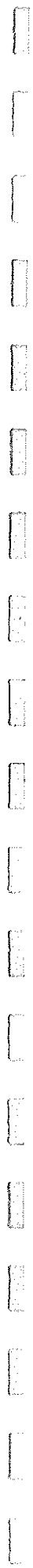


CAPITAL AREA COUNCIL OF GOVERNMENTS

FINANCIAL STATEMENTS

SEPTEMBER 30, 2005



CAPITAL AREA COUNCIL OF GOVERNMENTS
FINANCIAL STATEMENTS
SEPTEMBER 30, 2005

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FINANCIAL STATEMENTS
SEPTEMBER 30, 2005

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FINANCIAL SECTION

West, Davis & Company

a limited liability partnership

INDEPENDENT AUDITORS' REPORT ON FINANCIAL STATEMENTS

Executive Committee
Capital Area Council of Governments
Austin, Texas 78704

We have audited the accompanying financial statements of the governmental activities and each major fund of CAPITAL AREA COUNCIL OF GOVERNMENTS (CAPCOG) as of and for the year ended September 30, 2005, which collectively comprise CAPCOG's basic financial statements as listed in the table of contents. These financial statements are the responsibility of CAPCOG'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 governmental activities and each major fund of CAPCOG at September 30, 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 our report dated June 15, 2006, on our consideration of CAPCOG's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts and grants. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be read in conjunction with this report in considering the results of our audit.

The Management's Discussion and Analysis 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 supplemental information. However, we did not audit the information and express no opinion on it.

Our audit was made for the purpose of forming an opinion on the financial statements, which collectively comprise CAPCOG's basic financial statements. The accompanying schedule of expenditures of federal awards required by U. S. Office of Management and Budget Circular A-133, *Audits of States, Local Governments and Non-Profit Organizations*, and the supporting 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. 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.

West, Davis & Company
June 15, 2006

CAPITAL AREA COUNCIL OF GOVERNMENTS
MANAGEMENT'S DISCUSSION AND ANALYSIS

MANAGEMENT'S DISCUSSION AND ANALYSIS

In this section of the annual financial and compliance report, we, the managers of Capital Area Planning Council (CAPCOG), discuss and analyze CAPCOG's financial performance for the fiscal year ended September 30, 2005. Please read it in conjunction with the independent auditors' report on page 1, and CAPCOG's Basic Financial Statements, which begin on page 8.

FINANCIAL HIGHLIGHTS

- CAPCOG's net assets decreased from \$3.5 million to \$2.3 million as a result of this year's operations.
- During the year, CAPCOG's operating grants and charges for services represented 91% of current year expenses.
- 9-1-1 Capital equipment purchases of \$.5 million continued the scheduled replacement and upgrade of 9-1-1 equipment within the CAPCOG region, as legislatively authorized.
- The General Fund ended the year with a fund balance of \$606,209, unchanged from the prior year.

USING THIS ANNUAL REPORT

This annual report consists of a series of financial statements. The government-wide financial statements include the Statement of Net Assets and the Statement of Activities (on pages 8, 9 and 10). These provide information about the activities of CAPCOG as a whole and present a longer-term view of CAPCOG's property and other financial matters. They reflect the flow of total economic resources in a manner similar to the financial reports of a business enterprise.

Fund financial statements (starting on page 11) report CAPCOG's operations in more detail than the government-wide statements by providing information about CAPCOG's most significant funds. For governmental activities, these statements tell how services were financed in the short term as well as what resources remain for future spending. They reflect the flow of current financial resources, and supply the basis for appropriations.

The notes to the financial statements (starting on page 17) provide narrative explanations or additional data needed for full disclosure in the government-wide statements or the fund financial statements.

The sections, labeled Other Supplemental Information and Single Audit Section, contain data used by monitoring or regulatory agencies for assurance that CAPCOG is using funds supplied in compliance with the terms of grants.

CAPITAL AREA COUNCIL OF GOVERNMENTS
MANAGEMENT'S DISCUSSION AND ANALYSIS

Reporting CAPCOG as a Whole

The Statement of Net Assets and the Statement of Activities

The analysis of CAPCOG's overall financial condition and operations begins on page 8. Its primary purpose is to show whether CAPCOG is better off or worse off as a result of the year's activities. The Statement of Net Assets includes all CAPCOG's assets and liabilities at the end of the year while the Statement of Activities includes all the revenues and expenses generated by CAPCOG's operations during the year. These apply the accrual basis of accounting which is the basis used by private sector companies.

All of the current year's revenues and expenses are taken into account regardless of when cash is received or paid. CAPCOG's revenues are divided into those provided by local/contractual sources and grants provided by state and federal agencies. All CAPCOG's assets are reported whether they serve the current year or future years. Liabilities are considered regardless of whether they must be paid in the current or future years.

These two statements report CAPCOG's net assets and changes in them. CAPCOG's net assets (the difference between assets and liabilities) provide one measure of CAPCOG's financial health, or financial position. Over time, increases or decreases in CAPCOG's net assets are one indicator of whether its financial health is improving or deteriorating.

In the Statement of Net Assets and the Statement of Activities, the following activities are presented.

- Governmental activities—All of CAPCOG's basic services are reported here. Local government membership dues, contractual revenues, tuition, fees, and state and federal grants finance most of these activities.

Reporting CAPCOG's Most Significant Funds

Fund Financial Statements

The fund financial statements begin on page 11 and provide detailed information about the most significant funds—not CAPCOG as a whole. Laws and contracts require CAPCOG to establish some funds such as grants from state and federal sources.

- Governmental funds—CAPCOG's basic services are reported in governmental funds. These use modified accrual accounting (a method that measures the receipt and disbursement of cash and all other financial assets that can be readily converted to cash) and report balances that are available for future spending. The governmental fund statements provide a detailed short-term view of CAPCOG's general operations and the basic services it provides. We describe the differences between governmental activities (reported in the Statement of Net Assets and the Statement of Activities) and governmental funds in reconciliation schedules following each of the fund financial statements.

CAPITAL AREA COUNCIL OF GOVERNMENTS
MANAGEMENT'S DISCUSSION AND ANALYSIS

GOVERNMENT-WIDE FINANCIAL ANALYSIS

CAPCOG implemented GASB Statement #34 in fiscal year 2003. Current and prior year data are presented. Our analysis focuses on the net assets (Table I) and changes in net assets (Table II) of CAPCOG's governmental activities.

Net assets of CAPCOG's governmental activities decreased by \$1.2 million. Unrestricted net assets -- the part of net assets that can be used to finance day-to-day operations without constraints or legal requirements -- was \$606 thousand at September 30, 2005.

CAPCOG's total expenses of \$18.2 million were primarily funded by grants and contributions totaling \$16.5 million. The net change in net assets of \$1.2 million was the result of replacement of capitalized 9-1-1 program expenditures. Revenues consist principally of state and federal grants.

Table I
Capital Area Council of Governments

NET ASSETS in thousands			
	2005	2004	Change
Current and other assets	3,782	4,245	(463)
Capital assets	1,719	2,877	(1,158)
Total assets	5,501	7,122	(1,621)
Long-term liabilities	0	0	0
Other liabilities	3,176	3,639	(463)
Total liabilities	3,176	3,639	(463)
Net assets:			
Invested in capital assets, net of related debt	1,719	2,877	(1,158)
Restricted	0	0	0
Unrestricted	606	606	0
Total net assets	2,325	3,483	(1,158)

CAPITAL AREA COUNCIL OF GOVERNMENTS
MANAGEMENT'S DISCUSSION AND ANALYSIS

Table II
Capital Area Council of Governments

CHANGES IN NET ASSETS

in thousands

	Governmental Activities		
	2005	2004	Change
Revenues:			
Program revenues:			
Charges for services	155	139	16
Operating grants and contributions	16,549	14,812	1,737
	<u>16,704</u>	<u>14,951</u>	<u>1,753</u>
General revenues:			
Membership dues	186	180	6
Contract service revenue	47	1,578	(1,531)
Gain (Loss) on disposition of Capital Assets		(4)	4
Capital Assets:			
Interest Income	25	67	(42)
Miscellaneous	57	68	(11)
Total revenue	<u>17,019</u>	<u>16,840</u>	<u>179</u>
Expenses:			
General Government	1,539	2,971	(1,432)
Aging	6,422	5,608	814
Emergency Communications	7,800	5,852	1,948
Economic Development	72	101	(29)
Transportation	38	41	(3)
Criminal Justice	483	453	30
Health	100	91	9
Homeland Security	276	299	(23)
Environmental Quality	1,434	800	634
Rural Community Affairs	13	11	2
Total expenses	<u>18,177</u>	<u>16,227</u>	<u>1,950</u>
Increase (Decrease) in net assets	(1,158)	613	(1,771)
Net assets at 10/1	<u>3,483</u>	<u>2,870</u>	<u>613</u>
Net assets at 9/30	<u>2,325</u>	<u>3,483</u>	<u>(1,158)</u>

CAPITAL AREA COUNCIL OF GOVERNMENTS
MANAGEMENT'S DISCUSSION AND ANALYSIS

CAPCOG'S FUNDS

As CAPCOG completed the year, its governmental funds (as presented in the balance sheet on page 11) reported a combined fund balance of \$606,209, which is the same as last year.

