

CAPITAL AREA COUNCIL OF GOVERNMENTS

FINANCIAL STATEMENTS

SEPTEMBER 30, 2008

CAPITAL AREA COUNCIL OF GOVERNMENTS
FINANCIAL STATEMENTS
SEPTEMBER 30, 2008

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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, 2008, 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, 2008, and the respective changes in financial position thereof for the year then ended in conformity with accounting principles generally accepted in the United States of America.

In accordance with *Government Auditing Standards*, we have also issued our report dated July 29, 2009, 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.



West, Davis & Company, LLP

July 29, 2009

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, 2008. 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 \$3.6 million to \$3.3 million as a result of this year's operations.
- During the year, CAPCOG's operating grants and charges for services represented 88% of current year expenses (pages 9-10).
- 9-1-1 Capital equipment purchases of \$.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 \$593 thousand, a decrease of \$70 thousand or 11% 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 decreased by \$288 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 \$594 thousand at September 30, 2008.

CAPCOG's total expenses of \$20.7 million were primarily funded by grants and contributions totaling \$18.1 million. The net change in net assets of \$288 thousand was the result of replacement of capitalized 9-1-1 program expenditures. These increases were largely offset by depreciation expense for assets acquired in previous years as well as and the removal of fully depreciated assets from the records that did not meet CAPCOG's \$5 thousand capitalization threshold. Revenues consist principally of state and federal grants.

Table I
Capital Area Council of Governments

NET ASSETS			
in thousands			
	2008	2007	Change
Current and other assets	3,760	4,085	-325
Capital assets	2,737	2,955	-218
Total assets	6,497	7,040	-543
Long-term liabilities	0	0	0
Other liabilities	3,166	3,421	-255
Total liabilities	3,166	3,421	-255
Net assets:			
Invested in capital assets, net of related debt	2,737	2,955	-218
Restricted	0	0	0
Unrestricted	594	664	-70
Total net assets	3,331	3,619	-288

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		
	2008	2007	Change
Revenues:			
Program revenues:			
Charges for services	121	167	-46
Operating grants and contributions	18,125	19,457	-1,332
	<u>18,246</u>	<u>19,624</u>	<u>-1,378</u>
General revenues:			
Membership dues	205	198	7
Contract service revenue	1,742	1,844	-102
Capital Assets:			
Interest Income	45	81	-36
Miscellaneous	163	132	31
Total revenue	<u>20,401</u>	<u>21,879</u>	<u>-1,478</u>
Expenses:			
General Government	2,096	2,978	-882
Aging	6,994	7,174	-180
Emergency Communications	8,743	8,189	554
Economic Development	148	97	51
Transportation	38	26	12
Criminal Justice	710	427	283
Health	326	1,115	-789
Homeland Security	391	278	113
Environmental Quality	1,184	1,505	-321
Regional Planning	59	12	47
Total expenses	<u>20,689</u>	<u>21,801</u>	<u>-1,112</u>
Increase (Decrease) in net assets	-288	78	-366
Net assets at 10/1	<u>3,619</u>	<u>3,541</u>	<u>78</u>
Net assets at 9/30	<u><u>3,331</u></u>	<u><u>3,619</u></u>	<u><u>-288</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 \$593,798, which is a 11% decrease from the previous year.

CAPITAL ASSETS

At the end of 2008, CAPCOG had \$2.7 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. A decrease of \$441 thousand in capital assets resulted exclusively from the removal of fully depreciated assets from the records that did not meet CAPCOG's \$5 thousand capitalization threshold.

