompanying notes are an integral part of this statement.*

	<u>Primary Government</u>
	<u>Governmental Activities</u>
<b>Liabilities</b>	
Current liabilities:	
Accounts payable:	
Trade	\$ 1,373,337
Grantor agencies	594,171
Over-recovered employee benefits and indirect costs	280,392
Note payable – current portion	14,571
Accrued liabilities	70,971
Deferred revenue	<u>2,060,203</u>
Total current liabilities	<u>4,393,645</u>
Noncurrent liabilities:	
Compensated absences	<u>234,349</u>
Total noncurrent liabilities	<u>234,349</u>
<b>Total liabilities</b>	<u><u>\$ 4,627,994</u></u>
<b>Net Assets</b>	
Invested in capital assets – net of related debt	\$ 1,829,781
Unrestricted	<u>839,032</u>
<b>Total net assets</b>	<u><u>\$ 2,668,813</u></u>

# Alamo Area Council of Governments

## Statement of Activities

Year Ended December 31, 2004

<u>Functions/Programs</u>	<u>Expenses</u>	<u>Indirect Cost Allocation</u>	<u>Expenses After Allocation of Indirect Costs</u>
Primary governmental activities:			
General Fund	\$ 40,387	\$ -	\$ 40,387
AADC Fund	1,372,757	-	1,372,757
AADC Pass-Through Fund	3,572,678	172,475	3,745,153
Texas Commission on Environmental Quality	955,311	160,250	1,115,561
Alamo Area Agency on Aging	3,813,651	137,706	3,951,357
Bexar Area Agency on Aging	9,863,484	262,464	10,125,948
Criminal Justice	859,767	150,522	1,010,289
Housing and Community Affairs	1,534,767	71,290	1,606,057
911 Program	883,182	28,435	911,617
Other governmental funds	3,259,651	278,853	3,538,504
Indirect costs	<u>1,261,995</u>	<u>(1,261,995)</u>	<u>-</u>
Total primary governmental activities	<u>\$ 27,417,630</u>	<u>\$ -</u>	<u>\$ 27,417,630</u>

*The accompanying notes are an integral part of this statement.*

<u>Program Revenues</u>			<u>Net Revenue and Changes in Net Assets</u>
<u>Charges for Services</u>	<u>Operating Grants and Contributions</u>	<u>Capital Grants and Contributions</u>	<u>Primary Government</u>
			<u>Governmental Activities</u>
\$ 1,753	\$ 40,022	\$ -	\$ 1,388
59,572	1,360,331	-	47,146
155,040	3,540,338	-	(49,775)
41,457	946,663	-	(127,441)
165,498	3,779,129	-	(6,730)
428,037	9,774,196	-	76,285
37,311	851,984	-	(120,994)
66,603	1,520,874	-	(18,580)
38,327	875,187	-	1,897
145,300	2,977,491	340,439	(75,274)
-	-	-	-
<u>\$ 1,138,898</u>	<u>\$ 25,666,215</u>	<u>\$ 340,439</u>	<u>(272,078)</u>

General revenues:

Investment earnings	3,864
Member dues	210,385
Loss on disposal of assets	(35,416)
Miscellaneous	94
Total general revenues	<u>178,927</u>
Decrease in net assets	(93,151)
Net assets at beginning of year	<u>2,761,964</u>
Net assets at end of year	<u>\$ 2,668,813</u>

# Alamo Area Council of Governments

## Balance Sheet – Governmental Funds

December 31, 2004

	<u>General Fund</u>	<u>AADC Fund</u>	<u>AADC Pass-Through Fund</u>
<b>Assets</b>			
Cash and investments	\$ 1,189,308	\$ 62,794	\$ -
Accounts receivable:			
Grantors	-	163,639	759,947
Other	122,633	-	-
Due from other funds	815,757	355,855	189
Deposits	10,265	-	-
Prepaid items	<u>7,807</u>	<u>-</u>	<u>-</u>
<b>Total assets</b>	<u>\$ 2,145,770</u>	<u>\$ 582,288</u>	<u>\$ 760,136</u>
<b>Liabilities</b>			
Accounts payable:			
Trade	\$ 255,839	\$ 160,586	\$ 9,848
Grantor agencies	-	-	-
Due to other funds	-	355,855	749,850
Over-recovered employee benefits and indirect costs	280,392	-	-
Accrued liabilities	305,320	-	-
Deferred revenue	<u>465,811</u>	<u>65,223</u>	<u>438</u>
<b>Total liabilities</b>	<u>1,307,362</u>	<u>581,664</u>	<u>760,136</u>
<b>Fund Balances</b>			
Unreserved – reported in:			
General Fund	<u>838,408</u>	<u>624</u>	<u>-</u>
<b>Total fund balances</b>	<u>838,408</u>	<u>624</u>	<u>-</u>
<b>Total liabilities and fund balances</b>	<u>\$ 2,145,770</u>	<u>\$ 582,288</u>	<u>\$ 760,136</u>

*The accompanying notes are an integral part of this statement.*

<u>Texas Commission on Environmental Quality</u>	<u>Alamo Area Agency on Aging</u>	<u>Bexar Area Agency on Aging</u>	<u>Other Governmental Funds</u>	<u>Total Governmental Funds</u>
\$ 523,727	\$ -	\$ -	\$ 145,985	\$ 1,921,814
152,967	355,035	1,011,421	878,968	3,321,977
-	-	-	67,959	190,592
19,454	-	-	413,397	1,604,652
-	-	-	-	10,265
-	-	-	-	7,807
<u>\$ 696,148</u>	<u>\$ 355,035</u>	<u>\$ 1,011,421</u>	<u>\$ 1,506,309</u>	<u>\$ 7,057,107</u>
\$ 1,706	\$ 13,986	\$ -	\$ 197,111	\$ 639,076
93,347	194,900	946,318	93,867	1,328,432
43,758	141,741	57,719	255,729	1,604,652
-	-	-	-	280,392
-	-	-	-	305,320
<u>557,337</u>	<u>4,408</u>	<u>7,384</u>	<u>959,602</u>	<u>2,060,203</u>
<u>696,148</u>	<u>355,035</u>	<u>1,011,421</u>	<u>1,506,309</u>	<u>6,218,075</u>
-	-	-	-	839,032
-	-	-	-	839,032
<u>\$ 696,148</u>	<u>\$ 355,035</u>	<u>\$ 1,011,421</u>	<u>\$ 1,506,309</u>	<u>\$ 7,057,107</u>

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# Alamo Area Council of Governments

## Reconciliation of the Governmental Funds Balance Sheet to the Statement of Net Assets

December 31, 2004

Total fund balances – governmental funds balance sheet	\$ 839,032
Amounts reported for governmental activities in the statement of net assets are different because:	
Record beginning fixed assets not in the fund statements	3,219,084
Record beginning accumulated depreciation not in the fund statements	(1,271,868)
Record notes payable not in the fund statements	(32,716)
Reverse capital outlay expenditures and record current asset additions – net	346,460
Record fixed asset disposals and related accumulated depreciation	51,904
Record the current year depreciation expense	(501,228)
Reverse current year note principal payments	<u>18,145</u>
Net assets of governmental activities – statement of net assets	<u>\$ 2,668,813</u>

*The accompanying notes are an integral part of this statement.*



# Alamo Area Council of Governments

## Statement of Revenues, Expenditures, and Changes in Fund Balances – Governmental Funds

Year Ended December 31, 2004

	General Fund	AADC Fund	AADC Pass-Through Fund
<b>Revenues</b>			
Federal	\$ -	\$ 4,907,867	\$ -
State	-	20,338	-
Local	12,246	54	-
Delegate agency:			
Cash match	-	76	-
In-kind	-	-	-
Program income	-	-	-
Program income	19,188	-	-
Member dues	210,386	-	-
Interest income	3,864	-	-
Other	94	-	-
	<u>245,778</u>	<u>4,928,335</u>	<u>-</u>
<b>Total revenues</b>			
	<u>245,778</u>	<u>4,928,335</u>	<u>-</u>
<b>Expenditures</b>			
Current:			
General Fund	57,794	-	-
AADC Fund	-	1,347,662	-
AADC Pass-Through Fund	-	-	3,679,841
Texas Commission on Environmental Quality	-	-	-
Alamo Area Agency on Aging	-	-	-
Bexar Area Agency on Aging	-	-	-
Criminal Justice	-	-	-
Housing and Community Affairs	-	-	-
911 Program	-	-	-
Other governmental funds	-	-	-
	<u>57,794</u>	<u>1,347,662</u>	<u>3,679,841</u>
<b>Total expenditures</b>			
	<u>57,794</u>	<u>1,347,662</u>	<u>3,679,841</u>
Excess (deficiency) of revenues over (under) expenditures	<u>187,984</u>	<u>3,580,673</u>	<u>(3,679,841)</u>
<b>Other Financing Sources (Uses)</b>			
Operating transfers out	(196,492)	(3,679,841)	-
Operating transfers in	-	99,244	3,679,841
	<u>(196,492)</u>	<u>(3,580,597)</u>	<u>3,679,841</u>
<b>Total other financing sources (uses)</b>			
	<u>(196,492)</u>	<u>(3,580,597)</u>	<u>3,679,841</u>
Excess (deficiency) of revenues and other sources over expenditures and other uses	<u>(8,508)</u>	<u>76</u>	<u>-</u>
Fund balances at beginning of year	846,916	548	-
	<u>846,916</u>	<u>548</u>	<u>-</u>
Fund balances at end of year	<u>\$ 838,408</u>	<u>\$ 624</u>	<u>\$ -</u>