CAPITAL ASSETS

At the end of 2005 CAPCOG had \$1.7million invested in a broad range of capital assets, principally 9-1-1 emergency equipment placed throughout the service region. CAPCOG retains title to this equipment and insures its value.

ECONOMIC FACTORS AND NEXT YEAR'S BUDGETS AND RATES

If estimates are realized, CAPCOG's General Fund Balance is expected to remain at the same level by the close of 2006. More importantly, however, this will have been accomplished in spite of significant unfunded mandates.

CONTACTING CAPCOG'S FINANCIAL MANAGEMENT

This financial report is designed to provide our citizens, grantors, customers, and member governments and creditors with a general overview of CAPCOG's finances and to show CAPCOG's accountability for the money it receives. If you have questions about this report or need additional financial information, contact CAPCOG's business office, at Capital Area Council of Governments, 2512 South IH-35, Suite 200, Austin, Texas 78704.

BASIC FINANCIAL STATEMENTS

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CAPITAL AREA COUNCIL OF GOVERNMENTS
STATEMENT OF NET ASSETS

SEPTEMBER 30, 2005

	<u>GOVERNMENTAL ACTIVITIES</u>
ASSETS:	
Cash and Temporary Investments	\$ 1,497,292
Receivables (net of allowances for uncollectibles):	
Other	91,457
Due from Grantor Agencies	2,227,983
Other assets	15,865
Capital Assets:	
Furniture and Equipment (net, where applicable, of accumulated depreciation)	<u>1,718,951</u>
Total Assets	<u>5,551,548</u>
LIABILITIES:	
Accounts Payable	1,494,810
Employee Retirement Payable	89,013
Accrued Employee Benefits	84,762
Deferred Revenues	<u>1,557,803</u>
Total Liabilities	<u>3,226,388</u>
NET ASSETS:	
Invested in Capital Assets, net of related debt	1,718,951
Unrestricted	<u>606,209</u>
Total Net Assets	<u>\$ 2,325,160</u>

The accompanying notes are an integral part of these financial statements.

CAPITAL AREA COUNCIL OF GOVERNMENTS
STATEMENT OF ACTIVITIES

FOR THE YEAR ENDED SEPTEMBER 30, 2005

FUNCTIONS/PROGRAMS	EXPENSES	INDIRECT & INTERNAL COSTS ALLOCATION	EXPENSES AFTER ALLOCATION OF INDIRECT & INTERNAL COSTS
Expenditures:			
General Government	\$ 1,538,545	\$ -	\$ 1,538,545
Aging	6,705,904	283,586	6,422,318
Emergency Communications	8,327,727	527,355	7,800,372
Economic Development	44,811	(27,616)	72,427
Transportation	38,435	-	38,435
Criminal Justice	598,125	115,131	482,994
Public Safety	-	-	-
Homeland Security	354,738	78,240	276,498
Health	118,912	19,254	99,658
Environmental Quality	1,570,184	136,632	1,433,552
Rural Community Affairs	14,067	1,492	12,575
Total Expenditures	<u>19,311,448</u>	<u>1,134,074</u>	<u>18,177,374</u>
Total Primary Government	<u>\$ 19,311,448</u>	<u>\$ 1,134,074</u>	<u>\$ 18,177,374</u>

The accompanying notes are an integral part of these financial statements.

PROGRAM REVENUES		NET (EXPENSE) REVENUE AND CHANGES IN NET ASSETS
CHARGES FOR SERVICES	OPERATING GRANTS AND CONTRIBUTIONS	GOVERNMENTAL ACTIVITIES
\$ -	\$ -	\$ (1,538,545)
-	6,645,923	223,605
-	7,111,429	(688,943)
-	39,206	(33,221)
-	38,435	-
155,612	443,039	115,657
-	-	-
-	486,631	-
-	118,912	19,254
-	1,651,472	217,920
-	14,067	1,492
155,612	16,549,114	(1,472,648)
<u>\$ 155,612</u>	<u>\$ 16,549,114</u>	<u>\$ (1,472,648)</u>

General Revenues:

Membership Dues	185,947
Contract Service Revenue	47,145
Miscellaneous	56,699
Interest Income	24,927
Total General Revenues	<u>314,718</u>
Change in Net Assets	<u>(1,157,930)</u>
Net Assets - Beginning	<u>3,483,089</u>
Net Assets - Ending	<u>\$ 2,325,159</u>

CAPITAL AREA COUNCIL OF GOVERNMENTS
BALANCE SHEET - GOVERNMENTAL FUNDS

SEPTEMBER 30, 2005

ASSETS AND OTHER DEBITS	<u>GENERAL FUND</u>	<u>AGING</u>
Assets:		
Cash and Cash Equivalents	\$ 251,468	\$ -
Receivables (net of allowances for uncollectibles):		
Other	11,085	-
Intergovernmental	-	653,504
Due from Other Funds	1,289,518	-
Other	15,865	-
	<hr/>	<hr/>
Total Assets and Other Debits	<u>\$ 1,567,936</u>	<u>\$ 653,504</u>
 LIABILITIES, EQUITY AND OTHER CREDITS		
Liabilities:		
Accounts Payable	\$ 641,678	\$ -
Employee Retirement Payable	89,013	-
Accrued Employee Benefits	84,762	-
Due to Other Funds	146,274	653,504
Deffered Revenue	-	-
Total Liabilities	<hr/> <u>961,727</u>	<hr/> <u>653,504</u>
 Equity and other credits:		
Fund Balances:		
Unreserved, reported in:		
General Fund	606,209	-
Total Equity and other credits	<hr/> <u>606,209</u>	<hr/> <u>-</u>
	<hr/>	<hr/>
Total Liabilities, Equity and other credits	<u>\$ 1,567,936</u>	<u>\$ 653,504</u>

The accompanying notes are an integral part of these financial statements.

<u>EMERGENCY COMMUNICATIONS</u>	<u>ENVIRONMENTAL QUALITY</u>	<u>OTHER GOVERNMENTAL FUNDS</u>	<u>TOTAL GOVERNMENTAL FUNDS</u>
\$ 1,245,824	\$ -	\$ -	\$ 1,497,292
26,815	-	53,557	91,457
926,916	312,472	335,091	2,227,983
146,274	-	-	1,435,792
-	-	-	15,865
<u>\$ 2,345,829</u>	<u>\$ 312,472</u>	<u>\$ 388,648</u>	<u>\$ 5,268,389</u>
\$ 853,132	\$ -	\$ -	\$ 1,494,810
-	-	-	89,013
-	-	-	84,762
-	306,377	329,637	1,435,792
1,492,697	6,095	59,011	1,557,803
<u>2,345,829</u>	<u>312,472</u>	<u>388,648</u>	<u>4,662,180</u>
-	-	-	606,209
-	-	-	606,209
<u>\$ 2,345,829</u>	<u>\$ 312,472</u>	<u>\$ 388,648</u>	<u>\$ 5,268,389</u>

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CAPITAL AREA COUNCIL OF GOVERNMENTS
RECONCILIATION OF THE GOVERNMENTAL FUNDS BALANCE SHEET
TO THE STATEMENT OF NET ASSETS
SEPTEMBER 30, 2005

Total Fund Balances - Governmental Funds Balance Sheet	\$ 606,209
Amounts reported for governmental activities in statement of net assets are different because:	
Capital assets used in governmental activities are not reported in the funds.	<u>1,718,981</u>
Net Assets of Governmental Activities - Statement of Net Assets	<u>\$ 2,325,190</u>

The accompanying notes are an integral part of these financial statements.