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 2009. 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, 2008

	<u>GOVERNMENTAL ACTIVITIES</u>
ASSETS:	
Cash and Temporary Investments	\$ 1,816,998
Receivables (net of allowances for uncollectibles):	
Other	132,074
Due from Grantor Agencies	1,734,509
Other assets	76,084
Capital Assets:	
Capital Assets (net, where applicable, of accumulated depreciation)	<u>2,737,193</u>
Total Assets	<u>6,496,858</u>
LIABILITIES:	
Accounts Payable	1,593,696
Employee Retirement Payable	133,561
Accrued Employee Benefits	151,159
Deferred Revenues	<u>1,287,451</u>
Total Liabilities	<u>3,165,867</u>
NET ASSETS:	
Invested in Capital Assets, net of related debt	2,737,193
Unrestricted	<u>593,798</u>
Total Net Assets	<u>\$ 3,330,991</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, 2008

FUNCTIONS/PROGRAMS	EXPENSES	INDIRECT & INTERNAL COSTS ALLOCATION	EXPENSES AFTER ALLOCATION OF INDIRECT & INTERNAL COSTS
Expenditures:			
General Government	\$ 3,362,406	\$ (1,265,618)	\$ 2,096,788
Aging	6,705,281	288,899	\$ 6,994,180
Emergency Communications	8,145,195	597,921	\$ 8,743,116
Economic Development	123,301	24,429	\$ 147,730
Transportation	37,819	-	\$ 37,819
Criminal Justice	597,976	111,717	\$ 709,693
Homeland Security	287,121	103,462	\$ 390,583
Health	307,465	18,387	\$ 325,852
Environmental Quality	1,065,365	118,987	\$ 1,184,352
Regional Planning	56,725	1,816	58,541
	<hr/>	<hr/>	<hr/>
Total Expenditures	20,688,654	-	20,688,654
Total Primary Government	<u>\$ 20,688,654</u>	<u>\$ -</u>	<u>\$ 20,688,654</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
	\$ -	\$ (2,096,788)
-	6,944,283	(49,897)
-	8,709,338	(33,778)
-	98,469	(49,261)
-	37,819	-
120,737	457,412	(131,544)
-	390,583	-
-	325,852	-
-	1,160,750	(23,602)
-	-	(58,541)
120,737	18,124,506	(2,443,411)
<u>\$ 120,737</u>	<u>\$ 18,124,506</u>	<u>\$ (2,443,411)</u>

General Revenues:

Membership Dues	205,460
Contract Service Revenue	1,742,173
Miscellaneous	163,363
Interest Income	44,787
Total General Revenues	<u>2,155,783</u>
Change in Net Assets	(287,628)
Net Assets - Beginning	<u>3,618,619</u>
Net Assets - Ending	<u>\$ 3,330,991</u>

CAPITAL AREA COUNCIL OF GOVERNMENTS
BALANCE SHEET - GOVERNMENTAL FUNDS

SEPTEMBER 30, 2008

	GENERAL FUND	AGING
ASSETS AND OTHER DEBITS		
Assets:		
Cash and Cash Equivalents	\$ 473,539	\$ -
Receivables (net of allowances for uncollectibles):		
Other	85,148	-
Intergovernmental		715,972
Due from Other Funds	833,579	925
Other	69,292	1,800
Total Assets and Other Debits	\$ 1,461,558	\$ 718,697
LIABILITIES, EQUITY AND OTHER CREDITS		
Liabilities:		
Accounts Payable	\$ 577,318	\$ -
Employee Retirement Payable	133,561	-
Accrued Employee Benefits	151,159	-
Due to Other Funds	-	718,697
Deferred Revenue	5,722	-
Total Liabilities	867,760	718,697
Equity and other credits:		
Fund Balances:		
Unreserved, reported in:		
General Fund	593,798	-
Total Equity and other credits	593,798	-
Total Liabilities, Equity and other credits	\$ 1,461,558	\$ 718,697

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>
\$ 1,343,459	\$ -	\$ -	\$ 1,816,998
2,514	-	44,412	132,074
420,809	340,083	257,645	1,734,509
204,500	-	30,316	1,069,320
-	4,992	-	76,084
<u>\$ 1,971,282</u>	<u>\$ 345,075</u>	<u>\$ 332,373</u>	<u>\$ 4,828,985</u>
\$ 1,016,378	\$ -	\$ -	\$ 1,593,696
-	-	-	133,561
-	-	-	151,159
-	113,364	237,259	1,069,320
954,904	231,711	95,114	1,287,451
<u>1,971,282</u>	<u>345,075</u>	<u>332,373</u>	<u>4,235,187</u>
-	-	-	593,798
-	-	-	593,798
<u>\$ 1,971,282</u>	<u>\$ 345,075</u>	<u>\$ 332,373</u>	<u>\$ 4,828,985</u>

