

CAPITAL AREA COUNCIL OF GOVERNMENTS

FINANCIAL STATEMENTS

SEPTEMBER 30, 2009

CAPITAL AREA COUNCIL OF GOVERNMENTS
FINANCIAL STATEMENTS
SEPTEMBER 30, 2009

TABLE OF CONTENTS

<u>FINANCIAL SECTION</u>	<u>PAGE</u>
Independent Auditors' Report on Financial Statements	1
Management's Discussion and Analysis (Required Supplementary Information)	3
Basic Financial Statements:	
Government-wide Financial Statements:	
Statement of Net Assets	8
Statement of Activities	9
Fund Financial Statements:	
Balance Sheet – Governmental Funds	11
Reconciliation of the Governmental Funds Balance Sheet to the Statement of Net Assets	13
Statement of Revenues, Expenditures, and Changes in Fund Balances – Governmental Funds	14
Reconciliation of the Statement of Revenues, Expenditures, and Changes in Fund Balances of Governmental Funds to the Statement of Activities	16
Notes to the Financial Statements	17
<u>OTHER SUPPLEMENTAL INFORMATION:</u>	
Combining Financial Statements - All Special Revenue Funds:	
Combining Balance Sheet - All Special Revenue Funds	25
Combining Statement of Revenues, Expenditures and Changes in Fund Balances - All Special Revenue Funds	27
Schedule of Indirect Costs	29
Schedule of Fringe Benefits	30

CAPITAL AREA COUNCIL OF GOVERNMENTS
FINANCIAL STATEMENTS
SEPTEMBER 30, 2009

TABLE OF CONTENTS

	<u>PAGE</u>
<u>SINGLE AUDIT SECTION:</u>	
Report on Internal Control over Financial Reporting and on Compliance and Other Matters Based on an Audit of Financial Statements Performed in Accordance with <i>Government Auditing Standards</i> and <i>State of Texas Single Audit Circular</i>	31
Report on Compliance with Requirements Applicable to Each Major Program and Internal Control Over Compliance in Accordance with <i>OMB Circular A-133</i> and <i>State of Texas Single Audit Circular</i>	33
Schedule of Findings and Questioned Costs	35
Schedule of Federal Awards	36
Schedule of State Awards	37
Notes on Accounting Policies for Federal Awards	38

FINANCIAL SECTION

West, Davis & Company

a limited liability partnership

INDEPENDENT AUDITORS' REPORT

Executive Committee
Capital Area Council of Governments
Austin, Texas

We have audited the accompanying financial statements of the governmental activities, each major fund , and the aggregate remaining fund information of CAPITAL AREA COUNCIL OF GOVERNMENTS (CAPCOG) as of and for the year ended September 30, 2009, 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 opinions.

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, each major fund, and the aggregate remaining fund information of CAPCOG at September 30, 2009, 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 21, 2010, 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 grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be considered in assessing the results of our audit.

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 conducted for the purpose of forming opinions on the financial statements that collectively comprise CAPCOG's basic financial statements. The combining and individual nonmajor fund financial statements, schedules of indirect costs, and fringe benefits 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 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 Non-Profit Organizations*, and is also not a required part of the basic financial statements of CAPCOG. The combining and individual nonmajor fund financial statements, schedule of indirect costs and fringe benefits, and the schedule of expenditures of federal 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.

Handwritten signature in cursive script that reads "West, Davis & Company".

West, Davis & Company, LLP

June 21, 2010

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, 2009. 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 increased from \$3.3 million to \$4.1 million as a result of this year's operations.
- During the year, CAPCOG's operating grants and charges for services represented 97% of current year expenses (pages 9-10).
- 9-1-1 Capital equipment purchases of \$1.8 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 \$611 thousand, an increase of \$17 thousand or 3% 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

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 increased by \$788 thousand. Unrestricted net assets – the part of net assets that can be used to finance day-to-day operations without constraints or legal requirements – were \$611 thousand at September 30, 2009.

CAPCOG's total expenses of \$21.4 million were primarily funded by grants and contributions totaling \$20.6 million. The net change in net assets of \$788 thousand was the result of replacement of capitalized 9-1-1 program expenditures. These increases were partially offset by depreciation expense for assets acquired in previous years. Revenues consist principally of state and federal grants.

Table I
Capital Area Council of Governments

NET ASSETS			
in thousands			
	2009	2008	Change
Current and other assets	6,137	3,760	2,377
Capital assets	3,508	2,737	771
Total assets	9,645	6,497	3,148
Long-term liabilities	0	0	0
Other liabilities	5,526	3,166	2,360
Total liabilities	5,526	3,166	2,360
Net assets:			
Invested in capital assets, net of related debt	3,508	2,737	771
Restricted	0	0	0
Unrestricted	611	594	17
Total net assets	4,119	3,331	788

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		
	2009	2008	Change
Revenues:			
Program revenues:			
Charges for services	146	121	25
Operating grants and contributions	20,686	18,125	2,561
	<u>20,832</u>	<u>18,246</u>	<u>2,586</u>
General revenues:			
Membership dues	213	205	8
Contract service revenue	901	1,742	-841
Capital Assets:			
Interest Income	18	45	-27
Miscellaneous	225	163	62
Total revenue	<u>22,189</u>	<u>20,401</u>	<u>1,788</u>
Expenses:			
General Government	1,139	2,096	-957
Aging	7,242	6,994	248
Emergency Communications	9,830	8,743	1,087
Economic Development	120	148	-28
Transportation	14	38	-24
Criminal Justice	848	710	138
Health	78	326	-248
Homeland Security	557	391	166
Environmental Quality	1,431	1,184	247
Regional Planning	142	59	83
Total expenses	<u>21,401</u>	<u>20,689</u>	<u>712</u>
Increase (Decrease) in net assets	788	-288	1076
Net assets at 10/1	<u>3,331</u>	<u>3,619</u>	<u>-288</u>
Net assets at 9/30	<u><u>4,119</u></u>	<u><u>3,331</u></u>	<u><u>788</u></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 \$611,703, which is a 3% increase from the previous year.