CAPITAL AREA COUNCIL OF GOVERNMENTS
STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES
IN FUND BALANCES - GOVERNMENTAL FUNDS
FOR THE YEAR ENDED SEPTEMBER 30, 2005

	<u>GENERAL FUND</u>	<u>AGING</u>
REVENUE:		
Federal Grants	\$ -	\$ 3,241,961
State Grants	-	201,565
Membership Dues	185,947	-
Local Match	(42,329)	42,820
Tuition Fees	-	-
Interest	2,801	-
Contractual Local Match	-	-
Contract Service Revenue	47,145	-
Third Party Applied	-	3,191,948
Miscellaneous	56,699	10,449
Total Revenues	<u>250,263</u>	<u>6,688,743</u>
EXPENDITURES:		
Current:		
General Government	250,263	-
Aging	-	6,688,743
Emergency Communications	-	-
Economic Development	-	-
Transportation	-	-
Criminal Justice	-	-
Public Safety	-	-
Homeland Security	-	-
Health	-	-
Environmental Quality	-	-
Rural Community Affairs	-	-
Total Expenditures	<u>250,263</u>	<u>6,688,743</u>
Excess (deficiency) of Revenues (under) Expenditures	-	-
Fund balances/equity, October 1	606,209	-
Fund balances/equity, September 30	<u>\$ 606,209</u>	<u>\$ -</u>

The accompanying notes are an integral part of these financial statements.

<u>EMERGENCY COMMUNICATIONS</u>	<u>ENVIRONMENTAL QUALITY</u>	<u>OTHER GOVERNMENTAL FUNDS</u>	<u>TOTAL GOVERNMENTAL FUNDS</u>
\$ -	\$ 210,807	\$ 689,695	\$ 4,142,463
7,085,639	1,440,665	318,380	9,046,249
-	-	-	185,947
-	-	4,009	4,500
-	-	155,612	155,612
22,126	-	-	24,927
-	-	7,556	7,556
-	-	124,659	171,804
-	-	-	3,191,948
25,790	-	-	92,938
<u>7,133,555</u>	<u>1,651,472</u>	<u>1,299,911</u>	<u>17,023,944</u>
-	-	-	250,263
-	-	-	6,688,743
7,133,555	-	-	7,133,555
-	-	43,215	43,215
-	-	38,435	38,435
-	-	598,651	598,651
-	-	-	-
-	-	486,631	486,631
-	-	118,912	118,912
-	1,651,472	-	1,651,472
-	-	14,067	14,067
<u>7,133,555</u>	<u>1,651,472</u>	<u>1,299,911</u>	<u>17,023,944</u>
-	-	-	-
-	-	-	606,209
<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 606,209</u>

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CAPITAL 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 SEPTEMBER 30, 2005

Net change in Fund Balances - Total Governmental Funds	\$	-
Amounts reported for governmental activities in statement of activities are different because:		
Capital outlays are not reported as expenses in the statement of activities.		758,767
The depreciation of capital assets used in governmental activities is not reported in the funds.		(1,791,232)
The gain or (loss) on the sale of capital assets is not reported in the funds.		(125,372)
		-
Change in Net Assets of Governmental Activities - Statement of Activities	\$	(1,157,837)

The accompanying notes are an integral part of these financial statements.

CAPITAL AREA COUNCIL OF GOVERNMENTS
NOTES TO THE FINANCIAL STATEMENTS
SEPTEMBER 30, 2005

NOTE A - ORGANIZATION AND SIGNIFICANT ACCOUNTING POLICIES

1. Organization and Reporting Entity

The Capital Area Council of Governments (CAPCOG) is a voluntary association of local government units created under Chapter 391 of the Texas Local Government Code. CAPCOG has been designated as State Planning Region 12 located in Central Texas with the stated purpose of improving health, safety and the general welfare of their citizens and to plan for the future development of the region. It does not have stockholders or equity holders and is not subject to income taxes. The region served includes Bastrop, Blanco, Burnet, Caldwell, Fayette, Hays, Lee, Llano, Travis and Williamson counties of Texas.

On August 11, 2004, the CAPCOG General Assembly approved an amendment to the organization's bylaws to officially change the name of the organization from the Capital Area Planning Council (CAPCO) to the Capital Area Council of Governments (CAPCOG).

CAPCOG's financial statements include the accounts of all its operations. CAPCOG evaluated whether any other entity should be included in these financial statements. The criteria for including organizations as component units within CAPCOG's reporting entity, as set forth in the Governmental Accounting Standards Board ("GASB") Statement No. 14, "The Financial Reporting Entity," include whether:

- the organization is legally separate (can sue and be sued in its name)
- CAPCOG holds the corporate powers of the organization
- CAPCOG appoints a voting majority of the organization's board
- CAPCOG is able to impose its will on the organization
- the organization has the potential to impose a financial benefit/burden on CAPCOG
- there is fiscal dependency by the organization on CAPCOG.

The Employees' Pension Plan (Note A2h) is a defined contribution plan, which does not meet the GASB criteria for inclusion. Accordingly, the Employees' Pension Plan is not included in CAPCOG's financial statements.

CAPCOG has presented the activity of the Capital Area Economic Development District as a blended component unit within the accompanying financial statements. The Capital Area Initiatives Foundation, a nonprofit organization exempt under Internal Revenue Code Section 501(c)3, is not financially accountable to CAPCOG and is therefore, not considered a component unit. The Foundation received private grants and other revenue of \$5,543 and incurred expenses of \$1,702 during 2005.

A summary of significant accounting policies consistently applied in the preparation of the accompanying financial statements follows.

2. Basis of Presentation, Basis of Accounting

The financial statements of CAPCOG have been prepared in conformity with accounting principles applicable to governmental units, which are generally accepted in the United States of America. The Governmental Accounting Standards Board ("GASB") is the accepted standard setting body for establishing governmental accounting and financial reporting principles.

CAPITAL AREA COUNCIL OF GOVERNMENTS
NOTES TO THE FINANCIAL STATEMENTS
SEPTEMBER 30, 2005

a. Basis of Presentation

Government-wide Statements: The statement of net assets and the statement of activities include the financial activities of the overall government. Eliminations have been made to minimize the double-counting of internal activities. Governmental activities generally are financed through dues, intergovernmental revenues, and other nonexchange transactions.

The statement of activities presents a comparison between direct expenses and program revenues for each function of CAPCOG's governmental activities. Direct expenses are those that are specifically associated with a program or function and, therefore, are clearly identifiable to a particular function. Program revenues include (a) fees and charges paid by the recipients of goods or services offered by the programs and (b) grants and contributions that are restricted to meeting the operational or capital requirements of a particular program. Revenues that are not classified as program revenues are presented as general revenues.

Fund Financial Statements: The fund financial statements provide information about CAPCOG's funds, with separate statements presented for each fund category. The emphasis of fund financial statements is on major governmental funds, each displayed in a separate column. All remaining governmental funds are aggregated and reported as nonmajor funds.

CAPCOG reports the following major governmental funds:

General Fund. This is CAPCOG's primary operating fund. It accounts for all financial resources of CAPCOG except those required to be accounted for in another fund.

Aging. This fund reflects programs and services benefiting the over sixty population within the region.

Emergency Communications. This fund accounts for activities associated with the development of 9-1-1 emergency communication systems throughout the region.

Environmental Quality. This fund reflects grants and contributions associated with regional solid waste coordination and air quality planning.

b. Measurement Focus, Basis of Accounting

Government-wide Financial Statements: These financial statements are reported using the economic resources measurement focus. They are reported using the accrual basis of accounting. Revenues are recorded when earned and expenses are recorded at the time liabilities are incurred, regardless of when the related cash flows take place. Nonexchange transactions, in which CAPCOG gives (or receives) value without directly receiving (or giving) equal value in exchange, include grants, entitlements, and donations. Revenue from grants, entitlements, and donations is recognized in the fiscal year in which all eligibility requirements have been satisfied.