*The accompanying notes are an integral part of this statement.*

<u>Texas Commission on Environmental Quality</u>	<u>Alamo Area Agency on Aging</u>	<u>Bexar Area Agency on Aging</u>	<u>Other Governmental Funds</u>	<u>Total Governmental Funds</u>
\$ -	\$ 2,050,083	\$ 5,402,898	\$ 3,471,085	\$ 15,831,933
1,081,566	110,634	147,051	2,459,636	3,819,225
16,531	1,885	1,015	1,164,169	1,195,900
-	494,669	3,356,236	19,559	3,870,540
-	678,504	590,119	20,432	1,289,055
-	483,637	323,983	12,497	820,117
-	5,819	21,850	271,924	318,781
-	-	-	-	210,386
-	-	-	-	3,864
-	-	-	-	94
<u>1,098,097</u>	<u>3,825,231</u>	<u>9,843,152</u>	<u>7,419,302</u>	<u>27,359,895</u>
-	-	-	-	57,794
-	-	-	-	1,347,662
-	-	-	-	3,679,841
1,098,097	-	-	-	1,098,097
-	3,881,639	-	-	3,881,639
-	-	9,945,631	-	9,945,631
-	-	-	994,571	994,571
-	-	-	1,578,000	1,578,000
-	-	-	895,471	895,471
-	-	-	3,889,621	3,889,621
<u>1,098,097</u>	<u>3,881,639</u>	<u>9,945,631</u>	<u>7,357,663</u>	<u>27,368,327</u>
-	(56,408)	(102,479)	61,639	(8,432)
-	-	-	(99,244)	(3,975,577)
-	56,408	102,479	37,605	3,975,577
-	56,408	102,479	(61,639)	-
-	-	-	-	(8,432)
-	-	-	-	847,464
<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 839,032</u>

## Alamo Area Council of Governments

### Reconciliation of the Statement of Revenues, Expenditures, and Changes in Fund Balances of the Governmental Funds to the Statement of Net Assets

Year Ended December 31, 2004

Net changes in fund balance – total governmental funds	\$ (8,432)
Adjustments for the statement of activities:	
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 depreciation expense \$501,228 exceeded capital outlays (\$433,780) in the current period	(67,448)
Loss on disposal of assets is recorded in the statement of activities, but not in the governmental funds	(35,416)
Current year note principal payments are not reported as expenditures in the statement of activities, but as reductions in debt in the statement of net assets	<u>18,145</u>
Change in net assets of governmental activities	\$ <u><u>(93,151)</u></u>

*The accompanying notes are an integral part of this statement.*

**Alamo Area Council of Governments**

**Statement of Fiduciary Net Assets – Fiduciary Funds**

December 31, 2004

	<u>Agency Fund</u>
	<u>Employee's Fund and Holiday Savings Plan</u>
<b>Assets</b>	
Current assets:	
Cash	\$ <u>11,455</u>
<b>Total assets</b>	<u>11,455</u>
<b>Liabilities</b>	
Current liabilities:	
Due to employees	<u>11,455</u>
<b>Total liabilities</b>	<u>11,455</u>
<b>Net Assets</b>	
<b>Total net assets</b>	\$ <u><u>-</u></u>

*The accompanying notes are an integral part of this statement.*

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# Alamo Area Council of Governments

## Notes to Financial Statements

December 31, 2004

### **Note A – Summary of Significant Accounting Policies**

A summary of the significant accounting policies applied in the preparation of the accompanying basic financial statements is as follows:

#### **1. General**

Alamo Area Council of Governments (“AACOG”) is a voluntary association of local governments. Established in 1967, AACOG assists local governments in planning for common needs, cooperating for mutual benefit, and coordinating for systematic development. Operations of AACOG are a 12-county area in South Central Texas. AACOG is a political subdivision of the state of Texas under enabling legislation, Local Government Code, Chapter 391, Regional Planning Commission. It does not have any legislative or taxing authority and is not subject to income taxes. Its basic operations are financed by membership dues and financial assistance provided by the state of Texas. These funds are supplemented by federal and state-administered grant funds awarded to AACOG for specific programs.

#### **2. Reporting Entity**

The reporting entity consists of the primary government, AACOG, organizations for which the primary government is financially accountable, and other organizations for which the primary government is not accountable, but for which the nature and significance of their relationship with the primary government are such that exclusion would cause the reporting entity’s basic financial statements to be misleading or incomplete.

Financial accountability exists if a primary government appoints a voting majority of an organization’s governing board and is either able to impose its will on that organization or there is a potential for the organization to provide specific financial benefits to, or impose specific financial burdens on, the primary government. A primary government may also be financially accountable for governmental organizations with a separately elected governing board, a governing board appointed by another government, or a jointly appointed board that is fiscally dependent on the primary government.

# Alamo Area Council of Governments

## Notes to Financial Statements

December 31, 2004

### Note A – Summary of Significant Accounting Policies (continued)

In accordance with GASB requirements, AACOG has reviewed other entities and activities for possible inclusion in the reporting entity. Based on this review, the following organization has been included in the financial reporting entity:

#### *Blended Component Unit*

During 1995, AACOG formed a nonprofit organization, Alamo Area Development Corporation (“AADC”). AADC is governed by a Board of five directors which are also members of the governing body of AACOG. During 1998, AADC contracted with Alamo Workforce Development, Inc., subsequently renamed Alamo WorkSource (“AWS”) during 2005, 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. AADC is presented as a Special Revenue Fund in the financial statements. Complete financial statements may be obtained at the entity’s administrative office.

### 3. Government-Wide and Fund Financial Statements

The government-wide financial statements (i.e., the statement of net assets and the statement of changes in net assets) report information on all of the nonfiduciary 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*, which generally are supported by intergovernmental revenue, are reported separately from *business-like activities*, which rely to a significant extent on fees and charges for support.

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.

# Alamo Area Council of Governments

## Notes to Financial Statements

December 31, 2004

### Note A – Summary of Significant Accounting Policies (continued)

#### 4. 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, AACOG 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, state financial assistance, membership dues, and interest are susceptible to accrual. All other revenue items are considered to be measurable and available only when cash is received by AACOG.

AACOG has the following major governmental funds:

- *General Fund*: is AACOG's primary operating fund. It accounts for all financial resources of the general government, except those required to be accounted for in another fund.
- *Alamo Area Development Corporation Fund*: is used to account for federal grants awarded to AADC.
- *Alamo Area Development Corporation Pass-Through Fund*: is used to account for federal grants awarded to AADC and subsequently passed through to AACOG.
- *Texas Commission on Environmental Quality*: is used to account for federal funds awarded to AACOG by the Texas Commission on Environmental Quality.
- *Alamo Area Agency on Aging*: is used to account for federal funds awarded to AACOG by the Texas Department on Aging.



# Alamo Area Council of Governments

## Notes to Financial Statements

December 31, 2004

### Note A – Summary of Significant Accounting Policies (continued)

- *Bexar Area Agency on Aging*: is used to account for federal funds awarded to AACOG by the Texas Department on Aging.

Additionally, AACOG reports the following fund type:

- *Agency Funds*: These funds are used to report other resources held in a purely custodial capacity (assets equal liabilities). Agency funds typically involve only the receipt, temporary investment, and remittance of fiduciary resources to individuals, private organizations, or other governments.

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

Amounts reported as *program revenue* include: 1) charges to customers or applicants for goods, services, or privileges provided; 2) operating grants and contributions; and 3) capital grants and contributions. Internally dedicated resources are reported as *general revenue* rather than as program revenue.

### 5. Annual Budgets

AACOG prepares annual operating budgets for the General Fund and Special Revenue Funds which are approved by the Board of Directors. They are prepared from the best information available and are subject to change since the primary funding sources of AACOG are federal, state, and local grants whose grant periods may or may not coincide with AACOG's fiscal year. Also, the grant amounts may change or additional grants may be added due to grant funding agency governments; therefore, grant amounts awarded have to be converted to AACOG's fiscal year and grant revenue amounts estimated may change. AACOG has no taxing or oversight authority.