CAPITAL ASSETS

At the end of 2009, CAPCOG had \$3.5 million 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 2010. 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, 6800 Burleson Road, Building 310, Suite 165, Austin, Texas 78744.

BASIC FINANCIAL STATEMENTS

CAPITAL AREA COUNCIL OF GOVERNMENTS
STATEMENT OF NET ASSETS

SEPTEMBER 30, 2009

	GOVERNMENTAL ACTIVITIES
ASSETS:	
Cash and Temporary Investments	\$ 2,879,968
Receivables (net of allowances for uncollectibles):	
Other	525,733
Due from Grantor Agencies	2,648,871
Other assets	82,761
Capital Assets:	
Capital Assets (net, where applicable, of accumulated depreciation)	3,507,543
Total Assets	9,644,876
LIABILITIES:	
Accounts Payable	3,265,641
Employee Retirement Payable	146,178
Accrued Employee Benefits	150,351
Deferred Revenues	1,963,660
Total Liabilities	5,525,830
NET ASSETS:	
Invested in Capital Assets, net of related debt	3,507,543
Unrestricted	611,503
Total Net Assets	\$ 4,119,046

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, 2009

FUNCTIONS/PROGRAMS	EXPENSES	INDIRECT & INTERNAL COSTS ALLOCATION	EXPENSES AFTER ALLOCATION OF INDIRECT & INTERNAL COSTS
Expenditures:			
General Government	\$ 2,572,562	\$ (1,433,261)	\$ 1,139,301
Aging	6,924,405	317,887	\$ 7,242,292
Emergency Communications	9,133,082	696,919	\$ 9,830,001
Economic Development	97,548	22,479	\$ 120,027
Transportation	13,553	-	\$ 13,553
Criminal Justice	703,977	144,425	\$ 848,402
Homeland Security	463,654	93,553	\$ 557,207
Health	62,759	14,956	\$ 77,715
Environmental Quality	1,299,381	131,846	\$ 1,431,227
Regional Planning	130,712	11,196	141,908
	<u>21,401,633</u>	<u>-</u>	<u>21,401,633</u>
Total Expenditures	<u>\$ 21,401,633</u>	<u>\$ -</u>	<u>\$ 21,401,633</u>
Total Primary Government	<u>\$ 21,401,633</u>	<u>\$ -</u>	<u>\$ 21,401,633</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
	\$ -	\$ (1,139,301)
-	7,192,292	(50,000)
-	10,823,603	993,602
-	41,200	(78,827)
-	13,553	-
146,323	522,358	(179,721)
-	557,207	-
-	77,715	-
-	1,379,576	(51,651)
-	78,931	(62,977)
146,323	20,686,435	(568,875)
<u>\$ 146,323</u>	<u>\$ 20,686,435</u>	<u>\$ (568,875)</u>

General Revenues:

Membership Dues	212,975
Contract Service Revenue	900,954
Miscellaneous	225,493
Interest Income	17,508
Total General Revenues	<u>1,356,930</u>
Change in Net Assets	788,055
Net Assets - Beginning	<u>3,330,991</u>
Net Assets - Ending	<u>\$ 4,119,046</u>

CAPITAL AREA COUNCIL OF GOVERNMENTS
BALANCE SHEET - GOVERNMENTAL FUNDS

SEPTEMBER 30, 2009

	GENERAL FUND	AGING
ASSETS AND OTHER DEBITS		
Assets:		
Cash and Cash Equivalents	\$ 399,456	\$ -
Receivables (net of allowances for uncollectibles):		
Other	446,901	-
Intergovernmental		885,727
Due from Other Funds	1,256,812	925
Other	81,812	113
	<u>\$ 2,184,981</u>	<u>\$ 886,765</u>
 LIABILITIES, EQUITY AND OTHER CREDITS		
Liabilities:		
Accounts Payable	\$ 1,276,949	\$ 4,459
Employee Retirement Payable	146,178	-
Accrued Employee Benefits	150,351	-
Due to Other Funds	-	882,306
Deferred Revenue	-	-
Total Liabilities	<u>1,573,478</u>	<u>886,765</u>
 Equity and other credits:		
Fund Balances:		
Unreserved, reported in:		
General Fund	611,503	-
Total Equity and other credits	<u>611,503</u>	<u>-</u>
	<u>\$ 2,184,981</u>	<u>\$ 886,765</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>
\$ 2,478,072	\$ 2,440	\$ -	\$ 2,879,968
18,346	-	60,486	525,733
847,904	340,470	574,770	2,648,871
451,944	-	-	1,709,681
-	836	-	82,761
<u>\$ 3,796,266</u>	<u>\$ 343,746</u>	<u>\$ 635,256</u>	<u>\$ 7,847,014</u>
\$ 1,983,859	\$ -	\$ 374	\$ 3,265,641
-	-	-	146,178
-	-	-	150,351
-	343,746	483,629	1,709,681
1,812,407	-	151,253	1,963,660
<u>3,796,266</u>	<u>343,746</u>	<u>635,256</u>	<u>7,235,511</u>
-	-	-	611,503
-	-	-	611,503
<u>\$ 3,796,266</u>	<u>\$ 343,746</u>	<u>\$ 635,256</u>	<u>\$ 7,847,014</u>

