

**ALAMO AREA
COUNCIL OF GOVERNMENTS**

SAN ANTONIO, TEXAS

ANNUAL FINANCIAL REPORT

**FOR THE FISCAL YEAR ENDED
DECEMBER 31, 2005**

ALAMO AREA COUNCIL OF GOVERNMENTS

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FINANCIAL SECTION

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INDEPENDENT AUDITORS' REPORT

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

We have audited the accompanying financial statements of the governmental activities, the discretely presented component unit, each major fund, and the aggregate remaining fund information of the Alamo Area Council of Governments ("Council") as of and for the year ended December 31, 2005, which collectively comprise the Council's basic financial statements, as listed in the table of contents. These financial statements are the responsibility of the Council's management. Our responsibility is to express opinions on these financial statements based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and the significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinions.

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the discretely presented component unit, each major fund, and the aggregate remaining fund information of the Council, as of December 31, 2005, and the respective changes in financial position, thereof for the year then ended in conformity with accounting principles generally accepted in the United States of America.

In accordance with *Government Auditing Standards*, we have also issued a report dated March 10, 2006, on our consideration of the Council's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be considered in conjunction with this report in considering the results of our audit.

The Management's Discussion and Analysis on pages 3 through 7 is not a required part of the basic financial statements, but is supplementary information required by accounting principles generally accepted in the United States of America. We have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the required supplementary information. However, we did not audit the information and express no opinion on it.

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the Council's basic financial statements. The combining nonmajor fund financial statements and supplementary schedules are presented for purposes of additional analysis and are not a required part of the basic financial statements. The accompanying Schedule of Expenditures of Federal and State Awards is presented for purposes of additional analysis as required by U. S. Office of Management and Budget Circular A-133, "*Audits of States, Local Governments and Nonprofit Organizations*," and the State of Texas Uniform Grant Management Standards, and also is not a required part of the basic financial statements of the Council. The combining nonmajor fund financial statements, supplementary schedules and the Schedule of Expenditures of Federal and State Awards have been subjected to the auditing procedures applied in the audit of the basic financial statements and, in our opinion, are fairly stated in all material respects in relation to the basic financial statements taken as a whole.

Patillo, Brown & Hill, L.L.P.

March 10, 2006

**MANAGEMENT'S
DISCUSSION AND ANALYSIS**

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MANAGEMENT'S DISCUSSION AND ANALYSIS

Alamo Area Council of Governments' (AACOG) discussion and analysis offers readers of the Council's financial statements a narrative overview and analysis of the Council's financial activities for the fiscal year ended December 31, 2005. We encourage readers to consider the information presented here in conjunction with the additional information that we have furnished in the financial statements and notes to the financial statements (which immediately follow this discussion).

FINANCIAL HIGHLIGHTS

- ◆ The assets of AACOG exceeded its liabilities at the close of the most recent fiscal year by \$2,235,224 (*net assets*). Of this amount, \$802,142 (*Unrestricted net assets*) is unrestricted. This reflects a decrease of \$432,965.
- ◆ As of the close of the current fiscal year, AACOG's governmental funds financial statements reported combined ending fund balances of \$1,039,700. The unreserved and undesignated amount in the General Fund that is available for operations is \$795,414. This includes a decrease during FY2005 of \$33,057.

OVERVIEW OF THE FINANCIAL STATEMENTS

This discussion and analysis is intended to serve as an introduction to AACOG's basic financial statements. The Council's basic financial statements are comprised of three components: 1) government-wide financial statements, 2) fund financial statements, and 3) notes to the financial statements.

Government-wide Financial Statements

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

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

The *statement of activities* presents information showing how the Council's net assets changed during the most recent fiscal year. All changes in net assets are reported as soon as the underlying event giving rise to the change occurs, *regardless of the timing of related cash flows*. Thus revenues and expenses are reported in this statement for some items that will only result in cash flows in future fiscal periods (e.g. earned but unused vacation leave).

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

Governmental Funds – *Governmental funds* are used to account for essentially the same functions reported as *governmental activities* in the government-wide financial statements. However, unlike the government-wide financial statements, governmental fund financial statements focus on *near-term inflows and outflows of expendable resources*, as well as on *balances of expendable resources* available at the end of the year. Such information may be useful in evaluating a government's near-term financing requirements.

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

AACOG maintains 20 governmental funds. Information is presented separately in the governmental fund balance sheet and in the governmental fund statement of revenues, expenditures and changes in fund balance for each major fund: the General Fund, the Texas Commission on Environmental Quality Fund, the Bexar Area Agency on Aging Fund, the Alamo Area Agency on Aging Fund, the Alamo Area Development Corporation Fund, and the Office of the Governor Criminal Justice Division Fund. The basic governmental fund financial statements can be found on pages 10 through 14 of this report.

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

GOVERNMENT-WIDE FINANCIAL ANALYSIS

As noted earlier, net assets may serve over time as a useful indicator of a government's financial position. AACOG's assets exceeded liabilities by \$2,235,224 at December 31, 2005. The following table reflects the condensed Statement of Net Assets compared to prior year.

Alamo Area Council of Government's Statement of Net Assets

	Total	
	2005	2004
Assets:		
Current and other assets	\$ 5,488,162	\$ 5,452,455
Capital assets	1,433,082	1,844,352
Total assets	6,921,244	7,296,807
Liabilities:		
Current liabilities	4,448,462	4,393,645
Noncurrent liabilities	237,558	234,349
Total liabilities	4,686,020	4,627,994
Net assets:		
Invested in capital assets	1,433,082	1,829,781
Unrestricted	802,142	839,032
Total net assets	\$ 2,235,224	\$ 2,668,813

The balance of *unrestricted net assets* (\$802,142) may be used to meet the Council's ongoing obligations.

Analysis of the Council's Operations – The following table provides a summary of the Council's operations for the year ended December 31, 2005, as compared to the year ended December 31, 2004. The Council's net assets decreased by \$432,965.

Alamo Area Council of Government's Changes in Net Assets

	Governmental Activities		Difference	Percent Change from Prior Year
	2005	2004		
Revenues:				
Program revenues:				
Charges for services	\$ 553,570	\$ 1,349,283	\$(795,713)	(59.0%)
Operating grants and contributions	23,748,061	26,006,654	(2,258,593)	(8.7%)
General revenues:				
Investment earnings	6,271	3,864	2,407	62.3%
Miscellaneous	387	94	293	311.7%
Loss on disposal of assets	-	(35,416)	35,416	(100.0%)
Member dues	209,587	-	209,587	N/A
Total revenues	<u>24,517,876</u>	<u>27,324,479</u>	<u>(2,806,603)</u>	<u>(10.3%)</u>
Expenses:				
General government	39,568	40,387	(819)	(2.0%)
Workforce development	3,414,248	5,117,910	(1,703,662)	(33.3%)
Aging	13,160,575	14,077,305	(916,730)	(6.5%)
Emergency communications	774,784	911,617	(136,833)	(15.0%)
Economic development	85,367	196,419	(111,052)	(56.5%)
Environmental quality	1,967,728	1,115,561	852,167	76.4%
Community affairs	948,556	1,606,057	(657,501)	(40.9%)
Homeland security	321,694	-	321,694	N/A
Transportation	2,580,059	2,225,807	354,252	15.9%
Housing	615,793	1,116,278	(500,485)	(44.8%)
Criminal justice	1,042,469	1,010,289	32,180	3.2%
Total expenses	<u>24,950,841</u>	<u>27,417,630</u>	<u>(2,466,789)</u>	<u>(9.0%)</u>
Change in net assets	(432,965)	(93,151)	(339,814)	364.8%
Net assets, beginning	<u>2,668,189</u>	<u>2,761,340</u>		
Net assets, ending	<u>\$ 2,235,224</u>	<u>\$ 2,668,189</u>		

COMPARISONS TO 2004 EXPENDITURES/FUNDING

AACOG experienced funding increases and decreases during fiscal year 2005. When comparing 2005 to 2004, an overall decrease in revenues of \$2,806,603 and a decrease in expenditures of \$2,466,789 exist. The largest decrease in funding is due to the Workforce Development, Aging and the Community Affairs programs. The Workforce grants received a reduction in funding for grant year 2005, while the Aging programs received a small reduction in federal, state and local match from the providers of services. The Community Affairs/Weatherization program grant year begins April 1 and ends March 31. The majority of the 2003/2004 program funds were expended in the first quarter of 2004.