Governmental Fund Financial Statements: Governmental funds are reported using the current financial resources measurement focus and the modified accrual basis of accounting. Under this method, revenues are recognized when measurable and available. CAPCOG considers all revenues reported in the governmental funds to be available if the revenues are collected within sixty days after year-end. Revenues received from the State are recognized under the susceptible-to-accrual concept. Miscellaneous revenues are recorded as revenue when received in cash because they are generally not

CAPITAL AREA COUNCIL OF GOVERNMENTS
 NOTES TO THE FINANCIAL STATEMENTS
 SEPTEMBER 30, 2005

measurable until actually received. Investment earnings are recorded as earned, since they are both measurable and available. Expenditures are recorded when the related fund liability is incurred, except for principal and interest on claims and judgments and compensated absences, which are recognized as expenditures to the extent they have matured. General capital asset acquisitions are reported as expenditures in governmental funds.

When CAPCOG incurs an expenditure or expense for which both restricted and unrestricted resources may be used, it is CAPCOG's policy to use restricted resources first, and then unrestricted resources.

3. Financial Statement Amounts

a. Capital Assets

Purchased or constructed capital assets are reported at cost or estimated historical cost. Donated fixed assets are recorded at their estimated fair value at the date of the donation. The cost of normal maintenance and repairs that do not add to the value of the asset or materially extend assets' lives are not capitalized. A capitalization threshold of \$5,000 is used.

Capital assets are being depreciated using the straight-line method over the following estimated useful lives:

Asset Class	Estimated Useful Lives
Emergency Communications (9-1-1) Equipment	5
Office and Computer Equipment	3-15

b. Receivable and Payable Balances

CAPCOG believes that sufficient detail of receivable and payable balances is provided in the financial statements to avoid the obscuring of significant components by aggregation. Therefore, no disclosure is provided which disaggregates those balances.

c. Interfund Activity

Interfund activity results from loans, services provided, reimbursements or transfers between funds. Loans are reported as interfund receivables and payables as appropriate and are subject to elimination upon consolidation. Services provided, deemed to be at market or near market rates, are treated as revenues and expenditures or expenses. Reimbursements occur when one fund incurs a cost, charges the appropriate benefiting fund and reduces its related cost as a reimbursement. All other interfund transactions are treated as transfers. Transfers In and Transfers Out are netted and presented as a single "Transfers" line on the government-wide statement of activities. Similarly, interfund receivables and payables are netted and presented as a single "Internal Balances" line of the government-wide statement of net assets.

d. Use of Estimates

The preparation of financial statements in conformity with GAAP requires the use of management's estimates.

CAPITAL AREA COUNCIL OF GOVERNMENTS
NOTES TO THE FINANCIAL STATEMENTS
SEPTEMBER 30, 2005

e. CAPCOG Cash Match Allocation

In accordance with terms and provisions of the various grant contracts, CAPCOG is generally required to provide a specific percentage of local matching funds to support the grant programs.

f. Local In-Kind Contributions

Personnel, goods and services contributed by subcontractors and local governments are recorded as revenue when they serve as the matching funds required under the provisions of the grant. Offsetting charges of equal amounts are recorded as expenditures of the appropriate grant project.

The value assigned to personnel services of volunteers is based upon the rates paid for similar work in other state and local governments or on the federal minimum wage. The value assigned for use of space is based on the estimated fair market value of the space.

g. Carry-over Grants and Contracts (Deferred Revenue)

Several grants continue after September 30, 2005, for which funding has been received from the funding agency or other source. The Criminal Justice Division shows deferred revenue of \$59,011 for tuition payments received through September 2005 for training classes after September 30, 2005. Funding received from the Commission on State Emergency Communications in the amount of \$1,492,697 is shown as deferred revenue for payments received for operation of the regional 9-1-1 System for the first quarter of fiscal year 2006. Other grants extend beyond September 30, 2005; however, no other advance grant funds were on hand on September 30, 2005.

h. Employees' Pension Plan

CAPCOG provides pension benefits for all of its full time employees through a defined contribution plan, which qualifies as a pension plan with 401(k) profit sharing provisions (the Plan). In a defined contribution plan, benefits depend solely on annual contributions by CAPCOG, voluntary contributions by employees, length of time an employee participates in the Plan, and investment earnings. The Plan covers all employees of CAPCOG who have completed three months of service.

Employees are fully vested immediately to the extent of their voluntary contributions, which may be 1% to 25% of their compensation. CAPCOG's contributions and related interest earned for each employee are fully vested after five years without forfeiture or break in service. Employees are vested 20% per year of service. During fiscal year 2005 The Plan provided that CAPCOG contribute an amount equal to 8% of employee's compensation for employees participating in the Plan.

CAPCOG's total payroll in fiscal year 2005 was \$1,955,367. During the year, CAPCOG accrued \$110,482 (5.7% of total base salaries) to the Plan, and its employees made contributions of \$120,685 (6.2% of total base salaries).

i. Indirect Cost Rate

Administrative costs are recorded in the General Fund as indirect costs in CAPCOG's accounting system and allocated to elements of the Special Revenue Funds based upon a negotiated indirect cost rate. Indirect costs are defined by *Office of Management and Budget Circular (OMB) A-87, Attachment A* as

CAPITAL AREA COUNCIL OF GOVERNMENTS
NOTES TO THE FINANCIAL STATEMENTS
SEPTEMBER 30, 2005

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." CAPCOG's indirect cost rate is based upon prior cost experience, documented by a cost allocation plan and is submitted to a cognizant federal agency in accordance with the provisions of OMB A-87. It is CAPCOG's policy to use this allocation plan to establish a provisional rate, which is used for billing purposes during the CAPCOG's succeeding fiscal year. Upon the completion of an independent audit at the end of each fiscal year, the indirect cost rate is finalized.

CAPCOG utilizes the modified direct expense method for allocating indirect costs. Modified direct expenses for the purposes of the indirect cost plan are defined as all direct expenses, less capital and contractual expenses exceeding \$10,000 per contract. The first \$10,000 of each sub-grant administered by CAPCOG is also included in the calculation of modified direct expenses. This methodology is allowed under *Office of Management and Budget Circular (OMB) A-87, Attachment A* and has been approved by CAPCOG's federal cognizant agency.

j. Annual Budgets

CAPCOG prepares annual operating budgets based on expected revenues from various state and federal grantor agencies. The grants relate to specific programs that contemplate revenues and expenditures over the lives of each program and generally have funding periods different from the budget year. The annual budget, which is approved by CAPCOG's Executive Committee, is based on estimates of the portions of the various programs that will be completed during the fiscal year. Additionally, grants applied for may not be funded, other grants not anticipated at the time that the budget is prepared may be obtained and funded during the budget year, or supplemental funding may be received for existing grants. As a result, the actual revenues and expenditures may vary substantially from original budget estimates.

The budgets are reviewed and approved by CAPCOG's Executive Committee. The budgets are not legally adopted budgets or appropriations as defined in *Governmental Accounting and Financial Reporting Principles, Statement 1*. Accordingly, comparative budget and actual results are not presented in the basic financial statements.

NOTE B - CASH AND TEMPORARY INVESTMENTS

CAPCOG is authorized by grant contracts and its bylaws to invest in demand deposits, certificates of deposit and the State Treasurer's investment pool (TexPool). Cash and temporary investments (investments in TexPool) are carried at cost plus accrued interest. CAPCOG's temporary investments were comprised of amounts on deposit in TexPool for the year ended September 30, 2005. These funds are accounted for in accordance with GASB Statement No. 31 "*Accounting and Financial Reporting for Certain Investments and for External Investment Pools*." TexPool is a statewide investment pool. TexPool operates in a manner consistent with the SEC's Rule 2a7 of the Investment Company Act of 1940. TexPool uses amortized cost rather than market value to report net assets to compute share prices. Accordingly, the fair value of the position in TexPool is the same as the value of TexPool shares.

At September 30, 2005, the carrying amount of CAPCOG's deposits (cash, certificates of deposit and interest-bearing accounts) was \$250,994 and the bank balance was \$330,105. CAPCOG's cash deposits at September 30, 2005, and during the period then ended were entirely covered by FDIC insurance or by pledged collateral held by CAPCOG's agent bank in CAPCOG's name.