CAPITAL AREA COUNCIL OF GOVERNMENTS
RECONCILIATION OF THE GOVERNMENTAL FUNDS BALANCE SHEET
TO THE STATEMENT OF NET ASSETS
SEPTEMBER 30, 2008

Total Fund Balances - Governmental Funds Balance Sheet	\$ 593,798
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>2,737,193</u>
Net Assets of Governmental Activities - Statement of Net Assets	<u><u>\$ 3,330,991</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, 2008

	GENERAL FUND	AGING
REVENUE:		
Federal Grants		\$ 3,633,330
State Grants	-	203,359
Membership Dues	205,460	-
Local Match	(99,158)	49,897
Miscellaneous	31,819	-
Interest	3,948	-
Tuition Fees	-	-
Contract Service Revenue	1,742,173	-
Third Party Applied	-	3,097,246
Contractual Local Match	69,901	10,348
Total Revenues	1,954,143	6,994,180
EXPENDITURES:		
Current:		
General Government	2,024,295	-
Aging	-	6,994,180
Emergency Communications	-	-
Economic Development	-	-
Transportation	-	-
Criminal Justice	-	-
Homeland Security	-	-
Health	-	-
Environmental Quality	-	-
Regional Planning	-	-
Total Expenditures	2,024,295	6,994,180
Excess (deficiency) of Revenues (under) Expenditures	(70,152)	-
Fund balances/equity, October 1	663,950	-
Fund balances/equity, September 30	\$ 593,798	\$ -

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>
\$ -	\$ 138,735	\$ 848,667	\$ 4,620,732
8,709,338	1,022,015	457,412.00	10,392,124
-	-	-	205,460
-	-	50,723.00	1,462
-	-	131,544.00	163,363
40,839	-	-	44,787
-	-	120,737.00	120,737
-	-	-	1,742,173
-	-	-	3,097,246
-	-	61,135.00	141,384
<u>8,750,177</u>	<u>1,160,750</u>	<u>1,670,218</u>	<u>20,529,468</u>
-	-	-	2,024,295
-	-	-	6,994,180
8,750,177	-	-	8,750,177
-	-	147,730	147,730
-	-	37,819	37,819
-	-	709,693	709,693
-	-	390,583	390,583
-	-	325,852	325,852
-	1,160,750	-	1,160,750
-	-	58,541	58,541
<u>8,750,177</u>	<u>1,160,750</u>	<u>1,670,218</u>	<u>20,599,620</u>
-	-	-	(70,152)
-	-	-	663,950
<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 593,798</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, 2008

Net change in Fund Balances - Total Governmental Funds	\$	(70,152)
<p style="margin-left: 40px;">Amounts reported for governmental activities in statement of activities are different because:</p>		
Capital outlays are not reported as expenses in the statement of activities.		760,696
The depreciation of capital assets used in governmental activities is not reported in the funds.		(978,172)
		(287,628)
Change in Net Assets of Governmental Activities - Statement of Activities	\$	(287,628)

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

CAPITAL AREA COUNCIL OF GOVERNMENTS
NOTES TO THE FINANCIAL STATEMENTS
SEPTEMBER 30, 2008

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 \$90,744 and incurred expenses of \$55,613 during 2008.

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, 2008

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.

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.

CAPITAL AREA COUNCIL OF GOVERNMENTS
 NOTES TO THE FINANCIAL STATEMENTS
 SEPTEMBER 30, 2008

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.

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.