BUDGETARY HIGHLIGHTS

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

CAPITAL ASSET ADMINISTRATION

AACOG's investment in capital assets for its governmental activities as of December 31, 2005, amounts to \$1,433,082 (net of accumulated depreciation). This investment in capital assets includes equipment, furniture and fixtures. Major capital asset events occurring during the current fiscal year included the following:

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

	Governmental Activities	
	<u>2005</u>	<u>2004</u>
Furniture, fixtures and equipment	\$ 3,609,866	\$ 3,565,544
Less: accumulated depreciation	(2,176,484)	(1,721,192)
Total capital assets	<u>\$ 1,433,382</u>	<u>\$ 1,844,352</u>

Detailed information on capital asset activity can be found in the notes to the financial statements on page 23.

ECONOMIC FACTORS AND NEXT YEAR'S FINANCIAL PLAN

The Alamo Area Council of Governments Board of Directors approved a \$29,280,354 budget for the 2006 fiscal year. This budget represents an increase of 13.62% from the 2005 budget of \$25,770,137.

During 2005, AACOG was asked to assume the Ryan White program and also to become the Mental Retardation Authority for Bexar County. With these two major programs, AACOG's 2006 budget is projected to increase by \$5,430,647 increasing the current approved budget to \$34,711,001.

REQUESTS FOR INFORMATION

This financial report is designed to provide general overview of AACOG's finances for all those with an interest in the organization. Questions concerning any of the information provided in this report or requests for additional information should be addressed to the Controller's Office, Alamo Area Council of Governments, 8700 Tesovo Drive, San Antonio, Texas 78209.

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**BASIC
FINANCIAL STATEMENTS**

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ALAMO AREA COUNCIL OF GOVERNMENTS

STATEMENT OF NET ASSETS

DECEMBER 31, 2005

	<u>Primary Government</u>	<u>Component Unit</u>
	<u>Governmental</u>	<u>Alamo Area</u>
	<u>Activities</u>	<u>Development</u>
		<u>Corporation</u>
ASSETS		
Cash and investments	\$ 2,163,820	\$ 137,710
Receivables:		
Grantors	3,152,384	489,014
Other	155,230	-
Deposits	10,000	-
Prepaid items	6,728	-
Capital assets	<u>1,433,082</u>	<u>-</u>
Total assets	<u>6,921,244</u>	<u>626,724</u>
LIABILITIES		
Accounts payable	1,974,683	557,903
Accrued liabilities	86,202	-
Unearned revenue	1,623,986	68,146
Other liabilities	462,645	-
Over recovered indirect costs and employee benefits	300,946	-
Noncurrent liabilities:		
Due within one year	118,779	-
Due in more than one year	<u>118,779</u>	<u>-</u>
Total liabilities	<u>4,686,020</u>	<u>626,049</u>
NET ASSETS		
Invested in capital assets	1,433,082	-
Unrestricted	<u>802,142</u>	<u>675</u>
Total net assets	\$ <u>2,235,224</u>	\$ <u>675</u>

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

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ALAMO AREA COUNCIL OF GOVERNMENTS
STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED DECEMBER 31, 2005

Functions/Programs	Expenses	Indirect Cost Allocation	Expenses After Allocation of Indirect Costs	Charges for Services	Operating Grants and Contributions	Net (Expense) Revenue and Changes in Net Assets	Component Unit
						Primary Governmental Activities	Alamo Area Development Corporation
Primary Government:							
Governmental activities:							
General government	\$ 38,452	\$ 1,116	\$ 39,568	\$ 22,082	\$ 10,019	\$(7,467)	\$ -
Workforce development	3,249,684	164,564	3,414,248	-	3,460,881	46,633	-
Aging	12,699,196	461,379	13,160,575	387,025	12,371,805	(401,745)	-
Emergency communications	732,117	42,667	774,784	-	770,981	(3,803)	-
Economic development	71,971	13,396	85,367	-	61,792	(23,575)	-
Environmental quality	1,797,196	170,532	1,967,728	-	1,933,897	(33,831)	-
Community affairs	827,356	121,200	948,556	-	1,439,705	491,149	-
Homeland security	277,739	43,955	321,694	-	-	(321,694)	-
Transportation	2,444,990	135,069	2,580,059	54,864	2,134,767	(390,428)	-
Housing	608,198	7,595	615,793	-	315,606	(300,187)	-
Criminal justice	891,055	151,414	1,042,469	89,599	1,248,608	295,738	-
Indirect costs	1,312,887	(1,312,887)	-	-	-	-	-
Total governmental activities	<u>24,950,841</u>	<u>-</u>	<u>24,950,841</u>	<u>553,570</u>	<u>23,748,061</u>	<u>(649,210)</u>	<u>-</u>
Total primary government	\$ <u>24,950,841</u>	\$ <u>-</u>	\$ <u>24,950,841</u>	\$ <u>553,570</u>	\$ <u>23,748,061</u>	<u>(649,210)</u>	<u>-</u>
Component Unit:							
Alamo Area Development Corporation	\$ <u>4,373,806</u>	\$ <u>-</u>	\$ <u>4,373,806</u>	\$ <u>-</u>	\$ <u>4,373,765</u>	<u>-</u>	<u>(41)</u>
Total component unit	\$ <u>4,373,806</u>	\$ <u>-</u>	\$ <u>4,373,806</u>	\$ <u>-</u>	\$ <u>4,373,765</u>	<u>-</u>	<u>(41)</u>
			General revenues:				
			Investment earnings			6,271	79
			Member dues			209,587	-
			Miscellaneous			<u>387</u>	<u>13</u>
			Total general revenues			<u>216,245</u>	<u>92</u>
			Change in net assets			<u>(432,965)</u>	<u>51</u>
			Net assets, beginning			<u>2,668,189</u>	<u>624</u>
			Net assets, ending			<u>\$ 2,235,224</u>	<u>\$ 675</u>

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

ALAMO AREA COUNCIL OF GOVERNMENTS

BALANCE SHEET

GOVERNMENTAL FUNDS

DECEMBER 31, 2005

	<u>General</u>	<u>Texas Commission on Environmental Quality</u>	<u>Bexar Area Agency on Aging</u>
ASSETS			
Cash and investments	\$ 1,477,713	\$ 412,520	\$ -
Accounts receivable:			
Grantors	-	590,240	962,190
Other	140,111	-	-
Due from other funds	1,360,838	30,236	122,377
Deposits	10,000	-	-
Prepaid items	<u>6,728</u>	<u>-</u>	<u>-</u>
 Total assets	 <u>\$ 2,995,390</u>	 <u>\$ 1,032,996</u>	 <u>\$ 1,084,567</u>
LIABILITIES			
Liabilities:			
Accounts payable	215,021	435,255	877,814
Accrued payroll	86,202	-	-
Due to other funds	725,752	153,009	192,687
Over recovered indirect costs and employee benefits	300,946	-	-
Other liabilities	17,791	444,732	-
Deferred revenue	<u>609,978</u>	<u>-</u>	<u>14,066</u>
Total liabilities	<u>1,955,690</u>	<u>1,032,996</u>	<u>1,084,567</u>
FUND BALANCES			
Reserved for:			
Prepaid items	6,728	-	-
Unreserved, reported in:			
General fund			
Designated for compensated absences	237,558	-	-
Undesignated	<u>795,414</u>	<u>-</u>	<u>-</u>
Total fund balances	<u>1,039,700</u>	<u>-</u>	<u>-</u>
 Total liabilities and fund balances	 <u>\$ 2,995,390</u>	 <u>\$ 1,032,996</u>	 <u>\$ 1,084,567</u>

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

Alamo Area Agency on Aging	Alamo Area Development Corporation	Office of the Governor Criminal Justice Division	Other Governmental Funds	Total Governmental Funds
\$ -	\$ -	\$ -	\$ 273,587	\$ 2,163,820
413,455	250,177	292,193	644,129	3,152,384
-	-	15,119	-	155,230
206	3,085	379,802	190,046	2,086,590
-	-	-	-	10,000
-	-	-	-	6,728
<u>\$ 413,661</u>	<u>\$ 253,262</u>	<u>\$ 687,114</u>	<u>\$ 1,107,762</u>	<u>\$ 7,574,752</u>
227,917	3,851	20,465	194,360	1,974,683
-	-	-	-	86,202
175,467	247,742	205,920	386,013	2,086,590
-	-	-	-	300,946
-	-	-	122	462,645
10,277	1,669	460,729	527,267	1,623,986
<u>413,661</u>	<u>253,262</u>	<u>687,114</u>	<u>1,107,762</u>	<u>6,535,052</u>
-	-	-	-	6,728
-	-	-	-	237,558
-	-	-	-	795,414
-	-	-	-	1,039,700
<u>\$ 413,661</u>	<u>\$ 253,262</u>	<u>\$ 687,114</u>	<u>\$ 1,107,762</u>	<u>\$ 7,574,752</u>