CAPITAL AREA COUNCIL OF GOVERNMENTS
RECONCILIATION OF THE GOVERNMENTAL FUNDS BALANCE SHEET
TO THE STATEMENT OF NET ASSETS

SEPTEMBER 30, 2009

Total Fund Balances - Governmental Funds Balance Sheet	\$ 611,503
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>3,507,543</u>
Net Assets of Governmental Activities - Statement of Net Assets	<u><u>\$ 4,119,046</u></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, 2009

	GENERAL FUND	AGING
REVENUE:		
Federal Grants		\$ 3,873,759
State Grants	-	157,426
Membership Dues	212,975	-
Local Match	(128,827)	50,000
Miscellaneous	45,772	-
Interest	1,300	-
Tuition Fees	-	-
Contract Service Revenue	900,954	-
Third Party Applied	-	3,155,633
Contractual Local Match	103,152	5,474
Total Revenues	1,135,326	7,242,292
EXPENDITURES:		
Current:		
General Government	1,117,621	-
Aging	-	7,242,292
Emergency Communications	-	-
Economic Development	-	-
Transportation	-	-
Criminal Justice	-	-
Homeland Security	-	-
Health	-	-
Environmental Quality	-	-
Regional Planning	-	-
Total Expenditures	1,117,621	7,242,292
Excess (deficiency) of Revenues (under) Expenditures	17,705	-
Fund balances/equity, October 1	593,798	-
Fund balances/equity, September 30	\$ 611,503	\$ -

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>
\$ -	\$ 36,657	\$ 768,606	\$ 4,679,022
10,823,603	1,342,919	522,358	12,846,306
-	-	-	212,975
-	-	78,827	-
-	-	179,721	225,493
4,602	11,606	-	17,508
-	-	146,323	146,323
-	-	-	900,954
-	-	-	3,155,633
-	16,443	62,977	188,046
<u>10,828,205</u>	<u>1,407,625</u>	<u>1,758,812</u>	<u>22,372,260</u>
-	-	-	1,117,621
-	-	-	7,242,292
10,828,205	-	-	10,828,205
-	-	120,027	120,027
-	-	13,553	13,553
-	-	848,402	848,402
-	-	557,207	557,207
-	-	77,715	77,715
-	1,407,625	-	1,407,625
-	-	141,908	141,908
<u>10,828,205</u>	<u>1,407,625</u>	<u>1,758,812</u>	<u>22,354,555</u>
-	-	-	17,705
-	-	-	593,798
<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 611,503</u>

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, 2009

Net change in Fund Balances - Total Governmental Funds	\$	17,705
Amounts reported for governmental activities in statement of activities are different because:		
Capital outlays are not reported as expenses in the statement of activities.		1,848,745
The depreciation of capital assets used in governmental activities is not reported in the funds.		(1,078,395)
		<hr/>
Change in Net Assets of Governmental Activities - Statement of Activities	\$	<u><u>788,055</u></u>

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

CAPITAL AREA COUNCIL OF GOVERNMENTS
NOTES TO THE FINANCIAL STATEMENTS
SEPTEMBER 30, 2009

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.

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 \$16,162 and incurred expenses of \$15,948 during 2009.

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.

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.

CAPITAL AREA COUNCIL OF GOVERNMENTS
NOTES TO THE FINANCIAL STATEMENTS
SEPTEMBER 30, 2009

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 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.

CAPITAL AREA COUNCIL OF GOVERNMENTS
 NOTES TO THE FINANCIAL STATEMENTS
 SEPTEMBER 30, 2009

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
Furniture	3
Office and Computer Equipment	5
Emergency Communications (9-1-1) Equipment	5
Leasehold Improvements	10 (Lease Term)

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.

e. CAPCOG Cash Match Allocation

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

CAPITAL AREA COUNCIL OF GOVERNMENTS
NOTES TO THE FINANCIAL STATEMENTS
SEPTEMBER 30, 2009

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, 2009, for which funding has been received from the funding agency or other source. The grant agreement with the Texas Commission on Environmental Quality for Solid Waste Management extends to August 31, 2011. Funding received from the Commission on State Emergency Communications in the amount of \$1,812,407 is shown as deferred revenue for payments received for operation of the regional 9-1-1 System for the first quarter of fiscal year 2010. Funds received in conjunction with the Federal Highway Administration grant for the Greenprint Project are also shown as deferred revenues in the amount of \$22,800. Additionally, advance tuition payments in the amount of \$128,453 have been treated as deferred revenues and will be recognized in Fiscal Year 2010 when Basic Peace Officer Courses are delivered to students.

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 immediately upon beginning their first full month 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 2008 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 2009 was \$2,871,593. During the year, CAPCOG accrued \$206,550 (7.2 % of total base salaries) to the Plan, and its employees made contributions of \$188,843 (6.6% 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 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.

CAPITAL AREA COUNCIL OF GOVERNMENTS
 NOTES TO THE FINANCIAL STATEMENTS
 SEPTEMBER 30, 2009

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, 2009. 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, 2009, the carrying amount of CAPCOG's deposits (cash, certificates of deposit and interest-bearing accounts) was \$398,575 and the bank balance was \$1,594,435. CAPCOG's cash deposits at September 30, 2009, 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.