Accordingly, the budgetary process is not one which culminates in an appropriation bill or ordinance enacted into law. Further, although the annual budgets are prepared and approved by the Board, greater emphasis is placed on complying with grant terms and conditions on a grant-by-grant basis for the various grants awarded to AACOG. The annual budget is a management tool that is used to facilitate analysis of financial operations for the fiscal year. Since grant years differ from AACOG's year-end, the budgets for the Special Revenue Funds span across more than one year. Because of this, only the General Fund budget is presented.

# Alamo Area Council of Governments

## Notes to Financial Statements

December 31, 2004

### **Note A – Summary of Significant Accounting Policies (continued)**

#### **6. 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 on Aging, which is AACOG's designated state 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 assignable to the cost objective specifically benefited, without effort disproportionate to the results 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.

#### **7. Investments**

Investments consist of accounts in the Texas Local Government Investment Pool which are valued at fair value.

#### **8. Due From Grantor Agencies**

Due from grantor agencies consists of receivables for reimbursement from federal, state, and local agencies under various grants and programs. Management believes all amounts are collectible.

#### **9. 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 \$280,392 were over-recovered as of December 31, 2004. The total over-recovered employee benefits and indirect costs amount does not include \$234,349 of unused vacation liability (see note 10 below).

# Alamo Area Council of Governments

## Notes to Financial Statements

December 31, 2004

### Note A – Summary of Significant Accounting Policies (continued)

#### 10. Vacation and Personal Leave

AACOG allows employees to accumulate and carry forward a maximum of 280 hours of vacation leave. Upon termination, AACOG pays accrued vacation leave up to 280 hours. Personal leave is used for an employee's illnesses and other specified personal time off. Personal leave is accrued based on years of service. At the end of each calendar year, unused personal leave may be converted to vacation or paid in cash. At December 31, 2004, AACOG had a liability for unused vacation of \$234,349. All accrued leave is included in the General Fund because any noncurrent portion would not be considered significant.

#### 11. Deferred Revenue

Deferred revenue arises principally from grant proceeds that exceed current grant expenditures and are not considered "available" to finance expenditures of the current period.

#### 12. 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 government as assets with an initial, individual cost of more than \$5,000 and an estimated useful life in excess of two years. 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 the 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 over the following useful lives:

<u>Asset Class</u>	<u>Estimated Useful Lives</u>
Furniture, fixtures, and equipment	3-15 years

# Alamo Area Council of Governments

## Notes to Financial Statements

December 31, 2004

### Note A – Summary of Significant Accounting Policies (continued)

#### 13. Revenue

*Federal and State Grant Revenue* – Generally, grant revenue is earned and recognized when program expenditures have been incurred in conformance with grant agreements.

*State Planning Awards* – State planning awards revenue is recognized upon notification of the award amount since the amounts are measurable and collectible within the current period.

*Member Government Dues* – Member dues are set annually by AACOG Bylaws and are recognized as revenue when assessed because they are measurable and collectible within the current period.

*Local Contributed Cash* – Contributions from local governments and other program participants are recognized as revenue when grant expenditures are incurred.

*In-Kind Contributed Services* – Contributed services are provided by individual, private organizations, and local governments. Such services are used to match federal funding on various grants and are recorded as revenue and expenditures in accordance with the requirements of the individual grants. Contributed services are recorded at the estimated fair value at time of receipt of service.

#### 14. 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.

### Note B – Cash and Investments

#### *Cash*

AACOG's funds are required to be deposited and invested under the terms of a depository contract. The depository bank deposits for safekeeping and trust with AACOG's agent bank, approved pledged securities in an amount sufficient to protect AACOG's funds on a day-to-day basis during the period of the contract. The pledge of approved securities is waived only to the extent of the depository bank's dollar amount of Federal Deposit Insurance Corporation ("FDIC") insurance.

# Alamo Area Council of Governments

## Notes to Financial Statements

December 31, 2004

### Note B – Cash and Investments (continued)

#### *Cash (continued)*

Cash includes amounts in demand deposits at the depository bank. At December 31, 2004, the carrying amount of AACOG's bank deposits was \$1,100,080 and the bank balance was \$1,171,300. AACOG also had \$500 in petty cash. AACOG's cash deposits at December 31, 2004 were entirely covered by FDIC insurance or by pledged collateral held by AACOG's agent bank. The deposits were collateralized in accordance with Texas law.

Cash deposits held at financial institutions can be categorized according to three levels of risk. These three levels of risk are as follows:

Category 1: Deposits which are insured or collateralized with securities held by the entity or by its agent in the entity's name.

Category 2: Deposits which are collateralized with securities held by the pledging financial institution's trust department or agent in the entity's name.

Category 3: Deposits which are not collateralized.

Based on these three levels of risk, AACOG's cash deposits are classified as Category 1.

#### *Investments*

The Public Funds Investment Act ("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 AACOG to adopt, implement, and publicize an investment policy. That policy must address the following areas: safety of principal and liquidity, portfolio diversification, allowable investments, acceptable risk levels, expected rates of return, maximum allowable stated maturity of portfolio investments, maximum average dollar-weighted maturity allowable based on the stated maturity date for the portfolio, investment staff quality and capabilities, and bid solicitation preferences for certificates of deposit. Statutes authorize AACOG to invest in obligations of the U.S. Treasury, certain U.S. agencies, and state of Texas certificates of deposit, certain municipal securities, money market savings accounts, repurchase agreements, bankers' acceptances, mutual funds, investment pools, guaranteed investment contracts, and common trust funds. The Act also requires AACOG to have independent auditors perform test procedures related to investment practices as provided by the Act. AACOG is in substantial compliance with the requirements of the Act and with local policies.

Alamo Area Council of Governments

Notes to Financial Statements

December 31, 2004

**Note B – Cash and Investments (continued)**

***Investments (continued)***

Similar to cash deposits, investments held at a financial institution can be categorized according to three levels of risk. These three levels of risk are as follows:

- Category 1: Investments which are insured, registered, or held by AACOG or by its agent in AACOG's name.
- Category 2: Investments which are uninsured and unregistered held by the counterparty's trust department or agent in AACOG's name.
- Category 3: Uninsured and unregistered investments held by the counterparty, its trust department, or its agent, but not in AACOG's name.

AACOG's temporary investments at December 31, 2004, which were recorded at cost, were as follows:

	<u>Carrying Amount</u>	<u>Fair Value</u>
Investments not subject to categorization:		
Investment pools	\$ <u>769,796</u>	\$ <u>769,796</u>

# Alamo Area Council of Governments

## Notes to Financial Statements

December 31, 2004

### Note C – Receivables

Receivables as of year-end for AACOG's individual major funds and nonmajor funds in the aggregate are as follows:

	Accounts Receivable		Total
	Grants	Other	
General Fund	\$ -	\$ 122,633	\$ 122,633
AADC Fund	163,639	-	163,639
AADC Pass-Through Fund	759,947	-	759,947
Texas Commission on Environmental Quality	152,967	-	152,967
Alamo Area Agency on Aging	355,035	-	355,035
Bexar Area Agency on Aging	1,011,421	-	1,011,421
Other Governmental Funds	878,968	67,959	946,927
	\$ 3,321,977	\$ 190,592	\$ 3,512,569

### Note D – Interfund Balances and Activities

#### 1. Interfund Receivables and Payables

The composition of interfund balances as of December 31, 2004 consisted of the following:

Receivable Fund	Payable Fund	Amount
General Fund	Special Revenue Funds	\$ 815,757
Special Revenue Funds	Special Revenue Funds	788,895
		\$ 1,604,652

Receivables in the General Fund represent amounts paid for grant programs, prior to receiving reimbursement on these programs. All amounts are scheduled to be repaid within one year.