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ALAMO AREA COUNCIL OF GOVERNMENTS
RECONCILIATION OF THE GOVERNMENTAL FUND BALANCE
SHEET TO THE STATEMENT OF NET ASSETS
FOR THE YEAR ENDED DECEMBER 31, 2005

Total fund balance - governmental funds	\$ 1,039,700
Amounts reported for governmental activities in the Statement of Net Assets (page 8) are different because:	
Capital assets used in governmental activities are not financial resources and therefore are not reported in the funds.	1,433,082
Long-term liabilities (compensated absences) are not due and payable in the current period and therefore are not reported in the funds.	<u>(237,558)</u>
Net assets of governmental activities in the statement of net assets	<u>\$ 2,235,224</u>

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

ALAMO AREA COUNCIL OF GOVERNMENTS

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

GOVERNMENTAL FUNDS

FOR THE YEAR ENDED DECEMBER 31, 2005

	General	Texas Commission on Environmental Quality	Bexar Area Agency on aging
REVENUES			
Federal	\$ -	\$ 76,152	\$ 5,115,614
State	-	1,806,218	452,422
Local	10,019	2,279	35,004
Delegate agencies:			
Cash match	-	-	2,368,678
In-kind	-	-	641,394
Program income	-	-	-
Program income	14,972	-	352,166
Membership dues	209,587	-	-
Investment income	6,271	-	-
Miscellaneous	387	-	-
Total revenues	<u>241,236</u>	<u>1,884,649</u>	<u>8,965,278</u>
EXPENDITURES			
Current:			
General government	51,328	-	-
Workforce development	-	-	-
Aging	-	-	9,082,499
Emergency communications	-	-	-
Economic development	-	-	-
Environmental quality	-	1,884,649	-
Community affairs	-	-	-
Homeland security	-	-	-
Transportation	-	-	-
Housing	-	-	-
Criminal justice	-	-	-
Total expenditures	<u>51,328</u>	<u>1,884,649</u>	<u>9,082,499</u>
EXCESS (DEFICIENCY) OF REVENUES OVER (UNDER) EXPENDITURES	<u>189,908</u>	<u>-</u>	<u>(117,221)</u>
OTHER FINANCING SOURCES (USES)			
Transfers in	-	-	117,221
Transfers out	(222,965)	-	-
Total other financing sources (uses)	<u>(222,965)</u>	<u>-</u>	<u>117,221</u>
NET CHANGE IN FUND BALANCES	<u>(33,057)</u>	<u>-</u>	<u>-</u>
FUND BALANCES, BEGINNING	838,408	-	-
PRIOR PERIOD ADJUSTMENT	<u>234,349</u>	<u>-</u>	<u>-</u>
FUND BALANCES, BEGINNING AS RESTATED	<u>1,072,757</u>	<u>-</u>	<u>-</u>
FUND BALANCES, ENDING	<u>\$ 1,039,700</u>	<u>\$ -</u>	<u>\$ -</u>

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

Alamo Area Agency on aging	Alamo Area Development Corporation	Office of the Governor Criminal Justice Division	Other Governmental	Total Governmental
\$ 2,075,556	\$ 2,667,494	\$ 428,974	\$ 2,927,655	\$ 13,291,445
213,344	-	780,586	1,367,591	4,620,161
1,613	-	-	1,263,429	1,312,344
597,489	-	-	23,031	2,989,198
837,024	-	28,600	-	1,507,018
-	-	-	3,804	3,804
62,754	-	89,599	58,170	577,661
-	-	-	-	209,587
-	-	-	-	6,271
-	-	-	-	387
<u>3,787,780</u>	<u>2,667,494</u>	<u>1,327,759</u>	<u>5,643,680</u>	<u>24,517,876</u>
-	-	-	7,111	58,439
-	2,667,494	-	686,211	3,353,705
3,846,036	-	-	5,772	12,934,307
-	-	-	770,981	770,981
-	-	-	83,899	83,899
-	-	-	49,248	1,933,897
-	-	-	928,036	928,036
-	-	316,164	-	316,164
-	-	-	2,541,754	2,541,754
-	-	-	605,206	605,206
-	-	1,014,097	10,448	1,024,545
<u>3,846,036</u>	<u>2,667,494</u>	<u>1,330,261</u>	<u>5,688,666</u>	<u>24,550,933</u>
(58,256)	-	(2,502)	(44,986)	(33,057)
58,256	-	2,502	44,986	222,965
-	-	-	-	(222,965)
<u>58,256</u>	<u>-</u>	<u>2,502</u>	<u>44,986</u>	<u>-</u>
-	-	-	-	(33,057)
-	-	-	-	838,408
-	-	-	-	234,349
-	-	-	-	1,072,757
<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 1,039,700</u>

ALAMO AREA COUNCIL OF GOVERNMENTS
RECONCILIATION OF THE STATEMENT OF REVENUES, EXPENDITURES
AND CHANGES IN FUND BALANCES OF GOVERNMENTAL FUNDS
TO THE STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED DECEMBER 31, 2005

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

Net change in fund balances - total governmental funds (pages 14 - 15)	\$(33,057)
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 exceeded capital outlays in the current period.	(411,270)
The repayment of the principal of long-term debt consumes the current financial resources of governmental funds. However, this transaction has no effect in the statement of activities.	14,571
Some expenses (e.g., compensated absences) reported in the statement of activities do not require the use of current financial resources and, therefore, are not reported as expenditures in governmental funds.	<u>(3,209)</u>
Change in net assets of governmental activities (page 9)	<u>\$(432,965)</u>

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

ALAMO AREA COUNCIL OF GOVERNMENTS

NOTES TO FINANCIAL STATEMENTS

DECEMBER 31, 2005

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

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

Reporting Entity

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

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

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

(continued)

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Reporting Entity (Continued)

Discretely Presented 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. Complete financial statements may be obtained at the entity's administrative office.

Government-wide and Fund Financial Statements

The government-wide financial statements (i.e., the statement of net assets and the statement of activities) report information on all of the activities of the primary government and its component units. For the most part, the effect of interfund activity has been removed from these statements. *Governmental activities* are generally supported by intergovernmental revenue.

The statement of activities demonstrates the degree to which the direct expenses of a given function or segment are offset by program revenue. *Direct expenses* are those that are clearly identifiable with a specific function or segment. *Program revenue* includes 1) charges to customers or applicants who purchase, use, or directly benefit from goods, services, or privileges provided by a given function or segment, and 2) grants and contributions that are restricted to meeting the operational or capital requirements of a particular function or segment. Other items not properly included among program revenue are reported instead as *general revenue*.

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

Measurement Focus, Basis of Accounting and Financial Statement Presentation

The government-wide financial statements are reported using the *economic resources measurement focus* and the *accrual basis of accounting*. Revenue is recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of related cash flows. Grants and similar items are recognized as revenue as soon as all eligibility requirements imposed by the provider have been met.

(continued)

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

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

Governmental fund financial statements are reported using the *current financial resources measurement focus* and the *modified accrual basis of accounting*. Revenue is recognized as soon as it is both measurable and available. Revenue is considered to be *available* when it is collectible within the current period or soon enough thereafter to pay liabilities of the current period. For this purpose, the Council considers revenue to be available if it is collected within 60 days of the end of the current fiscal period. Expenditures generally are recorded when a liability is incurred, as under accrual accounting. However, debt service expenditures, as well as expenditures related to compensated absences and claims and judgments, are recorded only when payment is due.

Expenditure-driven grants are recognized as revenue when the qualifying expenditures have been incurred and all other grant requirements have been met. Grant revenue, 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 the Council.

The Council reports the following major governmental funds:

The General Fund is the Council's primary operating fund. It accounts for all financial resources of the general government, except those required to be accounted for in another fund.

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

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

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

The Alamo Area Development Corporation Fund is used to account for federal funds awarded to Alamo Area Council Governments by the Alamo Area Development Corporation.