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			\$ 398,575	\$ 0	\$ 398,575
TexPool Investments	28 days average	AAAm	<u>881</u>	<u>2,480,512</u>	<u>2,481,393</u>
TOTAL			<u>\$ 399,456</u>	<u>\$ 2,480,512</u>	<u>\$ 2,879,968</u>

CAPITAL AREA COUNCIL OF GOVERNMENTS
NOTES TO THE FINANCIAL STATEMENTS
SEPTEMBER 30, 2009

Analysis of Specific Deposit and Investment Risks:

GASB Statement No. 40 requires a determination as to whether CAPCOG 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, CAPCOG'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 CAPCOG'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 CAPCOG's name.

At year end, CAPCOG 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, 100% of CAPCOG's investments were placed in TexPool, a state-wide investment pool.

D. Interest Rate Risk

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

NOTE C - INTERFUND RECEIVABLES

At September 30, 2009, 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	\$ 882,306
General Fund	Environmental Quality	343,746
General Fund	Other Funds	30,760
SUBTOTAL		<u>1,256,812</u>
Emergency Communications	Other Funds	451,944
Aging Fund	Other Funds	925
TOTAL		<u>\$ 1,709,681</u>

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

CAPITAL AREA COUNCIL OF GOVERNMENTS
 NOTES TO THE FINANCIAL STATEMENTS
 SEPTEMBER 30, 2009

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 \$150,351 at September 30, 2009.

NOTE E - COMMITMENTS

CAPCOG leases office space and certain equipment under several long-term operating leases. CAPCOG entered into a new ten-year office space lease with payments beginning April 1, 2007. At September 30, 2009, CAPCOG was committed for rental payments as follows:

Fiscal year ended	Office Space	Office Furniture	Telephone Equipment	Total
2010	402,372	35,533	24,812	462,717
2011	426,166	35,533	24,812	486,511
2012	446,561	2,961	4,135	453,657
2013	469,506	-	-	469,506
2014	495,000	-	-	495,000
2015	520,494	-	-	520,494
2016	541,739	-	-	541,739
2017	275,118	-	-	275,118
TOTAL	<u>\$ 3,576,956</u>	<u>\$ 74,027</u>	<u>\$ 53,759</u>	<u>\$ 3,704,742</u>

Lease expenses for office facilities were \$384,555 for the fiscal period ended September 30, 2009.

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.

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.

CAPITAL AREA COUNCIL OF GOVERNMENTS
NOTES TO THE FINANCIAL STATEMENTS
SEPTEMBER 30, 2009

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	\$ 6,349,403	\$ 1,848,745	\$ 0	\$ 8,198,148
Leasehold Improvements	<u>1,637,373</u>	<u>0</u>	<u>0</u>	<u>1,637,373</u>
Total Capital Assets being depreciated	<u>7,986,776</u>	<u>1,848,745</u>	<u>0</u>	<u>9,835,521</u>
Less accumulated depreciation for:				
Furniture & Equipment	(4,922,109)	(914,658)	0	(5,836,767)
Leasehold Improvements	<u>(327,474)</u>	<u>(163,737)</u>	<u>0</u>	<u>(491,211)</u>
Total accumulated depreciation	<u>(5,249,583)</u>	<u>(1,078,395)</u>	<u>0</u>	<u>(6,327,978)</u>
Total Capital Assets being depreciated, net	<u>2,737,193</u>	<u>770,350</u>	<u>0</u>	<u>3,507,543</u>
Governmental activities Capital Assets, net	<u>\$ 2,737,193</u>	<u>\$ 770,350</u>	<u>\$ 0</u>	<u>\$ 3,507,543</u>

Depreciation was charged to functions as follows:

General Government	\$ 165,141
Emergency Communications	850,542
Geographic Information Services	5,498
Environmental Quality	23,602
Homeland Security	33,612
	<u>\$ 1,078,395</u>

NOTE H – 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 2008, 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 \$2,500 deductible as does auto liability. Law enforcement liability carries a \$2,500 deductible. Surety bond coverage and crime insurance policies are carried with Hartford Insurance Group. No insurance settlements exceeded coverage in the past three years.

OTHER SUPPLEMENTAL INFORMATION

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

CAPITAL AREA COUNCIL OF GOVERNMENTS
 COMBINING BALANCE SHEET - ALL SPECIAL REVENUE FUNDS BY FUNDING SOURCE

SEPTEMBER 30, 2009
 (WITH COMPARATIVE TOTALS FOR SEPTEMBER 30, 2008)

	TEXAS DEPARTMENT ON AGING AND DISABILITY SERVICES	COMMISSION ON STATE EMERGENCY COMMUNICATIONS	ECONOMIC DEVELOPMENT ADMINISTRATION	TEXAS DEPARTMENT OF RURAL AFFAIRS	CRIMINAL JUSTICE DIVISION
Assets:					
Cash and Temporary Investments	\$ -	\$ 2,478,072	\$ -	\$ -	\$ -
Due from Grantor Agencies	885,727	847,904	71,200	1,912	209,322
Other	113	18,346	1,227	-	59,105
Due from Other Funds	925	451,944	-	-	-
Total Assets	<u>\$ 886,765</u>	<u>\$ 3,796,266</u>	<u>\$ 72,427</u>	<u>\$ 1,912</u>	<u>\$ 268,427</u>
Liabilities:					
Accounts Payable	\$ 4,459	\$ 1,983,859	\$ -	\$ -	\$ 367
Due to Other Funds	882,306	-	72,427	1,912	139,607
Due to Grantor Agencies	-	-	-	-	-
Deferred Revenues	-	1,812,407	-	-	128,453
Total Liabilities	<u>886,765</u>	<u>3,796,266</u>	<u>72,427</u>	<u>1,912</u>	<u>268,427</u>
Fund Balance:	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Total Fund Balance	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Total Liabilities and Fund Balance	<u>\$ 886,765</u>	<u>\$ 3,796,266</u>	<u>\$ 72,427</u>	<u>\$ 1,912</u>	<u>\$ 268,427</u>