CAPITAL AREA COUNCIL OF GOVERNMENTS
NOTES TO THE FINANCIAL STATEMENTS
SEPTEMBER 30, 2008

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, 2008, 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, 2009 and deferred revenues from this agency total \$231,711 as of September 30, 2008. Funding received from the Commission on State Emergency Communications in the amount of \$954,904 is shown as deferred revenue for payments received for operation of the regional 9-1-1 System for the first quarter of fiscal year 2009. Funds received in conjunction with the Federal Highway Administration grant for the Greenprint Project are also shown as deferred revenues in the amount of \$29,355. Additionally, advance tuition payments in the amount of \$61,944 have been treated as deferred revenues and will be recognized in Fiscal Year 2009 when Basic Peace Officer Courses are delivered to students. Other governmental funds have deferred revenue of \$3,815. The general fund has deferred revenue of various amounts totaling \$5,722.

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 2008 was \$2,629,578. During the year, CAPCOG accrued \$173,085 (6.6 % of total base salaries) to the Plan, and its employees made contributions of \$161,024 (6.1% 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, 2008

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, 2008. 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, 2008, the carrying amount of CAPCOG's deposits (cash, certificates of deposit and interest-bearing accounts) was \$224,015 and the bank balance was \$265,998. CAPCOG's cash deposits at September 30, 2008, 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			\$ 224,015	\$ 0	\$ 224,015
TexPool Investments	28 days average	AAAm	<u>249,524</u>	<u>1,343,459</u>	<u>1,592,983</u>
TOTAL			<u>\$ 473,539</u>	<u>\$ 1,343,459</u>	<u>\$ 1,816,998</u>

CAPITAL AREA COUNCIL OF GOVERNMENTS
 NOTES TO THE FINANCIAL STATEMENTS
 SEPTEMBER 30, 2008

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, 2008, 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	\$ 718,697
General Fund	Environmental Quality	113,364
General Fund	Other Funds	<u>1,518</u>
SUBTOTAL		833,579
Emergency Communications	Other Funds	204,500
Aging Fund	Other Funds	925
Other Funds	Other Funds	<u>30,316</u>
TOTAL		<u>\$ 1,069,320</u>

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

CAPITAL AREA COUNCIL OF GOVERNMENTS
 NOTES TO THE FINANCIAL STATEMENTS
 SEPTEMBER 30, 2008

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 \$146,521 at September 30, 2008.

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
2009	371,779	35,533	24,812	432,124
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>\$ 3,948,735</u>	<u>\$ 109,560</u>	<u>\$ 78,571</u>	<u>\$ 4,136,866</u>

Lease expenses for office facilities were \$336,852 for the fiscal period ended September 30, 2008.

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, 2008

NOTE G - CHANGES IN GENERAL FIXED ASSETS

A summary of changes in general fixed assets follows:

	Beginning Balances	Increases	Decreases	Ending Balances
<u>Governmental Activities:</u>				
Capital Assets being depreciated:				
Furniture & Equipment	\$ 6,030,043	\$ 760,696	\$ 441,336	\$ 6,349,403
Leasehold Improvements	1,637,373	0	0	1,637,373
Total Capital Assets being depreciated	<u>7,667,416</u>	<u>760,696</u>	<u>441,336</u>	<u>7,986,776</u>
Less accumulated depreciation for:				
Furniture & Equipment	(4,549,010)	(814,435)	(441,336)	(4,922,109)
Leasehold Improvements	(163,737)	(163,737)	0	(327,474)
Total accumulated depreciation	<u>(4,712,747)</u>	<u>(978,172)</u>	<u>(441,336)</u>	<u>(5,249,583)</u>
Total Capital Assets being depreciated, net	<u>2,954,669</u>	<u>(217,476)</u>	<u>0</u>	<u>2,737,193</u>
Governmental activities Capital Assets, net	<u>\$ 2,954,669</u>	<u>\$ (217,476)</u>	<u>\$ 0</u>	<u>\$ 2,737,193</u>

Depreciation was charged to functions as follows:

General Government	\$ 168,847
Emergency Communications	746,613
Homeland Security	33,612
Environmental Quality	23,602
Regional Planning	5,498
	<u>\$ 978,172</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.