The Office of the Governor, Criminal Justice Division Fund is used to account for federal and state funds awarded to Alamo Area Council Governments by the Office of the Governor, Criminal Justice Division.

(continued)

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

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

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

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

Use of Estimates

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

Assets, Liabilities and Net Assets or Equity

Cash and Investments

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

Grants Receivable

Grants receivable represent amounts due from federal and state agencies for the various programs administered by the Council. The receivable includes amounts due on programs closed-out and those in progress as of December 31, 2005.

Other Receivables

Other receivables represent amounts due from subcontractors.

Interfund Receivables and Payables

Activity between funds that are representative of lending/borrowing arrangements outstanding at the end of the fiscal year are referred to as either "due to/from other funds" (i.e., the current portion of interfund loans) or "advances to/from other funds" (i.e., the noncurrent portion of interfund loans). All other outstanding balances between funds are reported as "due to/from other funds." The Council had no "advances to/from other funds" at December 31, 2005.

(continued)

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Assets, Liabilities and Net Assets or Equity (Continued)

Prepaid Items

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

Deferred Revenue

Deferred revenue represents amounts received from grantors in excess of expenditures for programs in progress as of December 31, 2005.

Capital Assets

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

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

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

Compensated Absences

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

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

Fund Equity

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

(continued)

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Assets, Liabilities and Net Assets or Equity (Continued)

Indirect Costs and Fringe Benefit and Leave Pool Allocations

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

Over-recovered Employee Benefits and Indirect Costs

Over-recovered employee benefits and indirect costs consist of costs incurred for employee benefits and general administrative costs. This liability will be reduced in succeeding years through AACOG's indirect and fringe benefit rate. Total employee benefits and indirect costs of \$300,946 were over-recovered as of December 31, 2005.

2. RECONCILIATION OF GOVERNMENT-WIDE AND FUND FINANCIAL STATEMENTS

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

The governmental fund statement of revenue, expenditures and changes in fund balances includes a reconciliation between *net changes in fund balances – total governmental fund* and *changes in net assets of governmental activities* as reported in the government-wide statement of activities. One element of that reconciliation explains, "Governmental funds report capital outlays as expenditures. However, in the statement of activities the cost of those assets is allocated over their estimated useful lives and reported as depreciation expense." The details of this \$(411,270) difference are as follows:

Capital outlay	\$ 44,022
Depreciation expense	(455,292)
Net adjustment to increase <i>net changes in fund balances - total governmental funds</i> to arrive at <i>changes in net assets of governmental activities</i>	\$(411,270)

3. STEWARDSHIP, COMPLIANCE AND ACCOUNTABILITY

Budgetary Information

The Council's financial plan is controlled at the fund and grant level with management authorized to make transfers of budgeted amounts between object class levels within a fund or grant, within restrictions imposed by grantor agencies. The Board approves the financial plan for revenue and expenditures in all funds. The financial plan for the Special Revenue Funds is made on a project (grant) basis, spanning more than one year. Appropriations for all projects in the Special Revenue Funds lapse at the end of a contract period which may not coincide with the fiscal year-end of the Council. Although the financial plans are reviewed and approved by the Council's Board, they are not considered legally adopted annual budgets or appropriations. Accordingly, comparative budget and actual results are not presented in this report.

4. DETAILED NOTES ON ALL FUNDS

Deposits

Custodial Credit Risk. In the case of deposits, this is the risk that in the event of a bank failure, the Council's deposits may not be returned to it. State statutes require that all deposits in financial institutions be fully collateralized by U. S. Government Securities or its agencies and instrumentalities or direct obligations of Texas or its agencies and instrumentalities that have a fair value of not less than the principal amount of deposits. As of December 31, 2005, \$1,847,048 of the Council's \$1,877,278 deposit balance was collateralized with securities held by the pledging financial institution. The remaining balance, \$30,230, was covered by FDIC insurance.

Receivables

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

	General	Texas Commission on Environmental Quality	Bexar Area Agency on Aging	Alamo Area Agency on Aging	Alamo Area Development Corporation	Office of the Governor Criminal Justice Division	Other Governmental Funds
Receivables:							
Grants	\$ -	\$ 590,240	\$ 962,190	\$ 413,455	\$ 250,177	\$ 292,193	\$ 644,129
Other	140,111	-	-	-	-	15,119	-
Total receivables	\$ 140,111	\$ 590,240	\$ 962,190	\$ 413,455	\$ 250,177	\$ 307,312	\$ 644,129

(continued)

4. DETAILED NOTES ON ALL FUNDS (Continued)

Capital Assets

Capital asset activity for the year ended December 31, 2005, 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	\$ 3,565,544	\$ 44,022	\$ -	\$ 3,609,566
Total capital assets being depreciated	3,565,544	44,022	-	3,609,566
Less accumulated depreciation	(1,721,192)	(455,292)	-	(2,176,484)
	<u>\$ 1,844,352</u>	<u>\$ (411,270)</u>	<u>\$ -</u>	<u>\$ 1,433,082</u>

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

Governmental activities:

General government	\$ 521
Workforce development	64,261
Aging	240,161
Emergency communications	14,315
Economic development	1,558
Environmental quality	35,908
Community affairs	21,780
Homeland security	5,870
Transportation	40,657
Housing	11,237
Criminal justice	<u>19,024</u>
Total depreciation expense - governmental activities	<u>\$ 455,292</u>

(continued)

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

Interfund Receivables and Payables

The Council pools cash in one bank account which is accounted for in the General Fund. All expenditures are paid out of this cash account, and appropriate interfund balances are recorded to reflect this activity. The composition of interfund balances as of December 31, 2005, is as follows:

<u>Receivable Fund</u>	<u>Payable Fund</u>	<u>Amount</u>
General Fund	Texas Commission on Environmental Quality	\$ 153,009
	Bexar Area Agency on Aging	192,687
	Alamo Area Agency on Aging	175,467
	Alamo Area Development Corporation	247,742
	Office of the Governor - Criminal Justice Division	205,920
	Other governmental funds	386,013
Texas Commission on Environmental Quality	General fund	30,236
Bexar Area Agency on Aging	General fund	122,377
Alamo Area Agency on Aging	General fund	206
Alamo Area Development Corporation	General fund	3,085
Office of the Governor - Criminal Justice Division	General fund	379,802
Other governmental funds	General fund	<u>190,046</u>
		<u>\$ 2,086,590</u>

Long-term Debt

Long-term liability activity for the year ended December 31, 2005, was as follows:

	<u>Beginning Balance</u>	<u>Additions</u>	<u>Reductions</u>	<u>Ending Balance</u>	<u>Due Within One Year</u>
Governmental activities					
Note payable	\$ 14,571	\$ -	\$ 14,571	\$ -	\$ -
Compensated absences	<u>234,349</u>	<u>3,209</u>	<u>-</u>	<u>237,558</u>	<u>118,779</u>
Governmental activity long-term liabilities	<u>\$ 248,920</u>	<u>\$ 3,209</u>	<u>\$ 14,571</u>	<u>\$ 237,558</u>	<u>\$ 118,779</u>

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

5. OTHER INFORMATION

Risk Management

The Council is exposed to various risks of loss related to torts; theft of, damage to and destruction of assets; errors and omissions; injuries to employees; and natural disasters. The Council maintains workers' compensation and other risks of loss coverage through commercial insurance carriers. The Council's management believes such coverage is sufficient to preclude any significant uninsured losses to the Council. There were no significant reductions in insurance coverage from coverage in the prior year. There were no insurance settlements that exceeded insurance coverage in any of the past three years.

Contingencies

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

Agencies expending \$500,000 or more in Council grant funds are required to have an independent audit each year. Copies of such audits are required to be submitted to the Council. If such audits disclose expenditures not in accordance with terms of the grants, the grantor agency could disallow the costs and require reimbursements of the disallowed costs either from the Council or the subcontractor. The Council generally has the right of recovery from the subcontracted agencies.

Retirement Plan

Texas County and District Retirement System (TCDRS)

Plan Description

Alamo Area Council of Governments provides pension, disability, and death benefits for all of its fulltime employees through a nontraditional defined benefit pension plan in the statewide Texas County and District Retirement system (TCDRS). The Board of Trustees of TCDRS is responsible for the administration of the statewide agent multiple-employer public employee retirement system consisting of 559 nontraditional defined benefit pension plans. TCDRS in the aggregate issues a comprehensive annual financial report (CAFR) on a calendar year basis. The CAFR is available upon written request from the TCDRS Board of Trustees at P. O. Box 2034, Austin, Texas 78768-2034.

