

ANNUAL FINANCIAL REPORT

of the

**CAPITAL AREA COUNCIL
OF GOVERNMENTS**

For the Year Ended
September 30, 2012

(This page intentionally left blank.)

CAPITAL AREA COUNCIL OF GOVERNMENTS

TABLE OF CONTENTS

September 30, 2012

	<u>Page</u>
Independent Auditors' Report	1
Management's Discussion and Analysis (Required Supplementary Information)	5
<u>BASIC FINANCIAL STATEMENTS</u>	
Government-Wide Financial Statements	
Statement of Net Assets	13
Statement of Activities	14
Fund Financial Statements	
Balance Sheet – Governmental Funds	16
Statement of Revenues, Expenditures, and Changes in Fund Balances – Governmental Funds	18
Reconciliation of the Statement of Revenues, Expenditures, and Changes in Fund Balances of Governmental Funds to the Statement of Activities	21
Notes to Financial Statements	23
<u>OTHER SUPPLEMENTARY INFORMATION</u>	
Combining Balance Sheet – Nonmajor Special Revenue Funds by Funding Source	34
Combining Statement of Revenues, Expenditures and Changes in Fund Balances – Nonmajor Special Revenue Funds by Funding Source	36
Schedule of Indirect Costs	38
Schedule of Fringe Benefits	39
<u>FEDERAL AND STATE AWARDS 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>	43
Independent Auditors' Report on Compliance with Requirements That Could Have a Direct and Material Effect on Each Major Program and on Internal Control Over Compliance in Accordance with OMB Circular A-133, and Schedule of Expenditures of Federal and State Awards	45
Summary Schedule of Prior Audit Findings	48
Schedule of Findings and Questioned Costs	49
Schedule of Expenditures of Federal Awards	50
Schedule of Expenditures of State Awards	51
Notes to Schedule of Expenditures of Federal and State Awards	52

(This page intentionally left blank.)



INDEPENDENT AUDITORS' REPORT

To the Executive Committee Members of the
Capital Area Council of Governments:

We have audited the accompanying financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of the Capital Area Council of Governments (CAPCOG), as of and for the year ended September 30, 2012, 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 opinions on these financial statements based on our audit.

We conducted our audit in accordance with generally accepted auditing standards 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 of America. 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 as of September 30, 2012, 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 on April 30, 2013 on our consideration of CAPCOG's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be considered in 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. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Committee, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the Required Supplementary Information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our

Partners

Robert Belt, CPA
Stephanie E. Harris, CPA
Nathan Krupke, CPA

Houston

3210 Bingle Rd., Ste. 300
Houston, TX 77055
713.263.1123

Bellville

6100 Windy Hill Lane
Bellville, TX 77418
979.865.3169

Austin

100 Congress Ave., Ste. 2000
Austin, TX 78701
512.381.0222

All Offices

www.texasauditors.com
info@txauditors.com
713.263.1550 fax



inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise CAPCOG's basic financial statements. The combining fund statements and schedules are presented for purposes of additional analysis and are not required parts of the financial statements. The accompanying schedule of expenditures of federal and state awards is presented for purposes of additional analysis as required by the 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 financial statements. The combining fund statements and schedules are the responsibility of management and were derived from and relate directly to the underlying accounting and other records used to prepare the financial statements. The information has been subjected to the auditing procedures applied in the audit of the financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements or to the financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the information is fairly stated in all material respects in relation to the financial statements as a whole.

BELT HARRIS PECHACEK, LLLP

Belt Harris Pechacek, LLLP
Certified Public Accountants
Houston, Texas
April 30, 2013

*MANAGEMENT'S DISCUSSION
AND ANALYSIS*

(This page intentionally left blank.)

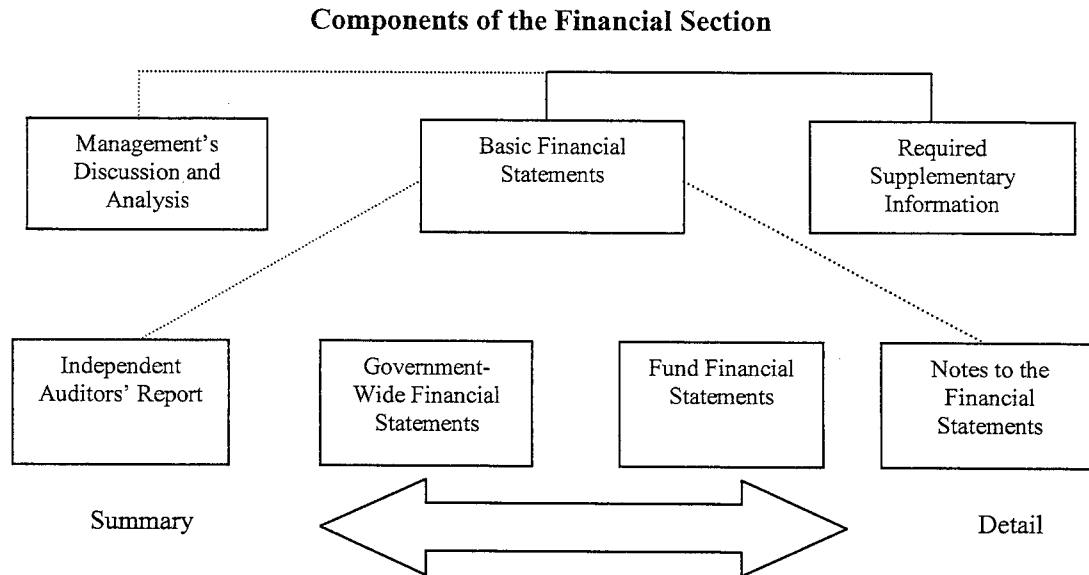
CAPITAL AREA COUNCIL OF GOVERNMENTS

MANAGEMENT'S DISCUSSION AND ANALYSIS

For the Year Ended September 30, 2012

The purpose of the Management's Discussion and Analysis (MD&A) is to give the readers an objective and easily readable analysis of the financial activities of the Capital Area Council of Governments (CAPCOG) for the year. The analysis is based on currently known facts, decisions, or economic conditions. It presents short and long-term analysis of CAPCOG's activities. Governmental Accounting Standards Committee (GASB) Statement No. 34 establishes the content of the minimum requirements for the MD&A. Please read the MD&A in conjunction with CAPCOG's financial statements, which follow this section.

THE STRUCTURE OF OUR ANNUAL REPORT



The annual financial report is presented as compliant with the financial reporting model in effect pursuant to GASB Statement No. 34. The financial reporting model requires governments to present certain basic financial statements as well as an MD&A and certain other Required Supplementary Information (RSI). The basic financial statements include (1) government-wide financial statements, (2) individual fund financial statements, and (3) notes to the financial statements.

Government-Wide Statements

The government-wide statements report information for CAPCOG as a whole. These statements include transactions and balances relating to all assets, including infrastructure capital assets. These statements are designed to provide information about cost of services, operating results, and financial position of CAPCOG as an economic entity. The Statement of Net Assets and the Statement of Activities, which appear first in CAPCOG's financial statements, report information on CAPCOG's activities that enable the reader to understand the financial condition of CAPCOG. These statements are prepared using the *accrual basis of accounting*, which is similar to the accounting method used by most private-sector companies. All of the current year's revenues and expenses are taken into account even if cash has not yet changed hands.

The Statement of Net Assets presents information on all of CAPCOG's assets and liabilities. The difference between the two is reported as *net assets*. Over time, increases or decreases in net assets may serve as a useful indicator of whether the financial position of CAPCOG is improving or deteriorating.

CAPITAL AREA COUNCIL OF GOVERNMENTS

MANAGEMENT'S DISCUSSION AND ANALYSIS (Continued)

For the Year Ended September 30, 2012

The Statement of Activities presents information showing how CAPCOG's net assets changed during the most recent year. All changes in the net assets are reported as soon as the underlying event giving rise to the change occurs, regardless of the timing of related cash flows – the accrual method rather than the modified accrual method that is used in the fund level statements.

The Statement of Net Assets and the Statement of Activities present one class of activities:

1. Governmental Activities – CAPCOG's basic services are reported here, including emergency communications, criminal justice, aging and general government. Grants, membership dues, and contract service revenue finance most of these activities.

The government-wide financial statements can be found after the MD&A.

FUND FINANCIAL STATEMENTS

Funds may be considered as operating companies of the parent corporation, which is CAPCOG. They are usually segregated for specific activities or objectives. CAPCOG uses fund accounting to ensure and demonstrate compliance with finance-related legal reporting requirements. CAPCOG uses only one category of funds, which is governmental.

Governmental Funds

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

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

CAPCOG maintains ten individual governmental funds. Information is presented separately in the governmental fund balance sheet and in the governmental fund statement of revenues, expenditures, and changes in fund balances for the general fund, aging fund, emergency communications fund, environmental quality fund, and housing and urban development which are considered to be major funds, as well as the total for the remaining special revenue funds, which are nonmajor funds for reporting purposes.

Notes to Financial Statements

The notes to the financial statements provide additional information that is essential to a full understanding of the data provided in the government-wide and fund financial statements. The notes can be found after the financial statements within this report.

CAPITAL AREA COUNCIL OF GOVERNMENTS

MANAGEMENT'S DISCUSSION AND ANALYSIS (Continued)

For the Year Ended September 30, 2012

GOVERNMENT-WIDE FINANCIAL ANALYSIS

As noted earlier, net assets may serve over time as a useful indicator of CAPCOG's financial position. For CAPCOG, assets exceed liabilities by \$5,048,851 as of year end in the primary government.