# Alamo Area Council of Governments

## Notes to Financial Statements

December 31, 2004

### Note D – Interfund Balances and Activities (continued)

#### 2. Transfers To and From Other Funds

Transfers to and from other funds at December 31, 2004 consisted of the following:

<u>Transfers From</u>	<u>Transfers To</u>	<u>Amount</u>	<u>Reason</u>
General Fund	Special Revenue Funds	\$ 196,492	To cover the deficit in fund balance
AADC Fund	AADC Pass-Through Fund	3,679,841	To record amount passed through to AACOG
Other Governmental Funds	AADC Fund	<u>99,244</u>	To reimburse for expenditures made from AADC Fund
		<u>\$ 3,975,577</u>	

### Note E – Capital Assets

Capital asset activity for the year ended December 31, 2004 was as follows:

	<u>Beginning Balance</u>	<u>Increases</u>	<u>Decreases</u>	<u>Ending Balance</u>
Capital assets being depreciated:				
Furniture, fixtures, and equipment	\$ 3,219,084	\$ 433,780	\$ 87,320	\$ 3,565,544
Total capital assets being depreciated	3,219,084	433,780	87,320	3,565,544
Less accumulated depreciation	<u>1,271,868</u>	<u>501,228</u>	<u>51,904</u>	<u>1,721,192</u>
	<u>\$ 1,947,216</u>	<u>\$ (67,448)</u>	<u>\$ 35,416</u>	<u>\$ 1,844,352</u>



**Alamo Area Council of Governments**

Notes to Financial Statements

December 31, 2004

**Note E – Capital Assets (continued)**

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

Governmental activities:

General Fund	\$ 738
AADC Fund	25,096
AADC Pass-Through Fund	65,313
Texas Commission on Environmental Quality	17,464
Alamo Area Agency on Aging	69,718
Bexar Area Agency on Aging	180,317
Criminal Justice	15,718
Housing and Community Affairs	28,057
911 Program	16,146
Other governmental funds	<u>82,661</u>

Total depreciation expense – governmental activities \$ 501,228

**Note F – Notes Payable**

Notes payable outstanding as of December 31, 2004 consisted of the following:

Lender	Interest Rate	Maturity Date	Original Amount Issued	Description of Collateral	Balance Outstanding
Bank One	8.5%	11/28/05	\$ 52,553	Vehicle	\$ 12,044
Bank One	8.5%	07/11/05	13,000	Vehicle	<u>2,527</u>
					<u><u>\$ 14,571</u></u>

**Alamo Area Council of Governments**

Notes to Financial Statements

December 31, 2004

**Note F – Notes Payable (continued)**

Changes in notes payable during the year are summarized below:

	<u>Balance Outstanding January 1, 2004</u>	<u>Issued During Year</u>	<u>Retired During Year</u>	<u>Balance Outstanding December 31, 2004</u>	<u>Due Within One Year</u>
Notes payable	\$ <u>32,716</u>	\$ <u>-</u>	\$ <u>18,145</u>	\$ <u>14,571</u>	\$ <u>14,571</u>

The notes payable mature through 2005 as follows:

<u>Year Ending December 31,</u>	<u>Total</u>
2005	\$ <u>14,571</u>
	\$ <u>14,571</u>

**Note G – Operating Leases**

AACOG is obligated under certain leases accounted for as operating leases. The following is a schedule of future minimum rental payments required under operating leases that have initial or remaining lease terms in excess of one year as of December 31, 2004:

<u>Year Ending December 31,</u>	<u>Total</u>
2005	\$ 514,365
2006	531,463
2007	<u>501,541</u>
	\$ <u>1,547,369</u>

# Alamo Area Council of Governments

## Notes to Financial Statements

December 31, 2004

### **Note H – Deferred Compensation Plan**

AACOG has adopted two separate U.S. Internal Revenue Code Section 457 State and Local Government Employee Deferred Compensation Plans. One is sponsored by the National Association of Counties and administered by the Public Employee Benefit Services Corporation. The other is administered by ICMA Retirement Corporation. The plans are voluntary, intended solely for the benefit of the employees and their beneficiaries, and are designed primarily to allow tax-free deferral of a portion of an employee's salary. For each employee, AACOG contributes 0.85% toward his or her plan and matches 50% of the employee's contribution up to 3.85%.

### **Note I – Employee Pension Plan**

#### ***Defined Benefit Plan***

AACOG provides retirement, disability, and death benefits for all of its full-time 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 553 nontraditional defined benefit pension plans. TCDRS, in the aggregate, issues a comprehensive annual financing report ("CAFR") on a calendar year basis. The CAFR is available upon written request from the TCDRS State Board of Trustees at P.O. Box 2034, Austin, Texas 78768-2034.

#### ***Plan Description***

The plan provisions are adopted by the governing body of the employer, within the options available in the Texas state statutes governing TCDRS ("TCDRS Act"). Members can retire at ages 60 and above with 10 or more years of service, with 30 years of service regardless of age, or when the sum of their age and years of service equals 80 or more years. Members are vested after 10 years of service, but must leave their accumulated contributions in the plan to receive any employer-financed benefit. Members who withdraw their personal contributions in a lump sum are not entitled to any amounts contributed by their employer.

Benefit amounts are determined by the sum of the employee's contributions to the plan, with interest, and employer-financed monetary credits. The level of these monetary credits is adopted by the governing body of the employer 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 contributions and the employer-financed monetary credits to a monthly annuity using annuity purchase rates prescribed by the TCDRS Act.

# Alamo Area Council of Governments

## Notes to Financial Statements

December 31, 2004

### **Note I – Employee Pension Plan (continued)**

#### ***Funding Policy***

The employer has elected the annually determined contribution rate plan provisions of the TCDRS Act. The plan is funded by monthly contributions from both employee members and the employer based on the covered payroll of employee members. Under the TCDRS Act, the contribution rate of the employer is actuarially determined annually. It was 5.58% for calendar year 2004. The contribution rate payable by the employee is the rate of 4.00% as adopted by the governing body of the employer. The employee contribution rate and the employer contribution rate may be changed by the governing body of the employer within the options available in the TCDRS Act.

#### ***Annual Pension Cost***

For the employer's accounting year ended December 31, 2004, the annual pension cost for the TCDRS plan for its employees was \$334,594, and the actual contributions were \$334,594.

The annual required contributions were actuarially determined as a percent of the covered payroll of the participating employees and were in compliance with GASB Statement No. 27 parameters based on the actuarial valuation as of December 31, 2003, the basis for determining the contribution rate for calendar year 2004. The December 31, 2003 actuarial valuation is the most recent valuation.

### **Note J – Delegate Agency Costs and Contingencies**

AACOG contracts with various local governments and other agencies to perform specific services under grants awarded to it. Disbursements to these agencies are made based on monthly performance or expenditure reports. Each sub-grantee expending in excess of \$500,000 in federal awards is required to have an independent audit of these funds in accordance with the requirements of the Single Audit Act of 1984 and submit a copy of the report to AACOG. If such audit report discloses expenditures or performance not in accordance with the grant agreements, the grantor agency could disallow the cost reimbursement and require reimbursement of the disallowed costs. AACOG generally has the right of recovery from sub-grantees for disallowed costs. For the year ended December 31, 2004, AACOG had not received all the audit reports due from its sub-grantees. However, based on prior experience, management does not believe AACOG will incur any significant losses from audit disallowances.

# Alamo Area Council of Governments

## Notes to Financial Statements

December 31, 2004

### **Note K – Risk Management**

AACOG is exposed to various risks of loss related to torts; theft of, damage to, and destruction of assets; errors and omissions; natural disasters; and workers' compensation for which AACOG carries insurance. There have been no significant reductions in insurance coverage for these risks of loss since the prior year, and there have been no settlements in excess of the insurance coverage for any of the past three years.

AACOG contracts with the Texas Municipal League ("TML") Intergovernmental Risk Pool to provide for its workers' compensation, general and auto liability, and property insurance coverage. Contributions are set annually by TML.

### **Note L – Subsequent Event**

On November 3, 2004, the Board of Directors of AACOG approved to create the El Camino Real de los Tejas National Historical Trail Association, a nonprofit organization. The overall purpose of the organization is to promote El Camino Real de los Tejas National Historical Trail through efforts of trail education, interpretation, and preservation. In addition to organizing for educational, charitable, and scientific purposes, the organization will also promote the economic and community development viability of the cities and counties along the trail. The articles of incorporation were filed in March 2005.

## *Required Supplementary Information*

Required supplementary information includes financial information and disclosures required by the Governmental Accounting Standards Board but not considered a part of the basic financial statements.

## Alamo Area Council of Governments

### Schedule of Funding Progress – Texas County and District Retirement System

(Unaudited)

Year Ended December 31, 2004

#### Trend Information for the Retirement Plan for the Employees of Alamo Area Council of Governments

<u>Accounting Year Ending</u>	<u>Annual Pension Cost ("APC")</u>	<u>Percentage of APC Contributed</u>	<u>Net Pension Obligation</u>
12/31/2001	\$ 294,169	100%	-
12/31/2002	328,587	100%	-
12/31/2003	329,297	100%	-
12/31/2004	334,594	100%	-

*Transition Disclosure* – It was determined in accordance with GASB Statement No. 27 that the pension liability was zero at the transition to that statement effective at the beginning of this accounting year, because all actuarially required contributions for the accounting years beginning in 1987 up to the beginning of this accounting year have been paid. There was no previously reported pension liability before the transition. Therefore, the difference between the pension liability at transition and the previously reported liability is zero.