(continued)

5. OTHER INFORMATION (Continued)

Pension Plans – Primary Government (Continued)

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

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

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

Funding Policy

The Council has elected the annually determined contribution rate (variable-rate) plan provisions of the TCERS Act. The plan is funded by monthly contributions from both employee members and the Council based on the covered payroll of employee members. Under the TCERS Act, the contribution rate of the Council is actuarially determined annually. The Council contributed using the actuarially determined rate of 5.58% for the months of the accounting year in 2004, and 5.19% for the months of the accounting year in 2005.

The deposit rate payable by the employee members of the plan for calendar year 2005 is the rate of 4.00% as adopted by the governing body of the Council. The employee deposit rate and the employer contribution rate may be changed by the Board of Directors of the Council within the options available in the TCERS Act.

Annual Pension Cost

For the Council's accounting year ended September 30, 2005, the annual pension cost for the TCERS plan for its employees was \$347,608 and the actual contributions were \$347,608.

The annual required contributions were actuarially determined as a percent of the covered payroll of the participating employees, and were in compliance with the GASB Statement No. 27 parameters based on the actuarial valuations as of December 31, 2002 and December 31, 2003, the basis for determining the contribution rates for calendar years 2004 and 2005. The December 31, 2004, actuarial valuation is the most recent valuation.

(continued)

5. **OTHER INFORMATION** (Continued)

Pension Plans – Primary Government (Continued)

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

Annual Pension Cost (Continued)

Actuarial Valuation Date	12/31/02	12/31/03	12/31/04
Actuarial cost method	entry age	entry age	entry age
Amortization method	level percentage of payroll, open	level percentage of payroll, open	level percentage of payroll, open
Amortization period	20	20	20
Asset valuation method	long-term appreciation with adjustment	long-term appreciation with adjustment	long-term appreciation with adjustment
Actuarial Assumptions:			
Investment return (1)	8.00%	8.00%	8.00%
Projected salary increases (1)	5.5%	5.5%	5.5%
Inflation	3.5%	3.5%	3.5%
Cost-of-living adjustments	0.0%	0.0%	0.0%

(1) includes inflation at the stated rate

Trend Information

<u>Accounting Year Ending</u>	<u>Annual Pension Cost (APC)</u>	<u>Percentage of APC Contributed</u>	<u>Net Pension Obligation</u>
12/31/03	\$ 329,297	100%	\$ -
12/31/04	334,594	100%	-
12/31/05	347,608	100%	-

Schedule of Funding Progress

<u>Year</u>	<u>Actuarial Value of Assets (a)</u>	<u>Actuarial 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>
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	83.49%	5,488,263	14.55%
2004	4,768,261	5,533,883	765,622	86.16%	5,996,306	12.77%

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

(continued)

5. OTHER INFORMATION (Continued)

Change in Accounting Principles

Beginning fund balance of the governmental funds in the fund financial statements has been restated as of the beginning of the year for the effect of implementing GASB Interpretation No. 6—*Recognition and Measurement of Certain Liabilities and Expenditures in Governmental Fund Financial Statements*.

Fund balance as of December 31, 2004	\$ 838,408
Add: accrued compensated absences	<u>234,349</u>
Fund balance, restated, as of December 31, 2004	<u>\$ 1,072,757</u>

NONMAJOR GOVERNMENTAL FUNDS

SPECIAL REVENUE FUNDS

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

ALAMO AREA COUNCIL OF GOVERNMENTS

COMBINING BALANCE SHEET

NONMAJOR GOVERNMENTAL FUNDS

DECEMBER 31, 2005

	Special Revenue		
	Texas Department of Transportation	Economic Development Administration	Commission on State Emergency Communications
ASSETS			
Cash and investments	\$ -	\$ -	\$ 185,834
Accounts receivable:			
Grantors	185,293	-	23,726
Due from other funds	<u>84,957</u>	<u>125</u>	<u>-</u>
Total assets	<u>\$ 270,250</u>	<u>\$ 125</u>	<u>\$ 209,560</u>
 LIABILITIES AND FUND BALANCE			
Liabilities:			
Accounts payable	\$ 50,619	\$ 9	\$ 20,923
Due to other funds	37,546	-	10,942
Deferred revenue	182,065	14	177,695
Other liabilities	<u>20</u>	<u>102</u>	<u>-</u>
Total liabilities	270,250	125	209,560
 Fund balance	<u>-</u>	<u>-</u>	<u>-</u>
 Total liabilities and fund balance	<u>\$ 270,250</u>	<u>\$ 125</u>	<u>\$ 209,560</u>

Special Revenue

<u>Metropolitan Planning Organization</u>	<u>Office of Rural and Community Affairs</u>	<u>Texas Department of Housing and Community Affairs</u>	<u>U. S. Department of Housing and Urban Development</u>	<u>Texas Department of Public Safety</u>	<u>U. S. Department of Agriculture</u>
\$ -	\$ -	\$ -	\$ 87,753	\$ -	\$ -
131,025	1,210	51,980	40,520	-	-
<u>-</u>	<u>1,369</u>	<u>58,147</u>	<u>-</u>	<u>2,261</u>	<u>-</u>
<u>\$ 131,025</u>	<u>\$ 2,579</u>	<u>\$ 110,127</u>	<u>\$ 128,273</u>	<u>\$ 2,261</u>	<u>\$ -</u>
\$ 10	\$ -	\$ 72,139	\$ 558	\$ -	\$ -
128,840	-	-	52,386	-	-
2,175	2,579	37,988	75,329	2,261	-
<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
131,025	2,579	110,127	128,273	2,261	-
<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
<u>\$ 131,025</u>	<u>\$ 2,579</u>	<u>\$ 110,127</u>	<u>\$ 128,273</u>	<u>\$ 2,261</u>	<u>\$ -</u>

(continued)

ALAMO AREA COUNCIL OF GOVERNMENTS

COMBINING BALANCE SHEET

NONMAJOR GOVERNMENTAL FUNDS

(Continued)

DECEMBER 31, 2005

	Special Revenue		
	Capital Area Council of Governments	State Energy Conservation Office	Environmental Protection Agency
ASSETS			
Cash and investments	\$ -	\$ -	\$ -
Accounts receivable:			
Grantors	-	7,934	-
Due from other funds	<u>288</u>	<u>455</u>	<u>1,228</u>
 Total assets	 <u>\$ 288</u>	 <u>\$ 8,389</u>	 <u>\$ 1,228</u>
 LIABILITIES AND FUND BALANCE			
Liabilities:			
Accounts payable	\$ -	\$ 376	\$ -
Due to other funds	-	2,594	-
Deferred revenue	288	5,419	1,228
Other liabilities	<u>-</u>	<u>-</u>	<u>-</u>
Total liabilities	<u>288</u>	<u>8,389</u>	<u>1,228</u>
 Fund balance	 <u>-</u>	 <u>-</u>	 <u>-</u>
 Total liabilities and fund balance	 <u>\$ 288</u>	 <u>\$ 8,389</u>	 <u>\$ 1,228</u>

Special Revenue

<u>City of San Antonio</u>	<u>Local Projects</u>	<u>Totals</u>
\$ - 157,703 <u>-</u>	\$ - 44,738 <u>41,216</u>	\$ 273,587 644,129 <u>190,046</u>
\$ <u>157,703</u>	\$ <u>85,954</u>	\$ <u>1,107,762</u>
\$ 4,179 153,524 - <u>-</u> 157,703 <u>-</u>	\$ 45,547 181 40,226 <u>-</u> 85,954 <u>-</u>	\$ 194,360 386,013 527,267 <u>122</u> 1,107,762 <u>-</u>
\$ <u>157,703</u>	\$ <u>85,954</u>	\$ <u>1,107,762</u>

ALAMO AREA COUNCIL OF GOVERNMENTS
COMBINING STATEMENT OF REVENUES, EXPENDITURES
AND CHANGES IN FUND BALANCES
NONMAJOR GOVERNMENTAL FUNDS
FOR THE YEAR ENDED DECEMBER 31, 2005