The largest portion of CAPCOG's net assets reflects its investments in capital assets (infrastructure, emergency communications software, equipment). CAPCOG uses these capital assets to provide services to citizens; consequently, these assets are not available for future spending.

Statement of Net Assets:

	Governmental Activities		Total Dollar Change 2012-2011
	2012	2011	
Current and other assets	\$ 6,006,209	\$ 5,405,691	\$ 600,518
Capital assets, net	4,135,079	6,093,628	(1,958,549)
Total Assets	10,141,288	11,499,319	(1,358,031)
Other liabilities	5,092,437	4,557,092	535,345
Total Liabilities	5,092,437	4,557,092	535,345
Net assets:			
Invested in capital assets, net of related debt	4,135,079	6,093,628	(1,958,549)
Restricted	150,813	106,384	44,429
Unrestricted	762,959	742,215	20,744
Total Net Assets	\$ 5,048,851	\$ 6,942,227	\$ (1,893,376)

A portion of CAPCOG's net assets, \$150,813, represents resources that are subject to external restriction on how they may be used. The remaining balance of unrestricted net assets, \$762,959, may be used to meet CAPCOG's ongoing obligations to members.

CAPITAL AREA COUNCIL OF GOVERNMENTS

MANAGEMENT'S DISCUSSION AND ANALYSIS (Continued)

For the Year Ended September 30, 2012

The following table provides a summary of CAPCOG's changes in net assets:

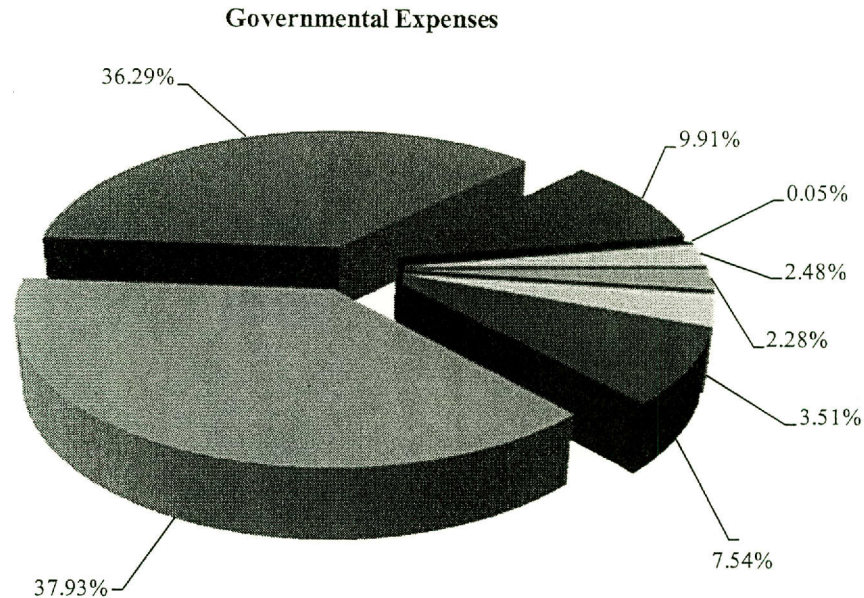
	Governmental Activities		Total Dollar Change
	2012	2011	2012-2011
Revenues			
Program revenues:			
Charges for services	\$ 142,575	\$ 186,368	\$ (43,793)
Operating grants and contributions	16,779,390	20,531,474	(3,752,084)
General revenues:			
Membership dues	235,208	234,052	1,156
Contract service revenue	1,439,150	519,250	919,900
Miscellaneous	98,438	89,269	9,169
Interest income	2,768	4,336	(1,568)
Total Revenues	<u>18,697,529</u>	<u>21,564,749</u>	<u>(2,867,220)</u>
Expenses			
General government	1,552,966	779,384	773,582
Aging	7,809,800	7,922,035	(112,235)
Emergency communications	7,471,518	9,179,929	(1,708,411)
Economic development	2,040,616	528,832	1,511,784
Transportation	10,852	12,443	(1,591)
Criminal justice	511,509	728,672	(217,163)
Homeland security	470,204	597,477	(127,273)
Environmental quality	723,440	1,343,922	(620,482)
Total Expenses	<u>20,590,905</u>	<u>21,092,694</u>	<u>(501,789)</u>
Change in Net Assets	(1,893,376)	472,055	(2,365,431)
Beginning net assets	<u>6,942,227</u>	<u>6,470,172</u>	<u>472,055</u>
Ending Net Assets	<u>\$ 5,048,851</u>	<u>\$ 6,942,227</u>	<u>\$ (1,893,376)</u>

CAPITAL AREA COUNCIL OF GOVERNMENTS

MANAGEMENT'S DISCUSSION AND ANALYSIS (Continued)

For the Year Ended September 30, 2012

Graphic presentations of selected data from the summary tables follows to assist in the analysis of CAPCOG's activities.



For the year ended September 30, 2012, revenues from governmental activities totaled \$18,697,529, a decrease of \$2,867,220 over the prior year. The majority of this change is due to a decrease in operating grants.

As of the end of the fiscal year, expenses for governmental activities totaled \$20,590,905 which represents a decrease of \$501,789 over the prior year. This decrease is mainly due to the decrease in expenditures for disability services for CAPCOG.

FINANCIAL ANALYSIS OF CAPCOG'S FUNDS

As noted earlier, fund accounting is used to demonstrate and ensure compliance with finance-related legal requirements.

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

CAPCOG's governmental funds reflect a combined fund balance of \$1,089,075. Of this, \$938,262 is unassigned and \$150,813 is restricted to various purposes.

The general fund reported a fund balance of \$938,262, an increase of \$27,051 over the prior year. In the aging and emergency communication funds, revenues slightly exceeded expenditures giving the aging and emergency communication funds a restricted fund balance of \$3,312 and \$1,074. In the housing and urban development fund, revenues matched expenditures thus year; therefore, no change in fund balance is reported.

CAPITAL AREA COUNCIL OF GOVERNMENTS

MANAGEMENT'S DISCUSSION AND ANALYSIS (Continued)

For the Year Ended September 30, 2012

CAPITAL ASSETS

At the end of the year, CAPCOG's governmental activities funds had invested \$4,135,079, net of depreciation, in a variety of capital assets, including equipment for emergency communications. Depreciation is included with the governmental capital assets as required by GASB Statement No. 34.

For more detailed information on changes in capital assets, please refer to the notes to the financial statements.

ECONOMIC FACTORS AND NEXT YEAR'S BUDGET

CAPCOG is dependent on federal and state funding, which may vary widely from year to year. The federal economic condition and federal and state budget deficits can impact the re-authorization of funds available to local governments.

For the upcoming year of 2013, CAPCOG increased estimated revenue by \$3,608,345. This was caused by an increase of funds from the State of Texas through the Commission on State Emergency Communications and Texas Commission on Environmental Quality.

CONTACTING CAPCOG'S FINANCIAL MANAGEMENT

This financial report is designed to provide a general overview of CAPCOG's finances. Questions concerning this report or requests for additional financial information should be directed to Capital Area Council of Governments, 6800 Burleson Road, Building 310, Suite 165, Austin, Texas 78744.

FINANCIAL STATEMENTS

(This page intentionally left blank.)

CAPITAL AREA COUNCIL OF GOVERNMENTS

STATEMENT OF NET ASSETS

September 30, 2012

	<u>Primary Government Governmental Activities</u>
<u>Assets</u>	
Cash and cash equivalents	\$ 3,289,373
Receivables	636,672
Due from grantor agencies	2,031,344
Other assets	48,820
	<u>6,006,209</u>
Capital assets:	
Net depreciable capital assets	4,135,079
	<u>10,141,288</u>
	Total Assets
	<u>10,141,288</u>
<u>Liabilities</u>	
Accounts payable	2,762,874
Employee retirement payable	161,092
Accrued employee benefits	175,303
Unearned revenues	1,993,168
	<u>5,092,437</u>
	Total Liabilities
	<u>5,092,437</u>
<u>Net Assets</u>	
Invested in capital assets	4,135,079
Restricted	150,813
Unrestricted	762,959
	<u>5,048,851</u>
	Total Net Assets
	<u>\$ 5,048,851</u>

See Notes to Financial Statements.

CAPITAL AREA COUNCIL OF GOVERNMENTS

STATEMENT OF ACTIVITIES

For the Year Ended September 30, 2012

Functions/Programs	Expenses	Indirect and Internal Cost Allocation	Expenses After Indirect and Internal Cost Allocation
Primary Government:			
Governmental Activities			
General government	\$ 2,902,319	\$ (1,349,353)	\$ 1,552,966
Aging	7,334,757	475,043	7,809,800
Emergency communication	6,947,171	524,347	7,471,518
Economic development	2,004,701	35,915	2,040,616
Transportation	8,677	2,175	10,852
Criminal justice	417,951	93,558	511,509
Homeland security	374,123	96,081	470,204
Environmental quality	601,206	122,234	723,440
Total Governmental Activities	20,590,905	-	20,590,905
Total Primary Government	\$ 20,590,905	\$ -	\$ 20,590,905

General Revenues:

Membership dues
Contract service revenue
Miscellaneous
Interest income

Total General Revenues

Change in Net Assets

Beginning net assets

Ending Net Assets

See Notes to Financial Statements.