DIVISION OF EMERGENCY MANAGEMENT	DEPARTMENT OF STATE HEALTH SERVICES	TEXAS	ENVIRONMENTAL	TEXAS	FEDERAL	TOTALS	
		COMMISSION ON ENVIRONMENTAL QUALITY	PROTECTION AGENCY	HEALTH AND HUMAN SERVICES COMMISSION	HIGHWAY ADMINISTRATION	2009	2008
\$ -	\$ -	\$ 2,440	\$ -	\$ -	\$ -	\$ 2,480,512	\$ 1,343,459
221,297	19,143	303,813	36,657	-	51,896	2,648,871	1,734,509
154	-	836	-	-	-	79,781	53,718
-	-	-	-	-	-	452,869	235,741
<u>\$ 221,451</u>	<u>\$ 19,143</u>	<u>\$ 307,089</u>	<u>\$ 36,657</u>	<u>\$ -</u>	<u>\$ 51,896</u>	<u>\$ 5,662,033</u>	<u>\$ 3,367,427</u>
\$ -	\$ 7	\$ -	\$ -	\$ -	\$ -	\$ 1,988,692	\$ 1,016,378
221,451	19,136	307,089	36,657	-	29,096	1,709,681	1,069,320
-	-	-	-	-	-	-	-
-	-	-	-	-	22,800	1,963,660	1,281,729
<u>221,451</u>	<u>19,143</u>	<u>307,089</u>	<u>36,657</u>	<u>-</u>	<u>51,896</u>	<u>5,662,033</u>	<u>3,367,427</u>
<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
<u>\$ 221,451</u>	<u>\$ 19,143</u>	<u>\$ 307,089</u>	<u>\$ 36,657</u>	<u>\$ -</u>	<u>\$ 51,896</u>	<u>\$ 5,662,033</u>	<u>\$ 3,367,427</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, 2009

	TEXAS DEPARTMENT ON AGING AND DISABILITY SERVICES	COMMISSION ON STATE EMERGENCY COMMUNICATIONS	ECONOMIC DEVELOPMENT ADMINISTRATION	TEXAS DEPARTMENT OF RURAL AFFAIRS	CRIMINAL JUSTICE DIVISION
Revenues:					
Federal Grants	\$ 3,873,759	\$ -	\$ 41,200	\$ 13,553	\$ -
State Grants	157,426	10,823,603	-	-	522,358
Interest Income	-	4,602	-	-	-
Contractual Local Match	-	-	-	-	-
Miscellaneous	5,474	-	-	-	179,721
Contract Service Revenue	-	-	-	-	-
Tuition Fees	-	-	-	-	146,323
Third Party Applied	3,155,633	-	-	-	-
Grant Matching:					
CAPCO Cash Match Allocation	50,000	-	78,827	-	-
	<u>7,242,292</u>	<u>10,828,205</u>	<u>120,027</u>	<u>13,553</u>	<u>848,402</u>
Total Revenues					
Expenditures:					
Current:					
General Government:					
Personnel Services	850,758	527,598	59,102	11,082	447,744
Contractual Services	1,190,564	552,086	16,625	-	94,283
Travel	39,693	19,516	2,658	-	5,501
Supplies and Materials	22,221	1,045,466	11,459	24	76,110
Equipment Rental and Maintenance	-	862,728	-	-	-
Office Space	69,558	132,160	891	-	55,737
Miscellaneous	83,389	51,926	6,813	260	24,602
Delegate Agency Costs	1,523,589	5,091,061	-	-	-
Internal Expense Allocation	179,526	440,852	15,388	-	73,167
Indirect Cost Allocation	138,361	256,067	7,091	1,315	71,258
Third Party Matching	3,144,633	-	-	872	-
Capital Outlay	-	1,848,745	-	-	-
	<u>7,242,292</u>	<u>10,828,205</u>	<u>120,027</u>	<u>13,553</u>	<u>848,402</u>
Total Expenditures					
Excess of Revenues over Expenditures	-	-	-	-	-
Fund Balance, Beginning	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Fund Balance, Ending	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>