	Special Revenue		
	Texas Department of Transportation	Economic Development Administration	Commission on State Emergency Communications
REVENUES			
Federal	\$ 612,887	\$ 61,792	\$ -
State	553,348	-	770,981
Local	945,501	-	-
Delegate agencies:			
Cash match	23,031	-	-
Program income	3,804	-	-
Program income	51,060	-	-
Total revenues	<u>2,189,631</u>	<u>61,792</u>	<u>770,981</u>
EXPENDITURES			
General government	-	-	-
Workforce development	-	-	-
Aging	-	-	-
Emergency communications	-	-	770,981
Economic development	-	83,899	-
Environmental quality	-	-	-
Community affairs	-	-	-
Transportation	2,189,631	-	-
Housing	-	-	-
Criminal justice	-	-	-
Total expenditures	<u>2,189,631</u>	<u>83,899</u>	<u>770,981</u>
EXCESS (DEFICIENCY) OF REVENUES OVER (UNDER) EXPENDITURES	<u>-</u>	<u>(22,107)</u>	<u>-</u>
OTHER FINANCING SOURCES			
Transfers in	-	22,107	-
Total other financing sources	<u>-</u>	<u>22,107</u>	<u>-</u>
NET CHANGE IN FUND BALANCES	<u>-</u>	<u>-</u>	<u>-</u>
FUND BALANCES, BEGINNING	<u>-</u>	<u>-</u>	<u>-</u>
FUND BALANCES, ENDING	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>

Special Revenue

Metropolitan Planning Organization	Office of Rural and Community Affairs	Texas Department of Housing and Community Affairs	U. S. Department of Housing and Urban Development	Texas Department of Public Safety	U. S. Department of Agriculture
\$ 352,123	\$ 17,180	\$ 774,680	\$ 315,606	\$ -	\$ 107,176
-	-	-	-	-	-
-	-	3,563	-	-	-
-	-	-	-	-	-
-	-	-	-	-	-
<u>352,123</u>	<u>17,180</u>	<u>778,243</u>	<u>315,606</u>	<u>-</u>	<u>107,176</u>
-	-	-	-	-	-
-	-	-	-	-	-
-	-	-	-	-	-
-	-	-	-	-	-
-	33,640	778,243	-	-	107,176
352,123	-	-	-	-	-
-	-	-	315,606	-	-
<u>352,123</u>	<u>33,640</u>	<u>778,243</u>	<u>315,606</u>	<u>-</u>	<u>107,176</u>
-	(16,460)	-	-	-	-
-	16,460	-	-	-	-
-	16,460	-	-	-	-
-	-	-	-	-	-
-	-	-	-	-	-
<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>

(continued)

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

NONMAJOR GOVERNMENTAL FUNDS
(Continued)
FOR THE YEAR ENDED DECEMBER 31, 2005

	Special Revenue		
	Capital Area Council of Governments	State Energy Conservation Office	Environmental Protection Agency
REVENUES			
Federal	\$ -	\$ -	\$ -
State	-	43,262	-
Local	-	5,986	-
Delegate agencies:			
Cash match	-	-	-
Program income	-	-	-
Program income	-	-	-
Total revenues	-	49,248	-
EXPENDITURES			
General government	-	-	-
Workforce development	-	-	-
Aging	-	-	-
Emergency communications	-	-	-
Economic development	-	-	-
Environmental quality	-	49,248	-
Community affairs	-	-	-
Transportation	-	-	-
Housing	-	-	-
Criminal justice	-	-	-
Total expenditures	-	49,248	-
EXCESS (DEFICIENCY) OF REVENUES OVER (UNDER) EXPENDITURES	-	-	-
OTHER FINANCING SOURCES (USES)			
Transfers in	-	-	-
Total other financing sources (uses)	-	-	-
NET CHANGE IN FUND BALANCES	-	-	-
FUND BALANCES, BEGINNING	-	-	-
FUND BALANCES, ENDING	\$ -	\$ -	\$ -

Special Revenue

<u>City of San Antonio</u>	<u>Local Projects</u>	<u>Totals</u>
\$ 686,211	\$ -	\$ 2,927,655
-	-	1,367,591
-	308,379	1,263,429
-	-	23,031
-	-	3,804
-	7,110	58,170
<u>686,211</u>	<u>315,489</u>	<u>5,643,680</u>
-	7,111	7,111
686,211	-	686,211
-	5,772	5,772
-	-	770,981
-	-	83,899
-	-	49,248
-	8,977	928,036
-	-	2,541,754
-	289,600	605,206
-	10,448	10,448
<u>686,211</u>	<u>321,908</u>	<u>5,688,666</u>
-	(6,419)	(44,986)
-	6,419	44,986
-	6,419	44,986
-	-	-
-	-	-
<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>

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SUPPLEMENTAL SCHEDULES

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ALAMO AREA COUNCIL OF GOVERNMENTS

SCHEDULE OF INDIRECT COSTS

YEAR ENDED DECEMBER 31, 2005

Personnel services	\$ 900,437
Employee benefits	274,548
Other contract services	113,665
Travel	15,667
Rent administration	83,721
Rent	436,146
Supplies	48,912
Auto	154
Equipment	59,527
Insurance and bonding	7,780
Public notices	4,232
Printing and reproduction	18,980
Repairs and maintenance	31,266
Employee recruitment	2,157
Communications	78,823
Postage	41,542
Meetings other	14,544
Training in region	627
Publications	1,070
Professional dues	28,549
Equipment rental	47,098
Tuition - staff	<u>1,217</u>
Total indirect costs	2,210,662
Less: administration cost received	<u>903,180</u>
NET INDIRECT COSTS	1,307,482
ACTUAL INDIRECT COSTS RECOVERED	<u>(1,312,887)</u>
OVER RECOVERY OF INDIRECT COSTS PER 2004 AUDIT	<u>(76,967)</u>
ACCUMULATED COST OVER RECOVERY	<u><u>\$ (82,372)</u></u>

ALAMO AREA COUNCIL OF GOVERNMENTS
SCHEDULE OF EMPLOYEE BENEFITS (FRINGE AND RELEASE TIME)
YEAR ENDED DECEMBER 31, 2005

Benefits:	
FICA	\$ 472,143
Group life insurance	48,665
Unemployment insurance	6,256
Workers' compensation	71,457
Health insurance	760,283
Retirement	438,599
Release time	<u>789,277</u>
 Total employee benefits	 2,586,680
 ACTUAL EMPLOYEE BENEFITS RECOVERED	 (2,601,829)
 OVER RECOVERY OF INDIRECT COST PER 2004 AUDIT	 (<u>203,425</u>)
 ACCUMULATED OVER RECOVERY	 <u>\$ (218,574)</u>

SINGLE AUDIT SECTION

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**REPORT ON INTERNAL CONTROL OVER FINANCIAL
REPORTING AND ON COMPLIANCE AND OTHER MATTERS
BASED ON AN AUDIT OF FINANCIAL STATEMENTS
PERFORMED IN ACCORDANCE WITH
GOVERNMENT AUDITING STANDARDS**

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

We have audited the financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of Alamo Area Council of Governments (the "Council"), as of and for the year ended December 31, 2005, which collectively comprise the Council's basic financial statements and have issued our report thereon dated March 10, 2006. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

Internal Control Over Financial Reporting

In planning and performing our audit, we considered the Council's internal control over financial reporting in order to determine our auditing procedures for the purpose of expressing our opinions 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 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. However, we noted other matters involving the internal control over financial reporting, which we have reported to management of the Council in a separate letter dated March 10, 2006.

Compliance and Other Matters

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

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.

Pattillo, Brown & Hill, LLP

March 10, 2006



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

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

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

Compliance

We have audited the compliance of Alamo Area Council of Governments (the "Council") with the types of compliance requirements described in the *U. S. Office of Management and Budget (OMB) Circular A-133 Compliance Supplement* and the *State of Texas Uniform Grant Management Standards ("UGMS")* that are applicable to each of its major federal and state programs for the year ended December 31, 2005. The Council's major federal and state programs are identified in the summary of auditors' results section of the accompanying Schedule of Findings and Questioned Costs. Compliance with the requirements of laws, regulations, contracts and grants applicable to each of its major federal and state programs is the responsibility of the Council's management. Our responsibility is to express an opinion on the Council's compliance based on our audit.

We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; Office of Management and Budget (OMB) Circular A-133, *Audits of States, Local Governments and Nonprofit Organizations* and the *State of Texas Uniform Grant Management Standards*. Those standards and circulars 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 occurred. An audit includes examining on a test basis, evidence about the Council's compliance with those requirements and performing such other procedures, as we considered necessary in the circumstances. We believe that our audit provides a reasonable basis for our opinion. Our audit does not provide a legal determination of the Council's compliance with those requirements.