#### Schedule of Funding Progress for the Retirement Plan for the Employees of Alamo Area Council of Governments

<u>Year</u>	<u>Actuarial Value of Assets (a)</u>	<u>Actuarial Accrued Liability ("AAL") (b)</u>	<u>Unfunded AAL ("UAAL") (b-a)</u>	<u>Funded Ratio (a/b)</u>	<u>Annual Covered Payroll (1) (c)</u>	<u>UAAL as a Percentage of Covered Payroll ((b-a)/c)</u>
1997 (2)	\$ 1,301,945	\$ 2,161,564	\$ 859,619	60.23%	\$ 1,697,342	50.65%
1998	1,602,737	2,446,830	844,093	65.50%	2,085,171	40.48%
1999	1,927,029	2,714,483	787,454	70.99%	2,644,767	29.77%
2000	2,294,860	3,060,598	765,738	74.98%	2,968,433	25.80%
2001	2,812,495	3,642,252	829,757	77.22%	4,390,848	18.90%
2002	3,281,767	4,181,052	899,285	78.49%	4,686,489	19.19%
2003	4,037,768	4,836,380	798,612	83.48%	5,488,263	14.55%

- (1) The annual covered payroll is based on the employee contributions received by TCDRS for the year ending with the valuation date.
- (2) Revised economic and demographic assumptions due to an experience review were reflected in this valuation.

**Alamo Area Council of Governments**

Note to Schedule of Funding Progress – Texas County and  
District Retirement System

(Unaudited)

Year Ended December 31, 2004

**Note A – Retirement Plan**

The annual required contributions were actuarially determined as a percent of the covered payroll of the participating employees and were in compliance with GASB Statement No. 27 parameters based on the actuarial valuation as of December 31, 2003, the basis for determining the contribution rate for calendar year 2004. The December 31, 2003 actuarial valuation is the most recent valuation.

**Actuarial Valuation Information**

	12/31/2001	12/31/2002	12/31/2003
Actuarial valuation date	12/31/2001	12/31/2002	12/31/2003
Actuarial cost method	Entry age	Entry age	Entry age
Amortization method	Level percentage of open payroll, open	Level percentage of open payroll, open	Level percentage of open payroll, open
Amortization period in years	20.0	20.0	20.0
Asset valuation method	Long-term appreciation for adjustment	Long-term appreciation for adjustment	Long-term appreciation for adjustment
Actuarial assumptions:			
Investment return*	8.00%	8.00%	8.00%
Projected salary increases*	5.50%	5.50%	5.50%
Inflation	3.50%	3.50%	3.50%
Cost-of-living adjustments	-	-	-

\*Includes inflation at the stated rate



# Alamo Area Council of Governments

## Budgetary Comparison Schedule – General Fund

Year Ended December 31, 2004

	Budgeted Amounts		2004 Actual (GAAP Basis)	Variance With Final Budget Positive (Negative)
	Original	Amended		
<b>Revenues</b>				
Local	\$ -	\$ 12,246	\$ 12,246	\$ -
Program income	19,188	19,188	19,188	-
Member dues	210,382	210,386	210,386	-
Interest income	3,702	3,864	3,864	-
Other	-	94	94	-
	<u>233,272</u>	<u>245,778</u>	<u>245,778</u>	<u>-</u>
Total revenues				
<b>Expenditures</b>				
Current:				
Personnel	7,295	7,295	977	6,318
Fringe	1,970	1,970	303	1,667
Contractual	30,000	30,000	462	29,538
Travel in region	19,000	19,000	12,435	6,565
Rent	195	2,705	2,538	167
Office supplies	300	300	(1,141)	1,441
Communication	176	176	78	98
Postage	300	300	-	300
Meetings – other	3,000	15,060	15,060	-
Professional dues	4,233	10,233	7,894	2,339
Debt service:				
Principal retirement and interest charges	19,188	19,188	19,188	-
	<u>85,657</u>	<u>106,227</u>	<u>57,794</u>	<u>48,433</u>
Total expenditures				
Excess of revenues over expenditures	<u>147,615</u>	<u>139,551</u>	<u>187,984</u>	<u>48,433</u>
<b>Other Financing Uses</b>				
Operating transfers out	(211,464)	(211,464)	(196,492)	14,972
Total other financing uses	<u>(211,464)</u>	<u>(211,464)</u>	<u>(196,492)</u>	<u>14,972</u>
Net change in fund balances	(63,849)	(71,913)	(8,508)	63,405
Fund balances at beginning of year	<u>826,345</u>	<u>826,345</u>	<u>846,916</u>	<u>20,571</u>
Fund balances at end of year	<u>\$ 762,496</u>	<u>\$ 754,432</u>	<u>\$ 838,408</u>	<u>\$ 83,976</u>

*Other Supplemental Schedules*

# Alamo Area Council of Governments

## Schedule of Indirect Costs

Year Ended December 31, 2004

Personnel	\$ 882,032
Employee benefits	273,382
Other contract services	99,304
Travel	14,841
Rent administration	77,650
Rent	427,649
Supplies	60,099
Auto expense	1,598
Equipment	112,268
Insurance and bonding	8,009
Public notices	4,180
Printing and reproduction	17,344
Repairs and maintenance	57,542
Employee recruitment	1,926
Communications	83,639
Postage	44,337
Meetings – other	12,159
Training in region	506
Publications	809
Professional dues	28,045
Equipment rental	55,603
Tuition – staff	811
	<hr/>
Total indirect costs	2,263,733
Less administration cost received	<hr/> 959,437
Net indirect costs	1,304,296
Actual indirect costs recovered	(1,261,995)
Cumulative over-recovery of indirect costs per 2003 audit	<hr/> (119,268)
Accumulated cost over-recovery	<hr/> <hr/> \$ (76,967)

Alamo Area Council of Governments

Schedule of Employee Benefits (Fringe and Release Time)

Year Ended December 31, 2004

Benefits:	
FICA	\$ 459,920
Group life insurance	49,666
Unemployment insurance	48,839
Workers' compensation	47,059
Health insurance	724,803
Retirement	450,239
Release time	<u>831,543</u>
Total employee benefits	2,612,069
Actual employee benefits recovered	(2,716,519)
Cumulative over-recovery of employee benefits per 2003 audit	<u>(98,975)</u>
Accumulated cost over-recovery	<u>\$ (203,425)</u>

*Note*

At December 31, 2004, AACOG had a liability for unused vacation of \$234,349, which is not included in the above calculation.

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# Single Audit Section

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**PADGETT, STRATEMANN & CO., L.L.P.**

Certified Public Accountants and Business Advisors

**Independent Auditors' 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 Alamo Area Council of Governments ("AACOG") as of and for the year ended December 31, 2004, and have issued our report thereon dated April 8, 2005. 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 AACOG's internal control over financial reporting in order to determine our auditing procedures for the purpose of expressing our opinion on the financial statements and not to provide an opinion on the internal control over financial reporting.

Our consideration of the internal control over financial reporting would not necessarily disclose all matters in the internal control over financial reporting that might be material weaknesses. A material weakness is a reportable condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that misstatements caused by error or fraud in amounts that would be material in relation to the financial statements being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. We noted no matters involving the internal control over financial reporting and its operation that we consider to be material weaknesses.



*Compliance and Other Matters*

As part of obtaining reasonable assurance about whether AACOG's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit and, accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*. However, we noted certain immaterial instances of noncompliance, which we have reported to management of AACOG in a separate letter dated April 8, 2005.

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

*Padgett, Strickman & Co. L.L.P.*

Certified Public Accountants  
April 8, 2005



**PADGETT, STRATEMANN & CO., L.L.P.**

Certified Public Accountants and Business Advisors

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 Single Audit Circular Issued  
by the Office of the Governor of the State of Texas

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

***Compliance***

We have audited the compliance of Alamo Area Council of Governments ("AACOG") with the types of compliance requirements described in the U.S. Office of Management and Budget ("OMB") Circular A-133, *Compliance Supplement* and the State of Texas Single Audit Circular, issued by the Office of the Governor of the State of Texas that are applicable to each of its major federal and state programs for the year ended December 31, 2004. AACOG'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 AACOG's management. Our responsibility is to express an opinion on AACOG's compliance based on our audit.

We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and OMB Circular A-133, *Audits of States, Local Governments, and Nonprofit Organizations* and the State of Texas Single Audit Circular, issued by the Office of the Governor of the State of Texas. Those standards and OMB Circular A-133 require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal or state program

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occurred. An audit includes examining, on a test basis, evidence about AACOG'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 AACOG's compliance with those requirements.

In our opinion, AACOG 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, 2004.

### *Internal Control Over Compliance*

The management of AACOG is responsible for establishing and maintaining effective internal control over compliance with requirements of laws, regulations, contracts, and grants applicable to federal or state programs. In planning and performing our audit, we considered AACOG's internal control over compliance with 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 and to test and report on internal control over compliance in accordance with OMB Circular A-133 and the State of Texas Single Audit Circular, issued by the Office of the Governor of the State of Texas.