CAPITAL AREA COUNCIL OF GOVERNMENTS
 NOTES TO THE FINANCIAL STATEMENTS
 SEPTEMBER 30, 2005

The book balance of Cash and Cash Equivalents is made up as follows:

	<u>Maturity</u>	<u>Ratings</u>	<u>General</u>	<u>Special Revenue</u>	<u>Total</u>
Cash in Bank			\$ 251,344	\$ (350)	\$ 250,994
TexPool Investments	28 days average	AAAm	<u>124</u>	<u>1,246,174</u>	<u>1,246,298</u>
TOTAL			<u>\$ 251,468</u>	<u>\$ 1,245,824</u>	<u>\$ 1,497,292</u>

Analysis of Specific Deposit and Investment Risks:

GASB Statement No. 40 requires a determination as to whether the Association was exposed to the following specific investment risks at year end and if so, the reporting of certain related disclosures:

A. Credit Risk

Credit risk is the risk that an issuer or other counterparty to an investment will not fulfill its obligations. The ratings of securities by nationally recognized rating agencies are designed to give an indication of credit risk. At year end, the Association's investments were rated as noted above.

B. Custodial Credit Risk

Deposits are exposed to custodial credit risk if they are not covered by depository insurance and the deposits are uncollateralized, collateralized with securities held by the pledging financial institution, or collateralized with securities held by the pledging financial institution's trust department or agent but not in the Association's name.

Investment securities are exposed to custodial credit risk if the securities are uninsured, are not registered in the name of the government, and are held by either the counterparty or the counterparty's trust department or agent but not in the Association's name.

At year end, the Association was not exposed to custodial credit risk.

C. Concentration of Credit Risk

This risk is the risk of loss attributed to the magnitude of a government's investment in a single issuer. At year end, the Association's investments representing more than 5% of total investments are Westwood Trust mutual funds (Westwood Trust equity mutual funds 67% and Westwood fixed income mutual funds 31%).

D. Interest Rate Risk

This the risk that changes in interest rates will adversely affect the fair value of an investment. At year end, the Association does not have a formal investment policy that limits investment maturities as a means of managing its exposure to fair value losses arising from increasing interest rates.

E. Foreign Currency Risk

This is the risk that exchange rates will adversely affect the fair value of an investment. At year end, the Association was not exposed to foreign currency risk.

CAPITAL AREA COUNCIL OF GOVERNMENTS
 NOTES TO THE FINANCIAL STATEMENTS
 SEPTEMBER 30, 2005

NOTE C - INTERFUND RECEIVABLES

At September 30, 2005, the due to and from other funds consisted of the following short-term borrowings:

<u>Due To Fund</u>	<u>Due From Fund</u>	<u>Amount</u>
General Fund	Aging Fund	\$ 653,504
General Fund	Environmental Quality	306,377
General Fund	Other Funds	<u>329,637</u>
SUBTOTAL		<u>1,289,518</u>
Emergency Communications	General Fund	<u>146,274</u>
TOTAL		\$ <u>1,435,792</u>

The amounts due are scheduled to be repaid within one year.

NOTE D - ACCRUED COMPENSATED ABSENCES

Employees in permanent, full-time positions earn one day of vacation with pay and one day of sick leave for each month of service. Employees may accumulate up to thirty days of vacation and six days of sick leave (after three years of service) that are vested in the event of termination.

Accrued vacation and sick leave included in Accrued Employee Benefits was \$84,672 at September 30, 2005.

NOTE E - COMMITMENTS

CAPCOG leases office space and certain equipment under long term operating lease agreements. At September 30, 2005, CAPCOG was committed for rental payments under the long-term leases as follows:

<u>Fiscal year ended</u>	<u>Office Space</u>
09/30/06	\$ 263,787
09/30/07	<u>15,865</u>
	<u>\$ 279,652</u>

Lease expenses for short-term leases for office facilities, were \$371,344 for the fiscal period ended September 30, 2005.

NOTE F - DELEGATE AGENCY COSTS AND CONTINGENCY

For grants classified as secondary recipient grants, CAPCOG contracts with local governments and other local delegate agencies to perform the specific services set forth in the grant agreements. CAPCOG disburses grant funds to the delegate agencies based on monthly expenditure reports received from each delegate agency.

CAPITAL AREA COUNCIL OF GOVERNMENTS
 NOTES TO THE FINANCIAL STATEMENTS
 SEPTEMBER 30, 2005

Each delegate agency is required to comply with federal and state audit requirements. CAPCOG requires each of its delegate agencies to submit audit reports. If such audits disclose expenditures not in accordance with the terms of the grants, the grantor agency could disallow the costs and require reimbursement of the disallowed costs either from CAPCOG or the delegate agency. CAPCOG generally has the right of recovery from the delegate agency.

Based on prior experience, CAPCOG management believes that CAPCOG will not incur significant losses from possible grant disallowances.

NOTE G - CHANGES IN GENERAL FIXED ASSETS

A summary of changes in general fixed assets follows:

	<u>Beginning Balances</u>	<u>Increases</u>	<u>Decreases</u>	<u>Ending Balances</u>
<u>Governmental Activities:</u>				
Capital Assets being depreciated:				
Furniture & Equipment	\$ 4,425,130	\$ 758,676	\$ 1,196,177	\$ 3,987,628
Total Capital Assets being depreciated	<u>4,425,130</u>	<u>758,676</u>	<u>1,196,177</u>	<u>3,987,628</u>
Less accumulated depreciation for:				
Furniture & Equipment	(1,548,250)	(1,791,232)	(1,070,805)	(2,268,677)
Total accumulated depreciation	<u>(1,548,250)</u>	<u>(1,791,232)</u>	<u>(1,070,805)</u>	<u>(2,268,677)</u>
Total Capital Assets being depreciated, net	2,876,880	(1,032,557)	125,372	1,718,951
Governmental activities Capital Assets, net	<u>\$ 2,876,880</u>	<u>\$ (1,032,557)</u>	<u>\$ 125,372</u>	<u>\$ 1,718,951</u>

Depreciation was charged to functions as follows:

General Government	\$ 41,087
Aging	22,721
Economic Development	1,596
Emergency Communications	1,661,371
Criminal Justice	3,956
Public Safety	391
Health	35,777
USGS	1,041
Environmental Quality	23,292
	<u>\$ 1,791,232</u>

NOTE H - REPAYMENTS

During 1999, CAPCOG voluntarily agreed to reimburse \$247,166 to the 9-1-1 Program from the General Fund for equipment purchases over a seven-year period. The agreement stipulated that payments would be made subject to availability of funding.

CAPITAL AREA COUNCIL OF GOVERNMENTS
NOTES TO THE FINANCIAL STATEMENTS
SEPTEMBER 30, 2005

As of September 30, 2005, \$176,736 had been repaid as follows:

1999	\$	125,000
2000		12,500
2001		14,000
2002		474
2003		13,762
2004		11,000
2005		0
	\$	<u>176,736</u>

NOTE I – RISK MANAGEMENT

CAPCOG 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. During fiscal year 2005, CAPCOG was under contract with the Texas Municipal League Intergovernmental Risk Pool for property and general liability insurance.

Property and casualty coverage carries a \$2,500 deductible. Comprehensive general liability carries a \$1,000 deductible as does auto liability. Law enforcement liability carries a \$1,000 deductible. Surety bond coverage and crime insurance policies are carried with Hartford Insurance Group. No insurance settlements exceeded coverage in the past three years.

NOTE J – SUBSEQUENT EVENT

On May 5, 2006, prior to the date of this report, but after the fiscal period covered by this report, CAPCOG entered into a ten-year lease for new office space at 6800 Burleson Road, Austin Texas. CAPCOG expects to move to the new location in October 2006 upon completion of leasehold improvements and expiration of the lease at the current location. The total of lease payments over the ten-year period is \$3,906,244.