As of September 30, 2008, \$211,736 had been repaid as follows:

1999	\$ 125,000
2000	12,500
2001	14,000
2002	474
2003	13,762
2004	11,000
2005	0
2006	0
2007	35,000
2008	0
	<u>\$ 211,736</u>

CAPITAL AREA COUNCIL OF GOVERNMENTS
NOTES TO THE FINANCIAL STATEMENTS
SEPTEMBER 30, 2008

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 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, 2008
 (WITH COMPARATIVE TOTALS FOR SEPTEMBER 30, 2007)

	TEXAS DEPARTMENT ON AGING AND DISABILITY SERVICES	COMMISSION ON STATE EMERGENCY COMMUNICATIONS	ECONOMIC DEVELOPMENT ADMINISTRATION	TEXAS DEPARTMENT OF TRANSPORTATION	CRIMINAL JUSTICE DIVISION
Assets:					
Cash and Temporary Investments	\$ -	\$ 1,343,459	\$ -	\$ -	\$ -
Due from Grantor Agencies	715,972	420,809	30,000	17,541	36,467
Other	1,800	2,514	425	-	43,101
Due from General Fund	925	204,500	-	-	961
Total Assets	<u>\$ 718,697</u>	<u>\$ 1,971,282</u>	<u>\$ 30,425</u>	<u>\$ 17,541</u>	<u>\$ 80,529</u>
Liabilities:					
Accounts Payable	\$ -	\$ 1,016,378	\$ -	\$ -	\$ -
Due to General Fund	718,697	-	30,425	17,541	18,585
Due to Grantor Agencies	-	-	-	-	-
Deferred Revenues	-	954,904	-	-	61,944
Total Liabilities	<u>718,697</u>	<u>1,971,282</u>	<u>30,425</u>	<u>17,541</u>	<u>80,529</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>\$ 718,697</u>	<u>\$ 1,971,282</u>	<u>\$ 30,425</u>	<u>\$ 17,541</u>	<u>\$ 80,529</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	2008	2007
\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 1,343,459	\$ 1,183,609
77,438	41,068	290,512	49,571	55,131	-	1,734,509	1,379,959
886	-	4,992	-	-	-	53,718	120,059
-	-	-	-	-	29,355	235,741	560,301
<u>\$ 78,324</u>	<u>\$ 41,068</u>	<u>\$ 295,504</u>	<u>\$ 49,571</u>	<u>\$ 55,131</u>	<u>\$ 29,355</u>	<u>\$ 3,367,427</u>	<u>\$ 3,243,928</u>
\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 1,016,378	\$ 410,925
74,509	41,068	63,793	49,571	55,131	-	1,069,320	1,469,284
-	-	-	-	-	-	-	-
3,815	-	231,711	-	-	29,355	1,281,729	1,363,719
<u>78,324</u>	<u>41,068</u>	<u>295,504</u>	<u>49,571</u>	<u>55,131</u>	<u>29,355</u>	<u>3,367,427</u>	<u>3,243,928</u>
-	-	-	-	-	-	-	-
-	-	-	-	-	-	-	-
<u>\$ 78,324</u>	<u>\$ 41,068</u>	<u>\$ 295,504</u>	<u>\$ 49,571</u>	<u>\$ 55,131</u>	<u>\$ 29,355</u>	<u>\$ 3,367,427</u>	<u>\$ 3,243,928</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, 2008