<u>Program Revenues</u>		<u>Net (Expense)</u>
<u>Charges for</u>	<u>Operating</u>	<u>Revenue and</u>
<u>Services</u>	<u>Grants and</u>	<u>Changes in</u>
	<u>Contributions</u>	<u>Net Assets</u>
		<u>Governmental</u>
		<u>Activities</u>
\$ 36,100	\$ (56,070)	\$ (1,572,936)
-	7,578,208	(231,592)
-	5,726,438	(1,745,080)
-	2,040,616	-
-	50	(10,802)
106,475	324,097	(80,937)
-	470,204	-
-	695,847	(27,593)
<u>142,575</u>	<u>16,779,390</u>	<u>(3,668,940)</u>
<u>\$ 142,575</u>	<u>\$ 16,779,390</u>	<u>(3,668,940)</u>

235,208
1,439,150
98,438
2,768
<u>1,775,564</u>
(1,893,376)
6,942,227
<u>\$ 5,048,851</u>

CAPITAL AREA COUNCIL OF GOVERNMENTS

BALANCE SHEET

GOVERNMENTAL FUNDS

September 30, 2012

	General	Aging	Emergency Communication	Housing and Urban Development
Assets				
Cash and cash equivalents	\$ 19,079	\$ 95	\$ 2,765,078	\$ -
Receivables	498,900	86,372	39,505	-
Due from grantor agencies	37,040	1,203,324	-	266,461
Due from other funds	2,198,716	-	-	-
Prepaid items	46,665	2,009	-	-
Total Assets	\$ 2,800,400	\$ 1,291,800	\$ 2,804,583	\$ 266,461
Liabilities				
Accounts payable	\$ 1,649,222	\$ 5,599	\$ 1,046,106	\$ 51,837
Employee retirement payable	161,092	-	-	-
Due to other funds	-	1,282,702	145,434	214,624
Deferred revenue	51,824	187	1,611,969	-
Total Liabilities	1,862,138	1,288,488	2,803,509	266,461
Fund Balances				
Restricted	-	3,312	1,074	-
Unreserved and undesignated	938,262	-	-	-
Total Fund Balances	938,262	3,312	1,074	-
Total Liabilities and Fund Balances	\$ 2,800,400	\$ 1,291,800	\$ 2,804,583	\$ 266,461

Adjustments for the Statement of Net Assets:

Capital assets used in governmental activities are not current financial resources and, therefore, are not reported in the governmental funds.

Capital assets - depreciable
Accumulated depreciation

Some liabilities are not reported as liabilities in the governmental funds.

Accrued compensated absences

Net Assets of Governmental Activities

See Notes to Financial Statements.

Nonmajor Special Revenue Funds	Total Governmental Funds
\$ 505,121	\$ 3,289,373
11,895	636,672
524,519	2,031,344
114,746	2,313,462
146	48,820
<u>\$ 1,156,427</u>	<u>\$ 8,319,671</u>

\$ 10,110	\$ 2,762,874
-	161,092
670,702	2,313,462
329,188	1,993,168
<u>1,010,000</u>	<u>7,230,596</u>

146,427	150,813
-	938,262
<u>146,427</u>	<u>1,089,075</u>

<u>\$ 1,156,427</u>	<u>8,319,671</u>
---------------------	------------------

16,349,181
(12,214,102)

(175,303)
\$ 5,048,851

CAPITAL AREA COUNCIL OF GOVERNMENTS
STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES
GOVERNMENTAL FUNDS

For the Year Ended September 30, 2012

	General	Aging	Emergency Communication	Housing and Urban Development
Revenues				
Federal grants	\$ -	\$ 4,423,502	\$ -	\$ 1,000,636
State grants	-	178,238	5,726,438	-
Membership dues	235,208	-	-	-
Local match	(118,224)	-	-	-
Other local revenue	-	2,922,311	-	854,850
Miscellaneous	48,064	24,473	1,603	-
Interest	681	-	2,087	-
Tuition fees	36,100	-	-	-
Contract service revenue	1,073,550	210,431	-	-
Third party applied	-	-	-	-
Contractual local match	62,154	54,157	-	-
Total Revenues	<u>1,337,533</u>	<u>7,813,112</u>	<u>5,730,128</u>	<u>1,855,486</u>
Expenditures				
Current:				
General government	1,310,482	-	-	-
Aging	-	7,809,800	-	-
Emergency communications	-	-	5,729,054	-
Economic development	-	-	-	1,855,486
Transportation	-	-	-	-
Criminal justice	-	-	-	-
Homeland security	-	-	-	-
Environmental quality	-	-	-	-
Total Expenditures	<u>1,310,482</u>	<u>7,809,800</u>	<u>5,729,054</u>	<u>1,855,486</u>
Net Change in Fund Balances	27,051	3,312	1,074	-
Beginning fund balances	911,211	-	-	-
Ending Fund Balances	<u>\$ 938,262</u>	<u>\$ 3,312</u>	<u>\$ 1,074</u>	<u>\$ -</u>

See Notes to Financial Statements.

Nonmajor Special Revenue Funds	Total Governmental Funds
\$ 592,914	\$ 6,017,052
1,010,159	6,914,835
-	235,208
-	(118,224)
-	3,777,161
24,298	98,438
-	2,768
106,475	142,575
155,169	1,439,150
8,751	8,751
63,504	179,815
<u>1,961,270</u>	<u>18,697,529</u>
-	1,310,482
-	7,809,800
-	5,729,054
185,130	2,040,616
10,852	10,852
511,509	511,509
470,204	470,204
743,532	743,532
<u>1,921,227</u>	<u>18,626,049</u>
40,043	71,480
106,384	1,017,595
<u>\$ 146,427</u>	<u>\$ 1,089,075</u>

(This page intentionally left blank.)

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, 2012

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

Net changes in fund balances - total governmental funds	\$	71,480
<p>Governmental funds report capital outlays as expenditures. However, in the Statement of Activities, the cost of those assets is allocated over their estimated useful lives and reported as depreciation expense.</p>		
Capital purchases		29,808
Depreciation expense		(1,988,357)
<p>Some expenses reported in the Statement of Activities do not require the use of current financial resources and, therefore, are not reported as expenditures in governmental funds.</p>		
Compensated absences		(6,307)
Change in Net Assets of Governmental Activities	\$	(1,893,376)

See Notes to Financial Statements.

(This page intentionally left blank.)

CAPITAL AREA COUNCIL OF GOVERNMENTS

NOTES TO FINANCIAL STATEMENTS

For the Year Ended September 30, 2012

I. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

A. 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.

Considerations regarding the potential for inclusion of other entities, organizations, or functions in CAPCOG's financial reporting entity are based on criteria prescribed by generally accepted accounting principles. These same criteria are evaluated in considering whether CAPCOG is a part of any other governmental or other type of reporting entity. The overriding elements associated with the prescribed criteria considered in determining that CAPCOG's financial reporting entity status is that of a primary government are that it has a separately elected governing body, it is legally separate, and it is fiscally independent of other state and local governments. Additionally, prescribed criteria under generally accepted accounting principles include considerations pertaining to organizations for which the primary government is financially accountable, and considerations pertaining to organizations for which the nature and significance of their relationship with the primary government are such that exclusion would cause the reporting entity's financial statements to be misleading or incomplete.

The employees' pension plan 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, therefore, is not considered a component unit.

B. Government-Wide and Fund Financial Statements

The government-wide financial statements (i.e., the Statement of Net Assets and the Statement of Activities) report information about CAPCOG as a whole. These statements include all activities of the primary government. For the most part, the effect of interfund activity has been removed from these statements, if applicable. Governmental activities are normally supported by intergovernmental revenues.

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 charges paid by the recipients of goods or services offered by the programs and grants that are restricted to meeting the operational or capital requirements of a particular program. Revenues that are not classified as program revenues, such as membership dues and investment earnings, are presented as general revenues.

CAPITAL AREA COUNCIL OF GOVERNMENTS

NOTES TO FINANCIAL STATEMENTS (Continued)

For the Year Ended September 30, 2012

Financial statements are provided for governmental funds. Major individual governmental funds are reported as separate columns in the fund financial statements. In the fund financial statements, the accounts of CAPCOG are organized on the basis of funds, each of which is considered a separate accounting entity. The operations of each fund are accounted for with a separate set of self-balancing accounts that comprise its assets, liabilities, fund equity, revenues, and expenditures or expenses, as appropriate. Following is a description of the various funds:

Governmental Funds

Governmental funds are those funds through which most governmental functions are typically financed.

General Fund

The general fund is used to account for all financial transactions not properly includable in other funds. The principal source of revenues is intergovernmental revenues. Expenditures include general government costs.

Special Revenue Funds

The special revenue funds are used to account for the proceeds of specific revenue sources that are restricted or committed to expenditure for specific purposes other than debt service or capital projects. The restricted or committed proceeds of specific revenue sources comprise a substantial portion of the inflows of these special revenue funds. The special revenue funds include the aging fund, emergency communication fund, criminal justice fund, economic development fund, rural affairs fund, emergency management fund, and environmental quality fund. The aging, emergency communication, and housing and urban developmentspecial revenue funds are considered major funds for reporting purposes. The remaining special revenue funds are considered nonmajor.

C. Measurement Focus and Basis of Accounting

The government-wide Statement of Net Assets and Statement of Activities are accounted for on a flow of economic resources measurement focus, which is the accrual basis of accounting. With this measurement focus, all assets and all liabilities associated with the operations of these activities are included on the balance sheet.

The accounting and financial reporting treatment applied to a fund is determined by its measurement focus. All governmental funds are accounted for using a current financial resources measurement focus. With this measurement focus, only current assets and current liabilities are generally included on the balance sheet. Operating statements of these funds present increases (i.e., revenues and other financing sources) and decreases (i.e., expenditures and other financing uses) in net current assets.

CAPCOG utilizes the modified accrual basis of accounting in the governmental fund types. Under the modified accrual basis of accounting, revenues are recognized in the accounting period when they are susceptible to accrual (i.e., when they are measurable and available). "Measurable" means the amount of the transaction can be determined, and "available" means collectible within the current period or soon enough thereafter to pay liabilities of the current period. For this purpose, CAPCOG considers revenues available if they are collected within 60 days of the end of the current period.