Our consideration of the internal control over compliance would not necessarily disclose all matters in the internal control that might be material weaknesses. A material weakness is a reportable condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that noncompliance with applicable requirements of laws, regulations, contracts, and grants caused by error or fraud that would be material in relation to a major federal or state program being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. We noted no matters involving the internal control over compliance and its operation that we consider to be material weaknesses. However, we noted other matters involving the internal control over compliance, which we have reported to management of AACOG in a separate letter dated April 8, 2005.

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

*Padgett, Stratten & Co., L.L.P.*

Certified Public Accountants  
April 8, 2005

# Alamo Area Council of Governments

## Schedule of Expenditures of Federal and State Awards

Year Ended December 31, 2004

Project Number	Federal Grantor/State Grantor Pass-Through Grantor/ Program Title	Federal CFDA Number	Expenditures	Pass-Through Expenditures
<b>Alamo Area Council of Governments Grants</b>				
<u>U.S. Department of Health and Human Services:</u>				
Passed Through Administration on Aging:				
2004-B	Special Programs for the Aging – Title IV and Title II Discretionary Projects	93.048	\$ 136,935	\$ 102,279
2005-B	Special Programs for the Aging – Title IV and Title II Discretionary Projects	93.048	15,934	3,417
Total Passed Through Administration on Aging			<u>152,869</u>	<u>105,696</u>
<u>U.S. Department of Health and Human Services:</u>				
Passed Through Texas Department on Aging:				
2004-A	Special Programs for the Aging – Title VII, Chapter 3 Programs for Prevention	93.041	(1,660)	-
2005-A	Special Programs for the Aging – Title VII, Chapter 3 Programs for Prevention	93.041	4,866	-
2004-B	Special Programs for the Aging – Title VII, Chapter 3 Programs for Prevention	93.041	7,440	-
2005-B	Special Programs for the Aging – Title VII, Chapter 3 Programs for Prevention	93.041	7,169	-
2004-A	Special Programs for the Aging – Title VII, Chapter 2 Long Term Care	93.042	27,838	-
2005-A	Special Programs for the Aging – Title VII, Chapter 2 Long Term Care	93.042	8,108	-
2004-B	Special Programs for the Aging – Title VII, Chapter 2 Long Term Care	93.042	42,388	-
2005-B	Special Programs for the Aging – Title VII, Chapter 2 Long Term Care	93.042	17,091	-
2004-A	Special Programs for the Aging – Title III, Part D – Disease Prevention	93.043	30,370	30,370
2005-A	Special Programs for the Aging – Title III, Part D – Disease Prevention	93.043	7,105	7,105
2004-B	Special Programs for the Aging – Title III, Part D – Disease Prevention	93.043	130,630	130,630
2005-B	Special Programs for the Aging – Title III, Part D – Disease Prevention	93.043	7,640	7,640
2003-A	Special Programs for the Aging – Title III, Part B – Grants for Support Services	93.044	(15,000)	-
2004-A	Special Programs for the Aging – Title III, Part B – Grants for Support Services	93.044	595,152	363,192
2005-A	Special Programs for the Aging – Title III, Part B – Grants for Support Services	93.044	162,932	63,040
2004-B	Special Programs for the Aging – Title III, Part B – Grants for Support Services	93.044	1,106,052	665,843
2005-B	Special Programs for the Aging – Title III, Part B – Grants for Support Services	93.044	321,251	156,328
2004-A	Special Programs for the Aging – Title III, Part C – Nutrition Services – Congregate	93.045	632,596	632,596
2005-A	Special Programs for the Aging – Title III, Part C – Nutrition Services – Home Delivered	93.045	130,365	130,365
2004-B	Special Programs for the Aging – Title III, Part C – Nutrition Services – Congregate	93.045	1,602,707	1,602,707
2005-B	Special Programs for the Aging – Title III, Part C – Nutrition Services – Congregate	93.045	577,998	577,998

# Alamo Area Council of Governments

## Schedule of Expenditures of Federal and State Awards – Continued

Year Ended December 31, 2004

Project Number	Federal Grantor/State Grantor Pass-Through Grantor/ Program Title	Federal CFDA Number	Expenditures	Pass-Through Expenditures
<u>U.S. Department of Health and Human Services: (continued)</u>				
Passed Through Texas Department on Aging: (continued)				
2004-A	National Family Caregiver Support	93.052	\$ 246,285	\$ 190,585
2005-A	National Family Caregiver Support	93.052	32,502	20,764
2004-B	National Family Caregiver Support	93.052	651,425	542,784
2005-B	National Family Caregiver Support	93.052	83,475	62,088
2004-A	Nutrition Services Incentives Program – Congregate	93.053	128,776	128,776
2005-A	Nutrition Services Incentives Program – Home Delivered	93.053	46,201	46,201
2004-B	Nutrition Services Incentives Program – Congregate	93.053	581,278	581,278
2005-B	Nutrition Services Incentives Program – Home Delivered	93.053	252,826	252,826
2004-A	Centers for Medicare and Medicaid Services (CMS)	93.779	3,552	-
2005-A	Centers for Medicare and Medicaid Services (CMS)	93.779	10,095	-
2004-B	Centers for Medicare and Medicaid Services (CMS)	93.779	13,550	-
Total Passed Through Texas Department on Aging			7,453,003	6,193,116
Passed Through Texas Department of Housing and Community Affairs:				
813001	Weatherization Assistance for Low Income – LIHEAP Wealth	93.568	(132)	-
817001	Weatherization Assistance for Low Income – LIHEAP Wealth	93.568	323,021	-
303001	Weatherization Assistance for Low Income – LIHEAP Wealth	93.568	443,424	-
303001	SBF	93.568	6,069	-
Total Passed Through Texas Department of Housing and Community Affairs			772,382	-
Passed Through Texas Workforce Commission:				
09050400	Child Care Delivery Services	93.575	50,765	-
Total U.S. Department of Health and Human Services			8,429,019	6,298,812
<u>U.S. Department of Transportation:</u>				
Passed Through Texas Department of Transportation:				
RPT-2003(15)	Section 5311 – Rural Transportation	20.509	201,796	22,041
RPT-2004(15)	Section 5311 – Rural Transportation	20.509	383,659	57,843
VCR0301(15)	Vehicle Capital Replacement	20.500	118,682	-
0915-12-412	Commute Solutions 04-05	20.205	136,631	-
0915-12-370	Commute Solutions 03-04	20.205	37,604	-
1521-04/05	Metropolitan Planning Organization	20.205	285,978	-
ED-0403(15)40	Elderly and Persons With Disabilities Grant Program	20.513	30,998	-
ED-0403(15)41	Elderly and Persons With Disabilities Grant Program	20.513	64,461	-
Total Passed Through Texas Department of Transportation			1,259,809	79,884
Total U.S. Department of Transportation			1,259,809	79,884
<u>U.S. Department of Commerce:</u>				
Direct Program:				
08-83-03817	Economic Development	11.305	53,770	-
Total U.S. Department of Commerce			53,770	-

# Alamo Area Council of Governments

## Schedule of Expenditures of Federal and State Awards – Continued

Year Ended December 31, 2004

Project Number	Federal Grantor/State Grantor Pass-Through Grantor/ Program Title	Federal CFDA Number	Expenditures	Pass-Through Expenditures
<u>U.S. Department of Energy:</u>				
Direct Program:				
DE-FG48-03R810718	Advancing the Alternative Fuel Vehicle Choice Events	81.086	\$ 25,000	\$ -
Total Direct Program			25,000	-
Passed Through Texas Department of Housing and Community Affairs:				
567001	Weatherization Assistance for Low Income Persons	81.042	36	-
563001	Weatherization Assistance for Low Income Persons	81.042	140,092	-
564001	Weatherization Assistance for Low Income Persons	81.042	257,579	-
Total Passed Through Texas Department of Housing and Community Affairs			397,707	-
Total U.S. Department of Energy			422,707	-
<u>U.S. Department of Housing and Urban Development:</u>				
Direct Programs:				
TX-564-VO-0001	HUD – Section 8 Vouchers	14.871	20	-
TX-564-VO-0001	HUD – Section 8 Vouchers	14.871	300,209	-
TX-564-VO-0001	HUD – Section 8 Vouchers	14.871	25,751	-
Total Direct Programs			325,980	-
Passed Through Office of Urban Community Affairs:				
C71221	Community Development	14.228	924	-
C73221	Community Development	14.228	11,153	-
Total Passed Through Office of Urban Community Affairs			12,077	-
Total U.S. Department of Housing and Urban Development			338,057	-
<u>U.S. Department of Justice:</u>				
Passed through Office of the Governor – Criminal Justice Division:				
WF-03-V30-16537-01	Sexual Assault Training for Law Enforcement	16.588	29,271	-
WF-04-V30-16537-02	Sexual Assault Training for Law Enforcement	16.588	7,875	-
JB-02-J20-17389-01	Juvenile Accountability Block Grant	16.523	3,663	-
JB-02-J20-15644-04	Juvenile Accountability Block Grant	16.523	47,124	-
Total Passed Through Office of the Governor – Criminal Justice Division			87,933	-
Total U.S. Department of Justice			87,933	-