OTHER SUPPLEMENTAL INFORMATION

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**COMBINING FINANCIAL STATEMENTS -
ALL SPECIAL REVENUE FUNDS**

CAPITAL AREA COUNCIL OF GOVERNMENTS
 COMBINING BALANCE SHEET - ALL SPECIAL REVENUE FUNDS BY FUNDING SOURCE
 SEPTEMBER 30, 2005
 (WITH COMPARATIVE TOTALS FOR SEPTEMBER 30, 2004)

	TEXAS DEPARTMENT ON AGING AND DISABILITY SERVICES	COMMISSION ON STATE EMERGENCY COMMUNICATIONS	ECONOMIC DEVELOPMENT ASSISTANCE	TEXAS DEPARTMENT OF TRANSPORTATION	CRIMINAL JUSTICE DIVISION
Assets:					
Cash and Temporary Investments	\$ -	\$ 1,245,824	\$ -	\$ -	\$ -
Due from Grantor Agencies	653,504	926,916	18,742	34,048	51,859
Other	-	26,815	-	-	53,557
Due from General Fund	-	146,274	-	-	-
Total Assets	<u>\$ 653,504</u>	<u>\$ 2,345,829</u>	<u>\$ 18,742</u>	<u>\$ 34,048</u>	<u>\$ 105,416</u>
Liabilities:					
Accounts Payable	\$ -	\$ 853,132	\$ -	\$ -	\$ -
Due to General Fund	653,504	-	18,742	34,048	46,405
Due to Grantor Agencies	-	-	-	-	-
Deferred Revenues	-	1,492,697	-	-	59,011
Total Liabilities	<u>653,504</u>	<u>2,345,829</u>	<u>18,742</u>	<u>34,048</u>	<u>105,416</u>
Fund Balance:					
	-	-	-	-	-
Total Fund Balance	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Total Liabilities and Fund Balance	<u>\$ 653,504</u>	<u>\$ 2,345,829</u>	<u>\$ 18,742</u>	<u>\$ 34,048</u>	<u>\$ 105,416</u>

TEXAS ENGINEERING EXTENSION	TEXAS DEPARTMENT OF HEALTH	TEXAS COMMISSION ON ENVIRONMENTAL QUALITY	ENVIRONMENTAL PROTECTION AGENCY	OFFICE OF RURAL COMMUNITY AFFAIRS	TOTALS	
					2005	2004
\$ -	\$ -	\$ -	\$ -	\$ -	\$ 1,245,824	\$ 2,021,245
69,199	128,852	312,472	32,391	-	2,227,983	1,651,567
-	-	-	-	-	80,372	26,279
-	-	-	-	-	146,274	451,232
<u>\$ 69,199</u>	<u>\$ 128,852</u>	<u>\$ 312,472</u>	<u>\$ 32,391</u>	<u>\$ -</u>	<u>\$ 3,700,453</u>	<u>\$ 4,150,324</u>
\$ -	\$ -	\$ -	\$ -	\$ -	\$ 853,132	\$ 440,454
69,199	128,852	306,377	32,391	-	1,289,518	1,498,197
-	-	-	-	-	-	-
-	-	6,095	-	-	1,557,803	2,211,671
<u>69,199</u>	<u>128,852</u>	<u>312,472</u>	<u>32,391</u>	<u>-</u>	<u>3,700,453</u>	<u>4,150,322</u>
-	-	-	-	-	-	-
-	-	-	-	-	-	-
<u>\$ 69,199</u>	<u>\$ 128,852</u>	<u>\$ 312,472</u>	<u>\$ 32,391</u>	<u>\$ -</u>	<u>\$ 3,700,453</u>	<u>\$ 4,150,322</u>

CAPITAL AREA COUNCIL OF GOVERNMENTS
 COMBINING STATEMENT OF REVENUES, EXPENDITURES AND
 CHANGES IN FUND BALANCES - ALL SPECIAL REVENUE FUNDS BY FUNDING SOURCE
 FOR THE YEAR ENDED SEPTEMBER 30, 2005

	TEXAS DEPARTMENT ON AGING AND DISABILITY SERVICES	COMMISSION ON STATE EMERGENCY COMMUNICATIONS	ECONOMIC DEVELOPMENT ASSISTANCE	TEXAS DEPARTMENT OF TRANSPORTATION	CRIMINAL JUSTICE DIVISION
Revenues:					
Federal Grants	\$ 3,241,961	\$ -	\$ 39,206	\$ 30,879	\$ -
State Grants	201,565	7,085,639	-	-	318,380
Interest Income	-	22,126	-	-	-
Contractual Local Match	-	-	-	7,556	-
Miscellaneous	10,449	25,790	-	-	-
Contract Service Revenue	-	-	-	-	124,659
Telephone Service Fees	-	-	-	-	-
Tuition Fees	-	-	-	-	155,612
Third Party Applied	3,191,948	-	-	-	-
Grant Matching:					
CAPCO Cash Match Allocation	42,820	-	4,009	-	-
Total Revenues	6,688,743	7,133,555	43,215	38,435	598,651
Expenditures:					
Current:					
General Government:					
Personnel Services	602,870	241,694	38,799	25,704	247,487
Contractual Services	1,174,207	4,783,825	14,137	-	72,046
Travel	28,621	10,986	397	-	7,030
Supplies and Materials	20,584	50,552	1,656	-	54,592
Equipment Rental and Maintenance	-	24,982	-	-	-
Office Space	61,381	57,557	7,822	12,731	64,169
Miscellaneous	72,226	31,525	8,020	-	33,714
Delegate Agency Costs	1,247,760	937,880	-	-	-
Internal Expense Allocation	165,741	406,184	(35,961)	-	67,225
Indirect Cost Allocation	117,845	121,171	8,345	-	47,906
Third Party Matching	3,191,948	-	-	-	-
Capital Outlay	5,560	467,199	-	-	4,482
Total Expenditures	6,688,743	7,133,555	43,215	38,435	598,651
Excess of Revenues over Expenditures	-	-	-	-	-
Fund Balance, Beginning	-	-	-	-	-
Fund Balance, Ending	\$ -	\$ -	\$ -	\$ -	\$ -

TEXAS ENGINEERING EXTENSION	TEXAS DEPARTMENT OF HEALTH	TEXAS COMMISSION ON ENVIRONMENTAL QUALITY	ENVIRONMENTAL PROTECTION AGENCY	OFFICE OF RURAL COMMUNITY AFFAIRS	TOTALS 2005	TOTALS 2004
\$ 486,631	\$ 118,912	\$ 60,000	\$ 150,807	\$ 14,067	\$ 4,142,463	\$ 3,688,046
-	-	1,440,665	-	-	9,046,249	8,479,854
-	-	-	-	-	22,126	63,819
-	-	-	-	-	7,556	7,468
-	-	-	-	-	36,239	19,080
-	-	-	-	-	124,659	119,197
-	-	-	-	-	-	-
-	-	-	-	-	155,612	138,875
-	-	-	-	-	3,191,948	2,344,773
-	-	-	-	-	-	-
-	-	-	-	-	46,829	104,848
<u>486,631</u>	<u>118,912</u>	<u>1,500,665</u>	<u>150,807</u>	<u>14,067</u>	<u>16,773,681</u>	<u>14,965,960</u>
178,458	45,816	270,232	-	12,575	1,663,635	1,477,362
11,795	42,000	179,244	29,386	-	6,306,640	5,474,045
3,587	924	1,869	11,899	-	65,313	57,552
2,536	2,688	31,366	-	-	163,974	94,597
-	-	-	-	-	24,982	761,655
16,258	6,893	32,847	-	-	259,658	205,393
27,696	1,337	35,476	1,948	-	211,942	154,233
-	-	815,993	-	-	3,001,633	2,553,374
52,852	10,312	68,464	480	-	735,297	555,708
25,388	8,942	65,174	2,514	1,492	398,777	402,896
-	-	-	-	-	3,191,948	2,344,773
168,061	-	-	104,580	-	749,882	884,372
<u>486,631</u>	<u>118,912</u>	<u>1,500,665</u>	<u>150,807</u>	<u>14,067</u>	<u>16,773,681</u>	<u>14,965,960</u>
-	-	-	-	-	-	-
-	-	-	-	-	-	-
<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>