CAPITAL AREA COUNCIL OF GOVERNMENTS

NOTES TO FINANCIAL STATEMENTS (Continued)

For the Year Ended September 30, 2012

Grants and contributions associated with the current period are all considered to be susceptible to accrual and so have been recognized as revenues of the current period. Other receipts become measurable and available when cash is received by the government and are recognized as revenue at that time.

Under modified accrual accounting, expenditures are recognized in the accounting period in which the liability is incurred, if measurable.

D. Assets, Liabilities, and Net Assets or Fund Equity

1. Deposits and Investments

CAPCOG's cash and cash equivalents are considered to be cash on hand, demand deposits, and short term investments with original maturities of three months or less from the date of acquisition.

In accordance with GASB Statement No. 31, *Accounting and Reporting for Certain Investments and External Investment Pools*, CAPCOG reports all investments at fair value, except for "money market investments" and "2a7-like pools." Money market investments, which are short-term, highly liquid debt instruments that may include U.S. Treasury and agency obligations, are reported at amortized costs. Investment positions in external investment pools that are operated in a manner consistent with the SEC's Rule 2a7 of the Investment Company Act of 1940, such as TexPool, are reported using the pools' share price.

CAPCOG has adopted a written investment policy regarding the investment of its funds as defined in the Public Funds Investment Act, Chapter 2256, Texas Governmental Code. In summary, CAPCOG is authorized to invest in the following:

- Direct obligations of the U.S. government and State of Texas or their agencies or instrumentalities
- Fully collateralized certificates of deposit
- Collateralized mortgage obligations (CMOs)
- Commercial paper
- Fully collateralized repurchase agreements
- Investment pools

2. Receivables

Receivables are comprised of membership dues, tuition fees, employee travel advances and other miscellaneous receivables. Balances in receivables accounts are expected to be collected within one year.

3. Inventories and Prepaid Items

The costs of governmental fund type inventories are recorded as expenditures when the related liability is incurred, (i.e., the purchase method). Certain payments to vendors reflect costs applicable to the future accounting period (prepaid expenditures) are recognized as expenditures when utilized.

4. Capital Assets

Capital assets, which include property, equipment, and leasehold improvements, are reported in the governmental column in the government-wide financial statements. Capital assets are defined by CAPCOG as assets with an initial, individual cost of more than \$5,000 and an estimated useful life in

CAPITAL AREA COUNCIL OF GOVERNMENTS

NOTES TO FINANCIAL STATEMENTS (Continued)

For the Year Ended September 30, 2012

excess of three years. Such assets are recorded at historical cost or estimated historical cost if purchased or constructed. Donated capital assets are recorded at estimated fair market value at the date of donation. Major outlays for capital assets and improvements are capitalized as projects are constructed. CAPCOG does not capitalize net interest cost. The costs of normal maintenance and repairs that do not add to the value of the asset or materially extend the lives of assets are not capitalized.

Property, equipment, and leasehold improvements of the primary government are depreciated using the straight-line method over the following estimated useful years:

<u>Asset Description</u>	<u>Estimated Useful Life</u>
Furniture	3 years
Office and computer equipment	5 years
Emergency communications equipment	5 years
Leasehold improvements	10 years (lease term)

5. Compensated Absences

It is CAPCOG's policy to permit employees in permanent, full-time positions to accumulate earned but unused vacation, sick, and compensatory time. Earned time that is expected to be liquidated with expendable, available financial resources is reported as an expenditure and a fund liability of the governmental fund that will pay for it. Amounts of vested or accumulated leave that are not expected to be liquidated with expendable, available financial resources are maintained separately and represent a reconciling item between the fund and government-wide presentations.

6. Fund Balances – Governmental Funds

In the fund financial statements, fund balances in governmental funds are classified as follows:

Nonspendable – Represents amounts that cannot be spent because they are either not in spendable form (such as inventory or prepaid items) or legally required to remain intact (such as principal of a permanent fund).

Restricted – Represents amounts that are constrained by external parties, constitutional provisions, or enabling legislation.

Committed – Represents amounts that can only be used for a specific purpose because of a formal action by CAPCOG's Executive Committee (the "Committee"). Committed amounts cannot be used for any other purpose unless the Committee removes those constraints by taking the same type of formal action. Commitments are approved through the adoption and amendment of the CAPCOG's budget or a formal resolution stating the commitment. The commitment must be made prior to year end.

Assigned – Represents amounts which CAPCOG intends to use for a specific purpose, but that do not meet the criteria to be classified as restricted or committed. Intent may be stipulated by the Committee or by an official or body to which the Committee delegates the authority. Specific amounts that are not restricted or committed in a special revenue, capital projects, debt service, or permanent fund are assigned for purposes in accordance with the nature of their fund type or the fund's primary purpose. Assignments within the general fund convey that the intended use of those amounts is for a

CAPITAL AREA COUNCIL OF GOVERNMENTS

NOTES TO FINANCIAL STATEMENTS (Continued)

For the Year Ended September 30, 2012

specific purpose that is narrower than the general purposes of CAPCOG itself. Assignments can be made at any time.

Unassigned – Represents amounts which are unconstrained in that they may be spent for any purpose. Only the general fund reports a positive unassigned fund balance. Other governmental funds might report a negative balance in this classification because of overspending for specific purposes for which amounts had been restricted, committed, or assigned.

When an expenditure is incurred for a purpose for which both restricted and unrestricted fund balance is available, CAPCOG considers restricted funds to have been spent first. When an expenditure is incurred for which committed, assigned, or unassigned fund balances are available, CAPCOG considers amounts to have been spent first out of committed, then assigned funds, and finally unassigned funds.

7. Estimates

The preparation of financial statements, in conformity with generally accepted accounting principles, requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenditures/expenses during the reporting period. Actual results could differ from those estimates.

8. 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.

9. 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.

10. 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 (OMB) *Circular 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 Circular A-87. It is CAPCOG's policy to use this allocation plan to establish a provisional rate, which is used for billing purposes during CAPCOG's succeeding fiscal year. Upon the completion of an independent audit at the end of each fiscal year, the indirect cost rate is finalized.

CAPCOG CAPITAL AREA COUNCIL OF GOVERNMENTS

NOTES TO FINANCIAL STATEMENTS (Continued)

For the Year Ended September 30, 2012

CAPCOG utilizes the modified direct expense method for allocation 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 \$15,000 per contract. The first \$15,000 of each sub-grant administered by CAPCOG is also included in the calculation of modified direct expenses. This methodology is allowed under OMB Circular A-87 and has been approved by CAPCOG's State cognizant agency.

11. Unearned Revenue

Occasionally, grant funding and other revenue which has been received is earned after year end. The grant agreement with the Texas Commission on Environmental Quality for Solid Waste Management extends past September 30, 2012, for which \$226,305 was received prior to year end. Funding received from the Commission on State Emergency Communications in the amount of \$1,611,969 is shown as unearned revenue for payments received for operation of the regional 9-1-1 system for the first quarter of fiscal year 2013. Advance tuition payments in the amount of \$102,883 in the criminal justice fund have been treated as unearned revenue and will be recognized in fiscal year 2013 when basic peace officer courses are delivered to students. Additionally, the general fund has recognized \$51,824 in unearned revenue for the emergency notification system contract which began October 1, 2012.

II. STEWARDSHIP, COMPLIANCE, AND ACCOUNTABILITY

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 the CAPCOG's Executive Committee ("the 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 the Committee, but 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.

III. DETAILED NOTES ON ALL FUNDS

A. Deposits and Investments

As of September 30, 2012, CAPCOG had the following investments:

<u>Investment Type</u>	<u>Fair Value</u>	<u>Weighted Average Maturity (Years)</u>
External investment pools	\$ 3,228,993	0.00
Total fair value	<u>\$ 3,228,993</u>	
Portfolio weighted average maturity		0.00

Custodial credit risk – deposits. In the case of deposits, this is the risk that in the event of a bank failure, CAPCOG's deposits may not be returned to it. CAPCOG's investment policy requires funds

CAPITAL AREA COUNCIL OF GOVERNMENTS

NOTES TO FINANCIAL STATEMENTS (Continued)

For the Year Ended September 30, 2012

on deposit at the depository bank to be collateralized by securities. At year end, market values of CAPCOG's pledged securities and FDIC insurance exceeded bank balances.

TexPool

CAPCOG invests in TexPool. TexPool was established as a trust company with the Treasurer of the State of Texas as trustee, segregated from all other trustees, investments, and activities of the trust company. The State Comptroller of Public Accounts exercises oversight responsibility over TexPool. Oversight includes the ability to significantly influence operations, designation of management, and accountability for fiscal matters. Additionally, the State Comptroller has established an advisory Committee composed of both participants in TexPool and other persons who do not have a business relationship with TexPool.

The advisory Committee members review the investment policy and management fee structure. Finally, Standard & Poor's rate TexPool "AAAm". As a requirement to maintain the rating, weekly portfolio information must be submitted to Standard & Poor's, as well as to the office of the Comptroller of Public Accounts for review.