# Alamo Area Council of Governments

## Schedule of Expenditures of Federal and State Awards – Continued

Year Ended December 31, 2004

Project Number	Federal Grantor/State Grantor Pass-Through Grantor/ Program Title	Federal CFDA Number	Expenditures	Pass-Through Expenditures
<u>U.S. Department of Homeland Security, Office of Domestic Preparedness:</u>				
Passed Through Texas Engineering Extension Service Commission:				
2003-MU-T3-0020	USAI – Urban Area Security Initiative	97.008	\$ 41,898	\$ -
	Emergency Prep Planning	97.004	151,683	-
Total Passed Through Texas Engineering Commission Extension Service			193,581	-
Total U.S. Department of Homeland Security, Office of Domestic Preparedness			193,581	-
<u>Federal Emergency Management Agency:</u>				
Passed Through Texas Department of Public Safety:				
P40500136(18) PDM02-002	Emergency Planning Grant	83.562	100,674	-
	Pre-Disaster Mitigation	83.557	38,516	-
Total Federal Emergency Management Agency			139,190	-
Total Federal Awards – Alamo Area Council of Governments			10,924,066	6,378,696
<u>Texas Commission on Environmental Quality:</u>				
582-2-44891	Air Quality	N/A	100,388	-
582-4-64578	Air Quality	N/A	459,614	-
582-2-44845	Solid Waste	N/A	45,010	-
582-4-65524	Solid Waste	N/A	476,554	-
Total Texas Commission on Environmental Quality			1,081,566	-
<u>General Services Commission:</u>				
CM400 CM217	Adopt a School Bus	N/A	86,107	-
	Clean Cities Program	N/A	18,264	-
Total General Services Commission			104,371	-
<u>Office of the Governor:</u>				
SF-00-A2-14859-02	Police Academy 2003	N/A	75,487	-
SF-04-A10-14859-05	Police Academy 2004	N/A	406,513	-
SF-05-A10-14859-06	Police Academy 2004-2005	N/A	192,509	-
SF-02-197-14468-03	Regional Criminal Justice Coordination	N/A	(28)	-
SF-04-197-14468-05	Regional Criminal Justice Coordination	N/A	133,401	-
SF-05-197-14459-06	Regional Criminal Justice Coordination	N/A	48,496	-
SF-03-221-14864-04	Regional Youth Criminal Justice Education Division	N/A	(8,288)	-
ED-03-J20-14864-05	Regional Youth Criminal Justice Education Division	N/A	59,484	-
ED-04-J20-14864-06	Regional Youth Criminal Justice Education Division	N/A	15,543	-
Total Office of the Governor			923,117	-

# Alamo Area Council of Governments

## Schedule of Expenditures of Federal and State Awards – Continued

Year Ended December 31, 2004

Project Number	Federal Grantor/State Grantor Pass-Through Grantor/ Program Title	Federal CFDA Number	Expenditures	Pass-Through Expenditures
<u>Texas Department on Aging:</u>				
SCG-2003-18A	State General Revenue	N/A	\$ 94,503	\$ 80,945
SCG-2004-18B	State General Revenue	N/A	16,131	7,788
SCG-2003-18A	State General Revenue	N/A	77,970	60,186
SCG-2004-18B	State General Revenue	N/A	69,081	30,371
Total Texas Department on Aging			257,685	179,290
<u>Commission on State Emergency Communications:</u>				
N/A	Implementation 911-2004	N/A	676,582	-
N/A	Implementation 911-2005	N/A	217,270	-
N/A	Implementation 911-2003	N/A	1,622	-
Total Commission on State Emergency Communications			895,474	-
<u>Texas Department of Transportation:</u>				
RPT-2003(15)	Section 5311 – Rural Transportation	N/A	6,369	-
RPT-2003(15)	Section 5311 – Rural Transportation	N/A	348,095	-
RPT-2004(15)	Section 5311 – Rural Transportation	N/A	182,210	-
Total Texas Department of Transportation			536,674	-
Total State Awards – Alamo Area Council of Governments			3,798,887	179,290
Total Federal and State Awards – Alamo Area Council of Governments			\$ 14,722,953	\$ 6,557,986
<b>Alamo Area Development Corporation (a Component Unit) Grants</b>				
<u>U.S. Department of Health and Human Services:</u>				
Passed Through Texas Workforce Commission:				
N/A	Child Care Delivery Services	93.575	\$ (10)	\$ -
N/A	Child Care Delivery Services	93.575	488,517	-
N/A	Child Care Delivery Services	93.575	157,953	-
N/A	Child Care Delivery Services – Rural Expansion	93.575	22,553	-
N/A	Temporary Assistance for Needy Families	93.558	767,355	-
N/A	Temporary Assistance for Needy Families	93.558	305,951	-
N/A	Temporary Assistance for Needy Families	93.558	99,752	-
N/A	Temporary Assistance for Needy Families	93.558	2,916	-
Total Passed Through Texas Workforce Commission			1,844,987	-
Total U.S. Department of Health and Human Services			1,844,987	-



# Alamo Area Council of Governments

## Schedule of Expenditures of Federal and State Awards – Continued

Year Ended December 31, 2004

Project Number	Federal Grantor/State Grantor Pass-Through Grantor/ Program Title	Federal CFDA Number	Expenditures	Pass-Through Expenditures
	<u>U.S. Department of Agriculture:</u>			
	Passed Through Texas Workforce Commission:			
N/A	Able Bodied Americans With Disabilities	10.551	\$ 47,526	\$ -
N/A	Able Bodied Americans With Disabilities	10.551	19,199	-
N/A	Food Stamps	10.561	47,357	-
N/A	Food Stamps	10.561	23,744	-
N/A	Food Stamps	10.561	98,606	-
N/A	Food Stamps	10.561	17,824	-
	Total Passed Through Texas Workforce Commission		254,256	-
	Total U.S. Department of Agriculture		254,256	-
	<u>U.S. Department of Labor:</u>			
	Passed Through Texas Workforce Commission:			
N/A	Workforce Investment Act – Adult	17.258	263,603	-
N/A	Workforce Investment Act – Adult	17.258	449,363	-
N/A	Workforce Investment Act – Youth Services (ISY)	17.259	349,533	-
N/A	Workforce Investment Act – Youth Services (ISY)	17.259	38,027	-
N/A	Workforce Investment Act – Youth Services (OSY)	17.259	149,932	-
N/A	Workforce Investment Act – Youth Services (OSY)	17.259	23,316	-
N/A	Workforce Investment Act – Youth Services (ISY)	17.259	(2,021)	-
N/A	Workforce Investment Act – Youth Services (ISY)	17.259	(538)	-
N/A	Workforce Investment Act – Youth Services (OSY)	17.259	(10)	-
N/A	Workforce Investment Act – Youth Services (OSY)	17.259	266,618	-
N/A	Workforce Investment Act – Youth Services (OSY)	17.259	131,879	-
N/A	Workforce Investment Act – Dislocated Workers	17.260	819,184	-
N/A	Workforce Investment Act – Dislocated Workers	17.260	175,503	-
N/A	Welfare to Work – 70% State	17.253	99,139	-
N/A	Welfare to Work – 30% State	17.253	34,966	-
N/A	Welfare to Work – Transportation		(3)	-
N/A	VET Travel	17.801	786	-
N/A	VET Travel	17.801	98	-
N/A	ES Travel	17.207	1,604	-
N/A	ES Travel	17.207	7,645	-
	Total Passed Through Texas Workforce Commission		2,808,624	-
	Total U.S. Department of Labor		2,808,624	-
	Total Federal Awards – Alamo Area Development Corporation (a Component Unit)		4,907,867	-
	<u>Texas Workforce Commission:</u>			
	Passed Through Alamo WorkSource:			
N/A	Re-Integration of Offenders	N/A	15,258	-
N/A	Re-Integration of Offenders	N/A	5,080	-
	Total Passed Through Texas Workforce Commission		20,338	-
	Total State Awards – Alamo Area Development Corporation (a Component Unit)		20,338	-
	Total Federal and State Awards – Alamo Area Development Corporation (a Component Unit)		\$ 4,928,205	\$ -