CAPITAL AREA COUNCIL OF GOVERNMENTS
SCHEDULE OF INDIRECT COSTS
YEAR ENDED SEPTEMBER 30, 2005

	2005		2004
	ACTUAL	BUDGET	ACTUAL
Salaries	\$ 207,982	\$ 207,021	\$ 198,635
Benefits	90,108	94,342	87,390
	<u>298,090</u>	<u>301,363</u>	<u>286,025</u>
Communications	3,149	6,102	3,445
Consumable Supplies	14,253	9,500	12,999
Professional Services	-	1,500	-
Equipment Leases	-	15,816	25,000
Insurance and Bonding	9,685	9,500	9,008
Legal	2,563	5,000	5,000
Maintenance and Repair	-	500	-
Office Lease	58,195	55,310	56,382
Postage	5,989	4,500	6,121
Printing	9,846	6,500	3,661
Subscriptions and Membership Dues	24,603	25,500	23,678
Travel	6,746	5,000	8,845
Professional Development	4,372	5,000	6,224
Photocopies	5,344	5,000	5,071
Contractual	21,361	2,500	11,847
Internal Expense Allocation	27,065	27,249	20,677
Other Expenditures	<u>1,400</u>	<u>1,500</u>	<u>2,112</u>
Total Indirect Expenditures	<u>\$ 492,661</u>	<u>\$ 487,340</u>	<u>\$ 486,095</u>
Indirect Cost Allocation Base	<u>\$ 5,357,608</u>	<u>\$ 4,804,502</u>	<u>\$ 5,532,696</u>
Indirect Rate	<u>9.20%</u>	<u>10.14%</u>	<u>8.79%</u>

CAPITAL AREA PLANNING COUNCIL
SCHEDULE OF FRINGE BENEFITS
YEAR ENDED SEPTEMBER 30, 2005

	2005		2004
	ACTUAL	BUDGET	ACTUAL
Payroll Taxes	\$ 149,234	\$ 156,189	\$ 138,626
Group Insurance	234,463	295,850	220,935
Worker's Compensation Insurance	5,961	6,000	4,934
Unemployment Insurance	1,274	10,208	9,524
Retirement Contribution	110,482	130,668	107,195
Other	7,892	-	1,353
Release Time	235,702	227,726	218,313
 Total Fringe Benefits	 <u>\$ 745,008</u>	 <u>\$ 826,641</u>	 <u>\$ 700,880</u>
 Total Wages	 \$ 1,955,367	 \$ 2,041,682	 \$ 1,815,996
Release Time	(235,702)	(227,726)	(218,313)
 Basis for Allocation	 <u>\$ 1,719,665</u>	 <u>\$ 1,813,956</u>	 <u>\$ 1,597,683</u>
 Employee Benefit Rate	 <u>43.32%</u>	 <u>45.57%</u>	 <u>43.87%</u>

CAPITAL AREA PLANNING COUNCIL
 COMBINED SCHEDULE OF GENERAL FUND EXPENDITURES
 FOR THE YEAR ENDED SEPTEMBER 30, 2005

	<u>Regional Information Clearinghouse</u>	<u>Regional Planning & Information</u>	<u>Air Quality Contractual Clean Air Force</u>	<u>Non Departmental</u>	<u>Indirect Costs</u>
Expenditures:					
Current:					
General Government:					
Personnel Services	\$ 169,271	\$ 64,962	\$ -	\$ -	\$ 298,090
Contractual Services	43,636	3,789	834	37,119	23,923
Travel	960	1,846	315	562	6,746
Supplies and Materials	2,475	5,512	295	26,062	14,370
Equipment Rental and Maintenance	13,069	-	-	-	-
Office Space	19,554	3,168	8,233	-	58,195
Miscellaneous	2,209	7,713	3,423	2,200	64,348
Delegate Agency Costs	-	-	-	-	-
Contractual Payments	-	-	-	-	-
Internal Expense Allocation	10,601	11,611	15,530	11,177	27,064
Indirect Cost Allocation	21,982	8,705	2,613	6,346	-
Capital Outlay	1,708	1,882	-	-	-
	<u>1,708</u>	<u>1,882</u>	<u>-</u>	<u>-</u>	<u>-</u>
Total Expenditures	<u>\$ 285,465</u>	<u>\$ 109,188</u>	<u>\$ 31,243</u>	<u>\$ 83,466</u>	<u>\$ 492,736</u>

<u>Accounting Services</u>	<u>Payroll Services</u>	<u>Information Services</u>	<u>Regional Visioning</u>	<u>Workforce Contract</u>	<u>TOTAL GENERAL FUND</u>
\$ 211,741	\$ 21,756	\$ 63,027	\$ -	\$ 4,640	\$ 833,487
16,011	-	75,916	-	-	201,228
369	-	353	8	-	11,159
4,073	-	13,821	-	-	66,608
-	-	-	-	-	13,069
29,684	4,888	11,733	4,889	-	140,344
10,209	917	3,134	5,648	-	99,801
-	-	-	-	-	-
-	-	-	-	-	-
22,050	9,559	9,600	8,700	-	125,892
26,441	8,266	16,223	-	298	90,874
-	-	-	-	-	3,590
<u>\$ 320,578</u>	<u>\$ 45,386</u>	<u>\$ 193,807</u>	<u>\$ 19,245</u>	<u>\$ 4,938</u>	<u>\$ 1,586,052</u>

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SINGLE AUDIT SECTION

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West, Davis & Company

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

Executive Committee
Capital Area Council of Governments
Austin, Texas 78704

We have audited the basic financial statements of Capital Area Council of Governments (CAPCOG) as of and for the year ended September 30, 2005, and have issued our report thereon dated June 15, 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 and the Governor's Office of Budget and Planning's *State of Texas Single Audit Circular*.

Compliance

As part of obtaining reasonable assurance about whether CAPCOG's financial statements are free of material misstatement, we performed tests of compliance with certain provisions of laws, regulations, contracts and grants, 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 that are required to be reported under *Government Auditing Standards*.

Internal Control over Financial Reporting

In planning and performing our audit, we considered CAPCOG's internal control over financial reporting in order to determine our auditing procedures for the purpose of expressing our opinion on the basic financial statements and not to provide assurance 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 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 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.

This report is intended solely for the information and use of the Executive 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. However, this report is a matter of public record and its distribution is not limited.



West, Davis & Company, LLP
June 15, 2006

West, Davis & Company

a limited liability partnership

REPORT ON COMPLIANCE WITH REQUIREMENTS APPLICABLE TO EACH MAJOR PROGRAM AND INTERNAL CONTROL OVER COMPLIANCE IN ACCORDANCE WITH OMB CIRCULAR A-133 AND STATE OF TEXAS SINGLE AUDIT CIRCULAR

Executive Committee
Capital Area Council of Governments
Austin, Texas 78704

Compliance

We have audited the compliance of CAPITAL AREA COUNCIL OF GOVERNMENTS (CAPCOG) 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* that are applicable to each of its major federal and state programs for the year ended September 30, 2005. CAPCOG's major federal and state programs are identified in the summary of auditor's 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 programs is the responsibility of CAPCOG's management. Our responsibility is to express an opinion on CAPCOG'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 Non-Profit Organizations* and the *State of Texas Single Audit Circular*, issued by the Governor's Office of Budget and Planning. Those standards and *OMB Circular A-133* and the *State of Texas Single Audit Circular* 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 CAPCOG'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 CAPCOG's compliance with those requirements.

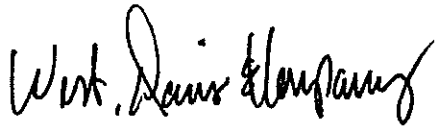
In our opinion, CAPCOG complied, in all material respects, with the requirements referred to above that are applicable to each of its major federal programs for the year ended September 30, 2005.

Internal Control over Compliance

The management of CAPCOG 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 CAPCOG'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*.

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 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 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 Executive Committee, management and federal and state awarding agencies and pass-through entities and is not intended to be and should not be used by anyone other than these specified parties. However, this report is a matter of public record and its distribution is not limited.



West, Davis & Company, LLP
June 15, 2006

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CAPITAL AREA COUNCIL OF GOVERNMENTS
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
YEAR ENDED SEPTEMBER 30, 2005

A. SUMMARY OF AUDIT RESULTS

The auditors' report expresses an unqualified opinion on the basic financial statements of CAPCOG.

No reportable conditions were disclosed during the audit.

No instances of noncompliance material to the financial statements of CAPCOG were disclosed during the audit.

No reportable conditions were disclosed during the audit of the major federal or state award programs.

The auditors' report on compliance for the major federal or state award programs for CAPCOG expresses an unqualified opinion.