B. Capital Assets

A summary of changes in capital assets at year end is as follows:

Governmental Activities:	Beginning Balances	Increases	(Decreases)	Ending Balances
Capital assets being depreciated:				
Furniture and equipment	\$ 14,682,000	\$ 29,808	\$ -	\$ 14,711,808
Leasehold improvements	1,637,373	-	-	1,637,373
Total capital assets being depreciated	<u>16,319,373</u>	<u>29,808</u>	<u>-</u>	<u>16,349,181</u>
Less accumulated depreciation for:				
Furniture and equipment	(9,407,060)	(1,824,620)	-	(11,231,680)
Leasehold improvements	(818,685)	(163,737)	-	(982,422)
Total accumulated depreciation	<u>(10,225,745)</u>	<u>(1,988,357)</u>	<u>-</u>	<u>(12,214,102)</u>
Total capital assets being depreciated, net	<u>6,093,628</u>	<u>(1,958,549)</u>	<u>-</u>	<u>4,135,079</u>
Totals	<u>\$ 6,093,628</u>	<u>\$ (1,958,549)</u>	<u>\$ -</u>	<u>\$ 4,135,079</u>

Depreciation was charged to governmental functions as follows:

General government	\$ 72,440
Emergency communications	1,742,464
Environmental quality	9,716
Total	<u>\$ 1,824,620</u>

CAPITAL AREA COUNCIL OF GOVERNMENTS

NOTES TO FINANCIAL STATEMENTS (Continued)

For the Year Ended September 30, 2012

C. Commitments

CAPCOG leases office space and certain equipment under several long-term operating leases. CAPCOG entered into a ten-year office space lease with payments beginning April 1, 2007. At September 30, 2012, CAPCOG was committed for rental payments as follows:

Fiscal Year Ended	Office Space
2013	\$ 469,506
2014	495,000
2015	520,494
2016	541,739
2017	275,118
Total	\$ 2,301,857

Lease expenses for office space, furniture and telephone equipment were \$446,561 for the year ended September 30, 2012.

D. Interfund Transactions

Receivable Fund	Payable Fund	Due From Other Funds
General government	Aging	\$ 1,282,702
General government	Emergency communication	145,434
General government	Housing and urban development	214,624
General government	Nonmajor funds	555,956
Nonmajor funds	Nonmajor funds	114,746
		\$ 2,313,462

E. Accrued Compensated Absences

Employees in permanent, full-time positions earn eight hours of vacation with pay and one day of sick leave for each month of service for the first three years of employment and ten hours per month of vacation thereafter. Employees may accumulate up to 30 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 \$175,303 at September 30, 2012.

IV. OTHER INFORMATION

A. Risk Management

CAPCOG is exposed to various risks of loss related to torts; theft of, damage to and destruction of assets; errors and omissions; and natural disasters for which CAPCOG participates along with 2,617 other entities in the Texas Municipal League's Intergovernmental Risk Pools (the "Pool"). The Pool purchases commercial insurance at a group rate for participants in the Pool. CAPCOG has no additional risk or responsibility to the Pool, outside of the payment of insurance premiums. CAPCOG has not significantly reduced insurance coverage or had settlements which exceeded coverage amounts for the past three years.

CAPITAL AREA COUNCIL OF GOVERNMENTS

NOTES TO FINANCIAL STATEMENTS (Continued)

For the Year Ended September 30, 2012

B. Delegate Agency Costs and Contingent Liabilities

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.

The amount of expenditures which may be disallowed by the grantor cannot be determined at this time although CAPCOG expects such amounts, if any, to be immaterial.

Liabilities are reported when it is probable that a loss has occurred and the amount of the loss can be reasonably estimated. Liabilities include an amount for claims that have been incurred but not reported. Claim liabilities are calculated considering the effects of inflation, recent claim settlement trends including frequency and amount of payouts, and other economic and social factors. No claim liabilities are reported at year end.

C. Pension Plans

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 one to 25 percent 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 percent per year of service.

CAPCOG's total payroll in fiscal year 2012 was \$2,963,673. During the year, CAPCOG accrued \$219,581 (7.4 percent of total base salaries) to the Plan, and its employees made contributions of \$186,287 (6.3 percent of total base salaries). During the prior year, CAPCOG accrued 13.7 percent of total base salaries to the Plan.

(This page intentionally left blank.)

OTHER SUPPLEMENTARY INFORMATION

CAPITAL AREA COUNCIL OF GOVERNMENTS

COMBINING BALANCE SHEET

NONMAJOR SPECIAL REVENUE FUNDS BY FUNDING SOURCE

September 30, 2012

	Economic Development Administration	Texas Department of Rural Affairs	Criminal Justice Division	Division of Emergency Management
<u>Assets</u>				
Cash and cash equivalents	\$ -	\$ -	\$ -	\$ -
Receivables	-	-	7,695	-
Due from grantor agencies	20,652	10,853	107,650	165,938
Due from other funds	-	-	114,746	-
Prepaid	-	-	-	-
Total Assets	\$ 20,652	\$ 10,853	\$ 230,091	\$ 165,938
<u>Liabilities</u>				
Accounts payable	\$ -	\$ -	\$ -	\$ 1,183
Due to other funds	20,652	10,853	-	164,755
Due to grantor agencies	-	-	-	-
Unearned revenue	-	-	102,883	-
Total Liabilities	20,652	10,853	102,883	165,938
<u>Fund Balances</u>				
Restricted	-	-	127,208	-
Total Fund Balances	-	-	127,208	-
Total Liabilities and Fund Balances	\$ 20,652	\$ 10,853	\$ 230,091	\$ 165,938

Texas Commission on Environmental Quality	Environmental Protection Agency	Total Nonmajor Special Revenue Funds
\$ 505,121	\$ -	\$ 505,121
4,200	-	11,895
219,426	-	524,519
-	-	114,746
-	146	146
<u>\$ 728,747</u>	<u>\$ 146</u>	<u>\$ 1,156,427</u>
\$ 8,927	\$ -	\$ 10,110
474,296	146	670,702
-	-	-
226,305	-	329,188
<u>709,528</u>	<u>146</u>	<u>1,010,000</u>
19,219	-	146,427
<u>19,219</u>	<u>-</u>	<u>146,427</u>
<u>\$ 728,747</u>	<u>\$ 146</u>	<u>\$ 1,156,427</u>

CAPITAL AREA COUNCIL OF GOVERNMENTS
COMBINING STATEMENT OF REVENUES, EXPENDITURES,
AND CHANGES IN FUND BALANCES
NONMAJOR SPECIAL REVENUE FUNDS BY FUNDING SOURCE

For the Year Ended September 30, 2012

	<u>Economic Development Administration</u>	<u>Texas Department of Rural Affairs</u>	<u>Criminal Justice Division</u>	<u>Division of Emergency Management</u>
Revenues				
Federal grants	\$ 121,626	\$ -	\$ -	\$ 470,204
State grants	-	50	324,097	-
Interest income	-	-	-	-
Other local revenue	-	-	-	-
Miscellaneous	-	-	-	-
Contract service revenue	-	10,802	101,761	-
Tuition fees	-	-	106,475	-
Third party applied	-	-	-	-
Cash match allocation	63,504	-	-	-
Total Revenues	<u>185,130</u>	<u>10,852</u>	<u>532,333</u>	<u>470,204</u>
Expenditures				
Current:				
Personnel services	117,390	8,295	266,519	232,584
Contractual services	678	-	51,455	146,051
Travel	6,196	-	2,163	3,196
Supplies and materials	17,215	19	16,020	14,075
Equipment rental and maintenance	-	-	-	-
Office space	3,645	-	61,576	2,068
Miscellaneous	4,091	363	20,218	(23,851)
Delegate agency costs	-	-	-	-
Internal expense allocation	20,392	985	14,204	70,020
Indirect cost allocation	15,523	1,190	79,354	26,061
Third party matching	-	-	-	-
Capital outlay	-	-	-	-
Total Expenditures	<u>185,130</u>	<u>10,852</u>	<u>511,509</u>	<u>470,204</u>
Net Change in Fund Balances	-	-	20,824	-
Beginning fund balances	-	-	106,384	-
Ending Fund Balances	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 127,208</u>	<u>\$ -</u>

Texas Commission on Environmental Quality	Environmental Protection Agency	Total Nonmajor Special Revenue Funds
\$ -	\$ 1,084	\$ 592,914
686,012	-	1,010,159
-	-	-
-	-	-
24,298	-	24,298
42,606	-	155,169
-	-	106,475
-	8,751	8,751
-	-	63,504
<u>752,916</u>	<u>9,835</u>	<u>1,961,270</u>
326,971	-	951,759
66,475	1,084	265,743
4,828	-	16,383
12,335	-	59,664
-	-	-
33,034	-	33,034
17,142	-	84,431
149,778	-	150,599
900	-	900
54,389	-	159,990
67,845	-	189,973
-	8,751	8,751
-	-	-
<u>733,697</u>	<u>9,835</u>	<u>1,921,227</u>
19,219	-	40,043
-	-	106,384
<u>\$ 19,219</u>	<u>\$ -</u>	<u>\$ 146,427</u>

CAPITAL AREA COUNCIL OF GOVERNMENTS

SCHEDULE OF INDIRECT COSTS

For the Year Ended September 30, 2012

	2012		2011
	Actual	Budget	Actual
Salaries	\$ 289,551	\$ 289,689	\$ 271,025
Benefits	136,978	131,171	122,684
	<u>426,529</u>	<u>420,860</u>	<u>393,709</u>
Accounting/Auditing	19,739	17,862	17,492
Advertising	50	500	25
Communications	4,226	6,849	4,480
Computer support services	18,308	13,833	12,143
Consumable supplies	4,499	10,500	9,089
Contractual	75	2,500	1,541
Equipment leases	34,194	27,500	27,500
Insurance and bonding	10,620	17,000	6,722
Legal	2,887	5,000	2,775
Maintenance and repair	-	500	-
Meeting expense	-	3,500	286
Office lease	53,554	53,130	46,222
Personnel/payroll services	10,728	12,706	10,476
Photocopies	13,416	10,000	9,457
Postage	4,920	5,000	6,263
Printing	365	2,500	1,033
Professional development	7,874	3,350	5,650
Professional services	282	1,500	-
Subscriptions and membership dues	31,316	26,500	28,524
Travel	6,447	16,500	8,904
Total Indirect Costs	<u>\$ 650,029</u>	<u>\$ 657,590</u>	<u>\$ 592,291</u>
Indirect Cost Allocation Base	<u>\$ 6,447,638</u>	<u>\$ 6,827,641</u>	<u>\$ 7,941,756</u>
Indirect Rate	<u>10.08%</u>	<u>9.63%</u>	<u>7.46%</u>