	TEXAS DEPARTMENT ON AGING AND DISABILITY SERVICES	COMMISSION ON STATE EMERGENCY COMMUNICATIONS	ECONOMIC DEVELOPMENT ADMINISTRATION	TEXAS DEPARTMENT OF TRANSPORTATION	CRIMINAL JUSTICE DIVISION
Revenues:					
Federal Grants	\$ 3,633,330	\$ -	\$ 98,469	\$ 33,763	\$ -
State Grants	203,359	8,709,338	-	-	457,412
Interest Income	-	40,839	-	-	-
Contractual Local Match	-	-	-	2,594	-
Miscellaneous	10,348	-	-	-	131,544
Contract Service Revenue	-	-	-	-	-
Tuition Fees	-	-	-	-	120,737
Third Party Applied	3,097,246	-	-	-	-
Grant Matching:					
CAPCO Cash Match Allocation	49,897	-	49,261	1,462	-
Total Revenues	<u>6,994,180</u>	<u>8,750,177</u>	<u>147,730</u>	<u>37,819</u>	<u>709,693</u>
Expenditures:					
Current:					
General Government:					
Personnel Services	741,986	503,699	102,700	-	375,597
Contractual Services	1,337,751	4,628,916	10,790	36,357	87,143
Travel	47,339	31,212	3,124	-	3,899
Supplies and Materials	24,523	110,282	1,116	-	39,231
Equipment Rental and Maintenance	-	710,570	-	-	-
Office Space	52,521	76,168	2,151	-	56,634
Miscellaneous	63,079	57,542	3,420	-	35,472
Delegate Agency Costs	1,352,640	1,280,193	-	-	-
Internal Expense Allocation	190,038	404,548	21,348	-	56,276
Indirect Cost Allocation	98,861	193,373	3,081	-	55,441
Third Party Matching	3,085,442	-	-	1,462	-
Capital Outlay	-	753,674	-	-	-
Total Expenditures	<u>6,994,180</u>	<u>8,750,177</u>	<u>147,730</u>	<u>37,819</u>	<u>709,693</u>
Excess of Revenues over Expenditures	-	-	-	-	-
Fund Balance, Beginning	-	-	-	-	-
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 ENVIRONMENTAL QUALITY	PROTECTION AGENCY	HEALTH AND HUMAN SERVICES COMMISSION	HIGHWAY ADMINISTRATION	2008	2007
\$ 390,583	\$ 103,331		\$ 138,735	\$ 222,521		\$ 4,620,732	\$ 5,136,778
-	-	1,022,015	-	-	-	10,392,124	10,585,949
-	-	-	-	-	-	40,839	72,775
-	-	-	-	-	-	2,594	5,447
-	-	-	-	-	-	141,892	131,641
-	-	-	-	-	-	-	-
-	-	-	-	-	-	120,737	166,974
-	-	-	-	-	-	3,097,246	3,783,050
-	-	-	-	-	58,541	58,541	-
-	-	-	-	-	-	100,620	78,439
<u>390,583</u>	<u>103,331</u>	<u>1,022,015</u>	<u>138,735</u>	<u>222,521</u>	<u>58,541</u>	<u>18,575,325</u>	<u>19,961,053</u>
208,719	51,074	314,561	1,807	2,145	7,398	2,309,686	1,924,548
38,621	11,699	287,992	134,316	-	49,182	6,622,767	6,771,980
9,045	1,815	5,695	-	-	145	102,274	70,512
10,691	6,558	3,334	-	-	-	195,735	397,647
-	-	-	-	-	-	710,570	40,125
16,004	5,490	31,153	-	-	-	240,121	655,228
4,041	11,804	12,219	-	303	-	187,880	344,396
-	-	250,686	-	216,577	-	3,100,096	3,859,475
77,322	10,682	68,052	-	1,028	496	829,790	906,899
26,140	4,209	48,323	2,612	2,468	1,320	435,828	434,417
-	-	-	-	-	-	3,086,904	3,783,050
-	-	-	-	-	-	753,674	772,776
<u>390,583</u>	<u>103,331</u>	<u>1,022,015</u>	<u>138,735</u>	<u>222,521</u>	<u>58,541</u>	<u>18,575,325</u>	<u>19,961,053</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, 2008

	2008		2007
	ACTUAL	BUDGET	ACTUAL
Salaries	\$ 226,223	\$ 221,057	\$ 231,040
Benefits	101,497	96,616	97,799
	<u>327,720</u>	<u>317,673</u>	<u>328,839</u>
Communications	4,765	7,031	4,613
Consumable Supplies	22,179	9,400	12,933
Professional Services	-	1,500	-
Equipment Leases	27,500	27,500	26,000
Insurance and Bonding	9,846	10,000	10,195
Legal	1,445	5,000	1,270
Maintenance and Repair	-	500	-
Office Lease	48,098	45,000	66,019
Postage	5,784	4,500	6,626
Printing	7,353	6,500	8,147
Subscriptions and Membership Dues	25,036	25,422	24,735
Travel	5,499	12,100	5,520
Professional Development	2,044	3,350	4,110
Photocopies	6,388	5,000	11,590
Contractual	9,004	2,500	10,317
Internal Expense Allocation	40,122	28,874	34,724
Other Expenditures	-	1,500	417
	<u>542,783</u>	<u>513,350</u>	<u>556,055</u>
Total Indirect Expenditures	<u>\$ 542,783</u>	<u>\$ 513,350</u>	<u>\$ 556,055</u>
Indirect Cost Allocation Base	<u>\$ 7,392,760</u>	<u>\$ 5,944,990</u>	<u>\$ 5,921,857</u>
Indirect Rate	<u>7.34%</u>	<u>8.64%</u>	<u>9.39%</u>