No audit findings relative to the major federal or state award programs for CAPCOG are reported in Part C. of this Schedule.

The programs tested as major federal programs included: Title III/Part B – Supporting Services and Senior Centers (CFDA # 93.044), Title III/Part C – Nutrition Services (CFDA # 93.045), and Title III/Part E – Caregiver (CFDA # 93.052).

The programs tested as major state programs included: Regional 9-1-1 Systems.

The threshold for distinguishing Types A and B programs was \$300,000.

There were no findings or questioned costs in the prior year that would require follow-up.

The auditee did qualify as a low-risk auditee.

B. FINDINGS--FINANCIAL STATEMENTS AUDIT

NONE.

**C. FINDINGS AND QUESTIONED COSTS--MAJOR FEDERAL AWARD PROGRAMS
AUDIT**

NONE.

CAPITAL AREA COUNCIL OF GOVERNMENTS
SCHEDULE OF FEDERAL AWARDS
YEAR ENDED SEPTEMBER 30, 2005

FEDERAL GRANTOR/PASS-THROUGH GRANTOR/PROGRAM TITLE	GRANT PERIOD	CFDA NUMBER	GRANT AWARD NUMBER	GRANT AWARD	AUDIT PERIOD EXPENDITURES
<u>U.S. Department of Health & Human Services</u>					
Passed through Texas Department on Aging and Disability Services:					
Capital Area Agency on Aging:					
Title III/Part B - Supportive Services and Senior Centers	10/01/04-09/30/05	93.044	Title III B	\$ 1,023,924	\$ 1,012,377
Title III/Part C - Nutrition Services	10/01/04-09/30/05	93.045	Title III C1	451,970	451,970
Title III/Part C - Nutrition Services	10/01/04-09/30/05	93.045	Title III C2	674,128	668,030
Title III/Part D - Disease Prevention & Health Promotion Services	10/01/04-09/30/05	93.043	Title III D	54,878	54,878
Title III/Part E - Caregiver	10/01/04-09/30/05	93.052	Title III E	500,847	468,678
Title VII - Programs for Prevention of Elder Abuse, Neglect and Exploitation	10/01/04-09/30/05	93.041	Title VII EAP	13,615	13,615
Title VII - Ombudsman Activity Grant	10/01/04-09/30/05	93.042	Title VII OAG	48,898	48,898
Assistive Technology	10/01/04-09/30/05	93.044	AT	12,023	12,018
Home Modification	10/01/04-09/30/05	93.044	HM	12,665	11,908
CMS Basic	4/01/04-03/31/05	93.779	CMS	22,442	22,442
CMS Basic	4/01/05-03/31/06	93.779	CMS	47,000	9,566
Title III SUE Admin Allocation	10/01/04-09/30/05	99.999	ADMIN	73,653	73,653
				2,936,043	2,848,033
Passed through the Texas Department of Health:					
Centers for Disease Control and Prevention					
Regional Bioterrorism Planning	09/01/04 - 08/31/05	93.283	7416893810 2004	137,134	115,658
Regional Bioterrorism Planning	09/01/05-08/31/06	93.283	7416893810 2005	94,073	3,254
				231,207	118,912
Total U.S. Department of Health and Human Services				3,167,250	2,966,945
<u>U.S. Department of Agriculture</u>					
Passed through Texas Department on Aging:					
Nutrition Services Incentive Program	10/01/04-09/30/05	93.053	USDA (NSIP)	393,928	393,928
Total U.S. Department of Agriculture					
<u>U.S. Dept. of Housing & Urban Development</u>					
Passed through Texas Department Housing and Community Affairs:					
Community Economic Development Assistance	09/01/04-08/31/05	14.228	C74202	14,067	14,067
	09/01/05-08/31/06	14.228	C75202	13,348	-
Total U.S. Department of Housing and Urban Development				27,415	14,067
<u>U.S. Department of Commerce</u>					
Direct Assistance:					
State and Local Economic Development Planning Assistance	01/01/04-12/31/04	11.305	08-83-03906	51,000	20,464
	01/01/05-12/31/07	11.305	08-83-03964	150,000	18,742
Total U.S. Department of Commerce				201,000	39,206
<u>U.S. Environmental Protection Agency</u>					
Direct Assistance:					
Air Toxics Monitoring	9/14/04-10/31/06	66.034	XA 97667601	376,777	150,807
Passed through Texas Commission on Environmental Quality					
Early Action Compact	9/1/04 - 8/31/05	66.605	582-4-6509	60,000	60,000
Total U.S. Environmental Protection Agency				436,777	210,807
<u>U.S. Dept. of Homeland Security</u>					
Passed through the Texas Engineering Extension Service					
Homeland Security Equipment	12/01/03-11/30/05	16.007	2004-GE-T4-0015	200,000	191,248
Homeland Security Planning	8/01/03-4/30/05	16.007	2003-MU-T3-0020	222,230	46,355
Homeland Security Planning	11/30/04-11/30/05	97.004	2003-GE-T4-0015-CAPCOG	303,021	249,028
Total U.S. Department of Homeland Security				725,251	486,631
<u>U.S. Dept. of Transportation</u>					
Passed through the Texas Department of Transportation					
Conjestion Reduction/Metropolitan Planning	9/01/99-8/31/05	20.505	0914-04-161	165,084	30,879
TOTAL				\$ 5,116,705	\$ 4,142,463

CAPITAL AREA COUNCIL OF GOVERNMENTS
SCHEDULE OF STATE AWARDS
YEAR ENDED SEPTEMBER 30, 2005

STATE AGENCY GRANTOR/PROGRAM TITLE	GRANT PERIOD	GRANT AWARD NUMBER	GRANT AWARD	AUDIT PERIOD EXPENDITURES
<u>Texas Commission on Environmental Quality</u>				
Air Quality Planning	09/01/03-08/31/2005	582-4-64577	1,038,600	375,688
Regional Solid Waste Management	09/01/03-08/31/2005	582-4-65527	1,329,060	1,050,024
Regional Solid Waste Management	09/01/05-08/31/2007	582-	1,329,060	14,954
Total Texas Commission on Enviommental Quality			<u>3,696,720</u>	<u>1,440,666</u>
<u>Governor's Office</u>				
Criminal Justice Division				
Regional Peace Officer Training	9/01/05-08/31/06	SF-04-A10-15444-06	285,732	32,468
Regional Peace Officer Training	9/01/04-08/31/05	SF-05-A10-15444-05	285,732	285,732
Total Governor's Office - Criminal Justice Division			<u>571,464</u>	<u>318,200</u>
<u>Texas Department on Aging and Disability Services</u>				
State General Revenue Match for Title III	09/01/04-08/31/05	SGR	170,691	170,961
State Highway Fund	09/01/04-08/31/05		13,194	13,194
Assisted Living Advocacy	09/01/04-08/31/05		17,410	17,410
Total Texas Department on Aging			<u>201,295</u>	<u>201,565</u>
<u>Commission on State Emergency Communications</u>				
Regional 9-1-1 Implementation	09/01/02-08/31/03		7,524,249	331,832
Regional 9-1-1 Implementation	09/01/03-08/31/04		6,718,719	830,511
Regional 9-1-1 Implementation	9/01/04-08/31/05		8,096,238	5,572,492
Regional 9-1-1 Implementation	9/01/05-08/31/06		8,931,842	350,804
Total Commission on State Emergency Communicaitons			<u>31,271,048</u>	<u>7,085,639</u>
TOTAL			<u>\$ 35,740,527</u>	<u>\$ 9,046,070</u>

CAPITAL AREA COUNCIL OF GOVERNMENTS
NOTES ON ACCOUNTING POLICIES FOR FEDERAL AND STATE AWARDS
YEAR ENDED SEPTEMBER 30, 2005

Basis of Presentation

The accompanying schedule of expenditures of federal and state awards includes the federal and state grant activity of CAPITAL AREA COUNCIL OF GOVERNMENTS (CAPCOG) and is presented on the modified accrual basis of accounting. The information in this schedule is presented in accordance with the requirements of *OMB Circular A-133, AUDITS OF STATES, LOCAL GOVERNMENTS, AND NON-PROFIT ORGANIZATIONS*. Therefore, some amounts presented in this schedule may differ from amounts presented in, or used in the preparation of, the basic financial statements.