DIVISION OF EMERGENCY MANAGEMENT	DEPARTMENT OF STATE HEALTH SERVICES	TEXAS	ENVIRONMENTAL	TEXAS	FEDERAL	TOTALS	
		COMMISSION ON	PROTECTION	HEALTH AND	HIGHWAY	2009	2008
		ENVIRONMENTAL	AGENCY	HUMAN SERVICES	ADMINISTRATION		
		QUALITY		COMMISSION			
\$ 557,207	\$ 62,435		\$ 36,657	\$ 15,280	\$ 78,931	\$ 4,679,022	\$ 4,620,732
-	-	1,342,919	-	-	-	12,846,306	10,392,124
-	-	11,606	-	-	-	16,208	40,839
-	-	-	-	-	-	-	2,594
-	-	-	-	-	-	185,195	141,892
-	-	-	-	-	-	-	-
-	-	-	-	-	-	146,323	120,737
-	-	-	16,443	-	-	3,172,076	3,097,246
-	-	-	-	-	62,977	62,977	58,541
-	-	-	-	-	-	128,827	100,620
<u>557,207</u>	<u>62,435</u>	<u>1,354,525</u>	<u>53,100</u>	<u>15,280</u>	<u>141,908</u>	<u>21,236,934</u>	<u>18,575,325</u>
213,410	39,239	398,733	-	306	1,315	2,549,287	2,309,686
220,853	325	120,576	34,412	-	129,197	2,358,921	6,622,767
3,361	1,533	5,851	-	-	33	78,146	102,274
3,197	6,494	6,267	-	-	-	1,171,238	195,735
-	-	-	-	-	-	862,728	710,570
6,042	2,305	27,232	-	-	-	293,925	240,121
16,791	1,848	75,664	-	-	167	261,460	187,880
-	-	590,601	-	10,709	-	7,215,960	3,100,096
51,826	6,433	64,154	146	2,172	6,192	839,856	829,790
41,727	4,258	65,447	2,099	2,093	5,004	594,720	435,828
-	-	-	16,443	-	-	3,161,948	3,086,904
-	-	-	-	-	-	1,848,745	753,674
<u>557,207</u>	<u>62,435</u>	<u>1,354,525</u>	<u>53,100</u>	<u>15,280</u>	<u>141,908</u>	<u>21,236,934</u>	<u>18,575,325</u>
-	-	-	-	-	-	-	-
<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
<u>\$ -</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, 2009

	2009		2008
	ACTUAL	BUDGET	ACTUAL
Salaries	\$ 276,641	\$ 246,366	\$ 226,223
Benefits	129,579	106,274	101,497
	<u>406,220</u>	<u>352,640</u>	<u>327,720</u>
Communications	4,695	2,980	4,765
Consumable Supplies	27,908	9,400	22,179
Professional Services	-	1,500	-
Equipment Leases	27,500	27,500	27,500
Insurance and Bonding	9,246	10,000	9,846
Legal	2,505	5,000	1,445
Maintenance and Repair	-	500	-
Office Lease	41,735	45,000	48,098
Postage	5,944	4,500	5,784
Printing	5,596	6,500	7,353
Subscriptions and Membership Dues	25,868	25,422	25,036
Advertising	842	500	-
Meeting Expense	5,381	1,000	-
Travel	16,816	12,100	5,499
Professional Development	6,783	3,350	2,044
Photocopies	10,597	5,000	6,388
Contractual	40,226	20,000	9,004
Internal Expense Allocation	39,529	37,054	40,122
Other Expenditures	27	-	-
	<u>677,418</u>	<u>569,946</u>	<u>542,783</u>
Total Indirect Expenditures	<u>\$ 677,418</u>	<u>\$ 569,946</u>	<u>\$ 542,783</u>
Indirect Cost Allocation Base	<u>\$ 8,592,936</u>	<u>\$ 6,668,185</u>	<u>\$ 7,392,760</u>
Indirect Rate	<u>7.88%</u>	<u>8.55%</u>	<u>7.34%</u>

CAPITAL AREA PLANNING COUNCIL OF GOVERNMENTS
SCHEDULE OF FRINGE BENEFITS

YEAR ENDED SEPTEMBER 30, 2009

	2009		2008
	ACTUAL	BUDGET	ACTUAL
Payroll Taxes	\$ 218,865	\$ 225,810	\$ 199,565
Group Insurance	371,162	363,311	299,941
Worker's Compensation Insurance	6,767	7,500	6,836
Unemployment Insurance	5,399	8,855	3,176
Retirement Contribution	206,550	207,805	173,085
Other	5,716	5,000	3,458
Release Time	362,530	317,884	355,871
	<u>\$ 1,176,989</u>	<u>\$ 1,136,165</u>	<u>\$ 1,041,932</u>
Total Fringe Benefits			
Total Wages	\$ 2,871,593	\$ 2,951,770	\$ 2,629,578
Release Time	<u>(362,530)</u>	<u>(317,883)</u>	<u>(355,871)</u>
	<u>\$ 2,509,063</u>	<u>\$ 2,633,887</u>	<u>\$ 2,273,707</u>
Basis for Allocation			
Employee Benefit Rate	<u>46.91%</u>	<u>43.14%</u>	<u>45.83%</u>

SINGLE AUDIT SECTION

West, Davis & Company

a limited liability partnership

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 and State of Texas Single Audit Circular

Executive Committee
Capital Area Council of Governments
Austin, Texas

We have audited the financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of Capital Area Council of Governments (CAPCOG) as of and for the year ended September 30, 2009, which collectively comprise CAPCOG's basic financial statements and have issued our report thereon dated June 21, 2010. 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*.

Internal Control over Financial Reporting

In planning and performing our audit, we considered CAPCOG's internal control over financial reporting as a basis for designing our auditing procedures for the purpose of expressing our opinions on the financial statements but not for the purpose of expressing an opinion on the effectiveness of CAPCOG's internal control over financial reporting. Accordingly, we do not express an opinion on the effectiveness of CAPCOG's internal control over financial reporting.