CAPITAL AREA COUNCIL OF GOVERNMENTS
SCHEDULE OF FRINGE BENEFITS
YEAR ENDED SEPTEMBER 30, 2008

	2008		2007
	ACTUAL	BUDGET	ACTUAL
Payroll Taxes	\$ 199,565	\$ 209,846	\$ 176,694
Group Insurance	299,941	335,904	272,721
Worker's Compensation Insurance	6,836	7,125	6,238
Unemployment Insurance	3,176	8,229	3,274
Retirement Contribution	173,085	193,113	145,990
Other	3,458	5,000	10,387
Release Time	355,871	305,959	314,955
	<u>\$ 1,041,932</u>	<u>\$ 1,065,176</u>	<u>\$ 930,259</u>
Total Fringe Benefits			
Total Wages	\$ 2,629,578	\$ 2,743,079	\$ 2,325,795
Release Time	<u>(355,871)</u>	<u>(305,959)</u>	<u>(314,955)</u>
	<u>\$ 2,273,707</u>	<u>\$ 2,437,120</u>	<u>\$ 2,010,840</u>
Basis for Allocation			
Employee Benefit Rate	<u>45.83%</u>	<u>43.71%</u>	<u>46.26%</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, 2008, which collectively comprise CAPCOG's basic financial statements and have issued our report thereon dated July 29, 2009. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States 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, LLP

July 29, 2009

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, 2008. 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, 2008.

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 cursive script that reads "West, Davis & Company". The signature is written in black ink and is positioned above the printed name of the firm.

West, Davis & Company, LLP

July 29, 2009

CAPITAL AREA COUNCIL OF GOVERNMENTS
 SCHEDULE OF FINDINGS AND QUESTIONED COSTS
 YEAR ENDED SEPTEMBER 30, 2008

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:

<u>CFDA Number(s)</u>	<u>Name of Federal Program or Cluster</u>
93.044	Title III / Part B – Supportive Services & Senior Centers
93.052	Title III / Part E - Caregiver

Name of State Program or Cluster
 Regional 9-1-1 Systems

Dollar threshold used to distinguish between type A and type B programs: \$300,000