# Alamo Area Council of Governments

## Schedule of Expenditures of Federal and State Awards – Continued

Year Ended December 31, 2004

<u>Project Number</u>	<u>Federal Grantor/State Grantor Pass-Through Grantor/ Program Title</u>	<u>Federal CFDA Number</u>	<u>Expenditures</u>	<u>Pass-Through Expenditures</u>
	Reconciliation of Alamo Area Council of Governments Grants With Alamo Area Development Corporation (a Component Unit) to the Financial Statements:			
	Federal Awards:			
	Alamo Area Council of Governments		\$ 10,924,066	\$ 6,378,696
	Alamo Area Development Corporation (a Component Unit)		<u>4,907,867</u>	<u>-</u>
	Total Federal Awards per General Purpose Financial Statements		<u>\$ 15,831,933</u>	<u>\$ 6,378,696</u>
	State Awards:			
	Alamo Area Council of Governments		\$ 3,798,887	\$ 179,290
	Alamo Area Development Corporation (a Component Unit)		<u>20,338</u>	<u>-</u>
	Total State Awards per Financial Statements		<u>\$ 3,819,225</u>	<u>\$ 179,290</u>

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# Alamo Area Council of Governments

## Notes to Schedule of Expenditures of Federal and State Awards

December 31, 2004

### **Note A – General**

The accompanying Schedule of Expenditures of Federal and State Awards presents the activity of all applicable federal and state awards programs of AACOG for the year ended December 31, 2004. The reporting entity consists of the primary government, organizations for which the primary government is financially accountable, and other organizations for which the primary government is not accountable, but for which the nature and significance of their relationship with the primary government are such that exclusion would cause the reporting entity's financial statements to be misleading or incomplete.

Financial accountability exists if a primary government appoints a voting majority of an organization's governing Board and is either able to impose its will on that organization or there is a potential for the organization to provide specific financial benefits to, or impose specific financial burdens on, the primary government. A primary government may also be financially accountable for governmental organizations with a separately elected governing Board, or governing Board appointed by another government, or a jointly appointed Board that is fiscally dependent on the primary government.

In accordance with GASB requirements, AACOG has reviewed other entities and activities for possible inclusion in the reporting entity. Based on this review, AADC has been included in the financial reporting entity, as described in Note A to the basic financial statements.

### **Note B – Measurement Focus and Basis of Accounting**

The federal and state grant funds were accounted for in the Special Revenue Funds, a component of the Governmental Fund types. The accounting and financial reporting treatment applied to a fund is determined by its measurement focus. The Governmental Fund types are accounted for using a current financial resources measurement focus. With the Governmental Fund type measurement focus, only current assets and current liabilities generally are included on the balance sheet. Operating statements of these funds present increases (i.e., revenues and other financing sources) and decreases (i.e., expenditures and other financing uses) in net current assets.

The modified accrual basis of accounting is used for the Governmental Fund types. This basis of accounting recognizes revenues in the accounting period in which they become susceptible to accrual, i.e., both measurable and available, and expenditures in the accounting period in which the fund liability is incurred, if measurable, except for certain compensated absences and claims and judgments, which are recognized when the obligations are expected to be liquidated with expendable available financial resources.

Federal and state grant funds are generally considered to be earned to the extent of expenditures made under the provisions of the grant and, accordingly, when such funds are received, they are recorded as deferred revenues until earned.

**Alamo Area Council of Governments**

Schedule of Findings and Questioned Costs

December 31, 2004

<u>Summary of Auditors' Results</u>	<u>Description</u>
Type of Report on Financial Statements	Unqualified
Reportable Conditions	None
Material Weaknesses Involving Reportable Conditions	None
Noncompliance Material to the Financial Statements	None
Type of Report on Compliance With Major Programs	Unqualified
Findings and Questioned Costs for Federal Awards as Defined in Section .510(a) OMB Circular A-133 and the State of Texas Single Audit Circular issued by the Office of the Governor of the State of Texas	None
Dollar Threshold Used to Distinguish Between Type A and Type B Federal Programs	\$300,000
Dollar Threshold Used to Distinguish Between Type A and Type B State Programs	\$300,000
Low-Risk Auditee Statement	AACOG was classified as a low-risk auditee in the context of OMB Circular A-133 and the State of Texas Single Audit Circular issued by the Office of the Governor of the State of Texas
Major Federal Programs	Able Bodied Americans With Disabilities and Food Stamps – CFDA #10.551 and #10.561  Workforce Investment Act – Cluster – CFDA #17.258, #17.259, and #17.260

**Alamo Area Council of Governments**

**Schedule of Findings and Questioned Costs – Continued**

December 31, 2004

<b>Summary of Auditors' Results</b>	<b>Description</b>
Major Federal Programs: (continued)	Temporary Assistance for Needy Families – CFDA #93.558
	Weatherization and Low Income Housing Energy Assistance Program – CFDA #93.568 and #81.042
	Section 8 Housing Choice Vouchers – CFDA #14.871
Major State Programs	Regional Criminal Justice Coordination
	Advisory Commission on State Emergency – 911 Program (2004)

**Alamo Area Council of Governments**

**Schedule of Findings and Questioned Costs – Continued**

December 31, 2004

**Federal and State Program Findings**

None

**Alamo Area Council of Governments**

Corrective Action Plan

Year Ended December 31, 2004

Not applicable



# Alamo Area Council of Governments

## Summary of Schedule of Prior Audit Findings

Year Ended December 31, 2004

### Federal Program Findings

U.S. Department of Housing and Urban Development  
Federal CFDA #14.871

#### Finding 2003-01

*Criteria:* We received a letter from the U.S. Department of Housing and Urban Development (“HUD”), requesting that we perform testing to confirm the accuracy of HUD’s Section 8 Management Assessment Program (“SEMAP”) certification covering the fiscal year ended December 31, 2003 and audit the Housing Assistance Payment Program in accordance with the *Single Audit Act of 1984*. Based on the procedures performed to test compliance with laws and regulations over the Section 8 Housing Choice Vouchers Program, we noted the following:

#### *Statement of Condition:*

- Rent Reasonableness – AACOG must determine that the rent to owner is reasonable at the time of initial leasing. Also, AACOG must determine reasonable rent during the term of the contract: (a) before any increase in the rent to owner; and (b) at the Housing Assistance Payment (“HAP”) contract anniversary if there is a 5% decrease in the published fair market rent in effect 60 days before the HAP contract anniversary. AACOG must maintain records to document the basis for the determination that rent to owner is a reasonable rent (initially and during the term of the HAP contract) (24 CFR Sections 982.4, 982.54(d)(15), 982.158(f)(7), and 982.507). No documentation was found in any of the 23 tenant files tested, indicating the determination of rent reasonableness.
- Utility Allowance – AACOG must maintain an up-to-date utility allowance schedule. AACOG must review utility rate data for each utility category each year and must adjust its utility allowance schedule if there has been a rate change of 10% or more for a utility category or fuel type since the last time the utility allowance schedule was revised (24 CFR Section 982.517). There was no documentation available to determine whether there was an increase of 10% or more in utility rates during the year.
- Housing Quality Standards (“HQS”) Inspections – AACOG must inspect the unit leased to a family at least annually to determine if the unit meets HQS Inspections and AACOG must conduct quality control re-inspections. AACOG must prepare a unit inspection report (24 CFR Sections 982.158(d) and 982.405(b)). Out of the 23 files sampled, 11 did not contain the required documentation of HQS Inspections and/or quality control re-inspections.

## Alamo Area Council of Governments

### Summary of Schedule of Prior Audit Findings – Continued

Year Ended December 31, 2004

- As a condition of admission or continued occupancy, HUD requires the tenant and other family members to provide necessary information, documentation, and releases for the Public Housing Assistance to verify income eligibility (24 CFR Sections 5.230, 5.609, and 982.516). Out of the 23 files tested, 23 did not contain the privacy notices, and 13 did not have a signed general release form.
- For both family income examinations and reexaminations, AACOG needs to obtain and document in the family file third-party verification of: (1) reported family annual income; (2) the value of assets; (3) expenses related to deductions from annual income; and (4) other factors that affect the determination of adjusted income or income-based rent (24 CFR Section 982.516). Out of the 23 items tested, 23 did not contain a signed release form for third-party verification. Thus, third party verification was not performed.

*Effect:* Documentation not available.

*Cause:* AACOG's program manager left employment during the year and, thus, the new program manager assigned to this program was still in the process of learning the program requirements.

*Recommendation:* Based on our audit of this program, we concur with HUD's SEMAP on-site assessment conducted during November 2003. On April 1, 2004, we noted AACOG submitted a Corrective Action Plan ("CAP") to address these concerns, as well as other recommendations made by HUD in its SEMAP assessment. We recommend AACOG follow through with the CAP submitted to HUD.

*Status:* AACOG is still in the process of implementing the CAP for the Section 8 program and has made extensive progress.

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