A control deficiency exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect misstatements on a timely basis. A significant deficiency is a control deficiency, or combination of control deficiencies, that adversely affects CAPCOG's ability to initiate, authorize, record, process or report financial data reliably in accordance with generally accepted accounting principles such that there is more than a remote likelihood that a misstatement of CAPCOG's financial statements that is more than inconsequential will not be prevented by CAPCOG's internal control.

A material weakness is a significant deficiency, or combination of significant deficiencies, that results in more than a remote likelihood that a material misstatement of the financial statements will not be prevented or detected by CAPCOG's internal control.

Our consideration of internal control over financial reporting was for the limited purpose described in the first paragraph of this section and would not necessarily identify all deficiencies in internal control that might be significant deficiencies or material weaknesses. We did not identify any deficiencies in internal control over financial reporting that we considered to be material weaknesses, as defined above.

Compliance and Other Matters

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 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 management, others within the entity, the Executive Committee, 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.

West, Davis & Company

West, Davis & Company, LLP

June 21, 2010

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

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, 2009. 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 and state 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 its major federal and state programs for the year ended September 30, 2009.

Internal Control Over Compliance

The management of CAPCOG is responsible for establishing and maintaining effective internal control over compliance with the requirements of laws, regulations, contracts and grants applicable to federal and state programs. In planning and performing our audit, we considered 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, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of CAPCOG's internal control over compliance.


A control deficiency in an entity's internal control over compliance exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect noncompliance with a type of compliance requirement of a federal or state program on a timely basis. A significant deficiency is a control deficiency, or combination of control

deficiencies, that adversely affects the entity's ability to administer a federal or state program such that there is more than a remote likelihood that noncompliance with a type of compliance requirement of a federal or state program that is more than inconsequential will not be prevented or detected by the entity's internal control.

A material weakness is a significant deficiency, or combination of significant deficiencies, that results in more than a remote likelihood that material noncompliance with a type of compliance requirement of a federal or state program will not be prevented or detected by the entity's internal control.

Our consideration of the internal control over compliance was for the limited purpose described in the first paragraph of this section and would not necessarily identify all deficiencies in internal control that might be significant deficiencies or material weaknesses. We did not identify any deficiencies in internal control over compliance that we considered to be material weaknesses, as defined above.

This report is intended solely for the information and use of management, others within the entity, the Executive Committee, and federal awarding agencies and pass-through entities and is not intended to be and should not be used by anyone other than these specified parties.

A handwritten signature in black ink, appearing to read "West, Davis & Company". The signature is written in a cursive, flowing style.

West, Davis & Company, LLP

June 21, 2010

CAPITAL AREA COUNCIL OF GOVERNMENTS
 SCHEDULE OF FINDINGS AND QUESTIONED COSTS
 YEAR ENDED SEPTEMBER 30, 2009

A. SUMMARY OF AUDITOR'S RESULTS

1. Financial Statements

Type of auditor's report issued: Unqualified

Internal control over financial reporting:

One or more material weaknesses identified? Yes No

One or more significant deficiencies identified that are not considered to be material weaknesses? Yes None Reported

Noncompliance material to financial statements noted? Yes No

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

2. Federal Awards

Internal control over major programs:

One or more material weaknesses identified? Yes No

One or more significant deficiencies identified that are not considered to be material weaknesses? Yes None Reported

Type of auditor's report issued on compliance for major programs: Unqualified

Any audit findings disclosed that are required to be reported in accordance with section 510(a) of Circular A-133? Yes No

Identification of major programs:

93.044	Title III / Part B – Supportive Services & Senior Centers
93.053	Nutritional Services Incentive Program
93.045	Title III / Part C – Nutritional Services
97.073	State Homeland Security Program

Name of State Program or Cluster

Regional 9-1-1 Systems
 Regional Solid Waste Management
 Regional Air Quality Planning

Dollar threshold used to distinguish between type A and type B programs: \$300,000 Federal / \$387,331 State

Auditee qualified as low-risk auditee? Yes No

B. FINANCIAL STATEMENT FINDINGS

NONE.

C. MAJOR AWARDS FINDINGS AND QUESTIONED COSTS

NONE.