CAPITAL AREA COUNCIL OF GOVERNMENTS

SCHEDULE OF FRINGE BENEFITS

For the Year Ended September 30, 2012

	2012		2011
	Actual	Budget	Actual
Payroll taxes	\$ 226,859	\$ 233,546	\$ 228,472
Group insurance	363,225	400,017	323,195
Worker compensation insurance	203,688	214,924	7,524
Unemployment insurance	16,823	9,159	10,715
Retirement contribution	7,703	-	217,440
Other	2,177	-	10,039
Release time	381,877	352,257	372,931
Total Fringe Benefits	\$ 1,202,352	\$ 1,209,903	\$ 1,170,316
Total wages	3,013,462	3,052,893	3,013,462
Release time	(381,877)	(352,257)	(372,931)
Basis for Allocation	\$ 2,631,585	\$ 2,700,636	\$ 2,640,531
Employee Benefit Rate	45.69%	44.80%	44.32%

(This page intentionally left blank.)

*FEDERAL AND
STATE AWARDS*

(This page intentionally left blank.)



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*

April 30, 2013

To the Executive Committee Members of the
Capital Area Council of Governments:

We have audited the financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of the Capital Area Council of Governments (CAPCOG), as of and for the year ended September 30, 2012, which collectively comprise CAPCOG's basic financial statements and have issued our report thereon dated April 30, 2013. We conducted our audit in accordance with generally accepted auditing standards 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

Management of CAPCOG is responsible for establishing and maintaining effective 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.

Our consideration of internal control over financial reporting was for the limited purpose described in the preceding paragraph and was not designed to identify all deficiencies in internal control over financial reporting that might be significant deficiencies or material weaknesses and, therefore, there can be no assurance that all deficiencies, significant deficiencies, or material weaknesses have been identified.

A deficiency in internal control 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 and correct, misstatements on a timely basis. A material weakness is a deficiency, or a combination of deficiencies, in internal control such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented, or detected and corrected, on a timely basis. We did not identify any deficiencies in internal control over financial reporting that we consider to be material weaknesses as defined above.

Partners

Robert Belt, CPA
Stephanie E. Harris, CPA
Nathan Krupke, CPA

Houston

3210 Bingle Rd., Ste. 300
Houston, TX 77055
713.263.1123

Bellville

1304 South Front St.
Bellville, TX 77418
979.865.3169

Austin

100 Congress Ave., Ste. 2000
Austin, TX 78701
512.381.0222

All Offices

www.texasauditors.com
info@txauditors.com
713.263.1550 fax

A significant deficiency is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance. We did not identify any deficiencies in internal control over financial reporting that we consider to be significant deficiencies as defined above.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the CAPCOG's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit and, accordingly, we do not express such an opinion. The results of our tests did not disclose any instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards* or *State of Texas Single Audit Circular*.

This report is intended solely for the information and use of the Executive Committee, federal awarding agencies, 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.

BELT HARRIS PECHACEK, LLLP

Belt Harris Pechacek, LLLP
Certified Public Accountants
Houston, Texas



**INDEPENDENT AUDITORS' REPORT ON COMPLIANCE WITH REQUIREMENTS THAT
COULD HAVE A DIRECT AND MATERIAL EFFECT ON EACH MAJOR PROGRAM
AND ON INTERNAL CONTROL OVER COMPLIANCE IN ACCORDANCE WITH
OMB CIRCULAR A-133, AND SCHEDULE OF EXPENDITURES OF
FEDERAL AND STATE AWARDS**

April 30, 2013

To the Executive Committee Members of the
Capital Area Council of Governments:

Compliance

We have audited the compliance of the 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 could have a direct and material effect on each of its major federal and state programs for the year ended September 30, 2012. CAPCOG's major federal and state programs are identified in the summary of auditors' results section of the accompanying schedule of findings and questioned costs. Compliance with the requirements of laws, regulations, contracts, and grants applicable to each of its major federal and state programs is the responsibility of 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 generally accepted auditing standards 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; 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, 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 and 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 of CAPCOG's compliance with those requirements.

In our opinion, CAPCOG complied, in all material respects, with the compliance requirements referred to above that could have a direct and material effect on each of its major federal and state programs for the year ended September 30, 2012.

Partners

Robert Belt, CPA
Stephanie E. Harris, CPA
Nathan Krupke, CPA

Houston

3210 Bingle Rd., Ste. 300
Houston, TX 77055
713.263.1123

Bellville

6100 Windy Hill Lane
Bellville, TX 77418
979.865.3169

Austin

100 Congress Ave., Ste. 2000
Austin, TX 78701
512.381.0222

All Offices

www.texasauditors.com
info@txauditors.com
713.263.1550 fax



GOVERNMENT AUDITS SEALED WITH EXCELLENCE

Internal Control Over Compliance

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 programs. In planning and performing our audit, we considered CAPCOG's internal control over compliance with the requirements that could have a direct and material effect on a major federal program to determine the 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 deficiency in 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 and correct, noncompliance with a type of compliance requirement of a federal or state program on a timely basis. A material weakness in internal control over compliance is a deficiency, or combination of deficiencies, in internal control over compliance, such that there is a reasonable possibility that material noncompliance with a type of compliance requirement of a federal or state program will not be prevented, or detected and corrected, on a timely basis.

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

Schedule of Expenditures of Federal Awards and Schedule of Expenditures of State Awards

We have audited the financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of CAPCOG, as of and for the year ended September 30, 2012, and have issued our report thereon dated April 30, 2013, which contained unqualified opinions on those financial statements. Our audit was performed for the purpose of forming opinions on those financial statements as a whole. The accompanying schedule of expenditures of federal awards and schedule of expenditures of state awards are presented for purposes of additional analysis as required by U.S. OMB Circular A-133, *Audits of States, Local Government, and Non-Profit Organizations* and the *State of Texas Single Audit Circular*, issued by the Governor's Office of Budget and Planning, and are not required parts of the financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the financial statements. The information has been subjected to the auditing procedures applied in the audit of the financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements or to the financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the schedule of expenditures of federal awards and the schedule of expenditures of state awards are fairly stated in all material respects in relation to the financial statements as a whole.

The purpose of this report is solely to describe the scope of our testing of compliance with the types of compliance requirements applicable to each of CAPCOG's major programs and our testing of internal control over compliance and the results of our testing, and to provide an opinion on CAPCOG's compliance but not to provide an opinion on the effectiveness of CAPCOG's internal control over compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering CAPCOG's compliance with requirements applicable to each major program and its internal control over compliance. Accordingly, this report is not suitable for any other purpose.

BELT HARRIS PECHACEK, LLLP

Belt Harris Pechacek, LLLP
Certified Public Accountants
Houston, Texas

CAPITAL AREA COUNCIL OF GOVERNMENTS

SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS

For the Year Ended September 30, 2012

No prior findings.

CAPITAL AREA COUNCIL OF GOVERNMENTS

SCHEDULE OF FINDINGS AND QUESTIONED COSTS

For the Year Ended September 30, 2012

A. SUMMARY OF AUDIT RESULTS

1. The auditors' report expresses an unqualified opinion on the basic financial statements of CAPCOG.
2. Significant deficiencies in internal control were not disclosed by the audit of the basic financial statements.
3. No instances of noncompliance material to the basic financial statements were disclosed during the audit.
4. No significant deficiencies in internal control over major federal award programs were disclosed by the audit.
5. The auditors' report on compliance for the major federal award programs expresses an unqualified opinion.
6. No audit findings relative to the major federal award programs for CAPCOG are reported in Part C of this schedule.

7. The programs included as major programs included:

	<u>CFDA Number</u>
Department of Health and Human Services Aging Cluster	93.044, 93.045, 93.053
Department of Health and Human Services Grants	93.052
Department of Housing and Urban Development Grants	14.703
Department of Homeland Security Grants	97.073
Regional Air Quality Planning – State Award	
Regional 9-1-1 Systems – State Award	

8. The threshold for distinguishing Type A and B programs was \$300,000.
9. CAPCOG did classify as a low-risk auditee in the context of OMB Circular A-133.