In our opinion, the Council complied, in all material respects, with the requirements referred to above that are applicable to each of its major federal and state programs for the year ended December 31, 2005.

Internal Control Over Compliance

The management of the Council is responsible for establishing and maintaining effective internal control over compliance with requirements of laws, regulations, contracts and grants applicable to federal and state programs. In planning and performing our audit, we considered the Council's internal control over compliance with 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 the internal control over compliance in accordance with OMB Circular A-133 and the State of Texas Uniform Grant Management Standards.

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.

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.

Pattillo, Brown & Hill, LLP

March 10, 2006

ALAMO AREA COUNCIL OF GOVERNMENTS
SCHEDULE OF EXPENDITURES OF FEDERAL AND STATE AWARDS
FOR THE YEAR ENDED DECEMBER 31, 2005

Federal Grantor/Pass-through Grantor/ Program Title	Federal CFDA Number	Pass-through Grantor's Number	Expenditures
FEDERAL AWARDS			
<u>U. S. Department of Agriculture</u>			
Passed through Alamo Area Development Corporation:			
Able Bodied Americans with Disabilities	10.551	N/A	\$ 60,652
Food Stamps 50/50	10.561	N/A	20,994
Food Stamps 50/50	10.561	N/A	12,051
Food Stamps 100%	10.561	N/A	51,070
Food Stamps 100%	10.561	N/A	18,225
Total Alamo Area Development Corporation			162,992
Direct Program:			
Food Stamp Outreach Program	10.580	N/A	107,176
Total Direct Program			107,176
Total U. S. Department of Agriculture			270,168
<u>U. S. Department of Commerce</u>			
Passed through Economic Development Administration:			
Economic Development Administration	11.302	08-83-03674	61,792
Total Economic Development Administration			61,792
Total U. S. Department of Commerce			61,792
<u>U. S. Department of Housing and Urban Development</u>			
Passed through Office of Rural and Community Affairs:			
Community and Economic Development Assistance Funds	14.228	C74221	12,263
Community and Economic Development Assistance Funds	14.228	C75221	1,256
Middle Rio Grande Regional Review Committee	14.228	INTER0009175221	3,661
Total Office of Rural and Community Affairs			17,180
Direct programs:			
Assistance Programs:			
Housing Choice Vouchers	14.871	N/A	(820)
Housing Choice Vouchers	14.871	N/A	296,117
Housing Choice Vouchers	14.871	N/A	20,309
Total direct programs			315,606
Total U. S. Department of Housing and Urban Development			332,786

(continued)

ALAMO AREA COUNCIL OF GOVERNMENTS
SCHEDULE OF EXPENDITURES OF FEDERAL AND STATE AWARDS
(Continued)
FOR THE YEAR ENDED DECEMBER 31, 2005

Federal Grantor/Pass-through Grantor Program Title	Federal CFDA Number	Pass-through Grantor's Number	Expenditures
FEDERAL AWARDS (Continued)			
<u>U. S. Department of Justice</u>			
Passed through Alamo Area Development Corporation			
Project Rio	16.202	N/A	\$ 17,381
Project Rio	16.202	N/A	<u>5,528</u>
Total Alamo Area Development Corporation			<u>22,909</u>
Passed through Office of the Governor, Criminal Justice Division:			
Juvenile Accountability Block Grant	16.523	JB-02-J20-17389.01	65,292
Juvenile Accountability Block Grant	16.523	JB-02-J20-18098-01	8,781
Sexual Assault Training for Law Enforcement	16.588	WF-03-V30-16537-01	(2,502)
Sexual Assault Training for Law Enforcement	16.588	WF-04-V30-16537-02	33,679
Sexual Assault Training for Law Enforcement	16.588	WF-05-V30-16537-03	<u>7,560</u>
Total Office of the Governor, Criminal Justice Division			<u>112,810</u>
Total U. S. Department of Justice			<u>135,719</u>
<u>U. S. Department of Labor</u>			
Passed through Alamo Area Development Corporation:			
Employment Services	17.207	N/A	25,472
Employment Services	17.207	N/A	8,010
Worker Profiling	17.253	N/A	10,598
WIA Adult Services	17.258	N/A	261,972
WIA Adult Services	17.258	N/A	74,561
WIA Youth	17.259	N/A	102,264
WIA Youth	17.259	N/A	32,094
WIA Youth	17.259	N/A	108,344
WIA Youth	17.259	N/A	38,933
WIA Youth	17.259	N/A	156,783
WIA Youth	17.259	N/A	67,887
WIA Dislocated Work	17.260	N/A	635,190
WIA Dislocated Work	17.260	N/A	148,552
Veteran's Services	17.801	N/A	2,261
Veteran's Services	17.801	N/A	<u>1,636</u>
Total Alamo Area Development Corporation			<u>1,674,557</u>
Total U. S. Department of Labor			<u>1,674,557</u>
<u>U. S. Department of Transportation</u>			
Passed through Metropolitan Planning Organization:			
Highway Planning and Construction	20.205	1521-04/05	278,153
Highway Planning and Construction	20.205	1521-06/07	<u>73,970</u>
Total Metropolitan Planning Organization			<u>352,123</u>

(continued)

ALAMO AREA COUNCIL OF GOVERNMENTS
SCHEDULE OF EXPENDITURES OF FEDERAL AND STATE AWARDS
(Continued)
FOR THE YEAR ENDED DECEMBER 31, 2005

Federal Grantor/Pass-through Grantor Program Title	Federal CFDA Number	Pass-through Grantor's Number	Expenditures
FEDERAL AWARDS (Continued)			
<u>U. S. Department of Transportation (Continued)</u>			
Passed through Texas Department of Transportation:			
Commuter Solutions FY 2005	20.205	0915-12-412	\$ 42,331
Commuter Solutions FY 2006	20.205	0915-12-413	140,001
Formula Grants for Other than Urbanized Areas	20.509	RPT0403(15)27	4,503
Formula Grants for Other than Urbanized Areas	20.509	RPT00503(15)28	419,431
Capital Assistance Program for Elderly Persons and Persons with Disabilities	20.513	ED0501(15)42	<u>6,621</u>
Total Texas Department of Transportation			<u>612,887</u>
Total U. S. Department of Transportation			<u>965,010</u>
<u>Environmental Protection Agency</u>			
Passed through Texas Commission on Environmental Quality:			
Early Action Compact	66.605	N/A	<u>76,152</u>
Total Texas Commission on Environmental Quality			<u>76,152</u>
Total Environmental Protection Agency			<u>76,152</u>
<u>U. S. Department of Energy</u>			
Passed through Texas Department of Housing and Community Affairs:			
Weatherization Assistance for Low Income Persons	81.042	N/A	42,688
Weatherization Assistance for Low Income Persons	81.042	N/A	<u>218,153</u>
Total Texas Department of Housing and Community Affairs			<u>260,841</u>
Total U. S. Department of Energy			<u>260,841</u>

(continued)

ALAMO AREA COUNCIL OF GOVERNMENTS
SCHEDULE OF EXPENDITURES OF FEDERAL AND STATE AWARDS
(Continued)
FOR THE YEAR ENDED DECEMBER 31, 2005