CAPITAL AREA COUNCIL OF GOVERNMENTS
SCHEDULE OF FEDERAL AWARDS
YEAR ENDED SEPTEMBER 30, 2009

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	10/01/08-09/30/09	93.044*	Title III B	\$ 1,140,262	\$ 1,097,212
Title III/Part C - Nutrition Services	10/01/08-09/30/09	93.045*	Title III C1	745,274	722,631
Title III/Part C - Nutrition Services	10/01/08-09/30/09	93.045*	Title III C2	933,707	926,934
Title III/Part D - Disease Prevention & Health Promotion Services	10/01/08-09/30/09	93.043	Title III D	61,887	50,184
Title III/Part E - Caregiver	10/01/08-09/30/09	93.052	Title III E	472,457	343,700
Title VII - Programs for Prevention of Elder Abuse, Neglect and Exploitation	10/01/08-09/30/09	93.041	Title VII EAP	15,267	15,267
Title VII - Ombudsman Activity Grant	10/01/08-09/30/09	93.042	Title VII OAG	51,544	51,544
Congregate Meals ARRA	09/01/09-09/30/10	93.707		208,901	-
Home Delivered Meals ARRA	09/01/09-09/30/10	93.705		102,843	-
CMS Basic	4/01/08-03/31/09	93.779	CMS	26,447	26,447
CMS Basic	4/01/09-03/31/10	93.779	CMS	68,456	53,589
CMS Supplemental	6/01/08-3/31/09	93.779	CMS	33,257	33,257
				3,860,302	3,320,765
Passed through the Texas Department of State Health Services:					
Centers for Disease Control and Prevention Investigations and Technical Assistance					
Regional Bioterrorism Planning	08/01/08-7/31/09	93.283	2008-028074	65,457	62,435
				65,457	62,435
Passed through the Texas Health and Human Services Commission:					
Social Services Block Grant - Katrina	8/01/06-12/31/08	93.667	529-07-0033-00001	1,370,938	15,280
				1,370,938	15,280
Total U.S. Department of Health and Human Services				5,296,697	3,398,480
<u>U.S. Department of Agriculture</u>					
Passed through Texas Department on Aging and Disability Services:					
Nutrition Services Incentive Program	10/01/06-09/30/07	93.053*	USDA (NSIP)	516,061	504,864
Total U.S. Department of Agriculture				516,061	504,864
<u>U.S. Department of Housing and Urban Development</u>					
Passed through Office of Rural and Community Affairs:					
Community Economic Development Assistance	09/01/08-08/31/09	14.228	C78202	11,887	11,641
Community Economic Development Assistance	09/01/09-08/31/10	14.228	C79202	11,842	1,912
Total U.S. Department of Housing and Urban Development				23,729	13,553
<u>U.S. Department of Commerce</u>					
Direct Assistance:					
Planning Assistance	01/01/08-12/31/10	11.302	08-83-03906	150,000	41,200
Smart Grid	09/01/09-08/31/11	11.302	08-83-04453	442,584	-
Total U.S. Department of Commerce				442,584	41,200
<u>U.S. Environmental Protection Agency</u>					
Direct Assistance:					
Blue Skyways Program	1/15/07-11/30/08	66.036	SB-996454-01	145,049	16,443
Blue Skyways Program	09/01/08-10/31/10	66.036	SB-96666201-0	193,700	36,657
Total U.S. Environmental Protection Agency				338,749	53,100
<u>U.S. Dept. of Homeland Security</u>					
Passed through the Division of Emergency Management:					
Office of the Governor					
State Homeland Security Program	11/30/04-12/31/06	97.073	2005-GE-T5-4025	362,792	116,946
State Homeland Security Program	7/01/06-2/28/08	97.073	2006-GE-T6-0068	413,226	7,000
State Homeland Security Program	01/12/07-02/28/10	97.073	2007GE-T7-0024	626,232	192,895
State Homeland Security Program	09/01/08-01/15/11	97.073	2008-GE-T8-0034	728,345	240,366
Interoperable Emergency					
Communications Grant Program	09/16/08-04/30/10	97.001	2008-IO-T8-0040	116,959	-
Total U.S. Department of Homeland Security				2,130,595	557,207
<u>Federal Highway Administration</u>					
Central Texas Greenprint for Growth	05/16/08-05/15/10	20.205	DTFH61-08-H-00009	113,882	78,931
Total Federal Highway Administration				113,882	78,931
TOTAL				\$ 8,862,297	\$ 4,647,335

* Indicates clustered program under OMB Circular A-133 Compliance Supplement

CAPITAL AREA COUNCIL OF GOVERNMENTS
SCHEDULE OF STATE AWARDS

YEAR ENDED SEPTEMBER 30, 2009

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	09/01/07-08/31/2009	582-8-86228	\$ 1,038,600	\$ 441,927
Regional Solid Waste Management	09/01/07-08/31/2009	582-8-86683	1,329,060	891,122
Regional Solid Waste Management	09/01/09-08/31/2011	582-10-918793	<u>1,329,060</u>	<u>21,477</u>
Total Texas Commission on Environmental Quality			<u>3,696,720</u>	<u>1,354,526</u>
<u>Governor's Office</u>				
Criminal Justice Division				
Regional Peace Officer Training	9/01/08-08/31/09	SF-09-A10-15444-09	341,492	329,868
Regional Peace Officer Training	9/01/09-08/31/10	SF-10A10-15444-10	341,797	53,998
State Planning Assistance Grant	9/01/08-08/31/09	2006202	131,158	125,837
State Planning Assistance Grant	9/01/09-08/31/10	PF-10-X99-20062-03	<u>131,158</u>	<u>12,654</u>
Total Governor's Office - Criminal Justice Division			<u>945,605</u>	<u>522,357</u>
<u>Texas Department on Aging and Disability Services</u>				
State General Revenue Match for Title III	09/01/08-08/31/09	SGR	192,723	192,723
State Highway Fund	09/01/08-08/31/09		<u>13,233</u>	<u>13,233</u>
Total Texas Department on Aging and Disability Services			<u>205,956</u>	<u>205,956</u>
<u>Commission on State Emergency Communications</u>				
Regional 9-1-1 Implementation	09/01/06-08/31/07		10,807,501	1,954,990
Regional 9-1-1 Implementation	09/01/07-08/31/08		11,603,659	99,020
Regional 9-1-1 Implementation	09/01/08-08/31/09		14,669,916	8,396,662
Regional 9-1-1 Implementation	09/01/09-08/31/10		<u>11,262,208</u>	<u>377,531</u>
Total Commission on State Emergency Communications			<u>48,343,284</u>	<u>10,828,203</u>
TOTAL			<u>\$ 53,191,565</u>	<u>\$ 12,911,042</u>

CAPITAL AREA COUNCIL OF GOVERNMENTS
NOTES ON ACCOUNTING POLICIES FOR FEDERAL AND STATE AWARDS
YEAR ENDED SEPTEMBER 30, 2008

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.