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, 2008

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	10/01/06-09/30/07	93.044	Title III B	\$ 1,025,632	1,070,322
Title III/Part C - Nutrition Services	10/01/06-09/30/07	93.045	Title III C1	693,131	607,257
Title III/Part C - Nutrition Services	10/01/06-09/30/07	93.045	Title III C2	782,600	898,333
Title III/Part D - Disease Prevention & Health Promotion Services	10/01/06-09/30/07	93.043	Title III D	65,665	62,012
Title III/Part E - Caregiver	10/01/06-09/30/07	93.052	Title III E	475,511	444,712
Title VII - Programs for Prevention of Elder Abuse, Neglect and Exploitation	10/01/06-09/30/07	93.041	Title VII EAP	14,391	14,857
Title VII - Ombudsman Activity Grant	10/01/06-09/30/07	93.042	Title VII OAG	50,284	48,655
Flood Disaster Relief	9/15/07-3/15/08	93.048		8,600	8,600
CMS Basic	4/01/06-03/31/07	93.779	CMS	19,455	15,193
CMS Basic	4/01/07-03/31/08	93.779	CMS	42,745	33,832
CMS Supplemental	6/01/08-3/31/09	93.779	CMS	46,000	14,269
				3,224,014	3,218,042
Passed through the Texas Department of State Health Services:					
Centers for Disease Control and Prevention					
Regional Bioterrorism Planning	09/01/07-7/31/08	93.283	2008-023337	127,855	100,309
Regional Bioterrorism Planning	08/01/08-7/31/09	93.283		65,457	3,022
				193,312	103,331
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	222,521
				4,788,264	3,543,894
<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)	452,291	415,288
Total U.S. Department of Agriculture				452,291	415,288
<u>U.S. Department of Housing and Urban Development</u>					
Passed through Office of Rural and Community Affairs:					
Community Economic Development Assistance	09/01/06-08/31/07	14.228	C76202	11,887	5,969
Total U.S. Department of Housing and Urban Development				11,887	5,969
<u>U.S. Department of Commerce</u>					
Direct Assistance:					
Planning Assistance	01/01/05-12/31/07	11.302	08-83-03964	150,000	25,000
Planning Assistance	01/01/08-12/31/10	11.302	08-83-04248	150,000	67,500
Total U.S. Department of Commerce				150,000	92,500
<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	121,762
Passed through Texas Commission on Environmental Quality					
Air Toxics Monitoring	6/01/07-12/31/07	66.034	582-7-72697	35,000	16,973
Total U.S. Environmental Protection Agency				180,049	138,735
<u>U.S. Dept. of Homeland Security</u>					
Passed through the Division of Emergency Management					
Office of the Governor					
Homeland Security Equipment	11/30/04-12/31/06	97.004	2005-GE-T5-4025	362,792	140,229
Homeland Security Planning	7/01/06-2/28/08	97.004	2006-GE-T6-4025	443,226	250,354
Total U.S. Department of Homeland Security				806,018	390,583
<u>U.S. Dept. of Transportation</u>					
Passed through the Texas Department of Transportation					
Congestion Reduction/Metropolitan Planning	1/01/06-12/31/08	20.505	0914-00-214	80,000	33,763
Total U.S. Department of Transportation				80,000	33,763
TOTAL				\$ 6,468,509	\$ 4,620,732

CAPITAL AREA COUNCIL OF GOVERNMENTS
SCHEDULE OF STATE AWARDS
YEAR ENDED SEPTEMBER 30, 2008

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	09/01/05-08/31/2007	582-6-70887	1,038,600	340,262
Air Quality Planning	09/01/07-08/31/2009	582-8-86228	1,038,600	238,551
Regional Solid Waste Management	09/01/07-08/31/2009	582-8-86683	1,329,060	443,202
Total Texas Commission on Enviornmental Quality			<u>3,406,260</u>	<u>1,022,015</u>
<u>Governor's Office</u>				
Criminal Justice Division				
Regional Peace Officer Training	9/01/07-08/31/08	SF-08-A10-15444-08	320,934	320,933
Regional Peace Officer Training	9/01/07-08/31/08	SF-08-A10-15444-09	341,492	-
State Planning Assistance Grant	9/01/07-08/31/08	2006201	131,159	131,159
State Planning Assistance Grant	9/01/08-08/31/09	2006202	131,159	5,320
Total Governor's Office - Criminal Justice Division			<u>924,744</u>	<u>457,412</u>
<u>Texas Department on Aging and Disability Services</u>				
State General Revenue Match for Title III	09/01/06-08/31/07	SGR	204,673	190,361
State Highway Fund	09/01/06-08/31/07		12,556	12,998
Total Texas Department on Aging and Disability Services			<u>217,229</u>	<u>203,359</u>
<u>Commission on State Emergency Communications</u>				
Regional 9-1-1 Implementation	09/01/06-08/31/07		10,807,501	1,091,374
Regional 9-1-1 Implementation	09/01/07-08/31/08		11,603,659	7,315,618
Regional 9-1-1 Implementation	09/01/08-08-31/09		8,684,664	302,346
Total Commission on State Emergency Communicaitions			<u>31,095,824</u>	<u>8,709,338</u>
TOTAL			<u>\$ 35,644,057</u>	<u>\$ 10,392,124</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.