Federal Grantor/Pass-through Grantor Program Title	Federal CFDA Number	Pass-through Grantor's Number	Expenditures
FEDERAL AWARDS (Continued)			
<u>U. S. Department of Health and Human Services</u>			
Passed through Texas Department of Aging and Disability Services to the Alamo Area on Aging:			
Title VII-EAP FY 2005	93.041	2005-A	\$ 24,769
Title VII-EAP FY 2006	93.041	2006-A	6,292
Title VII-OAG FY 2005	93.042	2005-A	809
Title VII-OAG FY 2006	93.042	2006-A	1,760
Title III-D FY 2005	93.043	2005-A	46,395
Title III-D FY 2006	93.043	2006-A	3,169
Title III-B FY 2005	93.044	2005-A	475,128
Title III-B FY 2006	93.044	2006-A	95,465
Title III-C FY 2005	93.045	2005-A	747,977
Title III-C FY 2006	93.045	2006-A	139,026
Title III-E FY 2005	93.052	2005-A	236,586
Title III-E FY 2006	93.052	2006-A	14,807
Transportation Services FY 05 NSIP	93.053	2005-A	191,853
Transportation Services FY 06 NSIP	93.053	2006-A	42,216
CMS FY 2005	93.779	2005-A	20,114
CMS FY 2006	93.779	2006-A	28,253
Total Alamo Area on Aging			<u>2,074,619</u>
Passed through Texas Department of Aging and Disability Services to the Bexar Area on Aging:			
Title VII-EAP FY 2005	93.041	2005-B	41,566
Title VII-EAP FY 2006	93.041	2006-B	10,826
Title VII-OAG FY 2005	93.042	2005-B	5,402
Title VII-OAG FY 2006	93.042	2006-B	4,514
Title III-D FY 2005	93.043	2005-B	115,610
Title III-D FY 2006	93.043	2006-B	4,884
Title III-B FY 2005	93.044	2005-B	1,036,230
Title III-B FY 2006	93.044	2006-B	240,146
Title III-C FY 2005	93.045	2005-B	1,451,005
Title III-C FY 2006	93.045	2006-B	358,760
Title III-E FY 2005	93.052	2005-B	634,805
Title III-E FY 2006	93.052	2006-B	127,369
Transportation Services FY 05 NSIP	93.053	2005-B	668,847
Transportation Services FY 06 NSIP	93.053	2006-B	166,874
CMS FY 2005	93.779	2005-B	43,532
CMS FY 2006	93.779	2006-B	45,845
Total Bexar Area on Aging			<u>4,956,215</u>
Total Department of Aging and Disability Services			<u>7,030,834</u>

(continued)

ALAMO AREA COUNCIL OF GOVERNMENTS
SCHEDULE OF EXPENDITURES OF FEDERAL AND STATE AWARDS
(Continued)
FOR THE YEAR ENDED DECEMBER 31, 2005

Federal Grantor/Pass-through Grantor Program Title	Federal CFDA Number	Pass-through Grantor's Number	Expenditures
FEDERAL AWARDS (Continued)			
<u>U. S. Department of Health and Human Services (Continued)</u>			
Passed through Texas Department of Aging and Disability Services:			
Special Programs for Aging Title IV & Title II	93.048	2005-B	\$ 115,744
Special Programs for Aging Title IV & Title II	93.048	2005-B	<u>11,187</u>
Total Texas Department of Aging and Disability Services			<u>126,931</u>
Passed through Alamo Area Development Corporation:			
TANF Choices	93.558	N/A	602,531
TANF Choices	93.558	N/A	<u>204,505</u>
Total Alamo Area Development Corporation			<u>807,036</u>
Passed through Texas Department of Housing and Community Affairs:			
Weatherization Assistance	93.568	813001	135,922
Weatherization Assistance	93.568	817001	376,086
SBF	93.568	N/A	<u>1,831</u>
Total Texas Department of Housing and Community Affairs			<u>513,839</u>
Passed through the City of San Antonio, Texas:			
Child Care Development Services	93.575	N/A	528,508
Child Care Development Services	93.575	N/A	<u>157,703</u>
Total the City of San Antonio, Texas			<u>686,211</u>
Passed through Centers for Medicaid and Medicare Services:			
CMS - Alamo	93.779	N/A	937
CMS - Bexar	93.779	N/A	<u>32,468</u>
Total Centers for Medicaid and Medicare Services			<u>33,405</u>
Total U. S. Department of Health and Human Services			<u>2,167,422</u>
<u>U. S. Department of Homeland Security</u>			
Passed through Texas Engineering Extension Service:			
Emergency Prep Planning	97.004	2003-MU-T3-0020	70,444
Emergency Prep Planning	97.004	2004-GE-T4-0015	175,819
Weapons of Mass Destruction Awareness Training	97.004	5418AWR05	13,502
Urban Area Security Initiative	97.008	2004-UASI-99001	54,466
Law Enforcement Terrorism Prevention Program	97.074	2004-GE-T4-4015	<u>1,933</u>
Total Texas Engineering Extension Service			<u>316,164</u>
Total U. S. Department of Homeland Security			<u>316,164</u>
Total Federal Awards			<u>13,291,445</u>

(continued)

ALAMO AREA COUNCIL OF GOVERNMENTS
SCHEDULE OF EXPENDITURES OF FEDERAL AND STATE AWARDS
(Continued)
FOR THE YEAR ENDED DECEMBER 31, 2005

State Grantor/Program Title	Grant Number	Expenditures
STATE AWARDS		
<u>Department of Aging and Disability Services</u>		
Aging SGR	2005-A	\$ 128,213
Aging SGR	2006-A	85,131
Aging SGR	2005-B	233,934
Aging SGR	2006-B	218,488
Total Department of Aging and Disability Services		<u>665,766</u>
<u>Commission on State Emergency Communications</u>		
911		770,981
Total Commission on State Emergency Communications		<u>770,981</u>
<u>Office of the Governor - Criminal Justice Division</u>		
Police Academy 2004	SF-04-A10-14859-05	(96)
Police Academy 2005	SF-05-A10-14859-06	312,472
Police Academy 2006	SF-06-A10-14859-07	185,844
Regional Criminal Justice Coordination FY 2005	SF-04-197-14468-06	132,733
Regional Criminal Justice Coordination FY 2006	SF-06-197-14468-07	58,106
Regional Youth CJED FY 2004	ED-03-J20-14864-05	(2,100)
Regional Youth CJED FY 2005	ED-04-J20-14864-06	72,962
Regional Youth CJED FY 2006	ED-05-J20-14864-07	20,665
Total Office of the Governor - Criminal Justice Division		<u>780,586</u>
<u>Texas Commission on Environmental Quality</u>		
Air Quality	582-4-64578	525,855
Solid Waste FY 2005	582-4-65524	1,229,799
Solid Waste FY 2006	582-6-78026	50,564
Total Texas Commission on Environmental Quality		<u>1,806,218</u>
<u>State Energy Conservation Office</u>		
Adopt-A-School-Bus	CM400	6,198
Clean Cities	CM217	37,064
Total State Energy Conservation Office		<u>43,262</u>
<u>Texas Department of Transportation</u>		
Rural Transportation	RPT0501(15)	500,908
Rural Transportation	RPT0601(15)	52,440
Total Department of Transportation		<u>553,348</u>
Total State Awards		<u>4,620,161</u>
Total Expenditures of Federal and State Awards		<u>\$ 17,911,606</u>

ALAMO AREA COUNCIL OF GOVERNMENTS

NOTES TO SCHEDULE OF EXPENDITURES OF FEDERAL AND STATE AWARDS

DECEMBER 31, 2005

1. GENERAL

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

The Schedule of Expenditures of Federal and State Awards does not include the activity of all applicable federal and state awards programs of Alamo Area Development Corporation, a discretely presented component unit of Alamo Area Council of Governments. This information is included in a separate report, which may be obtained from the Development Corporation's administrative office.

2. BASIS OF ACCOUNTING

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

ALAMO AREA COUNCIL OF GOVERNMENTS
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
FOR THE YEAR ENDED SEPTEMBER 30, 2005

Summary of Auditors' Results

Type of report on financial statements	Unqualified
Internal control over financial reporting:	
Material weakness(es) identified?	No
Reportable condition(s) identified that are not considered to be material weakness(es)?	None reported
Internal control over major programs:	
Material weakness(es) identified?	No
Reportable condition(s) identified that are not considered to be material weakness(es)?	None reported
Noncompliance which is material to the basic financial statements	None
Type of report on compliance with major programs	Unqualified
Findings and questioned costs for federal awards as defined in Section 501(a), OMB Circular A-133 and state awards as defined by the State of Texas Uniform Grant Management Standards	None
Dollar threshold considered between Type A and Type B federal programs	\$398,743
Dollar threshold considered between Type A and Type B state programs	\$300,000
Low risk auditee statement	The Council was classified as a low-risk auditee in the context of OMB Circular A-133 and the State of Texas Uniform Grant Management Standards.
Major federal programs	Special Programs for the Aging Title III, Part B & C, CFDA #93.044 and 93.045 National Family Caregiver Support, CFDA #93.052 Nutrition Services Incentive Program, CFDA #93.053
Major state programs	Department of Aging and Disability Services Texas Department of Transportation - Rural Transportation

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

None

Findings and Questioned Costs for Federal and State Awards

None

ALAMO AREA COUNCIL OF GOVERNMENTS
SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS
FOR THE YEAR ENDED DECEMBER 31, 2005

None

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