B. FINDINGS – BASIC FINANCIAL STATEMENT AUDIT

None

C. FINDINGS – FEDERAL AND STATE AWARDS

None

CAPITAL AREA COUNCIL OF GOVERNMENTS

SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS

For the Year Ended September 30, 2012

Grantor/ Program Title	CFDA Number	Grant/Contract Number	Expenditures
FEDERAL AWARDS			
U.S. Department of Health and Human Services			
<i>Pass-Through Texas Department on Aging and Disability Services</i>			
Title III, Part C - Nutrition Services*	93.045	Title III C1	\$ 773,219
Title III, Part C - Nutrition Services*	93.045	Title III C2	1,220,058
			1,993,277
Title III, Part B - Supportive Services and Senior Citizens*	93.044	Title III B	1,102,831
Title III, Part D - Disease Prevention and Health Promotion	93.043	CMS Mippa Priority 1	8,410
Title III, Part D - Disease Prevention and Health Promotion	93.043	CMS Mippa Priority 2	37,086
Title III, Part D - Disease Prevention and Health Promotion	93.043	Title III D EBI	25,250
Title III, Part D - Disease Prevention and Health Promotion	93.043	Title III D Med Mgmt	17,117
Title III, Part D - Disease Prevention and Health Promotion	93.043	Title III D	17,044
Title III, Part E - Caregiver	93.052	Title III E	484,743
Title III, Part E - Caregiver	93.052	Title III E GOECSC	6,403
Title III, Part B - Empowering Older Adults	93.734	SUA Tile III B	51,452
Title III, Part C1 - Empowering Older Adults	93.734	SUA Title III C1	51,738
Title III, Part E - Empowering Older Adults	93.734	SUA Title III E	14,378
Title VII - Ombudsman Activity Grant	93.042	Title VII OAG	61,727
Title VII - Prevention of Elder Abuse, Neglect, and Exploitation	93.041	Title VII EAP	16,484
Nutrition Services Incentive Program*	93.053	NSIP	472,820
Money Follows the Person Rebalancing Demonstration	93.791	HHSC-CMS-MFP	2,905
CMS Basic	93.779	CMS	59,837
		Total U.S. Department of Health and Human Services	4,423,502
U.S. Department of Commerce			
Areawide Economic Development	11.302	08-83-04749	20,653
Areawide Economic Development	11.302	08-83-04680	42,637
Smart Grid Energy Innovation	11.302	08-86-04453	58,334
		Total U.S. Department of Commerce	121,624
U.S. Department of Homeland Security			
<i>Pass-through Texas Department of Public Safety</i>			
State Homeland Security Program	97.073	2010-SS-TO-0008	329,598
State Homeland Security Program	97.073	EMW-2011-SS-00019	28,599
State Homeland Security Program	97.073	2009-SS-T9-0064	54,098
			412,295
Interoperable Emergency Communications Grant Program	97.055	2010-IP-TO-0005	57,908
		Total U.S. Department of Homeland Security	470,203
U.S. Department of Housing and Urban Development			
Sustainable Communities	14.703	TXRIP0034-10	1,000,635
		Total U.S. Department of Housing and Urban Development	1,000,635
Environmental Protection Agency			
Blue Skyways Program	66.036	SB-96666201-0	1,083
		Total Environmental Protection Agency	1,083
		Total Federal Awards	\$ 6,017,047

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

CAPITAL AREA COUNCIL OF GOVERNMENTS

SCHEDULE OF EXPENDITURES OF STATE AWARDS

For the Year Ended September 30, 2012

Grantor/ Program Title	Grant/Contract Number	Expenditures
Texas Department on Aging and Disability Services		
State General Revenue Match for Title III	N/A	\$ 105,563
State General Revenue - Other	N/A	72,675
	Total This Grantor	178,238
 Office of the Governor Criminal Justice Division		
Regional Peace Officer Training	SF-12-A10-15444-12	322,017
	Total This Grantor	322,017
 Texas Commission on Environmental Quality		
Regional Solid Waste Management	582-10-918793	91,735
Regional Solid Waste Management	582-12-10145	86,165
Regional Air Quality Planning	582-11-11220	508,112
	Total This Grantor	686,012
 Commission on State Emergency Communications		
Regional 9-1-1 Implementation	911-11	497,964
Regional 9-1-1 Implementation	911-12	4,897,248
Regional 9-1-1 Implementation	911-13	331,226
	Total This Grantor	5,726,438
	Total State Awards	\$ 6,912,705

CAPITAL AREA COUNCIL OF GOVERNMENTS
NOTES TO SCHEDULES OF EXPENDITURES OF FEDERAL AND STATE AWARDS
For the Year Ended September 30, 2012

1. BASIS OF ACCOUNTING

The accompanying schedules of expenditures of federal and state awards include the federal and state grant activity of CAPCOG, and are presented on the accrual basis of accounting. The information in these schedules is presented in accordance with the requirements of OMB Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations* and the State of Texas Single Audit Circular. Therefore, some amounts presented in these schedules may differ from amounts presented in, or used in the preparation of, the basic financial statements.



Required Auditor Disclosure Letter

April 30, 2013

To the Executive Committee Members of the
Capital Area Council of Governments:

We have audited the financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of the Capital Area Council of Governments, (CAPCOG), for the year ended September 30, 2012, and have issued our report thereon dated May 29, 2012. Professional standards require that we provide the Executive Committee (the "governing body") with the following information related to our audit.

I. Our Responsibility under U.S. Generally Accepted Auditing Standards

As stated in our engagement letter dated March 29, 2010, our responsibility, as described by professional standards, is to express opinions about whether the financial statements prepared by management with its oversight are fairly presented, in all material respects, in conformity with U.S. generally accepted accounting principles. Our audit of the financial statements does not relieve the governing body or management of its responsibilities.

II. Planned Scope and Timing of the Audit

We performed the audit according to the planned scope and timing previously communicated to management in our engagement letter dated March 29, 2010.

III. Significant Audit Findings

I. *Qualitative Aspects of Accounting Practices*

- A. Management is responsible for the selection and use of appropriate accounting policies. In accordance with the terms of our engagement letter, we will advise management about the appropriateness of accounting policies and their application.
- i. The significant accounting policies used by CAPCOG are described in the notes to the financial statements. No new accounting policies were adopted and the application of existing policies was not changed during the year.
 - ii. We noted no transactions entered into by CAPCOG during the year for which there is a lack of authoritative guidance or consensus.
 - iii. There are no significant transactions that have been recognized in the financial statements in a different period than when the transaction occurred.

Partners

Robert Belt, CPA
Stephanie E. Harris, CPA
Nathan Krupke, CPA

Houston

3210 Bingle Rd., Ste. 300
Houston, TX 77055
713.263.1123

Bellville

6100 Windy Hill Lane
Bellville, TX 77418
979.865.3169

Austin

100 Congress Ave., Ste. 2000
Austin, TX 78701
512.381.0222

All Offices

www.texasauditors.com
info@txauditors.com
713.263.1550 fax



- B. Accounting estimates are an integral part of the financial statements prepared by management and are based on management's knowledge and experience about past and current events and assumptions about future events. Certain accounting estimates are particularly sensitive because of their significance to the financial statements and because of the possibility that future events affecting them may differ significantly from those expected. The most sensitive estimate affecting the financial statements was:

Management's estimate of the useful lives of capital assets as based on industry standards relating to capital assets. We evaluated the key factors and assumptions used to develop the useful lives of capital assets in determining that they are reasonable in relation to the financial statements taken as a whole.

- C. The disclosures in the financial statements are neutral, consistent, and clear. Certain financial statement disclosures are particularly sensitive because of their significance to financial statement users. The most sensitive disclosure affecting the financial statements was:

The disclosure of the CAPCOG's blended component units.

2. Difficulties Encountered in Performing the Audit

We encountered no significant difficulties in dealing with management in performing and completing our audit.

3. Corrected and Uncorrected Misstatements

Professional standards require us to accumulate all known and likely misstatements identified during the audit, other than those that are trivial, and communicate them to the appropriate level of management. Management has corrected all such misstatements. The attached schedule summarizes both material and immaterial misstatements detected as a result of our audit procedures.

4. Disagreements with Management

For purposes of this letter, professional standards define a disagreement with management as a financial accounting, reporting, or auditing matter, whether or not resolved to our satisfaction, that could be significant to the financial statements or the auditors' report. We are pleased to report that no such disagreements arose during the course of our audit.

5. Management Representations

We have requested certain representations from management that are included in the management representation letter dated April 30, 2013.

6. Management Consultations with Other Independent Accountants

In some cases, management may decide to consult with other accountants about auditing and accounting matters, similar to obtaining a "second opinion" on certain situations. If a consultation involves application of an accounting principle to CAPCOG's financial statements or a determination of the type of auditors' opinion that may be expressed on those statements, our professional standards require the consulting accountant to check with us to determine that the consultant has all the relevant facts. To our knowledge, there were no such consultations with other accountants.

7. Other Audit Findings or Issues

We generally discuss a variety of matters, including the application of accounting principles and auditing standards, with management each year prior to retention as CAPCOG's auditors. However, these discussions occurred in the normal course of our professional relationship and our responses were not a condition to our retention.

IV. Other Information in Documents Containing Audited Financial Statements

With respect to the supplementary information accompanying the financial statements, we made certain inquiries of management and evaluated the form, content, and methods of preparing the information to determine that the information complies with accounting principles generally accepted in the United States of America, the method of preparing it has not changed from the prior period, and the information is appropriate and complete in relation to our audit of the financial statements. We compared and reconciled the supplementary information to the underlying accounting records used to prepare the financial statements or to the financial statements themselves.

This information is intended solely for the use of the governing body and management of CAPCOG and is not intended to be and should not be used by anyone other than these specified parties.

BELT HARRIS PECHACEK, LLLP

Belt Harris Pechacek, LLLP
Certified Public Accountants
Houston, Texas

Client: **Capital Area Council of Governments**
 Engagement: **4.1 - CAPCOG 09/30/12**
 Period Ending: **9/30/2012**
 Trial Balance: **2.2.01 - Trial Balance**
 Workpaper: **2.5.06 - Adjusting Journal Entries Report - 2**

Account	Description	W/P Ref	Debit	Credit
Adjusting Journal Entries JE # 1				
CLIENT PREPARED- To adjust accounts related to Geomap.				
100-1461	Other Receivables		43,135.40	
100-1461	Other Receivables		43,689.30	
100-2113	Accounts Payable - Other		172,541.60	
100-2113	Accounts Payable - Other		305,825.10	
100-2611	Deferred Revenue		6,746.12	
100-2611	Deferred Revenue		10,084.82	
100-4361	GIS Contractual Revenue		6,746.12	
100-4361	GIS Contractual Revenue		10,084.82	
100-4361	GIS Contractual Revenue		43,135.40	
100-4361	GIS Contractual Revenue		43,689.30	
100-5538	Aerial Photography over 15K		172,541.60	
100-5538	Aerial Photography over 15K		305,825.10	
100-1461	Other Receivables			43,135.40
100-1461	Other Receivables			43,689.30
100-2113	Accounts Payable - Other			172,541.60
100-2113	Accounts Payable - Other			305,825.10
100-2611	Deferred Revenue			6,746.12
100-2611	Deferred Revenue			10,084.82
100-4361	GIS Contractual Revenue			6,746.12
100-4361	GIS Contractual Revenue			10,084.82
100-4361	GIS Contractual Revenue			43,135.40
100-4361	GIS Contractual Revenue			43,689.30
100-5538	Aerial Photography over 15K			172,541.60
100-5538	Aerial Photography over 15K			305,825.10
Total			1,164,044.68	1,164,044.68

Adjusting Journal Entries JE # 2

Entry to fix fund balance in the Aging Fund. Client should make entry as of yearend and do not reverse.

201-2131	Due to other Funds		500.64	
210-2131	Due to other Funds		0.60	
211-2131	Due to other Funds		0.06	
212-2131	Due to other Funds		0.33	
216-2131	Due to other Funds		0.07	
217-2131	Due to other Funds		1.89	
218-3211	Restricted Fund Balance		1.05	
219-2131	Due to other Funds		0.99	
241-2131	Due to other Funds		0.15	
251-3111	Unrestricted Fund Balance		0.13	
201-3111	Unrestricted Fund Balance			500.64
210-3111	Unrestricted Fund Balance			0.60
211-3111	Unrestricted Fund Balance			0.06
212-3111	Unrestricted Fund Balance			0.33
216-3211	Restricted Fund Balance			0.07
217-3211	Restricted Fund Balance			1.89
218-2131	Due to other Funds			1.05
219-3211	Restricted Fund Balance			0.99
241-3111	Unrestricted Fund Balance			0.15
251-2131	Due to other Funds			0.13
Total			505.91	505.91

Client: **Capital Area Council of Governments**
 Engagement: **4.1 - CAPCOG 09/30/12**
 Period Ending: **9/30/2012**
 Trial Balance: **2.2.01 - Trial Balance**
 Workpaper: **2.5.06 - Adjusting Journal Entries Report - 2**

Account	Description	W/P Ref	Debit	Credit
Adjusting Journal Entries JE # 3				
Entry to fix fund balance in the Aging Fund. Client should make entry as of yearend and do not reverse.				
910-3211	Restricted Fund Balance		144.29	
911-3211	Restricted Fund Balance		218.91	
912-2131	Due to other Funds		119.89	
913-3211	Restricted Fund Balance		0.27	
914-2131	Due to other Funds		4,034.23	
916-3211	Restricted Fund Balance		239.20	
917-3211	Restricted Fund Balance		1.34	
918-3211	Restricted Fund Balance		0.29	
919-3211	Restricted Fund Balance		250.36	
910-2131	Due to other Funds			144.29
911-1431	Due from other funds			218.91
912-3211	Restricted Fund Balance			119.89
913-2131	Due to other Funds			0.27
914-3211	Restricted Fund Balance			4,034.23
916-2131	Due to other Funds			239.20
917-2131	Due to other Funds			1.34
918-2131	Due to other Funds			0.29
919-2131	Due to other Funds			250.36
Total			5,008.78	5,008.78

Adjusting Journal Entries JE # 4				
Adjusting entry to eliminate interfund transfer difference. Client should make entry as of yearend and do not reverse.				
100-4599	Local Match-Aging		748.00	
100-1431	Due from other funds			748.00
Total			748.00	748.00

Adjusting Journal Entries JE # 5				
Entry to fix fund balance in the Aging Fund. Client should make entry as of yearend and do not reverse.				
861-2131	Due to other Funds		198.00	
862-3111	Unrestricted Fund Balance		0.31	
896-2131	Due to other Funds		0.01	
898-2131	Due to other Funds		0.33	
899-2131	Due to other Funds		986.00	
861-3111	Unrestricted Fund Balance			198.00
862-2131	Due to other Funds			0.31
896-3111	Unrestricted Fund Balance			0.01
898-3111	Unrestricted Fund Balance			0.33
899-3111	Unrestricted Fund Balance			986.00
Total			1,184.65	1,184.65

Adjusting Journal Entries JE # 6				
Entry to fix fund balance in the Aging Fund. Client should make entry as of yearend and do not reverse.				
701-3211	Restricted Fund Balance		833.54	
711-1431	Due from other funds		0.86	
762-2131	Due to other Funds		1,587.30	
772-3211	Restricted Fund Balance		0.14	
775-2131	Due to other Funds		303.49	
777-2131	Due to other Funds		0.08	
701-2131	Due to other Funds			833.54
711-3111	Unrestricted Fund Balance			0.86
762-3211	Restricted Fund Balance			1,587.30
772-2131	Due to other Funds			0.14

Client: **Capital Area Council of Governments**
 Engagement: **4.1 - CAPCOG 09/30/12**
 Period Ending: **9/30/2012**
 Trial Balance: **2.2.01 - Trial Balance**
 Workpaper: **2.5.06 - Adjusting Journal Entries Report - 2**

Account	Description	W/P Ref	Debit	Credit
775-3211	Restricted Fund Balance			303.49
777-3211	Restricted Fund Balance			0.08
Total			2,725.41	2,725.41
Adjusting Journal Entries JE # 7				
Entry to fix fund balance in the Aging Fund. Client should make entry as of yearend and do not reverse.				
663-2131	Due to other Funds		30.38	
663-3111	Unrestricted Fund Balance			30.38
Total			30.38	30.38
Adjusting Journal Entries JE # 8				
Entry to fix fund balance in the Aging Fund. Client should make entry as of yearend and do not reverse.				
857-1431	Due from other funds		2,260.36	
857-3111	Unrestricted Fund Balance			2,260.36
Total			2,260.36	2,260.36
Adjusting Journal Entries JE # 9				
Entry to fix fund balance in the Aging Fund. Client should make entry as of yearend and do not reverse.				
100-3111	Unrestricted Fund Balance		5,232.00	
100-1431	Due from other funds			5,232.00
Total			5,232.00	5,232.00
Adjusting Journal Entries JE # 10				
Entry to fix fund balance in the Aging Fund. Client should make entry as of yearend and do not reverse.				
410-3111	Unrestricted Fund Balance		524.51	
434-3111	Unrestricted Fund Balance		985.00	
435-3111	Unrestricted Fund Balance		32.00	
436-3211	Restricted Fund Balance		8,892.32	
437-2131	Due to other Funds		2,262.00	
439-3111	Unrestricted Fund Balance		0.01	
456-3211	Restricted Fund Balance		13.67	
410-2131	Due to other Funds			524.51
434-2131	Due to other Funds			985.00
435-2131	Due to other Funds			32.00
436-2131	Due to other Funds			8,892.32
437-3211	Restricted Fund Balance			2,262.00
439-2131	Due to other Funds			0.01
456-2131	Due to other Funds			13.67
Total			12,709.51	12,709.51
Adjusting Journal Entries JE # 11				
Entry to adjust cash. Client should make entry as of yearend and reverse at 10/1/12.				
100-1111	Cash - General Fund		51,836.84	
663-1431	Due from other funds		51,836.84	
100-1431	Due from other funds			51,836.84
663-2111	Trade Accounts Payable GF			51,836.84
Total			103,673.68	103,673.68

Client: *Capital Area Council of Governments*
 Engagement: *4.1 - CAPCOG 09/30/12*
 Period Ending: *9/30/2012*
 Trial Balance: *2.2.01 - Trial Balance*
 Workpaper: *2.5.06 - Adjusting Journal Entries Report - 2*

Account	Description	W/P Ref	Debit	Credit
Adjusting Journal Entries JE # 12				
Client journal entry. See 2.04.04				
3000-4211	State Grants Applied		16,771.00	
3006-4211	State Grants Applied		2,186.00	
3010-4111	Federal Grants Applied		2,652.69	
3010-4115	Federal Title 111 E		102,910.05	
3017-4211	State Grants Applied		849.00	
3023-4211	State Grants Applied		8,850.00	
3000-4111	Federal Grants Applied			16,771.00
3006-4111	Federal Grants Applied			2,186.00
3010-4211	State Grant			105,562.74
3017-4111	Federal Grants Applied			849.00
3023-4111	Federal Grants Applied			8,850.00
Total			134,218.74	134,218.74
Adjusting Journal Entries JE # 13				
See client adjusting journal entry for payroll.				
		2.04.05		
100-2323	Unemployment Insurance Payable		8,137.26	
100-2411	Employee Insurance Payable		31,581.96	
100-2431	125 Plan Payable		14,493.81	
100-5416	Other Expense		11,877.08	
100-5416	Other Expense		35,776.04	
100-2412	Life Insurance Payable			35,776.04
100-2461	Wellness program payable			11,877.08
100-5416	Other Expense			8,137.26
100-5416	Other Expense			14,493.81
100-5416	Other Expense			31,581.96
Total			101,866.15	101,866.15
Adjusting Journal Entries JE # 14				
See client provided adjusting journal entry.				
		2.04.06		
3002-5921	Local Match		2,846,161.60	
3002-5931	Local Match		76,149.00	
3002-4321	Local Match			1,848,646.62
3002-4511	Local Match			76,149.00
3002-4821	Local Match			128,649.42
3002-4822	Local Match			206,247.56
3002-4823	Local Match			662,618.00
Total			2,922,310.60	2,922,310.60

